



THE NEW ZEALAND WINE COMPANY
LIMITED

The New Zealand Wine Company Limited

NZAX Disclosure Document

11 November 2003



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LIMITED

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BRIEF DESCRIPTION OF SECURITIES BEING QUOTED

Ordinary shares in the capital of The New Zealand Wine Company Limited.

The total number of Ordinary Shares on issue is 8,585,586. There are no new Shares being issued as part of the Company's application to list on the NZAX.

The terms of the Shares are not alterable by either the Company or the Shareholders.

DETAILS ABOUT THE ISSUER & SPONSOR

The Issuer

The issuer is The New Zealand Wine Company Limited ("The NZWC" "the Company"), a company registered under the Companies Act 1993, registration number CH 307139, having its registered office at 13 Waihopai Valley Road, Renwick, Marlborough. The Company was formerly Grove Mill Wine Company Limited.

The Sponsor

The Company's NZX Sponsor is Chapman Tripp Sheffield Young, Barristers & Solicitors, 1-13 Grey Street, PO Box 993, Wellington.

Trading of the Company's Shares

Until the opening of the NZAX market on 14 November 2003, the Company is a party to a Quoted Unlisted Securities Agreement with the NZX. This agreement allows Shares to be traded under the code "NWC" on the electronic system owned and operated by the NZX, known as FASTER. "NWC" continues as the trading code on the new NZAX market.

Constitution

The existing (March 2002) full constitution is available from the Company's registered office or may be found on the Company's web site <www.nzwineco.co.nz>.

The NZWC's constitution has been revised to be fully compliant for a listing on the NZAX. The revised constitution incorporates by reference all the provisions of the NZAX Listing Rules as they apply from time to time. In the event of conflict the NZAX Listing Rules shall prevail over the constitution. The revised constitution was adopted on 31 October 2003 at a special meeting of Shareholders, but will only come into effect from the date on which the Company is listed on the NZAX.

The revised constitution is also available on the above web site. Once the Company receives approval to trade its shares on the NZAX on or after 14 November 2003 the previous (March 2002) version will be withdrawn.

Chairman's Report 2003

Appendix I contains the Chairman's Report contained in the Company's Annual Report for the year ended 30 June 2003 covering topics such as last year's results, current strategy and prospects for the forthcoming year. The full Annual Report and Financial Statements for 2003 may be found on the Company's web site <www.nzwineco.co.nz>.

DIRECTORATE AND ADVISERS

Directors

M A Peters (Chairman) CA, MInstD
8 Whitney Street
Blenheim
Marlborough

M J Hunter OBE, B.Ag.Sc, Hon.D.Sc
47 Inkerman Street
Renwick
Marlborough

J A Jamieson FNZIM, MInstD
14 Hamana Street
Takapuna
Auckland

M J McQuillan
12 Nicholson Street
Renwick
Marlborough

J H G Milne MA, BCom, CA, FInstD
9 Upland Road
Kelburn
Wellington

Auditors

Deloitte Touche Tohmatsu
Deloitte House
61 Molesworth Street
Wellington

Bankers

The National Bank of New Zealand Limited
34 Market Street
Blenheim
Marlborough

Registered Office

13 Waihopai Valley Road
Renwick
Marlborough
Telephone +64 3 572 8200
Facsimile + 64 3 572 8211

Share Registrar

Computershare Investor Services Ltd
Level 2, 159 Hurstmere Road
Takapuna
Auckland
Private Bag 92-119
Auckland 1020
Telephone +64 9 488 8700
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Solicitors

Wisheart MacNab & Partners
73 Alfred Street
Blenheim
Marlborough

The NZX Sponsor

Chapman Tripp Sheffield Young
1-13 Grey Street
PO Box 993
Wellington
Telephone +64 4 499 5999
Facsimile +64 4 472 7111

SUBSTANTIAL SECURITY HOLDERS

The Company has two Shareholders who hold 5% or more of the voting securities (Ordinary Shares) of the Company. These Shareholders are:

Mr J A Jamieson, 14 Hamana Street, Takapuna, Auckland	988,268 Shares (11.5%)
Mrs J D Croft, 13 Dillon Street, Blenheim	459,363 Shares (5.4%)

These persons will become "substantial security holders" as defined in the Securities Markets Act 1988 on the Company entering into its Listing Agreement with the NZX and they will then become obliged to file substantial security holder notices with the Company and the NZX under that Act, disclosing their beneficial relevant interests.

TOP 20 SHAREHOLDERS (as at close of business on 17th October, 2003)

	<u>Ordinary Shares</u>	<u>%</u>
1 J A Jamieson	988,268	11.5
2 J D Croft	459,363	5.4
3 M A & V F Peters	402,376	4.7
4 J G & V R Orchard	387,842	4.5
5 W C McDonald & D R Appleby & Anor	337,467	3.9
6 T J & M G Fairhall & Anor	295,116	3.4
7 C & J Sacher	256,000	3.0
8 C M & B W Doig	228,794	2.7
9 R B & D M Thompson	222,362	2.6
10 A W & A Rutledge	216,981	2.5
11 C J C & H C Fletcher	200,000	2.3
12 D & W R Edwards	197,654	2.3
13 L H Wisheart & P J Pepperell	187,982	2.2
14 J H G Milne & D F B Stevenson	154,529	1.8
15 M A Milne & D F B Stevenson	154,529	1.8
16 M J McQuillan	135,107	1.6
17 P I McCallum	123,684	1.4
18 L B McQuillan	119,732	1.4
19 Millennium Trust	105,772	1.2
20 N J & N S Scott	<u>101,153</u>	<u>1.2</u>
Sub-total	5,274,711	61.4
Others (303 Shareholders)	<u>3,310,875</u>	<u>38.6</u>
TOTAL Ordinary Shares on Issue	<u>8,585,586</u>	<u>100.0</u>

DIRECTORS' CURRENT SHAREHOLDINGS (including beneficial interests)

M J Hunter	1,362
J A Jamieson	988,268
M J McQuillan	135,107
J H G Milne*	349,099
M A Peters*	412,911

*JHG Milne and MA Peters are trustees of the NZWC Employee Share Acquisition Scheme and hold 1,021 Shares non-beneficially. Half of those Shares have been included in the total shareholding of each Director.

None of the Directors are also employees of the Company or its subsidiaries.

WINE INDUSTRY, COMPANY PROFILE AND BUSINESS RISKS

The New Zealand Wine Industry

General

The New Zealand wine industry is continuing to build on its outstanding international reputation through selling ever-increasing volumes of top quality, high value wines. Increased demand has given rise to a dramatic increase in grape plantings. The area of producing vineyard is now estimated at 15,479 hectares for the year ended 30 June 2003 (refer table below).

	1999	2000	2001	2002	2003
Producing Area – ha	9000	10197	11648	13787	15479
Marlborough Producing Area – ha	3477	4054	4561	5731	6677

As at 30 June 2003 Marlborough accounted for 43% of New Zealand's total producing vineyard area and is estimated to increase in the 2004 year to 45%. The main grape varieties grown in New Zealand as at 30 June 2003 are approximately (in descending order) Sauvignon Blanc (28%), Chardonnay (23%), Pinot Noir (16%), Merlot (8%), Cabernet Sauvignon (5%), and Riesling (4%) with the balance being other varieties.

