MWE MARLBOROUGH WINE ESTATES

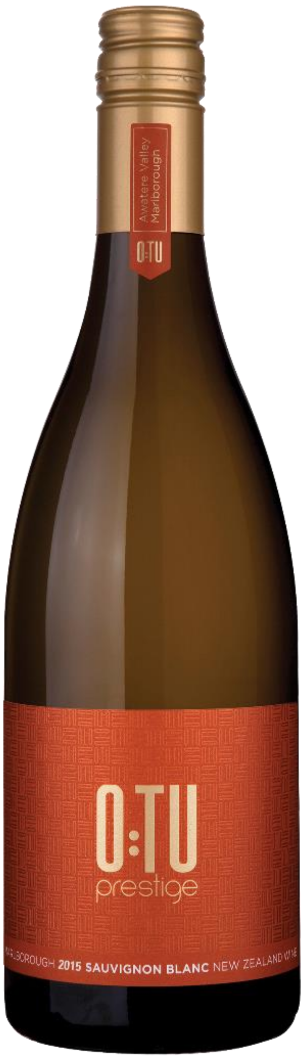
2016

ANNUAL REPORT

For the year ended

30 June 2016

MWE MARLBOROUGH WINE ESTATES



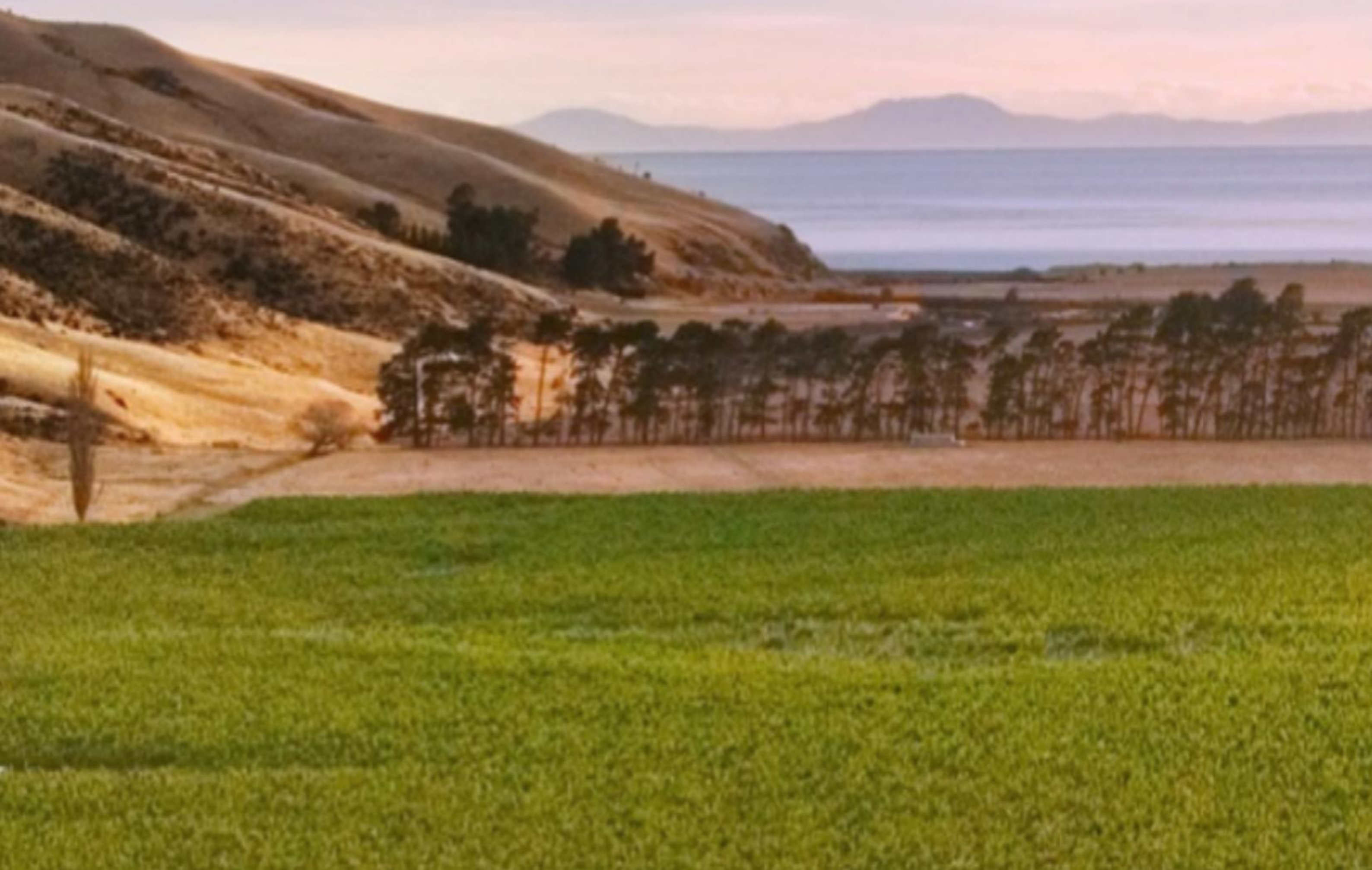
O:TU

WHERO
WINE OF NEW ZEALAND

Music Bay

RESERVE ROAD

Contents



Executive Chairman and CEO's Report

FY16 was a positive year for Marlborough Wine Estates, highlighted by our listing on the NXT market on 30 June 2016.

We have identified a significant opportunity to build a premium New Zealand white wine brand in China, where total wine imports increased 40% to $420 million in January 2016 compared to the same period last year and the white wine market is forecast to grow rapidly. In addition, we are looking to take advantage of the more mature red wine market in China, with the launch of a Hawke's Bay red wine later in FY17.

We have a number of competitive advantages in China including distribution partnerships, growing brand recognition and an in-depth understanding of the market within its Chinese leadership team.

While China remains our primary focus, we have also identified opportunities in other international markets, particularly the USA and other Asian markets including Japan and South Korea.

New Zealand produces some of the highest quality white wines in the world, but it has yet to flourish in the Chinese market, due to the small number of white wine drinkers in China and cost of production compared to cheaper origins from Europe and South America. It is difficult for New Zealand white wines to compete with other countries using traditional marketing and business model.

We believe our innovative business model, where consumers and distributors are allowed to own a stake in the company, will further entrench these partner's loyalty and drive sales growth.

Financial and Operating Performance

We were pleased to deliver results in line with our expectations as disclosed in the listing document.

MWE reported strong revenue growth for FY16, with sales increasing from $1.84 million (trading for 3 months only) in FY15 to $7.42 million in FY16. The group's gross profit also increased from $257,004 in FY15 to $740,793 in FY16.

The cost of sales was higher than usual during the year, which resulted in reduced gross profit margins. The main cause was that a large amount of inventory was sold at cost, which was the market value of the inventory. The effect of this inventory on gross profit margin is temporary and the group's gross profit margin should improve following the sell-off of old inventory.

MWE's earnings before interest, tax, depreciation and amortisation (EBITDA) for FY16 was $542,629. The group had a net loss before taxation for the FY16 of $855,711, mainly due to increased operating expenses, amortisation and depreciation. MWE's operating expense for FY16 included $400,000 of one-off listing related costs. The amortisation of the distribution rights and depreciation of MWE's assets also contributed to the losses for FY16.

MWE's cash flow was strong during the period, with positive cash flow of $1.01m from operating activity.

MWE was in negotiation with Industrial and Commercial Bank of China (New Zealand) Limited (ICBC) about its existing banking facility, which expired in September 2016. The negotiation is now completed and we have finalised a new banking facility which expires in September 2018.

We have yet to receive any confirmation from Overseas Investment Office (OIO) regarding our case, as previously advised. However, at this stage, we have no reason to believe the OIO will seek any further remedies from O:TU Investment Limited (OIL), a subsidiary of MWE, in regards to the breach.

Harvest

2016 was an exceptionally good year for the Marlborough region. Due to very favourable climatic and growing conditions, the quantity of grapes harvested was significantly more than expected, at 1,653 tonnes. The importance of increased gross harvest is to meet Bottled Wine sales growth.

For the 2017 financial year, assuming normal growing conditions resume, MWE is forecasting a gross harvest of 1,544 tonnes which is consistent with the MWE's expected annual 5% production increase from 2015 levels.

Grape supply agreements have been signed to supply Bulk Grape from certain blocks for the 2016 and 2017 vintage harvests. MWE sold 1,187 tonnes of Bulk Grape in FY16. For the 2017 financial year, assuming normal growing conditions, MWE is expecting Bulk Grape sales to be 1,144 tonnes.

MWE's key strategy is to significantly increase exports of Bottled Wine that will be supported over time by a gradual increase in allocation of grapes from Bulk Grape sales to Bottled Wine processing.

Bottled Wine and Bulk Wine Sales

Approximately 24% of MWE's FY16 revenue ($1.75m) was generated from Bottled Wine sales, with the remaining 76% from the sale of Bulk Grapes and Bulk Wine.

Bottled Wine is the most profitable product for MWE and sales of both international and domestic Bottled Wine exceeded FY16 targets. The majority of growth is being driven in the China market where MWE's O:TU wine brand is fast becoming a respected and recognised quality New Zealand white wine.

MWE's sales and distribution channels have continued to grow and the group is looking to expand into new markets, including the USA and new Asian markets such as Japan and South Korea. Since year-end, MWE has signed an exclusive distribution agreement with NZ Winery Direct Limited to focus on the online and on-premise (hospitality outlets) opportunities in the USA. Moving forward, MWE will also investigate further international markets including Australia and Europe.

MWE has also had a strong year in the domestic market, with Bottled Wine sales steadily growing and exceeding expectations, with FY16 domestic Bottled Wine sales of $150,400. The introduction of the Music Bay brand in 2016 has proved successful in driving more sales locally.

To date, we have yet to receive confirmation from Ministry for Primary Industries (MPI) regarding the dispute of approximately $1,200,000 of Bottled Wine. Our plan is to start the process of seeking damages from the former contracted wine processor. We plan to sell the bottled wine, as soon as possible thereafter.

For FY16, MWE sold approximately 770,000 litres of Bulk Wine. We anticipate that Bulk Wine sales for FY17 will decrease as more of our wine production will be needed to meet anticipated Bottled Wine export demand.

