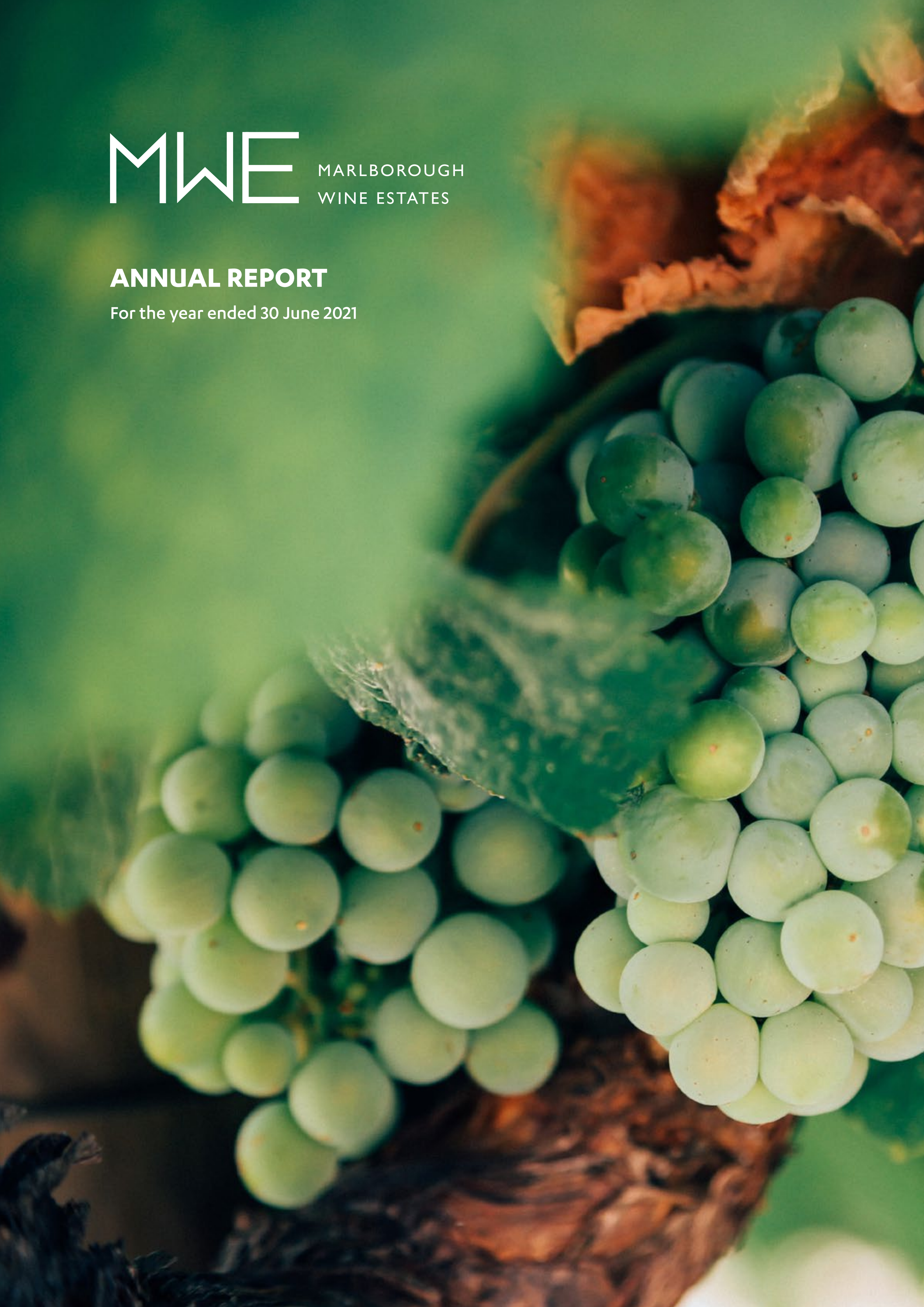
MWE

MARLBOROUGH WINE ESTATES

ANNUAL REPORT

For the year ended 30 June 2021



MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

The Board of Marlborough Wine Estates is pleased to present the Annual Report for the year ended 30 June 2021.

Min Ja
Executive Chairman

Catherine Ma
Chief Executive Officer

24 September 2021

CONTENTS

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

OUR AWARD WINNING WINES

OTU CLASSIC MARLBOROUGH SAUVIGNON BLANC 2020

Wine Orbit
94/100 ★★★★★

SAKURA Japan Women's Wine Awards 2021

New Zealand International Wine Show 2020

IWSC HongKong 2020

OTU CLASSIC ROSE 2020

Wine Orbit
93/100 ★★★★★

New World Wine Awards 2020

New Zealand International Wine Show 2020

OTU CLASSIC PINOT GRIS 2020

New World Wine Awards 2020

New Zealand International Wine Show 2020

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

FY21 AT A GLANCE

KEY EVENTS AND HIGHLIGHTS

DOMESTIC MARKET
Expanded our market share significantly in both the North and South Island and sales continue to grow. Domestic branded wine sales revenue increased by 45%.

INTERNATIONAL MARKETS
Expanded international markets with first significant orders dispatched for Ontario in Canada, Singapore and Malaysia. MWE's active international markets now include Australia, Canada (British Columbia, Ontario, Saskatchewan and Manitoba), China, Fiji, Finland, Japan, Malaysia, Singapore and Taiwan. International branded wine sales revenue increased by 12% despite the global Covid-19 trading environment.

NEW WINEMAKER
Appointment of renowned winemaker, Jeff Clarke, from December 2020.

INSURANCE SETTLEMENT
Settlement with insurance company for $240,000 (net of legal cost) in relation to inventory that was fully written off in FY17.

NEW AUDITOR
Appointment of BDO Auckland as auditor from December 2020.

REVAMPED BRAND
Overwhelmingly positive feedback on the refreshed design of the OTU brand.

GOVERNANCE
Refreshed Board and strengthened capital base.

Christine Pears appointed to the Board on 8 October 2020 as Independent Director.

Songyuan (Benny) Huang resigned from the Board on 8 October 2020.

Successful capital raising of $1.24 million (net of capital raising costs) with proceeds being used for investment into higher inventory to meet future demand; marketing, particularly online; and international market expansion and development.

FINANCIAL SNAPSHOT

REVENUE
Total sales revenue increased by 5% to $6.7m.

BRANDED WINE SALES
Increased from 28,000 to 38,000 cases (9le), delivering a 41% increase in branded wine sales revenue to $3.9m.

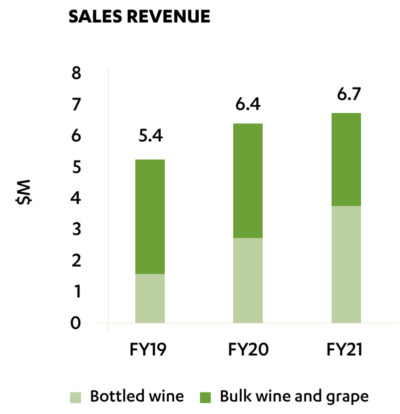
GRAPES AND BULK WINE SALES
Exceptional quality but lower yield 2021 harvest reduced the volume of grapes and bulk wine sales by 22% to $2.9m.

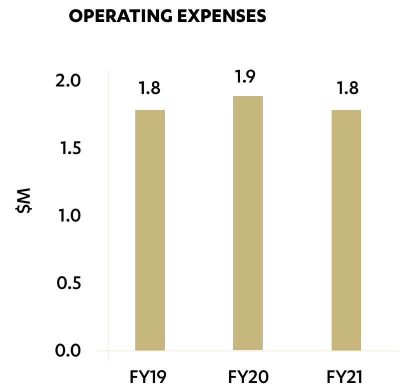
OPERATING EXPENSES
Expenses controlled with increased investment into growth.

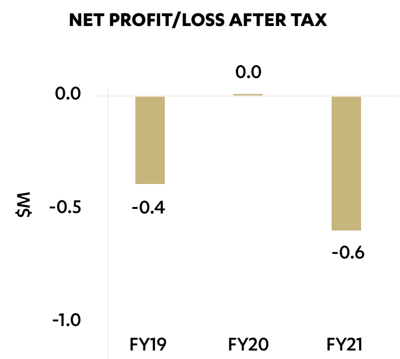
STRONG FINANCIAL POSITION
Strong cashflow and low net debt.

NET PROFIT/(LOSS) AFTER TAX
Loss after tax of $0.6m for the year, reflecting predominantly the impact of the lower 2021 harvest.

ADJUSTED EBITDA[1]
Reduced from $0.9m in FY20 to $(0.003)m, mainly due to lower harvest yield.







[1] Adjusted EBITDA excludes other non-operating expense (income) that do not relate to the on-going performance of the Group. A reconciliation can be viewed on page 17.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

CHAIR AND CEO'S REPORT

We have made pleasing progress with our growth strategy during the year, with growing domestic sales and expanding international market distribution. There is continued strong international demand for New Zealand wines and Marlborough Wine Estates is well positioned to take advantage of this.

Branded wine sales continue to grow

We continued to expand our distribution network and grow our branded wine sales during FY21, both in New Zealand and internationally.

In New Zealand, we continued the growth trend seen over the past five years and our wines are available in both of New Zealand's largest grocery chains and other fine wine retail chains. We expanded our market share significantly in both the North and South Island and sales continue to grow.

Internationally, we have expanded our footprint, establishing new distribution relationships in Malaysia and Singapore and shipping first orders. We also shipped out initial significant sized orders to Canada and continued to receive repeat orders from our existing distribution partners in China, Taiwan, Japan and Australia.

The Covid-19 pandemic remains a challenge for business development, as many of our international clients are focused on fine wine retail and on-premise. Despite the in-market and logistics challenges posed by Covid-19, international branded wine sales were up 12% to $0.41m.