Source: New Zealand Winegrowers – 2003 Annual Report (p22)

New Zealand Market

It is estimated that New Zealand wine comprises approximately 46% of total domestic wine sales based on the number of litres sold, the balance being imported bulk and packaged wine. This is up 5% in volume from the previous year – a period in which sales were curtailed by supply constraints. It is believed the scope for increased sales of wine within the New Zealand market is limited with the main increase in demand expected to be in the premium quality sector.

Export Markets

Exports of New Zealand wines comprise approximately 44% of total sales. Exports increased by 14% in value and 18% in volume during the year ended 30 June 2003. Industry forecasts project exports to nearly treble in volume to 73 million litres by 2007.

The major export markets for New Zealand wines are the United Kingdom, USA and Australia (refer table below). Each of these major markets continued to grow during the last year – UK up 3%, USA up 53% and Australia up 31%.

New Zealand Wine Exports

(Million litres)	1999	2000	2001	2002	2003
U.K.	9.0	10.5	9.9	11.9	12.3
USA	1.5	2.5	3.1	3.8	5.8
Australia	2.3	2.4	2.4	3.6	4.7
Other	3.8	3.8	3.8	3.7	4.3
Total	16.6	19.2	19.2	23.0	27.1

Source: New Zealand Winegrowers – 2003 Annual Report (p24)

Note: All factual information on this page has been taken from the New Zealand Winegrowers 2003 Annual Report.

The New Zealand Wine Company Limited (The NZWC, the Company)

Company Description

The NZWC is a fully integrated wine producing operation, growing grapes, making wine, bottling, marketing and selling premium quality wines.

The NZWC group comprises The NZWC as the principal operating company at present with three wholly owned subsidiaries. Grove Mill Wine Company Limited and Sanctuary Wine Company Limited are the respective direct marketing companies for their respective "Grove Mill" and "Sanctuary" brands. In addition, Bedford Road Investments Limited is a dormant company available for strategic opportunities or for land investments.

The Company's 2003 vintage crush at 874 tonnes represents approximately 1.1% of the 76,400 tonnes crushed for the Industry in New Zealand in 2003.

The NZWC's vision is to be:

"A Preferred Supplier of Highest Quality New Zealand Wines to Premium Outlets Globally".

Company History & Development

- Grove Mill Wine Company Limited was established in 1988 as a result of a group of Marlborough grape growers and business people recognising the potential of Marlborough as a premier wine-growing region. To help realise this potential David Pearce was recruited as Winemaker. The Grove Mill Winery was set up in an historic malt-house, a Marlborough landmark for the past 150 years. The malt-house is situated in Blenheim's Grove area and is known as the Old Mill, hence the name Grove Mill.
- The early vintages achieved many wine awards to national and international acclaim. Customer demand and associated sales created the need to increase the winery capacity. With expansion of the historic malt-house limited, 16 hectares were purchased at the current site in Marlborough's Waihopai Valley. The new winery was officially opened by the then Prime Minister, the Right Honourable Jim Bolger, on 3 September 1994. The capacity was designed for processing 500 tonnes (mt) of grapes.
- The Company changed its name from Grove Mill Wine Company Limited to The New Zealand Wine Company Limited on 17 June 2002.
- The Company is currently doubling processing capacity to 2,000 tonnes with emphasis on a modern white wine production cellar. This will enable rationalisation of existing operations for greater production efficiency.
- The overall strategy is to develop the **Grove Mill** brand as the Company's flagship Ultra premium brand sold throughout the world whilst the **Sanctuary** and to a lesser extent **Frog Haven** brands will chiefly service the supermarket distribution as exclusive own label brands in export markets. The Company has two other registered brands, **Blackbirch** and **Lansdowne**, under active consideration for use as part of the Company's brand strategy.
- **Recent Awards Recognition**

The Directors consider the Company's brands to be amongst the most celebrated and recognised from the Marlborough region. The Grove Mill brand has earned the reputation of being progressive, innovative and quality orientated. Since it was established 15 years ago, Grove Mill has consistently earned gold medals and five star

accolades for its Sauvignon Blanc, Chardonnay, Riesling and Pinot Gris wines. The Company's second label, Sanctuary, has also been awarded numerous gold medals. Gold Medal Awards are shown in Appendix II.

Marketing Performance in New Zealand & Export Markets

Domestic Market & Distribution

Despite the New Zealand market being over-supplied and with increasing pressure from cheaper imported varieties, Grove Mill and Sanctuary have built on their domestic sales base.

Domestic distribution is undertaken by Montana Wines Limited.

Export Markets & Distribution

Even from the early stages of Grove Mill's development, it was recognised that export markets would have an important role to play in the future of the Company.

In 1996 Grove Mill secured a supply arrangement with the giant UK supermarket chain J. Sainsbury. This has been a success for both parties and orders have increased annually since then.

Export markets account for 62% of sales. While the Company's main markets remain the UK, US and Australia, new markets in Europe (Ireland, Germany, Sweden, Denmark, Belgium and The Netherlands), in the Americas (Canada, Barbados and Brazil), in Asia (Thailand, Hong Kong and Japan) and in the Pacific (Fiji particularly) are all making significant additional contributions to volume and profits. The Company now exports to a total of 17 countries.

Vineyards and Winery Profile & Plans

- **Vineyard Development & Plans**

The Company sources its grapes from a total land area of approximately 97 ha of owned/leased vineyards and a further 120 ha of Marlborough grapes under contract. Approximately 48% of this area is yet to reach full production. Altogether, grapes sourced from owned/leased vineyards and from growers on per acre agreements and/or long-term contracts comprise approximately 70% of the Company intake. This allows the winery to maintain a high degree of control over quality of intake.

Company Owned/Leased Vineyards

The vineyards owned by the Company are as follows:

Vineyard Name	Location	Total Land Area (Ha)
17 Valley	Redwood Pass Road	32.7
Lansdowne	Old Renwick Road	13.6
Home	Cnr SH63 and Waihopai Valley Road	20.8

In addition the Company has two vineyards under long term lease agreements :

Vineyard Name	Location	Approximate Total Land Area (Ha)
Avenelle	Jacksons Road	6.8
Dowling	Hammericks Road	22.8

Approximately 66% of the Company owned//leased vineyard area is still in the development phase and has not yet reached full production.

Company owned/leased vineyards are in carefully selected locations in Marlborough to take advantage of the different soil and micro climatic conditions of each vineyard site to provide a range of unique characteristics, individually capturing the delicious fruit intensity for which Marlborough is renowned world-wide.

Contract Growers

The Company sources grapes from 15 dedicated contract growers who closely liaise with Company Viticulturist, Doug Holmes, to ensure the Company's grape quality parameters are met for each vintage. The total land area of the Company's contract growers, who are all located in Marlborough, is approximately 120 Ha, of which approximately 35% is yet to reach full production. Three contract growers are on per acre agreements and the remainder are on contract terms ranging from 1 - 11 years (some with renewals currently under negotiation).

- **Existing winery**

The current winery was built in 1994 to enable efficient processing of an increasing tonnage under strict quality control. It is fully insulated and includes a "hot room" (a first for a New Zealand winery) for control of secondary ferments and a bottling hall expanded with a state-of-the-art 2,500 bottles per hour Italian bottling line together with an adjacent warehouse. The original winery design was to process 500 mt however this facility was subsequently increased to a capacity of 1,000 mt.

