



THE NEW ZEALAND WINE COMPANY
LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011

The Directors of The New Zealand Wine Company Limited (NZWC) present their 2011 full year operating results and Annual Report for the 12 months ended 30 June 2011. NZWC audited financial statements for the Annual Report have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Operating Results

The 2011 year has been a very difficult year for the company. NZWC net earnings for the 30 June 2011 full year resulted in an audited net loss after tax of (\$3,177,000) which represents a significant increase on the (\$1,898,000) net loss reported for the same period in 2010. A number of significant NZ IFRS non cash revaluation adjustments at balance date contributed to the loss, which are summarised below, and are detailed in the Annual Report Financial Statements and in the accompanying Notes to the Financial Statements.

The underlying loss before impairment, NZ IFRS revaluation adjustments and income tax for the 30 June 2011 full year of (\$1,852,000) is a significant turnaround to the comparable \$65,000 underlying profit reported for the same period in 2010, and is detailed in the Annual Report Income Statement and the accompanying Notes to the Financial Statements. In summary, the overview financials are:

Income Statement Summary - \$'000	Group 12 months 30 June 2011	Group 12 months 30 June 2010
Revenue	\$11,158	\$13,047
Underlying profit/(loss) before impairment, NZ IFRS revaluations and income tax	(\$ 1,852)	\$ 65
Impairment		
Impairment of trade and other receivables	(\$ 26)	-
Impairment of inventory	(\$ 247)	(\$ 111)
Impairment of goodwill	(\$ 640)	-
Revaluation gains and losses		
Unrealised 'mark to market' gain/(loss) in the fair value of financial assets/liabilities – held for trading	(\$ 1,418)	(\$ 396)
Unrealised loss from the revaluation of grape vine values classified as biological assets	(\$ 627)	(\$ 1,383)
Unrealised gain in the value of harvested grapes valued at 'fair value'	\$ 254	(\$ 306)
Realised gain in the value of harvested grapes valued at fair value	\$ 401	\$ 96
Loss before income tax	(\$ 4,155)	(\$ 2,035)
Income tax expense	\$ 834	\$ 763
Income tax expense – change in depreciation of buildings	-	\$ (626)
Loss for the year	(\$ 3,321)	(\$ 1,898)
Loss attributable to non-controlling interest	(\$ 144)	-
Loss for the year net of tax, attributable to Shareholders of the Parent Company	(\$ 3,177)	(\$ 1,898)

Impairments have been made to write down the book value the older wine stock by (\$247,000) to a level that it can be readily sold at in the current market and to write off the (\$640,000) of goodwill attributable to the companies US investment in Lineage Imports LLC.

Net cash flow from operating activities was negative at \$1,461,000 for the full year due to increased inventory from lower than anticipated sales.

With 8,677,199 shares on issue as at 30 June 2011 year end, net tangible asset backing was \$1.73 per share compared to the equivalent \$2.15 per share reported for the same period in 2010.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Revenue

NZWC total revenue for the 30 June 2011 full year was \$11,158,000 which represents a 14% decrease on the \$13,047,000 reported for the same period in 2010. Revenue from NZWC's branded wine sales was reduced by market impacts flowing from the high level of New Zealand bulk wine sales coupled with a strong NZD against the GBP and the USD and strong competition.

174,000 case sales equivalents were sold in the June 2011 year, a reduction of 6% for the full year compared to the 186,000 for the same period in 2010 with 12% of NZWC 2010 case sales equivalents coming from bulk wine sales. NZ Winegrowers have reported that 48m litres of bulk wine was exported in 2011 year which accounted for 31% of the total New Zealand export wine volumes.

USA Wine Sales Strategy

In keeping with the strategy explained at last year's AGM, the company invested in a California wine distribution business, Lineage Imports LLC. This company holds Federal import and California distribution licenses and established a carbonZero sustainability platform for a unique brand – Eco.love, aimed at a growing younger environmentally aware market in America.

NZWC set up a wholly owned subsidiary in the US to take a 66% equity interest in Lineage Imports LLC. As a start up business in terms of its new brand, Lineage has not yet achieved a profitable sales level and your directors have resolved to work to introduce a new equity investor in the US to provide the company with the additional funding it requires to leverage off the distribution that it has achieved. NZWC would then retain its interest of primarily being the supplier of carbonZero wine for the Eco.love brand.

The impact of this investment is that Lineage had negative net earnings in the year under review of NZ\$424,000 (\$280,000 attributable to shareholders of NZWC) and until the company is profitable the NZWC Board is writing down the value of its investment. This year there is an impairment of goodwill of \$640,000.

Balance Sheet - Shareholders Equity

Total shareholders' equity as at 30 June 2011 was \$14,989,000, a reduction of \$3,639,000 compared to the equivalent \$18,628,000 reported for the same period in 2010. The net operating loss of \$3,177,000 was the biggest contributor to the reduction in shareholders' equity.

NZWC's annual Property valuations were carried out by Alexander Hayward Limited as at 30 June 2011 with the total valuation being \$15,800,000 compared to the \$16,910,000 for the prior year, a reduction of \$1,110,000 or 7% for the year which is reflected in the reduction in shareholder value.

Vintage 2011

Vintage 2011 saw NZWC harvest 2,808 tonnes of grapes from its company owned vineyards, leased vineyards and contract growers. The 2011 harvest is 586 tonnes or 26% higher than last year's 2010 grape intake of 2,222 tonnes.

NZ Winegrowers recently reported that the total New Zealand 2011 Harvest grape intake was 328,000 tonnes to be 62,000 tonnes or 23% higher than the 2010 harvest of 266,000 tonnes. The 2011 Marlborough harvest grape intake increased by 34% to 245,000 tonnes.

Foreign Exchange

New Zealand Dollar foreign exchange risk management remains a key focus for the Board and Management who work closely with the NZWC's treasury management adviser Asia Pacific Risk Management Limited to implement appropriate foreign exchange management strategies to minimise currency risks and maximise the benefits from operating an integrated Treasury Management Policy.

The strong NZD against the USD and GBP is having a significant negative impact on export sales margins and revenues and the current FX rates which are not sustainable based on the available retail price points. At balance date the comparable FX rates were;

- NZD/GBP at June 2011 0.51 was 11% up on June 2010 at 0.46 – The 10 year average at 0.37 is 27% lower than June 2011 at 0.51
- NZD/USD at June 2011 0.83 was 19% up on June 2010 at 0.70 – The 10 year average at 0.63 is 24% lower than June 2011 at 0.83

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Foreign Exchange (continued)

As at 30 June 2011 the company had \$22 million of NZD forward cover in place for its NZD/AUD, NZD/USD and NZD/GBP market exposures. The majority of the cover in place is for the NZD/AUD FX exposure and NZWC would place more forward cover in the event that the NZD/USD and NZD/GBP spot rates reduce to NZWC's targeted forward cover activation levels.

Global Wine Sales Strategy

NZWC is evaluating the opportunities to redirect wine to more profitable markets in the event that the NZD remains strong against the USD and GBP as the gross margins at current FX levels are unsustainable for the company without any forward cover in place and/or the company is not able to negotiate price increases. Selling branded wines at a gross margin loss in the future would clearly not assist the company to turnaround its current net operating losses. A further option for the company in 2012 would be to reduce the size of its grape harvest if it was clear that some of the wine to be produced from the harvest would have to be sold at a gross margin loss.

Banking Covenants

NZWC advised the NZAX on 27 June 2011:

".. that the company will not comply with one of its three financial covenants with its bank as at 30 June 2011. The relevant covenant is the ratio which EBITDA bears to Interest costs and must not be less than 1.3 to 1 for the year ending 30 June 2011. NZWC will fall short of that ratio by a significant margin."

"Our bankers have, by written advice to NZWC agreed to waive breach of the relevant financial covenant conditional on an independent review of NZWC's financial forecasts and business model and the bank being satisfied with the results of the review process. If the bank is not satisfied with the results of that process, it may trigger an event of review for discussions between NZWC and the bank over a period of 10 days to seek a satisfactory way forward. If the bank is not satisfied with the outcome of the event of review it may call up the facilities provided to NZWC."

PricewaterhouseCoopers (PwC) were appointed by NZWC to prepare an Independent Appraisal Report.

Post balance date and in conjunction with the Independent Appraisal being carried out by PwC, NZWC has commenced negotiations with the ANZ National Bank (Bank) seeking to obtain an unconditional waiver for the covenant breach as at 30 June 2011. The company is also seeking to negotiate a variation to the covenants applicable to the financial year to 30 June 2012. As part of this process, the company has agreed to provide to the Bank an updated June 2012 Budget, and a 3 Year Business Plan.

On 22 July 2011 NZWC provided an update to the NZAX which advised that:

"NZWC is in the process of working through an independent review being carried out by PricewaterhouseCoopers of its financial forecasts and business model, which includes its investment in Lineage. The Board and Management are fully focused on NZWC's restructuring and recovery plan for the 2012 year and beyond, that is in tune with the market that the NZ wine industry has had to adapt to during the period of oversupply"

The NZWC Board and Management are all committed to working through its business model and financial forecasts with PwC to be able to successfully put its Business Plan to the ANZ National Bank to obtain their support for the company's proposed pathway to return to profitability.

At the time of releasing the Annual Report the negotiations with the Bank had not been concluded.

Deloitte Audit Report

The NZWC 2011 Annual Report and Financial Statements include modification to the Audit Report due to the Company not having resolved the outstanding covenant matters with the Bank prior to the financial statements being signed by the Directors and the Company's Auditor. The financial statements include a note as to the going concern basis of the Company and an additional reference in the Audit Report to an "Emphasis of Matter" which would relate to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Equity Raising

The scope of work agreed by NZWC with the Bank covering the preparation of the PwC Independent Appraisal Report included a review of equity raising initiatives that would improve NZWC's balance sheet and enable the repayment of Bank debt. The Board agrees with the Bank that new equity needs to be introduced and the company is working with PwC to develop an equity raising plan that would cover a full range of options that could include - an underwritten discounted rights issue to existing shareholders, the introduction of a strong cornerstone shareholder and a merger with another wine company that would add value for all shareholders.

Directors will communicate with shareholders on the equity raising options being considered in due course

Dividend

Faced with reporting an underlying loss before impairments, revaluations and income tax of \$1,852,000 for the full year to 30 June 2011 Directors have had to take a responsible approach and have resolved that the company should not pay a 2011 final dividend which is consistent with the decision made to not pay an interim dividend.

Directors are very conscious of the need to restore underlying earnings to the point that dividend payments can also be restored in future and management will be working very hard to manage through the difficult trading conditions to return NZWC to profitability. Directors will continue to review dividend payout levels against sustainable underlying earnings before NZ IFRS revaluations.

Staff and Organisation Changes

Rob White resigned as NZWC CEO in early July 2011 after 8 years with the company to take up a new CEO position in Auckland. Rob has seen the company through a profitable phase that has since been strongly impacted by the oversupply of wine that has been with the industry since 2008 and Directors would like to thank Rob for his contribution and wish him well in his new role in the years ahead.

Peter Scutts was appointed as NZWC's new CEO in early July 2011 after working on contract for NZWC in Australia for a year where he significantly improved NZWC's wine sales. Peter brings a wealth of wine industry experience to the company from his time in sales and marketing roles with Montana and also from his time as CEO of The New Zealand Wine Fund. Directors are confident that Peter will be able to lead the management team to implement a restructuring and recovery plan to return the company to profitability, while also setting the platform for financially sustainable growth in the years ahead.

As part of the restructuring plan to be implemented there have been some other management changes as the company moves to right size its business around the wine case sales opportunities and revenues available to the company, while also ensuring that it's operating costs are appropriate for the size of the organisation.

Directors would like to thank all staff who have been working hard while the company has been managing its way through the most challenging period in the company's history.

Directors Fees

The Board will not be seeking any approval from shareholders to increase directors' fees at the 2011 Annual Meeting on 28 October 2011.

Director Retirement

Maurice McQuillan retired as a Director of NZWC at the end June 2011 after 17 years service that commenced with The Grove Mill Wine Company. Maurice started with Grove Mill when it was a small wine company selling in the New Zealand market and he has seen the company and the wine industry work through different cycles to be selling to majority of production offshore. We wish Maurice well and would like to thank him for his contribution over many years and we look forward to maintaining an ongoing shareholder relationship in the years ahead.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Operating Results Outlook

Whilst the issue of market oversupply, exchange rates and the state of the global economy are largely external, your directors and management have put in place a number of initiatives to turnaround and produce a significant improvement in underlying earnings. However, NZWC is unable to provide reliable net earnings guidance for the June 2012 financial year based on the NZ IFRS reporting standard, as it not possible for an agricultural exporting company to predict what can be significant swings in the revaluation adjustments that are required to be made at each balance date. Directors and Management will continue to focus on the underlying profit before NZIFRS revaluation adjustments and income tax, as it is a more reliable and consistent earnings benchmark.

Much time and effort has been devoted to working with our Bank and PwC to agree the best way of improving the company's value and future returns. Peter Scutts, the management team and all staff, including the Kiwi Oeno personnel now providing leadership input into NZWC's viticulture, winemaking and production, are being challenged to implement the JYE2012 Business Plan and deliver the forecast financial outcomes. Directors are confident that the NZWC team being lead by Peter can successfully implement the Business Plan to give effect to a recovery that will demonstrate to all stakeholders that NZWC is capable of delivering a level of profitability that is sustainable and adds shareholder value.

Directors have carefully reviewed management's updated June 2012 year budget forecasts and believe that a significant forecast improvement in underlying net operating earnings projected is achievable and provides a solid a pathway to achieve satisfactory and sustainable levels of profitability. The key uncertainty for the next year is where the NZD will trade against the USD and GBP in particular. NZ Winegrowers have also identified that the strength of the NZD against the currencies of our major trading partners is having a significant negative impact on wine exporters' profitability.

Directors remain positive about the medium and long term financial sustainability of the New Zealand wine industry and believe that the NZWC Business Plan that is being developed will provide a platform for delivering satisfactory and sustainable levels of profitability.

For and on behalf of the Board of Directors



Alton Jamieson, Chairman
7 September 2011

CHIEF EXECUTIVE OFFICER'S REPORT FOR THE YEAR ENDED 30 JUNE 2011

The difficult trading environment we encountered last year has continued during the 12 months ended 30th June 2011. As outlined in the Directors Report the combination of the over-supply of grapes, a strong NZ dollar and the global financial crisis has put intense pressure on revenue, margin, net earnings and cash flow management for all NZ wineries and grape growers and has resulted in NZWC posting a significant loss.

We have taken a number of initiatives in order to ensure survive this difficult period and return to a position where we can deliver adequate returns to our shareholders.