We have seen a recovery in international markets in recent months and continue to develop into new markets and distribution relationships, most recently in the United Kingdom.

Exceptional quality, lower yield 2021 vintage

"The 2021 vintage will be one of the best of the last decade, as a very dry period from December to late March, with close to average temperatures over the ripening period has allowed the vineyard team to maximise the quality of all varieties". – MWE's chief winemaker, Jeff Clarke

As previously advised, the 2021 vintage was down approximately 26% on the 2020 vintage's record harvest and approximately 20% on average expected tonnes. The lower yield reduces the volume of grapes and bulk wine available for customers and impacted on total sales in FY21.

Due to the small vintage and significant demand in international markets for New Zealand wine, there is upward pressure on grape pricing in 2021 vintage and beyond. We are well prepared to take advantage of the opportunities presented, in grape profits and international distribution opportunities. In line with this, we have retained the grapes required to continue to grow our branded wine sales in domestic and international markets for the year ahead.

The company's grape supply is progressively available and MWE intends to allocate its supply to support its strategy and growth plans.

Investment into growth

A number of growth opportunities have been identified and investment has been made into marketing and people, as well as governance and IT to support MWE's continued growth momentum.

In particular, we invested into marketing to support the launch of multiple new products into Foodstuffs and Countdown supermarket chains.

Pleasingly, the long running dispute between the Ministry of Primary Industries and MWE's former contracted wine processor and the insurance company has been concluded, with MWE receiving settlement of $240,000 after deducting legal costs.

Financial Performance

The company reported revenue of $6.7m, up 5% on the prior year. Branded wine sales increased from 28,000 to 38,000 cases, delivering a 41% increase in branded wine sales revenue to $3.9m. The revenue result was impacted by the previously reported reduction in the volume of grapes harvested for Vintage 2021, which reduced the grape and bulk wine revenues by 22% to $2.9m. Gross margin was similarly impacted, primarily due to the lower vintage yield.

Operating expenses was controlled to a similar level as last year with increased investment into growth.

MWE reported a net loss after tax of $0.6m for the year, reflecting predominantly the impact of the lower 2021 harvest on grape sales and increased cost of sales, and some investment into growth.

The company undertook a small capital raise in February 2021, raising $1.24m (net of capital raising cost). The proceeds are being utilised to support MWE's growth strategy and invest in higher inventory levels to meet expected future demand. Cash and cash equivalents were $1.7m at year end and working capital was $5.7m, improved from last year's $4.9m. The $5.3m bank loan was extended to September 2023.

Governance

Improved wine quality, corporate strategy and governance are key for the next stage of the company's growth.

We were pleased to welcome Christine Pears as an Independent Director, replacing Songyuan (Benny) Huang who retired.

Christine has more than 20 year's leadership experience in the wine industry, including senior executive roles with Delegat's Group Limited and the Todd Corporation owned Ara Wines. She also has experience in high growth sectors such as property, IT and data communications, financial services, horticulture, and science. Her contribution to the Board since her appointment has been valued.

We were also pleased to welcome a new winemaker in December last year. Jeff Clarke has a wealth of skill and experience with a reputation for consistently producing premium award winning wines. Jeff has played a leading role in the development of the now world-famous Marlborough Sauvignon Blanc wine style, and also helped drive the development of New Zealand Pinot Noir, Sparkling and Pinot Gris. His outstanding track record and wealth of experience is second to none in New Zealand and provides the MWE team with the best winemaking expertise possible.

The Board would like to thank staff, suppliers, business partners and shareholders for their support over the last year, in what has been a challenging period for businesses and communities around the world.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

Outlook

MWE has a strong financial structure with a low debt position and the Board is confident the company is well placed for further growth in the coming years. The focus of the new financial year is on continuing to develop the distribution network and branded wine sales by optimising the marketing investments to drive profitability and sustainable revenue growth.

We are well prepared to take advantage of the distribution opportunities presented. Our focus for FY22 is to maintain strong growth momentum in branded wine sales in both New Zealand and internationally. We will be building on our distribution relationships and were pleased to have recently announced the appointment of premium wine distributor, Hayward Bros, as the UK distributor for our OTU Estate brand.

The exceptional quality but much reduced volume of the 2021 vintage along with continuing international demand for New Zealand Sauvignon Blanc, will create upwards pressure on grape pricing. MWE has the supply and quality to fulfil many of the new opportunities created by the supply restraints.

Growth initiatives in FY22 are focused on:

- Further growth in sales of MWE's premium wines
- Continuing expansion and growth into international markets
- Investment into digital marketing to grow MWE's online presence and capture the direct-to-market consumer.
- MWE will continue to look for opportunities to grow by acquisition, expanding its supply and distribution channels.

MWE will continue to monitor the impact of Covid-19 pandemic around the global. With Covid-restrictions expected to ease in many key markets, including the USA and UK, and the strong export demand over the past 12 months, MWE is confident it is positioned to capture any new opportunities and grow its revenue and profitability.

Min Jia	**Catherine Ma**
Executive Chairman	**Chief Executive Officer**

"The 2021 vintage will be one of the best of the last decade, as a very dry period from December to late March, with close to average temperatures over the ripening period has allowed the vineyard team to maximise the quality of all varieties".

– MWE's chief winemaker, Jeff Clarke

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

FY22 PRIORITIES

FURTHER GROWTH IN THE NZ MARKET

The focus of the next 12 – 18 months is to further develop the premium positioning of MWE's brands.

INTERNATIONAL MARKETS

Our focus is growing profitable international markets for New Zealand wines.

- MWE has already established a strong distribution relationship with a distributor in Australia and will continue to support its business development and the growth of MWE's brands
- MWE has signed a new UK distributor at the start of FY22
- MWE continues to develop the LCBO market in Canada
- MWE is also exploring new opportunities in premium wine markets

DIRECT TO MARKET/ONLINE

We will invest into digital marketing to grow MWE's online presence and capture the direct-to-market consumer.

INVESTIGATION OF GROWTH OPPORTUNITIES

We will continue to look for opportunities to expand our scale of operations.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

TAKING CARE OF BUSINESS

Kaitiakitanga is the Māori concept of guardianship and protecting the environment.

A kaitiaki is a person or group that is recognised as a guardian by the tangata whenua. As all New Zealand Winegrowers members are responsible for ensuring the sustainability of the New Zealand wine industry, we can be considered kaitiaki, protecting the places that create our exceptional wines.

Our wines are made from grapes grown in beautiful New Zealand vineyards and we take seriously our responsibility to care for, protect and nurture our environment. Energy efficiency and waste minimisation are also important in how we can reduce our impact on the environment.

A sustainable approach to packaging

Our wines are packaged in New Zealand using New Zealand sourced, recycled glass bottles. We have also chosen to package many of our wines in lighter weight bottles which deliver a 9% reduction in CO2 and waste per bottle and improve transport efficiencies.

Not only are our bottles recyclable, so are the labels and caps we use. Label materials are produced from recycled and renewable materials and are compostable and biodegradable. We also source caps which incorporate recycled materials, reducing the use of finite resources and have a lower environmental impact.

Like-minded supply partners

We choose Carbon Zero supply partners in our manufacturing, storage and logistics process.

Sustainable Winegrowing New Zealand (SWNZ) Accredited

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

"For the New Zealand wine industry, sustainability means growing, making and sharing our wine in a way that doesn't cost the earth. Sustainability credentials now play an important role in the perception of premium products. Goods that are produced with respect for the natural world, and for the people throughout the value chain, are seen as more desirable to modern, informed consumers. Our focus on sustainability will continue to position the industry to respond effectively to these shifts, as well as our government's ambitious regulatory reform agenda."

– New Zealand Wine Growers

OUR BOARD AND LEADERSHIP TEAM

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

James is the founder of MWE and its largest shareholder. He is responsible for initiating the Group's strategic direction to the business and driving business performance.

James has diverse business and investment experience in both China and New Zealand.

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

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

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

Christine has more than 20 years of leadership experience in the wine industry, including senior executive roles with Delegat's Group Limited and the Todd Corporation owned Ara Wines. Christine is currently an independent director of YMCA North and NZX listed company Cannasouth (NZX: CBD). Christine has successfully led the development and delivery of strategic, operational, and financial plans and initiatives through developing organisational capability and domestic and international markets. Christine also has experience in high growth sectors such as property, IT and data communications, financial services, horticulture, and science.

CATHERINE MA B COM, MINSTD
Chief Executive Officer

Catherine joined the Group in 2011 as one of the founding members. She has developed extensive experience managing the OTU wine businesses and vineyards. Prior to joining MWE, she worked in the real estate sector. Catherine is responsible for developing and executing business plans, as well as maintaining and growing the organisation.

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

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

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

RECONCILIATION OF GAAP TO NON-GAAP

EBITDA[1] Reconciliation

	Year Ended 30 June 2021 $	Year Ended 30 June 2020 $
Net profit/(loss) after tax per Financial Statements	(615,587)	9,965
Plus net finance cost	273,007	250,406
Plus/(less) tax expense (benefit)	(212,535)	7,228
Plus depreciation	690,939	506,090
Plus amortisation	5,207	7,193
EBITDA	141,031	780,882
Less gain on assets disposal	(2,660)	-
Plus inventory write down	98,871	18,568
Plus NZX migration related costs	-	5,000
Plus/(less) insurance claim related legal fees/ (settlement)[2]	(240,000)	94,402
Plus share based payment expense	169	(1,389)
Adjusted EBITDA[3]	(2,589)	897,463

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

[2] The Group received a settlement amount of $300,000 ($240,000 net of legal cost) from its insurance company regarding inventory that was destroyed under the supervision of Ministry of Primary Industries (2020: legal cost of $94,402).