- **Expansion**

The Company has completed the construction of a new winery building which is part of an ongoing project that will double the size and capacity of the winery to 2,000 tonnes. This will enable fine-tuning of the winemaking process with separate red and white wine fermentation areas, separate finishing area and a purpose built barrel hall. The winery waste management system incorporates the use of a natural wetland area beside the winery, which serves as a nutrient sink. The environmental integrity of this winery waste system is measured by the return of frogs and bird life to the wetland sanctuary.

- **Sanctuary Wetland Area**

The Company's wetland rehabilitation project began in October 1999. Since that time the Company has:

- Reconfigured the pond area to create greater open water spaces and maximise coastline for nesting habitat;
- Eliminated noxious weeds and some exotic plant species;
- Begun an ongoing trapping programme to rid the wetland of predators which are not native to New Zealand such as rats, possums and ferrets; and
- Planted over 4,000 plants including as many plants native to Marlborough as possible. These include flax, cabbage trees, kahikatea, kowhai, sedges, grasses and rushes - plants chosen to provide nesting habitat and food sources for the birdlife.

Grove Mill's ongoing commitment to the wetland includes funding for further development. This will see continued pest control, further planting and, in two or three years time when the plants have had time to fully establish themselves, a boardwalk for visitors to observe the flora and fauna first hand without impacting the wildlife.

The wetland project was awarded the Habitat Enhancement Award at the 2001 Marlborough Rural Environment Awards. The award was presented to Chairman Mark Peters and recognised the continued commitment by the Company to rehabilitate and enhance our wetland.

- **Vine Library**

The Company's winery is the only winery in New Zealand to feature a "Vine Library". The Company has trademarked this concept. This is located adjacent to our modern cellar door tasting area and features rows of vines of each of the varietals we produce and some we do not.

During late summer, wine tasters are able to enjoy the experience of tasting grapes and compare the flavours to that of finished wines supplied at the cellar door.

- **Resource Consents**

The Company has obtained all relevant resource consents for continuing operations for its vineyards and the winery, including the winery expansion. At the date of this Disclosure Document a further resource consent application is currently before the local authority for a variation of area for an existing water right on one of the Company's vineyards.

- **EAN (European Article Numbering) Accreditation**

In August 2003 the Company became the second winery in the world to achieve full EAN Accreditation. The Australasian grocery industry has identified a substantial cost to their businesses through unreadable or poor barcodes. Consequently a requirement exists to have samples of barcodes from all new products entering the Australasian market verified by EAN New Zealand to ensure that they comply with the EAN Standards. EAN Accreditation enables the Company to issue its own barcode verification reports without needing to send barcodes to EAN New Zealand for testing. The decision to attain accreditation was a natural extension of the Company's production & label integrity and quality assurance protocols, and the Company's customer-first focus to ensure seamless delivery and sale of the Company's wines.

Strategies

Principal business strategies are to:-

- Position the **Grove Mill** brand as a preferred provider of highest quality New Zealand wines to premium outlets globally;
- Use the **Sanctuary, Frog Haven** and other brands to support key customer needs for New Zealand wines;
- Utilise the **Innovator** (formerly **Winemakers Reserve**) label for experimental, developmental and pre-commercial specialised wines made from existing and new varietals;
- Expand the winery production infrastructure while maintaining and improving current quality, safety and environmental standards;
- Develop and maintain a diversified portfolio of cost-effective, high quality owned and contracted vineyards producing grape varietals tailored to winery and market demands;
- Build on the performance culture that sets clear Board, management and individual targets, recognising and rewarding the maximising of Shareholder value;
- Expand the Company's existing business base and grow via acquisitions where these fit with existing strategy and add value for all Shareholders.

RISKS

The principal risk to investors is that of being unable to recoup their original investment. This could happen for a number of reasons including:

- the price at which a Share can be sold is less than the price paid for a Share;
- the market for the Shares becomes illiquid or ceases to exist;
- The NZWC is placed into receivership or liquidation (see Consequences – page 19).

If the Company's operational and financial performance is worse than expected, the future market price of the Shares may be less than the price paid for them and returns on the Shares may be less than anticipated.

The NZWC's share price performance is dependent on a number of complex and inter-related factors, any one of which alone or in combination with others could have a material adverse effect on the Company's future results of operations in addition to those contained under the heading "Returns" below. These may be summarised as:

- **Grape yields and Climate**

The quality and quantity of the grape harvest is dependent on seasonal climatic factors such as rainfall, sunshine and temperature, including frosts. Harsh adverse climatic conditions could affect the quantity of grapes available (as for the 2003 vintage) or the quality of grapes and hence marketable quality of and prices received for the Company's finished wines. To mitigate this risk the NZWC has diversified and is further diversifying its grape supplies and vineyards throughout the Wairau Valley. In addition, vineyard managers obtain advance weather forecast information to attempt to take cost-effective measures to protect the vines and otherwise limit the risk from frosts at critical points in the vine maturation process.

- **Dependence on contract growers' supplies**

The Company has a loyal group of contract grape grower suppliers many of whom are also Shareholders. Contract terms require three years notice of change in supply but there is always the possibility of default in growers' performance. To mitigate this risk of loss or delay in finding alternative supplies the Company ensures growers receive best practice viticultural advice and assistance to meet the NZWC's quality standards. As additional mitigation the Company is purchasing new vineyards and has recently entered into a variety of long term leasing arrangements with growers for continuity of quality supplies.

- **Disease and Phylloxera**

There are a number of diseases which can affect grape vines and hence the yield and quality of the eventual harvest. Careful viticultural practice and preventative measures seek to minimise these risks but cannot always be guaranteed to eliminate disease or fungus or the effects of sprays on its crops. A particular risk is phylloxera, an aphid that damages the root system and hence productive capacity of grape vines. Grape vines planted on their own roots are susceptible to phylloxera. All vines in Company vineyards are planted (or have been replanted) on grafted phylloxera resistant rootstock.

- **Key Personnel**

The NZWC is dependent upon the personal efforts, abilities and skills of certain key members of its management team and other dedicated staff. The loss of services of any of these individuals could have an adverse effect on the Company's performance.

To mitigate this risk the Company has instituted short term and long term incentive schemes. The Short Term Incentive Scheme is a Company-wide bonus scheme related to the audited Net Surplus before interest and tax (EBIT) and linked to individual Key Performance Indicators; it also offers specific bonuses for meritorious service. The Long Term Incentive Scheme is currently an employee Share Option Scheme. The Company established the Share Option Scheme in February 2001 for eligible employees, to help align incentives with the Company's quoted share value. The Remuneration Committee is currently reviewing the Share Option Scheme and is evaluating performance based share plans. The Company also provides training to ensure individuals' skills and personal development are enhanced.

- **Resource and Water Supply and Waste Disposal Consents**

The winery can only operate with approved resource consents. These have been obtained for the winery site, post expansion. The Company ensures it holds water rights for all foreseeable demands for the winery and its owned, leased and joint venture vineyards. At the date of this Disclosure Document there is one resource consent application currently before the local authority for a variation in area for an existing water right.