With ownership of approximately 336 hectares of lands, including 157 hectares of producing vines, we have the ability to increase our production of Bottled Wine to meet growing demand, without the need for significant capital expenditure on further land acquisitions. We also intend to expand our wine varietal portfolio by planting new grape varietals on the vacant land.

This year, we have begun the initial stages of converting the Donaldson block, with the implementation of irrigation systems. Planting is expected to begin next year and the harvest is expected to be in five years' time.

Shareholders

MWE listed on the NXT market on 30 June 2016 and we have received strong shareholder support and both domestic and international investor interest. As at 23 August 2016, there were more than 410 offshore shareholders, primarily located in China and this number is expected to grow.

This is in line with MWE's innovative business model where customers and distributors have the opportunity to own a stake in the company. It is a growing belief in China that, in order to align the distributor's interests with shareholders of the producer, contractual sales and marketing arrangements should be linked with equity participation. We see these shareholders as both loyal consumers and ambassadors of MWE's wine brands in the key export markets.

FY17 Outlook

We are excited about the opportunities available to us and have a number of initiatives in progress to support our growth plans.

The opportunity in the Chinese wine market is huge and we are well positioned to grow our brand presence and sales. This financial year we will be focusing on building sales in the Chinese market but also expanding our distribution into other countries. In addition, we are looking to take advantage of the more mature red wine market in China, with the launch of a Hawke's Bay red wine later in FY17.

To meet the future forecast demand, we are further developing our vineyards, with 10,000 young vines scheduled to be planted. A dam development is also planned to serve the Donaldson and McKee blocks and we are currently preparing for the resource consent process.

We have also started trialling other non-wine related products, such as honey with the Chinese market. This aligns with our strategy to grow via acquisitions and expansion into other NZ-sourced food and beverage products. We will assess the viability of expanding into additional markets over the next 24 months and look at channels that have the potential to complement our existing operations. However, our primary and immediate focus remains increasing Bottled Wine sales.

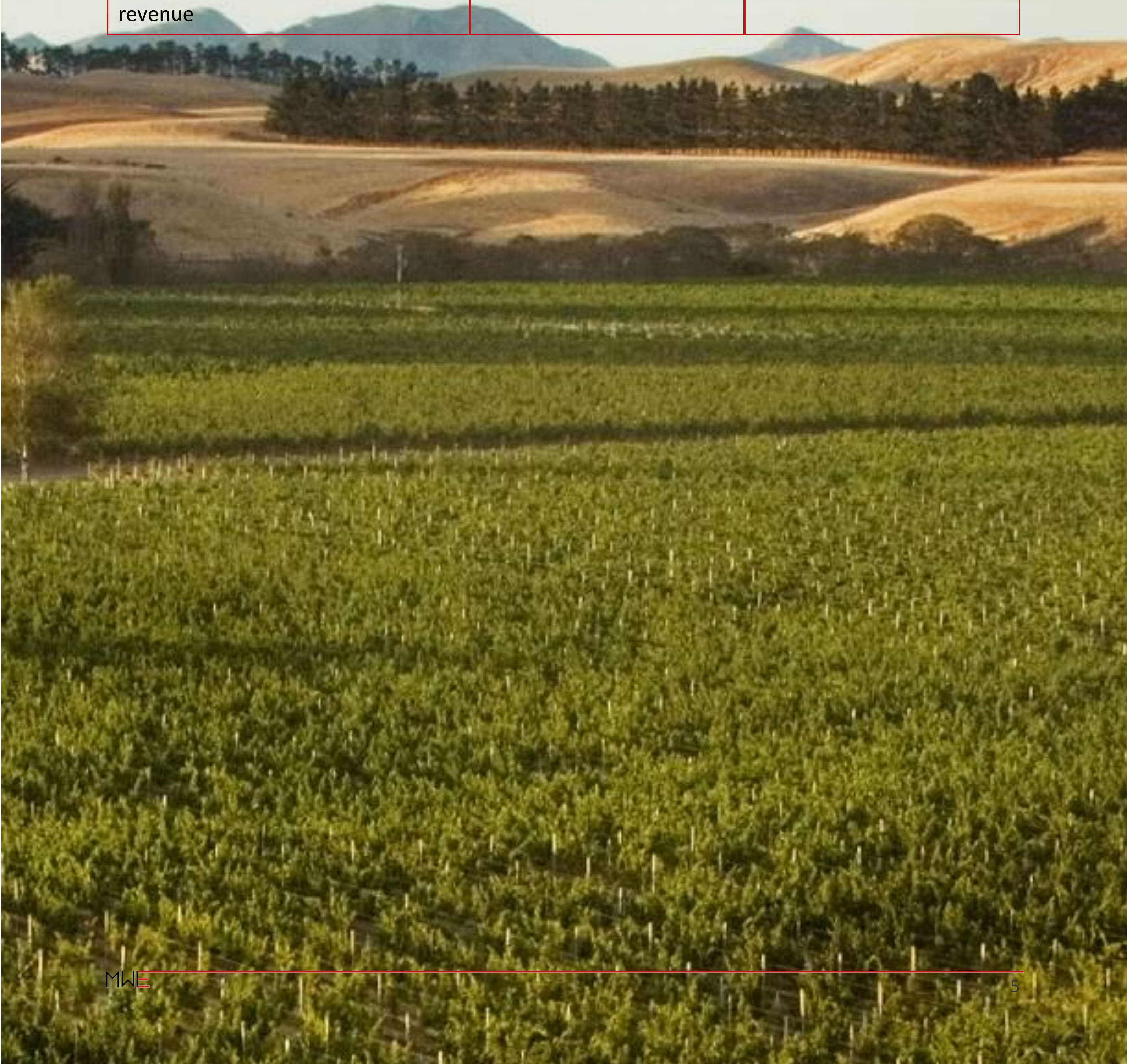
We are looking forward to continuing our journey as a listed company and reporting to shareholders on our progress.

Min JIA
Executive Chairman

Catherine MA
Chief Executive Officer

Key Operating Milestones

Key Operating Milestone	FY ended 30 June 2016 - Results	FY ended 30 June 2017 - Targets
Gross Harvest (tonnes)	1,653	1,544
Bulk Grape Sales (tonnes)	1,187	1,144
International Bottled Wine sales revenue	$1,604,500	$3,200,000
New Zealand Bottled Wine sale revenue	$150,400	$205,940



Our Board

Min (James) JIA *MBA*
Executive Chairman

James is the founder of MWE and its largest shareholder. He is responsible for providing strategic direction to the business, monitoring performance and driving international sales for MWE. James has been involved in industries ranging from real estate development, vineyard acquisition, wine operation and forestry investments over the years in both China and New Zealand.

Ly (Lily) Lee
Non-executive Director

Lily has been involved in New Zealand in both MWE and the Lily Investment Group Limited since 2010. Prior to coming to New Zealand, Lily established Lily Travel Group in the 1990s in Germany which focused on government, corporate and business delegation groups from China. She is currently general manager of a professional consultancy firm in China, responsible for managing the company and marketing. Lily brings a large personal and business network in Europe and Asia to MWE and has a wealth of experience in marketing for the Chinese market.

Jack Zhong Yin *BBS, Master of Taxation Studies, MInstD, FSP*
Executive Director

Jack has more than 20 years' investment management experience. He previously held senior management positions in a large accountancy firm and New Zealand Inland Revenue Department. Jack advises international corporations on mergers and acquisition transactions in both New Zealand and China and provides investment, business planning and taxation advice to high net worth clients from China, Hong Kong and Taiwan.

Danny Chan *BCA(Hons), ACA, CMA, FCSAP, MInstD*
Non-executive Independent Director

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 Asia. He is a Member of the Department of Prime Minister and Cabinet - China Project, the NZ China Advisory Council and the NZ Markets Disciplinary Tribunal. 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.

Songyuan (Benny) Huang *BCom, MBA, CPA, MInstD*
Non-executive Independent Director

Benny has extensive financial and strategic expertise. He is a director of the global margin business of KVB Kunlun NZ. He is also responsible for the management of investment business of the KVB Kunlun Group, including the foreign exchange, commodities and equities businesses.

Our Leadership Team

Catherine Ma *BCom, MInstD*
Chief Executive Officer

Catherine is responsible for developing and executing business plans, as well as maintaining and growing the organisation. She joined the group in 2011 as one of the founding members and has developed extensive experience managing the O:TU wine businesses and vineyards. Prior to joining MWE, she worked as an associate director in a number of Min Jia and Ly Lee's real estate businesses in Auckland between 2010 and 2014.

Jan Kux *MSc*
Chief Winemaker

Jan is a qualified winemaker and has 25 years of experience in wine making and vineyard management. He has had a very successful career working and consulting for many international wineries in Germany, Italy, Spain, France and USA . He is also the CEO of Naturally Organic Agriculture in Switzerland, which markets and sells organically produced wines and products internationally.

Wenhan (Eric) Li *BCom, CPA*
Financial Controller

Eric joined O:TU vineyards and the wine business 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.

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, the 'Group') for the 12 months ended 30 June 2016 and the auditors' report thereon.

The Directors are responsible for ensuring that the financial statements present fairly the financial position of the Group as at 30 June 2016 and its financial performance and cash flows for the period ended on that date. 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 Director considers that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Signed for and on behalf of the Board by:

Signature:

Executive Chairman: Min Jia

Signature:

Director: Danny Chan

Date: 29 August 2016

Deloitte.

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Marlborough Wine Estates Group Limited and its subsidiaries ('the Group') on pages 11 to 39, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible on behalf of the company for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

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

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

Other than in our capacity as auditor, we have no relationship with or interests in Marlborough Wine Estates Group Limited or any of its subsidiaries.

Deloitte.

