THE NEW ZEALAND WINE COMPANY
LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

THE NEW ZEALAND WINE COMPANY
LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

The Directors of The New Zealand Wine Company Limited (NZWC) present their 2010 full year operating results and Annual Report for the 12 months ended 30 June 2010. NZWC audited financial statements for the Annual Report have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Operating Results

Last year Directors predicted that - *"Over the course of the next year the NZ wine industry may well face its most challenging period ever…..".* Sadly that has proved correct and the Operating Results for the past year need to be seen in context to both the Global Financial Crisis and the significant grape oversupply that the NZ wine industry has had to deal with.

NZWC net earnings for the 30 June 2010 full year resulted in an audited net loss after tax of ($1,898,000) which represents a significant negative turnaround from the $1,283,000 net profit reported for the same period in 2009. A number of significant NZ IFRS non cash revaluation adjustments at balance date contributed to the net loss after tax of ($1,898,000), which are summarised below, and are detailed in the Annual Report Financial Statements and in the accompanying Notes to the Financial Statements.

The underlying loss before interest, NZ IFRS revaluation adjustments and income tax for the 30 June 2010 full year of ($46,000) is also lower than the $571,000 underlying profit reported for the same period in 2009, and is detailed in the Annual Report Income Statements and the accompanying Notes to the Financial Statements.

Income Statement Summary - $'000	**12 months 30 June 2010**	**12 months 30 June 2009**
Revenue	**$13,047**	**$12,518**
Underlying profit/(loss) before NZ IFRS revaluations and income tax	**($ 46)**	**$ 571**
Revaluation gains and losses		
Unrealised 'mark to market' gain/(loss) in the fair value of financial assets/liabilities – held for trading	($ 396)	$ 2,580
Unrealised loss from the revaluation of grape vine values classified as biological assets	($ 1,383)	($ 726)
Unrealised loss in the value of harvested grapes valued at fair value	($ 306)	($ 366)
Realised gain/(loss) in the value of harvested grapes valued at fair value	$ 96	($ 216)
Profit/(loss) before income tax	**($ 2,035)**	**$ 1,843**
Income tax expense	$ 763	($ 560)
Income tax expense – change in depreciation of buildings	$ (626)	$ -
Profit/(loss) for the period	**($ 1,898)**	**$ 1,283**

The "income tax expense – change in depreciation of buildings" adjustment of $(626,000) shown in the Income Statement results from the increase in deferred tax liability as a result of the Government's 2010 Budget tax measures which removed the depreciation deductions for buildings with an estimated useful life of 50 years or more from the 2011/12 tax year. The deferred tax liability adjustment is a one-off, non-cash accounting entry and has no impact on the company's underlying profitability, cash-flows or dividend policy.

Basic earnings per share were negative at (21.9) cps for the 30 June 2010 full year with the comparable earnings per share for the 2009 year being 14.8 cps.

Net cash flow from operating activities improved in 2010 through increased revenue, cost reductions and reduced inventory to be strongly positive at $1,793,000.

With 8,677,199 shares on issue as at 30 June 2010 year end, net tangible asset backing was $2.15 per share compared to the equivalent $2.53 per share reported for the same period in 2009.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Revenue
NZWC total revenue for the 30 June 2010 full year was $13,047,000 which represents a 4% increase on the $12,518,000 reported for the same period in 2009.

186,000 case sales equivalents were sold in the June 2010 full year compared to the 190,000 for the same period in 2009. 20% of NZWC 2010 case sales equivalents came from bulk wine sales and revenue was constrained by market impacts flowing from the high level of New Zealand bulk wine sales. NZ Winegrowers have reported that bulk wine shipments contributed 27% of the total New Zealand export wine volumes in 2010.

NZWC took the opportunity in November 2009 to close out a portion of its NZD/USD forward exchange book for the 2011-2014 financial years after considering advice from its treasury management adviser and revenue includes the realised foreign exchange cash benefit of NZ$1,073,000.

Shareholders Balance Sheet Equity
Total shareholders' equity as at 30 June 2010 was $18,628,000, a reduction of $3,310,000 compared to the equivalent $21,938,000 reported for the same period in 2009.

Property valuations have had a significant negative impact on shareholders' equity as they were impacted by lower grape prices which had a flow on impact to the market values of vineyard and winery assets. Directors commissioned a June year end valuation report from Alexander Hayward Limited to ensure that the valuations of the company properties reflect current market conditions.

As at 30 June 2010 the total valuation of all company vineyard and winery property assets was $16,910,000 which was $2,605,000 or 13% lower than the 30 June 2009 valuation of $19,515,000. The ($2,605,000) reduction in property values has been taken up in the financial statements as:

- ($1,383,000) through the Income Statement as an unrealised loss on biological assets
  {Note 20 Biological Assets – a reduction in the valuation of grape vines}
- ($1,261,000) through the Statement of Financial Position as a reduction in Reserves in Equity
  {Note 19 Property Plant and Equipment – a reduction in the valuation of land, buildings and land improvements excluding grape vines}
- $39,000 through the Statement of Financial Position in various asset accounts.

The $2,605,000 write down of company vineyard and winery property assets was the key contributor to the $3,310,000 reduction in shareholders equity detailed in the statement of changes in equity.

Banking Covenants
NZWC is in full compliance with its ANZ National Bank Limited Financial Covenants, notwithstanding the reduction in the value of the company vineyard and winery property assets. Directors are confident that NZWC will remain in full compliance for the year ended 30 June 2011.

Oversupply of Grapes and Bulk Wine Sales
The large 2008 and 2009 grape harvests produced an oversupply of wine estimated by NZ Winegrowers to have peaked at 43 million litres of bulk wine in 2009. The impact of discounted bulk wine sales on traditional global branded wine sales has became a millstone around the neck of the New Zealand wine industry. Among the problems created by the oversupply of wine are:

- Significant increases in bulk wine export sales
- Bulk wine being sold at less than the cost of production
- A disproportionate increase in the level of 'Own Brand' Grocery Multiple wine sales
- Falling retail prices of branded bottled wine

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Oversupply of Grapes and Bulk Wine Sales (Continued)

- Falling per tonne prices of grapes
- Falling land and planted vineyard valuations
- A threat to the Marlborough Sauvignon Blanc brand

The financial sustainability of the New Zealand wine industry has been severely tested by the high level of bulk wine sales, which rose from 20% of total New Zealand export sales in the June 2009 financial year to 27% (38 million litres) in the June 2010 financial year. To put the 2009 and 2010 bulk wine sales into perspective they compare with 2008 bulk wine sales at 5% of total New Zealand export sales.

The departure by the NZ wine industry from the basic fundamentals of building strong branded wine sales, in order to satisfy short term cashflow requirements, has damaged Brand Marlborough and Brand New Zealand wines.

The sheer volume of bulk wine sales at 27% of total export sales in 2010 created significant short term opportunities for a number of substantial global companies who have been able to buy surplus bulk wine at low prices, in some cases significantly less than the cost of production, to become competitors who created new bottled wine labels with no history or brand equity that significantly undercut the branded wine export prices of New Zealand wine companies.

The only sustainable solution for the NZ wine industry is to balance the supply of grapes harvested with demand for New Zealand branded wine to ensure that large surpluses of bulk wine are not produced on an ongoing basis.

It is a positive for the future of the NZ wine industry that the accumulated bulk wine surplus is reducing and that bulk wine prices have recently been increasing above 2009 levels.

Directors believe that the New Zealand wine industry needs to continue to act with restraint to limit the 2011 grape harvest to be in a position to balance the supply of grapes harvested with demand for New Zealand branded wine by Vintage 2012.

Vintage 2010

NZWC adopted a disciplined approach to limiting its 2010 harvest yields and management worked hard to ensure that the company's targeted 2010 grape harvest came in close to its forecast intake at 2,222 tonnes, which was 10% down on the 2,478 tonnes harvested in 2009. The lower 2010 harvest yields per hectare were also aimed at delivering higher quality grapes to the winery to enable the company's winemakers to improve the quality of NZWC 2010 wines.

NZ Winegrowers has advised that the total 2010 New Zealand grape harvest was 266,000 tonnes, a reduction of 19,000 tonnes on the 285,000 tonnes harvested in 2009, which is good news for all wine companies and grape growers. The 2010 New Zealand grape producing area was 33,200 Hectares and the average yield was 8.0 tonnes per hectare compared to a 9.2 tonnes per hectare average yield in 2009.

Foreign Exchange

New Zealand Dollar foreign exchange risk management remains a key focus for the Board and Management who work closely with the NZWC's treasury management adviser to implement appropriate foreign exchange management strategies to minimise currency risks and maximise the benefits from operating an integrated Treasury Management Policy.

The persistent strength of the NZD against the USD and GBP is having a significant negative impact on export sales margins and revenues, particularly in the UK market with NZD/GBP spot rates around 0.47 being unsustainable.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Foreign Exchange (Continued)
As at 30 June 2010 the company had $24 million of NZD forward cover in place for its NZD/AUD, NZD/USD and NZD/GBP market exposures at attractive forward rates. The majority of the cover in place is for the NZD/AUD exposure and NZWC would place more forward cover in the event that the June 2010 balance date NZD/USD 0.71 and NZD/GBP 0.47 spot rates reduce to NZWC's targeted forward cover activation levels.

New Zealand Wine Industry Rationalisation and Growth Opportunities
Directors have previously advised shareholders that NZWC is pursuing a strategic growth plan to increase the scale of the company business from selling 200,000 cases of wine to grow to sell 500,000 cases annually which will provide a better platform for financially sustainable earnings growth.

Increasing the scale of NZWC's worldwide operations through acquisitions and/or organic growth would provide the opportunity to employ in-market resources in our key markets to maintain direct relationships and leverage with key customers with greater urgency, while also providing better market intelligence. Increased scale would also add value by delivering better operational efficiencies and would provide better options for equity and debt funding.

Over the past six months a number of merger and acquisition opportunities have been evaluated but have not been progressed beyond the review stage as they would not have added the necessary value to NZWC.

There is growing evidence that the flow on impacts from the oversupply of grapes from the 2008 and 2009 harvests coupled with the effect of the global financial crisis and a strong New Zealand Dollar is placing some New Zealand Wine Industry participants under financial stress.

Directors are confident that there will be suitable merger and acquisition opportunities available to the company in the year ahead that will make financial sense to add value to NZWC and there are a number of equity and debt funding options that NZWC would carefully consider to fund suitable opportunities to grow the scale of the business.

Operating Results Outlook
NZWC is unable to provide reliable net earnings guidance for the June 2011 financial year as the NZ IFRS reporting standard makes it difficult for an agricultural exporting company to predict what can be significant swings in the revaluation adjustments required to be made at each balance date. When coupled with the New Zealand wine oversupply problems and the market distortions from the sales of discounted bulk wine it is impossible to provide meaningful earnings guidance for the full year.

NZWC branded wine case sales are budgeted to increase by more than 20% for the June 2011 financial year against NZWC's strategy of increased investment in marketing and distribution in overseas markets. However margins and underlying earnings will continue to be restrained until the NZ wine industry clears the bulk wine oversupply. The ongoing strength of the NZD against the GBP and the USD in particular coupled with aggressive competition has also driven reductions in sales revenue.

The Board is working hard with management to address the market issues and Rob White goes into some detail to explain this in his CEO's Report.