[3] 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:

- Loss on assets disposal which is not continuous;
- 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.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

MWE MARLBOROUGH WINE ESTATES

FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 year ended 30 June 2021 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 2021 and its financial performance and cash flows for the year ended on that date in accordance with NZ GAAP. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. 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:

Min Jia **Executive Chairman**	**Danny Chan** **Director**

24 September 2021

BDO Auckland

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

Opinion

We have audited the consolidated financial statements of Marlborough Wine Estates Group Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

BDO Auckland

Key Audit Matter

Valuation of land and land improvements

The Group accounts for land and land improvements under a revaluation model. As disclosed in Note 15 to the consolidated financial statements, the Group recorded the following assets at fair value:

- Land of $10,221,698
- Land improvements of $13,465,302

The Group appointed an independent valuer to undertake the valuation of land and land improvements. The independent valuer used for the current year is different to that engaged in the prior year. The independent valuer determined the fair value of land and land improvements as at 30 April 2021 and subsequently confirmed through a bridging letter that there was no significant change to the fair value at reporting date.

The valuation of land and land improvements has been prepared using a comparative sales approach ("market approach"), where a number of recent vineyard sales were analysed to establish a range of benchmarks. The benchmarks are adjusted based on size, location and land purpose mix held by the Group.

The valuation includes a discounted block of land which is contaminated from the previous use of "Taskforce" herbicide in the area to eradicate Chilean Needlegrass, a pest known to the Marlborough region.

The valuer has 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 that COVID-19 might have on the market, the valuation of the land and land improvements should be under frequent review.

The valuation of these assets is considered to be a key audit matter due to the subjective judgements and assumptions in the valuations, including those that related to the impact of COVID-19 and the impact of the contamination to the value of one vineyard block.

How The Matter Was Addressed in Our Audit

We have evaluated the appropriateness of the valuation in respect of land and land improvements by performing the following:

- Visiting the vineyard and holding discussions with the vineyard manager in order to obtain an overview of the vineyard management process and to observe the status of the vineyards;
- Assessing the independence, objectivity and competence of the valuer;
- Making inquiries with the valuer to understand the procedures undertaken in respect of the valuation methodology and key assumptions applied in the valuation.
- Engaging an independent auditor valuation expert to assess:
  - The appropriateness of the valuation methodology used for each asset type;
  - Any changes in the methodology that applied by the previous valuation expert in the prior year;
  - Validity, accuracy and appropriateness of comparative sales transactions used and how these have been applied in deriving the fair value of land and land improvements;
  - Impact of the contamination as results of the previous use of herbicide "Taskforce" on the valuation of one vineyard block.
- Challenging the key assumptions made on the valuation including those that relate to:
  - Treatment of biological work in progress;
  - Contamination of one vineyard block;
  - Valuation uncertainty due to the continued impacts of COVID-19.
- We have also assessed the appropriateness of the disclosures included in Note 15 *Property, plant & equipment* and Note 2(s)(iii) *Key sources of judgement of estimation uncertainty*.

BDO Auckland

Key Audit Matter

Deferred tax asset relating to tax losses

The Group has recognised a deferred tax asset is relation to carried forward tax losses to the value of $511,478 (2020: $414,699), as disclosed in Note 7 to the financial statements.

The Group's accounting policy and per requirements of NZ IAS 12 *Income Taxes* is to recognise deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Further, tax losses carried forward from prior year are subject to the Group complying with continuity rules under New Zealand tax legislation

We have included capitalisation of tax losses as a key audit matter as deferred tax asset is quantitatively material to the financial statements and the Group has not consistently generated taxable profits from its operations.

How The Matter Was Addressed in Our Audit

We obtained an understanding of the Group's evaluation for recognising deferred tax asset in relation to carried forward tax losses.

We reviewed the reliability of evidence provided by management and assessed whether such evidence is convincing as required in paragraph 35 of NZ IAS 12 – *Income Taxes*.

We assessed and challenged managements judgements relating to the forecasts that support the generation of future taxable profits and evaluated the reasonableness of the methodology and assumptions underlying the preparation of these forecasts.

We assessed management's ability to prepare accurate forecasts through review of historical forecasts against actual results. We considered the likelihood of reoccurrence of key events that impacted ability to met forecast, such as the impact of the lower harvest yield for the 2021 vintage.

We reviewed the Group's analysis of continuity rules and tax losses carried forward.

We have also assessed the appropriateness of the disclosures included in Note 7(d) *Deferred tax balances* and Note 2(s)(v) *Key sources of judgement of estimation uncertainty*.

Other Matter

The consolidated financial statements of the Group for the year ended 31 June 2020 were audited by another auditor who expressed an unmodified opinion on 19 October 2020.

Other Information

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

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

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

BDO Auckland

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

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

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

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

This description forms part of our auditor's report.

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

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

BDO Auckland

BDO Auckland
Auckland
New Zealand
24 September 2021

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group Year Ended June 2021 $	Group Year Ended June 2020 $
Revenue	3	6,735,685	6,402,493
Cost of sales		(5,450,011)	(4,238,875)
Gross profit		1,285,674	2,163,618
Other operating income	4	404,835	261,230
Selling, marketing and promotion expenses		(1,319,927)	(1,153,684)
Administration and corporate governance expenses		(925,697)	(1,003,565)
Profit / (loss) before tax and finance cost	5	(555,115)	267,599
Finance income		178	35
Finance costs	6	(273,185)	(250,441)
Net finance cost		(273,007)	(250,406)
Profit / (loss) for the period before taxation		(828,122)	17,193
Tax (expense) / benefit	7	212,535	(7,228)
Profit / (loss) for the period attributable to shareholders of the company		(615,587)	9,965
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment	15	3,179,993	6,887,105
Income tax on items taken directly to or transferred from equity	7	(303,313)	(1,556,521)
Other comprehensive income for the year, net of tax		2,876,680	5,330,584
Total comprehensive income/(loss) for the period attributable to the shareholders of the Company		2,261,093	5,340,549
Basic and diluted earnings / (loss) per share	28	(0.002)	0.000

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Share capital	Capital contribution	Accumulated losses	PPE revaluation reserve	Share-based payment reserve	Total
Balance at 30 June 2019		15,174,626	-	(3,161,946)	-	108,247	12,120,927
Total comprehensive income for the year							
Profit for the year		-	-	9,965	-	-	9,965
Other comprehensive income		-	-	-	5,330,584	-	5,330,584
Total comprehensive income for the year		-	-	9,965	5,330,584	-	5,340,549
Transactions with owners							
Share-based payment expenses	8 & 30	-	-	-	-	(1,389)	(1,389)
Share options forfeited	8 & 30	-	-	66,508	-	(66,508)	-
		-	-	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
Total comprehensive income for the year							
Loss for the year		-	-	(615,587)	-	-	(615,587)
Other comprehensive income		-	-	-	2,876,680	-	2,876,680
Total comprehensive income for the year		-	-	(615,587)	2,876,680	-	2,261,093
Transactions with owners							
Shares issued (net of capital raising cost)	8	1,241,472	-	-	-	-	1,241,472
Capital contribution via interest-free loan	19	-	210,886	-	-	-	210,886
Share-based payment expenses	8 & 30	-	-	-	-	169	169
Share options forfeited	8 & 30	-	-	736	-	(736)	-
		1,241,472	210,886	736	-	(567)	1,452,527
Balance at 30 June 2021		16,416,098	210,886	(3,700,324)	8,207,264	39,783	21,173,707

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

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	Group Year Ended June 2021 $	Group Year Ended June 2020 $
ASSETS			
Current assets			
Cash and bank balances	9	1,729,757	254,991
Accounts receivable	13	744,238	1,519,441
Inventory	11	3,829,437	3,928,469
Biological work in progress	12	710,055	509,934
Prepayments		115,230	101,920
GST receivable		116,666	-
Total current assets		7,245,383	6,314,755
Non-current assets			
Property, plant and equipment	15	23,965,047	21,289,172
Deposits paid		20,000	20,000
Related party loan	23	51,804	59
Investments	16	28,365	72,250
Right-of-use assets	20	446,976	561,123
Intangible assets	14	16,676	21,883
Total non-current assets		24,528,868	21,964,487
Total assets		31,774,251	28,279,242
LIABILITIES			
Current liabilities			
Trade and other payable	17	1,251,502	1,166,676
Employee benefit liabilities		26,274	37,814
Contract liability	18	-	72,466
GST Payable		-	78,932
Lease liabilities	20	96,477	85,577
Interest bearing borrowings	19	150,000	-
Income tax payables		367	407
Total current liabilities		1,524,620	1,441,872
Non-current liabilities			
Shareholder Loan	19	1,353,534	1,500,000
Interest bearing borrowings	19	5,150,000	5,300,000
Lease liabilities	20	228,253	323,923
Deferred tax	7	2,344,137	2,253,360
Total non-current liabilities		9,075,924	9,377,283
Total liabilities		10,600,544	10,819,155
Total net assets		21,173,707	17,460,087
EQUITY			
Share Capital	8	16,416,098	15,174,626
Capital contribution	19	210,886	-
Share-based payment reserve	8 & 30	39,783	40,350
PPE revaluation reserve	8	8,207,264	5,330,584
Accumulated losses		(3,700,324)	(3,085,473)
Total equity		21,173,707	17,460,087

Signed for and on behalf of the Board by:

Min Jia
Executive Chairman
24 September 2021

Danny Chan
Director
24 September 2021

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 2021

	Note	Group Year Ended June 2021 $	Group Year Ended June 2020 $
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		7,438,422	6,239,279
Other income		392,390	261,230
GST refund		-	119,916
Income tax refund		-	407
Interest received		178	35
		7,830,990	6,620,867
Cash was disbursed to:			
Payment to suppliers and employees		(7,060,882)	(6,336,290)
Interest paid on loans and borrowings		(168,400)	(231,053)
Interest paid on lease liabilities	20	(18,421)	(19,388)
GST payment		(193,006)	-
		(7,440,709)	(6,586,731)
Net cash flow generated by operating activities	24	390,281	34,136
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sales of property, plant and equipment		17,353	-
		17,353	-
Cash was disbursed to:			
Payments for property, plant and equipment		(69,690)	(254,916)
		(69,690)	(254,916)
Net cash flow (used in) investing activities		(52,337)	(254,916)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from issue of ordinary shares (net of capital raising cost)	8	1,241,473	-
Proceeds from shareholder loan	24	-	1,107,145
		1,241,473	1,107,145
Cash was disbursed to:			
Principal paid on lease liabilities	20	(104,650)	(123,012)
Repayment of bank loan	24	-	(800,000)
		(104,650)	(923,012)
Net cash flow generated by / (used in) financing activities		1,136,823	184,133
Net (decrease) / increase in cash		**1,474,766**	**(36,647)**
Cash and cash equivalents at the beginning of the year		**254,991**	**291,638**
Cash and cash equivalents at the end of the year	9	**1,729,757**	**254,991**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. REPORTING ENTITY

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

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

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

These financial statements were authorised for issue by the Board of Directors on 24 September 2021.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

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

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(s) for further information.