Opinion

In our opinion, the consolidated financial statements on pages 11 to 39 present fairly, in all material respects, the financial position of Marlborough Wine Estates Group Limited and its subsidiaries as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Deloitte

Chartered Accountants
29 August 2016
Auckland, New Zealand

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	Group Year Ended June 2016 $	Group 3 Months Ended June 2015 $
Sales	3	7,423,536	1,840,189
Cost of sales	5	(6,682,743)	(1,583,185)
Gross profit		740,793	257,004
Interest income		21,590	10,820
Other income	4	30,087	24,529
Change in fair value of biological assets and agricultural produce		1,360,605	1,054,685
Operating expenses	6	(1,610,446)	(298,495)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		542,629	1,048,543
Interest expense		(400,805)	(102,319)
Amortisation	12	(643,820)	-
Depreciation	13	(353,715)	(105,918)
(Loss) / profit for the period before taxation		(855,711)	840,306
Tax expense	7	(40,306)	(250,266)
(Loss) / profit for the period attributable to shareholders of the company		(896,017)	590,040
Other Comprehensive Income		-	-
Total comprehensive (loss) / income for the period attributable to the shareholders of the Company		(896,017)	590,040
Basic and diluted (loss) / earnings per share	25	(0.003)	0.002

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

Group	Note	Share Capital $	Retained earnings $	Share-based payment reserve $	Total $
Balance at 18 March 2015		-	-	-	-
Total comprehensive income for the period					
Profit for the year		-	590,040	-	590,040
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	590,040	-	590,040
Transactions with owners					
Issue of ordinary shares		15,000,226	-	-	15,000,226
		15,000,226	-	-	15,000,226
Acquisitions under common control					
Addition of controlling interest on acquisition of:					
Otuwhero Trustee Limited		-	-	-	-
Marlborough Vineyard Group Limited		-	(33,741)	-	(33,741)
O:TU Investments Limited		-	5,226,631	-	5,226,631
		-	5,192,890	-	5,192,890
Balance at 30 June 2015		15,000,226	5,782,930	-	20,783,156
Total comprehensive income for the year					
Loss for the year		-	(896,017)	-	(896,017)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	(896,017)	-	(896,017)
Transactions with owners					
Issue of ordinary shares	8	141,400	-	-	141,400
Cash contribution from employees for shares	8	2,100	-	-	2,100
Share-based payment options	27	-	-	35,581	35,581
Share-based payment options exercised	27	30,900	-	(30,900)	-
Share-based payment options for employees	27	-	-	900	900
		174,400	-	5,581	179,981
Balance at 30 June 2016		15,174,626	4,886,913	5,581	20,067,120

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

Consolidated Statement of Financial Position
As at 30 June 2016

ASSETS	Note	Group June 2016 $	Group June 2015 $
Current assets			
Cash and bank balances	9	1,453,834	988,556
Accounts receivable	11	2,524,902	1,195,961
Inventory & biological work in progress	10	3,952,606	6,234,378
Prepayments		23,699	23,775
Deposits paid		61,610	-
GST receivable		-	441,616
Total current assets		8,016,651	8,884,286
Non-current assets			
Property, plant and equipment	13	14,008,027	13,812,633
Related party loan	20	7,788	13,945
Investments carried at cost	14	72,250	72,250
Deferred tax	7	229,757	153,276
Intangible assets	12	4,522,242	5,153,450
Total non-current assets		18,840,064	19,205,554
Total assets		26,856,715	28,089,840
LIABILITIES			
Current liabilities			
Accounts payable	15	368,119	232,553
Accrued expenses		136,377	32,037
GST payable		30,278	374,783
Current tax payable		154,821	496,679
Interest bearing borrowings	16	6,100,000	6,100,000
Shareholder loan	20	-	70,632
Total current liabilities		6,789,595	7,306,684
Total liabilities		6,789,595	7,306,684
Total net assets		20,067,120	20,783,156
EQUITY			
Capital Shares	8	15,174,626	15,000,226
Share-based payment reserve	27	5,581	-
Retained earnings		4,886,913	5,782,930
Total equity		20,067,120	20,783,156

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

Signature:

Executive Chairman: Min Jia

Date: 29 August 2016

Signature:

Director: Danny Chan

Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Note	Group Year Ended June 2016 $	Group 3 Months Ended June 2015 $
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		6,105,884	1,039,391
Other revenue		35,274	11,240
Interest received		22,506	10,820
		6,163,664	1,061,451
Cash was disbursed to:			
Payment to suppliers		3,553,986	1,129,955
Payments to employees		579,993	125,970
GST Paid		154,675	-
Income tax paid		458,645	3,021
Interest paid		402,388	110,362
		5,149,687	1,369,308
Net cash flow generated by / (used in) operating activities	21	1,013,977	(307,857)
Cash flows from investing activities			
Cash was provided from:			
Addition of controlling interest on acquisition of:			
Otuwhero Trustee Limited		-	86,951
Marlborough Vineyard Group Limited		-	717
O:TU Investments Limited		-	801,043
Disposal of assets		-	2,900
		-	891,611
Cash was disbursed to:			
Deposits paid		-	-
Payments for intangible assets		12,612	-
Payments for property, plant and equipment		549,109	2,825
		561,721	2,825
Net cash flow generated by / (used in) investing activities		(561,721)	888,786
Cash flows from financing activities			
Cash was provided from:			
Increases in shareholder advances		470,318	396,524
Proceeds from issue of shares		144,400	-
		614,718	396,524
Cash was disbursed to:			
Decreases in shareholder advances		540,950	-
		540,950	-
Net cash flow generated by / (used in) financing activities		73,768	396,524
Net increase in cash		526,024	977,453
Cash and cash equivalents at the beginning of the year		988,556	-
Exchange adjustment		(60,746)	11,103
Cash and cash equivalents at the end of the year		1,453,834	988,556

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

Notes to the Financial Statements
For the year ended 30 June 2016

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 and are registered under the Companies Act 1993. The incorporation date of the Company is 18 March 2015.

The Company was listed on NXT market on 30 June 2016.

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

These financial statements were authorised for issue by the Board of Directors on 29 August 2016.

The principle activities of the Group are vineyard maintenance, grape production and wine making.

2. Summary of significant accounting policies

(a) Basis of Preparation

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

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

Historical cost convention

The consolidated financial statements have been prepared on the historical cost basis. Fixed assets have been recorded at cost less accumulated depreciation.

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

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

Comparative Figures

The Company commenced trading on 31 March 2015, as such the prior year amounts are for 3 months and are not entirely comparative to current year.

Functional and presentation currency

All amounts are denominated in New Zealand dollars, which is the Group's functional and presentation currency.

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(o) for further information. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. Summary of significant accounting policies (continued)

(b) Basis of Consolidation

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

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

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable NZ IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under NZ IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. Summary of significant accounting policies (continued)

(c) Business Combinations

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

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

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

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

(d) Revenue Recognition

Sales of grapes and wine

The primary source of revenue for the group is from the sales of grapes harvested and the sale of wines produced. Revenue on sales of goods is recognised when goods are delivered to and ready for use by the customer or when contractual term has been satisfied. Risks and rewards of ownership are considered passed on to the customer at the time of the delivery of the goods.

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.

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

2. Summary of significant accounting policies (continued)

(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 Group's functional and presentation currency. All values are rounded to the nearest dollar.

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

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

(g) Property, Plant and Equipment

The cost of land, dams and roads includes all costs incurred in planting vineyards and developing vineyards, dams and irrigation systems including direct material and direct labour.

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.

The Company has five classes of property, plant and equipment:

- Land, dams and roads
- Computer equipment
- Tools & equipment
- Motor vehicles
- Vines & vineyards

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

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.

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

Rates used during the year were:

- Land, dams and roads / Diminishing value / 0.0% - 13.0%
- Computer equipment / Diminishing value / 50.0%
- Tools & equipment / Diminishing value / 13.0% - 67.0%
- Motor vehicles / Diminishing value / 10.0% - 100.0%
- Vines & vineyards / Straight line / 25 years

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

2. Summary of significant accounting policies (continued)

(h) Impairment

The Group reviews the carrying value of its tangible and intangible assets and assesses whether there is any indication that an asset may be impaired at each reporting date. Where an indication of impairment exists, or when annual impairment testing of an asset is required, the Group makes a formal assessment of recoverable amounts.

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

If the recoverable amount of an asset is less than it 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.

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

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

(i) Trade and Other Receivables

Receivables are stated at their cost less impairment losses. Bad debts are written off in the year in which they are identified.

An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectible, it is written off against an allowance account for trade receivables.

Other receivables are initially recognised at fair value less any provision for impairments. These are classified as current assets unless the balances are expected to settle at least 12 months after balance date, in which case they are classified as non-current assets.

(j) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Financial Instruments

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

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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2. Summary of significant accounting policies (continued)

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance date. These are classified as non-current. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Financial liabilities

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

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(m) Common Control Transactions

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

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

(n) Income Tax

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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 realised and comply with the conditions of deductibility imposed by law.

(o) Key sources of judgement and estimation uncertainty

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

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

i. Fair value measurement and valuation processes (refer to note 20)

In estimating the fair value of an asset or a liability acquired in a Business Combination, the Group estimates fair value by applying a valuation technique using observable market inputs where possible.

ii. Estimation of useful lives of assets (other than bearer plants) (refer to note 12 and 13)

The estimation of useful lives of assets and 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. In addition, the physical condition of the assets is assessed and considered against the remaining useful life. Adjustments to useful lives are made where necessary.

iii. Useful lives of bearer plants - vines (refer to note 13)

As described in (p) Changes in accounting policy and disclosure below, the Group has early adopted the amendments to NZ IAS 16, Property, plant and equipment and NZ IAS 41, Agriculture as it relates to bearer plants. This requires management to estimate the useful lives of vines and depreciate the cost of the vines over their estimated useful lives. Management have estimated the useful lives of the vines to be 25 years. Useful lives and residual values are required to be re-evaluated at every balance date.

iv. Fair value of grapes at the point of harvest less cost to sell

The fair value of grapes at the point of harvest is determined by reference to market prices for each variety of grape grown in the local area at the time of harvest. The Directors' assessment of the fair value at the point of harvest is determined after reviewing the market price paid to independent grape growers.

2. Summary of significant accounting policies (continued)

v. MPI dispute (refer to note 18)

The Ministry for Primary Industries (MPI) is currently in dispute with the Group's former contracted wine processor which may have adverse implications for the Group. MPI has withheld approval from the processor for the release for sale to the Group of approximately $1,200,000 of Bottled Wine. This stock remains held by a third party storage company while the dispute is determined. The allegation by MPI is that the processor held insufficient records to enable proper traceability of the stock. If MPI's position is upheld the stock will be destroyed. The Group is in continuing discussions with its insurer however, the contractor has not accepted the liability and the Group holds insufficient information at this time to form a view on whether any loss will be fully or partially covered by its insurance. Based on the discussion with third party and all the available information, management of the Group believes this stock are more likely to be released. As such carrying value of this stock has not been written off in the financial statements of the Group.

vi. Overseas investment office retrospective consent (refer to note 18)

O:TU Investments Limited (OIL) is a wholly owned subsidiary of the Group. OIL obtained Overseas Investment Office (the OIO) consent to acquire the vineyard in Marlborough in 2013 (Original Consent).

