MWE MARLBOROUGH WINE ESTATES

ANNUAL REPORT | 2020

MARLBOROUGH WINE ESTATES GROUP LIMITED

Annual Report

For the Year Ended 30 June 2020

CONTENTS

FY20 HIGHLIGHTS

- Total sales revenue increased to $6.4 million, a 19% increase on FY19.
- Bottled wine sales revenue increased by 68% to $2.74 million compared to FY19.
- Harvest tonnage from OTU Vineyards increased to a record of 1,911 tonnes, up from 1,860 tonnes in 2019 vintage.
- Continued to strengthen business in NZ market with bottled wine sales revenue increasing by 91% compared to FY19.
- The impact of COVID-19 pandemic on MWE's business had been well managed.
- Posting the first profitable financial year since becoming an NZX listed company.

EXECUTIVE CHAIRMAN AND CEO'S REPORT

Marlborough Wine Estates Group Limited ("MWE") is pleased to release the results for MWE and its subsidiaries (together the "Group") for the financial year ended 30 June 2020 (FY20). It was a year of strong growth for MWE, posting its first-ever profitable year as an NZX listed company.

Performance Highlights

- New Zealand bottled wine sales revenue increased by 91% compared to the previous financial year.
- Consistent business from existing distributors in China, Japan, Taiwan and Canada.
- New distribution relationship established in Fiji and Australia, with first shipment having been delivered to Australia.
- Awards:
  - Music Bay Sauvignon Blanc 2019 received a Gold Medal in the 2019 New World Wine Awards.
  - OTU Classic Sauvignon Blanc 2019 received a Silver Medal in the 2020 International Wine Challenge.
  - OTU Classic Sauvignon Blanc 2019 received a Silver Medal in the 2019 New Zealand Wine of the Year.
  - OTU Classic Rose 2019 received a Silver Medal in the Cathay Pacific Hong Kong International Wine & Spirit Competition.
- The impact of COVID-19 pandemic on MWE's business had been well managed.
- Posting a full year profit for the first time since becoming an NZX listed company.

Operating Performance

- MWE's total sales for FY20 was $6,402,493, an increase of 19% from the previous financial year (FY19: $5,379,675).
- MWE's profit for FY20 was $17,193 before tax, a significant improvement from the previous financial year's loss (FY19: -$502,929).
- During the financial year, MWE continued investment into sales growth and marketing. There was also a write-down of inventory recognised. After adjusting for the non-operating expenses (income) that do not relate to the ongoing performance of the Group, MWE's adjusted EBITDA for the year ended 30 June 2020 was $897,463, an improvement from the previous financial year (FY19: $592,684). Please refer to Appendix 1 for the details of the calculations.

2020 vintage

The New Zealand wine industry experienced a challenging 2020 vintage. While COVID-19 caused considerable logistical challenges, the 2020 vintage was able to be harvested under the level 4 lockdown by adhering to government-imposed health and safety standards.

Despite the restrictions, MWE was pleased to see one of the better vintages from its own blocks. There was an increase in yield to 1,911 tonnes this vintage, up from 1,860 tonnes in the 2019 vintage. The Marlborough region also experienced a drier season than usual, which negatively impacted the yield of many other growers.

MWE also harvested approximately 330 tonnes of grapes from its contract grape suppliers (Pinot Gris, Pinot Noir, Chardonnay, Merlot) this vintage, up from 105 tonnes in the 2019 vintage. MWE sold out of its Pinot Gris and Rose well ahead of the vintage rollover in 2020, therefore MWE has picked up more contract growers in preparation for further sales growth over the current year.

Vineyards Development

MWE also harvested its first vintage of Pinot Noir from its own block in 2020. Both the quality and quantity of this 2020 Pinot Noir vintage have exceeded our expectation for a first vintage.

Domestic Market

MWE has continued to grow its domestic bottled wine sales revenue, increasing NZ bottled wine sales revenue by 91% from the previous financial year, to $2.38 million in this financial year (FY19: $1.24 million). MWE believes NZ sales should continue to grow at a high growth rate for at least another 3 to 4 years.

A number of MWE's products are now featured as part of the core range of bottled wines in Foodstuffs South Island and the sales team is also in negotiation with Foodstuffs North Island. MWE believes improvement in MWE's sales channel will contribute to the long-term success of MWE's products in the NZ market.

MWE has begun shifting the focus of its domestic marketing from instore and direct marketing to a more brand awareness approach, running more campaigns and digital media promotions to grow the awareness of the Group's brands.

MWE believes there remains an untapped potential in the NZ market, and will continue investment in domestic marketing in the coming years.

International Market

The FY20 international market started strongly for MWE, with its first container order being shipped to Australia and a new distribution relationship being established in Fiji. Consistent orders were also being received from existing distribution relationships in China, Japan and Taiwan.

During March 2020, the COVID-19 pandemic slowed down MWE's international market development, especially in Australia and Fiji as local lockdowns temporarily reduced tourism and the consumption of wine in restaurants. MWE was also forced to cancel all sales team visits to international markets.

MWE's bulk wine business remained steady during FY20, with twelve containers being sold and shipped to the US.

Despite the pandemic, MWE is pleased to see that all key distribution relationships have remained strong. MWE will continue to support its distributors and look to continue its international market development as lockdown restrictions ease, with a focus on an expansion into key international markets such has the USA and UK.

The impact of COVID-19

COVID-19 lockdown restrictions negatively impacted MWE's sales in NZ and Australia.

The domestic lockdown in April reduced MWE's ability to promote and market its products in grocery. Despite seeing a dip in domestic sales in April and May, sales have significantly rebounded since the level 4 lockdown and MWE has resumed its growth trend.

The lockdown in Australia also affected MWE's planned marketing programme for the Australian market. In comparison to the NZ market, sales in the Australian market are taking longer to return to previous levels. MWE will continue to support its distributors where possible.

The pandemic has also created difficult trading situations for many businesses that have a focus on on-premise clients. MWE was less impacted by this due to its strong foundation and focus on grocery markets which are classed as essential businesses and do not have as rigid on-premises restrictions.

MPI Update

MWE understands the dispute between the Ministry for Primary Industries (MPI) and its former contracted wine processor has concluded. The affected inventory which was held during the dispute has since been destroyed under the supervision of MPI in FY20. The full value (approximately $1,200,000) of the affected stock has been written off in FY17. MWE continues to pursue an insurance claim for the losses and damages.

Change in Accounting Policy

MWE has adopted the revaluation model to value its land and land improvements, including bearer plants (grapes vines) and other vineyard infrastructure in FY20. Given historical costs are outdated, moving from a cost model to a revaluation model provides users with more reliable, representative, and relevant information. This has increased the value of the Group's total net asset by $5.3 million, with a corresponding increase in asset valuation reserve.

Outlook

MWE experienced a year of growth in FY20, with improvements in many areas of operations of MWE’s business despite the significant and unique challenges that the COVID-19 pandemic has presented.

MWE expects its harvest to continue to grow in the current year, with a harvest of 1,900 tonnes of high-quality grapes in normal vintages forecasted.

This is a result of previous investment into vineyards, providing resilience against tough weather and climate conditions and MWE’s vines reaching peak maturity for productivity. MWE’s replanting programme will also continue to add to the total vine count of its blocks.

MWE’s New Zealand market is expected to grow further as our sales channels, and brand awareness continues to improve in New Zealand. MWE is steadily shifting the focus of its marketing investment to building its brand awareness. In the current financial year, MWE is expecting continued growth in the New Zealand market, and MWE has planned a marketing programme to support the development of its brands.

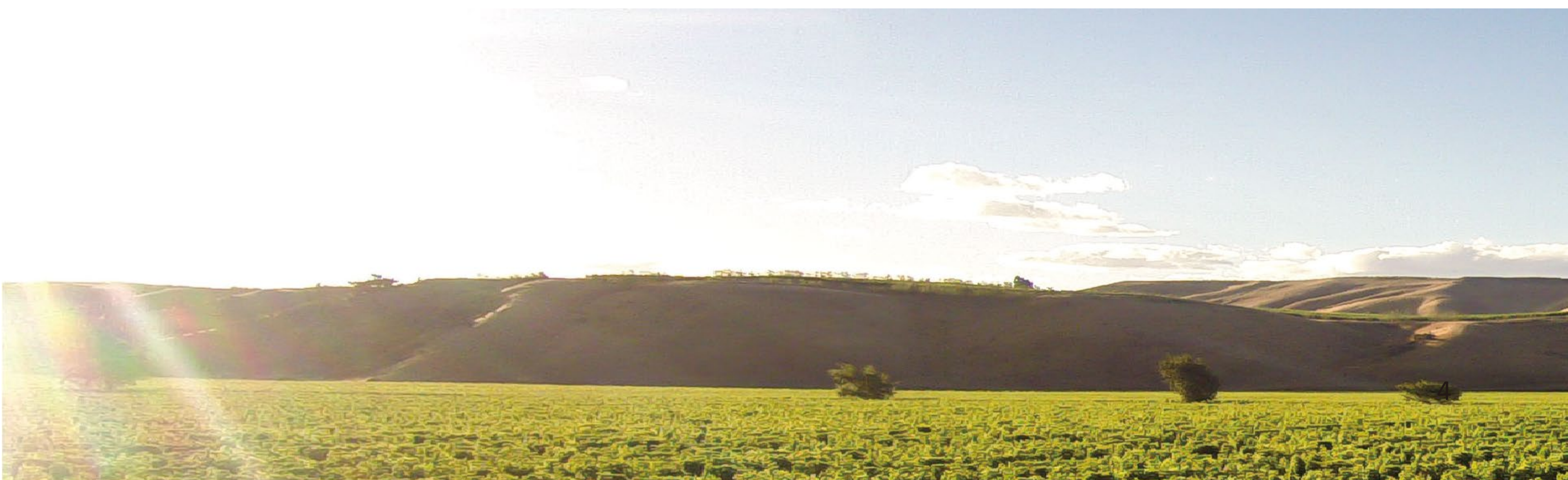
MWE’s international business development was negatively affected by the COVID-19 pandemic across the globe, as many planned marketing programmes and international visits by our staff were cancelled. MWE will resume its international business development strategy as soon as possible, recommencing promotional activities, providing support to international distributors and looking for opportunities to further open up significant markets such as the US and UK.

MWE is proud to have posted its first full year profit since becoming an NZX listed company and wishes to thank shareholders for their ongoing support of Marlborough Wine Estates Group Limited. MWE will continue to work with its clients and distributors and at the same time look for opportunities to expand its business.

MWE’s management is confident that the Group is on the right track and will continue to grow in size and profitability in the coming years.

Min Jia
Executive Chairman

Catherine Ma
Chief Executive Officer



Appendix 1 (non -GAAP financial information)

EBITDA[1] Reconciliation

	Year Ended 30 June 2020 $	Year Ended 30 June 2019 $
Net loss after tax per Financial Statements	**9,965**	**(365,796)**
Plus net interest and financing cost[2]	250,406	298,214
Plus/(less) tax expense (benefit)	7,228	(137,133)
Plus depreciation[3]	506,090	477,292
Plus amortisation	7,193	4,457
EBITDA	**780,882**	**277,034**
Plus inventory write down	18,568	166,713
Plus NZX migration related costs	5,000	12,170
Plus/(less) insurance claim related legal fees/ (settlement)[4]	94,402	126,672
Plus share based payment expense	(1,389)	10,095
Adjusted EBITDA[5]	**897,463**	**592,684**

[1] EBITDA is the earnings before interest, tax, depreciation, and amortisation.