- **Distribution Agreements**

The Company's inland and export destination sales are managed through third party distributors. Performance shortfalls by any distributor could have a material adverse impact on the Company's results. Considerable care and attention is paid to ensuring all distributors receive marketing support from the Company to meet their sales targets or allocations.

- **Exchange Rates**

With up to two-thirds of the Company's revenues being derived from exports, currency fluctuations can have a material impact on financial performance. To mitigate this risk the Company seeks to price export sales in NZ\$ and has one major contract on this basis; otherwise, the Board manages this risk via its "Foreign Exchange Rate Policy Statement" whereby all committed export sales must be covered by forward contracts pending payment. Expected, but non-committed export sales to various export destinations are covered progressively up to 75-80% for up to two years ahead depending also on permitted Bank trading limits. The Board reviews all foreign exchange cover held as a standard monthly operating procedure.

- **Competition**

The wine industry is extremely competitive with respect to price, quality and service. Increasing supplies from New Zealand and overseas dictate that The NZWC's premium quality strategy is to aim to meet highest quality parameters, awards and differentiation in support of its Grove Mill, Sanctuary and Frog Haven brands. To help ensure maintenance of rigorous quality standards all wines produced must conform to the Board's Label Integrity policy.

- **Possible Amendment to New Zealand Accounting Standards – Exposure Draft (ED)-90 Agriculture**

The Institute of Chartered Accountants of New Zealand called for submissions on the above Exposure Draft proposing a new financial reporting standard for agricultural entities like The NZWC. The intention of the proposal is to record in the financial statements the harvest from own-vineyards as revenue at "fair value" (and not at historic cost nor contract prices) and changes in the valuation of vines at full "fair value" within profit. The Board believe that if introduced unamended it is likely that vineyard revenues, profits and taxable income may be overstated in the future, relative to the past. The Company has made an extensive submission on ED-90 to the Institute.

RETURNS

Shareholders' returns on the Ordinary Shares will include all dividends and any distributions declared on or after the date of this Disclosure Document.

Shareholders may also benefit from any increase in the market price for their Shares when they are sold. The market price of Shares may also decline. Some factors that may influence The NZWC share price include:

- The NZWC's future earnings and cashflows;
- The level of supply and demand for The NZWC's branded wines in local and export markets;
- The export net-back price in New Zealand dollars received for export sales;
- The performance of the New Zealand economy and local interest and tax rates;
- General share market trading conditions, confidence and performance;
- Other factors discussed under the heading "*Risks*" above.

The NZWC intends, subject to the Company's profitability and financial position and meeting the solvency test criteria in the Companies Act 1993, to continue its policy of paying dividends twice a year. The interim dividend will be paid in April and final dividend in October in respect of the financial year ended 30 June of that year.

The Company is liable to pay any returns to Shareholders but neither the Company nor the Directors guarantee any returns. No amount of returns, quantifiable as at the date of this Disclosure Document and enforceable by investors, has been promised.

New Zealand taxes may affect the total return to investors. Any dividends will be subject to New Zealand withholding and final taxes but the investor's liability in respect of such taxes may be reduced or satisfied to the extent the dividends have imputation credits attached. Wherever possible, dividends paid by the Company will have the maximum allowable imputation credits attached. In addition, in some cases, any gains on the sale of Shares may be taxable.

The above comments and the descriptions referred to are of a general nature only. They do not constitute legal advice. Investors considering the purchase, ownership or disposition of Shares should consult their own tax advisors concerning the tax consequences of owning Shares in the light of their particular fiscal situation.

Dividend Policy

- During the present capital expansion phase, and subject to considerations such as the timing of capital and working capital expenditures, the financial performance of the Company and the solvency test criteria under the Companies Act, it is the intention of the Board to maximise payment of fully imputed cash dividends each year having regard to the above considerations.
Annual payments are phased approximately 30-40% interim in April and 60-70% final in October in respect of each financial year ended 30 June.
- In general terms, the Board aims for an annual dividend payout ratio of approximately 45%-50%, maintaining progressive (or at least stable) dividend payments through time.

- In the event of accumulation of tax imputation credits, it is also Board policy to transfer these to Shareholders by way of fully-imputed bonus Share issues at intervals of approx. 18-24 months, such as the 1 for 10 bonus issue with record date of 13 September 2002.
- For the benefit of any non-resident Shareholders, the Company will pass, to the maximum extent possible, the equivalent imputation tax credit benefit attached to a dividend paid to a resident Shareholder by way of a “supplementary dividend” paid to non-resident Shareholders so as to offset against their non-resident withholding tax liability (payable by way of a credit under the foreign investment tax credit regime as an off-set against Company income tax) such that the net cash dividend paid to a non-resident equates to that received by a resident Shareholder.
- **Recent Dividend History & Dividend Payments**

Financial Year End	Cents per Share - Pre Bonus'			Dividends	Dividends
	Interim	Final	Total	Per Share*	Paid/Payable \$000
30/06/1999	2	3	5	3.2	\$250
30/06/2000	2	3	5	4.3	\$311
30/06/2001	2	3	5	4.4	\$331
30/06/2002	2	4	6	5.5	\$414
30/06/2003	2	4	6	6.2	\$515

** Dividends per Share are calculated on the amount paid/payable in respect of the year in which they relate and have been restated to reflect the 1:10 bonus issues in July 1998, June 1999, May 2001 and September 2002 and the 2:1 Share split in August 1999.*

Minimum Holding

Minimum holding has the meaning given to that term from time to time in the listing rules governing the NZSX. However the Directors may waive that requirement for employee Share purchases for example arising from the operations of the Employee Share Option Scheme.

Financial Summary

The Summary of the Audited Financial Statements for the six years ending 30 June 1998 to 30 June 2003 is attached as Appendix III.

The Company's auditor partner is Graeme Mitchell of Deloitte Touche Tohmatsu, Wellington.

The Chairman's Reports and the Company's full annual final and interim Financial Statements together with any associated NZX or media statements are posted as soon as released to the NZX on the Company's web site <www.nzwineco.co.nz>

CORPORATE GOVERNANCE

Governance & Directory

The Board is elected by Shareholders to govern The NZWC in their interests and it is committed to good corporate governance practice and compliance with high standards of ethical conduct.

Currently The NZWC has more than 320 shareholders who are represented by the Board, all of whom are shareholders in the Company.

Even when the Company shares were traded on ShareMart, and latterly on the Unlisted Market, the Board has endeavoured to model its corporate governance procedures where practicable as though the Company were trading on the Main Board. The migration to the NZAX has required a review of the Company's constitution. During the current financial year the Board will also be reviewing all its governance policies below to ensure they comply with current best practice and/or the NZX Corporate Governance Best Practice Code (as updated from time to time).

The Board is responsible for the governance, strategic development and business affairs of the Company working through the Chief Executive Officer (CEO) and management team in order to achieve the main objective of securing long term sustainable increase in Shareholder value. The Board exercises its powers on behalf of all Shareholders except for those powers specifically required to be exercised by Shareholders by law, the NZAX Listing Rules or the constitution.