Directors and Management will continue to focus on the underlying profit before NZIFRS revaluations and income tax, as it is a more reliable and consistent earnings benchmark.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Dividend
Faced with reporting an underlying loss before revaluations and income tax of $(46,000) for the full year to 30 June 2010 Directors have had to take a responsible approach and have resolved that the company should not pay a 2010 final dividend. The total fully imputed dividends paid in 2010 will be restricted to the 2 cents per share interim dividend which was paid on 1 April 2010.

Directors are very conscious of the need to restore underlying earnings to the point that dividend payments can also be restored in future and management will be working very hard to manage through the difficult trading conditions to return NZWC to profitability. Directors will continue to review dividend payout levels against sustainable underlying earnings before NZ IFRS revaluations.

Directors Fees
The NZWC Remuneration Committee and the full board have reviewed directors fees against those paid to other similar organisations and believe that the current level of fees is appropriate in what are difficult times for shareholders and those charged with NZWC governance responsibilities.

The Board will not be seeking any approval from shareholders to increase directors' fees at the 2010 Annual Meeting on 22 October 2010.

Conclusion
Over the course of the next year the New Zealand wine industry as a whole will continue to face the toughest challenges seen for two decades as the industry grapples with the clearance of the bulk wine surplus and the persistent strength of the NZD.

Maintaining disciplined market driven supply restraint to control the 2011 harvest yields to match the level of demand for NZWC branded bottled wine is critical to future success.

Directors believe that some rationalisation of the New Zealand wine industry is necessary as there are too many participants for the retail shelf space that is available.

Directors are positive about the medium and long term future for New Zealand Wine and the NZWC Strategic Plan provides a sustainable platform to bounce back and deliver strong cash-based underlying earnings growth to add value for shareholders, once the bulk wine surplus has been sold through and the grape supply is balanced with the demand for branded NZ wine.

The Board would like to thank Rob White, the management team and all NZWC staff for their hard work during what has been a very difficult year for everyone.

For and on behalf of the Board of Directors

Alton Jamieson, Chairman
26 August 2010

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 30 JUNE 2010

The trading environment during the 12 months ended 30th June 2010 has been the most difficult faced by The New Zealand Wine Company Limited (NZWC) and the New Zealand wine industry in the past seven years of my involvement in the industry. As outlined in the Directors Report the combination of the over-supply of grapes, a strong NZ dollar and the Global Financial Crisis has put intense pressure on revenue, margin, net earnings and cash flow management for all NZ wineries and grape growers.

At NZWC we have taken a number of initiatives to ensure we survive this difficult period and come out the other side in a stronger position to compete effectively on the global market and recommence delivering adequate returns to our shareholders.

1. Rather than take a short term view and reduce sales and marketing costs we have actually increased our investment in sales and marketing to drive sales of premium, super premium and ultra premium branded bottled wine.
2. We have looked to expand distribution channels and implementing new initiatives to open up routes to market with a key driver being placing our own people in key markets.
3. Our environmental sustainability and quality initiatives are our important point of difference within an increasingly competitive market and we continue to invest in promotion of these.
4. By maintaining a disciplined approach to harvest yields we have ensured NZWC grape supply and sales demand is balanced to avoid the need to sell bulk wine.
5. By tightly controlling costs and closely monitoring cash flow we have improved our cash position.
6. Through supporting NZ Winegrowers initiatives to rebuild the reputation of Brand Marlborough and Brand NZ wines we remain confident in the future of the industry and can already see signs that increasing export sales volumes combined with close management of vintage intakes will see us emerge from the current problems of over-supply and declining values.

Growth Strategy

In order to compete effectively in the global market we strongly believe our NZWC Strategic Plan needs to be targeted to grow the business to a level that provides us market leverage with the key accounts that control the majority of wine sales. We need to employ more in-market resources to ensure direct relationships with key accounts are established and achieve greater speed of action and obtain better market information. Through greater size we can deliver economies of scale to support operational efficiencies, public listing costs and environmental & quality programmes together with providing greater options for equity and debt funding.

We believe that a target of 500,000 cases is the right strategic benchmark to enable us to achieve our growth and earnings recovery objectives. The key initiatives and measures being taken to drive towards these objectives over the next three years are;

1. Brand building around premium, super premium and ultra premium wine brands utilising our environmental, sustainability and quality credentials.
2. Putting resources in place in key markets with a particular focus on the USA and Australia to build on existing relationships and open up new routes to market.
3. Continued focus on operational performance in the vineyard, winery and administration to ensure we deliver quality product and service at a competitive cost.
4. Exploring any acquisition opportunities that add value to the business.

Brand Development

We will continue to position ourselves as a producer of premium New Zealand wines with an overriding focus of delivering quality in the bottle. Our key point of difference is built on excellent environmentally sustainable and quality programmes. The cornerstone of these is carboNZero[Cert TM], Bio Gro New Zealand, Sustainable Winegrowing New Zealand and British Retail Consortium (BRC) quality standard.

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Each of these provides individually a certification that build together to establish NZWC's credentials as a world leading winery on environmentally sustainable and quality practices which is reflected in our brands.

Green Ribbon Award

In June 2010 NZWC won the New Zealand Government 'Green Ribbon Award' for being a 'small business making a difference' that is ".. making quality wine with minimal environmental impact".

We are all very proud of the award which recognizes the resources and investment that NZWC has chosen to make in its environmentally sustainable and quality programmes for the benefit of its customers.

Excellent distribution partnerships

In each of our key markets we are looking to build on our existing distribution partnerships and look to establish new channels to market.

In the USA we are continuing to strengthen our Palm Bay relationships that are focused on growing our Grove Mill brand together with the Redcliffe brand which we are looking to extend the supply arrangement and relaunch. Through Palm Bay we are building relationships with major grocery multiple retailers through which we have just launched the Frog Haven brand.

The UK market has been the most impacted by the supply of bulk wine with the sales of NZ wine dominated by retailers own brands and this together with the weak pound has driven down margins in this market. Through PLB we are growing the presence of Grove Mill as a specialist brand in the on premise and specialist wine retailer segments. Our long standing relationship with Sainsbury's continues to be strong both with our Sanctuary brand and the highly successful Sainsbury's 'House Brand' Marlborough Sauvignon Blanc Taste The Difference which we supply. We have commenced development of new business relationships with a number of other major grocery multiple retailers whom we have supplied product to this year.

We see Australia as a major opportunity as it is currently not a big volume market for NZWC yet delivers good sustainable margins. We are working with our existing distribution partners to grow the Grove Mill brand and at the same time are looking to build direct supply relationships with large wine retailers. The internet channel also remains a target for growth through our long standing relationship with Get Wines Direct.

New Zealand has been a success story for us this year with volumes nearly doubling to 40,000 cases. We have a three pronged approach to the market working with Independent Liquor who primarily focuses on the Sanctuary brand through Foodstuffs, directly with Progressive Enterprises using our Grove Mill brand and the internet channel via Blackmarket with the Frog Haven brand. We have a weakness in New Zealand in the on premise sector which while relatively lower in volume opportunity does provide options to raise our brand profile and we will be exploring options this year to exploit this channel.

In-market resources

A cornerstone to our growth strategy is the placement of our own in market resources in key markets.

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Andrew Barraclough has been in place in the UK market for some time and has ensured a smooth transition to our new Distributor PLB. He has been supporting their efforts to grow the Grove Mill brand while at the same time developing the necessary direct relationships with the key retailers. Andrew has also commenced the development of the wider European market with some success in Scandinavia and Germany and good potential in Ireland. We continue to look to secure a major listing for an environmentally positioned brand in a major UK multiple but this remains difficult given the increase in retailer owns brands currently filling the shelves.

Peter Scutts has had lengthy experience in the wine industry and has been contracted to work from Sydney to implement our Australian business plan and will be our Australian Business Manager for the next year. As well as working with our existing distribution partners Peter is aiming to build direct strong supply relationships with large wine retailers. As part of this process we have appointed an Australian PR agency to help grow brand awareness

We have plans in place to relocate our Sales Manager, Boyd Gardner, to USA initially for a 6-9 month period. He will provide in market support to our distribution partners and develop direct relationships with major grocery multiples.

Establishment of an alternate (more direct) channel to market in USA

We are exploring options to work with a small West Coast USA wine import company by making a 66% investment in Lineage Imports LLC with an objective of providing some in-market infrastructure, securing import / distribution licenses and developing direct relationships with major grocery multiples. As part of this strategy we will launch an environmentally focussed new brand called eco.love wines utilizing our carboNZero$^{\text{Cert}}$ ™ wine, initially into the California market. A key component of this product launch will be the use of social media to promote the brand to the younger demographic across the state.

Winemaking

Our focus in the winery is to invest in an excellent, sustainable practice winery, ensuring environmental credentials compliance and the highest level of quality compliance under the BRC standards. We aim to produce high quality wine and through an active new product development programme around Reserve and Single Vineyard wines targeted at building the reputation and recognition of our premium, super premium and ultra premium brands. To achieve this we look to retain and attract the best people and have an active research and development plan.

Vineyards

Our objective is to grow and secure high quality grapes according to best viticulture practice. To achieve this we focus on a number of areas;

- Good sustainable contract grower relationships.
- Employ the best people to manage our vineyards with a focus on continuous improvement and cost efficiency.
- Ensure we keep abreast of the best viticulture practices
- Compliance with Sustainable Winegrowing NZ, carboNZero$^{\text{Cert}}$ ™ and BRC requirements.

I would like to take this opportunity to thank all our contract growers who have worked with us constructively to ensure we achieve the best possible outcome in what is very challenging times in the industry.
I would also especially like to thank all staff who have worked extremely hard through difficult times to ensure we remain in a good position to move forward with a positive outlook towards the next few years.

Rob White, CEO
26 August 2010

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

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 New Zealand Wine Company Limited and Group as at 30 June 2010 and the results of their operations and cash flows for the year ended 30 June 2010.

The Directors consider that the financial statements of the Company and the Group have been prepared using accounting policies appropriate to the Company and Group circumstances, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of The New Zealand Wine Company Limited and Group for the year ended 30 June 2010.