[2] Net interest and financing cost is the net amount of interest income of $35 earned by the Group (2019: $402) and interest and financing costs of $250,441 incurred by the Group during the year (2019: $299,616).

[3] The depreciation consists of another $256,224 which was classified into Cost of Sales (2019: $248,081).

[4] The Group incurred legal expenses of $94,402 during the year in relation to making the insurance claim for bottled wine being held by MPI (2019: $126,672).

[5] Management has historically used Adjusted EBITDA when evaluating the operating performance for the Group. The inclusion or exclusion of certain items is necessary to provide the most accurate measure of on-going core operating results and to evaluate comparative results period over period. As such, Adjusted EBITDA excludes other non-operating expense (income) that do not relate to the on-going performance of the Group. The Group excludes the following items from EBITDA to arrive at Adjusted EBITDA:

- Inventory write down which is non-cash;
- NZX migration related costs which is not continuous;
- Insurance claim related legal fees or settlement which is not continuous; and
- Share based payment expense which is non-cash.

ANNUAL REPORT & DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors present the Annual Report including the consolidated financial statements of Marlborough Wine Estates Group Limited (the 'Company') and its subsidiaries (together the 'Group'), for the 12 months ended 30 June 2020 and the auditor's report thereon.

The Directors are responsible for ensuring that the financial statements present fairly the financial position of the Group as at 30 June 2020 and its financial performance and cash flows for the period ended on that date in accordance with NZ GAAP. The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed. The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013. The Directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Signed for and on behalf of the Board by:

Signature:

Executive Chairman: Min Jia

Signature:

Director: Danny Chan

Date: 19 October 2020

Deloitte.

Independent Auditor's Report

To the Shareholders of Marlborough Wine Estates Group Limited

Opinion

We have audited the consolidated financial statements of Marlborough Wine Estates Group Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 11 to 44, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Company or any of its subsidiaries, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $110,000.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Valuation of Property, Plant and Equipment
The Group has decided in the current year to change the accounting policy for land and land improvements from the cost model to the revaluation model.
As disclosed in Note 17 of the financial statements, the Group has recorded the following assets at fair value:
• Land at $8,044,795
• Land improvements at $12,844,254
The independent registered valuer determined the fair values at balance date. The valuations of the land and land improvements are prepared using a comparative sales valuation approach where a number of recent vineyard sales were analysed to establish a range of relevant value benchmarks. The valuation includes inputs which are adjusted for the size, location and varietal mix held by the Group.
The valuer has noted that due to the impact of Covid-19, the previous property market evidence may not reflect the future trending of the market as the crisis evolves. Thus, the valuer considered that there is significant market uncertainty and given the unknown future impact that Covid-19 might have on the market, the valuation of the land and land improvements should be under frequent review.
In addition, the valuer has considered that one of the vineyard blocks is contaminated from the previous use of "Taskforce" herbicide in the area. The valuer has assessed the market value of this particular block on the basis of mixed use pastoral farming and established viticulture. The valuer has used the sales evidence for pastoral land in the area for the purpose of valuing this particular block.
The valuation of these assets is a key audit matter due to the subjective judgements and assumptions in the valuations, including those that relate to the impact of COVID-19 and the impact of the contamination to the value of one vineyard block.
	We have evaluated the appropriateness of the valuation in respect of land and land improvements by performing the following:
	• Assessing the independence, objectivity and competence of the valuer;
	• Holding discussions with the valuer to understand the procedures and processes they performed in undertaking the valuation and the methodology used. We discussed the following with the valuer:
	    • Valuation methodology used for each asset type and comparative sales transactions used given the current market conditions which have been disrupted due to Covid-19;
	    • How those current market conditions were reflected in the valuations;
	    • How they obtained knowledge of the characteristics of each vineyard, for example by site inspection to confirm soil type, location and grape varietal;
	    • How they have determined the key inputs for each asset type; and
	    • Impact of the contamination as a result of the previous use of herbicide "Taskforce" on the valuation of one vineyard block;
	• Engaging our internal valuation specialists to assess the appropriateness of the valuation methodology;
	• Reviewing the valuations for any limitations of scope, as a result of Covid-19 and the contamination of one vineyard block, that would impact the reliability of the valuations;
	• Challenging the assumptions made on the valuation including those that relate to the vineyard block with contamination; and
	• Evaluating the adequacy of related disclosures included in the financial statements.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

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

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. 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.

Deloitte Limited

Andrew Burgess
Partner
for Deloitte Limited
Auckland, New Zealand
19 October 2020

This audit report relates to the consolidated financial statements of Marlborough Wine Estates Group Limited (the 'Company') for the year ended 30 June 2020 included on the Company's website. The Directors are 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 consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated 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 consolidated financial statements and related audit report dated 19 October 2020 to confirm the information included in the audited consolidated financial statements presented on this website.

Marlborough Region

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	Group Year Ended June 2020 $	Group Year Ended June 2019 $
Sales	4	6,402,493	5,379,675
Cost of sales	6	(4,238,875)	(3,377,363)
Gross profit		2,163,618	2,002,312
Other income	5	261,230	41,320
Interest income		35	402
Operating expenses	7	(1,881,622)	(1,847,966)
Interest expense and financing cost	8	(250,441)	(298,616)
Amortisation	16	(7,193)	(4,457)
Depreciation	17	(249,866)	(229,211)
Inventory write down	13	(18,568)	(166,713)
Profit / (Loss) for the period before taxation		17,193	(502,929)
Tax (expense)/benefit	9	(7,228)	137,133
Profit / (loss) for the period attributable to shareholders of the company		9,965	(365,796)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment	17	6,887,105	-
Income tax on items taken directly to or transferred from equity	9	(1,556,521)	-
Other comprehensive income for the year, net of tax		5,330,584	-
Total comprehensive income / (loss) for the period attributable to the shareholders of the Company		5,340,549	(365,796)
Basic and diluted earnings / (loss) per share	30	0.000	(0.001)

The above statement of comprehensive income should be read in conjunction with the attached notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

Group	Note	Share Capital	Retained earnings / (deficit) Restated	Asset revaluation reserve	Share-based payment reserve	Total
Balance at 30 June 2018		15,174,626	(1,201,727)	-	98,152	14,071,051
Restatement of prior year loss		-	(1,590,501)	-	-	(1,590,501)
Balance at 30 June 2018 restated		15,174,626	(2,792,228)	-	98,152	12,480,550
Total comprehensive (loss) for the year						
Loss for the year		-	(365,796)	-	-	(365,796)
Other comprehensive income		-	-	-	-	-
Total comprehensive (loss) for the year		-	(365,796)	-	-	(365,796)
Transactions with owners						
Share-based payment options	10 & 32	-	-	-	10,095	10,095
		-	-	-	10,095	10,095
Balance at 30 June 2019		15,174,626	(3,158,024)	-	108,247	12,124,849
Adjustment to retained earnings on application of NZ IFRS 16	2(x)	-	(3,922)	-	-	(3,922)
Total comprehensive income / (loss) for the year						
Profit for the year		-	9,965	-	-	9,965
Other comprehensive income	10	-	-	5,330,584	-	5,330,584
Total comprehensive income / (loss) for the year		-	9,965	5,330,584	-	5,340,549
Transactions with owners						
Share-based payment options	10 & 32	-	66,508	-	(67,897)	(1,389)
		-	66,508	-	(67,897)	(1,389)
Balance at 30 June 2020		15,174,626	(3,085,473)	5,330,584	40,350	17,460,087

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	Group June 2020 ($)	Group June 2019 Restated ($)
ASSETS			
Current assets			
Cash and bank balances	11	254,991	291,638
Accounts receivable	15	1,519,441	1,360,532
Inventory	13	3,928,469	2,900,803
Biological work in progress	14	509,934	401,106
Prepayments		101,920	55,715
Deposits paid		-	21,610
GST receivable		-	39,459
Total current assets		6,314,755	5,070,863
Non-current assets			
Property, plant and equipment	17	21,289,172	14,907,548
Deposits paid		20,000	20,000
Related party loan	25	59	59
Investments carried at cost	18	72,250	72,250
Right-of-use assets	22	561,123	-
Intangible assets	16	21,883	29,076
Total non-current assets		21,964,487	15,028,933
Total assets		28,279,242	20,099,796
LIABILITIES			
Current liabilities			
Accounts payable	19	953,370	300,285
Accrued expenses		251,120	249,303
Contract liability	20	72,466	76,771
GST payable		78,932	-
Interest bearing borrowings	21	-	6,100,000
Lease Liabilities	22	85,577	-
Income tax payables		407	-
Finance Lease		-	91,436
Total current liabilities		1,441,872	6,817,795
Non-current liabilities			
Shareholder Loan	21	1,500,000	392,855
Interest bearing borrowings	21	5,300,000	-
Lease Liabilities	22	323,924	-
Finance lease		-	74,688
Deferred tax	9	2,253,359	689,609
Total non-current liabilities		9,377,283	1,157,152
Total liabilities		10,819,155	7,974,947
Total net assets		17,460,087	12,124,849
EQUITY			
Capital Shares	10	15,174,626	15,174,626
Share-based payment reserve	10 & 32	40,350	108,247
Asset revaluation reserve	10	5,330,584	-
Retained earnings		(3,085,473)	(3,158,024)
Total equity		17,460,087	12,124,849

Signed for and on behalf of the board by:

Signature:
Executive Chairman: Min Jia

Signature:
Director: Danny Chan

Date: 16 October 2020

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	Group Year Ended June 2020 $	Group Year Ended June 2019 $
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		6,239,279	5,032,529
Other revenue		261,230	41,320
GST refund		119,916	55,616
Income tax refund		407	3
Interest received		35	402
		6,620,867	5,129,870
Cash was disbursed to:			
Payment to suppliers		(5,417,290)	(4,008,534)
Payments to employees		(919,000)	(860,356)
Interest paid	8	(250,441)	(298,616)
		(6,586,731)	(5,167,506)
Net cash flow generated / (used in) by operating activities	26	34,136	(37,636)
Cash flows from investing activities			
Cash was disbursed to:			
Payments for intangible assets		-	(4,298)
Payments for property, plant and equipment		(254,916)	(612,525)
		(254,916)	(616,823)
Net cash flow (used in) investing activities		(254,916)	(616,823)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from shareholder loan	26	1,107,145	392,855
		1,107,145	392,855
Cash was disbursed to:			
Repayment of lease liabilities	22	(123,012)	(130,828)
Repayment of bank loan	26	(800,000)	-
		(923,012)	(130,828)
Net cash flow generated by / (used in) financing activities		184,133	262,027
Net (decrease) / increase in cash		**(36,647)**	**(392,432)**
Cash and cash equivalents at the beginning of the year		**291,638**	**684,251**
Exchange adjustment		-	(181)
Cash and cash equivalents at the end of the year		**254,991**	**291,638**

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

NOTES TO FINANCIAL STATEMENTS

1 Reporting Entity

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

The Company and its subsidiaries are incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and migrated from NXT market to the main board of the New Zealand Stock Exchange ("NZX") on 19 March 2019.