1. We have expanded our distribution and implemented new initiatives in Australia and New Zealand which currently provide our highest margin opportunities.
2. Our environmental sustainability and quality initiatives remain an important point of difference within an increasingly competitive market and we continue to utilise these positions.
3. By maintaining a disciplined approach to harvest yields and working closely with our growers we have balanced our grape supply and demand.
4. We are tightly controlling costs and closely monitoring cash flow and have initiated a number of cost improvement projects in the winery, vineyards and administration.

Brand Development

We intend to reinforce our position as a producer of premium New Zealand wines with an overriding focus of delivering quality in the bottle and are reviewing our winemaking and packaging to ensure we reflect the latest trends in Marlborough wine, this will build on NZWC's credentials as a world leading winery on environmentally sustainable and quality practices.

Excellent distribution partnerships

In each of our key markets we are reviewing our existing distribution partnerships to ensure we can deliver sales at sustainable margins.

In the USA we continue to work with Palm Bay to try and grow our premium Grove Mill brand which can sustain workable margins while we wait for FX position to correct. Our commercial brand business in the USA is marginal and while we have proceeded with the launch of Black Birch into this market this will be under constant review measured against in market pricing and FX movements.

Our investment in Lineage and the Eco.love brand has not delivered immediate returns and we have had to incur considerable start up costs in this business. The brand has now started to gain momentum and is rolling out into a national launch, we are currently seeking new investors into this business to defray some of the start up costs we have incurred.

We continue to be able to operate in the UK market despite the very low market pricing and the weak pound due to our proactive FX cover policy but we will need to constantly review our position and look to redirect volume out of the UK if the pricing and or FX does not move favourably over the next 12 months. Our UK distributor PLB is looking to grow the Grove Mill brand in the on premise and specialist wine retailer segments and our long standing relationship with Sainsbury's continues to be strong both with our Sanctuary brand and the highly successful Sainsbury's 'House Brand' Marlborough Sauvignon Blanc Coolwater Bay, Taste The Difference which we supply.

CHIEF EXECUTIVE OFFICER'S REPORT FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

We see Australia as a major opportunity to deliver sustainable margins and have made significant progress in growing our volume in this market. We are working with a number of distribution partners to grow our business both with our own brands and a number of exclusive and supplier own label brands. We aim to make Australia our No1 market in the coming year.

New Zealand has continued to hold up well with a diverse distribution strategy in place, with Independent Liquor who primarily focuses on the Sanctuary brand through Foodstuffs, directly with Progressive Enterprises using our Grove Mill brand and the internet channel via Blackmarket with the Frog Haven brand.

Vineyards

Our objective is to grow and secure high quality grapes according to best viticulture practice recognising that the current industry dynamics demand that we focus on achieving grape pricing that enables us to sell wine at a profit. This is a huge challenge for both our company owned vineyards and our growers and we acknowledge the effort being put in to remove costs from the vineyard operations. I would like to take this opportunity to thank all our contract growers who have worked with us constructively to ensure we achieve the best possible outcome in what is very challenging times in the industry.

I would also especially like to thank all staff who have worked extremely hard through difficult times and the NZWC Board of Directors who have supported me over the past 8 years. I wish them and Peter Scutts the incoming CEO well in what will remain a difficult trading environment but I remain convinced that the New Zealand Wine Industry and NZWC will come through this period and flourish.



Rob White, CEO
7 September 2011

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of The New Zealand Wine Company Limited and Group as at 30 June 2011 and the results of their operations and cash flows for the year ended 30 June 2011.

The Directors consider that the financial statements of the Company and the Group have been prepared using accounting policies appropriate to the Company and Group circumstances, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of The New Zealand Wine Company Limited and Group for the year ended 30 June 2011.

This annual report is dated 7 September 2011 and is signed in accordance with a resolution of the Directors made that day pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors



Alton Jamieson
Chairman



David Appleby
Director

THE NEW ZEALAND WINE COMPANY
LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
Revenue	3	11,158	11,205	13,047
Expenses				
Excise duty		(806)	(806)	(911)
Cost of sales		(7,890)	(7,834)	(8,437)
Distribution expenses		(243)	(215)	(202)
Marketing expenses		(1,507)	(1,408)	(1,505)
Administration expenses		(1,703)	(1,359)	(1,221)
Expenses excluding interest		(12,149)	(11,622)	(12,276)
(Loss)/Profit before interest, impairment, revaluations & income tax		(991)	(417)	771
Interest revenue		25	35	30
Interest expense	4	(886)	(885)	(736)
Net finance costs		(861)	(850)	(706)
(Loss)/Profit before impairment, revaluations & income tax		(1,852)	(1,267)	65
Impairment				
Impairment of trade and other receivables	2.2 (e)	(26)	(923)	-
Impairment of inventory	2.2 (e)	(247)	(247)	(111)
Impairment of goodwill	2.2 (f)	(640)	-	-
Revaluation gains and losses				
Unrealised gain/(loss) in fair value of financial asset/liabilities	24(k)	(1,418)	(1,418)	(396)
Unrealised gain/(loss) on biological assets	19	(627)	(627)	(1,383)
Unrealised (loss)/gain on harvested grapes		254	254	(306)
Realised (loss)/gain on harvested grapes		401	401	96
Loss before income tax	3	(4,155)	(3,827)	(2,035)
Income tax benefit	5.1	834	834	763
Income tax expense – change in depreciation on buildings	5.1	-	-	(626)
Loss for the year		(3,321)	(2,993)	(1,898)
Loss attributable to non-controlling interests		144	-	-
Loss for the year net of tax, attributable to Shareholders of the Parent Company		(3,177)	(2,993)	(1,898)
Basic Earnings per share cps (after tax)	6	(36.6)	(34.5)	(21.9)
Diluted Earnings per share cps (after tax)	6	(36.5)	(34.4)	(21.7)

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 52.

THE NEW ZEALAND WINE COMPANY
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
Loss for the year		(3,321)	(2,993)	(1,898)
Other comprehensive income:				
Exchange differences on translating foreign operations	11	66	-	-
Revaluation of property, plant and equipment	18	(430)	(430)	(1,261)
Income tax on items taken directly to or transferred from equity	5.2	49	49	195
Other comprehensive income for the year, net of tax		(315)	(381)	(1,066)
Total comprehensive income/(expense) for the year, net of tax		(3,636)	(3,374)	(2,964)
Attributable to:				
Owners of the Parent Company		(3,492)	(3,374)	(2,964)
Non-controlling interests		(144)	-	-
		(3,636)	(3,374)	(2,964)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Foreign Currency Translation Reserve \$'000	Employee Equity- Settled Benefits Reserve \$'000	Retained Earnings \$'000	Attributed to Owners of the Parent \$'000	Non- controlling Interests \$'000	Total \$'000
Group									
Equity at 1 July 2010		9,619	2,823	-	16	6,167	18,625	-	18,625
Total comprehensive income/(expense) for the year		-	(381)	66	-	(3,177)	(3,492)	(144)	(3,636)
Contributions by owners	9	-	-	-	-	-	-	-	-
Distributions to owners	8	-	-	-	-	-	-	-	-
Share-based payment	11	-	-	-	(6)	6	-	-	-
Transactions with owners during the year		-	-	-	(6)	6	-	-	-
Added to equity during the year		-	(381)	66	(6)	(3,171)	(3,492)	(144)	(3,636)
Equity at 30 June 2011		9,619	2,442	66	10	2,996	15,133	(144)	14,989
Dividends paid per share cps	7								0.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 52.

THE NEW ZEALAND WINE COMPANY
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

	Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Employee Equity- Settled Benefits Reserve \$'000	Retained Earnings \$'000	Total \$'000
Parent						
Equity at 1 July 2010		9,619	2,823	16	6,170	18,628
Total comprehensive income/(expense) for the year		-	(381)	-	(2,993)	(3,374)
Contributions by owners	9	-	-	-	-	-
Distributions to owners	8	-	-	-	-	-
Share-based payment	11	-	-	(6)	6	-
Transactions with owners during the year		-	-	(6)	6	-
Added to equity during the year		-	(381)	(6)	(2,987)	(3,374)
Equity at 30 June 2011		9,619	2,442	10	3,183	15,254
Dividends paid per share cps	7					0.0

	Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Employee Equity- Settled Benefits Reserve \$'000	Retained Earnings \$'000	Total \$'000
Parent & Group						
Equity at 1 July 2009		9,619	3,889	17	8,413	21,938
Total comprehensive income/(expense) for the year		-	(1,066)	-	(1,898)	(2,964)
Contributions by owners	9	-	-	-	-	-
Distributions to owners	8	-	-	-	(347)	(347)
Share-based payment	11	-	-	(1)	2	1
Transactions with owners during the year		-	-	(1)	(345)	(346)
Added to equity during the year		-	(1,066)	(1)	(2,243)	(3,310)
Equity at 30 June 2010		9,619	2,823	16	6,170	18,628
Dividends paid per share cps	7					4.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 52.

THE NEW ZEALAND WINE COMPANY
LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
CURRENT ASSETS				
Cash and cash equivalents		-	-	273
Trade and other receivables	16	2,641	3,050	3,976
Other financial assets	15	954	954	1,424
Inventories	17	12,776	12,430	11,093
Current tax assets	5.3	88	88	265
Prepaid expenses		411	411	450
		<u>16,870</u>	<u>16,933</u>	<u>17,481</u>
NON-CURRENT ASSETS				
Property, plant and equipment	18	13,903	13,901	14,699
Biological assets	19	6,032	6,032	6,737
Intangible assets	20	10	10	12
Investments	21	10	139	10
Other financial assets	15	506	506	1,236
Other non-current receivables		-	1	1
		<u>20,461</u>	<u>20,589</u>	<u>22,695</u>
TOTAL ASSETS		<u>37,331</u>	<u>37,522</u>	<u>40,176</u>

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 52.

THE NEW ZEALAND WINE COMPANY
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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011 (CONTINUED)

	Note	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
CURRENT LIABILITIES				
Trade and other payables	13	1,957	1,866	1,741
Loans and borrowings	14	17,254	17,253	3,975
Other financial liabilities	15	1	1	98
		19,212	19,120	5,814
NON-CURRENT LIABILITIES				
Loans and borrowings	14	-	18	11,968
Other financial liabilities	15	613	613	280
Deferred tax liabilities	5.4	2,517	2,517	3,486
		3,130	3,148	15,734
TOTAL LIABILITIES		22,342	22,268	21,548
EQUITY				
Share capital	9	9,619	9,619	9,619
Reserves	11	2,518	2,452	2,839
Retained earnings	12	2,996	3,183	6,170
Equity attributable to owners of the Parent Company		15,133	15,254	18,628
Non-controlling interests	31	(144)	-	-
TOTAL EQUITY		14,989	15,254	18,628
TOTAL LIABILITIES AND EQUITY		37,331	37,522	40,176

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 52.

THE NEW ZEALAND WINE COMPANY
LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		14,157	13,340	15,228
Interest received		25	13	30
Payments to suppliers and employees		(14,569)	(13,213)	(12,542)
Interest and other costs of finance paid		(888)	(885)	(733)
Interest capitalised into inventories		(283)	(283)	(276)
Income tax paid		97	97	86
Net cash flow from operating activities	22	<u>(1,461)</u>	<u>(931)</u>	<u>1,793</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of property, plant and equipment		4	4	116
Purchase of property, plant and equipment and biological assets		(132)	(130)	(619)
Interest capitalised into biological assets		-	-	(29)
Purchase of intangible assets		(1)	(1)	-
Purchase of Investment	21	-	(109)	-
Advances to subsidiary		-	(809)	-
Grower & Other loans repaid (advanced)		24	390	(342)
Net cash flow from investing activities		<u>(105)</u>	<u>(655)</u>	<u>(874)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided for (applied to)				
Loans advanced		16,514	16,514	2,350
Loans repaid		(16,817)	(16,856)	(2,017)
Dividends paid		-	-	(347)
Net cash flow from financing activities		<u>(303)</u>	<u>(342)</u>	<u>(14)</u>
Net increase (decrease) in cash held		(1,869)	(1,928)	905
Cash and cash equivalents/(Bank overdraft) at beginning of year		273	273	(632)
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-	-
Cash and cash equivalents/(Bank overdraft) at end of year		<u>(1,596)</u>	<u>(1,655)</u>	<u>273</u>
Comprising: Cash and cash equivalents		(1,596)	(1,655)	273
Bank overdraft		-	-	-
		<u>(1,596)</u>	<u>(1,655)</u>	<u>273</u>

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 52.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. REPORTING ENTITY

The New Zealand Wine Company Limited ("the Company", the "Parent") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the NZAX Board of the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Reporting Act 1993. The Company is an integrated wine company producing table wines with the marketing and sales of premium wines in New Zealand and various export markets.

2. SUMMARY OF ACCOUNTING POLICIES

The financial statements of The New Zealand Wine Company Limited ("the Company") and its subsidiaries (together referred to as "the Group") have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP") and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The Company is a profit-oriented company incorporated in New Zealand with its registered office at 13 Waihopai Valley Road, Renwick, Marlborough, New Zealand.

2.1 STATEMENT OF COMPLIANCE

The Company is a reporting entity for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRSs").

The financial statements were authorised for issue by the Directors on 7 September 2011.

2.2 BASIS FOR PREPARATION

The financial statements have been prepared on the historical cost basis except for land and buildings, biological assets and derivative financial instruments each of which have been measured at fair value. Accrual accounting is used to recognise revenue and expenses. The reporting currency is New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

Judgements, Estimates and Assumptions and Accounting Policies

In the application of NZ IFRS the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant areas of estimation, assumptions and critical judgements made in the preparation of these financial statements are as follows:

(a) *Going Concern Basis*

In the current year, the Company and Group incurred a loss of \$2,993,000 and \$3,177,000 respectively, and as at 30 June 2011 the Company and Group had a working capital deficiency of \$2,342,000 and \$2,187,000 respectively. As set out in Note 14, the Company has not complied with its ANZ National Bank EBITDA to Interest Costs covenant as at 30 June 2011. The Bank has directed the Company to obtain an independent

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS FOR PREPARATION (CONTINUED)

Judgements, Estimates and Assumptions and Accounting Policies (Continued)

(a) *Going Concern Basis (continued)*

review of the Company's financial forecasts and business model to obtain their support for the company's proposed pathway to return to profitability. The scope of the work agreed with the Bank also includes a review of equity raising initiatives. If the Bank is not satisfied with the outcome of the independent review process, it may call up the loan facilities provided to the Company. Due to this process all ANZ National Bank loans have been classified as current liabilities as at 30 June 2011, pending the outcome of the independent review. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis, the validity of which depends on the ANZ National Bank's continued support regarding the loan facilities provided to the Company.

The considered view of the Board of Directors (the "Board") is that, after making due enquiries, the Board has a reasonable expectation that the Company and Group have adequate resources to continue operations for the next twelve months from the date these financial statements were authorised by the Board. For this reason the Board continues to adopt the going concern assumption in preparing these financial statements for the year ended 30 June 2011.