OIL subsequently undertook the internal restructuring in preparation for listing the Group on the NXT market, which inadvertently breached the Overseas Investment Act (Act). The breach occurred when 3% of the shares in OIL were transferred from an overseas company to James Jia as part of the internal restructuring. The conditions of the Original Consent and the Act provide that further consent was required when James Jia increased his ownership in OIL.

There is a risk that the OIO may seek remedies under the Act for the inadvertent breach. Remedies under the Act include:

- a fine (not exceeding $100,000);
- a penalty (not exceeding $300,000); or
- in the worst case, selling down/disposing of the sensitive land (not exceeding of $13.5 million, which is the total book value of all land and vines of the Group).

OIL became aware of the breach and promptly (and voluntarily) informed the OIO of the breach, the reasons for the breach and the steps OIL intends to take to remedy the breach. After discussions with the OIO it was considered that in order to remedy the breach, a retrospective consent application should be submitted. That application was filed on 15 December 2015 and is currently under review.

At the date of this document, the Group has no reason to believe the OIO will seek any further remedies from OIL in regards to this breach.

This has been disclosed as a contingent liability in note 18, and therefore no amounts have been recognised in the financial statement, relating to this issue.

(p) Changes in accounting policy and disclosure

i. New and amended standards not applied

The following new or amended standards or interpretations were issued but not yet effective for the year ended 30 June 2016:

- NZ IFRS 9 Financial Instruments. This standard is effective for reporting periods beginning on or after 1 January 2018.
- The Group is yet to assess the impact of this standard and does not expect to adopt it before its effective date.
- NZ IFRS 15 Revenue from Contracts with Customers. The standard replaces NZ IAS 18 Revenue and is mandatory for annual periods beginning on or after 1 January 2018.
- Annual Improvements to NZ IFRSs 2012-2014 cycle.
- NZ IFRS 16 Leases. Effective for annual period beginning on or after 1 January 2019.

2. Summary of significant accounting policies (continued)

The Directors expect to adopt the above standards and amendments when they become effective. The Directors anticipate that the adoption of the above standards and amendments will not have a material effect on the financial statements.

ii. Early adoption of Standards and Interpretations

The group has elected to early adopt the following standards or amendments that were in issue but not yet effective: Agriculture: Bearer Plants (Amendments to NZ IAS 16 and NZ IAS 41). The amendments bring bearer plants, which are used solely to grow produce, into the scope of NZ IAS 16 Property, Plant and Equipment (and out of the scope of NZ IAS 41 Agriculture) so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that:

- is used in the production or supply of agricultural produce;
- is expected to bear produce for more than one period; and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The amendments also clarify that produce growing on bearer plants continues to be accounted for under NZ IAS 41 and that government grants related to bearer plants no longer fall into the scope of NZ IAS 41 but need to be accounted for under NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

(q) 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.

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

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

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

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

(s) Fair Value Estimation

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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.

(t) Intangible Assets

i. Intangible assets acquired separately

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

ii. Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for a prospective basis.

iii. Derecognition of intangible assets

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

(u) 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.

(v) Leases

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The Group as lessor

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

Notes to the Financial Statements
For the year ended 30 June 2016

3. Sales	Year Ended June 2016 $	3 Months Ended June 2015 $
Bulk grape sales	2,011,720	1,630,849
Bulk wine sales	3,635,922	-
Bottled wine sales	1,754,870	209,340
Other sales	21,024	-
	7,423,536	1,840,189

4. Other Income	Year Ended June 2016 $	3 Months Ended June 2015 $
Lease of farmland	7,501	1,773
Lease of equipment	22,586	8,001
Foreign exchange gains	-	14,755
	30,087	24,529

5. Cost of sales

The group runs a vineyard and wine producing business and as a consequence have incurred $6,682,743 of cost of sales. These costs relate to growing grapes on vines and producing wine.

	Year Ended June 2016 $	3 Months Ended June 2015 $
Bottling & labelling	240,808	47,969
Company management	99,445	22,050
Change in inventories and work in progress	3,642,377	962,540
Fertiliser	90,894	-
Harvesting	111,719	104,411
Irrigation	56,167	22,398
Labour & wages	200,847	49,335
Pruning	273,040	108,071
Repairs & maintenance	80,977	28,430
Spray	201,322	-
Wine making	444,085	113,872
Wine purchased	758,086	-
Bulk wine storage	32,888	89,820
Other vineyard expenses	273,349	24,218
Other winery expenses	176,740	10,071
	6,682,743	1,583,185

6. Operating expenses	Year Ended June 2016 $	3 Months Ended June 2015 $
Accounting expenses	80,700	7,000
Auditor's remuneration for annual audit - Deloitte	45,000	44,000
Consulting & advisory	365,636	61,250
Share-based payments to directors and staff	36,481	-
Salaries & wages	418,580	76,390
Kiwisaver contribution	4,597	-
Foreign exchange losses	67,219	-
Office Rent	62,442	-
Finish wine storage	73,126	-
Other expenses	456,664	109,855
	1,610,446	298,495

7. Taxation	Year Ended June 2016 $	3 Months Ended June 2015 $
(a). Income Tax		
Current tax		
- current period	116,787	276,302
- prior year	-	-
Deferred tax movement	(76,481)	(26,036)
Income tax expense	40,306	250,266
(b). Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) / profit before taxation	(855,711)	840,306
Income tax @ 28%	(239,599)	235,286
Permanent differences	279,905	9,927
Temporary differences	-	-
Tax losses (now)/not recognised	-	5,054
Income tax expense	40,306	250,266
(c). Imputation credits are as follows:		
Balance available for use in subsequent reporting periods	462,162	3,516

(d). Deferred tax balances

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

Deferred tax assets	229,757	153,276
	229,757	153,276

	Opening balance $	Addition of controlling interest $	Recognised in profit or loss $	Acquisitions /disposals $	Closing balance $
June 2015					
Deferred tax assets/(liabilities) in relation to:					
O:TU Investments Limited					
Biological assets	-	127,240	15,905	-	143,145
Accrued expenses	-	-	4,956	-	4,956
Property, plant & equipment	-	-	5,175	-	5,175
	-	127,240	26,036	-	153,276
Tax losses	-	-	-	-	-
	-	-	-	-	-
	-	127,240	26,036	-	153,276
June 2016					
Deferred tax assets/(liabilities) in relation to:					
Biological assets	143,145	-	63,206	-	206,351
Accrued expenses	4,956	-	13,275	-	18,231
Property, plant & equipment	5,175	-	-	-	5,175
	153,276	-	76,481	-	229,757
Tax losses on prior period	-	-	-	-	-
	-	-	-	-	-
	153,276	-	76,481	-	229,757

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits with 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.

Management prepared forecasts and expected the Group to be profitable in the near future.

Notes to the Financial Statements
For the year ended 30 June 2016

8. Equity

	June 2015 Number	June 2015 $
Share Capital		
Balance of ordinary share capital at 18 March 2015	-	-
Ordinary shares issued during the period	290,000,000	15,000,226
Balance at 30 June 2015	290,000,000	15,000,226
Balance of ordinary share capital at 1 July 2015	290,000,000	15,000,226
Ordinary shares issued for investors during the period	707,000	141,400
Cash contribution from option holders	-	2,100
Share options exercised during the year	165,000	30,900
Balance at 30 June 2016	290,872,000	15,174,626
Share-based payment reserve		
Balance of ordinary share capital at 1 July 2015	-	-
Share options granted during the year	2,565,000	36,481
Share options exercised during the year	(165,000)	(30,900)
Balance at 30 June 2016	2,400,000	5,581
Total number of security registered as at 30 June 2016	293,272,000	

At 30 June 2016, share capital comprised 293,272,000 authorised and issued shares (2015: 290,000,000). Other than the 2,400,000 shares issued under the Group's Employee Share Ownership Plan (ESOP) all issued share are fully paid.

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

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

Issue of shares

MWE has established Employee and Senior Executive Share Ownership Plans (ESOP) and has issued 2,565,000 Shares in total to certain directors/senior executives, contractors and employees of the MWE group. 150,000 shares were issued to two Non-executive directors as bonus. Included in the share capital, 15,000 shares were issued to three employees which was partly contributed by the Group. The remaining 2,400,000 shares were issued to senior officers as unpaid shares.

During the 12 months period ended 30 June 2016, 707,000 shares were issued to a group of investors in China for total amount of $141,400.

9. Cash and bank balances

	Year Ended June 2016 $	3 Months Ended June 2015 $
Cash at bank (ANZ Bank, BNZ Bank and Industrial Commercial Bank of China)	527,866	322,116
Term deposit at bank (ANZ Bank and Industrial Commercial Bank of China)	925,968	666,365
Cash on hand	-	75
	1,453,834	988,556

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.

Notes to the Financial Statements
For the year ended 30 June 2016

10. Inventories & biological work in progress	Year Ended June 2016 $	3 Months Ended June 2015 $
Wines - bottled	2,113,056	2,982,674
Wines - work in progress	1,450,372	2,909,125
Dry goods	129,616	129,612
Total wine in inventory and work in progress	3,693,043	6,021,411
Unharvested produce on vines	259,563	212,967
Total biological work in progress	259,563	212,967
Inventory & biological work in progress	3,952,606	6,234,378

Inventories are valued at the lower of cost, net realisable value or in the case of agricultural produce at the point of harvest, at fair value less costs to sell. Cost is calculated on an FIFO basis. Fair value less costs to sell is determined from average market prices in New Zealand. Total vineyard producing area was 157 hectares (30 June 2015: 157 hectares) and total output for the year was 1,653 tonnes (30 June 2015: 1,387 tonnes)

The growth on the vines in the period from harvest to 30 June 2016 cannot be reliably measured due to the lack of market information and the variables in completing the biological transformation process between the time of harvest and the balance date. The cost of agricultural activity in the period to 30 June 2016 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. There is minimum production for the period from harvest, April 2016 to 30 June 2016, and the value is immaterial.