To discharge the above objective the Board's principal responsibilities are:

- reporting to Shareholders and the market and calling statutory meetings;
- reviewing overall Company strategies and the competitive environment;
- reviewing critically the underlying assumptions behind annual budgets and plans, approving such plans and monitoring actual results against agreed budgets, including corrective action required to maintain agreed targets;
- authorising and monitoring strategic investments, other capital expenditures and any new or replacement borrowing facilities;
- ensuring compliance with general and specific industry laws and regulations including Health & Safety, Environment, Wine Industry, Customs and export labelling and general company law requirements surrounding dividend distributions and maintenance of the interests register and other statutory reports;
- approving management appointments and reviewing and approving remuneration and appropriate performance incentives Company-wide and for all staff individually; and
- establishing and reviewing annually specific policy statements for Share trading, release of Company information, label integrity, health and safety, delegation of authorities and foreign exchange cover.

Composition of the Board

Under the October 2003 constitution the minimum number of Directors shall be 3 and the maximum 8 but the Board has the power to increase that number. Not less than two Directors shall ordinarily be resident in New Zealand. At the present time the Board comprises 5 non-executive and independent Directors:

Mark Peters – Chairman

Mark Peters was elected to the Board in 1990 and has been Chairman since 1993. Mark is a Senior Partner in Peters Doig Ltd, a leading local accounting practice. Mark is a Director of the New Zealand Rugby Union and is a past Chairman of the Marlborough

District Council Holdings Limited and the Marlborough Rugby Football Union. He is a Chartered Accountant and Member of the Institute of Directors in New Zealand.

Jane Hunter O.B.E.

Since 1987, Jane has been owner, viticulturist and managing director of Hunter's Wines. In 1993 she received an OBE for service to the wine industry, and she was recently awarded an Honorary Doctorate of Science from Massey University for her outstanding contribution to the industry. She has served on the executive committee of the New Zealand Wine Institute, served as Director for the NZ Wine Guild, and been a member of both the Horticulture & Food Research Institute of New Zealand, and the Prime Minister's New Zealand 2000 Task Force. Jane joined the Board in September 2003 and her directorship was re-confirmed at the September Annual Meeting. In October 2003 Jane won the inaugural international Women in Wine Award at the International Wine and Spirits Awards in London for her long term commitment to Marlborough, New Zealand and wine.

Alton Jamieson

Alton Jamieson was elected to the Board in September 1999. Alton's business career has covered banking, transport and waste management industries. He has been Managing Director of publicly listed Waste Management N.Z. Limited and CEO of Pacific Waste Management Pty Limited, Australia. He has been a director of the Blues Franchise Limited and recently retired as a director of Waste Management NZ Limited after serving as its Chairman for 12 years. Alton is a Fellow of the New Zealand Institute of Management and is a member of the Institute of Directors in New Zealand.

Maurice McQuillan

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

John Milne

John Milne was appointed to the Board in August 1997. John's 34 year career with the Shell Group covered work in New Zealand, London and Asia where he completed his service contract as Deputy Chief Executive and Vice-President Finance & Legal with the Shell Companies in the Philippines. He has held a number of directorships of private companies and state sector entities. He is at present a director of Contact Energy Limited, Independent Member of the Wellington City Council's Audit & Risk Management Board and is Chairman of the He Huarahi Tamariki Trust. He is a Chartered Accountant and Fellow of the Institute of Directors in New Zealand.

The Board & Board Meetings

The Board meets formally each month, but more frequently on an as-required basis and to consider business opportunities with management. In the June 2003 financial year 12 Board meetings were held. Apart from a Board-only session during each meeting with the CEO and/or the finance manager all of the management team then present in Blenheim attend each Board meeting.

Every year the Board meets with the CEO and management team in a separate dedicated strategic planning and review meeting. Otherwise frequent contact is made via email to ensure Directors are fully apprised about the Company's activities.

Remuneration of Directors

Directors fees are approved by an ordinary resolution at the Company's Annual Meeting and at its 26 September 2003 Annual Meeting, a total sum of \$102,000 per annum commencing from 1 July 2003 was approved by Shareholders.

Retirement of Directors

Under the constitution a Director shall automatically retire at the end of the annual meeting on attaining his/her 70th birthday but may be re-nominated with approval of the Board. Otherwise, at least one-third of non-executive Directors retire by rotation each year with any executive Director being included in the numbers for determining retirees for that year.

Directors' Retirement Benefits

Under the new (October 2003) constitution (clause 14.5), the Company may make a payment to a Director or former Director, or his or her dependants, by way of a lump sum or pension, upon or in connection with the retirement or cessation of office of that Director, only if the payment is authorised by an ordinary resolution.

Disclosure of Interests by Directors

The Company maintains an interest register in which the particulars of certain transactions and matters involving Directors must be recorded. Details are outlined in the Annual Report each year.

Formal Communication

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

Board Committees

Effectively, with intended migration to the NZAX, the Board has established two principal sub-committees as working committees responsible for addressing key Board responsibilities:

Audit Committee

The principal responsibilities are acting on behalf of and reporting to the Board:

- To maintain the independence of the external auditor, including audit partner rotation at approximately 6 yearly intervals, review the annual audit plan and the letters of representation and audit management letter and the cost-effectiveness of the annual audit together with the recommended annual audit fee basis;
- To meet with and review the performance of the external auditors;
- To review and make recommendations on financial and accounting policies;
- To review and make recommendations on the statutory annual and half-yearly financial statements together with any other statutory or NZX reporting requirements and the release of any investor or financial information to Shareholders or onto the Company web-site;
- To evaluate the Company's internal control environment and risk identification and mitigation.

The Committee members are John Milne (Chairman), Jane Hunter & Mark Peters. The CEO and finance manager attend committee meetings by invitation.

Remuneration and Nomination Committee

The principal responsibilities are acting on behalf of and reporting to the Board:

- To establish and appraise annual Company-wide, chief executive and management team member objectives and financial and key operational performance targets;
- To oversee and obtain external advice on the competitiveness and appropriateness of remuneration packages, contracts, remuneration policies and bonus or other incentive schemes for all management and staff;
- To review the Company's Share Option Scheme and periodically recommend alternative long term performance based incentives plans;
- To periodically review the fees payable to Directors;
- To review the size, composition and experience or qualification criteria for Board membership and to consider the re-appointment of any retiring Director.

The Committee members are Alton Jamieson (Chairman), Maurice McQuillan & Mark Peters. The CEO and/or finance manager attend committee meetings by invitation.

Share Trading Policy

No Director or management team member (as part of their employment contract) is permitted to trade the Company's shares when in possession of market price sensitive information. Prior to any intended trade any Director or management team member must advise and obtain approval of the Chairman and/or the Board. Directors and management may trade Shares only during approved "trading windows" established after release of the Company's half yearly and annual report and financial statements.

Continuous Disclosure

The Company's "Release of Information" policy statement and procedures require continuous disclosure to the market of all relevant information material to the price or value of its shares in order to comply with the NZX continuous disclosure obligations.

Shareholder Contact

The Company is committed to communicating regularly with Shareholders and providing meaningful information about the Company's corporate proposals, business affairs and general future strategies and plans – as well as providing opportunities as Shareholders to obtain early availability under strict criteria for any of the Company's products.

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

Management & Corporate Policies

The Board has delegated to the CEO, the conduct of the day-to-day affairs and management responsibilities of the Company.

Below the CEO there is a defined organisational structure with clear lines of responsibility and delegation of authority. Management responsibility is supplemented by a number of written Policy Statements.