The Board has reached this conclusion taking into regard circumstances which it considers likely to affect the Company and Group during the period of one year from 7 September 2011 and circumstances it knows will occur after that date which could affect the validity of the going concern assumption.

Whilst the directors are confident in the Company and Group's ability to continue as going concerns, there is material uncertainty as to whether the Company and Group will be able to continue as going concerns and therefore whether they will be able to pay their debts as and when they become due and payable. If the ANZ National Bank loan facilities are withdrawn, the Company and Group may be unable to continue in operational existence, and pay debts as and when they become due and payable and adjustments may have to be made to reflect the situation that assets may need to be realised and liabilities extinguished, other than in the normal course of business and at amounts which could differ significantly from the amounts as which they are currently recorded in the Statement of Financial Position.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company and Group be unable to continue as going concerns.

(b) *Fair Value of Agricultural Assets*

The fair value of grape vines is determined by an independent valuer. The fair value of vineyards, including land, grapes vines and other vineyard infrastructure were determined under the principle of highest and best use at balance date. Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation 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. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards, to determine the fair value of grape vines as shown above. The Directors consider that an active market exists to support this basis of valuation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS FOR PREPARATION (CONTINUED)

Judgements, Estimates and Assumptions and Accounting Policies (Continued)

(c) *Fair Value of Grapes at the Point of Harvest*

The fair value 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 at the point of harvest is determined after reviewing the market price paid to independent grape growers including reference to New Zealand Winegrowers annual Grape Price Data.

(d) *Determination of Lease Accounting*

The Group has entered into long-term vineyard leases which allow the Group to control the growing and harvesting of the grapes used in the production of finished product. After taking into consideration the terms and conditions within the leases, it is believed that the lessor retains the significant risks and rewards of ownership and the leases are accordingly classified as operating leases.

(e) *Impairment of Assets other than Goodwill*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment and industry challenges, management considered that the indications of impairment were significant enough to test the Group's inventories and trade and other receivables for impairment in this (and the prior) reporting period.

In relation to inventories the recoverable amount, or net realisable value, represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to be incurred in the marketing, selling and distribution. Following this review an Impairment of inventory of \$247,000 has been made in the current year (Group & Parent 2010: \$111,000).

In relation to trade and other receivables the recoverable amount of each trade receivable balance is determined after taking into consideration the period that has elapsed since the debt fell due and any other factors that are known regarding the customers financial stability. The Group has reviewed all trade receivable balances at balance date and has recorded an Impairment of Trade Receivables of \$26,000 for the Group and \$923,000 for the Parent in the current year (Group & Parent 2010: \$Nil).

(e) *Impairment of Goodwill*

The Group determines at least annually whether goodwill and intangible assets are impaired. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangible asset was allocated. The calculation of the recoverable amount of the cash generating unit involves assumptions to be made in terms of the timing and extent of net cash flows expected to arise from the cash generating unit and the selection of an appropriate discount rate in order to determine the present value. The Group has reviewed the recoverable amount in relation to the 66% membership interest held in Lineage Imports LLC and has made an Impairment of Goodwill of \$640,000 in the current year (Group 2010: \$Nil).

The Directors continually review all accounting policies and areas of judgement in presenting the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. A summary of significant accounting policies and are disclosed in section 2.3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

2.3.1 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue is recognised when the significant risk and rewards of ownership of the goods have been passed to the buyer and the revenue can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer or at the free on board (FOB) port/delivery point or as otherwise contractually determined.

(b) *Rendering of services*

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the end of the reporting period.

(c) *Interest revenue*

Revenue is recognised as the interest accrues (using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

2.3.2 BORROWING COSTS

Borrowing costs are recognised as an expense when incurred except 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.

2.3.3 IMPAIRMENT OF ASSETS OTHER THAN GOODWILL

At each reporting date, the Group reviews the carrying value of its tangible and intangible assets and assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists or when annual impairment testing for an asset is required, the Group makes a formal assessment of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses are recognised in the current period profit or loss, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease only to the extent that there are sufficient previous reserves.

Financial assets, other than those "at fair value through profit or loss" (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.3 IMPAIRMENT OF ASSETS OTHER THAN GOODWILL (CONTINUED)

uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2.3.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash at bank and investments on call or in short-term deposits with an initial maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and includes at call borrowings such as bank overdrafts, used by the Group as part of its day-to-day cash management.

Bank overdrafts are shown within loans and borrowings in current liabilities in the Statement of Financial Position.

2.3.5 TRADE AND OTHER RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off during the year in which they are identified.

Other receivables are initially recognised at fair value of the consideration received or receivable. Other receivables are classified as current assets unless the balances are expected to settle at least 12 months after balance date, in which case they are classified as non-current other receivables. Subsequent measurement of other non-current receivables occurs at amortised cost, where the nominal value is discounted to present value, using the effective interest rate of the asset over the expected period of settlement.

2.3.6 INVENTORIES

All inventories are valued at the lower of cost or deemed cost and net realisable value. Cost is calculated on an average cost basis. Inventory costs include a systematic allocation of appropriate production overheads that relate to putting inventories in their present location and condition but exclude borrowing costs. The allocation of production overheads is based on the normal capacity of the production facilities.

The deemed cost for the Group's agricultural produce (grapes) is fair value at harvest date less estimated point-of-sale costs in accordance with NZ IAS 41 'Agriculture'.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to be incurred in the marketing, selling and distribution.

2.3.7 INVESTMENTS IN SUBSIDIARIES

Non-current investments are valued at cost less any impairment.

2.3.8 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense in profit or loss on a systematic basis that is representative of the time pattern of the benefit to the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.9 AGRICULTURE (BIOLOGICAL ASSETS)

Agriculture comprises grape vines (bearer biological asset) which are valued on initial recognition and at each balance date at fair value less estimated point of sale costs. Any changes in the fair value during the period are recognised in profit or loss.

All costs incurred in deriving produce from the current years harvest or maintaining agricultural assets are recognised as expenses in profit or loss. Costs incurred in deriving produce from a future harvest are treated as prepaid expenses.

The fair value of picked grapes (agricultural produce or "consumable biological asset") less estimated point-of-sale costs is recognised in profit or loss as gain/loss on harvested grapes in the period of harvest. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. This becomes the deemed "cost" for inventory valuation purposes.

The fair value of grape vines (bearer biological asset) on initial recognition is determined with reference to independent valuations of vineyards. Subsequent movements in the fair values of vines in commercial production are determined by valuations which take into account operational reviews of the vineyard portfolio which identify, where applicable, any factors affecting the long term viability and value of vines in use or the current market value of similar relevant properties recently exchanged in the open market. The directors use an independent valuer where appropriate for these purposes.

2.3.10 PROPERTY, PLANT AND EQUIPMENT

Land, land improvements and buildings are valued at fair value less accumulated depreciation. Land is not depreciated. Fair value is determined on the basis of an independent valuation prepared by external valuation experts annually. The fair values are recognised in the financial statements and are reviewed at the end of each reporting period to ensure that the carrying value is not materially different from their fair value. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any subsequent acquisitions since the last revaluation are recorded at cost less accumulated depreciation and impairment losses.

Land improvements include all costs incurred in planting and developing vineyards including direct material, direct labour and an allocation of overhead and financing costs. These are not depreciated until the integrated vineyard asset reaches full commercial production which is typically three years after planting.

Revaluation increases are taken directly to the revaluation reserve except to the extent that they reverse a previous revaluation decrease of the same asset that was recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. 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 on the cost basis 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. Resulting impairment losses are recognised as an expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

All items of property, plant and equipment other than land, are depreciated on a straight line basis at rates which will write off their cost or revalued amount less estimated residual value over their expected useful lives. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period. The depreciation rates used for each class of assets are as follows:

Buildings and land improvements	2% pa
Winery equipment	5% pa
Vineyard equipment and Fixtures & fittings	10% pa
Motor vehicles	20% pa
Computer equipment	33% pa

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

2.3.11 INTANGIBLE ASSETS

Purchased identifiable intangible assets, comprising trademarks, are shown at cost and amortised on a straight line basis over their estimated useful finite lives. The useful life of trademarks is estimated to be 7 years. The carrying values of identifiable intangible assets are reviewed for any impairment where an indicator of impairment exists. Useful lives are reviewed on an annual basis.

Intangible assets acquired in a business combination and recognised separately from goodwill, such as brands acquired, are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

2.3.12 PAYABLES

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.

2.3.13 LOANS AND BORROWINGS

Borrowings are initially recorded at fair value of the consideration received, net of issue costs directly associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortised cost, which present values the borrowing using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on issuance. Any difference between the initial recognised amount and the amortised cost is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.14 EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Liabilities for short term bonus plans are recognised where there is a contractual or constructive obligation and accrued on an undiscounted basis.

2.3.15 SHARE-BASED PAYMENTS

The Company provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for share options and rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

2.3.16 FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, all transactions denominated in a currency other than the entity's functional currency (foreign currencies) occurring during the financial year are translated into the functional currency using the exchange rate in effect at the date of the transaction. Monetary items receivable or payable in a foreign currency are translated at the exchange rate existing at balance date. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at balance date are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Zealand dollars using exchange rates prevailing at balance date. Income and expense items are translated at the average exchange rates for each month during the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Zealand dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at balance date. Exchange differences arising are recognised the foreign currency translation reserve which forms part of total equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.17 INCOME TAX

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year. It is calculated using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable) at the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets or liabilities which affects neither taxable income nor accounting profit. Furthermore, a deferred liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Adjusted net tangible assets per share (note 25) exclude any deferred tax liabilities which at balance date do not crystallise as a liability under current income tax legislation. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity or in other comprehensive income, in which case the deferred tax or current tax is also recognised directly in equity or in other comprehensive income.

2.3.18 GOODS AND SERVICES TAX

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST, where invoiced.

Cash flows are included in the statement of cash flows on a gross basis.

2.3.19 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments including forward exchange contracts, option contracts and interest rate swaps for the primary purpose of reducing its exposure to fluctuations in foreign currency exchange rates and interest rates.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into (the trade date) and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group has not adopted hedge accounting during the year. All derivative financial instruments are treated as held for trading and changes in their fair value are recognised immediately in profit or loss.

The fair value of forward exchange contracts, foreign exchange option contracts and interest rate swaps are based on market values of equivalent instruments at the reporting date. These are based on discounted cash flows using market inputs.

2.3.20 FINANCIAL INSTRUMENTS ISSUED BY THE GROUP

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

2.3.21 STATEMENT OF CASH FLOWS

The cash flow statement is prepared inclusive of GST for the Parent Company.

Definitions of the terms used in the statement of cash flows are:

"Cash and cash equivalents" includes cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and includes at call borrowings such as bank overdrafts, used by the Group as part of its day-to-day cash management.

"Investing activities" are those activities relating to the acquisition and disposal of current and non-current investments, and any other non-current assets, and includes dividends received.

"Financing activities" are those activities relating to changes in equity and debt capital structure of the Group and dividends paid on the Company's equity capital.

"Operating activities" include all transactions and other events that are not investing or financing activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.22 SEGMENT REPORTING

The Group adopted NZ IFRS 8 *Operating Segments*, with effect from 1 July 2009. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

2.3.23 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

Government grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

2.3.24 BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.3.25 JOINTLY CONTROLLED ENTITIES

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the Group financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see 2.3.26 below).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

2.3.26 GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 2.3.24 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.26 GOODWILL (CONTINUED)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.3.27 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year.

2.3.28 ADOPTION STATUS ON RELEVANT FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

2.3.28.1 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 July 2011, 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:

- Amendments to IFRS 2 *Share-based Payment* – Group Cash-settled Share-based Payment Transactions.
- Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRSs* issued in 2008).
- Amendments to NZ IAS 32 *Financial Instruments: Presentation* – Classification of Rights Issues.
- *Improvements to NZ IFRSs* issued in 2009.

2.3.28.2 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:

- Amendments to NZ IAS 24 *Related Party Disclosures* – mandatory for annual periods beginning on or after 1 January 2011.
- Amendments to NZ IFRS 7: *Disclosures – Transfer of Assets* – mandatory for annual periods beginning on or after 1 July 2011.
- NZ IFRS 9 *Financial Instruments* – New Standard issued November 2009 and amended October 2010 – mandatory for annual periods beginning on or after 1 January 2013.
- Various - *Improvements to NZ IFRSs 2010* – mandatory for annual periods beginning on or after 1 January 2011;
- Amendments to NZ IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* – mandatory for annual periods beginning on or after 1 January 2012.
- NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 *Separate Financial Statements (revised 2011)* and NZ IAS 28 *Investments in Associates and Joint Ventures (revised 2011)* – NZ IFRS 10 replaces NZ IAS 27 *Consolidated and Separate Financial Statements* and NZ SIC-12 *Consolidation – Special Purpose Entities* and has been issued concurrently with NZ IFRS 11 *Joint Ventures*, NZ IFRS 12 *Disclosure of Interests in Other Entities*, NZ IAS 27 *Separate Financial Statements (revised 2011)* and NZ IAS 28 *Investments in Associates and Joint Ventures (revised 2011)*. Each of the Standards in this “package of five” has an effective date for annual periods beginning on or after 1 January 2013.
- NZ IFRS 13 *Fair Value Measurement* – mandatory for annual periods beginning on or after 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.28.2 Standards and interpretations effective in future periods (continued)

- Amendments to NZ Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards – mandatory for annual periods beginning on or after 1 July 2011.
- FRS 44 *NZ Additional Disclosures* – mandatory for annual periods beginning on or after 1 July 2011.
- Amendments to FRS 44 *NZ Additional Disclosures* – mandatory for annual periods beginning on or after 1 July 2011.
- Amendments to IAS 1 *Presentation of Financial Statements* – Presentation of Items of Other Comprehensive Income – mandatory for annual periods beginning on or after 1 July 2012.
- Amendments to NZ IAS 19 Employee Benefits FRS 44 *NZ Additional Disclosures* – mandatory for annual periods beginning on or after 1 January 2013.

The adoption of these standards is not expected to have a material financial impact on the financial statements of the Group but may affect disclosure.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
3. PROFIT/(LOSS) FOR THE YEAR			
Included in profit/(loss) before income tax for the year are the following:			
REVENUE:			
Sales revenue	11,158	11,205	11,792
Government grant – market development expenditure co-funding	-	-	178
Net foreign exchange gains/(losses) on contract close outs	-	-	1,077
Total revenue	11,158	11,205	13,047
EXPENSES:			
Amortisation	3	3	5
Bad debts	1	1	-
Depreciation*	24	24	19
Directors' fees	159	159	159
Employee benefits expense:			
- Short-term employee benefits	2,571	2,387	2,374
- Equity-settled share-based payments	-	-	1
Fees paid to auditors:			
- Audit of the financial statements	36	36	29
- For other services – tax advisory services	-	-	36
Operating lease rentals**	124	106	108

* Total depreciation on property, plant and equipment totalled \$570,000 (2010: \$558,000). \$546,000 has been applied to inventories (2010: \$539,000).