(b) Basis of Consolidation

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

(c) Revenue Recognition

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

(d) Interest income and expenses

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

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

(e) Goods and Services Tax

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

(f) Foreign Currencies

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). 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 reporting date, foreign monetary assets and liabilities are translated into the functional currency at the closing exchange rate and exchange variations arising from these translations are recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

(g) Property, Plant and Equipment

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

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

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

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

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

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

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

Rates used during the current and prior year were:

- Land improvements - Straight line (5 - 35 years) (June 2020: 5 - 25 years) and Diminishing value (2% - 13.5%)
- Computer equipment - Diminishing value (50%)
- Tools, equipment & sheds - Diminishing value (6% - 67%)
- Motor vehicles - Diminishing value (13% - 30%)

(h) Impairment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

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

(i) Financial instruments

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

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

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

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

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

Financial assets at fair value are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss and comprehensive income. The Group's financial assets measured at fair value comprise the certain investment in equity.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

(j) Inventories

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

(k) Income Tax

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

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

(l) Borrowing costs

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

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

(m) Agriculture (biological assets 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 deriving produce from a future harvest are capitalised and treated as biological work in progress in the Statement of Financial Position.

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

(n) Fair value estimation

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

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

(o) Intangible assets

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

Amortisation rates used during the current and prior year were:

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

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

(p) Share-based payment transactions

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

(q) Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(h) Impairment.

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

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

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

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

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

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

(r) Government Grants

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

(s) Key sources of judgement of estimation uncertainty

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

i. ***Estimation of useful lives of assets (refer to note 14 and 15)***
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).

The Group reviewed the useful life of grape vines this year, after assessing the health of the vines, yield performance, water supply and vineyard management plan, the Group adjusted the overall estimated useful life of vines to 35 years (June 20: 25 years) with remaining useful life of 25 years. In accordance with the requirements of the NZ IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, the change of the useful life of grapes vines was applied prospectively from FY21. The impact is shown in the table below.

	After review	If no review
Overall useful life (yrs)	35	25
Remaining (yrs)	25	17.75
Carrying value at June 2020	$9,592,060	$9,592,060
Annual depreciation	$383,682	$540,398

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

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

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

iv. ***Effective interest rate for interest-free shareholder loan (refer to note 19)***
The Group obtained an interest-free loan from the majority shareholder which was refinanced in June 2021 to have a maturity date of October 2023. The loan was discounted to fair value, with the discounted amount being recorded as capital contribution. The Group determined the effective interest rate to be 4.5%, based on a mix of its current bank borrowings interest rate, Inland Revenue prescribed rate and unsecured loan rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

v. *Deferred tax asset (refer to note 7)*
For the purposes of measuring deferred tax assets arising from continuous operation, the directors have reviewed the Group's performance forecast for the near future and concluded that the Group will generate sufficient profit in the near future to utilise the deferred taxed assets recognised. Therefore, it is appropriate to carry deferred tax balance forward for future use. Key assumptions used for the forecast are: (1) the Group assessed the last 5 year's harvest history of OTU vineyards and established a normal yield which is about 12 tonnes/ha and considers yield drop in FY21 not a annual recurring event. The harvest tonnage would progressively recover back to normal yield level in the following 1-2 years, (2) the Group's strategy for the next few year is to premiumise its brands and achieve higher gross margin, branded wine sales price will be increased for both domestic and international markets, (3) the Group will deploy extra resources to develop distribution in overseas market, sales volume forecasted to increase significantly for overseas market, (4) bulk wine and grapes sales would reduce to meet the branded wine sales growth, (5) marketing and promotional expenses would grow accordingly to support branded wine sales growth.

The Group tested the sensitivity of key assumptions and transactions, and considered all available evidence, both negative and positive and determined that sufficient positive evidence outweighs existing negative evidence and future taxable profit is probable.

(t) Cash flows

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

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

(u) accounting standards and interpretations

The Group has no new material standards that required adoption in this year.

The Group changed its measurement on investment in Blind River Irrigation Limited from carried at cost to fair value through profit and loss (FVTP&L), refer to note 16.

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

* Classification of Liabilities as Current or Non-current (Amendments to NZ IAS 1 *Presentation of Financial Statements*) – To clarify the classification of debt and other liabilities with an uncertain settlement date in the statement of financial position, including the settlement of debt by converting to equity – mandatory for annual periods beginning on or after 1 January 2023.

(v) Covid-19 global pandemic

In March 2020, the World Health Organisation (WHO) declared Covid-19 a global pandemic which has brought disruption and uncertainty to business and economies globally since then. The effects of Covid-19 continue to have an impact on the operation the Group's business, predominantly associated with the global supply chain disruption and getting inventory to customers. Lockdowns, and social distancing requirements have limited field sales activities and impacted the Group's expansion plan in various markets. MWE will continue to monitor the impact of Covid-19 pandemic around the globe.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

With many key markets, including the USA and UK, making good progress in mass vaccination, and the strong export demand over the past 12 months, MWE is confident it is positioned to capture any new opportunities and grow its revenue and profitability in all major markets.

After the reporting date, on 17 August 2021 at 11.59pm New Zealand moved to Covid-19 Alert Level 4 lockdown. Auckland region remains in Alert Level 4, the rest of New Zealand moved to Alert Level 2 on 7 September 2021 at 11:59pm. Auckland region moved to Alert Level 3 and the rest of New Zealand was still at Alert Level 2 on 21 September 2021 at 11:59pm. There have been no further changes to the Alert Level at the date of issuing these financial statements. The Group was affected by the lockdown, but the management are confident of a quick recovery for the domestic sales.

3. REVENUE

	Year Ended June 2021 $	Year Ended June 2020 $
Grape sales	1,710,819	2,332,719
Bulk wine sales	1,154,767	1,324,937
Branded wine sales	3,870,099	2,744,837
	6,735,685	6,402,493

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.

4. OTHER INCOME

	Year Ended June 2021 $	Year Ended June 2020 $
Lease of farmland	2,660	3,250
Wage subsidy related to Covid 19	16,372	164,244
Insurance settlement	300,000	-
Office lease	68,280	69,078
Gain on investment (note 16)	12,445	-
Others	5,078	24,658
	404,835	261,230

The Group received a settlement amount of $300,000 ($240,000 net of legal cost) from its insurance company regarding inventory that was destroyed under the supervision of Ministry of Primary Industries (MPI), the book value of the impacted inventory ($1.2m) was fully written off in FY17. The settlement has enabled MWE to recover a proportion of the value that was written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. EXPENSES

	Year Ended June 2021 $	Year Ended June 2020 $
Specific expenses included in profit / (loss) before tax and finance cost: for the year:		
Wages and salaries	600,471	640,182
Kiwisaver contribution	14,242	16,343
Directors Fees (note 23)	117,500	136,208
Contractor payment	120,436	142,610
Share-based payments to directors and staff (note 8)	169	(1,389)
Foreign exchange losses	2,357	4,502
Depreciation - includes right-of-use assets	690,553	559,939
Auditor remuneration for audit of the 30 June 2020 financial statements - Deloitte	34,463	77,700
Auditor remuneration for audit of the 30 June 2021 financial statements - BDO	68,000	-

6. INTEREST EXPENSE AND FINANCING COST

	Year Ended June 2021 $	Year Ended June 2020 $
Interest expense on loans and borrowings	254,764	231,053
Interest expense on lease liabilities (note 20)	18,421	19,388
	273,185	250,441

The above Interest expense on loans and borrowings includes non-cash interest expense of $64,420 incurred from shareholder loan (note 19) for the year ended in 30 Jun 2021 (2020: $nil).