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

These financial statements were authorised for issue by the Board of Directors on 16 October 2020.

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

2 Summary of significant accounting policies

(a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), and they comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and its interpretations and other relevant Financial Reporting Standards applicable to for-profit entities. The financial statements comply with International Financial Reporting Standards (IFRS).

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

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis except for Biological work in progress and produce, Land and Land improvements (vineyards) have been measured at fair value. Fixed assets have been recorded at cost or fair value less accumulated depreciation.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the functional currency of the company and its subsidiaries.

Accounting estimates & judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. Refer to Note 2(v) for further information. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2 Summary of significant accounting policies (continued)

(b) Basis of Consolidation

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

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. 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.
All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable NZ IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under NZ IFRS 9 Financial Instruments, instead of: when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2 Summary of significant accounting policies (continued)

(c) 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 to 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.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with NZIAS 12 Income Taxes and NZ IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with NZ IFRS 2 Share Based Payments at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(d) Revenue Recognition

Sales of grapes and wine

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

Interest income and expense

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

Other income

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

(e) Goods and Services Tax

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

(f) Foreign Currencies

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in New Zealand Dollars, which is the company's functional and presentation currency. All values are rounded to the nearest dollar.

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

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

2 Summary of significant accounting policies (continued)

(g) Property, Plant and Equipment

In FY20, the Group adopted the revaluation model for land and land improvements including bearer plants (grapes vines) and other vineyard infrastructure, now they are valued at fair value less accumulated depreciation. Fair value is determined on the basis of an independent valuation prepared by external valuation experts annually. Fair value is determined by reference to market-based evidence, which is the 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.

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

Revaluations will be performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Revaluations

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

The value allocated specifically to dams and other infrastructures included in land improvement (other than grapes vines) are based on the estimated cost to replace the assets on a like for like basis, and the current carrying value of the dams and other infrastructures are considered to be the fair value, which means the full incremental value are attributed to the land and grape vines.

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

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

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the sale price and the carrying value of the item.

A irrigation storage reservoir was constructed on the Donaldson block in 2017 with the aim or maximise the water supply for surrounding blocks, this dam currently provide irrigation water to 7.66 hectares of land on Donaldson block and 60.79 hectares of land on McKee block, the cost of this dam was allocated to both McKee and Donaldson block based on the irrigation area.

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

Rates used during the year were:

- Land - Diminishing value (0.0%)
- Land improvements - Straight line (5 - 25 years) and Diminishing value (2.0% - 13.5%)
- Computer equipment - Diminishing value (50.0%)
- Tools, equipment & sheds - Diminishing value (13.0% - 67.0%)
- Motor vehicles - Diminishing value (10.0% - 30.0%)

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 de-recognition 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 Summary of significant accounting policies (continued)

(h) Impairment

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 at each reporting date. Where an indication of impairment exists, or when annual impairment testing of an asset is required, the Group makes a formal assessment of recoverable amounts.

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

If the recoverable amount of an asset is less than its carrying amount, the asset is written down to its recoverable amount. The write-down of the asset recorded at historical cost is recognised as an expense in profit or loss. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(i) Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

The Group recognises a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on the trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other receivables are initially recognised at fair value less any provision for impairments. These 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 assets.

(j) 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.

(k) Financial instruments

Financial instruments are recognised in the Statement of Financial Position when the Group become party to a financial contract. They include cash balances, deposits, bank overdrafts, receivables, payables and related party balances.

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

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

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

2 Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial liabilities

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

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis and includes the fair value of the grapes, the agricultural produce, at the time the grapes are harvested in accordance with NZ IAS 41 Agriculture (refer to note 12). Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(m) Common Control Transactions

A combination of entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Common control transactions are accounted for at book value at the date of the transaction with any resulting gain/loss recognised directly in equity.

(n) Income Tax

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

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

Deferred tax is calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

2 Summary of significant accounting policies (continued)

(n) Income Tax (continued)

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

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

(o) Borrowing costs

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

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

(p) Agriculture (biological assets other than bearer plants and biological work in progress)

All costs incurred in maintaining agricultural assets are recognised in profit or loss. Costs incurred in the current year's harvest are included in profit or loss and Statement of Financial Position as work in progress.

The fair value of picked grapes is recognised in profit or loss as a gain/loss on harvested grapes at the point of harvest. The fair value of grapes is referenced to market prices for grapes in the local area, at the time of harvest. This becomes the deemed 'cost' for inventory valuation purposes. Refer to note 12.

Unharvested grapes are biological assets and are measured at fair value less costs to sell.

(q) Fair value estimation

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; and
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

(r) Intangible assets

i. Intangible assets acquired separately

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

ii. Intangible assets acquired in a business combination

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

2 Summary of significant accounting policies (continued)

(r) Intangible assets

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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

iii. Derecognition of intangible assets

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

(s) Share-based payment transactions

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

(t) Leases

The Group as lessee

The Group adopted NZ IFRS 16 which introduces new or amended requirements with respect to lease accounting the first time in this financial year. The standard removes the distinction between operating and finance lease and requires the recognition of a right-of-use asset and a lease liability at the commencement of all leases, and recognise interest expense and depreciation separately, except for short-term leases and leases of low value. For more details, refer to note 2(x) and note 22.

The Group as lessor

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

(u) Government grants

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

(v) Key sources of judgement of estimation uncertainty

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

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

i. Estimation of useful lives of assets (other than bearer plants) (refer to note 16 and 17)

The estimation of useful lives intangible assets has been based on historical experience and management's best estimate of the terms and conditions attached to intangible assets that arise from legal agreements. The estimation of the useful lives of fixed assets has been based on historical experience as well as lease terms. The condition of the assets are assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. The significant depreciation terms and classes of equipment are included in note 2(g).

ii. Fair value of grapes at the point of harvest less cost to sell (refer to note 12)

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 at which the Group sells the harvested grapes.

2 Summary of significant accounting policies (continued)

(v) Key sources of judgement of estimation uncertainty (continued)

iii. Fair value of Land and Land improvement (refer to note 17)

The fair value of land and land improvements is determined by an independent valuer. The fair value is determined under the principle of highest and best use at 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. To determine the fair value the independent valuer uses valuation techniques which are inherently subjective and involve estimation. The Directors consider that market data exists to support this basis of valuation. Based on these valuation techniques these fair values are included in Level 3 in the fair value hierarchy.

One of Group's vineyard block is contaminated by herbicide "Taskforce" which was used over the recent years to control the Chilean Needle grass. At this stage, it is uncertain how long the contaminants will dissipate through the soil. The value of the contaminated area is currently determined based on land use of pastoral purpose.

(w) Cash flows

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

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

(x) Changes in accounting policy

NZ IAS 16: Property, Plant and Equipment

Under NZ IAS 16, the Group adopted the revaluation model to value its land and land improvements including bearer plants (grapes vines) and other vineyard infrastructure in FY20. Moving from the cost to the revaluation model provides users with more reliable representative and relevant information, given the historical costs are outdated. In accordance with the requirement of NZ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting policy is to be dealt with as a revaluation in accordance with NZ IAS 16 Property, plant and equipment and thus, the comparative numbers were not restated.

As shown in the table below, this has increased the value of the Group's property, plant and equipment and with a corresponding increase in asset valuation reserve. The incremental value was recognised in other comprehensive income.

	Year Ended June 2020 $ Increase/(decrease)
Financial statement lines:	
Other comprehensive income	5,330,584
Property plant and equipment	6,887,105
Asset revaluation reserve	5,330,584
Deferred tax liability	1,556,521

NZ IFRS 16: Leases

The above Standards and Amendments to NZ IFRS are relevant to the group's financial statements and became mandatorily effective for the annual periods beginning on or after 1 July 2019. The Group has applied NZ IFRS 16: Leases, for the first time in the current financial year. Details of the impact of the application of these new NZ IFRS 16 are described below.

NZ IFRS 16 introduces new or amended requirements with respect to lease accounting. The standard removes the distinction between operating and finance lease and requires the recognition of a right-of-use asset and a lease liability at the commencement of all leases, except for short-term leases and leases of low value.

2 Summary of significant accounting policies (continued)

(x) Changes in accounting policy

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

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

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

Transition
The Group applied NZ IFRS 16 from 1 July 2019 using the modified retrospective approach and has not restated comparatives. Reclassification and adjustments are therefore recognised in the opening balance sheet and cumulative effect recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application. The incremental borrowing rate applied to the lease liabilities was 4.70%.

The lease liability is initially measured at the present value of the future lease payment at transition. The right-of-use asset has been measured retrospectively since commencement date using the incremental borrowing rate at the date of transition.

The Group has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 1 July 2019. The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application. The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The Group leases motor vehicles which were previously classified as finance leases under NZ IAS 17, are now recognised as right-of-use assets and the associated finance lease obligation are now reclassified to lease liabilities.

The Group leases office premises as well which were previously classified as operating leases under NZ IAS 17 and the Group has used the following practical expedients when applying the modified retrospective approach. The right-of-use has been calculated retrospectively to the commencement date and using the present value as at 1 July 2019. In addition, the group has utilised recognition exemption for low value leases (under $5k). There were no other adjustments required at the date of initial application. For more details, refer to note 22.

3 Prior period restatement

There has been an adjustment to the treatment of the deferred tax on the vines and vineyards (refer to Note 9). The vines and vineyards were previously acquired through a business combination. However, the resulting deferred tax liability was not recognised at that time. Had this been recognised by the Group, it would have reduced the gain on bargain purchase recorded at that time. The restatement has resulted in the recognition of a deferred tax liability of $1,590,501 with a corresponding debit to retained earnings. The deferred tax liability is reduced by the impact of the depreciation of the vines and vineyards which has been recognised by the Group on an annual basis. The balances restated as at 30 June 2019 as follows:

	2019 financial statements balances	Adjustment made	Restated 2019 financial statements balances
Deferred tax asset / (liability)	900,892	(1,590,501)	(689,609)
Retained (earnings) / deficit	1,567,523	1,590,501	3,158,024

4 Sales

	Year Ended June 2020 $	Year Ended June 2019 $
Grape sales	2,332,719	2,495,008
Bulk wine sales	1,324,937	1,252,590
Bottled wine sales	2,744,837	1,632,077
	6,402,493	5,379,675

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

5 Other Income

	Year Ended June 2020 $	Year Ended June 2019 $
Lease of farmland	3,250	3,250
Compensation from customer	-	20,000
Wage subsidy	164,244	-
Others	93,736	18,070
	261,230	41,320

The Group received the Government Covid-19 Wage Subsidy of $164,244. The Group assessed that it meets the eligibility requirements for the wage subsidy including the decline in revenue criteria as its revenue was down by more than 40% in May 2020 compared to the monthly sales prior to Covid 19. Sales have subsequently improved and the Board and Management are confident about the Company's ability to fully recover from the impact of the pandemic.

Due to the application of NZ IFRS 16: Leases, $69,078 of office share payment received from other tenants was included in Others, previously was deducted against operating expenses.

6 Cost of sales

The group runs a vineyard and wine producing business and as a consequence have incurred $4,238,875 of cost of sales (2019: $3,377,363). These costs relate to growing grapes and producing wine.

