GROVE MILL WINE COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2001

ANNUAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2001

DIRECTORS:	M A Peters (Chairman) P J McAtamney (Managing Director) C P Croft J A Jamieson M J McQuillan J H G Milne
NATURE OF BUSINESS:	Production and distribution of wine
AUDITORS:	Deloitte Touche Tohmatsu, Wellington
SOLICITORS:	Gibson Sheat, Lower Hutt Wisheart, Macnab & Partners, Blenheim
BANKERS:	National Bank of New Zealand, Blenheim
REGISTRATION NO:	CH 307139
REGISTERED OFFICE:	59 High Street, BLENHEIM
SHARE REGISTRAR:	Computershare Registry Services Limited Level 2, 159 Hurstmere Road, Takapuna Private Bag 92119 AUCKLAND 1020 Telephone +64 9 488 8700 Facsimile +64 9 488 8787
SHARE TRADING: "GRM"	NZSE - Unlisted Public Companies Board

ANNUAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2001

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CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2001

CURRENT YEAR RESULTS

In my 2000 report under this heading I noted two significant matters looking ahead to 2001 -

1. "A substantial drop in quantity from the 2000 year harvest…(will cause) a similar result in the current year".

2. "Board and Management are taking all possible steps to plan for increased volume from the 2001 harvest by securing additional supplies".

Both the prediction and the intention were correct. The years net tax paid profit is very close to 2000. This is simply a fact of having insufficient wine to sell as a result of the poor 2000 harvest. However I must pay great credit to firstly David Pearce and his production team for managing the completion and bottling of stocks in a smooth and orderly manner (by sheer hard work and high ability in a very difficult period) and secondly to Peter McAtamney and Colleen Oliver for their ability to manage our low stocks through the various markets so that they were also orderly maintained to the point where we were able to load out the last containers right at the very end of the year. Peter had joined the company in December 2000 upon Richard Anyon's departure after more than 4 years as General Manager. Peter quickly showed his capabilities and professionalism gained from his academic qualifications and wide experience in the International Wine Industry and at the end of the Financial Year his appointment as Managing Director by invitation to join the Board was a well deserved accolade.

Returning to the result for 2001 which, as I stated above, was flat it is a fact that the earnings per share were less than previous but it must be very clearly remembered that the Board has embarked upon a concerted effort to increase grape supplies from its own vineyards as well as its important and loyal contract growers. In doing this it is clear that a by product is that there will be no return on some of the shareholders capital invested in these vineyards until the third year after development. This is both understandable and acceptable in the all important consolidation of quality supply to ensure the Company's future growth and profitability. I am very confident that shareholders will see consistent year on year growth in both net tax paid profit and earnings per share as we progress through the next few years. Bearing in mind that crop harvests are always subject to weather patterns of course!

2002 PROSPECTS

I am very pleased to advise that the second quote from last year (above) has also come to fruition and the Board has been able to secure a larger volume from the 2001 harvest. The challenge now for Peter and the marketing team is to manage existing and new International Markets, which Peter will elaborate upon, and to also try and rebuild some stock reserve to, over a period of time, be able to hold a buffer against future possible harvest shortfalls. By adopting best practice governance the Board believe that our agents in the key markets of United Kingdom, U.S.A., Australia and of course the New Zealand domestic markets will be able to have continuous uninterrupted supplies to at least meet the basic demand.

Financial projections for 2002 are for a satisfactory increase over the 2001 result. During the year we have again updated our Five year plans to assure that we are always looking ahead sufficiently and these bear out that once current new plantings come fully on stream, both profitability and return on shareholders funds will show substantial increase.

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2001(CONTINUED)

The Board place a high importance on both the return on shareholders investment and the value of their investment. Recent share value growth is pleasing to note, and the Board is determined to ensure that the Company's performance will be such that continued enhancement of both return and value will result. Other than the normal farming risks associated with grape harvests, I see the two major Risk Management issues for the Company as being the continued increase in value of Marlborough vineyards and therefore grape prices by association, and the potential for an increase in the value of the $NZ. The Board is managing these risks by policies of production economies of scale, locking in the exchange rate of confirmed contracts and increasing the percent of Company owned vineyards. The Board will continue to assess and adopt Risk Management policies as deemed appropriate.

ACCOUNTING POLICIES AND SHARE TRADING

I stated in the 2000 report that the Company was intending to adopt the Australian standard for "Self Generating and Regenerating Assets' (SGARA) in 2001. As it has transpired the Board has felt that due to some controversy in Australia over this standard and the lack of implementation, as yet, of a similar standard in New Zealand it is best to follow good governance of the principle of conservatism and maintain our policy of vineyard revaluation under New Zealand FRS (Financial Reporting Standards). The Board were concerned that they did not want to overstate profit by adoption of a standard that may in fact, as it currently exists in Australia, not account well for vineyards as against, for example, forests.

During the year it became obvious that maintaining virtually two markets for the Company shares i.e. Share Mart and the Unlisted Board, was creating confusion. Therefore it was decided to close the market with Share Mart (which is still maintaining Computershare Registry Services) and proceed solely with Brokers via the Unlisted Board. This seems to have been well received with substantial trades in the last few months of the financial year. During the year the number of shareholders in the Company increased from 105 to 166. We very much appreciate Share Marts efforts in establishing the market originally.