11. Accounts receivable	Year Ended June 2016 $	3 Months Ended June 2015 $
Trade receivables	2,524,902	1,195,961
Provision for doubtful debts	-	-
	2,524,902	1,195,961

The standard credit terms on sales of goods given to domestic bottled wine customers are 20th of 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.

In determining the recoverability of a trade receivable, the Group 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.

As of 30 June 2016, $1.22 million is due from New Zenith International Trading (shanghai) Co., Ltd, $0.83 million is due from Marlborough Grape Producers Group Limited and $0.33 million is due from Giesen Wine Limited. There are no other customers who represent more than 5% of the total balance of trade receivables. Included in the total receivable amount above, about $43,000 is past due but not impaired.

Payment due schedule from major customers as of 30 June 2016	0 - 30 days	31 - 90 days	91 days +
(These are not past due or impaired)	$	$	$
New Zenith International Trading (Shanghai) Co., Ltd	-	1,217,705	-
Marlborough Grape Producers Group Limited	-	605,806	224,585
Giesen Wine Limited	328,199	-	-

12. Intangibles	Distribution Rights $	Trademarks $	Total $
Cost			
Balance as at 1 July 2015	5,150,565	2,885	5,153,450
Additions	-	12,612	12,612
Balance at 30 June 2016	5,150,565	15,497	5,166,062

12. Intangibles (continued)	Distribution Rights $	Trademarks $	Total $
Amortisation and impairment losses			
Balance as at 1 July 2015	-	-	-
Amortisation for the year	643,820	-	643,820
Balance at 30 June 2016	643,820	-	643,820
Carrying amount			
Balance as at 1 July 2015	5,150,565	2,885	5,153,450
Balance at 30 June 2016	4,506,745	15,497	4,522,242

Distribution rights represent the value attached to a distribution agreement that grants rights to distribute wine produced by the Group to China.

The distribution rights were acquired on 31 March, 2015, and are estimated to have a 10-year useful life. The agreement has no termination date and it shall continue in force. The parties may review the pricing and provisions every two year by giving the other party written notice no later than 3 months prior to the relevant review date. The first review date will be 30 June 2017.

13. Property, plant & equipment	Land, dams & roads $	Vines & Vineyards $	Computer equipment $	Tools & equipment $	Motor vehicles $	Total $
(a). Reconciliation of carrying amounts at the beginning and end of the period						
Cost:						
Balance at 18 March 2015	-	-	-	-	-	-
Acquisitions through common control transactions						
Marlborough Vineyard Group Limited	-		-	-	-	-
O:TU Investments Limited	8,084,970	5,225,932	348	358,192	217,541	13,886,983
Acquired in business combinations	-		3,704	17,653	7,244	28,601
Additions	5,500		-	-	-	5,500
Disposals	-		-	-	(2,533)	(2,533)
Balance at 30 June 2015	8,090,470	5,225,932	4,052	375,845	222,252	13,918,551
Additions	483,573		4,016	61,520	-	549,109
Balance at 30 June 2016	8,574,043	5,225,932	8,068	437,365	222,252	14,467,660
Accumulated Depreciation:						
Balance at 18 March 2015	-		-	-	-	-
Depreciation for the year	10,648	56,805	508	29,827	8,130	105,918
Balance at 30 June 2015	10,648	56,805	508	29,827	8,130	105,918
Depreciation for the year	45,862	227,214	2,414	46,427	31,798	353,715
Balance at 30 June 2016	56,510	284,019	2,922	76,254	39,928	459,633
(b). Carrying amounts						
June 2015						
Cost	8,090,470	5,225,932	4,052	375,845	222,252	13,918,551
Accumulated depreciation	(10,648)	(56,805)	(508)	(29,827)	(8,130)	(105,918)
Carrying amount	8,079,822	5,169,127	3,544	346,018	214,122	13,812,633
June 2016						
Cost	8,574,043	5,225,932	8,068	437,365	222,252	14,467,660
Accumulated depreciation	(56,510)	(284,019)	(2,922)	(76,254)	(39,928)	(459,633)
Carrying amount	8,517,533	4,941,913	5,146	361,111	182,324	14,008,027

Land, dams and vines acquired 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.

The Group grows and harvests grapes. Harvesting of grapes is from April to May each year. The vineyards are situated in Marlborough.

14. Investments

The Group has 7.8% ownership in Blind River Irrigation Limited and has advanced funds to the company. This gives the Group the right to draw water from Blind River Irrigation Limited. And there is no financial return on this investment for the year. Total Investment is $72,250 (30 June 2015: $72,250).

15. Accounts payable

	Year Ended June 2016 $	3 Months Ended June 2015 $
Trade payables	368,119	232,304
Other payables	-	249
	368,119	232,553

16. Borrowings

	Year Ended June 2016 $	3 Months Ended June 2015 $
Loan - ICBC	6,100,000	6,100,000
	6,100,000	6,100,000
Current	6,100,000	6,100,000
Non-current	-	-
	6,100,000	6,100,000

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 land located at Blind River Loop Road, Seddon. The loan is interest only and as such no principle repayments have been made. The interest rate at 30 June 2016 was 5.88%. The loan was approved to be extended from the maturity date 17 December 2015 until 22 September 2016. The management of the Group has started the negotiation to further extend this loan.

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

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

17. Operating leases

	Year Ended June 2016 $	3 Months Ended June 2015 $
Leases as lessee		
Operating lease rentals are payable as follows		
Less than one year	85,667	-
Between one and five years	99,571	-
Leases as lessor		
Operating lease rentals are receivable as follows		
Less than one year	13,982	-
Between one and five years	7,092	-

The Group entered various non-cancellable operating lease agreements. The leases reflect normal commercial arrangement with varying terms, escalation clauses and renewal rights.

During the year ended 30 June 2016, $30,087 was recognised as revenue and $73,629 was recognised as expense in respect of operating leases.

18. Contingent Liabilities

O:TU Investments Limited (OIL) is a wholly owned subsidiary of MWE. OIL obtained Overseas Investment Office (the OIO) consent to acquire the vineyard in Marlborough in 2013 (Original Consent).

OIL subsequently undertook the internal restructuring in preparation for listing MWE on the NXT market, which inadvertently breached the Overseas Investment Act (Act). The breach occurred when 3% of the shares in OIL were transferred from an overseas company to James Jia as part of the internal restructuring. The conditions of the Original Consent and the Act provide that further consent was required when James Jia increased his ownership in OIL.

There is a risk that the OIO may seek remedies under the Act for the inadvertent breach. Remedies under the Act include:

- a fine (not exceeding $100,000);
- a penalty (not exceeding $300,000); or
- in the worst case, selling down/disposing of the sensitive land (not exceeding of $13.5 million, which is the total book value of all land and vines of the Group).

OIL became aware of the breach and promptly (and voluntarily) informed the OIO of the breach, the reasons for the breach and the steps OIL intends to take to remedy the breach. After discussions with the OIO it was considered that in order to remedy the breach, a retrospective consent application should be submitted. That application was filed on 15 December 2015 and is currently under review.

At the date of this document, MWE has no reason to believe the OIO will seek any further remedies from OIL in regards to this breach.

Included in the inventory balance as at 30 June 2016 there is approximately $1,200,000 of bottled wine (Inventory) which is yet to receive certification from Ministry of Primary Industries (MPI). The Group's understanding is that the former contracted wine processor has been subject to a dispute with MPI for approximately 20 months in connection with the processes it has used to make wine and that other grape suppliers have also been affected.

If the wine processor is successful in its dispute with MPI this Inventory will be certified and released to the Group for sale. The Group's view is that in these circumstances this Inventory would be realisable for its book value.

If MPI are successful in the dispute, the Inventory will have to be disposed of and the value of the Inventory written down on the Company's balance sheet. Should this situation arise, the Group may have a claim against the contracted wine processor, however, the relative merits of any such claim cannot be assessed at this time.

As at the period end there were no other contingent liabilities.

19. Capital Commitments

At the year end, the Group has begun the initial stage of building a new water reservoir and implementing irrigation system in order to convert relevant block of land into vineyards in the near future. An engineering firm have been engaged to assess the site and design the water reservoir which will cost in the range of $56,000 to $76,000. The group has ordered 10,000 vines and committed to plant them in the coming year. Total associated cost of this planting is about $75,000.

20. 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.

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 a related party relationship with Great Esprit Limited (GEL), based in Hong Kong, a company which has a non-exclusive distribution agreement with MWE (through Otuwhero Trustee Limited). GEL is an entity largely owned by an associate of James Jia.

The Group has a related party relationship with New Zenith International Trading (Shanghai) Co., Ltd (NZIT). James Jia, the founder, major shareholder and director of MWE, owns NZIT in China. NZIT sells, distributes and markets MWE's wine in China. NZIT typically places orders direct with MWE, which are undertaken on the same pricing as the GEL distribution agreement. Any direct orders with MWE from NZIT off-set GEL's minimum order obligation under the GEL distribution agreement.

20. Related Party Disclosures (continued)

The Group has a related party relationship with O:TU & Co Limited. James Jia, the founder, major shareholder and director of MWE, owns O:TU & Co Limited. In December 2014, subsidiaries of MWE obtained a performance guarantee for amount of $4.4m from Industrial and Commercial Bank of China (New Zealand) Limited (ICBC Guarantee). In April 2016, MWE was fully released from this guarantee. The liability under ICBC Guarantee has been novated to O:TU & Co Limited which is backed by an investment company owned by James Jia.

The Group has a related party relationship with Lily Investments Company Limited. James Jia and Ly Lee, directors of MWE, own Lily Investment Company Limited.

The Group has a related party relationship with Blind River Irrigation Limited, the Group holds 7.8% ownership in Blind River Irrigation Limited

The Group has a related party relationship with Otuwhero Trust, James Jia and Ly Lee, directors of MWE, are beneficiaries of Otuwhero Trust.

(b). Transactions with related party	Total Value		Asset/(liability)	
	2016	2015	2016	2015
	$	$	$	$
New Zenith International Trading (Shanghai) Co., Ltd				
Wine Purchased from the Group	1,408,186	-	1,196,681	-
Other Purchase from the Group	21,024	-	21,024	-
Great Esprit Limited				
Transactions with the Group	-	-	-	-
Lily Investments Company Limited				
Legal fees reimbursed from the Group	7,602	-	-	-

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.