This annual report is dated 26 August 2010 and is signed in accordance with a resolution of the Directors made that day pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

Alton Jamieson
Chairman

David Appleby
Director

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Parent & Group 2010 $'000	Parent & Group 2009 $'000
Revenue	3	**13,047**	**12,518**
Expenses			
Excise duty		(911)	(429)
Cost of sales		(8,548)	(8,269)
Distribution expenses		(202)	(232)
Marketing expenses		(1,505)	(1,169)
Administration expenses		(1,221)	(1,042)
Expenses excluding interest		**(12,387)**	**(11,141)**
Underlying profit before interest, revaluations & income tax		**660**	**1,377**
Interest revenue		30	31
Interest expense	4	(736)	(837)
Net finance costs		**(706)**	**(806)**
Underlying profit/(loss) before revaluations & income tax		**(46)**	**571**
Revaluation gains and losses			
Unrealised gain/(loss) in fair value of financial asset/liabilities – held for trading	25(k)/ 26.1.1	(396)	2,580
Unrealised gain/(loss) on biological assets	20/ 26.1.2	(1,383)	(726)
Unrealised (loss)/gain on harvested grapes	26.1.3	(306)	(366)
Realised (loss)/gain on harvested grapes	26.1.4	96	(216)
Profit/(loss) before income tax	3	**(2,035)**	**1,843**
Income tax expense	5.1	763	(560)
Income tax expense – change in depreciation on buildings	5.1	(626)	-
Profit/(loss) for the period		**(1,898)**	**1,283**
Basic Earnings per share cps (after tax)	6	(21.9)	14.8
Diluted Earnings per share cps (after tax)	6	(21.7)	14.6

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 49.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Parent & Group 2010 $'000	Parent & Group 2009 $'000
Profit/(loss) for the period		**(1,898)**	**1,283**
Other comprehensive income:			
Revaluation of property, plant and equipment	19	(1,261)	(14)
Income tax on items taken directly to or transferred from equity	5.2	195	(26)
Other comprehensive income for the period, net of tax		**(1,066)**	**(40)**
Total comprehensive income/(expense) for the period, net of tax		**(2,964)**	**1,243**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

Parent & Group	Note	Fully Paid Ordinary Shares $'000	Asset Revaluation Reserve $'000	Employee Equity-Settled Benefits Reserve $'000	Retained Earnings $'000	Total $'000
Equity at 1 July 2009		9,619	3,889	17	8,413	21,938
Total comprehensive income/(expense) for the period		-	(1,066)	-	(1,898)	(2,964)
Contributions by owners	9	-	-	-	-	-
Distributions to owners	8	-	-	-	(347)	(347)
Share-based payment	11	-	-	(1)	2	1
Transactions with owners during the period		-	-	(1)	(345)	(346)
Added to equity during the period		-	(1,066)	(1)	(2,243)	(3,310)
Equity at 30 June 2010		9,619	2,823	16	6,170	18,628
Dividends paid per share cps	7					4.0
Equity at 1 July 2008		9,619	3,929	15	7,737	21,300
Total comprehensive income/(expense) for the period		-	(40)	-	1,283	1,243
Contributions by owners	9	-	-	-	-	-
Distributions to owners	8	-	-	-	(607)	(607)
Share-based payment	11	-	-	2	-	2
Transactions with owners during the period		-	-	2	(607)	(605)
Added to equity during the period		-	(40)	2	676	638
Equity at 30 June 2009		9,619	3,889	17	8,413	21,938
Dividends paid per share cps	7					7.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 49.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Parent & Group 2010 $'000	Parent & Group 2009 $'000
CURRENT ASSETS			
Cash and cash equivalents	23.1	273	-
Trade and other receivables	16	3,976	4,383
Other financial assets	15	1,424	1,114
Inventories	17	11,093	12,164
Current tax assets	5.3	265	295
Assets available for sale	18	-	113
Prepaid expenses		450	421
		17,481	18,490
NON-CURRENT ASSETS			
Property, plant and equipment	19	14,699	15,554
Biological assets	20	6,737	8,443
Intangible assets	21	12	17
Investments	22	10	10
Other financial assets	15	1,236	1,911
Other non-current receivables		1	25
		22,695	25,960
TOTAL ASSETS		**40,176**	**44,450**

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 49.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010 (CONTINUED)

	Note	Parent & Group 2010 $'000	Parent & Group 2009 $'000
CURRENT LIABILITIES			
Trade and other payables	13	1,741	2,171
Loans and borrowings	14	3,975	2,649
Other financial liabilities	15	98	74
		5,814	4,894
NON-CURRENT LIABILITIES			
Loans and borrowings	14	11,968	13,594
Other financial liabilities	15	280	262
Deferred tax liabilities	5.4	3,486	3,762
		15,734	17,618
TOTAL LIABILITIES		21,548	22,512
EQUITY			
Share capital	9	9,619	9,619
Reserves	11	2,839	3,906
Retained earnings	12	6,170	8,413
TOTAL EQUITY		18,628	21,938
TOTAL LIABILITIES AND EQUITY		**40,176**	**44,450**

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 49.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Parent & Group 2010 $'000	Parent & Group 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from (applied to)			
Receipts from customers		15,228	13,189
Interest received		30	31
Payments to suppliers and employees		(12,542)	(12,853)
Interest and other costs of finance paid		(733)	(816)
Interest capitalised into inventories		(276)	(328)
Income tax paid		86	(251)
Net cash flow from operating activities	23.3	1,793	(1,028)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from (applied to)			
Sale of property, plant and equipment		116	-
Purchase of property, plant and equipment and biological assets		(619)	(1,320)
Interest capitalised into biological assets		(29)	(46)
Purchase of intangible assets		-	(10)
Grower & Other loans repaid (advanced)		(342)	89
Net cash flow from investing activities		(874)	(1,287)
CASH FLOW FROM FINANCING ACTIVITIES			
Cash was provided for (applied to)			
Issue of equity share capital		-	-
Loans advanced		2,350	3,650
Loans repaid		(2,017)	(2,010)
Dividends paid		(347)	(607)
Net cash flow from financing activities		(14)	1,033
Net increase (decrease) in cash held		905	(1,282)
Cash and cash equivalents/(Bank overdraft) at beginning of period		(632)	650
Cash and cash equivalents/(Bank overdraft) at end of period	23.1	273	(632)
Comprising: Cash and cash equivalents		273	-
Bank overdraft		-	(632)
		273	(632)

These financial statements should be read in conjunction with the Notes to the financial statements on pages 16 to 49.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. REPORTING ENTITY

The New Zealand Wine Company Limited ("the Company", the Parent) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the NZAX Board of the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Reporting Act 1993. The Company is an integrated wine company producing table wines operating wholly within the New Zealand wine industry.

2. SUMMARY OF ACCOUNTING POLICIES

The financial statements of The New Zealand Wine Company Limited ("the Company") and its subsidiaries (together referred to as "the Group") have been prepared in accordance with generally accepted accounting practice in New Zealand ('NZ GAAP') and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The Company is a profit-oriented company incorporated in New Zealand with its registered office at 13 Waihopai Valley Road, Renwick, Marlborough, New Zealand.

2.1 STATEMENT OF COMPLIANCE

The Company is a reporting entity for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ('IFRSs').

The financial statements were authorised for issue by the Directors on 26 August 2010.

2.2 BASIS FOR PREPARATION

The financial statements have been prepared on the historical cost basis except for land and buildings, biological assets and derivative financial instruments each of which have been measured at fair value. Accrual accounting is used to recognise revenue and expenses. The reporting currency is New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

Judgements and Estimations and Accounting Policies
In the application of NZ IFRS the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas of estimation and critical judgements which have a significant risk of material adjustment on these financial statements relate to the independent valuations of the Group's land, building and integrated vineyard assets. Where material the major assumptions are outlined in the relevant accounting policy or relevant note as follows:
* Agriculture (biological assets) - refer note 2.3.9, 20 * Property, plant and equipment - refer note 2.3.10, 19

The Directors continually review all accounting policies and areas of judgement in presenting the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. A summary of significant accounting policies and significant accounting estimates and judgements under NZ IFRS is disclosed in section 2.3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

2.3.1 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods
Revenue is recognised when the significant risk and rewards of ownership of the goods have been passed to the buyer and the revenue can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer or at the free on board (FOB) port/delivery point or as otherwise contractually determined.

(b) Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the end of the reporting period.

(c) Interest revenue
Revenue is recognised as the interest accrues (using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

2.3.2 BORROWING COSTS

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

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

2.3.3 IMPAIRMENT OF ASSETS

At each reporting date, the Company reviews the carrying value of its tangible and intangible assets and assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists or when annual impairment testing for an asset is required, the Company makes a formal assessment of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered to be impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.3 IMPAIRMENT OF ASSETS (CONTINUED)

Impairment losses are recognised in the current period profit or loss, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease only to the extent that there are sufficient previous reserves.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if and to the extent there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount is increased to its recoverable amount. That increased amount cannot exceed the carrying amount of the asset that would have been determined, net of depreciation, had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. Such a reversal is recognised in profit or loss, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.3.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash at bank and investments on call or in short-term deposits with an initial maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and includes at call borrowings such as bank overdrafts, used by the company as part of its day-to-day cash management.

Bank overdrafts are shown within loans and borrowings in current liabilities in the Statement of Financial Position.

2.3.5 TRADE AND OTHER RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off during the year in which they are identified.

Other receivables are initially recognised at fair value of the consideration received or receivable. Other receivables are classified as current assets unless the debtor has an unconditional right to defer settlement of the asset for at least 12 months after balance date, in which case they are classified as non-current other receivables. Subsequent measurement of other non-current receivables occurs at amortised cost, where the nominal value is discounted to present value, using the effective interest rate of the asset over the expected period of settlement.

2.3.6 INVENTORIES

All inventories are valued at the lower of cost or deemed cost and net realisable value. Cost is calculated on an average cost basis. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to be incurred in the marketing, selling and distribution.

The deemed cost for the Company's agricultural produce (grapes) is fair value at harvest date less estimated point-of-sale costs in accordance with NZ IAS 41 'Agriculture'.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.7 INVESTMENTS IN SUBSIDIARIES

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

2.3.8 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense in profit or loss on a systematic basis that is representative of the time pattern of the benefit to the Company.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

2.3.9 AGRICULTURE (BIOLOGICAL ASSETS)

Agriculture comprises grape vines (bearer biological asset) which are valued on initial recognition and at each balance date at fair value less estimated point of sale costs. Any changes in the fair value during the period are recognised in profit or loss.

All costs incurred in deriving produce from the current years harvest or maintaining agricultural assets are recognised as expenses in profit or loss. Costs incurred in deriving produce from a future harvest are treated as prepayments and included in Other current assets.

The fair value of picked grapes (agricultural produce or “consumable biological asset”) less estimated point-of-sale costs is recognised in profit or loss as gain/loss on harvested grapes in the period of harvest. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. This becomes the deemed "cost" for inventory valuation purposes.

The fair value of grape vines (bearer biological asset) on initial recognition is determined with reference to independent valuations of vineyards. Subsequent movements in the fair values of vines in commercial production are determined by directors' valuations which take into account operational reviews of the vineyard portfolio which identify, where applicable, any factors affecting the long term viability and value of vines in use or the current market value of similar relevant properties recently exchanged in the open market. The directors use an independent valuer where appropriate for these purposes.

2.3.10 PROPERTY, PLANT AND EQUIPMENT

Land, land improvements and buildings are valued at fair value less accumulated depreciation. Fair value is determined on the basis of an independent valuation prepared by external valuation experts annually. The fair values are recognised in the financial statements and are reviewed at the end of each reporting period to ensure that the carrying value is not materially different from their fair value. Fair value is determined by reference to market-based

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any subsequent acquisitions since the last revaluation are recorded at cost less accumulated depreciation and impairment losses.

Land improvements include all costs incurred in planting and developing vineyards including direct material, direct labour and an allocation of overhead and financing costs. These are not depreciated until the integrated vineyard asset reaches full commercial production which is typically three years after planting.

Revaluation increases are taken directly to the revaluation reserve except to the extent that they reverse a previous revaluation decrease of the same asset that was recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Decreases in value are debited directly to the revaluation reserve to the extent that they reverse previous surpluses of the same asset and are otherwise recognised as expenses in profit or loss.