	Year Ended June 2020 $	Year Ended June 2019 $
Cost of sales	4,238,875	3,377,363
	4,238,875	3,377,363

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

7 Operating expenses

	Year Ended June 2020 $	Year Ended June 2019 $
Selling, marketing and promotion expenses	1,153,684	940,362
Corporate governance expenses	220,408	392,517
Administration expenses	507,530	515,087
	1,881,622	1,847,966

Specific components of the above expenses include:		
Wages and salaries	919,000	783,521
Kiwisaver contribution	16,343	14,323
Share-based payments to directors and staff	(1,389)	10,095
Foreign exchange losses	4,502	181
Auditor Remuneration	77,700	88,932
Lease expenses	-	113,183

8 Interest expense and financing cost

	Year Ended June 2020 $	Year Ended June 2019 $
Interest expense on loans and borrowings	231,053	289,950
Interest expense on lease liabilities	19,388	8,666
	250,441	298,616

9 Taxation

(a) Income Tax

		Year Ended June 2020 $	Year Ended June 2019 Restated $
Current tax	- current period	-	-
	- prior year	-	-
Deferred tax movement		1,563,749	(137,130)
Income tax expense / (benefit)		1,563,749	(137,130)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Year Ended June 2020 $	Year Ended June 2019 Restated $
Profit / (Loss) before taxation	17,193	(502,929)
Income tax @ 28%	4,814	(140,820)
Permanent differences	3,889	3,690
Prior year adjustment	(1,475)	-
Income tax on items taken directly to or transferred from equity	1,556,521	-
Income tax expense / (benefit)	1,563,749	(137,130)

(c) Imputation credits are as follows:

	Year Ended June 2020 $	Year Ended June 2019 $
Balance available for use in subsequent reporting periods	720,684	720,684

9 Taxation (continued)

(d) Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	Year Ended June 2020 $	Year Ended June 2019 Restated $
Deferred tax liability	2,253,359	689,609
	2,253,359	689,609

June 2019

Deferred tax (liabilities) / assets in relation to:	Opening balance (Restated) $	Recognised in profit or loss $	Recognised in other comprehensive income $	Closing balance (Restated) $
Vines and vineyards	(1,257,149)	63,620	-	(1,193,529)
Accrued expenses	22,818	6,744	-	29,562
Inventory provision	42,694	3,986	-	46,680
Property, plant & equipment	415	(18,535)	-	(18,120)
Tax losses	364,483	81,315	-	445,798
	(826,739)	137,130	-	(689,609)

June 2020

Deferred tax (liabilities) / assets in relation to:	Opening balance $	Recognised in profit or loss $	Recognised in other comprehensive income $	Closing balance $
Vines and vineyards	(1,193,529)	64,589	-	(1,128,940)
Land and Land improvements	-	-	(1,556,521)	(1,556,521)
Accrued expenses	29,562	(1,978)	-	27,584
Inventory provision	46,680	(41,482)	-	5,198
Property, plant & equipment	(18,120)	(11,763)	-	(29,883)
Tax losses	445,798	(31,099)	-	414,699
Lease Liability	-	91,241	-	91,241
Right-of-use Asset	-	(76,737)	-	(76,737)
	(689,609)	(7,229)	(1,556,521)	(2,253,359)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the deferred tax benefit will be realised. The availability of imputation credits and tax losses is subject to shareholder continuity and IRD approval.

10 Equity

Share Capital

	June 2019 Number	June 2019 $
Balance of ordinary share capital at 1 July 2018	290,872,000	15,174,626
Ordinary shares issued for investors during the period	-	-
Cash contribution from option holders	-	-
Share options exercised during the year	-	-
Balance at 30 June 2019	290,872,000	15,174,626

	June 2020 Number	June 2020 $
Balance of ordinary share capital at 1 July 2019	290,872,000	15,174,626
Ordinary shares issued for investors during the period	-	-
Cash contribution from option holders	-	-
Share options exercised during the year	-	-
Balance at 30 June 2020	290,872,000	15,174,626

Asset revaluation reserve

	Year Ended June 2020 $	Year Ended June 2019 $
Balance at beginning of the financial year	-	-
Revaluation increments/(decrements)	6,887,105	-
Income tax on items taken directly to or transferred from equity	(1,556,521)	-
Balance at end of financial year	5,330,584	-

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

Share-based payment reserve

	June 2019 Number	June 2019 $
Balance of share based payment reserve at 1 July 2018	2,400,000	98,152
Share based expenses for the year	-	10,095
Share options exercised/(forfeited) during the year	(120,000)	-
Balance at 30 June 2019	2,280,000	108,247

	June 2020 Number	June 2020 $
Balance of share based payment reserve at 1 July 2019	2,280,000	108,247
Share based expenses for the year	-	(1,389)
Share options exercised/(forfeited) during the year	(1,500,000)	(66,508)
Balance at 30 June 2020	780,000	40,350
Total number of security registered as at 30 June 2020	291,652,000	

At 30 June 2020, share capital comprised 291,652,000 authorised and issued shares (30 June 2019: 293,152,000). Other than the 780,000 shares issued under the Group's Employee Share Ownership Plan (ESOP) all issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company and on any written resolution and rank equally with regards to the Company’s residual assets.

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

10 Equity (continued)

Issue of shares
MWE has issued no shares (30 June 2019: nil) or share options (30 June 2019: nil) during the 12 months ended 30 June 2020. And no existing share options have been exercised during the 12 months ended 30 June 2020 (30 June 2019: nil). 1,500,000 share options have been cancelled due to the former holder was no longer being employed by MWE.

11 Cash and bank balances

	Year Ended June 2020 $	Year Ended June 2019 $
Cash at bank (ANZ Bank, BNZ Bank and Industrial Commercial Bank of China)	254,991	291,638
	254,991	291,638

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 3 months or less.

12 Biological asset produce

Biological assets consist of grape vines (bearer plants). Bearer plants are classified as Property, Plant and Equipment and are included as part of land improvements, previously were under vines and vineyards (note 17). The Group grows grapes to sell and use in the production of wine, as a part of normal operations. Vineyards are located in Marlborough, New Zealand. Grapes are harvested between March and April each year.

At 30 June 2020, the Group held approximately 336 hectares of land owned by the Company in Marlborough, New Zealand (30 June 2019: 336) and the total planted area is 153 hectares (30 June 2019: 153).

During the year ended 30 June 2020, the Group harvested 1,912 tonnes of grapes (30 June 2019: 1,861). The grapes harvested are recognised at fair value at the point of harvest after taking into consideration various market factors, as well as reviewing the district average price report for grapes of similar quality and variety. The fair value adjustment included in cost of sale for the 2020 harvest was $1,755,038 (30 June 2019: $1,648,404). Refer to note 14 for recognition of the biological transformation between the time of harvest and balance date.

13 Inventories

	Year Ended June 2020 $	Year Ended June 2019 $
Wines - bottled	949,812	897,388
Wines - work in progress	2,795,350	1,827,737
Dry goods	183,307	175,678
Total wine in inventory and work in progress (net of impairment)	3,928,469	2,900,803
Impairment of Inventory		
Balance as at 1 July	166,713	152,477
Provision provided during the year	18,568	166,713
Inventory written off during the year	(166,713)	(152,477)
Balance as at 30 June	18,568	166,713

Inventories are valued at the lower of cost, net realisable value. Cost is calculated on a FIFO basis.

14 Biological work in progress

	Year Ended June 2020 $	Year Ended June 2019 $
Growing costs related to next harvest	509,934	401,106

The growth on the vines in the period from harvest to 30 June 2020 cannot be reliably measured due to the lack of market information and the variables in completing the biological transformation process between the time of harvest and the balance date. The cost of agricultural activity in the period to 30 June 2020 has been recognised as biological work in progress for the next harvest. This assumes the cost of the agricultural activity approximates the fair value of the biological transformation that has occurred in that period. The value of biological work in progress at balance date was $509,934 (30 June 2019: $401,106).

15 Accounts receivable

	Year Ended June 2020 $	Year Ended June 2019 $
Trade receivables	1,519,441	1,360,532
Provision for doubtful debts	-	-
	1,519,441	1,360,532

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

The Group recognises a loss allowance for expected credit losses on trade and other receivables. Expected credit losses are not material as at 30 June 2020 and 30 June 2019. The Group also considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Refer to note 2(i).

Included in the total receivable amount above, there is no material past due accounts. As of 30 June 2020, there were 4 customers who represent more than 5% of the total balance of trade receivables individually (30 June 2019: 4 customers).

Payment due schedule from major customers as of 30 June 2020	Total Receivable amount $	Due in 0 - 30 days $	Due in 31 - 90 days $	Due in 91 days + $	Past due $
Customer 1	659,576	-	393,578	265,998	-
Customer 2	192,000	-	192,000	-	-
Customer 3	123,470	123,470	-	-	-
Customer 4	255,580	127,790	127,790	-	-

Payment due schedule from major customers as of 30 June 2019	Total Receivable amount $	Due in 0 - 30 days $	Due in 31 - 90 days $	Due in 91 days + $	Past due $
Customer 1	658,109	-	394,865	263,244	-
Customer 2	192,176	176	192,000	-	-
Customer 3	97,151	87,377	-	-	9,774
Customer 4	136,082	136,082	-	-	-

The Group determines the expected credit losses on receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group has determined the expected credit loss is negligible even at the current covid economic environment, so the provision has not been recognised.

The loss allowance for accounts receivable was tested as follows.

Accounts receivable as of 30 June 2020

	Total	Current	Less than 30 days past due	30 to 60 days past due	More than 60 days past due
Trade receivables	1,519,441	1,473,310	17,787	2,708	25,636
Provision for expected credit losses	-	-	-	-	-

Accounts receivable as of 30 June 2019

	Total	Current	Less than 30 days past due	30 to 60 days past due	More than 60 days past due
Trade receivables	1,360,532	1,311,983	29,652	505	18,392
Provision for expected credit losses	-	-	-	-	-

16 Intangibles

(a) Cost and accumulated amortisation

	Trademarks	Website	Total
Cost:	$	$	$
Balance as at 1 July 2018	22,285	-	22,285
Reclassification for the year	-	8,112	8,112
Additions for the year	-	4,298	4,298
Balance at 30 June 2019	22,258	12,410	34,695
Additions for the year	-	-	-
Balance at 30 June 2020	22,258	12,410	34,695

	Trademarks	Website	Total
Amortisation and impairment losses:	$	$	$
Balance as at 1 July 2018	1,162	-	1,162
Amortisation for the year	4,457	-	4,457
Balance at 30 June 2019	5,619	-	5,619
Amortisation for the year	2,229	4,964	7,193
Balance at 30 June 2020	7,848	4,964	12,812

(b) Carrying amount

	Trademarks	Website	Total
	$	$	$
June 2019			
Cost	22,285	12,410	34,695
Accumulated amortisation and impairment loss	(5,619)	-	(5,619)
Balance at 30 June 2019	16,666	12,410	29,076
June 2020			
Cost	22,285	12,410	34,695
Accumulated amortisation and impairment loss	(7,848)	(4,964)	(12,812)
Balance at 30 June 2020	14,437	7,446	21,883