Directors' Fees				
Min Jia (Executive Chairman)	-	-	-	-
Ly Lee	-	-	-	-
Jack Zhong Yin (Executive Director)	-	-	-	-
Danny Chan	-	-	-	-
Songyuan Huang	-	-	-	-
Directors' Remuneration				
Min Jia (Executive Chairman)	-	-	-	-
Ly Lee	-	-	-	-
Jack Zhong Yin (Executive Director)	220	-	-	-
Danny Chan	22,862	-	-	-
Songyuan Huang	22,862	-	-	-

Senior officers' compensation (excludes directors)	Year Ended June 2016	3 Months Ended June 2015
	$	$
Short-term employee benefits	354,315	92,050
Share-based payments	5,561	-
Total senior officers' compensation (excludes directors)	359,876	92,050

20. Related Party Disclosures (continued)

	Year Ended June 2016 $	3 Months Ended June 2015 $
Shareholder loan - Min Jia		
Amount owed to Min Jia at the beginning of the year	70,632	(325,892)
Amount advanced by Min Jia during the year	470,318	396,524
Amount withdrawn by Min Jia during the year	(540,950)	-
Amount owed to Min Jia at the end of the year	-	70,632
Amounts owing from related parties:		
Blind River Irrigation Limited -loan	7,788	13,945
	7,788	13,945
Other related party transactions during the year		
Wine purchased by shareholders and senior officers during the year	2,062	-
Payments reimbursed to senior officers shareholders for business related expenses during the year	53,237	6,725
Irrigation water charged by Blind River Irrigation Limited during the year	40,094	20,270

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

The loan from shareholder is unsecured and has been subordinated in favour of all other creditors of the company. The shareholder has also agreed not to demand repayment for any portion of the loan for a period of no less than 12 months following the approval of the financial statements.

(c). Common Control Transactions

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

The Group acquired a 100% interest in Otuwhero Trustee Limited on 31 March 2015. The Group has the power to appoint and remove members of the board of directors. The relevant activities of Otuwhero Trustee Limited are determined by the board of directors of Otuwhero Trustee Limited based on a majority vote.

The Group acquired a 100% interest in Marlborough Vineyard Group Limited on 31 March 2015. The Group has the power to appoint and remove members of the board of directors. The relevant activities of Marlborough Vineyard Group Limited are determined by the board of directors of Marlborough Vineyard Group Limited based on a majority vote.

The Group acquired a 100% interest in O:TU Investments Limited on 31 March 2015. The Group has the power to appoint and remove members of the board of directors. The relevant activities of O:TU Investments Limited are determined by the board of directors of O:TU Investments Limited based on a majority vote.

All three entities are controlled by the same ultimate shareholder before and after acquisition, accordingly these acquisitions have been accounted for at carrying value with the net assets transferred recognised on the date of acquisition with a corresponding increase in equity. No consideration was transferred.

20. Related Party Disclosures (continued)

Summarised financial information in respect of the Group's subsidiaries is as follows for the prior year (which is when the transaction occurred):

	3 Months Ended June 2015 $
Current Assets	
Cash and bank balances	888,711
Accounts receivable	183,139
Inventory & work in progress	6,142,233
GST receivable	33,080
	7,247,163
Non Current Assets	
Property, plant & equipment	13,915,584
Shareholder loan	325,893
Related party loans	20,757
Investment in NZ Companies	72,250
Deferred tax	127,240
	14,461,724
Current Liabilities	
Accounts payable	318,707
Accrued expenses	27,115
Loan - ICBC	6,100,000
Income tax	223,398
	6,669,220
Equity	
Retained earnings	5,192,890
Net gain recognised directly in equity	5,192,890

(d). Business Combinations

On 31 March 2015, Otuwhero Trustee Limited a company owned 100% by the Group acquired the business of Otuwhero Trust. Summarised financial information in respect of Otuwhero Trustee Limited's acquisition of the business from Otuwhero Trust based on provisional values is as follows for the prior year (which is when the transaction occurred):

	3 Months Ended June 2015 $
Current assets	
Cash and bank	
Accounts receivable	182,460
Inventory	5,059,198
GST Receivable	299,513
	5,628,122
Non-current assets	
Property, plant & equipment	28,601
Intangibles	5,153,450
	5,182,051
Current liabilities	
Accounts payable	92,040
Accrued expenses	10,782
Loan - ICBC	1,003,487
	1,106,309
Non-current liabilities	
Shareholder account	4,700,880
	4,700,880
Net assets acquired	5,002,984

The purchase of the business, on 31 March 2015, by Otuwhero Trustee Limited from Otuwhero Trust was financed by way of the issue of $5,000,000 of share capital in the Group to Otuwhero Trust. No goodwill arose on the acquisition. Otuwhero Trustees Limited then issued $5,000,000 share capital to the Group to replace shareholder loans.

21. Notes to Cash Flow Statement

	Year Ended June 2016 $	3 Months Ended June 2015 $
Reconciliation of net profit after tax to net cash flow from operating activities:		
Net (loss) / profit after tax	(896,017)	590,040
Add: Non-cash items		
Amortisation	643,820	-
Depreciation	353,715	105,918
Tax expense	40,306	250,266
Foreign exchange movement	60,746	(11,103)
Share-based payments	35,581	-
(Increase) / Decrease in assets:		
(Increase) / Decrease in accounts receivables	(1,328,941)	(1,012,626)
(Increase) / Decrease in GST receivable	441,616	(33,297)
(Increase) / Decrease in tax paid	-	(3,021)
(Increase) / Decrease in deferred tax asset		
(Increase) / Decrease in deposit paid	(61,610)	-
(Increase) / Decrease in inventory	2,281,772	(92,145)
(Increase) / Decrease in prepayments	76	(23,775)
(Increase) / Decrease in related party loan	6,157	6,812
Increase / (Decrease) in liabilities:		
Increase / (Decrease) in trade payables	135,568	(89,848)
Increase / (Decrease) in GST payable	(344,505)	-
Increase / (Decrease) in tax paid	(458,646)	-
Increase / (Decrease) in accrued expenses	104,339	4,922
Net cash provided by operating activities	1,013,977	(307,857)

22. Financial Risk Management

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

(a). Market risk

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

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

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

(b). Credit risk

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

(c). Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

22. Financial Risk Management (continued)

(d). Agricultural risk

The Group is exposed to financial risks in respect of agricultural activities. The agricultural activities of the Group primarily consist of the ownership of vineyards to produce grapes that are then sold to both related and non-related parties for the production of wine. The Company takes reasonable measures to ensure that the current year's harvest is not affected by disease, drought, frost or other factors that may have a negative effect on yield and quality. These measures include consultation with experts in viticulture and frost protection measures.

(e). Cash flow risk

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Interest payable has been calculated at balance date rates, assuming bank borrowings at balance date are held to maturity.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
June 2015				
Trade Payables	232,553	-	-	-
Bank Borrowings	6,100,000	-	-	-
June 2016				
Trade Payables	368,119	-	-	-
Bank Borrowings	6,100,000	-	-	-

(f). Foreign currency risk

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. There are no forward or options contracts held by the group at year end.

Foreign currency denominated assets and liabilities at balance date are:

	Year Ended June 2016 $	3 Months Ended June 2015 $
Cash and cash equivalents	688,616	113,183
Trade & other receivables	68,615	51,296
Trade & other payables	-	(4,669)
Exposure at balance date	757,231	159,810

The Group is mainly exposed to US Dollars (USD) and Chinese Yuan (CNY). If there was a 10% upward movement in the New Zealand Dollar against the relevant currencies, the profit before tax and equity would decrease by $30,155 and $40,832 respectively. If there was a 10% downward movement in the New Zealand Dollar against the relevant currencies, the profit before tax and equity would increase by $38,724 and $47,330 respectively. 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.

(g). Interest rate risk

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

If interest rates had been 10% higher/lower and all other variables were held constant, the Group's profit for the year would be decrease/increase by $40,080. This is mainly attributable to the Group's exposure to interest rates on its variable borrowing.

22. Financial Risk Management (continued)

(h). Categories of financial assets and liabilities

	Loans and receivables	Investment at cost	Financial liabilities at amortised cost	Total
June 2015	$	$	$	$
Cash and bank balances	988,556	-	-	988,556
Accounts receivable	1,195,961	-	-	1,195,961
Related party loan	13,945	-	-	13,945
Investment carried at cost	-	72,250	-	72,250
Total financial assets	2,198,462	72,250	-	2,270,712
Non-financial assets				25,819,128
Total assets				28,089,840
Liabilities				
Accounts payable	-	-	232,553	232,553
Accrued expenses	-	-	32,037	32,037
Shareholder advance	-	-	70,632	70,632
Related party loan	-	-	-	-
Bank loan	-	-	6,100,000	6,100,000
Total financial liabilities	-	-	6,435,222	6,435,222
Non-financial liabilities				871,462
Total liabilities				7,306,684
June 2016				
Cash and bank balances	1,453,834	-	-	1,453,834
Accounts receivable	2,524,902	-	-	2,524,902
Related party loan	7,788	-	-	7,788
Investment carried at cost	-	72,250	-	72,250
Total financial assets	3,986,524	72,250	-	4,058,774
Non-financial assets				22,797,941
Total assets				26,856,715
Liabilities				
Accounts payable	-	-	368,119	368,119
Accrued expenses	-	-	136,377	136,377
Shareholder advance	-	-	-	-
Related party loan	-	-	-	-
Bank loan	-	-	6,100,000	6,100,000
Total financial liabilities	-	-	6,604,496	6,604,496
Non-financial liabilities				185,099
Total liabilities				6,789,595

(i). Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns 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.

23. Subsequent events

The Group has received an Indicative Term Sheet from ICBC in relation to the bank loan extension. This will require formal credit approval before finalisation.

The Group has amended the payment terms with New Zenith International Trading (Shanghai) Co., Ltd for the agreed purchased amount in 2016 and 2017.

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

24. Going concern

During the current period, the Group's 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.