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. TAXATION

		Year Ended June 2021 $	Year Ended June 2020 $
(a)	**Income Tax**		
	Deferred tax movement	90,778	1,563,749
	Income tax expense	90,778	1,563,749
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit/(Loss) before taxation	(828,122)	17,193
	Income tax @ 28%	(231,874)	4,814
	Permanent differences	19,339	3,889
	Prior year adjustment	-	(1,475)
		(212,535)	7,228
	Deferred tax on items taken directly to or transferred from equity (note 7(d))	303,313	1,556,521
	Income tax expense / (benefit)	90,778	1,563,749
(c)	**Imputation credits are as follows:**		
	Balance available for use in subsequent reporting periods	720,684	720,684
(d)	**Deferred tax balances**		
	The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:		
	Deferred tax (liability)	(2,344,137)	(2,253,359)
		(2,344,137)	(2,253,359)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

June 2020	Opening balance $	Recognised in profit or loss $	Recognised in other comprehensive income $	Closing balance $
Deferred tax assets/(liabilities) in relation to:				
Biological work in progress	(1,193,529)	64,589	-	(1,128,940)
Land improvements	-	-	(1,556,521)	(1,556,521)
Accrued expenses	29,563	(1,977)	-	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)
	(689,610)	(7,228)	(1,556,521)	(2,253,359)

June 2021	Opening balance $	Recognised in profit or loss $	Recognised in other comprehensive income $	Closing balance $
Deferred tax assets/(liabilities) in relation to:				
Biological work in progress	(1,128,940)	107,115	-	(1,021,825)
Land improvements	(1,556,521)	-	(303,313)	(1,859,834)
Accrued expenses	27,584	(6,452)	-	21,132
Inventory provision	5,198	22,485	-	27,683
Property, plant & equipment	(29,883)	(9,501)	-	(39,384)
Tax losses	414,699	96,779	-	511,478
Lease Liability	91,241	(16,684)	-	74,557
Right of use Asset	(76,737)	18,793	-	(57,944)
	(2,253,359)	212,535	(303,313)	(2,344,137)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

8. EQUITY

Share Capital	June 2020 Shares	June 2020 $
Balance of ordinary share capital at 1 July 2019	290,872,000	15,174,626
Balance at 30 June 2020	290,872,000	15,174,626
	June 2021 Shares	**June 2021 $**
Balance of ordinary share capital at 1 July 2020	290,872,000	15,174,626
Ordinary shares issued for investors during the period (net of capital raising cost)	5,362,115	1,241,472
Balance at 30 June 2021	296,234,115	16,416,098

PPE revaluation reserve	Year Ended June 2021 $	Year Ended June 2020 $
Balance at beginning of the financial year	5,330,584	-
Revaluation increments/(decrements)	3,179,993	6,887,105
Deferred tax on items taken directly to or transferred from equity	(303,313)	(1,556,521)
Balance at end of financial year	8,207,264	5,330,584

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

Share-based payment reserve	June 2020 Shares	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
	June 2021 Shares	**June 2021 $**
Balance of share based payment reserve at 1 July 2020	780,000	40,350
Share based expenses for the year	-	169
Share options exercised/(forfeited) during the year	(60,000)	(736)
Balance at 30 June 2021	720,000	39,783
Total number of shares on issue as at 30 June 2021	296,954,115	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

At 30 June 2021, share capital comprised 296,954,115 authorised and issued shares (June 2020: 293,152,000) which are fully paid. 720,000 shares issued under the Group's Employee Share Ownership Plan (ESOP) are not paid.

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

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.

Issue of shares
On 12 March 2021, MWE issued 2,032,115 new shares via a share purchase plan and 3,330,000 new shares via a placement at $0.25/share for total consideration of $1,340,529 ($1,241,472 net of capital raising costs)(June 2020: nil). MWE issued no share options during the 12 months ended 30 June 2021 (June 2020: nil) . And no existing share options have been exercised during the 12 months ended 30 June 2021 (June 2020: nil). 60,000 share options have been cancelled due to the former holder was no longer being employed by MWE.

9. CASH AND BANK BALANCES

	Year Ended June 2021 $	Year Ended June 2020 $
Cash at bank (ANZ Bank, BNZ Bank and Industrial Commercial Bank of China)	1,729,757	254,991
	1,729,757	254,991

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. There are no term deposits at year end.

10. BIOLOGICAL ASSET PRODUCE

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

At 30 June 2021, the Group held approximately 336 hectares of land owned by the Company in Marlborough, New Zealand (June 2020: 336) and the total producing area is 149 hectares (June 2020: 149).

During the year ended 30 June 2021, the Group harvested 1,374 tonnes of grapes (June 2020: 1,912) from MWE's own vineyards. The grapes harvested are recognised at fair value less costs to sell at the point of harvest after taking into consideration various market factors, as well as reviewing the district average price report for grapes of similar quality and variety. The fair value adjustment included in cost of sale for the 2021 vintage was $787,201 (June 2020: $1,755,038). Refer to note 12 for recognition of the biological transformation between the time of harvest and reporting date.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11. INVENTORIES

	Year Ended June 2021 $	Year Ended June 2020 $
Bottled wine	833,535	949,812
Bulk wine	2,799,543	2,795,350
Dry goods	196,359	183,307
Total wine in inventory and work in progress (net of impairment)	3,829,437	3,928,469
Impairment of Inventory		
Balance as at 1 July	18,568	166,713
Provision provided during the year	98,871	18,568
Inventory written off during the year	(18,568)	(166,713)
Balance as at 30 June	98,871	18,568

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

12. BIOLOGICAL WORK IN PROGRESS

	Year Ended June 2021 $	Year Ended June 2020 $
Growing costs related to next harvest	710,055	509,934

The Group grows and harvests grapes. Harvesting of grapes is from March to April each year. The growth on the vines in the period from harvest to 30 June 2021 cannot be reliably measured due to the lack of market information and the variables in completing the biological transformation process between the time of harvest and the reporting date. The cost of agricultural activity in the period to 30 June 2021 has been recognised as Biological work in progress for the next harvest. This assumes the cost of the agricultural activity approximates the fair value of the biological transformation that has occurred in that period. The value of Biological work in progress at reporting date was $710,055 (2020: $509,934).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

13. ACCOUNTS RECEIVABLE

	Year Ended June 2021 $	Year Ended June 2020 $
Trade receivables	744,238	1,519,441
Provision for doubtful debts	-	-
	744,238	1,519,441

The standard credit terms on sales of goods given to domestic branded wine customers are 20th of the month following the issue of invoice. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. For overseas and other major customers, credit quality is assessed individually, normally not longer than 90 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 2021 and 30 June 2020. 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 2021, there were 4 customers who represent more than 5% of the total balance of trade receivables individually (June 2020: 4 customers).

Payment due schedule from major customers as of 30 June 2021	Total receivable amount $	Due in 0 - 30 days $	Due in 31 - 90 days $	Due in 91 days + $	Past due $
Customer 1	207,800	-	-	207,800	-
Customer 2	107,676	107,676	-	-	-
Customer 3	107,016	107,016	-	-	-
Customer 4	81,600	-	81,600	-	-

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	255,579	127,790	127,790	-	-

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.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

The loss allowance for accounts receivable was tested as follows.

Accounts receivable as of 30 June 2021	Current $	Less than 30 days past due $	30 to 60 days past due $	More than 60 days past due $	Total $
Trade receivables	674,291	1,570	17,669	50,708	744,238
Provision for expected credit losses	-	-	-	-	-

Accounts receivable as of 30 June 2020	Current $	Less than 30 days past due $	30 to 60 days past due $	More than 60 days past due $	Total $
Trade receivables	1,473,310	17,787	2,708	25,636	1,519,441
Provision for expected credit losses	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

14. INTANGIBLES

(a) Cost and accumulated amortisation	Trademarks $	Website $	Total $
Cost:			
Balance as at 1 July 2019	22,285	12,410	34,695
Balance at 30 June 2020	22,285	12,410	34,695
Additions for the year	-	-	-
Balance at 30 June 2021	22,285	12,410	34,695
Amortisation and impairment losses:			
Balance as at 1 July 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
Amortisation for the year	2,229	2,978	5,207
Balance at 30 June 2021	10,077	7,942	18,019

(b) Carrying amount	Trademarks $	Website $	Total $
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
June 2021			
Cost	22,285	12,410	34,695
Accumulated amortisation and impairment loss	(10,077)	(7,942)	(18,019)
Balance at 30 June 2021	12,208	4,468	16,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

15. PROPERTY, PLANT & EQUIPMENT

Year ended 30 June 2020	Land at fair value $	Land improvements at fair value $	Computer equipment at cost $	Tools, equipment & sheds at cost $	Motor vehicles at cost $	Total $
Cost or fair value (before depreciation)						
Balance at 1 July 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	12,844,254	13,113	574,464	203,268	21,679,894
Accumulated depreciation	-	-	(12,230)	(271,689)	(106,803)	(390,722)
Carrying amount 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 2020 was moved to land improvements together with vines and vineyards, given the Group has adopted the revaluation model in FY20, the current asset classes are able to provide clear and consistent information.

Of the above $351,683 depreciation for land improvements, $271,971 was classified to cost of sales and $79,712 was capitalised into Biological work in progress as this were directly attributable to grapes growing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

Year ended 30 June 2021	Land at fair value $	Land improvements at fair value $	Computer equipment at cost $	Tools, equipment & sheds at cost $	Motor vehicles at cost $	Total $
Cost or fair value (before depreciation)						
Balance at 1 July 2020	8,044,795	14,500,117	13,113	574,464	203,268	23,335,757
Additions for the year	-	51,437	962	12,047	5,244	69,690
Disposals for the year	-	-	-	(4,125)	-	(4,125)
Revaluation	2,096,734	1,083,259	-	-	-	3,179,993
Balance at 30 June 2021	10,141,529	15,634,813	14,075	582,386	208,512	26,581,315
Accumulated Depreciation:						
Balance at 1 July 2020	-	1,655,863	12,230	271,689	106,803	2,046,585
Depreciation for the year	-	513,648	484	44,317	13,613	572,062
Disposals for the year	-	-	-	(2,379)	-	(2,379)
Balance at 30 June 2021	-	2,169,511	12,714	313,627	120,416	2,616,268
Carrying amount:						
Cost or fair value	10,141,529	13,465,302	14,075	582,386	208,512	24,411,804
Accumulated depreciation	-	-	(12,714)	(313,627)	(120,416)	(446,757)
Carrying amount at 30 June 2021	10,141,529	13,465,302	1,361	268,759	88,096	23,965,047

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, $5.3m (note 19) at reporting date.