17 Property, plant & equipment

Year ended 30 June 2019

	Land, dams & roads	Vines & Vineyards	Computer equipment	Tools & equipment	Motor vehicles	Total
Cost:	$	$	$	$	$	$
Balance at 1 July 2018	9,410,257	5,533,936	21,225	427,238	565,152	15,957,808
Additions for the year	25,657	448,165	-	137,874	89,888	701,584
Reclassification	-	-	(8,112)	-	-	(8,112)
Balance at 30 June 2019	9,435,914	5,982,101	13,113	565,112	655,040	16,651,280
Accumulated depreciation:						
Balance at 1 July 2018	210,564	755,767	9,562	148,737	138,032	1,262,662
Depreciation for the year	85,990	251,859	1,778	67,989	73,454	481,070
Balance at 30 June 2019	296,554	1,007,626	11,340	216,726	211,486	1,743,732
Carrying amount:						
Cost	9,435,914	5,982,101	13,113	565,112	655,040	16,651,280
Accumulated depreciation	(296,554)	(1,007,626)	(11,340)	(216,726)	(211,486)	(1,743,732)
Balance at 30 June 2019	9,139,360	4,974,475	1,773	348,386	443,554	14,907,548

17 Property, plant & equipment (continued)

Year ended 30 June 2020

	Land at fair value	Land improvements at fair value	Computer equipment at cost	Tools & equipment at cost	Motor vehicles at cost	Total
	$	$	$	$	$	$
Cost or fair value (before depreciation):						
Balance at 1 July 2019	9,435,914	5,982,101	13,113	565,112	655,040	16,651,280
Additions for the year	-	239,792	-	9,352	5,773	254,917
Reclassification	(2,719,219)	2,719,219	-	-	(457,545)	(457,545)
Revaluation	1,328,100	5,559,005	-	-	-	6,887,105
Balance at 30 June 2020	8,044,795	14,500,117	13,113	574,464	203,268	23,335,757
Accumulated depreciation:						
Balance at 1 July 2019	296,554	1,007,626	11,340	216,726	211,486	1,743,732
Depreciation for the year	-	351,683	890	54,963	15,096	422,632
Reclassification	(296,554)	296,554	-	-	(119,779)	(119,779)
Balance at 30 June 2020	-	1,655,863	12,230	271,689	106,803	2,046,585
Carrying amount:						
Cost or fair value	8,044,795	14,500,117	13,113	574,464	203,268	23,335,757
Accumulated depreciation	-	(1,655,863)	(12,230)	(271,689)	(106,803)	(2,046,585)
Balance at 30 June 2020	8,044,795	12,844,254	883	302,775	96,465	21,289,172

Dams and roads with carrying value of $2,422,665 at 30 June 2019 was moved to "land improvements" together with vines and vineyards, given the Group has adopted the revaluation model this year, the current asset classes are able to provide clear and consistent information.

The Group leased some of its vineyards motor vehicles under finance leases. At the adoption of NZ IFRS 16, the above $457,545 reclassification for Motor Vehicles and the associated accumulated depreciation, $119,779, were reclassified to right-of-use assets (refer to note 22).

The Group grows and harvests grapes. Harvesting of grapes is from March to April each year. The vineyards are situated in Marlborough. Land and land improvements by the Group are subject to a registered charge in favour of the ICBC Bank. This is up to the extent of the loan balance.

Of the above $351,683 depreciation for land improvements, $232,554 was classified to cost of sales and $77,518 was capitalised into biological work in progress as this were directly attributable to grapes growing (30 June 2019: $187,802 was reclassified to cost of sales and the remaining $64,057 was capitalised into biological work in progress).

The carrying amount of land and land improvement had they been recognised under the historic cost model would have been $6,716,695 and $7,285,249 respectively (30 June 2019: $6,716,695 and $7,397,140).

Revaluation of land and land improvements

The Group adopted the revaluation model for land and land improvement in FY20. The land and land improvements (which include grapes vines) shown at valuation were valued at fair value under the principle of highest and best use (viticulture purposes) by Property Advisory Limited, registered independent valuer on 30 June 2020. 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.

Land and land improvements at fair value is determined by a comparable sales valuation approach where a number of recent vineyard sales were analysed to establish a range of relevant value benchmarks for land and land improvements' components. The valuer has determined a value range for vineyard land structures and vines of between $90,000 to $190,000/planted per ha. The main benchmarks applied are listed below:

- Planted valley floor / flats land value of $85,000 / ha,
- Plantable contoured / undulating hill land value of $50,000 - $55,000 / ha,
- Pastoral dryland grazing value - steeper hill / downs / flats - $6,500 - $15,000 / ha,
- Pastoral irrigable grazing value - flats $20,000 / ha,
- Balance non-productive land value of $3,000 / ha,
- Added value of vines and structures of $60,000 - $85,000 / planted ha.

17 Property, plant & equipment (continued)

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

The valuation report has noted that the Covid-19 pandemic has significantly impacted all global markets and locally, all sectors of society and business activity have been materially disrupted, and that previous property market evidence may not reflect the future trending of the market as the crisis evolves. Thus, at 30 June 2020, the valuers considered that there is a significant market uncertainty and given the unknown future impact that COVID-19 might have on the market, the valuation of the land and land improvements should be under frequent review. The Group has considered this together with the key assumptions used in the valuation, and believe the valuation still represents the most appropriate value of the property under the current circumstances.

In addition, one of the Group's vineyard blocks is contaminated by herbicide "Taskforce" which was used over recent years to control Chilean Needle grass. The contaminated area contains 4 hectares recently developed vineyard and 9 hectares of plantable area. Further vineyard development has been put on hold until future soil test confirms the contaminants have dissipated through the soil. The plantable area is suitable for immediate irrigated pastoral development and the balance of the land is suitable for dryland extensive pastoral grazing. As at 30 June 2020, the valuer has assessed the market value of this particular vineyard block on the basis of mixed use pastoral farming and established viticulture (which was not impacted by the contamination). The valuer has used the sales evidence for pastoral land in the area for the purpose of valuing this particular block. The Group has considered these assumptions and believes the value for this particular block to be appropriate under the current circumstances.

18 Investments

The Group has 7.8% ownership in Blind River Irrigation Limited and has advanced funds to the company. This gives the Group the right to draw water from Blind River Irrigation Limited. During the 12 months ended 30 June 2020, MWE has received no dividend from this investment (30 June 2019: $nil).

	Year Ended June 2020 $	Year Ended June 2019 $
Investment carried at cost	72,250	72,250
	72,250	72,250

19 Accounts payable

	Year Ended June 2020 $	Year Ended June 2019 $
Trade payables	953,370	300,285
	953,370	300,285

Trade payables are non-interest bearing and are generally settled within 30 days. As a result of their short-term nature, trade payables and accruals are not discounted. The carrying amount disclosed above is a reasonable approximation of fair value.

20 Contract Liabilities

	Year Ended June 2020 $	Year Ended June 2019 $
Revenue received in advance	72,466	76,771
	72,466	76,771

The amount received in advance by the Group is recognised as contract liability until the goods have been delivered to the customer. The revenue recognised in the current year that was included in the contract liability balance at the beginning of the period amounted to $4,305 (30 June 2019: $nil).

21 Borrowings

	Year Ended June 2020 $	Year Ended June 2019 $
Loan - ICBC	5,300,000	6,100,000
	1,500,000	392,855
	6,800,000	6,492,855
Current	-	6,100,000
Non current	6,800,000	392,855
	6,800,000	6,492,855

21 Borrowings (continued)

A subsidiary of the Group entered into a loan agreement with ICBC on 18 December 2014. The loan is secured by way of registered charge over land located at Blind River Loop Road, Seddon. The interest rate at 30 June 2020 was 3.47% (30 June 2019: 4.38%). The loan was refinanced in September 2019 and a repayment of $800k has been made to bring the balance to $5.3M. The new loan will mature on 30 September 2021 and it is interest only.

The loan from shareholder is unsecured and interest free and has been subordinated in favour of all other creditors of the company. The shareholder loan is not due for repayment for the following 12 months. The balance has increased by about $1.1 million in FY20, of which $800k was used to pay ICBC bank loan.

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

22 Leases

The following tables show the movement and analysis in relation to adoption of NZ IFRS 16.

Right-of-use assets	**Office premises**	**Equipment & Motor vehicles**	**Total**
30 June 2020	**$**	**$**	**$**
Opening net book value (July 2019)	**-**	337,765	337,765
Movements on transition	23,300	-	23,300
Additions	327,197	10,168	337,365
Depreciation for the period	(76,435)	(60,872)	(137,307)
Carrying amount 30 June 2020	274,062	287,061	561,123
Cost	350,497	347,933	698,430
Accumulated depreciation	(76,435)	(60,872)	(137,307)
Carrying amount 30 June 2020	274,062	287,061	561,123

On 1 July 2019, the transition date, $23,301 of right-of-use asset were recognised in relation to the office premise lease which was terminated in less than 12 months period, and this full amount was depreciated in the financial year ended 30 June 2020.

Lease liabilities	**Office premises**	**Equipment & Motor vehicles**	**Total**
30 June 2020	**$**	**$**	**$**
Operating lease commitments disclosed as at 30 June 2019	27,329	-	27,329
less: discount using the incremental borrowing rate	(106)	-	(106)
Add: finance lease liabilities recognised as at 30 June 2019	-	166,129	166,129
Lease liability recognised as at 1 July 2019	27,223	166,129	193,352
Additions	327,197	11,964	339,161
Repayment of Lease liability			
Interest for the period	11,206	8,182	19,388
Lease payments made	(39,766)	(102,634)	(142,400)
	(28,560)	(94,452)	(123,012)
Carrying amount as at 30 June 2020	325,860	83,641	409,501
Current	59,474	26,103	85,577
Non-current	266,386	57,538	323,924
Total	325,860	83,641	409,501

22 Leases (continued)

The table below provides further detail as to the impacts of NZ IFRS 16 on the Group financial statements.

	FY2020 Pre-NZ IFRS 16 classification $	FY2020 NZ IFRS 16 adjustments $	FY2020 NZ IFRS 16 classification $
Sales	6,402,493	-	6,402,493
Cost of sales	(4,238,875)	-	(4,238,875)
Gross profit	2,163,618	-	2,163,618
Other income	261,230	-	261,230
Interest income	35	-	35
Operating expenses	(1,968,952)	87,330	(1,881,622)
Interest expense and financing cost	(239,235)	(11,206)	(250,441)
Amortisation	(7,193)	-	(7,193)
Depreciation	(173,431)	(76,435)	(249,866)
Inventory write down	(18,568)	-	(18,568)
(Loss) for the period before taxation	17,504	(311)	17,193
Tax benefit / (expense)	(7,228)	-	(7,228)
(Loss) for the period attributable to shareholders of the company	10,276	(311)	9,965
Net cash flow generated / (used in) by operating activities	(5,630)	39,766	34,136

The recognition of right-of-use assets and lease liabilities resulted in a decrease in operating expenses and an increase in depreciation and interest expense.

Equipment under finance lease arrangements previously within property, plant and equipment is now presented within the line item right-of-use assets. There is no change in the amount recognised.

Lease liability on leases previously classified as finance leases under NZ IAS 17 and is now presented in the line 'lease liabilities'. There has been no change in the liability recognised.

23 Contingent Liabilities

There were no contingent liabilities or any outstanding litigation against the Group as at 30 June 2020.