25. 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 2016 Number
Balance of ordinary share capital at 1 July 2015	290,000,000
Ordinary shares issued and paid during the period	872,000
Balance at 30 June 2016	290,872,000
Weighted average number of ordinary shares on issue as at 30 June 2016	290,356,070

	Year Ended June 2016 $	3 Months Ended June 2015 $
(Loss) / profit attributable to equity holders of the Company (in dollars)	(896,017)	590,040
Weighted average number of ordinary shares on issue	290,356,070	290,000,000
Basic earnings per share (in dollars)	(0.003)	0.002

(b). Diluted earnings per share

Same earning was used for diluted earnings per share		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	290,356,070	290,000,000
Share options	2,400,000	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	292,756,070	290,000,000
Diluted earnings per share (in dollars)	(0.003)	0.002

26. 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. All of the Group's revenue from continuing operations from external customers and its non-current assets are sourced in this area.

For the year ended 30 June 2016, there were 6 customers who has individually accounted for greater than 10% of the Group's total sales. The sales amount to these customers in total was $6.98 million.

	Year Ended June 2016 $	3 Months Ended June 2015 $
Customer 1	1,951,762	-
Customer 2	1,408,186	-
Customer 3	991,172	720,657
Customer 4	974,527	903,494
Customer 5	888,680	-
Customer 6	769,455	-
Total	6,983,782	1,624,151

27. 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
2/3/2016	300,000	Fully vest in 5 years, 1/5th vest on each anniversary of the grant date subject to the holder continuing to be employed by the Group (Service Condition only). The options expire 10 years from the grant date.
3/3/2016	600,000	Fully vest in 5 years, 1/5th vest on each anniversary of the grant date subject to the holder continuing to be employed by the Group (Service Condition only). The options expire 10 years from the grant date.
27/6/2016	1,500,000	Fully vest in 5 years, 1/5th vest on each anniversary of the grant date subject to the holder continuing to be employed by the Group (Service Condition only). The options expire 10 years from the grant date.

Measurement of fair value

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

	June 2016	June 2015
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)	3 years	-
Expected dividends	0%	-
Risk-free rate	2.01% - 2.47%	-

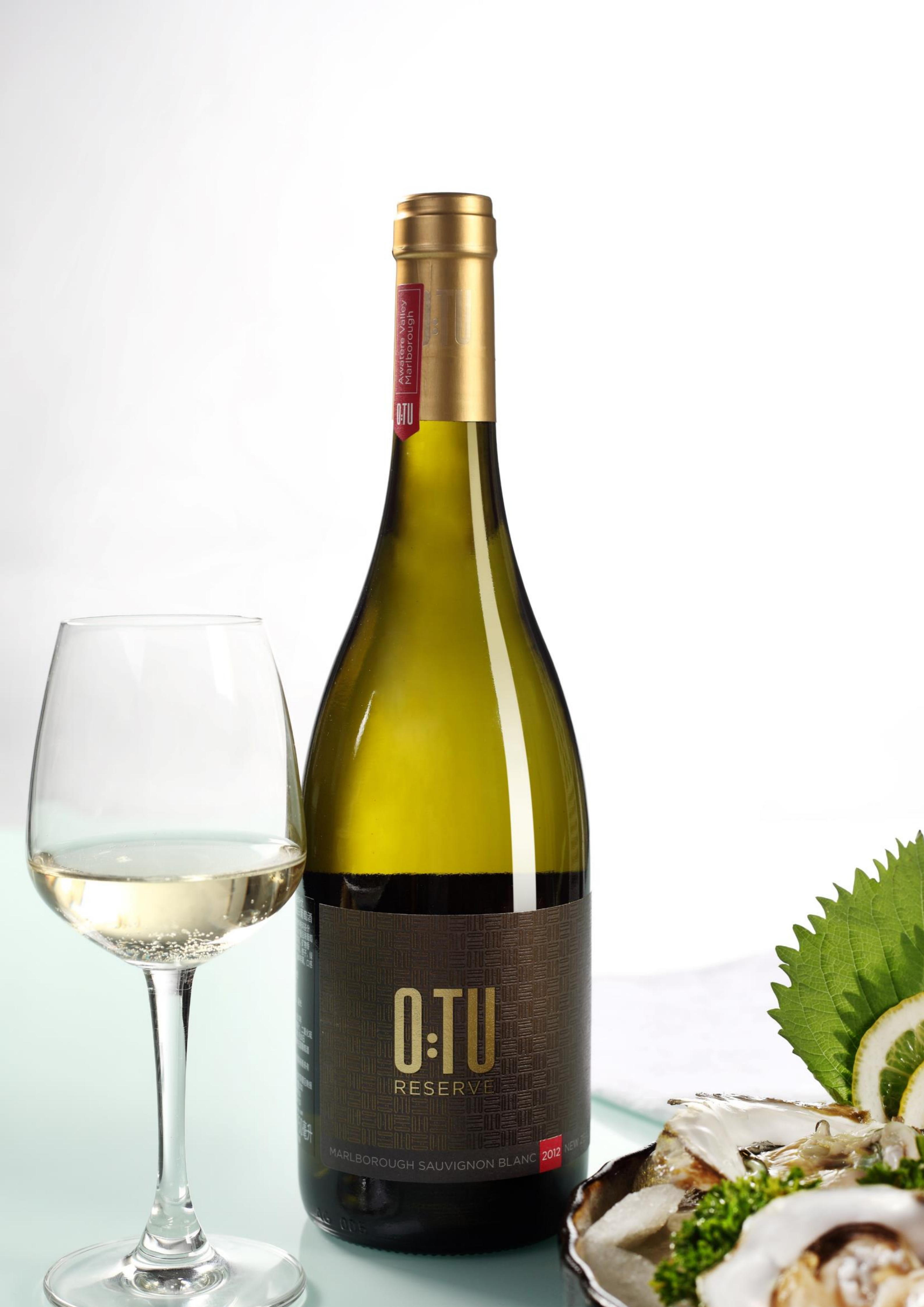
The expected volatility in the measurement of fair value at grant date has been based on an evaluation of the historical volatility of a list of comparable listed companies as a proxy for the Company's future volatility. The Company had no trading history as at valuation date as it was a private company.

Reconciliation of the outstanding share options

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

	Number of Options	Exercise price
Outstanding at 1 July 2015	-	-
Granted during the year	2,565,000	$0.20
Forfeited during the year	-	-
Exercised during the year	(165,000)	$0.20
Outstanding at 30 June 2016	2,400,000	$0.20
Exercisable at 30 June 2016	Nil	N/A

Share-based payment reserve	June 2016 Number	June 2016 $
Outstanding at 1 July 2015	-	-
Share options granted to senior officers and contractors during the year	2,400,000	5,581
Share options granted to non-executive directors during the year	150,000	30,000
Share options granted to employees during the year	15,000	900
Share options exercised during the year	(165,000)	(30,900)
Outstanding at 30 June 2016	2,400,000	5,581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Statutory Information
For the year ended 30 June 2016

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

Marlborough Wine Estates Group Limited	Min Jia (from 27 Jun 2016) Ly Lee (from 27 Jun 2016) Jack Zhong Yin (from 27 Jun 2016) Danny Chan (from 27 Jun 2016) Songyuan Huang (from 27 Jun 2016) Catherine Ma (resigned 27 Jun 2016)
Marlborough Vineyard Group Limited	Min Jia Catherine Ma (from 23 Oct 2015)
Otuwhero Trustee Limited	Min Jia Catherine Ma
O:TU Investments Limited	Min Jia Catherine Ma (from 23 Oct 2015)
MB Wine Limited	Catherine Ma

Statutory Information
For the year ended 30 June 2016

2. 20 largest shareholdings

The 20 largest shareholdings as at 19 August 2016 are provided in the table below:

No.	Shareholder	No. of shares	% of shares
1	Min Jia	217,317,014	74.10%
2	Mpmb Trustee Limited	25,000,000	8.52%
3	Lizhong Huang	22,680,906	7.73%
4	Wenhan Li	9,100,000	3.10%
5	Jing Wang	8,838,810	3.01%
6	Chen Liu	2,946,270	1.00%
7	Jack Zhong Yin	1,500,000	0.51%
8	First NZ Capital Securities Limited	819,435	0.28%
9	Suzhi Lin	400,000	0.14%
10	Paul Mcintyre	300,000	0.10%
=	Jan Kux	300,000	0.10%
12	Jin Li	200,000	0.07%
13	Man Zhao	160,000	0.05%
=	Yao Zhou	160,000	0.05%
15	Hong Yin	120,000	0.04%
16	Fangfang Lei	100,000	0.03%
=	Mei Lian Deng	100,000	0.03%
18	Songyuan Huang	75,000	0.03%
=	Danny Chan	75,000	0.03%
20	Weiming Zheng	70,000	0.02%

3. Distribution of equity securities

The total number of ordinary shares on issue as at 19 August 2016 is 293,272,000. The company has only ordinary shares on issue. Details of the distribution of ordinary shares amongst shareholders as at 19 August 2016 are set out below:

Size of holdings	No. of shareholders	% of shareholders	No. of shares held	% of shares held
Less than 5,000	202	45.39%	608,969	0.21%
5,000 to 59,999	223	50.11%	2,400,596	0.82%
60,000 to 599,999	12	2.70%	2,060,000	0.70%
600,000 to 999,999	1	0.22%	819,435	0.28%
1,000,000 to 9,999,999	4	0.90%	22,385,080	7.63%
10,000,000 and over	3	0.67%	264,997,920	90.36%
TOTAL	445	100.00%	293,272,000	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 19 August 2016.

Name of substantial shareholders	Nature of relevant interest	No. of shares held	% of shares held
Min Jia	1. Registered Holder	217,317,014	74.01%
	2. Beneficial Owner	25,000,000	8.52%
	3. Relevant Interest	8,800,000	3.00%
Ly Lee	Beneficial Interest as wife of James Jia	251,117,014	85.62%
Lizhong Huang	Registered Holder	22,680,906	7.73%

Statutory Information
For the year ended 30 June 2016

5. Directors' shareholding and share dealings

Jack Zhong Yin acquired 1,500,000 shares in the Company on 27 June 2016 under the company's ESOP.

Dany Chan acquired 75,000 share in the Company on 31 May 2016 using bonus provided by the Company.

Songyuan Huang acquired 75,000 share in the Company on 31 May 2016 using bonus provided by the Company.

From November 2015 to June 2016, Min Jia sold down 47,682,986 shares of his holding in MWE to 318 investors.