Of the above $513,648 depreciation for land improvements, $384,776 was classified to cost of sales and $128,872 was capitalised into Biological work in progress as this were directly attributable to grapes growing.

The carrying amount of land and land improvement had they been recognised under the historic cost model would have been $6,716,695 and $7,285,249 respectively (June 2020: $6,716,695 and $7,045,401).

Revaluation of land and land improvements
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 Alexander Hayward Limited (2020: Property Advisory Limited), registered independent valuer on 14 April 2021. A bridging letter was provided to confirm that no material movement in the market value between the valuation date and 30 June 2021. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement 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 improvement's components. The valuer has determined a value range for vineyard land structures and vines of between $120,000 to $175,000 / planted hectare (June 20: $90,000 - $190,000/ha).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

The main benchmarks applied are listed below:
*Valley floor / flats land value of $82,500 / ha (June 2020: $85,000 / ha).
*Contoured / undulating hill land value of $50,000 - $75,000 / ha (June 2020: $55,000 - $55,000 / ha).
*Potential future development land value of $10,000 / ha
*Balance non-productive land value of $3,000 - $8,000 / ha (June: $3,000 / ha).
*Added value of vines and structures of $60,000 - $75,000 / planted ha (June 2020: $60,000 - $85,000 / ha).

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

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 2021, 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. None of the currently producing area was impacted by the contamination. The contaminated area contains about 10 hectares of plantable area. Further vineyard development has been put on hold until future soil test confirms the contaminants have dissipated through the soil (note 2(s)iii).

16. INVESTMENTS - FVTP&L

The Group changed its measurement on investment in Blind River Irrigation Limited from carried at cost to fair value through profit and loss (FVTP&L). The Group has 7.8% ownership in Blind River Irrigation Limited (BRIL) and has advanced funds to the company. This gives the Group the right to draw water from Blind River Irrigation Limited. During the 12 months ended 30 June 2021, BRIL split its shares in 1:3 ratio and repurchased the newly created shares at $215/share for total consideration of $56,330 (note 23), which was credited to the shareholder loan account and will be used to offset some of the future bills. Consequently, the MWE recognised gain in investment of $12,445 (note 4), and the total investment value dropped to $28,365. MWE has received no dividend from this investment for the year (June 2020: $nil). The Group has changed from carrying this investment at cost to fair value.

	Year Ended June 2021 $	Year Ended June 2020 $
Investments in equity	28,365	72,250
	28,365	72,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

17. TRADE AND OTHER PAYABLES

	Year Ended June 2021 $	Year Ended June 2020 $
Trade payables	1,038,275	953,370
Other payables and accruals	213,227	213,306
	1,251,502	1,166,676

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

18. CONTRACT LIABILITIES

	Year Ended June 2021 $	Year Ended June 2020 $
Revenue received in advance	-	72,466
	-	72,466

The amount received in advance by the Group is recognised as contract liability until the goods have been delivered to the customer.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

19. BORROWINGS

	Year Ended June 2021 $	Year Ended June 2020 $
ICBC bank loan	5,300,000	5,300,000
Shareholder loan	1,353,534	1,500,000
	6,653,534	6,800,000
Current	150,000	-
Non current	6,503,534	6,800,000
	6,653,534	6,800,000

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 all the present and after acquired property of the Group. The interest rate at 30 June 2021 was 3.07% (June 2020: 3.47%). The loan was refinanced in June 2021 with the balance remain at $5.3 million which now consist of core debt facility of $4.0 million and revolving debt facility of $1.3 million. The revolving debt provides the Group flexibility and allows it to pay down the balance when it has more cash on hand and to repeatedly borrow to the set limit of $1.3 million, and interest of revolving debt will be calculated monthly based on balance owning. Interest for core debt facility is calculated and paid quarterly with a repayment schedule of $150,000 on or prior to the end of each financial year. Both facilities will mature on 30 September 2023.

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 refinanced on 30 June 2021, the loan matures in October 2023. Given the loan is interest-free, it was discounted to its fair value on 30 June 2021 with the difference between the face value of the loan and the fair value being reflected as a capital contribution from the shareholder. In addition, the Group recognised non-cash interest expense of $64,420 for FY21 and the corresponding amount was also reflected in capital contribution. Details provided in the table below.

Term	28 months
Effective interest rate (note 2(s))	4.50%
Face value	$1,500,000
Fair value at 30 June 2021	$1,353,534
Discounted amount	$146,466
Non-cash interest expense for FY21	$64,420
Total capital contribution via interest-free loan	$210,886

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

20. LEASES

Right-of-use assets	Office Premises $	Equipment & Motor vehicles $	Total $
30 June 2020			
Cost			
Balance at 1 July 2019	23,300	337,765	361,065
Additions for the year	327,197	10,168	337,365
Balance at 30 June 2020	350,497	347,933	698,430
Accumulated Depreciation:			
Balance at 1 July 2019	-	-	-
Depreciation for the year	(76,435)	(60,872)	(137,307)
Balance at 30 June 2020	(76,435)	(60,872)	(137,307)
Carrying amount:			
Cost	350,497	347,933	698,430
Accumulated depreciation	(76,435)	(60,872)	(137,307)
Carrying amount at 30 June 2020	274,062	287,061	561,123
Year ended 30 June 2021			
Cost			
Balance at 1 July 2020	350,497	347,933	698,430
Additions for the year	-	17,286	17,286
Disposals for the year	-	(23,201)	(23,201)
Balance at 30 June 2021	350,497	342,018	692,515
Accumulated Depreciation:			
Balance at 1 July 2020	(76,435)	(60,872)	(137,307)
Depreciation for the year	(67,117)	(51,374)	(118,491)
Depreciation reversed for disposal	-	10,259	10,259
Balance at 30 June 2021	(143,552)	(101,987)	(245,539)
Carrying amount:			
Cost	350,497	342,018	692,515
Accumulated depreciation	(143,552)	(101,987)	(245,539)
Carrying amount at 30 June 2021	206,945	240,031	446,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

Lease liabilities	Office Premises $	Equipment & Motor vehicles $	Total $
30 June 2020			
Lease liability recognised as at 1 July 2019	27,222	166,130	193,352
Additions	327,197	11,964	339,161
Interest for the period	11,207	8,181	19,388
Lease payments made	(39,766)	(102,634)	(142,400)
Carrying amount 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
Year ended 30 June 2021			
Lease liabilities as at 30 June 2020	325,860	83,641	409,501
Additions for the year	-	19,879	19,879
Interest for the period	12,832	5,589	18,421
Lease payments made	(72,307)	(50,764)	(123,071)
Carrying amount 30 June 2021	266,385	58,345	324,730
Current	79,792	16,685	96,477
Non-current	186,593	41,660	228,253
Total	266,385	58,345	324,730

	Year Ended June 2021 $	Year Ended June 2020 $
The maturity of lease liabilities is as follows:	96,478	85,577
Less than one year	116,817	103,864
One to two years	103,495	111,798
Two to three years	7,940	100,322
Three to four years	-	7,940
Four to five years	-	-
More than five years	324,730	409,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

21. CONTINGENT LIABILITIES

There were no contingent liabilities or any outstanding litigation against the Group as at 30 June 2021 (June 2020: $nil).

22. CAPITAL COMMITMENTS

There was no capital expenditure commitment as at 30 June 2021 (June 2020: $nil).

23. RELATED PARTY DISCLOSURES

(a) Identity of related party

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

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

The Group has related party relationship with the entities below:

New Zenith International Trading (Shanghai) Co., Ltd (NZIT)	Min Jia, the founder, major shareholder and director of MWE, owns NZIT in China. NZIT sells, distributes and markets MWE's wine in China.
Lily Investments Company Ltd	Min Jia, director of MWE, is a director and shareholder in Lily Investment Company Ltd.
Lily Investments 227 Ltd	Min Jia, director of MWE, is a director and shareholder Lily Investment 227 Ltd.
Blind River Irrigation Ltd	The Group holds 7.8% ownership in Blind River Irrigation Ltd.
Lily Nelson Altro LP	Min Jia, director of MWE, is a beneficiaries of a trust who is a partner in Lily Nelson Altro LP.
Lily investment 265 Trustee Limited	Min Jia, director of MWE, is a beneficiaries of Lily Investment 265 Trust.
Flowerzone International Ltd	Danny Chan, director of MWE, is a director and shareholder in Flowerzone International Ltd.
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.
Move Logistics Group Ltd	Danny Chan, director of MWE, is a director in Move Logistics Group Ltd.
FMG Insurance Ltd	Danny Chan, director of MWE, was a director in FMG Insurance Ltd, until August 2020.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

(b) Transactions with related party

All related party trading transactions in FY2021 and FY2020 were on standard terms and conditions.