The Management team develops for Board consideration the Company strategy and strategic options as well as implementing the agreed annual business plan. Management is responsible for continually improving the quality of viticultural and oenological practices and for development of recommendations for annual Board approval on Policy Statements for Wine Composition/Label Integrity, Delegated Powers of Authority, Occupational Health & Safety, Foreign Exchange and Internet and Email Use.

- **Rob White** is the Chief Executive Officer. Rob joined the Company in July 2003. He has been Managing Director of Goodman Fielder Milling Australia, CEO of Meadow Lea Foods, Business Manager of Heinz Watties and Marketing Manager of Tip Top Ice Cream. He has also held sales and marketing roles in the UK and New Zealand in the plastics and food industries. He is a highly successful CEO with a demonstrated record of achieving strong revenue, profit and brand share growth with large manufacturing businesses.
- **David Pearce** is the Winemaker and Production Manager. He has achieved distinction as one of New Zealand's most talented and innovative winemakers. Dave celebrated 15 years service with the Company in August this year. Kerrie Stronge is the Assistant Winemaker.
- **Doug Holmes** joined Grove Mill in November 2001 as Company Viticulturist responsible both for liaison with the Company's valued and dedicated contract growers and for the management and development of the Company's vineyards. Doug brings to the Company an in-depth knowledge of local soils and climates gained from more than 10 years experience as a Consultant Viticulturist in the Marlborough region. Craig Young makes up the Vineyard Management team.
- **Dave Kenny** joined the Company in May 2001 as Sales Manager for the Domestic Market and has recently been promoted to Sales Manager for markets in Oceania and the USA.
- **Jane Trought** is the Finance Manager. Jane joined the Company in August 1999 and has extensive knowledge and experience in the Australasian wine industry. She is a Chartered Accountant in New Zealand and a Certified Practising Accountant in Australia.
- After at least one year's work experience, all permanent staff may participate in the Company-wide Bonus Scheme. This is related to the audited Net Surplus before interest and tax and linked to Management function Key Performance Indicators
- An Employee Share Option Scheme was established by the Company in February 2001 for eligible employees, to help align incentives with the Company's quoted share value. The Company has restricted the issue of options to the criteria laid down in the NZSX Listing Rules. As at 3 November 2003 there were 100,516 options outstanding, equivalent to 1.2% of the Company's total shares on issue.
- The Remuneration Committee is currently reviewing the Share Option Scheme and is evaluating performance based share plans.
- In addition, the Company encourages all permanent staff to hold shares in the Company and thereby have a personal stake in its performance.

CONSEQUENCES OF INSOLVENCY

- **Statement about liability on insolvency**

Shareholders will not be liable to pay any money to any person as a result of the insolvency of the Company.

- **Priority of Claims**

Loans and advances from The National Bank (the Company's Banker) are secured by way of a mortgage on land and buildings and a floating charge over the Company's other assets. These loans and advances will rank ahead of claims of Shareholders.

CONTACT FOR ENQUIRIES

The Chairman,
C/o The New Zealand Wine Company Limited,
13 Waihopai Valley Road,
PO Box 67
Renwick, Marlborough.
Phone: +64 3 572 8200
Fax: +64 3 572 8211

ANNUAL INFORMATION AVAILABLE

Annual Report

The most recent Annual Report and audited accounts for the financial year ended 30 June 2003 were sent out to all Shareholders on 27 August 2003, and may be inspected free of charge during normal business hours at The NZWC's registered office at 13 Waihopai Valley Road, Renwick, Marlborough, or may be accessed on the Company's website <www.nzwineco.co.nz> or the NZAX website <www.nzx.com/nzxmarket/NZAX>.

Ongoing Reports to Shareholders

All Shareholders on the relevant record dates, are entitled to receive and will be distributed certain information relating to the ongoing performance of the Company in accordance with the Companies Act 1993 and the Financial Reporting Act 1993. This information includes the Annual Report, containing The NZWC's audited financial statements, and the Half Yearly Report, containing unaudited half-year financial statements.

The annual general meeting of Shareholders is traditionally held during September following the close of each financial year on 30 June.

ON REQUEST INFORMATION

Under Section 54B of the Securities Act 1978, the Company is required to supply Shareholders with the following documents and information on request:

- Copy of the most recent annual report and financial statements of the Company, together with all documents that are required to be registered with those financial statements under the Financial Reporting Act 1993;
- Copy of the most recent prospectus relating to shares in the Company;
- Copy of the most recent investment statement relating to shares in the Company;
- Comparison of actual returns to the Company against any projected returns contained in a prospectus.

Such request should be made in writing to the Company and posted to:

The Directors
The New Zealand Wine Company Limited
13 Waihopai Valley Road,
PO Box 67,
Renwick, Marlborough.

The Company's constitution is also available on request, please refer to the heading "*Constitution*" on page 2 for further details.

A reasonable fee for photocopying and postage expenses may be charged.

APPENDIX I

Chairman's Annual Report – June 2003

FIFTEENTH YEAR RESULTS

The 2003 Financial Year – The Company's fifteenth year of operations - produced a record tax paid surplus of \$1,081,000 representing an increase of 7.7% over the 2002 result. This came from a 9.3% increase in gross revenue to just over \$7.4 million. At the half year point the company was on track for a significantly higher growth in net profit only to find that the Marlborough wide – and indeed nation wide – reduction in vineyard yields very much affected the second half year. Our own vineyards' lower yields had a negative effect on the Company's profit result and also contributed to a lower overall intake. Grape yield, together with the contribution from our valuable contract growers, totalled 874 tonnes compared with our record harvest of 1,227 tonnes in 2002. While the 2003 vintage was lower than anticipated we have been able to carry some 2002 Sauvignon Blanc through to ensure that we have sufficient Sauvignon Blanc, along with Chardonnay and Pinot Noir, to satisfy the needs of all our customers for the 2003/4 year. With a higher overall average Grove Mill brand production from 2003 (compared with Sanctuary brand) we do have a reasonable stock of our products for 2003/4.

During the year we have seen good demand through all markets for both Grove Mill and Sanctuary Sauvignon Blanc and these have been once again received as high quality products through both domestic and export markets. It does have to be said however that some other varieties have had some disappointing results in the domestic market where although Pinot Gris has been virtually sold out, sales of gold medal quality products such as Chardonnay and Riesling and silver medal quality products such as Pinot Noir have not reached expectation in the domestic market. The Board and Management will be working hard on this for next year and we have already seen encouraging signs of export sales growth in some markets for these products. With the current high New Zealand dollar the Board are of the view that we need to grow the domestic percentage of our overall sales at least in the short term. During the 2003 Financial Year export sales totalled \$4,607,000 or 62% of total sales, while domestic sales totalled \$2,800,000 or 38% of total sales. The comparative 2002 results were 64% export sales and 36% domestic sales. All of us in the Company are particularly excited by the performance to date of our new United States agents, Palm Bay Imports. They were appointed in February 2003 and in a short time have shown excellent results and potential for good sales growth in that important market. New distributors in other markets such as Ireland, Germany, Belgium, Holland, Scandinavia and Western Australia are looking promising while longer term distribution partners in Australia (Eastern States) and the United Kingdom continue to perform well. The Company does want higher penetration in the important Restaurant market in the United Kingdom and we are currently formulating our strategy to sell our wines on wine lists in highly regarded UK Restaurants.