24 Capital Commitments

There was no capital expenditure commitment as at 30 June 2020 (30 June 2019: $nil).

25 Related Party Disclosures

(a) Identity of related party

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

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

The Group has a related party relationship with the entities below:

New Zenith International Trading (Shanghai) Co., Ltd (NZIT)	Min Jia, the founder, major shareholder and director of MWE, owns NZIT in China. NZIT sells, distributes and markets MWE's wine in China.
Lily Investments Company Limited	Min Jia and Ly Lee, directors of MWE, own Lily Investment Company Limited.
Lily Investments 227 Limited	Min Jia and Ly Lee, directors of MWE, own Lily Investment 227 Limited.
Blind River Irrigation Limited	The Group holds 7.8% ownership in Blind River Irrigation Limited.
Lily Nelson Altro LP	Min Jia and Ly Lee, directors of MWE, are ultimate beneficiaries of a trust who is a partner in Lily Nelson Altro LP.
Lily investment 265 Trust	Min Jia and Ly Lee, directors of MWE, are beneficiaries of Lily Investment 265 Trust.
PersoVino By NOA GmbH	Jan Kux, winemaker of MWE, owns PersoVino By NOA GmbH.
Flowerzone International Ltd	Danny Chan, director of MWE, is a director and shareholder of Flowerzone International Ltd.
OTU Australia Pty Ltd	Catherine Ma, CEO of MWE, is a close relative of the director of OTU Australia Pty Ltd.
LC Wine Ltd	Catherine Ma, CEO of MWE, is a director and shareholder of LC Wine Ltd
FMG Insurance Limited	Danny Chan, director of MWE, is a director of FMG Insurance Limited

(b) Transactions with related party

All related party trading transactions in FY2020 and FY2019 were on standard terms and conditions.

	Total Value		Asset/(liability)	
	2020	2019	2020	2019
	$	$	$	$
Wine Sales				
New Zenith International Trading (Shanghai) Co., Ltd	177,827	97,169	17,943	(72,466)
Lily Nelson Altro LP	-	1,821	-	-
Lily Investment 265 Trust	-	387	-	387
PersoVino By NOA GmbH	-	-	-	-
Flowerzone International Ltd	20,614	22,655	9,829	7,620
OTU Australia Pty Ltd	92,859	49,364	281	-
Office rent and other payments				
Lily Investments Company Limited (for office rent)	8,934	35,733	-	2,978
Lily Investment 227 Limited (for office rent)	34,539	35,736	(3,272)	2,978
Lily investment 265 Trust (for office rent)	25,605	-	(3,272)	-
Blind River Irrigation Limited (for water usage)	28,990	31,391	-	(16,130)
FMG Insurance Limited (for insurance policy)	45,640	42,739	1,896	-
New Zenith International Trading (Shanghai) Co., Ltd (compensation for loss of sales)	-	20,000	-	-
LC Wine Ltd (bulk wine purchase)	320,449	-	(368,516)	-
Shareholder employees other than senior officers (salary)	79,182	76,654	(8,109)	(4,065)

25 Related Party Disclosures (continued)

(b) Transactions with related party

Transactions with Directors and Key Management Personnel

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

	Total Value		Asset/(liability)	
	2020	2019	2020	2019
	$	$	$	$
Directors' Fees				
Min Jia (Executive Chairman)	45,000	45,000	(26,250)	(3,750)
Ly Lee (resigned December 2019)	8,333	20,000	-	(1,667)
Jack Zhong Yin (resigned December 2019)	12,875	30,900	-	-
Danny Chan	40,000	40,000	(11,500)	(10,000)
Songyuan Huang	30,000	30,000	1,675	-

	Total Value		Asset/(liability)	
	2020	2019	2020	2019
	$	$	$	$
Share-based payments for director				
Jack Zhong Yin (resigned December 2019)	-	6,966	-	-

	Total Value		Asset/(liability)	
	2020	2019	2020	2019
	$	$	$	$
Senior officers' compensation (excludes directors)				
Short-term employee benefits	202,860	226,242	(5,544)	(3,477)
Share-based payments	652	3,130	-	-
Total senior officers' compensation (excludes directors)	203,512	229,372	(5,544)	(3,477)

	Year Ended June 2020	Year Ended June 2019
	$	$
Shareholder loan- Min Jia		
Amount owned to Min Jia at 1 July	392,855	-
Amount advanced by Min Jia during the year	1,107,145	392,855
Amount withdrawn by Min Jia during the year	-	-
Amount owed to Min Jia at 30 June	1,500,000	392,855

	Year Ended June 2020	Year Ended June 2019
Amounts owing from related parties:	$	$
Amounts owing from Blind River Irrigation Limited at 1 July	59	3,203
Amount withdrawn by the Company during the year	-	(3,144)
Amount owing from Blind River Irrigation Limited at 30 June	59	59

	Year Ended June 2020	Year Ended June 2019
	$	$
Other related party transactions during the year		
Wine purchased by shareholders and senior officers during the year	-	400
Payments reimbursed to senior officers and shareholders for business related expenses during the year	25,902	22,040
Irrigation water charged by Blind River Irrigation Limited during the year	28,990	31,391

25 Related Party Disclosures (continued)

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

The loan from shareholder is unsecured and has been subordinated in favour of all other creditors of the company. The shareholder loan is not due for repayment for the following 12 months. And the major shareholder has agreed to support the Group's growth in the following year.

26 Notes to Cash Flow Statement

(a) Reconciliation of net profit / (loss) after tax to net cash flow from operating activities:

	Year Ended June 2020 $	Year Ended June 2019 $
Net profit / (loss) after tax	9,965	(365,796)
Add: Non-cash items		
Amortisation	7,193	4,457
Depreciation	559,939	477,297
Tax expense	7,228	(137,133)
Foreign exchange movement	-	181
Share-based payments	(1,389)	10,095
Other non-cash adjustment	1,803	17,132
(Increase)/decrease in assets:		
(Increase) / Decrease in accounts receivables	(158,909)	(289,297)
Decrease / (Increase) in GST receivable	118,391	42,258
(Increase) / Decrease in inventory	(1,027,666)	151,288
(Increase) / Decrease in biological work in progress	(108,828)	(152,507)
Decrease / (Increase) in deposit paid	21,610	-
(Increase) / Decrease in prepayments	(46,205)	2
Decrease / (Increase) in related party loan	-	3,144
Increase / (Decrease) in liabilities:		
Increase / (Decrease) in trade payables	653,085	(5,058)
(Decrease) / Increase in revenue received in advance	(4,305)	76,771
Increase / (Decrease) in tax paid	407	-
Increase / (Decrease) in accrued expenses	1,817	129,530
Net cash provided by operating activities	**34,136**	**(37,636)**

(b) Reconciliation of liabilities arising from financing activities

	June 2020		June 2019	
	Borrowings $	Lease Liabilities $	Borrowings $	Lease Liabilities $
Balance at 1 July	6,492,855	166,124	6,100,000	296,952
Lease liabilities recognised	-	366,389	-	-
Repayment of lease liabilities - cash flow	-	(123,012)	-	(130,828)
Proceeds from shareholder loan - cash flow	1,107,145	-	392,855	-
Repayment of bank loan - cash flow	(800,000)	-	-	-
Balance at 30 June	6,800,000	409,501	6,492,855	166,124

The lease liabilities as at 30 June 2019 relates to the finance lease liabilities on equipment and motor vehicles (note 22).

27 Financial Risk Management

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

(a) *Market risk*
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

(b) *Credit risk*
Credit risk is managed on a regular basis. Credit risk arises from outstanding receivables from debtors. As part of the Group's financial risk policy, limits on exposures have been set and are monitored on a regular basis. Credit risk is therefore not significant. The Group does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with. The maximum exposure to credit risk is to the extent of the balance of the receivable.

(c) *Liquidity risk*
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. All financial liabilities are payable in 12 months other than the shareholder loan and lease commitment (refer to note 22). The Group will consider additional funding options through loans or equity when required.

(d) *Agricultural risk*
The Group is exposed to financial risks in respect of agricultural activities. The agricultural activities of the Group primarily consist of the ownership of vineyards to produce grapes that are then sold to both related and non-related parties for the production of wine. The Company takes reasonable measures to ensure that the current year's harvest is not affected by disease, drought, frost or other factors that may have a negative effect on yield and quality. These measures include consultation with experts in viticulture and frost protection measures. One of Group's vineyard block is contaminated by herbicide "Taskforce" which was used over the recent years to control the Chilean Needle grass. The affected area contains a 4 hectares recently developed vineyard and 9 hectares of plantable area, but no grapes were harvested from this vineyard so far. The Group will closely monitor the residual level in the grapes before making the first harvest from this block in the future. Further vineyard development was put on hold at the moment until future soil test confirms the contaminants have dissipated through the soil. Refer to note 17.

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

June 2020

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade Payables	953,368	-	-	-
Bank Borrowings	5,529,888	-	-	-
Shareholder Loan	-	1,500,000	-	-
Lease liability	112,749	107,480	230,092	-

June 2019

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade Payables	300,285	-	-	-
Bank Borrowings	6,166,795	-	-	-
Shareholder Loan	-	392,855	-	-
Finance Lease	99,351	34,882	47,181	-

27 Financial Risk Management (continued)

(f) *Foreign currency risk*

Foreign currency denominated assets and liabilities at balance date are:

	Year Ended June 2020 $	Year Ended June 2019 $
Cash and cash equivalents	-	-
Trade & other receivables	4,774	-
Trade & other payables	-	-
Exposure at balance date	4,774	-

The Group is mainly exposed to Canadian dollars (CAD) during the year. As at 30 June 2020, the Group has a trade receivable balance of $4,183.20 denominated in CAD. The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date. The 10% sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the listed percentage change in foreign currency rates.

	June 2020		June 2019	
	NZD +10% $	NZD -10% $	NZD +10% $	NZD -10% $
Pre-tax profit / (loss)	(434)	530	-	-

(g) *Interest rate risk*

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

If interest rates had been 10% higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by $21,667. This is mainly attributable to the Group's exposure to interest rates on its variable borrowing.

(h) Categories of financial assets and liabilities

	Financial assets at amortised cost $	Financial assets at fair value through profit and loss $	Financial liabilities at amortised cost $	Total $
June 2020				
Cash and bank balances	254,991	-	-	254,991
Accounts receivable	1,519,441	-	-	1,519,441
Related party loan	59	-	-	59
Financial assets at fair value through profit and loss	-	72,250	-	72,250
Total financial assets	**1,774,491**	**72,250**	**-**	**1,846,741**
Non-financial assets				26,432,501
Total assets				**28,279,242**
Liabilities				
Accounts payable	-	-	953,370	953,370
Accrued expenses	-	-	251,120	251,120
Lease liability	-	-	409,501	409,501
Shareholder loan	-	-	1,500,000	1,500,000
Bank loan	-	-	5,300,000	5,300,000
Total financial liabilities	**-**	**-**	**8,413,991**	**8,413,991**
Non-financial liabilities				2,405,164
Total liabilities				**10,819,155**

27 Financial Risk Management (continued)

	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Financial liabilities at amortised cost	Total
	$	$	$	$
June 2019				
Cash and bank balances	291,638	-	-	291,638
Accounts receivable	1,360,532	-	-	1,360,532
Related party loan	59	-	-	59
Financial assets at fair value through profit and loss	-	72,250	-	72,250
Total financial assets	**1,652,229**	**72,250**	**-**	**1,727,479**
Non-financial assets (restated)				18,375,317
Total assets				**20,099,796**
Liabilities				
Accounts payable	-	-	300,285	300,285
Accrued expenses	-	-	249,303	249,303
Finance lease obligation	-	-	166,124	166,124
Shareholder loan	-	-	392,855	392,855
Bank loan	-	-	6,100,000	6,100,000
Total financial liabilities	**-**	**-**	**7,208,567**	**7,208,567**
Non-financial liabilities (restated)				766,380
Total liabilities				**7,974,947**

(i) *Capital management*

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

28 Subsequent events

The contamination on Donaldson block was confirmed after the year end, the impact on the valuation of the land has been adjusted in the financial statements.