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

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

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. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period. The depreciation rates used for each class of assets are as follows:

Buildings and land improvements	2% pa
Winery equipment	5% pa
Vineyard equipment and Fixtures & fittings	10% pa
Motor vehicles	20% pa
Computer equipment	33% pa

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

2.3.11 INTANGIBLE ASSETS

Purchased identifiable intangible assets, comprising trademarks, are shown at cost and amortised on a straight line basis over their estimated useful finite lives. The useful life of trademarks is estimated to be 7 years. The carrying values of identifiable intangible assets are reviewed for any impairment where an indicator of impairment exists. Useful lives are reviewed on an annual basis.

2.3.12 PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.13 LOANS AND BORROWINGS

Borrowings are initially recorded at fair value of the consideration received, net of issue costs directly associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortised cost, which present values the borrowing using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on issuance. Any difference between the initial recognised amount and the amortised cost is recognised in profit or loss.

Gain or losses are recognised in profit or loss in the event that the liabilities are derecognised.

2.3.14 EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Liabilities for short term bonus plans are recognised where there is a contractual or constructive obligation and accrued on an undiscounted basis.

2.3.15 SHARE-BASED PAYMENTS

The Company provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for share options and rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 July 2006, are measured at fair value at transition date. Under the Company's previous policy fair value estimates were not required in accordance with NZ IFRS-2. Therefore the estimates reflect information available at the transition date to determine expected volatility, expected dividends and expected life of the options under the equity-settled transactions. However, some inputs to the valuation model are based purely on contractual or historical fact such as share price, whilst the exercise price and risk-free rate are based on information at grant date. Fair value is measured using the binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.3.16 FOREIGN CURRENCY TRANSACTIONS

All transactions denominated in foreign currencies occurring during the financial year are translated into the functional currency using the exchange rate in effect at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.16 FOREIGN CURRENCY TRANSACTIONS (CONTINUED)

Monetary items receivable or payable in a foreign currency are translated at the exchange rate existing at balance date.

Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at balance date are recognised in profit or loss in the period in which they arise.

2.3.17 INCOME TAX

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable) at the reporting date.

Deferred tax is accounted for using the comprehensive Statement of Financial Position liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets or liabilities which affects neither taxable income nor accounting profit. Furthermore, a deferred liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Adjusted net tangible assets per share (note 27) exclude any deferred tax liabilities which at balance date do not crystallise as a liability under current income tax legislation. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity.

2.3.18 GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

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

2.3.19 DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments including forward exchange contracts, option contracts and interest rate swaps for the primary purpose of reducing its exposure to fluctuations in foreign currency exchange rates and interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives are initially recognised at fair value on the date the derivative contract is entered into (the trade date) and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

Hedge accounting recognises the offsetting effects on profit and loss of changes in the fair values of the hedging instrument and the hedged item. The hedging relationship for export sales and winery equipment purchases will be classified as cash flow hedges for the purpose of hedge accounting under NZ IAS-39 when hedge accounting is adopted by the Group. The effectiveness of each hedge (prospective and retrospective) will be determined as a minimum at each interim and annual reporting date using the offset method with reference to the spot exchange rates provided by the ANZ National Bank Ltd. Retrospective effectiveness will be measured on a cumulative basis. For hedge accounting to be adopted the actual results of effectiveness testing of the hedge must be in the required range of 80-125 per cent throughout the hedge relationship. Should the requirements of hedge accounting not be met or a hedge transaction subsequently fails to meet the effectiveness criteria then hedge accounting is discontinued. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

The Group has not adopted hedge accounting during the period. All derivative financial instruments are treated as held for trading and changes in their fair value are recognised immediately in profit or loss.

The fair value of forward exchange contracts, foreign exchange option contracts and interest rate swaps are based on market values of equivalent instruments at the reporting date. These are based on discounted cash flows using market inputs.

2.3.20 FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

2.3.21 CASH FLOW STATEMENT

The cash flow statement is prepared inclusive of GST.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.21 CASH FLOW STATEMENT (CONTINUED)

Definitions of the terms used in the cash flow statement are:

"Cash and cash equivalents" includes cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of 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, and includes dividends received.

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

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

2.3.22 SEGMENT REPORTING

The Group adopted NZ IFRS 8 *Operating Segments*, with effect from 1 July 2009. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

2.3.23 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

Government grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

2.3.24 CHANGES IN ACCOUNTING POLICIES

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

2.3.25 ADOPTION STATUS ON RELEVANT FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

2.3.25.1 Standards and interpretations effective in the current period

The following Standards and Amendments to NZ IFRS, which are relevant to the Parent and Group's financial statements, and became effective mandatorily for the annual periods beginning on or after 1 January 2009, were adopted during the reporting period:

- **NZ IAS 1 *Presentation of Financial Statements (Revised 2007)*.** The Group has adopted NZ IAS 1 *Presentation of Financial Statements (Revised 2007)* in its parent and consolidated financial statements. This standard has been applied retrospectively. The adoption of the standard does not affect the financial position or profits of the Parent or Group but gives rise to additional disclosures. The measurement and recognition of the Parent and Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, such as for example revaluation of property, plant and equipment. NZ IAS 1 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.25 ADOPTION STATUS ON RELEVANT FINANCIAL REPORTING STDS AND INTERPRETATIONS (CONT)

- **NZ IFRS 8 *Operating Segments*.** The Group adopted NZ IFRS 8 *Operating Segments*, with effect from 1 July 2009. The standard has been applied retrospectively. The adoption of this standard has not affected the identified operating segments of the Parent and Group (refer note 2.3.22). The Group has also early adopted the Amendments to NZ IFRS 8 (part of Improvements to NZ IFRSs 2009) clarifying that the segment information with respect to total assets is required only if such information is reported to the chief operating decision maker which is mandatory for annual periods commencing on 1 January 2010.

- **Amendments to NZ IFRS 7 *Financial Instruments: Disclosures***. The amendments to NZ IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

The following Standards, Interpretations and Amendments have not and will not lead to any change in the Group's accounting policies with measurement or recognition impact on the period presented in these financial statements:

- NZ IFRS 2: Share-based Payment;
- NZ IFRS 3: Business Combinations and NZ IAS 27: Consolidated and Separate Financial Statements;
- NZ IFRS 4: Insurance Contracts;
- NZ IAS 23: Borrowing Costs;
- NZ IAS 32 and NZ IAS1: Puttable Financial Instruments and Obligations arising on Liquidation;
- NZ IAS 39: Financial Instruments: Recognition and Measurement;
- NZ IFRIC 15: Agreements for the Construction of Real Estate;
- NZ IFRIC 16: Hedges of a Net Investment in a Foreign Operation;
- NZ IFRIC 17: Distributions of Non-cash Assets to Owners;
- NZ IFRIC 18: Transfer of Assets from Customers;
- Various - Improvements to NZ IFRSs 2008;
- NZ Specific Omnibus Amendments 2008-01 and 2009-01.

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

- NZ IFRS 2: Share-based Payment - Amendments - Group Cash-settled Share-based Payment Transactions - mandatory for annual periods beginning on or after 1 January 2010;
- NZ IFRS 9: Financial Instruments – New Standard – mandatory for annual periods beginning on or after 1 January 2013;
- Various - Improvements to NZ IFRSs 2009 - mandatory for annual periods beginning on or after 1 January 2010.

The adoption of these standards is not expected to have a material financial impact on the financial statements of the Group but may affect disclosure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
3. PROFIT/(LOSS) FOR THE PERIOD		
Included in profit/(loss) before income tax for the period are the following:		
REVENUE:		
Sales revenue	11,792	12,477
Government grant – market development expenditure co-funding	178	41
Net foreign exchange gains/(losses) on contract close outs	1,077	-
Total revenue	13,047	12,518
EXPENSES:		
Amortisation	5	8
Bad debts	-	-
Depreciation*	19	14
Directors' fees	159	159
Employee benefits expense:		
- Short-term employee benefits	2,374	2,315
- Equity-settled share-based payments	1	2
Fees paid to auditors:		
- Audit of the financial statements	29	26
- For other services – other tax and assurance services	36	-
Operating lease rentals**	108	74
Provision for write-down of inventory	111	-

* Total depreciation on property, plant and equipment totalled $558,000 (2009: $538,000). $539,000 has been applied to work in progress (2009: $524,000).

** Total operating lease rentals totalled $667,000 (2009: $591,000). $520,000 has been applied to inventories (2009: $478,000) and $39,000 has been capitalised into property, plant and equipment/biological assets (2009: $39,000).

4. INTEREST EXPENSE	Weighted average capitalisation rate 2010	Weighted average capitalisation rate 2009	Parent & Group 2010 $000	Parent & Group 2009 $000
Loan interest and other costs of finance paid			1,041	1,211
Less: Interest capitalised/included in cost of grapes	7.51%	7.50%	(276)	(328)
Less: Interest capitalised into biological assets	6.10%	6.10%	(29)	(46)
			736	837

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

5. INCOME TAXES

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
5.1 INCOME TAX RECOGNISED IN PROFIT		
Tax expense comprises:		
Current tax expense – current period	(55)	(31)
Deferred tax expense – origination and reversal of temporary differences	(615)	591
Deferred tax expense – change in company income tax rate to 28%	(93)	-
Deferred tax expense	(708)	591
Total income tax expense	(763)	560
Income tax expense – deferred tax expense – change in depreciation of buildings	626	-
Reconciliation of income tax expense:		
Profit/(loss) before income tax	(2,035)	1,843
Income taxation expense calculated at current rate of 30%	(611)	553
Non-deductible expenses	18	7
Other	(170)	-
Income tax expense as reported	(763)	560

The "income tax expense – deferred tax expense – change in deprecation of buildings" adjustment of $626,000 results from the increase in deferred tax liability as a result of the Government's 2010 Budget tax measures which removed the depreciation deductions for buildings with an estimated useful life of 50 years or more from the 2011/12 tax year.

5.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

The following current and deferred amounts were charged/(credited) directly to equity during the period:		
Current tax:	-	-
Deferred tax: Revaluation of property, plant and equipment	(163)	26
Deferred tax: Revaluation of property, plant and equipment – effect of change in company tax rate to 28%	(32)	-
	(195)	26

5.3 CURRENT TAX ASSETS AND LIABILITIES

Current tax assets: Tax refund receivable	265	295
Current tax liabilities: Income tax payable	-	-

5.4 DEFERRED TAX BALANCES

Deferred tax liabilities comprise:		
Temporary differences	3,486	3,762

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

5. INCOME TAXES – 5.4 DEFERRED TAX BALANCES (CONTINUED)

Taxable and deductible temporary differences arise from the following:

	Balance	Sheet	Income	Statement
Group and Company	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**
(i) Deferred tax liabilities				
Inventories		-		-
Fair value through profit or loss financial assets/ Liabilities	639	807	(168)	773
Fair value buildings and land improvements (incl. depreciation)	2,323	1,915	602	80
Accelerated depreciation: plant and equipment; motor vehicles	263	279	(16)	24
Fair value biological assets (value-in-use deferred tax)	659	1,072	(413)	(157)
Other	56	125	(69)	5
Gross deferred tax liabilities	3,940	4,198	(64)	724
(ii) Deferred tax assets				
Inventories	(417)	(397)	(20)	(120)
Annual and sick leave accrual	(37)	(39)	2	(13)
Other	-	-	-	-
Gross deferred tax assets	(454)	(436)	(18)	(133)
Net deferred tax liabilities	3,486	3,762		
Deferred tax expense/(income)			(82)	591

At 30 June 2010, there are no unrecognised differences associated with the Group's investments in subsidiaries (2009: $nil).