THE NEW ZEALAND WINE COMPANY LIMITED

For some time the Board have been investigating potential acquisitions of Wine Companies which would potentially offer Grove Mill synergies both in production efficiencies and volume. This is a long and complicated process because we want to ensure that we proceed only with any acquisitions that would add overall value to the larger resultant entity. At the time of writing we have looked at and moved on from some potential companies and we are currently going through a valuation process with a company that could possibly be in the category we are seeking. It is the Board's intention to grow the critical mass of this Company to the point where it is a viable Stock Exchange No 1 Board listing entity. More importantly the Board see a great potential for a Company, somewhat larger than Grove Mill is at present, concentrating on quality production for the top end of the worldwide markets. There is no doubt that Marlborough Sauvignon Blanc will be the cornerstone of this production but the Board also see potential in certain other varieties and also other New Zealand regions.

Once any acquisitions get to the point of a firm offer we will have a Professionally Independent Appraisal prepared for shareholders who will also be given the opportunity to vote on such a move.

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2001(CONTINUED)

It is the Board's intention, once any acquisition is made, to seek shareholder's approval to change the name of Grove Mill Wine Company Ltd to the New Zealand Wine Conpany Ltd, and at the same time retain Grove Mill as an important brand and a vital part of the small group of brands that the New Zealand Wine Company Ltd would market.

It would also be the intention to eventually use the New Zealand Wine Company Ltd as the Stock Exchange listed company referred to above. We will keep shareholders informed as matters proceed.

FINALLY

2001 was a year where everyone at Grove Mill had to work very hard to produce a result. This everyone did – from the Board through to all the staff. Financial Controller Jane Trought responded admirably to the need for high speed financial reporting, and we are indeed grateful to all whose efforts have produced a year where, although the profit may have been flat on last year, shareholders did receive a 1 for 10 bonus issue without exhausting either the Company's reserves or its imputation credit account and where the Company's fixed assets showed a net increase in value (over-and-above the tax paid profit) of $741,000. While neither myself or the Board would be entirely satisfied with the result, because we know we can do better, it was a year that under the circumstance was reasonable in the end.

Once again the Company has been very well served by professional and capable staff to whom we all extend our gratitude, and by a dedicated and hardworking Board and again I sincerely thank my fellow Directors Peter Croft, Alton Jamieson, Maurice McQuillan and John Milne as well as welcoming warmly Peter McAtamney. We are all looking forward to the next period of Grove Mill's future.

Mark Peters

CHAIRMAN

MANAGING DIRECTOR'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2001

The following is a report on the operational aspects of our business.

My first seven months here at Grove Mill as CEO have been both challenging and rewarding. The poor harvest from the 2000 vintage put us in the position of having to attain maximum returns from a limited amount of wine whilst holding our position in all key markets. The manner in which our management team rose to that challenge inspires me and gives me great confidence for the future.

We are now operating a global business driven by the worldwide reputation our wines enjoy and I find it extremely exciting that we have the production coming on stream to meet this demand.

STRATEGY

Our vision for Grove Mill is to be the preferred supplier of highest quality Marlborough wines to the world's finest restaurants and wine stores. Driving sales through the premium restaurant allocations system ensures maximum margin, avoidance of discounting and will optimise long-term shareholder value. Our aim is to gear the entire company to meet the specialist needs of this sector focusing on quality, service and personal contact.

DOMESTIC DISTRIBUTION

Domestic sales accounted for 46.6% of our sales. Sales in both domestic and export markets were constrained by supply. As the domestic market continues to grow at a long-term average of less than 2%, our focus is on the highest value segments and quality of distribution recognising the importance of home market brand image in building our reputation internationally. The first step in executing our strategy was to appoint Dave Kenny as our Auckland based Domestic Market Sales Manager. Dave comes to us with a wealth of experience and understands the importance of "passing on the passion" for Grove Mill to all members of our distribution network. The most importance of these is our long-term distribution partner, Eurowine Fine Wines (1990) Ltd.

EXPORT

Export markets accounted for 53.4% of sales. While our main markets remain Australia, the US and the UK, we are taking steps to open new markets in response to demand and in anticipation of increased production. Singapore, Hong Kong and Japan are proving to be good markets where the overall rates of consumption increase is in step with our projected production. Grove Mill has established new markets this year in Canada (in the provinces of Ontario and Quebec), Denmark, Sweden, Spain, Singapore, Norway, Fiji, Vietnam and Thailand.

VINTAGE 2001

2001 was the driest year in the history of the province. While this impacted heavily upon the farming community as a whole, the consequences for the Marlborough wine industry were positive. A relatively cool end to the growing season followed seemingly endless fine weather making for ideal ripening conditions.

Our volume rebounded to 1999 levels and the quality was very good enabling us to produce a larger than average proportion of Grove Mill quality wine. It is the Grove Mill level product for which we are experiencing the greatest level of demand increase.

MANAGING DIRECTOR'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

VINEYARDS

The first stage of planting of our 33 hectare 17 Valley vineyard was completed last Spring, with the remainder of planting commenced at the time of writing. We are planning an official handover of the historic food storage pits on the site to the Te Runanga A Rangitane O Wairau Iwi in the coming months. We have just employed a dedicated Vineyard Manager, Craig Young, to care for this site. Craig and the very capable Ross Wright make up the Vineyard Management team who will report to our soon to be appointed Company Viticulturist.

At the same time, we have commenced planting the 17-hectare property leased from Richard and Sandy Dowling in the most prime part of the Wairau Valley, in the vicinity of our Avenelle Vineyard.