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

29 Going concern

The Group currently has a bank loan balance of $5.3 million which will mature by September 2021, and it will start to work with the bank to extend the loan in the following few months. The Group owes $1.5 million to the major shareholder, Mr. Min Jia, who has agreed to support the Group's growth in the following year. The Group is in the process of finalising the grapes sales agreements with the aim of providing flexibility to meet its bottled wine sale growth in the foreseeable future.

The Group was adversely affected by Covid 19, Its sales revenue was down significantly compared to the monthly sales prior to Covid 19. But the sales have subsequently improved and the Board and Management are confident about the Company's ability to fully recover from the impact of the pandemic.

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

30 Earnings per share

(a) *Basic earnings per share*

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

30 Earnings per share (continued)

	June 2020 Number	June 2019 Number
Number of ordinary shares at 1 July	290,872,000	290,872,000
Ordinary shares issued and paid during the period	-	-
Number of ordinary shares at 30 June	290,872,000	290,872,000
Weighted average number of ordinary shares	290,872,000	290,872,000

	Year Ended June 2020	Year Ended June 2019
Profit / (Loss) attributable to equity holders of the Company (in dollars)	9,965	(365,796)
Weighted average number of ordinary shares on issue	290,872,000	290,872,000
Basic earnings / (loss) per share (in dollars)	0.000	(0.001)

(b) *Diluted earnings per share*

Same earning was used for diluted earnings per share

	Year Ended June 2020	Year Ended June 2019
Weighted average number of ordinary shares used in the calculation of basic earnings per share	290,872,000	290,872,000
Share options	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	290,872,000	290,872,000
Diluted earnings / (loss) per share (in dollars)	0.000	(0.001)

31 Segment Reporting

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

The Group operates in one principal geographical area - Marlborough, New Zealand. During the financial year, majority of Group's sales were generated from suppling products to customers based in New Zealand, United States and China. At balance date, the Group held all non-current assets in Marlborough, New Zealand.

The below represents a geographical analysis of sales:

Sales	Year Ended June 2020 $	Year Ended June 2019 $
New Zealand	5,083,719	3,940,249
United States	956,695	1,056,440
China	173,097	228,493
Others	188,982	154,493
Total	6,402,493	**5,379,675**

For the year ended 30 June 2020, there were 3 customers (30 June 2019: 3 customers) who individually accounted for greater than 10% of the Group's total sales. The sales amount to these customers in total was $3.93 million (30 June 2019: $3.21 million). The following table shows only the amount which is greater than 10% of the Group's total sales.

	Year Ended June 2020 $	Year Ended June 2019 $
Customer A	1,215,656	1,187,689
Customer B	956,695	1,056,440
Customer C	1,757,410	973,255
Total	3,929,761	**3,217,384**

32 Employee benefits

Share options programme (equity - settled)

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

Grant Date	Number of instruments	Vesting conditions
2/03/2016	300,000	Fully vest in 5 years, 1/5th vest on each anniversary of the grant date subject to the holder continuing to be employed by the Group (Service Condition only). The options expire 10 years from the grant date.
3/03/2016	600,000	Fully vest in 5 years, 1/5th vest on each anniversary of the grant date subject to the holder continuing to be employed by the Group (Service Condition only). The options expire 10 years from the grant date.
27/06/2016	1,500,000	Fully vest in 5 years, 1/5th vest on each anniversary of the grant date subject to the holder continuing to be employed by the Group (Service Condition only). The options expire 10 years from the grant date.

Measurement of fair value

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

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

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

Reconciliation of the outstanding share options

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

	June 2020		June 2019	
	Number of Options	Exercise price	Number of Options	Exercise price
Outstanding at 1 July	2,280,000	$0.20	2,400,000	$0.20
Granted during the year	-	N/a	-	N/a
Forfeited during the year	(1,500,000)	N/a	(120,000)	N/a
Exercised during the year	-	N/a	-	N/a
Outstanding at 30 June	780,000	$0.20	2,280,000	$0.20
Exercisable at 30 June	660,000	$0.20	1,440,000	$0.20

Share-based payment reserve

	June 2020		June 2019	
	Number	$	Number	$
Outstanding at 1 July	2,280,000	108,247	2,400,000	98,152
Share based payment expense	-	(1,389)	-	10,095
Share options forfeited during the year	(1,500,000)	(66,508)	(120,000)	-
Outstanding at 30 June	780,000	40,350	2,280,000	108,247

STATUTORY INFORMATION

STATUTORY INFORMATION
For the year ended 30 June 2020

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

Marlborough Wine Estates Group Limited	Min Jia Ly Lee (resigned December 2019) Jack Zhong Yin (resigned December 2019) Danny Chan Songyuan Huang
Marlborough Vineyard Group Limited	Min Jia Catherine Ma
Otuwhero Trustee Limited	Min Jia Catherine Ma
O:Tu Investments Limited	Min Jia Catherine Ma
MB Wine Limited	Catherine Ma

2 20 largest shareholdings

The 20 largest shareholdings as at 30 September 2020 are provided in the table below.

No.	Shareholder	No. of shares	% of shares
1	Min Jia	214,637,014	73.59%
2	Mpmb Trustee Limited	25,000,000	8.57%
3	Nzwe Limited	14,477,606	4.96%
4	Wenhan Li	9,100,000	3.12%
5	Chen Liu	6,316,270	2.17%
6	Yefan Hong	5,013,000	1.72%
7	Cong Wang	2,680,000	0.92%
8	LE Qun Zhao	1,835,810	0.63%
9	Xirong Zhou	1,828,239	0.63%
10	Jiaxing Li	1,450,000	0.50%
11	Lizhong Huang	1,100,000	0.38%
12	Yan Wang	822,000	0.28%
13	Chi Yuan	330,000	0.11%
14	Anna Dai	310,000	0.11%
=	Yuanfu Dai	310,000	0.11%
=	Yun Feng Zheng	310,000	0.11%
15	Jan Kux	300,000	0.10%
16	New Zealand Depository Nominee	271,928	0.09%
17	Ronald William Quinn	229,000	0.08%
18	Chunxiang Liu	210,000	0.07%

STATUTORY INFORMATION
For the year ended 30 June 2020

3 Distribution of equity securities

The total number of ordinary shares on issue as at 30 September 2020 is 291,652,000. The company has only ordinary shares on issue. Details of the distribution of ordinary shares amongst shareholders as at 30 September 2020 are set out below:

Size of holdings	No. of shareholders	% of shareholders	No. of shares held	% of shares held
Less than 5,000	222	44.40%	633,691	0.22%
5,000 to 59,999	247	49.40%	2,918,919	1.00%
60,000 to 599,999	19	3.80%	3,839,451	1.32%
600,000 to 999,999	1	0.20%	822,000	0.28%
1,000,000 to 9,999,999	8	1.60%	29,323,319	10.05%
10,000,000 and over	3	0.60%	254,114,620	87.13%
TOTAL	500	100.00%	291,652,000	100.00%

4 Substantial Security holders

Details of substantial security holders and their total relevant interests is not less than 5% of the total number of ordinary shares on issue in MWE as at 30 September 2020.

Name of substantial shareholders	Nature of relevant interest	No. of shares held	% of shares held
Min Jia	1. Registered Holder	214,637,014	73.59%
	2. Beneficial Owner	25,000,000	8.57%
	3. Relevant Interest	8,800,000	3.02%
Ly Lee	Beneficial Interest as wife of Min Jia	248,437,014	85.18%

5 Directors' shareholding and share dealings

There were no acquisitions nor disposals of any ordinary shares in MWE by directors during the year.

At the balance date of 30 June 2020, the following directors and senior managers of MWE hold relevant interest in the ordinary shares of MWE.

Name of substantial shareholders	Role within MWE	Nature of relevant interest	No. of shares held	% of shares held
Min Jia (James)	Executive Chairman	1. Registered Holder	214,637,014	73.59%
		2. Beneficial Owner	25,000,000	8.57%
		3. Relevant Interest*	8,800,000	3.02%
Ly Lee	Non-executive Director	Beneficial Interest as wife of James Jia	248,437,014	85.18%
Danny Chan	Non-executive Director	Registered Holder	75,000	0.03%
Songyuan Huang	Non-executive Director	Registered Holder	75,000	0.03%
Wenhan Li (Eric)	Financial Controller	Registered Holder	9,100,000	3.12%

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

STATUTORY INFORMATION
For the year ended 30 June 2020

6 Interested Transactions

The Directors have disclosed the following transactions with the Group

(a) The Group has related party relationship with the entities below:

New Zenith International Trading (Shanghai) Co., Ltd (NZIT)	Min Jia, the founder, major shareholder and director of MWE, owns NZIT in China. NZIT sells, distributes and markets MWE's wine in China.
Lily Investments Company Limited	Min Jia and Ly Lee, directors of MWE, own Lily Investment Company Limited.
Lily Investments 227 Limited	Min Jia and Ly Lee, directors of MWE, own Lily Investment 227 Limited.
Blind River Irrigation Limited	The Group holds 7.8% ownership in Blind River Irrigation Limited.
Lily Nelson Altro LP	Min Jia and Ly Lee, directors of MWE, are ultimate beneficiaries of a trust who is a partner in Lily Nelson Altro LP.
Lily investment 265 Trust	Min Jia and Ly Lee, directors of MWE, are beneficiaries of Lily Investment 265 Trust.
PersoVino By NOA GmbH	Jan Kux, winemaker of MWE, owns PersoVino By NOA GmbH.
Flowerzone International Ltd	Danny Chan, director of MWE, is a director and shareholder of Flowerzone International Ltd.
OTU Australia Pty Ltd	Catherine Ma, CEO of MWE, is a close relative of the director of OTU Australia Pty Ltd.
LC Wine Ltd	Catherine Ma, CEO of MWE, is a director and shareholder of LC Wine Ltd
FMG Insurance Limited	Danny Chan, director of MWE, is a director of FMG Insurance Limited

(b) Transactions with related party

All related party trading transactions in FY2020 and FY2019 were on standard terms and conditions.