** Total operating lease rentals totalled Group \$700,000 Parent \$682,000 (Group & Parent 2010: \$667,000). \$576,000 has been applied to inventories (2010: \$520,000) and \$Nil has been capitalised into property, plant and equipment/biological assets (2010: \$39,000).

	Weighted average capitalisation rate 2011	Weighted average capitalisation rate 2010	Group 2011 \$000	Parent 2011 \$000	Parent & Group 2010 \$000
4. INTEREST EXPENSE					
Loan interest and other costs of finance paid			1,169	1,168	1,041
Less: Interest capitalised/included in cost of grapes	6.38%	7.51%	(283)	(283)	(276)
Less: Interest capitalised into biological assets	0%	6.10%	-	-	(29)
			886	885	736

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

5. INCOME TAX

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
5.1 INCOME TAX RECOGNISED IN PROFIT/(LOSS)			
Tax expense comprises:			
Current tax expense/(benefit) – current year	96	96	(55)
Current tax expense/(benefit) – adjustment to prior year	(9)	(9)	-
Current tax expense/(benefit)	87	87	(55)
Deferred tax expense/(benefit) – origination and reversal of temporary differences	(921)	(921)	(615)
Deferred tax expense/(benefit) – change in company income tax rate to 28%	-	-	(93)
Deferred tax expense/(benefit)	(921)	(921)	(708)
Total income tax expense/(benefit)	(834)	(834)	(763)
Income tax expense – deferred tax expense – change in depreciation of buildings	-	-	626
Reconciliation of income tax expense/(benefit):			
Profit/(loss) before income tax	(4,155)	(3,827)	(2,035)
Offshore losses not recognised	(328)	-	-
	(3,827)	(3,827)	(2,035)
Income taxation expense calculated at current rate of 30%	(1,148)	(1,148)	(611)
Non-deductible expenses	256	256	18
Other	58	58	(170)
Income tax expense/(benefit) as reported	(834)	(834)	(763)

The “income tax expense – deferred tax expense – change in depreciation of buildings” adjustment of \$626,000 for 2010 resulted from the increase in deferred tax liability as a result of the Government’s 2010 Budget tax measures which removed the depreciation deductions for buildings with an estimated useful life of 50 years or more from the 2011/12 tax year.

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
5.2 INCOME TAX RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME			
The following current and deferred amounts were charged/(credited) directly to other comprehensive income during the year:			
Deferred tax: Revaluation of property, plant and equipment	(49)	(49)	(163)
Deferred tax: Revaluation of property, plant and equipment – effect of change in company tax rate to 28%	-	-	(32)
	(49)	(49)	(195)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

5. INCOME TAX (CONTINUED)

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
5.3 CURRENT TAX ASSETS AND LIABILITIES			
Current tax assets: Tax refund receivable	88	88	265
Current tax liabilities: Income tax payable	-	-	-

5.4 DEFERRED TAX BALANCES

Deferred tax liabilities comprise:

Temporary differences	2,517	2,517	3,486
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Taxable and deductible temporary differences arise from the following:

	Balance Group 2011 \$000	Sheet Parent 2011 \$000	Parent & Group 2010 \$000	Income Group 2011 \$000	Statement Parent 2011 \$000	Parent & Group 2010 \$000
(i) Deferred tax liabilities						
Inventories						
Fair value through profit or loss financial assets/ liabilities	237	237	639	(402)	(402)	(168)
Fair value buildings and land improvements (incl. depreciation)	2,310	2,310	2,323	35	35	602
Accelerated depreciation: plant and equipment; motor vehicles	268	268	263	5	5	(16)
Fair value biological assets (value-in-use deferred tax)	526	526	659	(133)	(133)	(413)
Other	85	85	56	29	29	(69)
Gross deferred tax liabilities	3,426	3,426	3,940	(466)	(466)	(64)
(ii) Deferred tax assets						
Inventories	(205)	(205)	(417)	212	212	(20)
Annual and sick leave accrual	(39)	(39)	(37)	(2)	(2)	2
Unused tax losses	(665)	(665)	-	(665)	(665)	-
Gross deferred tax assets	(909)	(909)	(454)	(455)	(455)	(18)
Net deferred tax liabilities	2,517	2,517	3,486			
Deferred tax expense/(income)				(921)	(921)	(82)

At 30 June 2011, taxable temporary differences that are unrecognised tax losses that are associated with the Group's investments in subsidiaries totalled \$328,000 (2010: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

5.5 IMPUTATION CREDITS	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
Balance at beginning of the year	92	92	336
Taxation paid/(refunded)	(90)	(90)	(88)
Attached to dividends paid	-	-	(156)
Balance at end of the year	2	2	92

6. EARNINGS PER SHARE

	Group 2011 cents per shares	Parent 2011 cents per shares	Parent & Group 2010 cents per shares
Basic Earnings per share	(36.6)	(34.5)	(21.9)

The calculation of basic earnings per share in respect of 2011 is based on profit/(loss) of Group \$(3,186,000), Parent \$(3,002,000) (Group & Parent 2010 \$(1,889,000)) and the weighted average of 8,677,199 ordinary shares on issue during the year (2010 8,677,199).

	Group 2011 cents per shares	Parent 2011 cents per shares	Parent & Group 2010 cents per shares
Diluted Earnings per share	(36.5)	(34.4)	(21.7)

The calculation of diluted earnings per share in respect of 2011 is based on profit/(loss) of Group \$(3,186,000), Parent \$(3,002,000) (Group & Parent 2010 \$(1,889,000)) and the weighted average of 8,709,399 ordinary shares on issue during the year (2010 8,743,266).

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2011 Number of shares	2010 Number of shares
Weighted average number of ordinary shares (Basic)	8,677,199	8,677,199
Share options outstanding at year end	32,200	66,067
Weighted average number of ordinary shares (Diluted)	8,709,399	8,743,266

7. DIVIDENDS PAID PER SHARE

	Group 2011 cents per shares	Parent 2011 cents per shares	Parent & Group 2010 cents per shares
Dividend per share	0.0	0.0	4.0

The calculation of dividends per share in respect of 2011 is based on no final dividend for 2010 being paid and no interim dividend for 2011 being paid (note 8) (2010: based on final dividend for 2009 and interim dividend for 2010 (note 8) \$347,089).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

	Group 2011 \$000	Parent 2011 \$000	Parent & Group 2010 \$000
8. DISTRIBUTION TO OWNERS			
Recognised amounts:			
2010 interim dividend 2cps fully imputed to 30c paid 1/4/10	-	-	174
2009 final dividend 2cps fully imputed, 1.75cps to 33c and 0.25cps to 30c paid 25/9/09	-	-	173
	-	-	347

No final dividend for the financial year has been declared and included in these financial statements.

	Parent & Group 2011 Number of shares issued	Parent & Group 2010 Number of shares issued	Group 2011 \$000	Parent 2011 \$000	Parent & Group 2010 \$000
9. SHARE CAPITAL					
FULLY PAID UP ORDINARY SHARES					
Balance at beginning of financial year	8,677,199	8,677,199	9,619	9,619	9,619
Transfer from employee equity-settled benefits reserve			-	-	-
Balance at end of financial year	8,677,199	8,677,199	9,619	9,619	9,619

The Company has only one class of shares and all shares have the same voting rights and share equally in surpluses on winding up. The shares have no par value.

The Company did not issue any shares during the year (2010: nil).

10. SHARE-BASED PAYMENTS

SHARE OPTION SCHEME

An employee share option scheme was established by the Company in February 2001 for eligible employees to help align incentives with the Company's quoted share price. The Company restricts issue of options to the criteria in the NZX-NZAX Listing Rules whereby during a 12 month period the maximum number of options and ordinary shares issued to employees, excluding any authorised by separate shareholder resolution, is 3% of the total number of ordinary shares on issue at the commencement of that period and during the period of 5 years from the date of issue a maximum of 7% of the total number of ordinary shares immediately preceding the date of issue. The issue term is for a maximum of 5 years. They may be redeemed after October of each year on a phased basis of up to a maximum of one-third cumulative each year. Options will be adjusted on redemption as to exercise price for any bonus issues and as to volume for any share split or consolidations since the date of issue. Until exercised the options have no voting, dividend or other rights. Shares issued pursuant to the options will rank pari passu with shares already issued except they will not rank for dividends attaching to shares by reference to a record date falling prior to the date of issue. The options may not be sold or transferred and lapse on ceasing employment except in special circumstances at the discretion of the Directors such as retirement or death of the employee or on change in control of the Company. In the year ended 30 June 2011 the Board granted no options to acquire shares under the scheme (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

10. SHARE-BASED PAYMENTS (CONTINUED)

	2011 Number of options	2011 Weighted average exercise price \$	2010 Number of options	2010 Weighted average exercise price \$
Balance at beginning of the financial year	66,067	\$2.07	84,167	\$2.04
Granted during the financial year	-	-	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	(33,867)	\$1.94	(18,100)	\$1.96
Balance at end of the financial year	<u>32,200</u>	<u>\$2.20</u>	<u>66,067</u>	<u>\$2.07</u>
Exercisable at the end of the financial year	32,200	\$2.20	66,067	\$2.07

The balance as at 30 June 2011 is represented by 32,200 options with an exercise price of \$2.20 each over ordinary shares exercisable until 1 October 2011, or two working days after the AGM for that year, whichever is the later.

The share options outstanding at the end of the financial year had a weighted average contractual life of 3 months (2010: 10 months).

The weighted average share price at the date of exercise for options exercised during the year ended 30 June 2011 was \$nil (2010: \$nil).

The fair value of the equity-settled share options granted under the share option scheme is estimated at the date of grant using a binomial lattice model.

The expense recognised for the year ended 30 June 2011 for the employee share option scheme was \$Nil (2010: \$1,000).

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
11. RESERVES			
ASSET REVALUATION RESERVE			
Balance at beginning of financial year	2,823	2,823	3,889
Revaluation increments/(decrements)	(430)	(430)	(1,261)
Deferred tax liability arising on revaluation (note 5.2)	49	49	195
Balance at end of financial year	<u>2,442</u>	<u>2,442</u>	<u>2,823</u>
FOREIGN CURRENCY TRANSLATION RESERVE			
Balance at beginning of financial year	-	-	-
Translation gains/(losses)	66	-	-
Balance at end of financial year	<u>66</u>	<u>-</u>	<u>-</u>

The asset revaluation reserve arises on the revaluation of land, buildings and land improvements excluding biological assets. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

11. RESERVES (CONTINUED)	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
EMPLOYEE EQUITY-SETTLED BENEFITS RESERVE			
Balance at beginning of financial year	16	16	17
Share-based payment	-	-	1
Transferred to retained earnings	(6)	(6)	(2)
Balance at end of financial year	10	10	16

The employee equity-settled benefits reserve arises on the grant of share options to employees under the share option scheme. Amounts are transferred to share capital when the options are exercised and retained earnings when the options lapse and are cancelled. Further information about share-based payments to employees is made in note 10 to the financial statements.

TOTAL RESERVES	2,518	2,452	2,839
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12. RETAINED EARNINGS			
Balance at beginning of financial year	6,167	6,170	8,413
Loss for the year net of tax, attributable to Shareholders of the Parent Company	(3,177)	(2,993)	(1,898)
	2,990	3,177	6,515
Distributions to owners (note 8)	-	-	(347)
Transferred from employee equity-settled benefits reserve (note 11)	6	6	2
Balance at end of financial year	2,996	3,183	6,170

13. TRADE AND OTHER PAYABLES			
Trade creditors	1,459	1,368	1,308
Employee entitlements	153	153	134
Other accruals	345	345	299
	1,957	1,866	1,741

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

14. LOANS AND BORROWINGS

At amortised cost:	Interest Rate %	Interest Rate Review Date	Expiry Date	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
Bank Overdraft	5.83%-8.09%pa	1/7/11		1,596	1,655	-
ANZ National Bank Term Loans	3.44%-9.14%pa	31/7/11-31/10/19	31/12/11-30/11/17	15,598	15,598	15,943
Loans to Subsidiaries				-	18	-
Loans – A & R McBride				60	-	-
TOTAL LOANS AND BORROWINGS				17,254	17,271	15,943
Weighted average effective interest rate on ANZ National Bank Loans				5.37%	5.37%	6.58%
Bank Overdraft				1,596	1,655	-
Loans due within 1 year				334	274	1,917
Loans due within 1 year – expected to be renegotiated				15,324	15,324	2,058
Total current loans and borrowings				17,254	17,253	3,975
Loans due 1 to 2 years				-	-	5,481
Loans due 2 to 5 years				-	-	3,881
Loans due after 5 years				-	18	2,606
Total non-current loans and borrowings				-	18	11,968
Total loans and borrowings				17,254	17,271	15,943

For loans covered by interest rate swap contracts (swaps) interest is charged on the underlying loan based on the 1 month floating rate. Interest rate swaps have been taken out by the Group to convert this floating interest rate obligation to a fixed interest rate obligation. Refer note 24 for further details of interest rate swap contracts.

ANZ NATIONAL BANK FLEXIBLE CREDIT FACILITY (BANK OVERDRAFT)

The Company has a flexible credit facility of \$3.5 million on a 90-day rolling bill linked interest rate. The facility is a multi-currency facility that can be drawn at any time and is repayable upon demand from the bank. The facility is subject to annual review by the bank.

SECURITY

Loans and advances are secured by way of mortgage on land, buildings and vineyards and a floating charge over the Company's other personal property assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

BANK COVENANTS

The Company complied with all of the financial covenants imposed by the ANZ National Bank during the year with the exception of the covenant that measures the ratio that EBITDA bears to Interest Costs for the year ending 30 June 2011. The Company advised the NZAX on 27 June 2011 that it would not comply with its ANZ National Bank EBITDA to Interest Costs covenant as at 30 June 2011. The ANZ National Bank agreed to waive breach of the relevant financial covenant conditional on an independent review of the Company's financial forecasts and business model and the bank being satisfied with the results of the review process. If the bank is not satisfied with the results of that process, it may trigger an event of review for discussions between the Company and the bank over a period of 10 days to seek a satisfactory way forward. If the bank is not satisfied with the outcome of the event of review it may call up the facilities provided to the Company. Due to this process all ANZ National Bank loans have been classified as current as at 30 June 2011 pending the outcome of the review.