GROWERS

In recognition of the fact that growers are and will continue to be a very important part of our business, we have been seeking to enter into stronger, longer-term relationships. This has been very well received. The move toward increasing the percentage of our intake from our own vineyard needs to be matched by a commitment to growers in order that we achieve both quantity and quality goals for Grove Mill. This balanced approach also ensures that we achieve optimum return on Shareholder funds employed.

WINERY

Our winemaking team, lead by Dave Pearce, have this year shown that their excellence extends across our full range of products with our Grove Mill Chardonnay 1999 collecting a Gold medal at the Royal Easter Show 2001. We continue to dominate competitions where wine and food matching are the theme. Our Grove Mill Sauvignon Blanc won Blue Gold at the Sydney Top 100 wine competition and finished in the Top Ten wines in the world to go with Oysters in this competition held at the Old Ebbitt Grill in Washington DC.

Most exciting of all perhaps, was the fact that our Pinot Noir 1999 picked up a Silver medal at the International Wine Challenge in London, confirming our belief that great things may soon be in store as we rapidly improve all aspects of wine making and viticulture as they relate to creating great wine from this variety.

Warehouse extensions have been completed and all is in waiting ready for our busiest bottling period ever.

Finally, I would like to thank the Board, staff and management team (Dave Pearce, Jane Trought and Colleen Oliver) for all their support and hard work during this time. After a period of consolidation, Grove Mill is now ready to launch itself onto a world stage that eagerly awaits it.

Peter McAtamney

MANAGING DIRECTOR

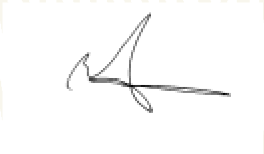
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001

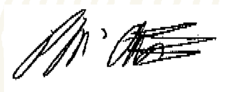
APPROVAL BY DIRECTORS

The Directors have approved the Financial Statements of Grove Mill Wine Company Limited for the year ended 30 June 2001 on pages 8 to 24.

For and on behalf of the Board of Directors 9 August 2001



Mark A Peters
Chairman



Peter J McAtamney
Managing Director

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH JUNE 2001

The financial statements of Grove Mill Wine Company Limited have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 1993.

1. BASIS FOR PREPARATION

The financial statements have been prepared on the historical cost basis modified to include the revaluation of certain assets . Accrual accounting is used to recognise revenue and expenses. The reporting currency is New Zealand dollars.

2. SPECIFIC ACCOUNTING POLICIES

The specific accounting policies used in the preparation of the financial statements are as follows:

2.1 PROPERTY, PLANT AND EQUIPMENT

Land, land improvements and buildings are revalued to market value every year by an independent valuer. Land, land improvements and buildings acquired since the last revaluation are recorded at historical cost.

Revaluation surpluses are taken directly to the revaluation reserve. Decreases in value are debited directly to the revaluation reserve to the extent that they reverse previous surpluses within the class of asset concerned and are otherwise recognised as expenses in the Statement of Financial Performance.

All other items of property, plant and equipment are recorded on the historical cost basis.

Provision is made for any permanent impairment in the value of property, plant and equipment.

All items of property, plant and equipment other than land, are depreciated on a straight line basis at rates which will write off their cost or revalued amount less estimated residual value over their expected useful lives.

Land improvements includes all costs incurred in developing vineyards including direct material, direct labour and an allocation of overhead and financing costs and are not depreciated until the asset reaches commercial production.

2.2 IDENTIFIABLE INTANGIBLE ASSETS

Purchased identifiable intangible assets, comprising brands and trademarks, are shown at cost and amortised on a straight line basis over their estimated useful lives. Provision is made for any permanent impairment in the value of identifiable intangible assets.

2.3 INVESTMENTS

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

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

2.4 INVENTORIES

All inventories are valued at the lower of cost and net realisable value. Cost is calculated on the first-in-first-out basis.

Costs include a systematic allocation of appropriate production overheads that relate to putting inventories in their present location and condition. The allocation of production overheads is based on the normal capacity of the production facilities.

2.5 TRADE RECEIVABLES

Trade receivables are stated at net realisable values. Bad debts are written off during the year in which they are identified.

2.6 STATEMENT OF CASH FLOWS

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definitions of the terms used in the Statement of Cash Flows are:

"Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the company as part of its day-to-day cash management.

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

"Financing activities" are those activities relating to changes in equity and debt capital structure of the company and those activities relating to the cost of servicing the company's equity capital.

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

2.7 TAXATION

Deferred taxation, which is calculated on the liability basis using the comprehensive method, arises from amounts of income or expense recognised for tax purposes in years different from those in which they are dealt with in the financial statements.

A debit balance in the deferred taxation account is only carried forward to the extent that there is virtual certainty of its recovery.

Income taxation benefits arising from income taxation losses are recognised only to the extent of accumulated net credits from timing differences in the deferred taxation account unless there is virtual certainty of their realisation.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH JUNE 2001(CONTINUED)

2.8 OPERATING LEASES

Operating lease rentals are recognised on a systematic basis that is representative of the time pattern of the benefit to the Company.

2.9 FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the close of the transaction date.

Monetary items receivable or payable in a foreign currency, other than those resulting from short term transactions covered by forward exchange contracts, are translated at balance date at the closing rate. For transactions covered by short term forward exchange contracts, the rates specified in those contracts are used as the basis for measuring and reporting the transaction.