STAFF

In March our Managing Director Peter McAtamney came to the conclusion that living in Blenheim with his wife living in Sydney was something that could not continue and he decided to return to Sydney. We thank Peter for his efforts on behalf of the Company over the past two and a half years and wish him well for the future. After an exhaustive search process, in which Sheffield and Associates were an invaluable assistance, the Board have appointed Rob White as the new CEO of the Company. Rob comes to us with an impressive Management and Marketing background and takes up office at the end of July 2003. In the period between Peter's departure and the end of the Financial Year the remainder of the Management team, along with their staff, put in a tremendous effort and I, along with the entire Board, thank everyone for their excellent work. As Chairman I took an interim Executive role and was very impressed by the whole Management team performance – David Pearce our long serving and extraordinarily talented Winemaker not only oversaw a difficult vintage, worked tirelessly on the winery project but also contributed well to the regular

Management team meetings held. Jane Trought took on extra responsibility after Peter's departure yet continued to produce highly professional financial information in a prompt and very efficient manner. Colleen Oliver completed her own work in a very efficient manner and took on at short notice a very important but exhausting trip to attend the London Wine Trade Fair as well as discuss distribution with our agents in Asia, Europe and the UK. Dave Kenny had to work through all of the New Zealand distribution relationships as well as spend considerable time very successfully on both the East and West coasts of Australia and the United States. Each one of these staff members are to be commended along with their teams, for the smooth operation of the Company after Peter's departure. Also on this list it should be noted that Company Viticulturist Doug Holmes and his Vineyard Management team have worked tirelessly through a difficult harvest year and a year when the further development of the Company Vineyards has been carried out as well. The Company is well served indeed by its staff and Rob White will have the basis of a competent and focussed team once he takes up his role.

STRATEGY AND GROWTH

The Board and Management continue to review and plan the Company's overall strategy. During the year the new white wine winery facility was completed on time and within budget, and while the eventual 2003 harvest volume did not test the facility at all, it will be a wonderful high tech asset for the Company's future wine making process. It is pleasing to note that the new winery received the Contact Energy supreme prize for technical excellence at the recent ECANZ Awards.

In terms of future strategy, the Company's Five Year Plan will have its annual review later in the year with focus on quality products from vineyard to wine bottle, quality processes, innovative marketing and quality distribution channels through all markets. This and continued brand building are key parameters. Much of the 2003 production will be in the relatively new and successful Stelvin closures.

It is very interesting to note that in addition to the tax paid operating profit added to Company Reserves we have also seen an increase in the value of the Company's land and improvements by over \$3 million. This has really come about as a result of the Board keeping its nerve over recent years when needing to have increased vineyards under its ownership but in refusing to pay the high market prices for developed vineyards. Our strategy has been to carefully select appropriate sites and developing them ourselves which has given slower growth of Company production vineyards but for which the benefit is a very large growth in Shareholders' value as assessed by the independent valuer's reports.

While the 2003 harvest will slow down growth for twelve months the Company remains very much on track for reaching planned levels of production and sales. We have a valuable group of Contract Growers along with our own vineyards now nearly all fully developed. We have entered into a conditional contract to purchase an additional area of land adjacent to our very promising 17 Valley site which will add to that development.

The continued high New Zealand dollar remains of most concern – though the Company does have satisfactory forward cover for most export sales until late 2004. We continue to monitor the situation and will move to take further forward cover as the New Zealand dollar comes off its present highs.

SHARE LIQUIDITY

During the year the Company made a one for ten fully imputed bonus issue and a fully subscribed one for eight renounceable rights issue and at year end had 8,583,452 shares on issue. Along with the decline in most share markets and with some negativity about the 2003 yields the Company's share price has seen some falls in recent months. Prospects remain good for the New Zealand Wine Industry, which includes our Company, as long as we continue the emphasis on quality. This must never be compromised. It is also interesting to

note that at balance date the net tangible asset backing – without any Brand Value – of the Company shares was just over \$1.90.

Shareholders will recall the visit to the 2002 AGM of Geoff Brown from the NZ Stock Exchange on the proposed new AX Market. I expressed some frustration in the half year report about apparent slow progress. At the time of writing the NZX is still considering the final form of the rules governing the NZAX internally and with the Securities Commission. Once these are published the Board will consider the best option available to enhance shareholder value and share liquidity. The options will be to graduate to the NZAX in our present form or to seek a waiver from the NZX to apply to join the main board, being the NZSX. If the latter occurs it would necessitate a special meeting to upgrade our Constitution. If we do choose to go with the AX proposal this is likely to occur in November 2003, and we would be a founder participant in the NZAX. In the meantime, your Board is ensuring all its corporate governance practices are compatible with best practice and the new full NZSX listing criteria, regardless of which option is eventually chosen. Whichever course is taken, our Shareholders will finally have a better market for buying and selling Company shares and should produce a more accurate reflection of the market value of the Company shares on an ongoing basis.

THE NEXT YEAR

As said at the beginning of this report we have been able to hold through some 2002 Sauvignon Blanc stocks which should ensure that we achieve a satisfactory result for the 2004 financial year – and in fact we'll have more of such stock to sell than in 2003. However with production levels not reaching expectation – affecting our economy of scale for 2003 products – and having to pay higher prices for 2003 grapes due to the supply/demand situation, we will have to be content with rather a flat 2004 result when it is expected that the profit result should overall be within a tolerable margin to 2003 and in all likelihood quite similar to 2002. The Board consider this to be a satisfactory outcome from a vintage that produced around 29% less fruit than 2002. The end result will be reliant upon efficient sales and marketing distribution and we are confident that such a result will be able to be achieved. One factor from 2004 for which the financial benefit will not be realised until the 2005 financial year will be the increased yield from Company owned vineyards that are now close to full production. Company Accounting Policies and FRS Standards require the profit by way of reduced cost per tonne of the higher production from Company vineyards to be carried forward as cost of work in progress to the following year. With my usual provision of 'weather pattern permitting', 2005 looks to be a year with potential for considerable growth in Company earnings.

ED 90

In successive annual reports I have referred to Board concerns about the introduction of the proposed ED 90 accounting standard. It remains controversial since it involves, Enron style, recording of unrealised, even unrealisable, gains, with potential for taxation on those gains. Your company made a vigorous representation on ED 90. We were heartened to find that there were a record 229 submissions, virtually all against the proposed standard. In view of uncertainty about this matter the Board has maintained the conservative accounting policies of the past.

IN CONCLUSION

There are some interesting times ahead for the Company and indeed the whole industry in Marlborough and New Zealand along with some challenges. Production is growing, the New Zealand dollar is currently strong, there is plenty of competition from other wine producing countries, and the important UK market is having some of its own economic difficulties at present. However a well managed, well run, well focused Company keeping its costs under control, its quality of production at high levels and its marketing and brand building highly

efficient, has a great future. We intend to be at the cutting edge of those companies and while we consolidate our own position we shall expect there will be opportunities at some time in the possible acquisition process.

Consistent with the Board's decision to reward its Shareholders we are recommending a fully imputed final dividend of 4 cents per share – taking total dividends for the year to a fully imputed 6 cents per share. With the bonus issue made during the year this does represent a growth in dividends paid of around 8.8%.