5.5 IMPUTATION CREDITS	**Parent & Group 2010 $'000**	**Parent & Group 2009 $'000**
Balance at beginning of the period	336	381
Taxation paid/(refunded)	(88)	251
Attached to dividends paid	(156)	(296)
Balance at end of the period	92	336

6. EARNINGS PER SHARE

	Parent & Group 2010 cents per shares	**Parent & Group 2009 cents per shares**
Basic Earnings per share	(21.9)	14.8

The calculation of basic earnings per share in respect of 2010 is based on profit/(loss) of $(1,898,000) (2009 $1,283,000) and the weighted average of 8,677,199 ordinary shares on issue during the year (2009 8,677,199).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

6. EARNINGS PER SHARE (CONTINUED)

	Parent & Group 2010 cents per shares	Parent & Group 2009 cents per shares
Diluted Earnings per share	(21.7)	14.6

The calculation of diluted earnings per share in respect of 2010 is based on profit/(loss) of $(1,898,000) (2009 $1,283,000) and the weighted average of 8,743,266 ordinary shares on issue during the period (2009 8,761,366).

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares (Basic)	8,677,199	8,677,199
Share options outstanding at period end	66,067	84,167
Weighted average number of ordinary shares (Diluted)	8,743,266	8,761,366

The performance share plan rights (refer note 10) were excluded from this calculation as they were anti-dilutive for the periods presented.

7. DIVIDENDS PAID PER SHARE

	Parent & Group 2010 cents per shares	Parent & Group 2009 cents per shares
Dividend per share	4.0	7.0

The calculation of dividends per share in respect of 2010 is based on the final dividend for 2009 paid in September and the interim dividend for 2010 paid in April (note 8) totalling $347,089 (2009 $607,404).

8. DISTRIBUTION TO OWNERS

	Parent & Group 2010 $000	Parent & Group 2009 $000
Recognised amounts:		
2010 interim dividend 2cps fully imputed to 30c paid 1/4/10	174	-
2009 final dividend 2cps fully imputed, 1.75cps to 33c and 0.25cps to 30c paid 25/9/09	173	-
2009 interim dividend 2cps fully imputed to 33c paid 3/4/09	-	173
2008 final dividend 5cps fully imputed to 33c paid 26/9/08	-	434
	347	607

Unrecognised amounts: No final dividend for the financial year has been declared and included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	2010 Number of shares issued	2009 Number of shares issued	Parent & Group 2010 $000	Parent & Group 2009 $000
9. SHARE CAPITAL				
FULLY PAID UP ORDINARY SHARES				
Balance at beginning of financial year	8,677,199	8,677,199	9,619	9,619
Transfer from employee equity-settled benefits reserve			-	-
Balance at end of financial year	8,677,199	8,677,199	9,619	9,619

The Company has only one class of shares and all shares have the same rights. The shares have no par value.

The Company did not issue any shares during the year (2009: nil).

10. SHARE-BASED PAYMENTS

SHARE OPTION SCHEME

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 price. The Company restricts issue of options to the criteria in the NZX-NZAX Listing Rules whereby during a 12 month period the maximum number of options and ordinary shares issued to employees, excluding any authorised by separate shareholder resolution, is 3% 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 7% of the total number of ordinary shares immediately preceding the date of issue. The issue term is for a maximum of 5 years. They may be redeemed after October of each year on a phased basis of up to a maximum of one-third cumulative each year. Options will be adjusted on redemption as to 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. Shares issued pursuant to the options will rank pari passu with shares already issued except they will not rank for dividends attaching to shares by reference to a record date falling prior to the date of issue. The options may not be sold or transferred and lapse on ceasing 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. In the year ended 30 June 2010 the Board granted no options to acquire shares under the scheme (2009: nil).

	2010 Number of options	2010 Weighted average exercise price $	2009 Number of options	2009 Weighted average exercise price $
Balance at beginning of the financial year (a)	84,167	$2.04	93,167	$2.08
Granted during the financial year	-	-	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year (b)	-	-	-	-
Expired during the financial year	(18,100)	$1.96	(9,000)	$2.38
Balance at end of the financial year (a)	66,067	$2.07	84,167	$2.04
Exercisable at the end of the financial year	66,067	$2.07	71,967	$2.02

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

10. SHARE-BASED PAYMENTS (CONTINUED)

The balance as at 30 June 2010 is represented by options over ordinary shares exercisable until 1 October for each of the following years, or two working days after the AGM for that year, whichever is the later:
* Until 1 October 2010: 29,467 options with an exercise price of $1.90 each; and
* Until 1 October 2011: 36,600 options with an exercise price of $2.20 each.

The share options outstanding at the end of the financial year had a weighted average contractual life of 10 months (2009: 18 months).

(a) Included within this balance are options over nil shares (1 July 2009: 4,800 shares; 1 July 2008: 10,800 shares) that have not been recognised in accordance with NZ IFRS 2 Share-based payment as the options were granted on or before 7 November 2002 or granted after 7 November 2002 and vested before the date of transition, 1 July 2006. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with NZ IFRS 2. Of these share options, nil were forfeited (2009: nil), nil were exercised (2009: nil) and 4,800 expired (2009: 6,000) during the period.

(b) The weighted average share price at the date of exercise for options exercised during the year ended 30 June 2010 was $nil (2009: $nil).

The fair value of the equity-settled share options granted under the share option scheme is estimated at the date of grant using a binomial lattice model.

The expense recognised for the year ended 30 June 2010 for the employee share option scheme was $1,000 (2009: $2,000).

PERFORMANCE SHARE PLAN

An employee performance share plan was established by the Company in December 2003 to drive improved longer-term earnings performance and align the interests of the Company's two key executives, Rob White, CEO, and David Pearce, Chief Winemaker, with the interest of shareholders. A total of 185,186 rights to NZWC ordinary shares were granted to Rob White and David Pearce.

On 26 June 2007 the Board considered a number of matters related to the PSP, including the 'spirit of the plan', particularly the impact of the strong NZD on the earnings of the Company. The Board decided that the strength of the NZD has had an extraordinary impact on the earnings of the Company making it unlikely that the EPS performance hurdle of 23.1 cps could be achieved for the 30 June 2008 financial year. The Board resolved to offer (for acceptance no later than 31 August 2007) to extend the PSP by up to two years to 30 June 2010, to provide a reasonable opportunity for Rob White and David Pearce to meet new performance hurdles, as follows:

- That the PSP be extended by 1 year to 30 June 2009 by extending the Performance Hurdle of 23.1cps + 12% to 25.9cps.

- That the value of the Rights Entitlements for the extended period to 30 June 2009 be increased on a pro rata basis plus 10% to increase the number of rights to NZWC ordinary shares granted to Rob White and David Pearce by 40,741 to 225,927.

- That should the average exchange rates for the year ended 30 June 2009 be unfavourable, when compared to the currently projected exchange rates (USD 0.59, AUD 0.79, GBP 0.32, EUR 0.47), and result in the Performance Hurdle of 25.9cps not being achieved, then the PSP would be extended by a further year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

10. SHARE-BASED PAYMENTS (CONTINUED)

- That the PSP be extended by a further year to 30 June 2010, if required - as per the year ended 30 June 2009 caveats, by extending the Performance Hurdle of 25.9cps + 12% to 29.0cps.

- That the value of the Rights Entitlements for the extended period to 30 June 2010 be increased by the same dollar sum as applied in 2009 to increase the number of rights to NZWC ordinary shares granted to Rob White and David Pearce by 40,741 to 266,668.

The exercise period for rights issued under the extended PSP commences on the date of the performance hurdle confirmation notice given under the terms and conditions of the agreement and ends on either 30 June 2011 for the first extension or 30 June 2012 if the second extension is required. If the EPS performance hurdle of 29.0 cps is not achieved for the 30 June 2010 financial year, then the rights will lapse and be cancelled. This offer to extend was accepted by Rob White and David Pearce on 30 August 2007.

On 15 January 2010 Rob White accepted an offer to enter a new cash-based Long Term Incentive Plan for year ended 30 June 2012 and withdraw from the existing Performance Share Plan. The rights issued to Rob White for 148,149 shares under the Performance Share Plan were cancelled upon his withdrawal from the Plan.

On 30 June 2010 the 118,519 rights issued to David Pearce lapsed and were cancelled due to the failure to achieve the EPS performance hurdle of 29.0cps for the 30 June 2010 financial year.

The following reconciles the outstanding rights granted under the performance share plan at the beginning and end of the financial year:

	2010 Number of rights	2009 Number of rights
Balance at beginning of the financial year	225,927	225,927
Granted during the financial year	40,741	-
Forfeited during the financial year	(148,149)	-
Exercised during the financial year	-	-
Expired during the financial year	(118,519)	-
Balance at end of the financial year	Nil	225,927
Exercisable at the end of the financial year	Nil	Nil

The fair value of the equity-settled rights to shares granted under the performance share plan is estimated at the date of modification using a binomial lattice model.

No expense has been brought to account in the year ended 30 June 2010 (and 30 June 2009 as the probability of achieving the performance hurdle is assessed by management as zero based on historical and projected EPS) as the EPS performance hurdle was not achieved.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
11. RESERVES		
ASSET REVALUATION RESERVE		
Balance at beginning of financial year	3,889	3,929
Revaluation increments/(decrements)	(1,261)	(14)
Deferred tax liability arising on revaluation (note 5.2)	195	(26)
Balance at end of financial year	2,823	3,889

The asset revaluation reserve arises on the revaluation of land, buildings and land improvements excluding biological assets. Where a revalued asset is sold that proportion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained earnings.

EMPLOYEE EQUITY-SETTLED BENEFITS RESERVE		
Balance at beginning of financial year	17	15
Share-based payment	1	2
Transferred to retained earnings	(2)	-
Balance at end of financial year	16	17

The employee equity-settled benefits reserve arises on the grant of share options to employees under the share option scheme. Amounts are transferred to share capital when the options are exercised and retained earnings when the options lapse and are cancelled. Further information about share-based payments to employees is made in note 10 to the financial statements.