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
15. OTHER FINANCIAL ASSETS/(LIABILITIES)			
At fair value:			
Foreign currency forward contracts	906	906	1,424
Foreign currency option contracts	48	48	-
Other financial assets – held for trading – Current	954	954	1,424
Foreign currency forward contracts	506	506	1,236
Other financial assets – held for trading – Non Current	506	506	1,236
Other financial assets – held for trading – Total	1,460	1,460	2,660
Interest rate swap contracts	(1)	(1)	(93)
Foreign currency option contracts	-	-	(5)
Other financial liabilities – held for trading - Current	(1)	(1)	(98)
Interest rate swap contracts	(613)	(613)	(280)
Other financial liabilities – held for trading – Non Current	(613)	(613)	(280)
Other financial liabilities – held for trading – Total	(614)	(614)	(378)

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates. Refer note 24 for details of financial instruments used by the Group.

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
16. TRADE AND OTHER RECEIVABLES			
Trade receivables	2,212	2,709	3,320
Impairment of trade receivables	(26)	(114)	-
Other receivables (note 28)	455	1,264	656
Impairment of other receivables	-	(809)	-
	2,641	3,050	3,976

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amount disclosed above is a reasonable approximation of fair value. Trade receivables are non-interest bearing and are generally due the last working day of the month following invoice for domestic customers and 30-120 day terms for export customers.

Following an impairment review of trade receivables the Group and Parent have made an impairment of Group \$26,000, Parent \$114,000 for overdue accounts based on historical experience and the credit worthiness of the counterparty (2010: Nil).

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
Not Past Due	2,130	2,492	3,295
Past Due 1-30 days	56	41	12
Past Due 31-60 days	-	-	-
Past Due 61-90 days	-	150	-
Past Due > 91 days	26	26	13
	2,212	2,709	3,320

Trade receivables that are less than 90 days past due are generally not considered impaired. As of 30 June 2011 trade receivables of Group \$Nil & Parent \$62,000 (Group & Parent 2010 \$13,000) were past due but not impaired.

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
Raw materials	232	232	181
Consumable stores	94	94	79
Work in progress	8,866	8,866	8,136
Finished goods	3,584	3,238	2,697
Total inventories at lower of cost and net realisable value	12,776	12,430	11,093

18. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land at Fair Value \$'000	Freehold Buildings at Fair Value \$'000	Land Improve- ments at Fair Value \$'000	Plant and Equip. at Cost \$'000	Motor Vehicles at Cost \$'000	Total \$'000
Year ended 30 June 2011						
At 1 July 2010, net of accumulated depreciation and impairment	3,630	3,676	2,867	4,413	113	14,699
Additions	-	1	161	42	-	212
Disposals	-	-	-	(8)	-	(8)
Revaluations	(255)	37	(212)	-	-	(430)
Impairment	-	-	-	-	-	-
Depreciation charge for the year	-	(73)	(64)	(405)	(28)	(570)
At 30 June 2011, net of accumulated depreciation and impairment	3,375	3,641	2,752	4,050	85	13,903
At 30 June 2011:						
Cost or fair value	3,375	3,641	2,752	7,255	468	17,491
Accumulated depreciation and impairment	-	-	-	(3,205)	(383)	(3,588)
Net carrying amount	3,375	3,641	2,752	4,050	85	13,903

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Commitments: At balance date the Group had no capital commitments (2010: nil).

	Freehold Land at Fair Value \$'000	Freehold Buildings at Fair Value \$'000	Land Improve- ments at Fair Value \$'000	Plant and Equip. at Cost \$'000	Motor Vehicles at Cost \$'000	Total \$'000
Parent						
Year ended 30 June 2011						
At 1 July 2010, net of accumulated depreciation and impairment	3,630	3,676	2,867	4,413	113	14,699
Additions	-	1	161	48	-	210
Disposals	-	-	-	(8)	-	(8)
Revaluations	(255)	37	(212)	-	-	(430)
Impairment	-	-	-	-	-	-
Depreciation charge for the year	-	(73)	(64)	(405)	(28)	(570)
At 30 June 2011, net of accumulated depreciation and impairment	<u>3,375</u>	<u>3,641</u>	<u>2,752</u>	<u>4,048</u>	<u>85</u>	<u>13,901</u>
At 30 June 2011:						
Cost or fair value	3,375	3,641	2,752	7,252	468	17,488
Accumulated depreciation and impairment	-	-	-	(3,204)	(383)	(3,587)
Net carrying amount	<u>3,375</u>	<u>3,641</u>	<u>2,752</u>	<u>4,048</u>	<u>85</u>	<u>13,901</u>
Parent & Group						
Year ended 30 June 2010						
At 1 July 2009, net of accumulated depreciation and impairment	4,350	3,733	2,989	4,341	141	15,554
Additions	-	53	452	474	-	979
Disposals	-	-	-	(15)	-	(15)
Revaluations	(720)	(36)	(505)	-	-	(1,261)
Impairment	-	-	-	-	-	-
Depreciation charge for the year	-	(74)	(69)	(387)	(28)	(558)
At 30 June 2010, net of accumulated depreciation and impairment	<u>3,630</u>	<u>3,676</u>	<u>2,867</u>	<u>4,413</u>	<u>113</u>	<u>14,699</u>
At 30 June 2010:						
Cost or fair value	3,630	3,676	2,867	7,225	468	17,866
Accumulated depreciation and impairment	-	-	-	(2,812)	(355)	(3,167)
Net carrying amount	<u>3,630</u>	<u>3,676</u>	<u>2,867</u>	<u>4,413</u>	<u>113</u>	<u>14,699</u>

Revaluation of Land, Buildings and Land Improvements

Land, buildings and land improvements shown at valuation were valued at fair value under the principle of highest and best use by Alexander Hayward Limited, registered independent valuers, on 30 June 2011 (2010: 30 June 2010). The valuations were completed by Dave Stark, FNZIV, FPNZ a registered valuer, in accordance with International Valuation Standard 2009 IVA 1 – valuation for financial reporting and IVGN 1 - valuation of real property. Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land, buildings and vineyards comparable in size, location and varietal mix to those held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The sensitivity of the sales comparison approach used arises largely from the limited number of recent land sales.

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
The carrying amount of land, buildings and land improvements had they been recognised under the cost model are as follows:			
Land	1,977	1,977	1,977
Buildings	3,532	3,533	3,532
Land Improvements (integrated vineyards asset including vines)	8,442	8,524	8,442

19. BIOLOGICAL ASSETS

Biological assets consist of grape vines (bearer biological assets). The Company grows grapes to use in the production of wine, as part of normal operations. Vineyards are located in Marlborough, New Zealand. Grapes are harvested between March and May each year.

At 30 June 2011, the Company held approximately 292,000 grape vines planted on approximately 122 hectares of land owned or leased by the Company located in Marlborough in New Zealand (2010: 292,000 grape vines planted on 122 hectares of land). 112 hectares are currently in commercial production (2010: 112).

During the year ended 30 June 2011 the Company harvested 1,645 tonnes of grapes (2010: 1,221 tonnes).

	Group 2011 \$000	Parent 2011 \$000	Parent & Group 2010 \$000
Carrying amount at 1 July	6,737	6,737	8,443
Gain/(loss) from changes to fair value of vines less estimated point of sale costs	(627)	(627)	(1,383)
Movement in vines	(78)	(78)	(323)
Carrying amount at 30 June	6,032	6,032	6,737

The fair value less estimated point of sale costs of grape vines is determined by independent valuation at balance date. The fair value of vineyards, including land, grapes vines and other vineyard infrastructure were determined by Alexander Hayward Limited, registered independent valuers, under the principle of highest and best use on 30 June 2011 (2010: 30 June 2010). The valuations were completed by Dave Stark, FNZIV, FPINZ a registered valuer, in accordance with International Valuation Standard 2009 IVA 1 - valuation for financial reporting and IVGN 1 - valuation of real property. Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation 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 Company. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards, to determine the fair value of grape vines as shown above.

The sensitivity of the sales comparison approach used arises largely from the limited number of recent land sales.

The Group is exposed to financial risks in respect of agricultural activity. The quality and quantity of the grape harvest is dependent on seasonal climatic factors such as rainfall, sunshine and temperature, including frosts. The Group manages this risk by diversifying its vineyards across the Marlborough region and through the use of windmills and helicopters for normal frost protection purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
20. INTANGIBLE ASSETS			
Trademarks			
At 1 July, net of amortisation and impairment	12	12	17
Additions	1	1	-
Disposals	-	-	-
Impairment	-	-	-
Amortisation expense for the year	(3)	(3)	(5)
At 30 June, net of amortisation and impairment	10	10	12
Cost (gross carrying value)	74	74	73
Accumulated amortisation	(64)	(64)	(61)
Net carrying amount	10	10	12

Trademarks are carried at cost less accumulated amortisation and accumulated impairment losses. Trademarks have been assessed as having a finite life and are amortised using the straight line method over a period of 7 years. The amortisation has been recognised in the Income Statement in the line item 'Administrative expenses'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The gross carrying amount in 2009 was \$73,000.

Goodwill

At 1 July, net of impairment	-	-	-
Additional amounts recognised from business combinations occurring during the year (note 21)	640	-	-
Impairment losses recognised in the year	(640)	-	-
At 30 June, net of impairment	-	-	-
Cost (gross carrying value)	640	-	-
Accumulated impairment losses	(640)	-	-
Net carrying amount	-	-	-

Goodwill was recognised when The New Zealand Wine Company (USA) Inc acquired a 66% membership interest in Lineage Imports LLC on 1 January 2011. The goodwill arose substantially due to start-up and business establishment costs funded pre-acquisition. Due to the existence of an impairment indication at balance date an impairment of goodwill has been raised of \$640,000 (refer note 2.2 (f)). To date the entity has failed to achieve its projected revenues. With the challenging market place the Directors have taken a conservative view and fully impaired the goodwill.

21. INVESTMENTS

Parent's direct and ultimate investment in subsidiaries comprises shares at cost	10	139	10
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Investments in controlled entities are detailed in Note 28.

A new wholly owned subsidiary, The New Zealand Wine Company (USA) Inc., was incorporated in the State of California, USA, on 1 July 2010 with an equity value of \$109,000 (\$US 90,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

21. INVESTMENTS (Continued)

The New Zealand Wine Company (USA) Inc. purchased a 66% membership interest and voting rights in Lineage Imports LLC on 1 January 2011 to provide a direct import and distribution channel in the USA.

The acquisition date fair value of the total consideration transferred was \$US 20,000 (NZD\$26,000) paid in cash.

Under the acquisition method of accounting, the Group allocated the total purchase price of Lineage Imports LLC net tangible assets, based on their fair values as of 1 January 2011.

The New Zealand Wine Company (USA) Inc. allocated \$640,000 to goodwill which represents the excess of the purchase price over the fair value of tangible and intangible assets acquired.

The Group results include the operations of Lineage Imports LLC for the six months from 1 January 2011 to 30 June 2011. This includes revenue of \$99,000 and a net loss of \$424,000.

The allocation of the purchase is as follows:

	Group 2011 \$'000
Net Assets Acquired	
Cash	6
Trade receivables	47
Inventory	218
Property, plant and equipment	2
Trade and other payables	(304)
Loans and borrowings	(583)
Goodwill	640
Total Purchase Consideration	<u>26</u>

22. RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
LOSS AFTER INCOME TAX FOR THE YEAR	(3,177)	(2,993)	(1,898)
Non-controlling interest share of (loss)/profit	(144)	-	-
NON-CASH ITEMS:			
Depreciation	570	570	558
Amortisation of intangibles	3	3	5
Increase/(decrease) in deferred tax	(921)	(921)	(82)
Impairment loss recognised on trade and other receivables	26	923	-
Adjustments resulting from revaluation of grapes	(655)	(655)	210
Loss on revaluation of biological assets	627	627	1,383
(Gain)/loss on disposal of property, plant and equipment	3	3	13
(Gain)/loss on asset revaluations	(1)	(1)	(1)
Share-based payments movement	-	-	1
Unrealised foreign exchange movements	66	-	-
	<u>(3,603)</u>	<u>(2,444)</u>	<u>189</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

22. RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES (CONTINUED)	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
MOVEMENTS IN WORKING CAPITAL BALANCES:			
Inventories	(1,028)	(682)	852
Trade and other receivables	1,287	402	773
Trade and other payables	215	124	(432)
Other financial assets/liabilities	1,436	1,436	407
Other current assets and current tax assets/liabilities	232	233	4
	2,142	1,513	1,604
NET CASH FLOW FROM OPERATING ACTIVITIES	(1,461)	(931)	1,793
23. OPERATING LEASE COMMITMENTS			
Not later than 1 year	581	580	706
Later than 1 year and not later than 2 years	485	485	638
Later than 2 years and not later than 5 years	1,167	1,167	1,404
Later than 5 years	5,926	5,926	7,119
	8,159	8,158	9,867

Operating leases relate substantially to vineyard land where the Group is the lessee with lease terms between 19 years and 364 days and 30 years.

24. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes loans and borrowings disclosed in note 14, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings as disclosed in notes 9, 11 and 12 respectively. The Group's Board of Directors reviews the capital structure on a semi-annual basis. As part of the review the Board considers the cost of capital and the risks associated with each class of capital as well as the requirement by the Group's bank, ANZ National Bank Ltd, to maintain shareholders funds at a level of at least 40% of total tangible assets. The Board will balance the Group's overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2010.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Financial risk management objectives

The Group is exposed to financial risks relating to the operations of the Group. These risks include agricultural risk, market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

The agricultural activity of the Group consists of the management of vineyards to produce grapes for use in the production of wine. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes, and ultimately receiving cash from the sale of wine to third parties. The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements. In addition, the Group maintains credit facilities at a level sufficient to fund the Group's working capital during the period between cash expenditure and cash inflow. At balance date, the Group had unused credit facilities in the form of undrawn bank overdrafts of \$1.25 million (2010: \$2 million).

The Group seeks to minimise the effects of these risks, by obtaining independent advice and using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Board of Directors on a monthly basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 24(e)) and interest rates (refer note 24(f)). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- (i) forward foreign exchange contracts and foreign currency option contracts to hedge the exchange rate risk arising on the export of wine principally to the United States, United Kingdom and Australia; and
- (ii) interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved parameters utilising forward foreign exchange contracts and foreign exchange option contracts.

Foreign currency denominated assets and liabilities at balance date are:

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
Trade and other receivables	2,198	2,695	3,682
Inventories	346	-	-
Property, plant & equipment	1	-	-
Trade and other payables	(203)	(113)	(155)
Cash balances shown in Loans and borrowings	202	205	-
Net exposure at balance date	2,544	2,787	3,527

Sensitivity analysis

The Group is mainly exposed to US dollars (USD), Great British pounds (GBP) and Australian dollars (AUD). If there was a 10% upward movement in the New Zealand dollar against the relevant currencies the profit before tax and equity would decrease by \$10,000, \$107,000 and \$116,000 respectively for the Group and \$30,000, \$107,000 and \$116,000 respectively for the Parent (Group & Parent 2010: \$181,000, \$118,000, \$23,000). If there was a 10% downward movement in the New Zealand dollar against the relevant currencies the profit before tax and equity would

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

increase by \$9,000, \$130,000 and \$142,000 respectively for the Group and \$37,000, \$130,000 and \$142,000 respectively for the Parent (Group & Parent 2010: \$222,000, \$145,000, \$28,000). 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.