Exchange differences on foreign exchange balances are recognised in the Statement of Financial Performance.

2.10 FINANCIAL INSTRUMENTS

The Company uses forward exchange contracts with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in foreign currency exchange rates. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the item being hedged.

Forward exchange contracts entered into as hedges of foreign exchange assets or liabilities are valued at the exchange rates prevailing at year end. Any unrealised gains or losses are offset against foreign exchange gains or losses on the related asset or liability.

2.11 CHANGES IN ACCOUNTING POLICIES

The Company has elected to adopt the requirements of FRS 3 Property, Plant and Equipment prior to being required to do so. The impact of adopting this standard early is not material to the presentation of the financial statements.

As a result of the adoption of FRS 5 Post Balance Date Events no provision for dividend has been made in the current year

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

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STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30TH JUNE 2001

	Note	2001 $'000	2000 $'000
TOTAL REVENUE	1	5,316	5,148
Surplus from operations	2	1,223	1,282
Financing costs (net)	3	(172)	(193)
Surplus before taxation		1,051	1,089
Taxation	4	(350)	(362)
NET SURPLUS FOR THE YEAR		**701**	**727**
Earnings per share cps (after tax)	5	10.2	11.2
Dividends per share cps	6	4.8	4.8

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2001

	Note	2001 $'000	2000 $'000
Net surplus for the year		701	727
Surplus on revaluation of land, land improvements and buildings	9	741	685
Comprehensive income for the year		**1,442**	**1,412**
Contributions by owners	8, 10	70	1,419
Distributions to owners	7	(124)	(312)
Added to equity during the year		1,388	2,519
Equity at beginning of year		7,435	4,916
Equity at end of year		**8,823**	**7,435**

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 24) form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2001

	Note	2001 $'000	2000 $'000
CURRENT ASSETS			
Cash	11	-	179
Trade receivables		1,314	1,557
Inventories	16	3,007	2,697
Taxation		88	59
Other current assets		570	239
		4,979	**4,731**
NON-CURRENT ASSETS			
Property, plant and equipment	13	8,748	6,011
Identifiable intangibles	14	91	34
Goodwill	15	5	6
Investments	18	10	10
Other non-current assets		32	75
		8,886	**6,136**
TOTAL ASSETS		**13,865**	**10,867**

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 24) form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2001 (CONTINUED)

	Note	2001 $'000	2000 $'000
CURRENT LIABILITIES			
Bank overdraft	11	1,393	-
Loans	11	156	142
Trade creditors		768	283
Payables	17	130	180
Distributions payable	7	-	187
		2,447	**792**
NON CURRENT LIABILITIES			
Loans	11	2,356	2,525
Deferred taxation	12	239	115
		2,595	**2,640**
TOTAL LIABILITIES		**5,042**	**3,432**
EQUITY			
Share capital	8	6,709	6,049
Reserves	9	2,079	1,386
Convertible Notes	10	35	-
TOTAL EQUITY		**8,823**	**7,435**
TOTAL LIABILITIES AND EQUITY		**13,865**	**10,867**

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 24) form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2001

	Note	2001 $'000	2000 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from (applied to)			
Receipts from customers		6,551	5,677
Interest received		5	13
Payments to suppliers and employees		(4,938)	(4,652)
Interest paid		(262)	(217)
Taxation paid		(254)	(362)
Net cash flow from operating activities	19	**1,102**	**459**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from (applied to)			
Sale of property, plant and equipment		69	243
Purchase of property, plant and equipment		(2,309)	(2,413)
Purchase of identifiable intangible assets		(4)	(14)
Grower loan advances		1	(39)
Employee share scheme		37	(4)
Net cash flow from investing activities		**(2,206)**	**(2,227)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from (applied to)			
Issue of equity share capital		-	1,419
Loan advanced		-	1,500
Loans repaid		(156)	(163)
Dividends paid		(312)	(280)
Net cash flow from financing activities		**(468)**	**2,476**
Net increase/(decrease) in cash held		(1,572)	708
Cash at beginning of year		179	(529)
Cash at end of year		**(1,393)**	**179**
Comprising: Cash		-	179
Bank overdraft		(1,393)	-
		(1,393)	**179**

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 24) form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001

	2001 $'000	2000 $'000
1. TOTAL REVENUE		
Total revenue comprises:		
Turnover (net of excise duty)	5,316	5,148
2. SURPLUS FROM OPERATIONS		
Included in surplus from operations are the following:		
REVENUE ITEMS:		
Net foreign exchange (gain) loss	5	(1)
EXPENSES:		
Amortisation of goodwill	1	1
Amortisation of identifiable assets	13	11
Bad and doubtful debts		
- Bad debts	-	-
Depreciation*	101	87
Director's fees	88	85
Donations	1	1
Excise duty	397	418
Fees paid to auditors:		
- Audit of financial report	10	10
- For other services	-	2
Operating lease rentals	11	2

*Total depreciation on property, plant and equipment totalled $244,000 (2000:$238,000). $142,000 has been applied to inventories (2000: $151,000).