At the balance date of 30 June 2016, 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	217,317,014	74.01%
		2. Beneficial Owner	25,000,000	8.52%
		3. Relevant *	8,800,000	3.00%
Ly Lee	Non-executive Director	Beneficial Interest as wife of James Jia	251,117,014	85.62%
Jack Zhong Yin	Executive Director	Registered Holder	1,500,000	0.51%
Danny Chan	Non-executive Director	Registered Holder	75,000	0.03%
Songyuan Huang	Non-executive Director	Registered Holder	75,000	0.03%
Wenhan Li (Eric)	Financial Controller	Registered Holder	9,100,000	3.10%

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

6. Interested Transactions

The Directors have disclosed the following transaction with the Group

(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.

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 a related party relationship with Great Esprit Limited (GEL), based in Hong Kong, a company which has a non-exclusive distribution agreement with MWE (through Otuwhero Trustee Limited). GEL is an entity largely owned by an associate of James Jia.

Statutory Information
For the year ended 30 June 2016

The Group has a related party relationship with O:TU & Co Limited. James Jia, the founder, major shareholder and director of MWE, owns O:TU & Co Limited. In December 2014, subsidiaries of MWE obtained a performance guarantee for amount of $4.4m from Industrial and Commercial Bank of China (New Zealand) Limited (ICBC Guarantee). In April 2016, MWE was fully released from this guarantee. The liability under ICBC Guarantee has been novated to O:TU & Co Limited which is backed by an investment company owned by James Jia.

The Group has a related party relationship with Lily Investments Company Limited. James Jia and Ly Lee, directors of MWE, own Lily Investment Company Limited.

The Group has a related party relationship with Blind River Irrigation Limited, the Group holds 7.8% ownership in Blind River Irrigation Limited

The Group has a related party relationship with Otuwhero Trust, James Jia and Ly Lee, directors of MWE, are beneficiaries of Otuwhero Trust.

(b). Transactions with related party

	Total Value		Asset/(liability)	
	2016	2015	2016	2015
	$	$	$	$
New Zenith International Trading (Shanghai) Co., Ltd				
Wine Purchased from the Group	1,408,186	-	1,196,681	-
Other Purchase from the Group	21,024	-	21,024	-
Great Esprit Limited				
Transactions with the Group	-	-	-	-
Lily Investments Company Limited				
Legal fees reimbursed from the Group	7,602	-	-	-

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.

Directors' Fees				
Min Jia (Executive Chairman)	-	-	-	-
Ly Lee	-	-	-	-
Jack Zhong Yin (Executive Director)	-	-	-	-
Danny Chan	-	-	-	-
Songyuan Huang	-	-	-	-

	Total Value		Asset/(liability)	
	2016	2015	2016	2015
	$	$	$	$
Directors' Remuneration				
Min Jia (Executive Chairman)	-	-	-	-
Ly Lee	-	-	-	-
Jack Zhong Yin (Executive Director)	220	-	-	-
Danny Chan	22,862	-	-	-
Songyuan Huang	22,862	-	-	-

Statutory Information
For the year ended 30 June 2016

	Year Ended June 2016 $	3 Months Ended June 2015 $
Senior officers' compensation (excludes directors)		
Short-term employee benefits	354,315	92,050
Share-based payments	5,561	-
Total senior officers' compensation (excludes directors)	359,876	92,050
Shareholder loan - Min Jia		
Amount owed to Min Jia at the beginning of the year	70,632	(325,892)
Amount advanced by Min Jia during the year	470,318	396,524
Amount withdrawn by Min Jia during the year	(540,950)	-
Amount owed to Min Jia at the end of the year	(0)	70,632
Amounts owing from related parties:		
Blind River Irrigation Limited -loan	7,788	13,945
	7,788	13,945
Other related party transactions during the year		
Wine purchased by shareholders and senior officers during the year	2,062	-
Payments reimbursed to senior officers for business related expenses during the year	53,237	6,725
Irrigation water charged by Blind River Irrigation Limited during the year	40,094	20,270

All shareholder and related party 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.

The loan from shareholder is unsecured and has been subordinated in favour of all other creditors of the company. The shareholder has also agreed not to demand repayment for any portion of the loan for a period of no less than 12 months following the approval of the financial statements.

(c). Common Control Transactions

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

The Group acquired a 100% interest in Otuwhero Trustee Limited on 31 March 2015. The Group has the power to appoint and remove members of the board of directors. The relevant activities of Otuwhero Trustee Limited are determined by the board of directors of Otuwhero Trustee Limited based on a majority vote.

The Group acquired a 100% interest in Marlborough Vineyard Group Limited on 31 March 2015. The Group has the power to appoint and remove members of the board of directors. The relevant activities of Marlborough Vineyard Group Limited are determined by the board of directors of Marlborough Vineyard Group Limited based on a majority vote.

The Group acquired a 100% interest in O:TU Investments Limited on 31 March 2015. The Group has the power to appoint and remove members of the board of directors. The relevant activities of O:TU Investments Limited are determined by the board of directors of O:TU Investments Limited based on a majority vote.

All three entities are controlled by the same ultimate shareholder before and after acquisition, accordingly these acquisitions have been accounted for at carrying value with the net assets transferred recognised on the date of acquisition with a corresponding increase in equity. No consideration was transferred.

Summarised financial information in respect of the Group's subsidiaries is as follows for the prior year (which is when the transaction occurred):

Statutory Information
For the year ended 30 June 2016

	Year Ended June 2016 $	3 Months Ended June 2015 $
Current Assets		
Cash and bank balances	-	888,711
Accounts receivable	-	183,139
Inventory & work in progress	-	6,142,233
GST receivable	-	33,080
	-	7,247,163
Non-Current Assets		
Property, plant & equipment	-	13,915,584
Shareholder loan	-	325,893
Related party loans	-	20,757
Investment in NZ Companies	-	72,250
Deferred tax	-	127,240
	-	14,461,724
Current Liabilities		
Accounts payable	-	318,707
Accrued expenses	-	27,115
Loan - ICBC	-	6,100,000
Income tax	-	223,398
	-	6,669,220
Equity		
Retained earnings	-	5,192,890
Net gain recognised directly in equity	-	5,192,890

(d). Business Combinations

On 31 March 2015, Otuwhero Trustee Limited a company owned 100% by the Group acquired the business of Otuwhero Trust. Summarised financial information in respect of Otuwhero Trustee Limited's acquisition of the business from Otuwhero Trust based on provisional values is as follows for the prior year (which is when the transaction occurred):

	Year Ended June 2016 $	3 Months Ended June 2015 $
Current assets		
Cash and bank	-	86,951
Accounts receivable	-	182,460
Inventory	-	5,059,198
GST Receivable	-	299,513
	-	5,628,122
Non-current assets		
Property, plant & equipment	-	28,601
Intangibles	-	5,153,450
	-	5,182,051
Current liabilities		
Accounts payable	-	92,040
Accrued expenses	-	10,782
Loan - ICBC	-	1,003,487
	-	1,106,309
Non-current liabilities		
Shareholder account	-	4,700,880
	-	4,700,880
Net assets acquired	-	5,002,984

Statutory Information
For the year ended 30 June 2016

The purchase of the business, on 31 March 2015, by Otuwhero Trustee Limited from Otuwhero Trust was financed by way of the issue of $5,000,000 of share capital in the Group to Otuwhero Trust. No goodwill arose on the acquisition. Otuwhero Trustees Limited then issued $5,000,000 share capital to the Group to replace shareholder loans.

7. Directors' Remuneration

Remuneration details of directors are provided above.

8. Directors' Loan

There is no loan made by the Group to Directors.

9. Employee

There is one employee or former employee of MWE, not being a director of MWE, that during the 12 months ended 30 June 2016, received remuneration and any other benefits in their capacity as an employee that in value exceeded $100,000 per annum.

Remuneration	Number of Employees
$100,000 - $110,000	1

10. Indemnification and insurance of directors and officers

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

11. Auditors

Amounts paid to Deloitte for audit and other services are shown in note 6 of the Financial Statements.

12. Donation

There were no donations made during the year.

13. Governance Policies

Until its listing on the New Zealand Stock Exchanges' NXT Market on 30 June 2016, MWE was a privately owned company. As part of its listing, MWE adopted a Code of Ethics, a Governance Code, Audit Finance and Risk Charter, Financial Products Trading Policy and Guidelines, Remuneration Nomination and Health and Safety Charter and these are available on the NXT website at www.nxt.co.nz. MWE plans to act in accordance with these policies.

14. NZX Spread Waiver

Clause 2 of Schedule 1A to the NXT Market Rules (Rules) states that to be eligible for Listing on the NXT Market an applicant must have at least 50 shareholders who are members of the public holding separate parcels of shares of at least a minimum holding, that together represent at least 25% of the shares on issue in the applicant.

The Company has been granted a waiver by NZX Regulation from Clause 2, Schedule 1A of the Rules, until 30 June 2017, to allow the Company to have at least 50 shareholders who are members of the public with at least a minimum holding that together represent at least 17 % of the total shares on issue, rather than 25% as ordinarily required by the Rules.

The waiver is subject to usual conditions requiring the Company to disclose the waiver in its annual and half-year report, and to monitor and report to NZX on the number and percentage of shares held by members of the public.

The implications of the waiver are that the Company may have less liquidity in trading in its shares than other companies listed on the NXT Market. A liquid market is important to ensure efficient price setting and to enable shareholders to trade.

A copy of the waiver is included on the NXT website at https://www.nxt.co.nz/companies/MWE/instrument/MWE.

MARLBOROUGH WINE ESTATES GROUP LIMITED

Company Directory
As at 30 June 2016

Company Registration Number	5639568
Registered office	Level 3, 205 Queen Street
	Auckland Central
	New Zealand
Directors	Min Jia (Chairman)
	Ly Lee
	Jack Zhong Yin
	Danny Chan
	Songyuan Huang
Auditors	Deloitte
	Deloitte Centre
	80 Queen Street
	P.O. Box 115033, Auckland 1140
	New Zealand
Solicitors	Duncan Cotterill
	Level 2, Chartered Accountants House
	50 Custom House Quay, Wellington
Bankers	
	Industrial Commercial Bank of China (New Zealand) Limited
	ANZ Bank Limited
	BNZ Bank Limited
NXT Advisor	CM Partners Limited
	Suite 107, the Geyser Building, 100 Parnell Road Auckland
Share Registrar	Link Market Services Limited
	Deloitte Centre, 80 Queen Street, Auckland