The Group and Company's sensitivity to foreign currency has increased during the year due to the incorporation of a new wholly owned subsidiary and purchase of a membership interest in a US entity.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. USD denominated sales are seasonal with higher sales volumes in the last quarter of the financial year, which results in an increase in the USD receivables at year end.

Forward foreign exchange contracts and option contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts up to 100% of the exposure generated. The Group also enters into forward foreign exchange contracts and option contracts including collars to manage the risk associated with anticipated sales and purchase transactions out to 60 months within 25-100% of the exposure generated, subject to certain criteria being met. Forward foreign exchange contracts and option contracts are measured at fair value through profit or loss. The fair value of forward foreign exchange contracts and option contracts is based on market values of equivalent instruments at the reporting date.

The aggregate notional principal of forward foreign exchange contracts outstanding as at balance date was \$21,442,000 (2010: \$23,574,000). The aggregate notional principal of foreign exchange option contracts outstanding at balance date was a net of \$23,000 (2010: \$22,000).

(f) Interest rate risk management

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

The Company and the Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note or in note 14.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point (1%) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

At balance date, if interest rates had been 1% lower or higher and all other variables were held constant, the Company and Group's net profit and equity would increase/decrease by \$25,000 (2010: \$14,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Company and Group's sensitivity to interest rates has increased during the current year mainly due to the increase in floating interest rate exposure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date as disclosed below.

The aggregate notional principal amount of the outstanding interest rate swap contracts at balance date was \$15,919,000 (2010: \$11,906,000). The interest rates applicable to the interest rate swap contracts during the year were 4.37% pa – 6.42% pa (2010: 3.76% pa – 6.44% pa).

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are used to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. These are measured at fair value through profit or loss. The interest rate swaps and the interest payments on the loan occur simultaneously on a monthly basis. The floating rate on the interest rate swaps is the 1 month BKBM rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are approved by the Board of Directors and are monitored on a regular basis. The Group does not require collateral in respect of trade and other receivables.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, trade credit insurance is purchased.

The Group does not have any significant concentrations of net credit risk. The Company does not expect the non-performance of any obligations at balance date. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit risk.

(h) Liquidity risk management

Liquidity risk represents the Group's ability to meet its contractual obligations. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At balance date, the Group had unused credit facilities in the form of undrawn bank overdrafts of \$1.25 million (2010: \$2 million) to further reduce liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity tables

The following tables detail the Company and Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Refer to note 14 for the weighted average effective interest rate.

	Less than 1 year \$000	1-2 years \$000	2-5 years \$000	Over 5 years \$000
Group 2011				
Trade and other payables	1,957	-	-	-
Loans and borrowings	18,444	-	-	-
	20,401	-	-	-
Parent 2011				
Trade and other payables	1,866	-	-	-
Loans and borrowings	18,443	-	-	18
	20,309	-	-	18
Group & Parent 2010				
Trade and other payables	1,741	-	-	-
Loans and borrowings	5,698	6,205	4,879	2,987
	7,439	6,205	4,879	2,987

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 6 mths \$000	6-12 mths \$000	1-2 years \$000	Over 2 years \$000
Group & Parent 2011				
Interest rate swaps	(205)	(198)	(366)	(610)
Forward exchange contracts	6,279	2,518	6,410	6,235
	6,074	2,320	6,044	5,625
Group & Parent 2010				
Interest rate swaps	(146)	(130)	(223)	(382)
Forward exchange contracts	6,021	2,183	4,990	10,380
	5,875	2,053	4,767	9,998

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active markets are determined with reference to the quoted market prices;
- the fair value of derivative instruments are calculated based on discounted cash flows using market inputs.

The Directors consider that the carrying value of all financial instrument assets and liabilities in the financial statements approximate their fair value except for fixed interest loans and borrowings which have a carrying value of \$Nil (2010: \$807,000) and a fair value of \$Nil (2010: \$677,000).

(j) Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
Financial assets held for trading			
Other financial assets (derivative financial assets) – Current	954	954	1,424
Other financial assets (derivative financial assets) – N/Current	506	506	1,236
Total financial assets	1,460	1,460	2,660
Financial liabilities held for trading			
Other financial liabilities (derivative financial liabilities) – Current	1	1	98
Other financial liabilities (derivative financial liabilities) – N/Current	613	613	280
Total financial liabilities	614	614	378

All financial assets and liabilities of the Group that are measured at fair value were Level 2. There were no transfers between Level 1 and 2 during the year. Fair value measurements are based on Bank independent valuation based on market data.

	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
(k) Change in Fair Value of Financial Assets/Liabilities			
Foreign currency forward contracts	(1,248)	(1,248)	(320)
Foreign currency option contracts	54	54	(50)
Interest rate swaps	(224)	(224)	(26)
	(1,418)	(1,418)	(396)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

	Group 2011 \$	Parent 2011 \$	Parent & Group 2010 \$
25. NET TANGIBLE ASSETS PER SHARE			
Net tangible assets per share	1.73	1.76	2.15
Adjusted Net tangible assets per share	1.79	1.82	2.22

Adjusted Net tangible assets per share is calculated by excluding deferred tax liabilities of \$526,000 (2010 \$659,000) which will not crystallise under current income tax legislation. On disposal of a vineyard property, the recorded deferred tax liability on vines that does not crystallise in respect of that property may be reversed back to profit or loss.

26. FOREIGN CURRENCY EXCHANGE RATES

The following spot foreign exchange rates have been applied at balance date:

	30 June 2011		30 June 2010	
	Buy	Sell	Buy	Sell
NZ \$1.00 =				
Australian dollar	0.7740	0.7691	0.8177	0.8127
United States dollar	0.8260	0.8204	0.6959	0.6906
Great British pound	0.5147	0.5107	0.4620	0.4581

	Group 2011 \$000	Parent 2011 \$000	Parent & Group 2010 \$000
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27. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the Directors and the key management personnel of the Group is set out below:

Short-term employee benefits	1,072	1,072	1,090
Post-employment benefits	-	-	-
Share-based payments	-	-	1
	1,072	1,072	1,091

28. RELATED PARTY DISCLOSURES

(a) Investment in Subsidiaries

The parent entity in the consolidated entity is The New Zealand Wine Company Limited, which is the ultimate parent. The consolidated financial statements include the financial statements of The New Zealand Wine Company Limited and the following subsidiaries:

Name of Entity	Principal Activity	Parent Company	Country of Incorporation	Ownership Interest % 2011	Ownership Interest % 2010
Grove Mill Wine Company Limited	Non-operating	The New Zealand Wine Company Limited	New Zealand	100%	100%
Sanctuary Wine Company Limited	Non-operating	The New Zealand Wine Company Limited	New Zealand	100%	100%
Bedford Road Investments Limited	Non-operating	The New Zealand Wine Company Limited	New Zealand	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

28. RELATED PARTY DISCLOSURES (CONTINUED)

Name of Entity	Principal Activity	Parent Company	Country of Incorporation	Ownership Interest % 2011	Ownership Interest % 2010
The New Zealand Wine Company (Europe) Limited	Non-operating	The New Zealand Wine Company Limited	England and Wales	100%	100%
The New Zealand Wine Company (USA) Inc.	Holding company	The New Zealand Wine Company Limited	California, USA	100%	-
Lineage Imports LLC	Import & distribution, brand marketing & sales	The New Zealand Wine Company (USA) Inc.	California, USA	66%	-

A new wholly owned subsidiary, The New Zealand Wine Company (USA) Inc., was incorporated in the State of California, USA, on 1 July 2010.

The New Zealand Wine Company (USA) Inc. purchased a 66% membership interest in Lineage Imports LLC on 1 January 2011.

All subsidiaries except Lineage Imports LLC have a balance date of 30 June. Lineage Imports LLC has a balance date of 31 December.

At balance date the Parent has the following balances that are due from/(to) subsidiary companies:

	Parent 2011 \$000	Parent 2010 \$000
Grove Mill Wine Company Limited	(9)	(9)
Sanctuary Wine Company Limited	(9)	(9)
Bedford Road Investments Limited	1	1
The New Zealand Wine Company (USA) Inc.	809	-
Impairment of other receivable	(809)	-
	(17)	(17)

All balances with the Parent are unsecured and not covered by any guarantees.

The advance to The New Zealand Wine Company (USA) Inc is interest bearing.

At balance date The New Zealand Wine Company (USA) Inc has a balance due from Lineage Imports LLC of \$879,000 (2010: \$Nil). The advance to Lineage Imports LLC is supported by an interest bearing loan agreement and a security agreement.

(b) Transactions with Related Parties – Directors and Key Management Personnel

Details of the compensation paid to Directors and key management personnel are set out in note 27.

	Group 2011 \$000	Parent 2011 \$000	Parent & Group 2010 \$000
Certain Directors and key management personnel have interests in contracts with the Parent & Group as follows. All transactions were at normal commercial rates.			
SC Riley (Lundons Law – legal fees)	14	4	14
DJ Pearce (Aura Sustainability Ltd – consultancy services in relation to the carbon reduction labelling certification and other marketing matters)	16	16	29

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

28. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Transactions with Related Parties under Common Control

During the financial year the Parent advanced funds to the non-operating subsidiaries to provide funds for the payment of accounting fees relating to their securities commission and income tax obligations. No interest is charged on these advances. The amount of these advances was less than \$100 for each of Grove Mill Wine Company Limited, Sanctuary Wine Company Limited and Bedford Road Investments Limited for 2011 and 2010.

During the financial year the Parent advanced funds to The New Zealand Wine Company (USA) Inc to allow it to fund the working capital of Lineage Imports LLC of which it owns 66%. Interest is charged on the loan at a fixed rate of 5.4% pa. Total advances during the financial year were a net of \$801,000 (2010: \$Nil). The Parent has recognised net interest revenue of \$8,000 (2010: \$Nil) from The New Zealand Wine Company (USA) Inc for these advances.

(d) Transactions with Lineage Imports LLC

During the financial year the Parent sold inventories to Lineage Imports LLC at normal commercial rates. The total sales revenue recorded for these sales during the financial year was \$515,000 (2010: \$Nil). An impairment of \$86,000 has been recognised at 30 June 2011 for the unrecoverable portion of the outstanding debtor balance.

During the financial year The New Zealand Wine Company (USA) Inc advanced Lineage Imports LLC \$879,000 (2010: \$Nil) to fund working capital. The loan advances are supported by an interest-bearing loan agreement whereby interest is charged at a fixed rate of 5.4% pa. The New Zealand Wine Company (USA) Inc. has recognised interest revenue from Lineage Imports LLC for these advances which has been eliminated on consolidation.

29. SEGMENT INFORMATION

The Group operates in the wine industry and is considered to operate in one segment. Financial information available to management including the chief operating decision maker is principally sales revenue based and is summarised below as additional information on the basis of the geographical areas in which their customers are based.

	Revenue	Group 2011 \$'000	Parent 2011 \$'000	Parent & Group 2010 \$'000
Geographical area				
New Zealand		3,318	3,318	3,789
United States		1,954	2,001	3,805
United Kingdom		3,414	3,414	4,361
Australia		1,921	1,921	727
Other		551	551	365
Total		11,158	11,205	13,047

Included in sales revenue are revenues of approximately \$2,700,000 (2010: \$2,800,000) and \$1,600,000 (2010: \$1,400,000) which arose from sales to the Group's largest customers. No other single customers contributed 10% or more to the Group's revenue for both 2011 and 2010.

30. COMMITMENTS

In the ordinary course of business the Group has Grower Agreements which would require it to purchase grapes.

THE NEW ZEALAND WINE COMPANY
LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

	Group 2011 \$000	Parent 2011 \$000	Parent & Group 2010 \$000
31. NON-CONTROLLING INTERESTS			
Balance at beginning of financial year	-	-	-
Share of loss for the year	(144)	-	-
Balance at end of financial year	(144)	-	-

32. SUBSEQUENT EVENTS

On 1 July 2011 the interest rate on the Bank Overdraft Facility was reviewed. The new interest rate is 5.89% pa floating.

On 31 July 2011 the interest rates on the ANZ National Bank terms loans were reviewed. The new interest rates for these loans remained at 3.44% - 5.83% pa floating.

No other material events have occurred since balance date.

AUDIT REPORT
FOR THE YEAR ENDED 30 JUNE 2011



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE NEW ZEALAND WINE COMPANY LIMITED

Report on the Financial Statements

We have audited the financial statements of The New Zealand Wine Company Limited (the "Company") and Group on pages 10 to 52, which comprise the consolidated and separate statements of financial position of the Company as at 30 June 2011, and the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters 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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Other than in our capacity as auditor and the provision of income taxation compliance, we have no relationship with or interests in The New Zealand Wine Company Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 10 to 52:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Company and Group as at 30 June 2011, and their financial performance and cash flows for the year ended on that date.

AUDIT REPORT
FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 2.2 (a) in the financial statements which indicates that the Company and Group incurred a net loss of \$2,993,000 and \$3,177,000 respectively during the year ended 30 June 2011 and, as of that date, the Company and Group's respective current liabilities exceeded current assets by \$2,187,000 and \$2,342,000 respectively. As set out in Note 14 in the financial statements the Company has not complied with its ANZ National Bank EBITDA to Interest Costs covenant as at 30 June 2011. The Bank has directed the Company to obtain an independent review of the Company's financial forecasts and business model to obtain their support for the Company's proposed pathway to return to profitability. If the bank is not satisfied with the outcome of the independent review process, it may call up the loan facilities provided to the Company. Due to this process all ANZ National Bank loans have been classified as current liabilities as at 30 June 2011, pending the outcome of the independent review. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis, the validity of which depends on the ANZ National Bank's continued support regarding the loan facilities provided to the Company. The financial statements do not include any adjustments that would result from a call up of the ANZ National Bank loan facilities. If the loan facilities are withdrawn, the Company and Group may be unable to continue in operational existence for the foreseeable future and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts as which they are currently recorded in the statement of financial position. In addition, the Company and Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2011:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Company as far as appears from our examination of those records.