	2001 $'000	2000 $'000
3. NET FINANCING COSTS		
Interest expense	262	222
Less: Interest revenue	(5)	(13)
Less: Interest capitalised	(85)	(16)
	172	193

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

4. TAXATION

	2001 $'000	2000 $'000
SURPLUS BEFORE TAXATION	1,051	1,089
Income taxation expense calculated at current rate of 33 cents	347	359
Taxation effect of permanent differences		
Other permanent differences	3	3
Taxation expense as reported	350	362
ANALYSIS OF TAXATION EXPENSE		
Current taxation	226	302
Deferred taxation	124	60
	350	362
IMPUTATION CREDITS		
Balance at beginning of year	336	111
Taxation paid	254	362
Attached to dividends paid and bonus issues	(460)	(137)
Balance at end of year	130	336

	2001 cents per share	2000 cents per share
5. EARNINGS PER SHARE	10.2	11.2

The calculation of earnings per share is based on earnings of $701,377 (2000: $726,675) and the weighted average of 6,867,599 ordinary shares in issue during the year (2000: 6,508,023). The earnings per share for 30 June 2000 (reported as 12.4 in the 2000 Annual Report) has been adjusted for comparative purposes for the 1 for 10 bonus issue made on 10 May 2001. Diluted earnings per share have not been disclosed separately as they are not materially different from the basic earnings per share.

6. DIVIDENDS PER SHARE	4.8	4.8

The calculation of dividends per share is based on dividends paid/payable of $331,110 (2000: $311,468) and the weighted average of 6,867,599 ordinary shares in issue during the year (2000: 6,508,023). The dividends per share calculation has been adjusted for $206,163 proposed for the final dividend not included in these financial statements. The dividends per share for 30 June 2000 (reported as 5.3 in the 2000 Annual report) has been adjusted for comparative purposes for the 1 for 10 bonus issue made on 10 May 2001.

7. DISTRIBUTIONS TO OWNERS

	2001 $'000	2000 $'000
2000 interim dividend paid 26/6/00 fully imputed	-	125
2000 final dividend paid 15/12/00 fully imputed	-	187
2001 interim dividend paid 12/4/01 fully imputed	124	-
	124	312

No final dividend has been declared and included in these financial statements. A proposed final dividend of 3 cents per share was approved by the Board on 2 August 2001.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

8. SHARE CAPITAL

	Number of shares issued	2001 $'000	2000 $'000
Balance at beginning of year	6,229,362	6,049	4,630
Share issue	18,000	35	1,454
Bonus shares issued	624,737	625	-
Cost of issue	-	-	(35)
Balance at end of year	6,872,099	6,709	6,049

During the year the Company

- Issued 18,000 ordinary shares on 29 September 2000 at an issue price of $1.95 per share.
- Made a fully imputed bonus issue of 1 for every 10 shares held as at 4 May 2001. The issue made on 10 May 2001, was determined at $1 per share for imputation purposes.

EMPLOYEE SHARE OWNERSHIP SCHEME

An employee share ownership scheme was established by Grove Mill in 1998 to assist employees to become shareholders in the Company. Permanent employees are eligible to participate in the plan following invitation from the Trustees. The issue price of shares under the plan is based on the market price at that time. Shares acquired under the scheme are held in trust until fully paid for. Purchases under the scheme are financed by way of a five year interest-free loan from the Company. The employee share ownership scheme held the following ordinary shares at the end of the year in the names of M A Peters and J H G Milne:

	2001	2000
Shares allocated to employees	8,593	43,518
Percentage of total shares	0.1%	0.7%
Amount not paid up	$8,945	$45,975
Due within 1 year	$2,236	$10,148
Due after 1 year	$6,709	$35,827
	$8,945	$45,975

SHARE OPTION SCHEME

An employee share option scheme was established by Grove Mill in February 2001 for eligible employees to help align incentives with the Company's quoted share value. The Company has restricted the issue of options to the criteria laid down in the NZ Stock Exchange Listing Rules whereby during a 12 month period the maximum number of options and ordinary shares issued to employees is 2% of the total number of ordinary shares on issue at the commencement of that period and during the period of 5 years from the date of issue a maximum of 5% of the total number of ordinary shares immediately preceding the date of issue. The term of the options is for a maximum of 5 years and they may be redeemed at specified periods during October of each year (except for the February 2001 issue) on a phased basis of up to a maximum of one-third cumulative each year. Options will be adjusted on redemption as to the exercise price for any bonus issues and as to volume for any share split or consolidations since the date of issue. Until exercised the options have no voting, dividend or other rights in respect of the shares under option. Shares issued pursuant to the options will rank pari passu with shares already issued except that they will not rank for dividends attaching to shares by reference to a record date falling prior to the date of issue. The options are not disposable or transferable and lapse on cessation of employment except in special circumstances at the discretion of the Directors such as retirement or death of the employee or on change in control of the Company.

Information regarding options granted under the scheme is as follows:

Number of options granted 7 March 2001	65,400	
Issue Price	$1.90	
Percentage of total shares		1.0%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

	2001 $'000	2000 $'000
9. RESERVES		
Revaluation reserve		
Balance at beginning of year	685	-
Revaluation surplus during the year	741	685
Balance at end of year	1,426	685
Retained surplus		
Balance at beginning of year	701	286
Net surplus for the year	701	727
	1,402	1,013
Distributions to owners (Note 7)	(124)	(312)
Bonus issues	(625)	-
Balance at end of year	653	701
TOTAL RESERVES	2,079	1,386

10. CONVERTIBLE NOTES

18,000 convertible notes	35	-

The notes were issued on 29 September 2000, are unsecured and carry a zero coupon. They are convertible on a 1 for 1 basis to fully paid ordinary shares at an agreed value of $1.95 at the time when specified criteria are met under an agreement with the Company.