	Total Value		Asset/(liability)	
	2021 $	2020 $	2021 $	2020 $
Wine Sales				
New Zenith International Trading (Shanghai) Co., Ltd	96,000	177,827	25,383	17,943
Lily investment 265 Trust	2,050	-	-	-
Flowerzone International Ltd	71,954	20,614	20,286	9,829
OTU Australia Pty Ltd	-	92,859	281	281
Office rent and other payments				
Lily Investments Company Limited (for office rent)	-	8,934	-	-
Lily Investments 227 Limited (for office rent)	34,140	34,539	-	(3,272)
Lily investment 265 Trust (for office rent)	34,140	25,605	-	(3,272)
Blind River Irrigation Limited (for water usage)	59,174	28,990	19,862	-
FMG Insurance Limited (for insurance policy)	-	45,640	-	1,896
LC Wine Ltd (bulk wine purchase)	297,137	320,449	(307,537)	(368,516)
Move Logistics Group Ltd (storage)	1,283	1,058	(104)	-
Shareholder employees other than senior officers (salary)	71,346	79,182	(1,908)	(8,109)

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)	
	2021 $	2020 $	2021 $	2020 $
Directors' Fees				
Min Jia (Executive Chairman)	36,250	45,000	(833)	(26,250)
Ly Lee (resigned December 2019)	-	8,333	-	-
Jack Zhong Yin (resigned December 2019)	-	12,875	-	-
Danny Chan	40,000	40,000	(11,500)	(11,500)
Songyuan Huang (resigned Oct 2020)	7,500	30,000	-	1,675
Christine Pears (appointed Oct 2020)	33,750	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	Total Value		Asset/(liability)	
	2021 $	2020 $	2021 $	2020 $
Senior officers' compensation (excludes directors)				
Short-term employee benefits	247,852	202,860	(2,922)	(5,544)
Share-based payments	169	652	-	-
Total senior officers' compensation (excludes directors)	248,021	203,512	(2,922)	(5,544)

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

	Year Ended June 2021 $	Year Ended June 2020 $
Shareholder loan - Min Jia		
Amount owed to Min Jia at 1 July	1,500,000	392,855
Amount advanced by Min Jia during the year	-	1,107,145
Fair value adjustment for the loan	(146,466)	-
Amount owed to Min Jia at 30 June (note 19)	1,353,534	1,500,000

	Year Ended June 2021 $	Year Ended June 2020 $
Amounts owing from Blind River Irrigation Limited:		
Amount owing at 1 July	59	59
Amount advanced during the year (note 16, via share split and buyback scheme)	56,330	-
Amount withdrawn during the year (note 16)	(4,585)	-
Amount owing at 30 June	51,804	59

	Year Ended June 2021 $	Year Ended June 2020 $
Other related party transactions during the year		
Wine purchased by shareholders and senior officers during the year	122	-
Payments reimbursed to senior officers and shareholders for business related expenses during the year	11,226	25,902

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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.

24. NOTES TO CASHFLOW STATEMENT

(a) Reconciliation of net profit / (loss) after tax to net cash flow from operating activities:	Year Ended June 2021 $	Year Ended June 2020 $
Net profit / (loss) after tax	(615,587)	9,965
Add: Non-cash items		
Amortisation	5,207	7,193
Depreciation	690,548	559,941
Interest expense on shareholder loan	64,420	-
Tax expense	(212,535)	7,228
Gain on disposal of property, plant and equipment	(2,660)	-
Investment income recognised in profit or loss	(12,445)	-
Share-based payments	169	(1,389)
Other non-cash adjustment	7,178	1,801
(Increase)/decrease in assets:		
Decrease / (Increase) in accounts receivables	775,203	(158,909)
(Increase) / Decrease in GST receivable	(195,598)	118,391
Decrease / (Increase) in inventory	99,032	(1,027,666)
(Increase) / Decrease in Biological work in progress	(200,121)	(108,828)
Decrease / (Increase) in deposit paid	-	21,610
(Increase) / Decrease in prepayments	(13,310)	(46,205)
Increase / (Decrease) in liabilities:		
Increase / (Decrease) in trade payables	84,826	653,085
(Decrease) / Increase in revenue received in advance	(72,466)	(4,305)
(Decrease) / Increase in tax paid	(40)	407
(Decrease) / Increase / in accrued expenses	(11,540)	1,817
Net cash provided by operating activities	390,281	34,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	June 2021		June 2020	
(b) Reconciliation of liabilities arising from financing activities	Borrowings $	Lease Liabilities $	Borrowings $	Lease Liabilities $
Balance at 1 July	6,800,000	409,501	6,492,855	166,124
Lease liabilities recognised	-	19,879	-	366,389
Repayment of lease liabilities - cash flow	-	(104,650)	-	(123,012)
Proceeds from shareholder loan - cash flow	-	-	1,107,145	-
Repayment of bank loan - cash flow	-	-	(800,000)	-
Fair value adjustment for shareholder loan	(210,886)	-	-	-
Balance at 30 June	6,589,114	324,730	6,800,000	409,501

25. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

June 2021	Carrying amount $	Total undiscounted amount $	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
Trade Payables	1,251,502	1,251,502	1,251,502	-	-	-
Bank Borrowings	5,300,000	5,659,190	312,710	308,105	5,038,375	-
Shareholder Loan	1,353,534	1,500,000	-	-	1,500,000	-
Lease Liability (note 20)	324,730	347,825	109,552	124,999	113,274	-

June 2020	Carrying amount $	Total undiscounted amount $	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
Trade Payables	953,370	953,370	953,370	-	-	-
Bank Borrowings	5,300,000	5,529,888	5,529,888	-	-	-
Shareholder Loan	1,500,000	1,500,000	-	1,500,000	-	-
Lease Liability (note 20)	409,501	450,321	112,749	107,480	230,092	-

(e) *Foreign currency risk*
Foreign currency denominated assets and liabilities at reporting date are:

	Year Ended June 2021 $	Year Ended June 2020 $
Trade & other receivables	-	4,774
Exposure at reporting date	-	4,774

The Group is mainly exposed to Canadian dollars (CAD) during the year. As at 30 June 2021, the Group has a trade receivable balance of $nil denominated in foreign currency. 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 2021		June 2020	
	NZD +10% $	NZD -10% $	NZD +10% $	NZD -10% $
Pre tax profit / (loss)	-	-	(434)	530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

(f) *Interest rate risk*

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

If interest rates had been 100 basis point (or 1% interest rate) higher/lower and all other variables were held constant, the Group's profit for the year would be decrease/increase by $53,000. This is mainly attributable to the Group's exposure to interest rates on its variable borrowing.

The interest-free shareholder loan is refinanced on 30 June 2021 and it was discounted to its fair value with the difference between the face value of the loan and the fair value being reflected as a capital contribution from the shareholder (note 19). If effective interest rate (EIR) had been 100 basis point (or 1% interest rate) higher/lower. The impact is shown below.

	June 2021	
	EIR +1% $	EIR -1% $
Pre tax profit / (loss)	(13,570)	13,832
Share Capital	43,329	(44,556)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

(g) *Categories of financial assets and liabilities*

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

June 2021	Financial assets at amortised cost $	Financial assets at fair value through profit and loss $	Financial liabilities at amortised cost $	Total $
Cash and bank balances	1,729,757	-	-	1,729,757
Accounts receivable	744,238	-	-	744,238
Related party loan	51,804	-	-	51,804
Financial assets at fair value through profit and loss	-	28,365	-	28,365
Total financial assets	2,525,799	28,365	-	2,554,164
Non-financial assets				29,220,087
Total assets				31,774,251

	Financial assets at amortised cost $	Financial assets at fair value through profit and loss $	Financial liabilities at amortised cost $	Total $
Liabilities				
Accounts payable	-	-	1,251,502	1,251,502
Accrued expenses	-	-	26,274	26,274
Shareholder loan	-	-	1,353,534	1,353,534
Bank loan	-	-	5,300,000	5,300,000
Total financial liabilities	-	-	7,931,310	7,931,310
Non-financial liabilities				2,669,234
Total liabilities				10,600,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

June 2020	Financial assets at amortised cost $	Financial assets at fair value through profit and loss $	Financial liabilities at amortised cost $	Total $
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

	Financial assets at amortised cost $	Financial assets at fair value through profit and loss $	Financial liabilities at amortised cost $	Total $
Liabilities				
Accounts payable	-	-	953,370	953,370
Accrued expenses	-	-	251,120	251,120
Finance lease obligation	-	-	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 (restated)				2,405,164
Total liabilities				10,819,155

(h) Capital management

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

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

26. SUBSEQUENT EVENTS

After the reporting date, on 17 August 2021 at 11.59pm New Zealand moved to Covid-19 Alert Level 4 lockdown. Auckland region remains in Alert Level 4, the rest of New Zealand moved to Alert Level 2 on 7 September 2021 at 11:59pm. Auckland region moved to Alert Level 3 and the rest of New Zealand was still at Alert Level 2 on 21 September 2021 at 11:59pm. There have been no further changes to the Alert Level at the date of issuing these financial statements. The Group was affected by the lockdown, but the management are confident of a quick recovery for the domestic sales.

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

27. GOING CONCERN

During FY21, the $5.3 million bank loan was extended to September 2023 and the $1.5 million of shareholder loan was extended to October 2023. The Group raised $1,24 million (net of capital raising costs) which improved the working capital to $5.7 million (June 2020: $4.9 million). Operating cashflow improved to $0.39 million (June 2020: $0.03 million).

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

28. EARNINGS PER SHARE

(a) Basic earnings per share

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

	June 2021 Number	June 2020 Number
Number of ordinary share at 1 July	290,872,000	290,872,000
Ordinary shares issued and paid during the period	5,362,115	-
Number of ordinary share at 30 June	296,234,115	290,872,000
Weighted average number of ordinary shares	292,487,980	290,872,000

	Year Ended June 2021	Year Ended June 2020
Profit / (Loss) attributable to equity holders of the Company (in dollars)	(615,587)	9,965
Weighted average number of ordinary shares on issue	292,487,980	290,872,000
Basic earnings / (loss) per share (in dollars)	(0.002)	0.000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

(b) *Diluted earnings per share*

Same earning was used for diluted earning per share. Share options have not been included in the current year DEPS calculation as these would be anti-dilutive due to loss for the year.