Chartered Accountants

7 September 2011

Wellington, New Zealand

This audit report relates to the financial statements of The New Zealand Wine Company Limited (the "Company") and Group for the year ended 30 June 2011 included on the Company's website. The Company's Board of Directors is responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 7 September 2011 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE NEW ZEALAND WINE COMPANY
LIMITED

COMPARATIVE FINANCIAL REVIEW

FOR THE YEARS ENDED 30 JUNE

Group		2011	2010	2009	2008	2007
	Note	Audited NZ IFRS \$000	Audited NZ IFRS \$000	Audited NZ IFRS \$000	Audited NZ IFRS \$000	Audited NZ IFRS \$000
Income Statement Data						
Revenue		11,158	13,047	12,518	11,904	11,276
Underlying profit before interest, provision for impairment, revaluations & income tax/Surplus from						
Operations		(991)	771	1,377	2,522	1,710
Net finance costs		(861)	(706)	(806)	(627)	(364)
Impairment		(913)	(111)	-	-	-
Revaluation gains/(losses)		(1,390)	(1,989)	1,272	1,103	149
Income tax expense		825	137	(560)	(954)	(328)
Profit/(loss) for the year		(3,300)	(1,898)	1,283	2,044	1,167
Profit/(loss) attributed to non- controlling interests		(144)				
Profit/(loss) attributed to s/h of Parent		(3,186)				
Basic earnings per share (cents)		(36.7)	(21.9)	14.8	23.6	13.5
Dividends per share (cents)	1	0.0	4.0	7.0	7.0	7.0
Statement of Financial Position/ Balance Sheet Data						
Current assets		16,870	17,481	20,401	17,146	13,745
Current liabilities		19,396	5,814	5,156	4,591	3,573
Working capital ratio		0.9	3.0	4.0	3.7	3.8
Non-current assets		20,461	22,695	24,049	24,137	22,842
Total assets		37,331	40,176	44,450	41,283	36,587
Non-current liabilities		2,946	15,734	17,356	15,392	7,157
Total liabilities		22,342	21,548	22,512	19,983	17,115
Total shareholders' equity		14,989	18,628	21,938	21,300	19,472
Profit/(loss) for the year % of average shareholders' equity		(19.0)%	(9.4)%	5.9%	10.0%	5.9%
Total comprehensive income/ (expense) % of average shareholders' equity		(20.8)%	(14.6)%	5.7%	11.8%	7.7%
Total loans and borrowings		17,254	15,943	16,243	13,981	12,498
Gearing ratio %	2	53.5%	46.1%	42.5%	39.6%	39.1%
Net gearing ratio %	3	53.5%	45.6%	42.5%	38.5%	35.8%
Shareholders' equity % of total assets		40.2%	46.4%	49.4%	51.6%	53.2%
Adjusted net tangible assets per share	25	\$1.79	\$2.22	\$2.65	\$2.59	\$2.38
Number of shares at year end		8,677,199	8,677,199	8,677,199	8,677,199	8,668,332

Notes:

- Dividends per share are calculated on the basis of dividends paid during the year.
- Gearing ratio is Total loans and borrowings as a percentage of Total loans and borrowings plus Total shareholders' equity.
- Net gearing ratio adjusts the Total loans and borrowings in note 2 above by netting off Cash balances.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

This statement is designed to provide an overview for Shareholders to reflect the current governance policies and practices adopted or followed by the Board for the NZWC's adherence to the principles contained in

- the NZX Corporate Governance Best Practice Guide (NZSX Listing Rules Appendix 16); and
- the NZ Securities Commission "Corporate Governance in New Zealand Principles and Guidelines" issued 16 March 2004 (and reprinted in February 2011).

This statement elaborates on the foregoing with a structured Statement of the Responsibilities to and Role of Shareholders and the Board's Charter, including the operation of the Board, its Committees and the over-arching Code of Conduct to be adopted by directors, management, staff and contractors.

In summary, the Board is committed to high standards of best practice corporate governance and ethical conduct as being integral to overall business integrity and to delivery of long term shareholder value.

THE ROLE OF SHAREHOLDERS

Under the Companies Act, and the NZAX Listing Rules, all Shareholders have the right to receive Annual and Interim Financial Statements and all Notices of Meetings and to attend all such Meetings in person or by proxy. Resolutions for which requisite Notice are given may be voted upon by show of hands or, if a poll is called, on a one share one vote basis. There are no priority or special voting shares.

The NZWC is required to maintain the full list of shareholders - with the Register held by Computershare Investor Services - and certain other statutory information available to shareholders at the Company's registered office.

The Company is committed to communicating regularly with Shareholders. However, under the Listing Rules, the NZWC is obliged to meet the NZX continuous disclosure requirements of all market price sensitive or other material company information to be supplied first to the NZX as soon as practicable (and subject only to specified departures for incomplete information) - prior to communicating that information to shareholders, the general investment or local community, or to the media.

The Company will provide meaningful information about the Company's goals, corporate proposals, business affairs and general future strategies, plans and performance including periodic e-newsletters - as well as providing opportunities as Shareholders to obtain early availability under strict criteria for any of the Company's products.

To facilitate this general information flow, the Company maintains a comprehensive web site including an investor section. This contains the constitution, annual and half-yearly reports and financial statements, releases to the NZAX or media and any presentations to third parties.

The Directors have the power to declare dividends from time to time to shareholders subject to complying with the solvency and liquidity test criteria contained in the Companies Act.

It is the Board's policy to pay, through time, progressive and if possible fully imputed cash dividends, subject to meeting the solvency test criteria, at approximately 50% of annual Underlying profit before revaluations after income tax, with an interim dividend of approximately one-third payable in March/April and with the final dividend for the year payable in September/October.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

BOARD CHARTER

ROLE OF THE BOARD OF DIRECTORS

The Directors are responsible, collectively as the Board under its Chairman, for the success of the NZWC and are accountable to shareholders for the Company's overall ethical conduct, strategic development, annual performance and long-term sustainable increase in shareholder value.

The Board exercises its powers on behalf of all Shareholders, except for those powers specifically required to be exercised by Shareholders by law, the NZAX Listing Rules or the NZWC constitution. Except for powers specifically reserved to the Directors under the Companies Act or the Delegated Authorities Policy, the Board in turn delegates authorities to the Chief Executive, with sub-delegations to members of the Management Team, with the Chief Executive responsible for the day-to-day management of the NZWC business and delivering against the agreed strategic plans, operating budgets and performance targets.

The Role of the Board is to provide the overall framework for governance, accountability, risk control and deliverability of the strategic and operating plans. To do so the Board meets with management normally at approximately monthly intervals, and more frequently if warranted, otherwise contact shall occur via email or teleconference to ensure Directors are fully apprised about key Company activities and issues.

The Chairman, on behalf of the Board, is the formal channel of communication to external stakeholders and to the CEO who in turn has delegated responsibility for management and staff and for achieving agreed policies, business strategies, operating plans and budgets.

Apart from any Board-only session during each meeting with the CEO and/or the Finance Manager and members of the Management Team may attend Board meetings.

Each year the Board will meet with the CEO and full Management Team in a dedicated strategic planning and review meeting.

To assist in this oversight role, and to help discharge these responsibilities, the Board will receive, and management will provide

- timely current financial and operational information and overall and functional performance against operating plans and budgets;
- advice on the risk and competitive environment and issues facing the NZWC within their review of the current viticultural, winery, marketing and finance functions; and
- overall progress on achieving long term strategic plans and associated threats and opportunities.

The Board shall maintain a Code of Ethics Policy Statement, reviewed annually, to underpin the NZWC's vision and values and expected standards of conduct for Directors, Managers, employees and contractors.

Responsibilities of Directors

In addition to the foregoing, the Directors are responsible for preparing and providing to Shareholders the financial statements, as prescribed in the Financial Reporting Act. These shall give a true and fair view of the financial (and operational) state of affairs of the NZWC for the period, as portrayed in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Statement of Cash Flows. These financial statements are unaudited for the half-year report but must be audited by the External Auditor for the full financial year report ended 30th June.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Composition of the Board

Under the constitution there shall be a minimum of 3 and maximum of 8 directors, with power to increase that number. The Board is therefore authorised to appoint one or more additional directors to fill a casual vacancy or to expand the Board for increased effectiveness or to help meet the Company's objectives.

A minimum of two Directors must be ordinarily resident in New Zealand and at least half the number of Directors must be independent, as defined in the Listing Rules.

Directors are elected by shareholders at the first annual meeting after appointment.

After that, at each annual meeting, at least one-third of Directors shall retire by rotation, determined by length of service since their last election.

Directors' Remuneration

Directors' fees are recommended to and confirmed by Shareholders' resolution at an Annual Meeting.

The last fee increase was resolved at the 2008 Annual Meeting being an increase in fees to \$159,000 in total, with effect from 1 July 2008, with the fee allocation to be determined by directors.

The current agreed annual fee pool allocation, paid quarterly, is

Chairman	\$42,000
Director	\$22,000 (for five)
Board Committee Chairman	\$ 3,500 (for two)

In the event of an increase in number of Directors the constitution permits an automatic increase in the fee pool by the base director fee (Cl. 14.2)

Directors may claim reimbursement against GST receipts for travelling and other associated reasonable expenses in the course of business as a Board member.

The Board, and individual Directors with the authority of the Chairman and/or the Board, has the ability to retain, at the Company's expense, special independent legal, accounting and other consultants or experts deemed necessary in the proper discharge of its or his duties and responsibilities.

BOARD ACTIVITIES

The Board's role and responsibilities are outlined above; but in summary they are to

- prepare annual and interim financial statements, report to Shareholders and the NZAX market and call statutory meetings;
- declare dividends to Shareholders;
- ensure compliance with general Company and Securities law requirements including maintenance of up-to-date interests and share registers and other statutory reports and requirements;
- comply with the NZAX Listing Rules and in particular to maintain the continuous disclosure obligations following review at the end of each Board meeting and immediately at all other times market price sensitive information is ready for disclosure according to NZAX LR 10;
- review overall Company strategies, the competitive environment and the Company's risk environment;

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

BOARD ACTIVITIES (CONTINUED)

- review critically the underlying assumptions behind annual budgets and plans, approve such plans and monitor actual results against agreed budgets, including corrective action required to maintain agreed targets;
- authorise and monitor strategic investments, other capital expenditures or divestments and any new or replacement borrowing facilities;
- ensure compliance with general and specific industry laws and regulations, including Health & Safety, Environment, Wine Industry, Customs and export labelling;
- review the performance of the Chief Executive and Management Team members;
- approve management appointments and review and approve remuneration and appropriate performance incentives Company-wide and for all staff individually;
- review annually specific Corporate Policy Statements for the
 - o Code of Ethics,
 - o Share Trading and Release of Company information,
 - o Wine Composition and Packaging Integrity,
 - o Wine Blend,
 - o Delegation of Authorities,
 - o Treasury Management;
- confirm Director appointments to Board Committees and to receive oral and written reports and recommendations from such Board Committees;
- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of the Company's financial and business risks, including fraud;
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- review the effect of the Company's risk management framework on its control environment and insurance arrangements;
- regularly review the performance of and, when appropriate, recommend to the Board changes in the Board, or its Committees, to maintain the right mix of experience, qualifications and skills;
- consider whether changes are required in number of Directors to enhance the performance of the Board;
- review the criteria for determining suitability of potential Directors in terms of Board balance, qualities, qualifications and skills and local and wine industry viticultural, wine making or marketing experience;
- identify Director retirements by rotation pursuant to the constitution and consider with the Board appropriate succession planning whether of Directors, the Chief Executive or members of the Management Team;
- in the event of a vacancy to the Board, or one of its Committees, whether by retirement, death or resignation consider any persons nominated by Directors or Shareholders and make recommendation to the Board in respect of any such nomination;
- establish a programme to assess periodically the Board and Director performance;
- ensure any new Director receives appropriate induction to the NZWC Board and operating activities;
- consider whether specific Director development is appropriate;
- make recommendations for the appointment and removal of Directors;
- attend to any other Nomination matter put to the Committee by the Board.

Board Committees

To increase the effectiveness of the Board there are two standing Board Committees:

- the Audit Committee; and
- the Remuneration Committee.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Board Committees (Continued)

Each plays a vital role in ensuring good governance and the effective and efficient operation of the Board.

Each Committee shall comprise three Directors with the Chairman being a member, or ex officio member, of each Committee. However, the Chairman cannot also be Chairman of the Audit Committee. A quorum shall be two Committee members, including the Committee Chairman. Any Director may attend any Committee meeting as an observer if he/she so wishes.

The terms of reference for each Committee shall be reviewed annually by end-September, after the end of the annual remuneration and financial reporting cycles, to ensure they reflect current best practice.

The Board may establish an ad hoc Committee at any appropriate time to consider a special issue.

The Committee may request the Chief Executive and/or any Management Team member to attend.

Each Committee will report its deliberations and recommendations by oral or written report to the Board for formal resolution or ratification.

Formal minutes shall be provided to the Board at the earliest practicable opportunity.

Audit Committee Charter

Audit Committee Underlying Philosophy

The Board aspires to achieve best practice standards in corporate governance and in the preparation and presentation of its published financial statements, as required by the Financial Reporting Act, and that they present a true and fair view of the current state of the NZWC's financial (and operational) affairs.

Management's monthly financial (and operational) reports are the most significant tools the Board has to monitor the Company's performance.

The underlying internal control and accounting and operational systems determine the accuracy of the financial statements and results presented to the Board.

The External Auditor is responsible for reviewing and making recommendations on these underlying control systems to ensure they produce accurate and consistent reports on which Shareholders may rely and, to assist meeting this responsibility, the External Auditor shall have full access to all board papers and minutes and all financial and related records.

It is paramount the independence of The External Auditor is maintained for Shareholders' benefit.

The Committee is responsible to ensure the External Auditor's independence is maintained. In the event there is actual or perceived conflict this should be brought to the Board's attention for resolution. If the risk is accepted (e.g. for statutory share register audit, for statutory or other Customs and Wine Maker returns), because it will be outweighed by the value to be achieved by the External Auditor undertaking such activity, such decision must be transparent and is to be recorded in the Minutes of the Board.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Audit Committee Membership

Under the Listing Rules at least one Committee member shall have an accounting or financial background and the Chairman and a majority of Independent Directors must constitute Committee membership.

Under best governance practice, the Audit Committee Chairman cannot be the Board Chairman

The Committee members are David Appleby (Chairman), Alton Jamieson and John Albertson.

At present all three members comply and are also Independent Directors.

The quorum is two Committee members of whom one should be the Committee Chairman.

The Chief Executive and Finance Manager attend Committee meetings by invitation

The External Auditor is invited to attend the Annual Accounts sign-off Audit Committee meeting.

The External Auditor shall be invited to meet with Committee members without management present to permit the full and proper discharge of their independence

The Audit Committee Chairman shall maintain contact with the Audit Lead Partner to ensure an open communication channel exists between the External Audit Partner and the Board, or if necessary, the Board Chairman.