11. FUNDING

	Interest Rate %	Repayable	2001 $'000	2000 $'000
BANK OVERDRAFT/ (CASH AT BANK)	7.58 % Floating		1,393	(179)
NATIONAL BANK LOANS				
Loan # 1	7.60 % Fixed	20/5/2011	635	698
Loan # 2	7.43 % Floating	15/2/2012	248	262
Loan # 3	7.43 % Floating	19/2/2012	246	269
Loan # 4	8.79% Fixed	2/7/2014	1,383	1,438
TOTAL LOANS			2,512	2,667
TOTAL FUNDING			3,905	2,488

	2001 $'000	2000 $'000
Bank overdraft/ (Cash at bank)	1,393	(179)
Loans due within 1 year	156	142
Loans due after 1 year	2,356	2,525
	3,905	2,488

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

11. FUNDING (continued)

NATIONAL BANK FLEXIBLE CREDIT FACILITY

The Company has a flexible credit facility of $1.7 million on a 90-day rolling bill linked interest rate.

SECURITY

Loan and advances are secured by way of mortgage on land and buildings and a floating charge over the Company's other assets.

12. DEFERRED TAXATION

	2001 $'000	2000 $'000
Balance at beginning of year	115	55
Movements during the year: Timing differences	124	60
Balance at end of year	239	115

13. PROPERTY, PLANT AND EQUIPMENT

FREEHOLD LAND:

	2001 $'000	2000 $'000
At valuation	3,180	1,755
Revaluation surplus	*546*	*152*

LAND IMPROVEMENTS:

	2001 $'000	2000 $'000
At valuation	2,300	1,394
Work in progress at cost	199	-
Total Land Improvements	2,499	1,394
Revaluation surplus	*774*	*453*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

	2001 $'000	2000 $'000
13. PROPERTY, PLANT AND EQUIPMENT (continued)		
BUILDINGS:		
At valuation	1,500	1,201
Revaluation surplus	*107*	*80*
PLANT AND MACHINERY:		
At cost	1,967	1,888
Accumulated depreciation	(595)	(532)
	1,372	1,356
MOTOR VEHICLES:		
At cost	204	293
Accumulated depreciation	(78)	(70)
	126	223
FURNITURE AND FITTINGS:		
At cost	190	176
Accumulated depreciation	(119)	(94)
	71	82
TOTAL PROPERTY, PLANT AND EQUIPMENT	8,748	6,011

Land, land improvements and buildings shown at valuation were valued at market value by Alexander Hayward Limited, registered valuers, on 30 June 2001. Land and buildings are subject to mortgage, (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

Depreciation rates per annum are as follows:

Buildings:	3%
Land Improvements:	4%
Winery Equipment:	5%
Vineyard Equipment:	10%
Fixtures and Fittings:	10%
Motor Vehicles:	20%
Computer Equipment:	25%

	2001 $'000	2000 $'000
14. IDENTIFIABLE INTANGIBLES		
Brands/Trademarks		
At cost	54	51
Accumulated amortisation	(30)	(17)
	24	34
Grape Supply Contract Payments		
At cost	70	-
Accumulated amortisation	(3)	-
	67	-
Total Identifiable Intangibles	91	34

Trademarks are amortised over a period of 7 years and Brands are amortised over a period of 3 years. Grape Supply Contract Payments are amortised over a period of 10 years.

15. GOODWILL

	2001 $'000	2000 $'000
On acquisition of contract processing rights at cost	13	13
Accumulated amortisation	(8)	(7)
	5	6

Goodwill is amortised over a period of 10 years.

16. INVENTORIES

	2001 $'000	2000 $'000
Raw materials	50	81
Consumable stores	17	21
Work in progress	2,506	2,139
Finished goods	434	456
	3,007	2,697

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

	2001 $'000	2000 $'000
17. PAYABLES		
Employee entitlements	65	83
Other accruals	65	97
	130	180
18. INVESTMENTS		
The New Zealand Wine Company Limited is a wholly owned, non-operating subsidiary of Grove Mill Wine Company Limited with no assets or liabilities. No consolidation has been performed as there is no material effect on the Group's position.	10	10
19. NET CASH FLOW FROM OPERATING ACTIVITIES		
Reconciliation of statement of financial performance surplus with net cash flow from operating activities:		
REPORTED SURPLUS AFTER TAXATION	701	727
Non-cash items:		
Depreciation	244	238
Amortisation of identifiable intangibles/goodwill	18	12
Increase in deferred tax	124	60
	1,087	1,037
MOVEMENTS IN WORKING CAPITAL:		
(Increase) in inventories	(310)	(90)
(Increase) in receivables	(83)	(622)
Increase in trade creditors	485	30
(Decrease)/Increase in payables	(78)	93
	14	(589)
ITEMS CLASSIFIED AS INVESTING ACTIVITIES		
Loss on disposal of property, plant and equipment	1	11
Net cash inflow from operating activities	1,102	459

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

	2001 $'000	2000 $'000
20. CAPITAL COMMITMENTS		
Purchase of land for vineyard development	-	993
Warehouse extension	-	231
21. OPERATING LEASE COMMITMENTS		
Not later than one year	113	66
Later than one year and not later than two years	57	67
Later than two years and not later than five years	113	121
Later than five years	468	504

22. FINANCIAL INSTRUMENTS

Currency and Interest Rate Risk

Nature of activities and management policies with respect to financial instruments:

(i) Currency

The Company has exposure to foreign exchange risk as a result of sales denominated in foreign currencies, arising from normal trading activities. Where exposures are certain, it is the Company's policy to hedge these risks as they arise. The notional principal or contract amounts of foreign exchange instruments outstanding at balance date are as follows:

	2001	2000
Forward foreign exchange contracts:	2,274	2,156
Consisting of: - specific hedges	2,141	2,112
- general hedges	133	44

Specific hedges relate to existing or known future transactions. General hedges relate to anticipated future transactions. Exchange differences arising are included in the measurement of the transactions to which they relate.