	Total Value		Asset/(liability)	
	2020	2019	2020	2019
	$	$	$	$
Wine Sales				
New Zenith International Trading (Shanghai) Co., Ltd	177,827	97,169	17,943	(72,466)
Lily Nelson Altro LP	-	1,821	-	-
Lily Investment 265 Trust	-	387	-	387
PersoVino By NOA GmbH	-	-	-	-
Flowerzone International Ltd	20,614	22,655	9,829	7,620
OTU Australia Pty Ltd	92,859	49,364	281	-
Office rent and other payments				
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Lily investment 265 Trust (for office rent)	25,605	-	(3,272)	-
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LC Wine Ltd (bulk wine purchase)	320,449	-	(368,516)	-
Shareholder employees other than senior officers (salary)	79,182	76,654	(8,109)	(4,065)

Transactions with Directors and Key Management Personnel

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

	Total Value		Asset/(liability)	
	2020	2019	2020	2019
	$	$	$	$
Directors' Fees				
Min Jia (Executive Chairman)	45,000	45,000	(26,250)	(3,750)
Ly Lee (resigned December 2019)	8,333	20,000	-	(1,667)
Jack Zhong Yin (resigned December 2019)	12,875	30,900	-	-
Danny Chan	40,000	40,000	(11,500)	(10,000)
Songyuan Huang	30,000	30,000	1,675	-

STATUTORY INFORMATION
For the year ended 30 June 2020

6 Interested Transactions (continued)

	Total Value		Asset/(liability)	
	2020	2019	2020	2019
	$	$	$	$
Share-based payments for director				
Jack Zhong Yin (resigned December 2019)	-	6,966	-	-

	Total Value		Asset/(liability)	
	2020	2019	2020	2019
	$	$	$	$
Senior officers' compensation (excludes directors)				
Short-term employee benefits	202,860	226,242	(5,544)	(3,477)
Share-based payments	652	3,130	-	-
Total senior officers' compensation (excludes directors)	203,512	229,372	(5,544)	(3,477)

	Year Ended June 2020 $	Year Ended June 2019 $
Shareholder loan- Min Jia		
Amount owed to Min Jia at 1 July	392,855	-
Amount advanced by Min Jia during the year	1,107,145	392,855
Amount withdrawn by Min Jia during the year	-	-
Amount owed to Min Jia at 30 June	1,500,000	392,855

	Year Ended June 2020 $	Year Ended June 2019 $
Amounts owing from related parties:		
Amounts owing from Blind River Irrigation Limited at 1 July	59	3,203
Amount withdrawn by the company during the year	-	(3,144)
Amount owing from Blind River Irrigation Limited at 30 June	59	59

	Year Ended June 2019 $	Year Ended June 2018 $
Other related party transactions during the year		
Wine purchased by shareholders and senior officers during the year	-	400
Payments reimbursed to senior officers and shareholders for business related expenses during the year	25,902	22,040
Irrigation water charged by Blind River Irrigation Limited during the year	28,990	31,391

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

The loan from shareholder is unsecured and has been subordinated in favour of all other creditors of the company. The shareholder loan is not due for repayment for the following 12 months. And the major shareholder has agreed to support the Group's growth in the following year.

STATUTORY INFORMATION
For the year ended 30 June 2020

7 Directors' Remuneration

Remuneration details of directors are provided above.

8 Directors' Loan

There is no loan made by the Group to Directors.

9 Employee

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

	Year Ended June 2020	Year Ended June 2019
Remuneration	Number	Number
$110,000 - $120,000	-	1
$120,001 - $130,000	1	-

10 Indemnification and insurance of directors and officers

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

11 Net tangible assets per share

	Year Ended June 2020	Year Ended June 2019 Restated
	$	$
Net tangible assets	17,438,204	12,095,773
Net tangible assets per share	0.060	0.042

12 Donation

During the year ending 30 June 2020 the Group made donations worth $nil (30 June 2019: $4,722).

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE
For the year ended 30 June 2020

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

The board of MWE (Board) is responsible for establishing and implementing MWE's corporate governance frameworks, and is committed to fulfilling this role in accordance with best practice having regard to applicable laws, the NZX Corporate Governance Code 2019 (Code) and the Financial Markets Authority Corporate Governance – Principles and Guidelines.

Since migrating to the NZX Main Board on 19 March 2019, MWE has reviewed its policies, codes and charter documents to ensure that MWE maintains appropriate governance standards and behaviours that reflect the requirements and best practice under the Code, which are included and referred to in the NZX Listing Rules.

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

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

Principle 1 – Code of ethical behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Code of Ethics

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

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

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

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

Financial Product Trading Policy

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

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

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

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

CORPORATE GOVERNANCE
For the year ended 30 June 2020

Principle 2 – Board composition and performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Board Charter

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

The Board has overall responsibility for all decision making within MWE. The Board is responsible for the direction and control of MWE and is accountable to shareholders and others for MWE's performance and its compliance with appropriate laws and standards. The Board uses committees to address certain matters that require detailed consideration. The Board retains ultimate responsibility for the function of its committees and determines their responsibilities.

Nomination and appointment of directors

In accordance with the NZX Listing Rules, a Director must not hold office past the third annual meeting following the director's appointment or three years, whichever is longer. Procedures for the appointment and removal of Directors are also governed by the Charter. MWE does not maintain a separate nomination committee, given the current size and nature of MWE's business, rather Director nominations and appointments are the responsibility of the Board.

Written Agreements with directors

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

Director Information and Independence

The Board comprises five Directors with different backgrounds, skills, knowledge, experience and perspectives. Information about each Director is available at http://www.nzmwe.com/our-team/.

The Board evaluates the independence of directors in line with the factors that may impact a director's independence as identified in the Code. Director independence is considered annually. Directors are required to inform the Board as soon as practicable if they think their status as an independent Director has (or may have) changed. Information in respect of Directors' ownership interests and independence is contained in this annual report.

The Board has assessed the independence of Danny Chan and Songyuan Huang and has determined them to be independent directors.

Director Meeting Attendance

	Board		**Audit and Risk Committee**		**Remuneration Committee**	
Total number of meetings held	**5**		**2**		**2**	
	No. of meeting eligible to attend	No. of meeting attended	No. of meeting eligible to attend	No. of meeting attended	No. of meeting eligible to attend	No. of meeting attended
Min Jia (Executive Chairman)	5	5	-	-	2	1
Ly Lee (resigned 12 December 2019)	3	-	-	-	-	-
Jack Zhong Yin (resigned December 2019)	3	3	1	1	-	-
Danny Chan	5	5	2	2	2	2
Songyuan Huang	3	5	2	2	2	2

CORPORATE GOVERNANCE
For the year ended 30 June 2020

Diversity

MWE welcomes diversity. MWE's approach to diversity is to continually develop an environment that supports equality and inclusion, regardless of difference. MWE has a formal diversity policy. The Board sets measurable objectives for assessing performance against its diversity policy (including achieving gender diversity). MWE will assess progress annually.

The Board's gender composition is as follows:

	Directors		Officers (excluding directors)	
	June 2020	**June 2019**	**June 2020**	**June 2019**
Female	-	1	1	1
Male	3	4	3	3
TOTAL	3	5	4	4

The Board believes that MWE is achieving the objectives set out in its diversity policy and will continue to look to enhance its diversity into the future.

Director Training

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

Director Performance

In accordance with the Charter and recommendation 2.7 of the Code, the Board has established and reviews performance criteria for itself and Directors, and reviews performance against those criteria at least annually to ensure Directors are performing to a high standard. The Board recognises that the quality with which it performs its functions is an integral part of the performance of MWE and that there is a strong link between good governance and performance.

The Board will regularly review the performance of the committees in accordance with their relevant charters. These evaluations will be carried out annually.

Separation of the Chair and CEO

In accordance with the Charter and recommendation 2.9 of the Code, the Chair and CEO are separate people.

Principle 3 – Board Committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

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

Audit and Risk Committee

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

The audit committee currently comprises of Danny Chan and Songyuan Huang. Danny Chan and Songyuan Huang are considered Independent Directors for the purposes of Listing Rule 2.13.2. All members of the Audit and Risk Committee have appropriate financial experience and an understanding of the industry in which MWE operates.

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

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

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

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

Remuneration Committee

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

The Remuneration Committee currently comprises of Min Jia, Danny Chan and Songyuan Huang. Danny Chan and Songyuan Huang are considered Independent Directors for the purposes of Listing Rule 2.13.2.

Takeover Response Protocol

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

Principle 4 – Reporting and Disclosure

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Continuous Disclosure

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

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

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

Financial Reporting

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

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

MWE does not comply with recommendation 4.3 of the Code as MWE does not have a formal environmental, social and governance (ESG) framework. Given the scale of its business, MWE considers that it is prudent for MWE to instead select non-financial matters to report upon in its annual report. MWE will continue to assess whether it is appropriate that an ESG framework is adopted for MWE in the future.

Principle 5 – Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

Directors' Remuneration

The Remuneration Committee makes recommendations to the Board on remuneration matters in keeping with the Remuneration Policy which outlines the key principles that influence MWE's remuneration practices. The committee is also responsible for making recommendations to the Board on the remuneration of the CEO. Directors' fees are determined by the Board on the recommendation of the committee within the aggregate director remuneration pool approved by shareholders.

Details of remuneration paid to directors are disclosed in this annual report.

Principle 6 – Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

MWE does not maintain a formal risk management framework under recommendation 6.1 of the Code as the Board considers that this would be excessive given the scale of the businesses and the industry in which it operates.

The Board has instead adopted and approved the practice of reporting in its annual report what it considers to be key risks to MWE which are market, credit, liquidity and agricultural risks.

Key risk management tools used by MWE include the Audit and Risk Committee function and outsourcing certain functions to service providers (such as legal and audit). MWE also maintains insurance policies that it considers adequate to meet insurable risks. The Board will continue to regularly consider any potential risks and its risk management processes and adapt these should the nature and size of the business change in the future.

The Board will continue to assess whether it is appropriate for a formal risk management framework to be adopted and a whether a risk management committee to be appointed in the future

Health and Safety

The Board does not have an identifiable Health and Safety Committee. The responsibility for health and safety is viewed as a collective responsibility for the Board. The Board has responsibility for ensuring that MWE maintains a health and safety management system that meets best practice standards to protect the health and safety of employees and contractors engaged by MWE.

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

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

Principle 7 – Auditors

"The board should ensure the quality and independence of the external audit process."

The Audit and Risk Committee makes recommendations to the Board on the appointment of the external auditor as set out in Audit and Risk Committee Charter. The committee also monitors the independence and effectiveness of the external auditor and reviews and approves any non-audit services performed by the external auditor.

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

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

Principle 8 – Shareholder rights and relations

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Information for Shareholders

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

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

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

Communicating with Shareholders

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

MWE sends the annual shareholders notice of meeting and publishes it on the company website as soon as possible and at least 20 working days before the meeting each year.

COMPANY DIRECTORY

For the year ended 30 June 2020

Company Registration Number	5639568
Registered office	Level 6, 5-7 Kingdon Street, Newmarket Auckland Central New Zealand
Directors	Min Jia (Chairman) Ly Lee (resigned December 2019) Jack Zhong Yin (resigned December 2019) Danny Chan (independent) Songyuan Huang (independent)
Auditors	Deloitte Limited Deloitte Centre 80 Queen Street P.O. Box 115033, Auckland 1140 New Zealand
Solicitors	Duncan Cotterill Level 2, Chartered Accountants House 50 Custom House Quay, Wellington
Bankers	Industrial Commercial Bank of China (New Zealand) Limited ANZ Bank Limited BNZ Bank Limited
Share Registrar	Link Market Services Limited Deloitte Centre, 80 Queen Street, Auckland