Purpose

The Audit Committee is appointed by and reports to the Board to assist the Board in fulfilling its financial oversight responsibilities. The principal duties and responsibilities are to:

- Monitor the integrity of the NZWC's financial reporting process and system of internal controls regarding finance, accounting and associated legal compliance;
- Maintain the independence of the External Auditor, including audit partner rotation at approximately 5 yearly intervals; to receive and review the annual Audit Plan, the Letters of Representation and the Audit Management letter (and management responses), including the annual External Audit report, and the Auditors Independence Confirmation letter;
- Meet with and review the performance of the External Auditor;
- Determine the cost-effectiveness of the annual audit;
- Recommend the annual audit fee basis;
- Review and make recommendations on financial and accounting policies;
- Review the integrity of and make recommendations on the statutory annual and half-yearly financial statements together with any other statutory or NZAX continuous disclosure for other financial reporting requirements and for the release of any investor or financial information to Shareholders or onto the Company web-site;
- Evaluate the Company's internal control environment and risk identification and mitigation;
- Conduct any investigation appropriate to discharging these responsibilities;
- Maintain Board Audit Committee oversight responsibility over any other NZWC operational entities;
- Review these terms of reference annually, after the annual financial reporting cycle, or when circumstances change;
- Provide oral or written reports to the Board on its deliberations and recommendations as soon as practicable after any meeting and maintain Minutes of its proceedings.

External Financial Reporting

This is a special responsibility of the Committee. It shall

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

External Reporting (Continued)

- Consider and recommend to the Board adoption of the unaudited half-year and audited annual financial statements and confirm they present a true and fair view of the NZWC's financial (and operational) performance and position;
- Consider the appropriateness of the NZWC's accounting policies and recommend any new or changed Policies to the Board so as to ensure they comply with NZ-GAAP (NZ-IFRS)
- Management shall advise whether accounting methods comply with NZ-GAAP (NZ-IFRS)
- The External Auditor shall also advise and report to the Committee its concurrence with any new or changed accounting policy
- Management will advise the Committee specifically on any new, significant or unusual transactions or accounting treatment
- Assess significant estimates or judgements (particularly relating to impairments) in financial reports by enquiring about the process used in making material estimates and judgements and then enquire of the External Auditor the basis for their conclusions as to the reasonableness of management's estimates;
- Receive and review any communication from the External Auditor relating to their review of and final reporting on their External Audit Opinion;
- • Assess management's internal control process for release of financial information, including the External Auditor's Report, to the NZX and to Shareholders, and onto the NZWC's web-site to ensure the release is accurate and does not conflict with the Board approved financial statements or other financial reports.

Remuneration Committee Charter

Committee Membership

The Committee shall comprise three directors, a majority of whom shall be independent directors.

The Committee members are Bill Wallace (Chairman), Maurice McQuillan and Steve Riley.

At present all three members are Independent Directors.

The quorum is two Committee members of whom one should be the Committee Chairman.

The Chief Executive and Finance Manager attend Committee meetings by invitation

The Committee may commission any study, survey and/or independent advice that it sees fit in its consideration of any matter within its responsibilities.

The Committee shall provide oral or written reports to the Board on its deliberations and recommendations as soon as practicable after any meeting and maintain Minutes of its proceedings.

In the event a member is personally conflicted on any deliberations the Board may appoint an alternate.

Purpose

The purpose is to regularly review, and recommend changes to director fees and executive and staff total remuneration to ensure it is at the appropriate level and effectively managed so as to advance the NZWC's business objectives.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

Responsibilities

The Committee will:

Employees

- Adopt a Remuneration Policy for the Company that takes into account when settling remuneration levels for individual employees the following matters - Job Size, Organisation Policy, Organisation's Ability to Pay, Organisation's Need to Pay, Individual Performance and Market Relativities.
- Establish and oversee an Organisation Policy for the purpose of remuneration market alignment.
- Review in line with the Organisation Policy, the remuneration of the CEO and the members of the management who report directly to the CEO.
- Review the total remuneration of salaried employees in line with the Remuneration and Organisation Policies.
- Review, oversee and monitor all bonus schemes and the company's incentive based Share Option Schemes and Performance Share Plans.
- Ensure that all employment agreements comply with prevailing legislative or case law requirements at the time of engagement and are fully up to date.
- Attend to any other remuneration matter put to the Committee by the Board.
- In setting management remuneration the Company promotes a market-led strategy and alignment to stable median line in remuneration surveys. In addition there is the opportunity for at-risk performance related bonuses and incentive plans where shareholder value accretive performance occurs against financial metrics.

Directors

- Annually review the fees payable to Directors for recommendation to the Board and thence for submission to and consideration by Shareholders at the Annual Meeting.
- The Board reviews annually and recommends to shareholders any increase in directors' fees when profit performance warrants.

Board Meetings

Director participation in meetings during the year:

Director	Appointment	Board	Audit	Remuneration*
JA Jamieson	Oct 1999	15 #	2	0
JE Albertson	Oct 2008	14	2	-
DR Appleby	Jun 2007	15	2 #	-
MJ McQuillan	Apr 1993	9	-	0
SC Riley	Jun 2007	13	-	0
WF Wallace	Oct 2007	13	-	0 #

denotes Chairman

* No separate Remuneration Committee meetings were held during the year - all remuneration related matters were dealt with at full board meetings during the year.

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011

1. DIRECTOR PROFILES

ALTON JAMIESON - CHAIRMAN

Alton Jamieson was elected to the Board in September 1999 and as its Chairman in September 2007. Alton's business career has covered banking, transport and waste management services. He has had a 23 year career with waste management services businesses, primarily with NZX and ASX publicly listed Waste Management NZ Limited and was its Managing Director on listing in 1985. Alton spent 5 years based in Sydney from 1991 as CEO and a director of Pacific Waste Management Pty Limited, Australia. He also served as Chairman of Waste Management NZ Limited for 12 years until he retired from the Board in 2002. Alton has been a director of the Blues Franchise Limited and also served as an independent contractor to the New Zealand Rugby Union, working on a number of projects over the 3 years to 2006. Alton is an Accredited Director and Fellow of the Institute of Directors in New Zealand and is a Fellow of the New Zealand Institute of Management.

JOHN ALBERTSON

John Albertson was elected to the Board in October 2008. John is currently the Chief Executive of the New Zealand Retailers Association, a position he has held for the last 14 years. He is also currently a Director of the Retail Institute and GS1 NZ and until recently he was a member of the Standards Council of New Zealand. John has spent most of his career in marketing and market research roles having graduated in 1968 with a B Com (Marketing) from Otago University. He is a Fellow of the New Zealand Institute of Management.

DAVID APPLEBY

David Appleby was elected to the Board in July 2007. David is a director of Appleby Consulting Ltd, an Auckland based business specialising in business valuations and business advisory services. David has a career in chartered accounting and currently holds a number of directorships of private companies. David has been the Executive Chairman of publicly listed Ceramco Corporation Ltd as well as a past Chairman of the NZ Hockey Federation. He is a Chartered Accountant, Fellow of the Institute of Directors and a Fellow of the Chartered Institute of Secretaries.

MAURICE McQUILLAN

Maurice McQuillan was appointed to the Board in 1993. Maurice has many years experience in both the retailing and wholesaling of wines and spirits. He is at present the proprietor of a leading Blenheim liquor store. Maurice resigned from the Board on 30 June 2011.

STEVE RILEY

Steve Riley was appointed as a Director in July 2007. He is a member of the Institute of Directors. Steve has lived in Marlborough most of his life and is a lawyer in Blenheim. Steve owns his own law firm, Lundons Law. Outside of the law Steve and his wife own 35 acres of vineyards in the Awatere Valley. Steve, an old boy of Marlborough Boys' College, served on the College's Board of Trustees for nine years and as Chairman for three of those years, and is currently the President of the Marlborough Chamber of Commerce. Steve is the honorary solicitor to a number of Marlborough charities.

BILL WALLACE

Bill Wallace was appointed to the Board in September 2007. This followed a career as a manager with Public Trust, Managing Director of Hannahs Footwear, Operations Director of the NZ Rugby Union and an offshore assignment with the International Rugby Board. He has held directorships for over 20 years, is a member of the Institute of Directors and currently a director of five private companies (Chairman of three) in Nelson/Marlborough, Chair of a shopping centre company in Palmerston North, Chairman of a Cinemas Exhibition business and a Past President of the NZ Retailers Association.

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

2. INTEREST REGISTERS

The following entries were recorded in the Directors' interest register of the Company during the year:

SHARE DEALINGS IN THE SHARES OF THE NEW ZEALAND WINE COMPANY LIMITED

Share transactions undertaken during the year were as follows: Nil (2010: Nil)

TRANSACTIONS	2011 \$000	2010 \$000
Certain Directors have interests in contracts with The New Zealand Wine Company Limited. All transactions were at normal commercial rates.		
SC Riley (Lundons Law – legal fees)	14	14

LOANS TO DIRECTORS

No loans to directors were authorised during the year.

INDEMNITY AND INSURANCE

The Directors' and Officers' liability insurance is held to cover risks normally covered by such policies arising out of acts or omissions of directors and employees in their capacity as such except for specific matters which are expressly excluded.

3. DIRECTORS REMUNERATION

Directors of the Company during the year and remuneration and other benefits paid to directors by the Company were as follows:

DIRECTORS' FEES	2011 \$000	2010 \$000
JA Jamieson	42	42
JE Albertson	22	22
DR Appleby	26	26
MJ McQuillan	22	22
SC Riley	22	22
WF Wallace	26	26
JHG Milne	-	-

No Directors are executives. No remuneration and other benefits were paid to Directors during the year (2010: \$nil).

4. EMPLOYEES' REMUNERATION

Remuneration and other benefits of \$100,000 per annum or more received by employees in their capacity as employees were as follows:

	Number of Employees
\$130,000-\$139,999	3
\$180,000-\$189,999	1
\$250,000-\$259,999	1

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

5. DONATIONS

The New Zealand Wine Company Limited made no donations during the year (2010: Nil).

6. SHAREHOLDER BREAKDOWN

Shareholding as at 30 June 2011	Number of shareholders	Total shares held	% of share capital
1-999	72	28,943	0.3%
1,000-9,999	202	577,573	6.7%
10,000-49,000	59	1,174,342	13.5%
50,000-99,999	12	821,587	9.5%
100,000-499,999	18	4,181,956	48.2%
500,000+	2	1,892,798	21.8%
	365	8,677,199	100.0%

7. DIRECTORS' SHAREHOLDING

Shares held at 30 June 2011 (including Beneficial interests):

	Ordinary Shares
JE Albertson	-
DR Appleby	300,000
JA Jamieson	988,268
MJ McQuillan	135,107
SC Riley	-
WF Wallace	39,531

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

8. 20 LARGEST REGISTERED HOLDERS

Ordinary shares held at 30 June 2011:	Ordinary shares held	% of share capital
JA Jamieson*	988,268	11.4%
Alfa Lea Horticulture Limited*	904,530	10.4%
JD Croft*	459,363	5.3%
MA & VF Peters	402,376	4.6%
JG & VR Orchard	387,842	4.5%
CJC & HC Fletcher & Peters Doig Trustee Co Ltd	354,000	4.1%
WC McDonald, DR Appleby & RN Burnes	337,467	3.9%
Possum Equities Limited	300,000	3.4%
TJ Fairhall	295,116	3.4%
JP Morgan Chase Bank NA - NZCSD	230,090	2.6%
D Edwards	207,712	2.4%
CM & BW Doig	198,794	2.3%
JHG Milne & DFB Stevenson	154,529	1.8%
MA Milne & DFB Stevenson	154,529	1.8%
MJ McQuillan	135,107	1.5%
PI McCallum	123,684	1.4%
FNZ Custodian Limited	121,553	1.4%
AW & A Rutledge	109,981	1.3%
Fifeshire Holdings Limited	105,772	1.2%
LJ Hope	104,041	1.2%
Sub-total	6,074,754	70.0%
Others (352 Shareholders)	2,602,445	30.0%
TOTAL	8,677,199	100.0%

* These shareholders are substantial security holders as defined in Section 21 of the Securities Markets Act 1988.

CONTRIBUTORS

PERMANENT EMPLOYEES AS AT 30 JUNE 2011

Aaron Tupara	Greg Deason	Murray Coyle
Boyd Gardner	Jan Rutherford	Patrick Maher
Craig Fowles	Jane Trought	Peter Cairns
Craig Young	Jayne Spalding	Peter Sanders
David Busch	Jeffrey Parker	Robert White
David Pearce	John Jackson	Sara Bateup
Donna Clark	Maree Thomas	Shane Healey
Doug Holmes	Marie Dufour	Steven Simpson
Gillian Moore	Muriel Vincent	

WINE SHOW AWARDS

FOR THE YEAR ENDED 30 JUNE 2011

Air New Zealand Wine Awards 2010

Gold Medal – Sanctuary Riesling 2009
Pure Silver Medal – Grove Mill Grand Reserve Riesling 2009
Pure Silver Medal – Sanctuary Gewurztraminer 2008
Pure Silver Medal – Sanctuary Pinot Noir 2009

New World Wine Awards 2010

Silver Medal – Grove Mill Chardonnay 2008

New Zealand International Wine Show 2010

Silver Medal – Grove Mill Riesling 2008

International Wines and Spirits Competition 2010

Silver Medal – Grove Mill Riesling 2009

Romeo Bragato Wine Awards 2010

Pure Silver Medal – Grove Mill Grand Reserve Riesling 2009

Canberra Riesling Challenge 2010

Silver Medal – Grove Mill Grand Reserve Riesling 2009

New Zealand Royal Easter Show 2011

Silver Medal – Grove Mill Sauvignon Blanc 2010

Decanter Wine Awards 2011

Silver Medal – Sainsbury Taste the Difference Coolwater Bay 2010

THE NEW ZEALAND WINE COMPANY
LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

DIRECTORS:	JA Jamieson (Chairman) JE Albertson DR Appleby MJ McQuillan SC Riley WF Wallace
WINERY ADDRESS:	13 Waihopai Valley Road Renwick, Marlborough, New Zealand Telephone +64 3 572 8200 Facsimile +64 3 572 8211
POSTAL ADDRESS:	PO Box 67, Renwick 7243, Marlborough, New Zealand
EMAIL:	info@nzwineco.co.nz
WEBSITES:	www.nzwineco.co.nz www.grovemill.co.nz www.sanctuarywine.co.nz
NATURE OF BUSINESS:	Production and distribution of wine
AUDITORS:	Deloitte, Wellington
SOLICITORS:	Lundons Law, Blenheim
BANKERS:	National Bank of New Zealand, Blenheim
REGISTRATION NO.	307139
REGISTERED OFFICE:	13 Waihopai Valley Road, Renwick 7204, Marlborough
SHARE REGISTRAR:	Computershare Investor Services Limited 159 Hurstmere Road, Takapuna, North Shore City 0622 Private Bag 92119, Auckland 1142 Telephone +64 9 488 8777 Facsimile +64 9 488 8787 Email: enquiry@computershare.co.nz (please quote CSN or shareholder number) Website for shareholders to change address or payment instructions or view investment portfolio: www.computershare.co.nz/investorcentre
SHARE TRADING:	NZX – NZAX Market Stock Code “NWC”