The cash settlement requirement of forward foreign exchange contracts approximates the notional contract amounts shown above.

(ii) Interest Rate

The Company has long-term fixed rate borrowings which are used to fund ongoing activities. It is company policy to ensure interest rate exposure is maintained on fixed and floating rate bases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

22. FINANCIAL INSTRUMENTS (continued)

Concentration of Credit Risk

In the normal course of its business the company incurs credit risk from trade debtors and transactions with financial institutions.

The Company has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counter parties have been set and approved by the Board of Directors and are monitored on a regular basis.

The Company does not have any significant concentrations of credit risk. The Company does not expect the non-performance of any obligations at balance date.

Fair values

The carrying value of all assets and liabilities are not materially different to their fair value.

23. SUBSEQUENT EVENTS

On 9 August 2001 the Company entered into a Loan Agreement with the National Bank of New Zealand for an additional term loan of $2.5 million. The new loan is repayable by 9/8/2016 and the initial interest rate is a floating bill-priced interest rate of 7.11% pa. In conjunction with the loan draw down, the limit on the Company's flexible credit facility (Note 11) was reduced to $1 million.

No other material events have occurred since balance date.

AUDIT REPORT

FOR THE YEAR ENDED 30TH JUNE 2001

AUDIT REPORT

To the Shareholders of Grove Mill Wine Company Limited.

We have audited the financial statements on pages 8 to 24. The financial statements provide information about the past financial performance of Grove Mill Wine Company Limited (the "Company") and its financial position as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 8 to 10.

Directors' Responsibilities
The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Company as at 30 June 2001 and of the results of its operations and cash flows for the year ended 30 June 2001.

Auditors' Responsibilities
It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand auditing standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out consultancy assignments for the Company. We have no other relationship with or interests in the Company.

Unqualified Opinion
We have obtained all the information and explanations we have required.

In our opinion:
- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 8 to 24:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the financial position of the Company as at 30 June 2001 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 9 August 2001 and our unqualified opinion is expressed as at that date.

Chartered Accountants
Wellington, NZ

COMPARATIVE FINANCIAL REVIEW

FOR THE YEARS ENDED 30TH JUNE

	Note	2001 Audited $'000	2000 Audited $'000	1999 Audited $'000	1998 Audited $'000	1997 Audited $'000
Statement of Financial Performance Data						
Total Revenue		5,316	5,148	4,775	3,489	3,331
Surplus from Operations		1,223	1,282	1,284	849	675
Financing Costs		172	193	158	244	228
Taxation		350	362	374	201	149
Net Surplus for the Year		701	727	752	404	298
Earnings per share (cents)	1	10.2	11.2	11.7	7.1	5.8
Dividends per share (cents)	1	4.8	4.8	3.9	3.2	2.9
Statement of Financial Position Data						
Current Assets		4,979	4,731	3,874	3,816	2,830
Current Liabilities		2,447	792	1,157	1,588	1,576
Working Capital Ratio		2.0	6.0	3.3	2.4	1.8
Non-Current Assets		8,886	6,136	3,486	3,004	2,994
Total Assets		13,865	10,867	7,360	6,820	5,824
Non-Current Liabilities		2,595	2,640	1,287	1,465	1,624
Total Liabilities		5,042	3,432	2,444	3,053	3,200
Total Shareholders Equity		8,823	7,435	4,916	3,767	2,624
Net Surplus % of Average Shareholders Equity		8.6%	11.8%	17.3%	12.6%	11.9%
Total Loans		3,905	2,667	1,859	2,361	2,657
Gearing Ratio %	2	30.7%	26.4%	27.4%	38.5%	50.3%
Shareholder's Equity % of Total Assets		63.6%	68.4%	66.8%	55.2%	45.1%
Number of Shares at year end	1	6,872,099	6,229,362	2,595,567	1,893,035	1,511,442

Notes:

1 Dividends and earnings per share are restated to reflect the 1:10 bonus issues in July 1998, June 1999 and May 2001 and the 2:1 share split in August 1999.

2 Gearing Ratio is Total Loans as a percentage of Total Loans plus Total Shareholders Equity

STATUTORY INFORMATION

FOR THE YEAR ENDED 30TH JUNE 2001

1. INTEREST REGISTERS

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

SHARE DEALINGS IN THE SHARES OF GROVE MILL WINE COMPANY LIMITED

On 10 May 2001 a 1 for 10 bonus issue was made to all shareholders on the register at the close of business on 4 May 2001.