It is with much sadness that I reflect that in the past twelve months two previous Directors of the Company passed away – Peter Croft a founding Shareholder, Director, and former Chairman of the Company who retired in 2002 and Mervyn Wisheart who retired from the Board in 1999. Both Peter and Mervyn had given valuable input into their roles and our sincere sympathy goes to Joy and Loris respectively along with all of their families.

Finally, a sincere thanks once again to a small but highly focused and efficient Board who have supported me fully and worked very hard on the governance role for the Company – Alton Jamieson, Maurice McQuillan and John Milne. The Company is well served by its Board and Management.

APPENDIX II

Gold Medal Awards to August 2003

Variety	Vintage	Wine Show	
Grove Mill			
Cabernet Sauvignon	1990	Air New Zealand Wine Awards	NZ
Cabernet Pinotage	1989	Royal Easter Show of Champions	NZ
Chardonnay	1989	Royal Easter Show of Champions	NZ
		Sydney International Wine Show Top 100	Aus
	1992	Intervin International	Can
		ACI National Wine Show of Australia 1993	Aus
	1996	Sydney International Wine Show Top 100	Aus
		Sydney International Wine Show Top 100	Aus
	1998	Top 100 Liquorland Int. Wine Show	NZ
	1999	New Zealand Wine Society Royal Easter Show	NZ
2000	New Zealand Wine Society Royal Easter Show	NZ	
2001	International Chardonnay Challenge	NZ	
Gewürztraminer	1994	Romeo Bragato Wine Competition	NZ
Merlot	1994	Romeo Bragato Wine Competition	NZ
Pinot Gris	1999	New Zealand Wine Society Royal Easter Show	NZ
	2002	Dallas Morning News Wine Competition	USA
		New Zealand Wine Society Royal Easter Show	NZ
Riesling	1992	Air New Zealand Wine Awards	NZ
	1993	Air New Zealand Wine Awards	NZ
	1994	Romeo Bragato Wine Competition	NZ
	1996	The World Wine Championships	USA
	1997	Top 100 Liquorland Int. Wine Show	NZ
	1999	Air New Zealand Wine Awards	NZ
2001	Air New Zealand Wine Awards	NZ	
Sauvignon Blanc	1992	ACI National Wine Show of Australia 1992	Aus
		ACI National Wine Show of Australia 1993	Aus
		International Wine & Spirit Competition	UK
	1993	WINPAC Wine Show	HK
		Liquorland Royal Easter Show	NZ
	1996	Sydney International Wine Show Top 100	Aus
		The World Wine Championships	USA
		WINPAC Wine Show	HK
		Liquorland Royal Easter Show	NZ
	1997	Sydney International Wine Show Top 100	Aus
		International Wines For Oysters Competition	USA
		Sydney International Wine Show Top 100	Aus
	1998	Air New Zealand Wine Awards	NZ
		Liquorland Royal Easter Show	NZ
		Tasters Guild International Wine Show	USA
		International Wines For Oysters Competition	USA
1999	Cincinnati Wine Festival	USA	
	Sydney International Wine Show Top 100	Aus	
2000	International Wines For Oysters Competition	USA	
	New Zealand Wine Society Royal Easter Show	NZ	
2001	New Zealand Wine Society Royal Easter Show	NZ	
Sanctuary			
Riesling	1998	Air New Zealand Wine Awards	NZ
	1999	Top 100 Liquorland Int. Wine Show	NZ
	2000	Top 100 Liquorland Int. Wine Show	NZ
	2001	New Zealand Wine Society Royal Easter Show	NZ
Sauvignon Blanc	1999	Dallas Morning News Wine Competition	USA
	2000	International Wines For Oysters Competition	USA

APPENDIX III

The New Zealand Wine Company Ltd – Summary Financial Information

	Note	Years ended 30 June					
		2003 \$000s	2002 \$000s	2001 \$000s	2000 \$000s	1999 \$000s	1998 \$000s
Statement of Financial Performance Data							
Total Revenue		7,407	6,777	5,316	5,148	4,775	3,489
Surplus from Operations		1,835	1,752	1,223	1,282	1,284	849
Financing Costs		-212	-237	-172	-193	-158	-244
Surplus before taxation		1,623	1,515	1,051	1,089	1,126	605
Taxation		-542	-511	-350	-362	-374	-201
Net Surplus for the Year		1,081	1,004	701	727	752	404
Earnings per Share (cents)	2	13.1	13.3	9.3	10.1	9.6	7.1
Dividends per Share (cents)	3	6.2	5.5	4.4	4.3	3.2	3.2
Statement of Financial Position Data							
Current Assets		7,822	6,375	4,979	4,731	3,874	3,816
Current Liabilities		2,508	2,934	2,447	792	1,157	1,588
Working Capital Ratio		3.1	2.2	2.0	6.0	3.3	2.4
Non-Current Assets		18,235	12,253	8,886	6,136	3,486	3,004
Total Assets		26,057	18,628	13,865	10,867	7,360	6,820
Non-Current Liabilities		7,165	4,936	2,595	2,640	1,287	1,465
Total Liabilities		9,673	7,870	5,042	3,432	2,444	3,053
Total Shareholders Equity		16,384	10,758	8,823	7,435	4,916	3,767
Net Surplus % of Average Shareholders Equity		8.0%	9.3%	8.6%	11.8%	17.3%	12.6%
Total Loans		6,795	4,754	3,905	2,667	1,859	2,361
Gearing Ratio %	4	29.3%	30.6%	30.7%	26.4%	27.4%	38.5%
Shareholder's Equity % of Total Assets		62.9%	57.8%	63.6%	68.4%	66.8%	55.2%
Total Shares at year end (000s)	2	8,583	6,894	6,872	6,229	2,596	1,893

Notes

- 1** The above financial data has been derived from the audited financial statements of The New Zealand Wine Company Limited (formerly Grove Mill Wine Company Limited).
- 2** Dividends and Earnings per Share are restated to reflect the 1:10 Bonus issues in July 1998, June 1999, May 2001 and September 2002 and the 2:1 Share split in August 1999.
- 3** Dividends per Share are calculated on the amount paid/payable in respect of the year to which they relate.
- 4** Gearing Ratio is Total Loans as a percentage of Total Loans plus Total Shareholders Equity.

APPENDIX IV

GLOSSARY

Board means the board of directors of the Company.

Company means The New Zealand Wine Company Limited.

Directors mean the directors of the Company.

Disclosure Document means the Disclosure Document approved and issued by the Company dated 11 November 2003.

EAN means European Article Numbering protocols for bar-coding on packaging and consumer products.

EBIT means Earnings Before Interest and Tax.

FASTER means the electronic system known as FASTER (fully automated securities trading and electronic registration) for clearing and settling trades and electronically transferring securities which is owned and operated by the NZX.

NZAX means the New Zealand Alternative Market organised by the NZX.

NZSX means the New Zealand Stock Exchange organised by the NZX.

NZX means New Zealand Exchange Limited.

Ordinary Shares means the fully paid ordinary shares issued by the Company.

Share means a fully paid ordinary share issued by the Company.

Shareholders means holders of Ordinary Shares issued by the Company.

The NZWC means The New Zealand Wine Company Limited.