TOTAL RESERVES	2,839	3,906

12. RETAINED EARNINGS		
Balance at beginning of financial year	8,413	7,737
Profit/(loss) for the year	(1,898)	1,283
	6,515	9,020
Distributions to owners (note 8)	(347)	(607)
Transferred from employee equity-settled benefits reserve (note 11)	2	-
Balance at end of financial year	6,170	8,413

13. TRADE AND OTHER PAYABLES		
Trade creditors	1,308	1,381
Employee entitlements	134	136
Other accruals	299	654
	1,741	2,171

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

14. LOANS AND BORROWINGS

At amortised cost:	Interest Rate %	Interest Rate Review Date	Expiry Date	Parent & Group 2010 $'000	Parent & Group 2009 $'000
BANK OVERDRAFT	5.05% Floating	1/7/10		-	632
ANZ NATIONAL BANK LOANS					
Loan # 1	7.25% Swap	31/7/12	20/5/11	59	123
Loan # 2	7.16% Swap	31/7/12	3/7/14	529	659
Loan # 3	7.55% Fixed	29/11/10	9/7/16	807	908
Loan # 4	7.06% Swap	31/7/13	9/7/16	491	572
Loan # 5	7.18% Swap	31/7/13	19/2/12	95	152
Loan # 6	7.04% Swap	31/7/13	19/7/17	621	708
Loan # 7	7.13% Swap	21/8/18	21/8/18	1,005	1,128
Loan # 8			20/12/09	-	150
Loan # 9	7.67% Swap	31/7/15	20/11/21	1,783	1,939
Loan # 10	7.44% Swap	31/3/14	29/6/17	2,800	3,200
Loan # 11	5.25% Swap	20/5/11	20/5/11	2,355	2,653
Loan # 12	6.10% Swap	20/7/13	20/7/13	521	586
Loan # 13	6.13% & 7.57% Swaps	30/9/12 & 27/11/19	30/9/11	1,650	1,850
Loan # 14	5.24% Floating	31/7/10	20/5/12	883	983
Loan # 15	5.53% Floating	31/7/10	20/12/11	2,000	-
Loan # 16	5.54% Floating	31/7/10	20/5/15	344	-
TOTAL LOANS				15,943	15,611
TOTAL LOANS AND BORROWINGS				15,943	16,243
Weighted average effective interest rate				6.58%	6.71%
Bank Overdraft				-	632
Loans due within 1 year				1,917	2,017
Loans due within 1 year – expected to be renegotiated				2,058	-
Total current loans and borrowings				3,975	2,649
Loans due 1 to 2 years				5,481	1,863
Loans due 2 to 5 years				3,881	5,334
Loans due after 5 years				2,606	6,397
Total non-current loans and borrowings				11,968	13,594
Total loans and borrowings				15,943	16,243

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

14. LOANS AND BORROWINGS (CONTINUED)

For loans covered by interest rate swap contracts ("swap") interest is charged on the underlying loan based on the 1 month floating rate. Interest rate swaps have been taken out by the Group to convert this floating interest rate obligation to a fixed interest rate obligation. Refer note 25 for further details of interest rate swap contracts.

NATIONAL BANK FLEXIBLE CREDIT FACILITY (BANK OVERDRAFT)

The Company has a flexible credit facility of $2 million on a 90-day rolling bill linked interest rate. The facility is a multi-currency facility that can be drawn at any time and is repayable upon demand from the bank. The facility is subject to annual review by the bank.

SECURITY

Loans and advances are secured by way of mortgage on land, buildings and vineyards and a floating charge over the Company's other personal property assets.

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
15. OTHER FINANCIAL ASSETS/(LIABILITIES)		
At fair value:		
Foreign currency forward contracts	1,424	1,069
Foreign currency option contracts	-	45
Other financial assets – held for trading – Current	1,424	1,114
Foreign currency forward contracts	1,236	1,911
Other financial assets – held for trading – Non Current	1,236	1,911
Other financial assets – held for trading – Total	2,660	3,025
Interest rate swap contracts	(93)	(74)
Foreign currency option contracts	(5)	-
Other financial liabilities – held for trading - Current	(98)	(74)
Interest rate swap contracts	(280)	(262)
Other financial liabilities – held for trading – Non Current	(280)	(262)
Other financial liabilities – held for trading – Total	(378)	(336)

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates. Refer note 25 for details of financial instruments used by the Group.

16. TRADE AND OTHER RECEIVABLES

Trade receivables	3,320	3,910
Other receivables	656	473
	3,976	4,383

The carrying amount disclosed above is a reasonable approximation of fair value. Trade receivables are non-interest bearing and are generally 20th of the month following invoice for domestic customers and 30-120 day terms for export customers. There are no past due receivables and no impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
17. INVENTORIES		
Raw materials	181	311
Consumable stores	79	92
Work in progress	8,136	7,918
Finished goods	2,697	3,843
Total inventories at lower of cost and net realisable value	11,093	12,164

18. ASSETS AVAILABLE FOR SALE

Bottling line equipment	-	113

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land at Fair Value $'000	Freehold Buildings at Fair Value $'000	Land Improve-ments at Fair Value $'000	Plant and Equip. at Cost $'000	Motor Vehicles at Cost $'000	Total $'000
Year ended 30 June 2010						
At 1 July 2009, net of accumulated depreciation and impairment	4,350	3,733	2,989	4,341	141	15,554
Additions	-	53	452	474	-	979
Disposals/Reclassification to available for sale	-	-	-	(15)	-	(15)
Revaluations	(720)	(36)	(505)	-	-	(1,261)
Impairment	-	-	-	-	-	-
Depreciation charge for the period	-	(74)	(69)	(387)	(28)	(558)
At 30 June 2010, net of accumulated depreciation and impairment	3,630	3,676	2,867	4,413	113	14,699
At 30 June 2010:						
Cost or fair value	3,630	3,676	2,867	7,225	468	17,866
Accumulated depreciation and impairment	-	-	-	(2,812)	(355)	(3,167)
Net carrying amount	3,630	3,676	2,867	4,413	113	14,699

Commitments: At balance date the Group had no capital commitments (2009: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land at Fair Value $'000	Freehold Buildings at Fair Value $'000	Land Improvements at Fair Value $'000	Plant and Equip. at Cost $'000	Motor Vehicles at Cost $'000	Total $'000
Year ended 30 June 2009						
At 1 July 2008, net of accumulated depreciation and impairment	4,450	3,575	2,639	4,085	169	14,918
Additions	-	-	561	740	-	1,301
Disposals/Reclassification to available for sale	-	-	-	(113)	-	(113)
Revaluations	(100)	230	(144)	-	-	(14)
Impairment	-	-	-	-	-	-
Depreciation charge for the period	-	(72)	(67)	(371)	(28)	(538)
At 30 June 2009, net of accumulated depreciation and impairment	4,350	3,733	2,989	4,341	141	15,554
At 30 June 2009:						
Cost or fair value	4,350	3,733	2,989	6,818	468	18,565
Accumulated depreciation and impairment	-	-	-	(2,477)	(327)	(2,898)
Net carrying amount	4,350	3,733	2,989	4,341	141	15,554

Revaluation of Land, Buildings and Land Improvements

Land, buildings and land improvements shown at valuation were valued at fair value under the principle of highest and best use by Alexander Hayward Limited, registered independent valuers, on 30 June 2010 (2009: 30 June 2009). Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land, buildings and vineyards comparable in size, location and varietal mix to those held by the Group.

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
The carrying amount of land, buildings and land improvements had they been recognised under the cost model are as follows:		
Land	1,977	1,977
Buildings	3,532	3,478
Land Improvements (integrated vineyards asset including vines)	8,442	8,322

Property, Plant and Equipment Pledged as Security

Land, buildings and land improvements are subject to mortgage (refer note 14).

20. BIOLOGICAL ASSETS

Biological assets consist of grape vines (bearer biological assets). The Group grows grapes to use in the production of wine, as part of normal operations. Vineyards are located in Marlborough, New Zealand. Grapes are harvested between March and May each year.

At 30 June 2010, the Group held approximately 292,000 grape vines planted on approximately 122 hectares of land owned or leased by the Group (2009: 292,000 grape vines planted on 122 hectares of land). 112 hectares are currently in commercial production (2009: 112).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

20. BIOLOGICAL ASSETS (CONTINUED)

During the year ended 30 June 2010 the Group harvested 1,221 tonnes of grapes (2009: 1,000 tonnes).

	Parent & Group 2010 $000	Parent & Group 2009 $000
Carrying amount at 1 July	8,443	9,106
Gain/(loss) from changes to fair value of vines less estimated point of sale costs	(1,383)	(726)
Additions to vines	(323)	63
Carrying amount at 30 June	6,737	8,443

The fair value less estimated point of sale costs of grape vines is determined by independent valuation at balance date. The fair value of vineyards, including land, grapes vines and other vineyard infrastructure were determined by Alexander Hayward Limited, registered independent valuers, under the principle of highest and best use on 30 June 2010 (2009: 30 June 2009). Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for vineyards comparable in size, location and varietal mix to those held by the Group. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards, to determine the fair value of grape vines as shown above.

Vineyards, including grape vines, are subject to mortgage (refer note 14).

The Group is exposed to financial risks in respect of agricultural activity. The agricultural activity of the Group consists of the management of vineyards to produce grapes for use in the production of wine. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes, and ultimately receiving cash from the sale of wine to third parties. The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements. In addition, the Group maintains credit facilities at a level sufficient to fund the Group's working capital during the period between cash expenditure and cash inflow. At balance date, the Group had unused credit facilities in the form of undrawn bank overdrafts of $2 million (2009: $1.4 million). The quality and quantity of the grape harvest is dependent on seasonal climatic factors such as rainfall, sunshine and temperature, including frosts. The Group manages this risk by diversifying its vineyards across the Marlborough region and through the use of windmills and helicopters for normal frost protection purposes.

21. INTANGIBLE ASSETS

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
Trademarks		
At 1 July, net of amortisation and impairment	17	15
Additions	-	10
Disposals	-	-
Impairment	-	-
Amortisation expense for the year	(5)	(8)
At 30 June, net of amortisation and impairment	12	17

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

21. INTANGIBLE ASSETS (CONTINUED)

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
Cost (gross carrying value)	73	73
Accumulated amortisation	(61)	(56)
Net carrying amount	12	17

The Group's intangible assets consist of trademarks. Trademarks are carried at cost less accumulated amortisation and accumulated impairment losses. Trademarks have been assessed as having a finite life and are amortised using the straight line method over a period of 7 years. The amortisation has been recognised in the Income Statement in the line item 'Administrative expenses'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The gross carrying amount in 2008 was $69,000.

22. INVESTMENTS

Bedford Road Investments Limited	10	10

The New Zealand Wine Company Limited has three wholly owned, non-operating subsidiaries incorporated in New Zealand with no material assets or liabilities and one wholly owned, non-operating subsidiary incorporated in England and Wales with no material assets or liabilities.

Subsidiaries at 30 June 2010 (and 2009) were:

- Grove Mill Wine Company Limited
- Sanctuary Wine Company Limited
- Bedford Road Investments Limited
- The New Zealand Wine Company (Europe) Limited.

A new wholly owned subsidiary, The New Zealand Wine Company (USA) Inc., was incorporated in the State of California, USA, on 1 July 2010 (refer note 33).

23. NOTES TO THE CASH FLOW STATEMENT

23.1 RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	273	-
Bank overdraft (note 14)	-	(632)
	273	(632)

23.2 NON-CASH FINANCING AND INVESTMENT ACTIVITIES

Share-based payments (note 10)	1	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

23. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
23.3 RECONCILIATION OF PROFIT/(LOSS) FOR THE PERIOD TO NET CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT/(LOSS) AFTER INCOME TAX FOR THE PERIOD	(1,898)	1,283
NON-CASH ITEMS:		
Depreciation	558	538
Amortisation of intangibles	5	8
Increase/(decrease) in deferred tax	(82)	591
Adjustments resulting from revaluation of grapes	210	582
Loss on revaluation of biological assets	1,383	726
(Gain)/loss on disposal of property, plant and equipment	13	-
(Gain)/loss on asset revaluations	(1)	(6)
Share-based payments	1	2
	189	3,724
CHANGE IN ASSETS AND LIABILITIES:		
Inventories	852	(1,201)
Trade and other receivables	773	(593)
Trade and other payables	(432)	(622)
Other financial assets/liabilities	407	(2,577)
Other current assets and current tax assets/liabilities	4	241
	1,604	(4,752)
NET CASH FLOW FROM OPERATING ACTIVITIES	1,793	(1,028)

24. OPERATING LEASE COMMITMENTS

Not later than 1 year	706	663
Later than 1 year and not later than 2 years	638	615
Later than 2 years and not later than 5 years	1,404	1,397
Later than 5 years	7,119	7,552
	9,867	10,227

Operating leases relate substantially to vineyard land where the Group is the lessee with lease terms between 19 years and 364 days and 30 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

25. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes loans and borrowings disclosed in note 14, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings as disclosed in notes 9, 11 and 12 respectively. The Group's Board of Directors reviews the capital structure on a semi-annual basis. As part of the review the Board considers the cost of capital and the risks associated with each class of capital as well as the requirement by the Group's bank, ANZ National Bank Ltd, to maintain shareholders funds at a level of at least 40% of total tangible assets. The Board will balance the Group's overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2009.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Financial risk management objectives

The Group is exposed to financial risks relating to the operations of the Group. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group seeks to minimise the effects of these risks, by obtaining independent advice and using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Board of Directors on a monthly basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 25(e)) and interest rates (refer note 25(f)). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:
(i) forward foreign exchange contracts to hedge the exchange rate risk arising on the export of wine principally to the United States, United Kingdom and Australia; and
(ii) interest rate swaps to mitigate the risk of rising interest rates.
There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved parameters utilising forward foreign exchange contracts and foreign exchange option contracts.