Other share transactions undertaken during the year were as follows:

CP & JD Croft sold 35,600 shares for $67,640 on 28 September 2000

CP & JD Croft purchased 10,000 shares for $16,000 on 19 March 2001

M A Peters Trust A/c purchased 10,000 shares for $16,000 on 15 March 2001

JHG Milne & M A Peters as trustees for the Employee Share Aquisition Sceme transferred the following parcels of shares to employees during the year:

25 August 2000	1320 shares
24 November 2000	550 shares
9 February 2001	528 shares
9 February 2001	32,208 shares
27 June 2001	1,210 shares

TRANSACTIONS	2001 $'000	2000 $'000
Certain Directors have interests in contracts with Grove Mill Wine Company Limited.		
All transactions were at normal commercial rates		
CP Croft (Springlands Tavern and Woodbourne Tavern - purchase of finished product)	11	7
MJ McQuillan (Grove Road Super Liquor - purchase of finished product)	34	35
MA Peters (Peters Doig Ltd - accounting, taxation and consultancy fees)	4	4

STATUTORY INFORMATION

FOR THE YEAR ENDED 30TH JUNE 2001

1. INTEREST REGISTERS

LOANS TO DIRECTORS

No loans to directors were authorised during the year.

INDEMNITY AND INSURANCE

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

2. DIRECTORS' REMUNERATION

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

	DIRECTORS FEES		REMUNERATION AND OTHER BENEFITS	
	2001 $'000	**2000 $'000**	**2001 $'000**	**2000 $'000**
MA Peters (Chairman)	28	27	-	-
PJ McAtamney (appointed Managing Director 29 June 2001)	-	-	78	-
CP Croft	14	13	-	-
JA Jamieson	16	13	-	-
MJ McQuillan	14	13	-	-
JHG Milne	16	16	-	-
M Wisheart	-	3	-	-

Directors who are executives do not receive Director's Fees.

3. EMPLOYEES' REMUNERATION

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

	Number of Employees
$110,000 - $119,999	1

4. DONATION

During the year:

Grove Mill Wine Company Limited made a donation of $1,000 to the Salvation Army for the Blenheim Food Bank (2000: $1,000).

STATUTORY INFORMATION

FOR THE YEAR ENDED 30TH JUNE 2001 (CONTINUED)

5. SHAREHOLDING BREAKDOWN

Shareholding as at 30 June 2001	Number of shareholders	Total shares held	% of share capital
1-999	9	4,933	0.1%
1,000-9,999	73	244,307	3.6%
10,000-49,999	51	1,333,173	19.4%
50,000-99,999	16	1,171,356	17.0%
100,000-499,999	16	3,319,730	48.3%
500,000+	1	798,600	11.6%
	166	**6,872,099**	**100.0%**

Under the Company's Constituition the minimum shareholding is 1000 shares. This minimum limit is waived by the Director's for any permanent staff member with a shareholding in the Company.

6. DIRECTORS' SHAREHOLDING

Shares held at 30 June 2001 (including Beneficial Interests)

	Ordinary Shares	Share Options
CP Croft	451,000	-
JA Jamieson	798,600	-
P J McAtamney	1,100	27,000
MJ McQuillan	109,177	-
JHG Milne*	285,984	-
MA Peters*	340,449	-

*JHG Milne and MA Peters are trustees of the Grove Mill Share Aquisition Scheme and hold 8,593 shares non-beneficially. Half of these shares have been included in the total shareholding of each director.

CONTRIBUTORS

(PERMANENT EMPLOYEES AS AT 30TH JUNE 2001)

Blair Newman	Gill Moore	Peter McAtamney
Colleen Oliver	Jane Trought	Phillipa Dobson-Brown
David Kenny	Jayne Chilvers	Ross Wright
David Pearce	Jessica van Oosterhout	Sara Bateup
David Thomson	Kerry Hammond	Sarah Hennessy

WINE SHOW AWARDS

(FOR THE YEAR ENDED 30TH JUNE 2001)

Royal Easter Show 2001
Gold: Grove Mill Marlborough Chardonnay 1999

Sydney International Wine Competition 2001
Blue-Gold and Top 100 wine: Grove Mill Marlborough Sauvignon Blanc 2000

Old Ebbitt Grill 5th Annual International Wines For Oysters Competition 2000
Gold and Top 10 wine: Grove Mill Marlborough Sauvignon Blanc 2000
Gold and Top 10 wine: Sanctuary Marlborough Sauvignon Blanc 2000

Air New Zealand Wine Awards 2000
Gold: Winemaker's Reserve Marlborough Riesling
1999
Silver: Grove Mill Marlborough Merlot 1998
Silver: Grove Mill Marlborough Chardonnay 1999
Silver: Sanctuary Marlborough Riesling 2000

Liquorland Top 100 2000
Silver: Sanctuary Marlborough Riesling 2000

Dallas Morning News Wine Competition 2000
Gold: Grove Mill Marlborough Pinot Gris 1999
Gold: Sanctuary Marlborough Sauvignon Blanc
1999
Silver: Grove Mill Marlborough Riesling 1999

London International Wine Challenge 2000
Silver: Grove Mill Marlborough Chardonnay 1998

Japan International Wine Challenge 2000
Silver: Grove Mill Marlborough Chardonnay 1998

Since its establishment, Grove Mill has earned gold medals for Sauvignon Blanc, Riesling, Gewurztraminer, Pinot Gris, Chardonnay, Riesling, Cabernet Sauvignon, Cabernet Pinotage and Merlot. Sanctuary has won gold medals for Sauvignon Blanc and Riesling. With 272 medals (comprising 46 gold, 96 silver and 128 bronze) gained in national and international shows since 1991, Grove Mill is one of the very few medium-sized New Zealand companies to have achieved such honours.A full list recent awards can be found on the Grove Mill website: www.grovemill.co.nz.