	Year Ended June 2021	Year Ended June 2020 Restated
Weighted average number of ordinary shares used in the calculation of basic earnings per share	292,487,980	290,872,000
Weighted average number of share options	746,630	1,452,131
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	292,487,980	290,872,000
Diluted earnings / (loss) per share (in dollars)	(0.002)	0.000

29. SEGMENT REPORTING

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

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

The below represents a geographical analysis of sales:

	Year Ended June 2021 $	Year Ended June 2020 $
Sales		
New Zealand	5,369,888	5,083,719
United States	960,000	956,695
China	96,000	173,097
Others	309,797	188,982
Total (note 3)	6,735,685	6,402,493

For the year ended 30 June 2021, there were 4 customers (30 June 2020: 3 customers) who individually accounted for greater than 10% of the Group's total sales. The sales amount to these customers in total was $5.08 million (30 June 2020: $3.93 million). The following table shows only the amount which is greater than 10% of the Group's total sales.

	Year Ended June 2021 $	Year Ended June 2020 $
Customer A	987,961	1,215,656
Customer B	960,000	956,695
Customer C	2,425,300	1,757,410
Customer D	701,903	-
Total	5,075,164	3,929,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

30. EMPLOYEE BENEFITS

Share options programme (equity - settled)

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

Grant Date	Number of instruments	Vesting conditions
2/03/16	300,000	Fully vest in 5 years, 1/5th vest on each anniversary of the grant date subject to the holder continuing to be employed by the Group (Service Condition only). The options expire 10 years from the grant date and they will be cancelled if not exercised and fully paid at expiry date.
3/03/16	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 and they will be cancelled if not exercised and fully paid at expiry date.
27/06/16	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 and they will be cancelled if not exercised and fully paid at expiry 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 2021		June 2020	
	Number of Options	Exercise price	Number of Options	Exercise price
Outstanding at 1 July	780,000	$0.20	2,280,000	$0.20
Granted during the year	-	N/a	-	N/a
Forfeited during the year	(60,000)	N/a	(1,500,000)	N/a
Exercised during the year	-	N/a	-	N/a
Outstanding at 30 June	720,000	$0.20	780,000	$0.20
Exercisable at 30 June	720,000	$0.20	660,000	$0.20

Share-based payment reserve

	June 2021		June 2020	
	Number	$	Number	$
Outstanding at 1 July	780,000	40,350	2,280,000	108,247
Share based payment expense	-	169	-	(1,389)
Share options forfeited during the year	(60,000)	(736)	(1,500,000)	(66,508)
Outstanding at 30 June	720,000	39,783	780,000	40,350

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2021

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

Marlborough Wine Estates Group Limited	Min Jia Christine Pears (appointed Oct 2020) Danny Chan Songyuan Huang (resigned Oct 2020)
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 31 August 2021 are provided in the table below.

No.	Shareholders	No. of shares	% of shares
1	Min Jia	214,637,014	72.28%
2	Mpmb Trustee Limited	25,000,000	8.42%
3	Xiao Rong Huang	14,489,606	4.88%
4	Wenhan Li	9,100,000	3.06%
5	Chen Liu	6,316,270	2.13%
6	Yefan Hong	5,013,000	1.69%
7	Cong Wang	2,680,000	0.90%
8	Xirong Zhou	2,402,239	0.81%
9	LE Qun Zhao	1,835,810	0.62%
10	New Zealand Depository Nominee	1,745,220	0.59%
11	Jiaxing Li	1,450,000	0.49%
12	Lizhong Huang	1,100,000	0.37%
13	Shane David Edmond	1,065,000	0.36%
14	Yan Wang	822,000	0.28%
15	Ilakolako Investment Limited	475,000	0.16%
16	Ronald William Quinn	450,462	0.15%
17	Chi Yuan	330,000	0.11%
18	Anna Dai	310,000	0.10%
18	Yuanfu Dai	310,000	0.10%
20	Jan Kux	240,000	0.08%

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2021

3. Distribution of equity securities

The total number of ordinary shares on issue as at 31 August 2021 is 296,954,115. The company has only ordinary shares on issue. Details of the distribution of ordinary shares amongst shareholders as at 31 August 2021 are set out below:

Size of holdings	No. of shareholders	% of shareholders	No. of shares held	% of shares held
Less than 5,000	274	45.08%	722,240	0.24%
5,000 to 59,999	288	47.37%	3,525,896	1.19%
60,000 to 599,999	32	5.26%	5,049,820	1.70%
600,000 to 999,999	1	0.16%	822,000	0.28%
1,000,000 to 9,999,999	10	1.64%	32,707,539	11.01%
10,000,000 and over	3	0.49%	254,126,620	85.58%
Total	608	100.00%	296,954,115	100.00%

4. Substantial Security holders

Details of substantial security holders and their total relevant interests in not less than 5% of the total number of ordinary shares on issue in MWE as at 31 August 2021.

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

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2021

5. Directors' shareholding and share dealings

Danny Chan purchased additional 60,000 shares via the Share Purchase Plan during the year.

At the reporting date of 30 June 2021, the following directors and senior managers of MWE hold relevant interest in the ordinary shares of MWE.

Name of substantial shareholders	Role within MWE	Nature of relevant interest	No. of shares held	% of shares held
Min Jia (James)	Executive Chairman	1. Registered Holder	214,637,014	72.28%
		2. Beneficial Owner	25,000,000	8.42%
		3. Relevant *	8,800,000	2.96%
Danny Chan	Non-executive Director	Registered Holder	135,000	0.05%
Wenham Li (Eric)	Financial Controller	Registered Holder	9,100,000	3.06%
Cong Wang (Conan)	Operations Manager	Registered Holder	2,680,000	0.90%

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

6. Interested Transactions and Directors' Remuneration

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

7. Directors' Loan

There is no loan made by the Group to Directors.

8. Employee

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

Remuneration	Year Ended June 2021 Number	Year Ended June 2020 Number
$100,000 - $110,000	1	1
$110,000 - $120,000	-	-
$120,001 - $130,000	-	-

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2021

9. Indemnification and insurance of directors and officers

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

10. Net tangible assets per share

	Year Ended June 2021	Year Ended June 2020
Net tangible assets (in dollars)	21,157,031	17,438,204
Net tangible assets per share (in dollars)	0.072	0.060

11. Donation

During the year ending 30 June 2021 the Group made donations worth of $nil (June 2020: $nil).

12. Auditor remuneration

The auditor of the Group is BDO Auckland (June 2020: Deloitte). Amounts received, or due and receivable, by BDO Auckland (June 2020: Deloitte) are as disclosed below:

Remuneration	Year Ended June 2021 Number	Year Ended June 2020 Number
Assurance Services		
Audit of the 30 June 2020 financial statements – Deloitte	34,463	77,700
Audit of the 30 June 2021 financial statements – BDO	68,000	-
Total remuneration	102,463	77,700

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2021

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.

MWE has prepared 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.

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2021

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

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 has written agreements with any newly appointed Directors establishing the terms of their appointment.

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

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

In assessing Danny Chan and Christine Pears' independence, the Board has assessed their roles with MWE against the Code and nothing suggests that either lack independence.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2021

Director Meeting Attendance

	Board		Audit and Risk Committee		Remuneration Committee	
Total number of meetings held	**6**		**2**		**1**	
	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)	6	1	0	0	1	1
Danny Chan	6	5	2	1	1	1
Christine Pears (started Oct 2020)	5	5	1	1	1	1
Song yuan Huang (resigned Oct 2020)	1	1	1	1	0	0

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.

As at 30 June 2021, the gender balance of the Company's directors, officers and all employees and contractors were as follows:

	June 2021			June 2020		
	Female	**Male**	**Total**	**Female**	**Male**	**Total**
Directors	1	2	3	-	3	3
Executive	1	4	5	1	3	4
Employees & contractors	13	4	17	17	6	23
Total (including directors)	15	10	25	18	12	30
Percentage	60%	40%	100%	60%	40%	100%

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.

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2021

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.

Independent Directors
In accordance with recommendation 2.8 of the Code, a majority of the Board are independent directors.

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 Christine Pears. Danny Chan and Christine Pears are considered Independent Directors for the purposes of Listing Rule 2.13.2. All members of the Audit and Risk Committee have appropriate financial experience and an understanding of the industry in which MWE operates.

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 the effective communication between the Board and external auditors. The responsibilities of the committee include:

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

The Audit and Risk Committee may have in attendance the CEO and/or others including the external auditor as required from time to time. In accordance with recommendation 3.2 of the Code, employees (or contractors) may only attend Audit and Risk Committee meetings at the express request of the Committee.

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2021

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 Christine Pears. Danny Chan and Christine Pears are considered Independent Directors for the purposes of Listing Rule 2.13.2.

Director Nomination
MWE does not comply with recommendation 3.4 of the Code. Given the size of MWE's business, MWE has decided not to establish a separate nomination committee. The Board as a whole has responsibility for matters relating to the nomination of directors.

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.

Non-Financial Reporting
MWE does not comply with recommendation 4.3 of the Code to the extent that MWE does not have a formal environmental, social and governance (ESG) framework. While MWE does not have a formal framework, it undertakes a number of environmental initiatives in its business operations and a summary of these are described on page 14-15 of this annual report. In addition, MWE has identified that environmental risks are material to MWE and its operations as a vineyard owner. Accordingly, environmental risks are carefully monitored by management, reported to the MWE Board regularly with corresponding mitigation strategies developed and implemented where it is practicable to do so.

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2021

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

MWE will continue to assess adopting a formal ESG framework in the future having regard to MWE's scale, resources and legislative developments.

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.

The Board has selected to report upon 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 is 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

While MWE is comfortable this approach to risk is sufficient, it does not comply with recommendation 6.1 of the Code as it does not have a formal risk management framework. The Board will continue to assess whether it is appropriate for 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.

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2021

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. 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.

MARLBOROUGH WINE ESTATES GROUP LIMITED ANNUAL REPORT 2021

COMPANY DIRECTORY

AS AT 30 JUNE 2021

Company Registration Number
5639568

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

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

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

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

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

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

MWE

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