Foreign currency denominated cash and cash equivalents at balance date are $nil (2009: $nil). Foreign currency denominated trade and other receivables at balance date are $3,682,000 (2009: $3,913,000). Foreign currency denominated trade and other payables at balance date are $155,000 (2009: $513,000). Net exposure at balance date was $3,527,000 (2009: $3,400,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Foreign currency risk management (continued)

Sensitivity analysis
The Group is mainly exposed to US dollars (USD), Great British pounds (GBP) and Australian dollars (AUD). If there was a 10% upward movement in the New Zealand dollar against the relevant currencies the profit before tax and equity would decrease by $181,000, $118,000 and $23,000 respectively (2009: $237,000, $6,000, $58,000). If there was a 10% downward movement in the New Zealand dollar against the relevant currencies the profit before tax and equity would increase by $222,000, $145,000 and $28,000 respectively (2009: $289,000, $8,000, $71,000). The 10% sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the listed percentage change in foreign currency rates.

The Group and Company's sensitivity to foreign currency has remained similar to the prior year.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. USD denominated sales are seasonal with higher sales volumes in the last quarter of the financial year, which results in an increase in the USD receivables at year end.

Forward foreign exchange contracts and option contracts
It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts up to 100% of the exposure generated. The Group also enters into forward foreign exchange contracts and option contracts including collars to manage the risk associated with anticipated sales and purchase transactions out to 60 months within 25-100% of the exposure generated, subject to certain criteria being met. Forward foreign exchange contracts and option contracts are measured at fair value through profit or loss. The fair value of forward foreign exchange contracts and option contracts is based on market values of equivalent instruments at the reporting date.

The aggregate notional principal of forward foreign exchange contracts outstanding as at balance date was $23,574,000 (2009: $23,652,000). The aggregate notional principal of foreign exchange option contracts outstanding at balance date was a net of $22,000 (2009: $78,000).

(f) Interest rate risk management

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

The Company and the Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note or in note 14.

Sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point (1%) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

25. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Interest rate risk management (continued)

At balance date, if interest rates had been 100 basis points lower or higher and all other variables were held constant, the Company and Group's net profit and equity would increase/decrease by $14,000 (2009: $29,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Company and Group's sensitivity to interest rates has increased during the current period mainly due to the increase in floating interest rate exposure.

Interest rate swap contracts
Under interest rate swap contracts, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date as disclosed below.

The aggregate notional principal amount of the outstanding interest rate swap contracts at balance date was $11,906,000 (2009: $13,565,000).

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are used to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. These are measured at fair value through profit or loss. The interest rate swaps and the interest payments on the loan occur simultaneously on a monthly basis. The floating rate on the interest rate swaps is the 1 month BKBM rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are approved by the Board of Directors and are monitored on a regular basis. The Group does not require collateral in respect of trade and other receivables.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, trade credit insurance is purchased.

The Group does not have any significant concentrations of net credit risk. The Company does not expect the non-performance of any obligations at balance date. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit risk.

(h) Liquidity risk management

Liquidity risk represents the Group's ability to meet its contractual obligations. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity risk management (continued)

liabilities. At balance date, the Group had unused credit facilities in the form of undrawn bank overdrafts of $2 million (2009: $1.4 million) to further reduce liquidity risk.

Liquidity tables

The following tables detail the Company and Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Refer to note 14 for the weighted average effective interest rate.

Group and Company	Less than 1 year $000	1-2 years $000	2-5 years $000	Over 5 years $000
2010				
Trade and other payables	1,741	-	-	-
Loans and borrowings	5,698	6,205	4,879	2,987
	7,439	6.205	4,879	2,987
2009				
Trade and other payables	2,171	-	-	-
Loans and borrowings	3,094	4,920	9,407	4,254
	5,265	4,920	9,407	4,254

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Group and Company	Less than 6 mths $000	6-12 mths $000	1-2 years $000	Over 2 years $000
2010				
Interest rate swaps	(146)	(130)	(223)	(382)
Forward exchange contracts	6,021	2,183	4,990	10,380
	5,875	2,053	4,767	9,998
2009				
Interest rate swaps	(171)	(158)	(282)	(611)
Forward exchange contracts	5,344	4,048	5,037	9,223
	5,173	3,890	4,755	8,612

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:
- the fair value of financial assets and liabilities with standard terms and conditions and traded on active markets are determined with reference to the quoted market prices;
- the fair value of derivative instruments are calculated based on discounted cash flows using market inputs.

The Directors consider that the carrying value of all financial instrument assets and liabilities in the financial statements approximate their fair value except for fixed interest loans and borrowings which have a carrying value of $807,000 (2009: $908,000) and a fair value of $677,000 (2009: $747,000).

(j) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:
- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Group and Company	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
2010				
Financial assets held for trading				
Other financial assets (derivative financial assets) – Current	-	1,424	-	1,424
Other financial assets (derivative financial assets) – N/Current	-	1,236	-	1,236
Total financial assets	-	2,660	-	2,660
Financial liabilities held for trading				
Other financial liabilities (derivative financial liabilities) – Current	-	98	-	98
Other financial liabilities (derivative financial liabilities) – N/Current	-	280	-	280
Total financial liabilities	-	378	-	378
2009				
Financial assets held for trading				
Other financial assets (derivative financial assets) – Current	-	1,114	-	1,114
Other financial assets (derivative financial assets) – N/Current	-	1,911	-	1,911
Total financial assets	-	3,025	-	3,025
Financial liabilities held for trading				
Other financial liabilities (derivative financial liabilities) – Current	-	74	-	74
Other financial liabilities (derivative financial liabilities) – N/Current	-	262	-	262
Total financial liabilities	-	336	-	336

There were no transfers between Level 1 and 2 in the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

	Parent & Group 2010 $'000	Parent & Group 2009 $'000
(k) Change in Fair Value of Financial Assets/Liabilities		
Foreign currency forward contracts	(320)	2,804
Foreign currency option contracts	(50)	50
Interest rate swaps	(26)	(274)
	(396)	2,580

26. IMPACT OF THE ADOPTION OF NZ EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)

As outlined in the 2009 Annual Report the Company adopted the NZ Equivalents to International Financial Reporting Standards (NZ IFRS) from the financial year ended 30 June 2008. For the benefit of shareholders and other users we have included here an explanation of the significant impacts that the required changes to accounting standards, and our associated accounting policies, have had on the Company's reported results and financial position.

26.1 Explanation of NZ IFRS Adjustments in the Income Statement:

26.1.1 Unrealised gain/(loss) on change in fair value of financial assets/liabilities – held for trading

Under NZ IFRS derivative instruments are required to be revalued at "fair value" at each balance date. These items have to be included on the Statement of Financial Position as financial assets/liabilities and changes in their fair value recorded as a gain/loss in profit or loss. What this means is that if the Company were to "cash in" all of its outstanding interest rate swaps, forward foreign exchange contracts and foreign exchange option contracts at 30 June 2010 it would have received from the bank a net amount of $2,282,000 (2009: $2,689,000) for these. The unrealised loss shown for the current year of $396,000 (2009: $2,580,000 gain) includes an unrealised loss relating to the valuation of interest rate swaps at "fair value" of $37,000 (2009: $274,000 loss) and unrealised losses relating to the valuation of forward foreign exchange contracts at "fair value" of $320,000 (2009: $2,804,000 gain) and foreign exchange option contracts at "fair value" of $39,000 (2009: $50,000 gain). Under the previous accounting policies the interest rate swap benefit/loss would only be accounted for as the interest savings/expenses were realised in future periods. In relation to the forward foreign exchange contracts, under the previous accounting policies the export sales in future periods would be recorded at the realised forward contract rates into New Zealand dollars, not at the unrealised spot rate as is required by NZ IFRS, and as such this is bringing forward revenue for future sales. Such unrealised entries at balance date reverse on the opening of the next financial period. These unrealised gains/losses are revalued at their "fair value" on a continuous basis until either financial instrument maturity, translation into New Zealand dollars or the next balance date occurs.

26.1.2 Unrealised gain/(loss) on biological assets

Under NZ IFRS grape vines are classified as "biological assets". Any movement in the value of the vines during the period is required to be taken through profit or loss (in the Income Statement). At 30 June the vines (post-harvest) are valued by an independent valuer to determine the gain/loss on previous carrying value. It should be noted that these revaluation gains/losses are unrealised within the Income Statement and were formerly recorded under NZ GAAP as part of the Asset revaluation reserve, included in Shareholder's Equity.

26.1.3 Unrealised (loss)/gain on harvested grapes

Under NZ IFRS the harvested grapes from the company's owned and leased vineyards for the vintage are required to be valued at "fair value", representing market value, at harvest and any gain/loss above/below their cost included

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

26. IMPACT OF THE ADOPTION OF NZ EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) (CONTINUED)

26.1.3 Unrealised (loss)/gain on harvested grapes (continued)

in profit or loss. This is unrealised until the wine is sold (see below). These grapes were previously transferred to the winery at their cost and any profit was realised upon their eventual sale as wine.

26.1.4 Realised (loss)/gain on harvested grapes

This is an adjustment that results from the sales of wine including grapes harvested from the company's owned and leased vineyards that were required to be valued at their "fair value" at harvest (refer above).

26.2 Explanation of NZ IFRS Adjustments in the Statement of Financial Position:

26.2.1 Other financial assets/liabilities

The balances shown at 30 June 2010 of $1,424,000 (2009: $1,114,000) as current assets, $1,236,000 (2009: $1,911,000) as non-current assets, $98,000 (2009: $74,000) as current liabilities and $280,000 (2009: $262,000) as non-current liabilities are the outstanding financial derivatives including interest rate swaps and forward foreign exchange contracts, at "fair value" at balance date – this is a new asset/liability category required under NZ IAS 39.

26.2.2 Inventories

The value of stock has been adjusted down by $681,000 (2009: 308,000) which relates to the grapes being valued at "fair value" under NZ IAS 41 as the deemed cost instead of actual cost as previously. The wine inventories held at transition to NZ IFRS had to be restated to "fair value" from actual cost as though NZ IAS 41 had always applied. The corresponding adjustment was made in Retained earnings.

26.2.3 Biological assets

Under NZ IFRS grape vines are deemed to be a severable asset from the integrated vineyard land and improvements. These are required to be classified separately as a non-current asset under NZ IAS 41.

26.2.4 Deferred tax liabilities

The requirement under NZ IFRS to bring to account a deferred tax liability in relation to the revaluation of biological assets has resulted in an adjustment of $659,000 (2009: $1,072,000) to the deferred tax liability in the Statement of Financial Position. This liability was not previously recognised and will never be realised in full under current NZ income tax legislation.

26.2.5 Reserves

Under NZ IFRS the asset revaluation reserve which related to vines of $3,268,000 was required to be transferred to retained earnings upon transition to NZ IFRS. This is because NZ IAS 41 requires movements in the value of vines ("biological assets") be taken through profit or loss (in the Income Statement). All subsequent movements in the value of vines have been recorded in profit or loss (refer 26.1.2). These revaluation gains/losses are unrealised within the Income Statement and were formally recorded under previous NZ GAAP as part of the asset revaluation reserve, included in Shareholder's Equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

26. IMPACT OF THE ADOPTION OF NZ EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) (CONTINUED)

26.2.6 Retained earnings

In accordance with NZ IFRS 1 "First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards" all entries arising from the transition from NZ GAAP to NZ IFRS are required to adjust through opening retained earnings.

	Parent & Group 2010 $	Parent & Group 2009 $
27. NET TANGIBLE ASSETS PER SHARE		
Net tangible assets per share	2.15	2.53
Adjusted Net tangible assets per share	2.22	2.65

Adjusted Net tangible assets per share is calculated by excluding deferred tax liabilities of $659,000 (2009 $1,072,000) which will not crystallise under current income tax legislation. On disposal of a vineyard property, the recorded deferred tax liability on vines that does not crystallise in respect of that property may be reversed back to profit or loss.

28. FOREIGN CURRENCY EXCHANGE RATES

The following spot foreign exchange rates have been applied at balance date:		30 June 2010		30 June 2009
NZ $1.00 =	Buy	Sell	Buy	Sell
Australian dollar	0.8177	0.8127	0.8088	0.8030
United States dollar	0.6959	0.6906	0.6548	0.6491
Great British pound	0.4620	0.4581	0.3953	0.3913

	Parent & Group 2010 $000	Parent & Group 2009 $000
29. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION		
The compensation of the Directors and the key management personnel of the entity is set out below:		
Short-term employee benefits	1,090	1,123
Post-employment benefits	-	-
Share-based payments	1	2
	1,091	1,125

30. RELATED PARTY DISCLOSURES

(a) Ultimate Parent and Subsidiaries

The parent entity in the consolidated entity is The New Zealand Wine Company Limited, which is the ultimate parent. The consolidated financial statements include the financial statements of The New Zealand Wine Company Limited and the wholly owned subsidiaries set out in note 22.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

30. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Transactions with Related Parties	Parent & Group 2010 $000	Parent & Group 2009 $000
Certain Directors and key management personnel have interests in contracts with the Company and Group. All transactions were at normal commercial rates.		
SC Riley (Lundons Law – legal fees)	14	1
DJ Pearce (Aura Sustainability Ltd – consultancy services in relation to the carboNZero Cert TM certification process and other marketing matters)	29	20

31. SEGMENT INFORMATION

The Group operates in the wine industry and is considered to operate in one segment. Financial information available to management including the chief operating decision maker is principally sales revenue based and is summarised below as additional information on the basis of the geographical areas in which their customers are based.

	Revenue	
	2010	2009
Geographical area	$'000	$'000
New Zealand	3,789	2,301
United States	3,805	3,522
United Kingdom	4,361	4,101
Australia	727	2,084
Other	365	510
Total	13,047	12,518

32. COMMITMENTS

In the ordinary course of business the Group has Grower Agreements which would require it to purchase grapes.

33. SUBSEQUENT EVENTS

On 1 July 2010 the interest rate on the Bank Overdraft Facility was reviewed. The new interest rate is 5.55% pa floating.

On 1 July 2010 a new wholly owned subsidiary, The New Zealand Wine Company (USA) Inc., was incorporated in the State of California, USA.

On 6 July 2010 the Board approved the negotiation of the purchase by its wholly owned subsidiary The New Zealand Wine Company (USA) Inc of a 66% interest in Lineage Imports LLC an import and distribution company in California USA for $29,000 (USD $20,000).

On 15 July and 13 August 2010 the Company entered into Loan Agreements with Lineage Imports LLC in California USA for unsecured loans of USD $64,000.00 (NZD $91,000) and USD $45,000 (NZD $64,000) which were advanced on 20 July and 17 August 2010 respectively. Interest is payable on these advances at 5.4% pa.

On 31 July 2010 the interest rates on loans 14, 15 & 16 were reviewed. The new interest rates for these loans are 5.41% pa floating, 5.70% pa floating and 5.71% pa floating respectively.

No other material events have occurred since balance date.

AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2010

Deloitte.

AUDIT REPORT
TO THE SHAREHOLDERS OF THE NEW ZEALAND WINE COMPANY LIMITED

We have audited the financial statements on pages 11 to 49. The financial statements provide information about the past financial performance of The New Zealand Wine Company Limited ('the Company') and its financial position as at 30 June 2010. This information is stated in accordance with the accounting policies set out on pages 16 to 25.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors is 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 2010 and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

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 Board of 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 obtain 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.

Other than in our capacity as auditor and the provision of income taxation compliance and other assurance services, we have no relationship with or interests in The New Zealand Wine Company Limited.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by The New Zealand Wine Company Limited as far as appears from our examination of those records; and
- the financial statements on pages 11 to 49:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of The New Zealand Wine Company Limited as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 26 August 2010 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
Wellington, New Zealand

This audit report relates to the financial statements of The New Zealand Wine Company Limited ('the Company") for the year ended 30 June 2010 included on The New Zealand Wine Company Limited's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 August 2010 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COMPARATIVE FINANCIAL REVIEW

FOR THE YEARS ENDED 30 JUNE

	Note	2010 Audited NZ IFRS $000	2009 Audited NZ IFRS $000	2008 Audited NZ IFRS $000	2007 Audited NZ IFRS $000	2006 Audited NZ GAAP $000
Income Statement Data						
Revenue		13,047	12,518	11,904	11,276	9,954
Underlying profit before interest, revaluations & income tax/Surplus from Operations		660	1,377	2,522	1,710	1,875
Net finance costs		(706)	(806)	(627)	(364)	(341)
Revaluation gains/(losses)		(1,989)	1,272	1,103	149	-
Income tax expense		137	(560)	(954)	(328)	(508)
Profit/(loss) for the year		(1,898)	1,283	2,044	1,167	1,026
Basic earnings per share (cents)		(21.9)	14.8	23.6	13.5	11.9
Dividends per share (cents)	1	4.0	7.0	7.0	7.0	7.0
Statement of Financial Position/ Balance Sheet Data						
Current assets		17,481	20,401	17,146	13,745	9,708
Current liabilities		5,814	5,156	4,591	3,573	2,727
Working capital ratio		3.0	4.0	3.7	3.8	3.6
Non-current assets		22,695	24,049	24,137	22,842	20,151
Total assets		40,176	44,450	41,283	36,587	29,859
Non-current liabilities		15,734	17,356	15,392	7,157	7,851
Total liabilities		21,548	22,512	19,983	17,115	9,884
Total shareholders' equity		18,628	21,938	21,300	19,472	19,975
Profit/(loss) for the year % of average shareholders' equity		(9.4)%	5.9%	10.0%	5.9%	5.3%
Total comprehensive income/ (expense) % of average shareholders' equity		(14.6)%	5.7%	11.8%	7.7%	8.7%
Total loans and borrowings		15,943	16,243	13,981	12,498	6,968
Gearing ratio %	2	46.1%	42.5%	39.6%	39.1%	25.9%
Net gearing ratio %	3	45.6%	42.5%	38.5%	35.8%	25.9%
Shareholders' equity % of total assets		46.4%	49.4%	51.6%	53.2%	66.9%
Adjusted net tangible assets per share	27	$2.22	$2.65	$2.59	$2.38	$2.31
Number of shares at year end		8,677,199	8,677,199	8,677,199	8,668,332	8,650,999

Notes:

1. Dividends per share are calculated on the amount paid/payable in respect of the year which they relate to under previous NZ GAAP and on the basis of dividends paid during the year under NZ IFRS.
2. Gearing ratio is Total loans and borrowings as a percentage of Total loans and borrowings plus Total shareholders' equity.
3. Net gearing ratio adjusts the Total loans and borrowings in note 2 above by netting off Cash balances.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

This statement is designed to provide an overview for Shareholders to reflect the current governance policies and practices adopted or followed by the Board for the NZWC's adherence to the principles contained in

- the NZX Corporate Governance Best Practice Code (LR Appendix 16); and
- the NZ Securities Commission Corporate Governance Principles and Guidelines.

This statement elaborates on the foregoing with a structured Statement of the Responsibilities to and Role of Shareholders and the Board's Charter, including the operation of the Board, its Committees and the over-arching Code of Conduct to be adopted by directors, management, staff and contractors.

In summary, the Board is committed to high standards of best practice corporate governance and ethical conduct as being integral to overall business integrity and to delivery of long term shareholder value.

THE ROLE OF SHAREHOLDERS

Under the Companies Act, and the NZAX Listing Rules, all Shareholders have the right to receive Annual and Interim Financial Statements and all Notices of Meetings and to attend all such Meetings in person or by proxy. Resolutions for which requisite Notice are given may be voted upon by show of hands or, if a poll is called, on a one share one vote basis. There are no priority or special voting shares.

The NZWC is required to maintain the full list of shareholders - with the Register held by Computershare Investor Services - and certain other statutory information available to shareholders at the Company's registered office.

The Company is committed to communicating regularly with Shareholders. However, under the Listing Rules, the NZWC is obliged to meet the NZX continuous disclosure requirements of all market price sensitive or other material company information to be supplied first to the NZX as soon as practicable (and subject only to specified departures for incomplete information) - prior to communicating that information to shareholders, the general investment or local community, or to the media.

The Company will provide meaningful information about the Company's goals, corporate proposals, business affairs and general future strategies, plans and performance including periodic e-newsletters - 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. This contains the constitution, annual and half-yearly reports and financial statements, releases to the NZAX or media and any presentations to third parties.

The Directors have the power to declare dividends from time to time to shareholders subject to complying with the solvency and liquidity test criteria contained in the Companies Act.

It is the Board's policy to pay, through time, progressive and if possible fully imputed cash dividends, subject to meeting the solvency test criteria, at approximately 50% of annual Underlying profit before revaluations after income tax, with an interim dividend of approximately one-third payable in March/April and with the final dividend for the year payable in September/October.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

BOARD CHARTER

ROLE OF THE BOARD OF DIRECTORS

The Directors are responsible, collectively as the Board under its Chairman, for the success of the NZWC and are accountable to shareholders for the Company's overall ethical conduct, strategic development, annual performance and 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 NZWC constitution. Except for powers specifically reserved to the Directors under the Companies Act or the Delegated Authorities Policy, the Board in turn delegates authorities to the Chief Executive, with sub-delegations to members of the Management Team, with the Chief Executive responsible for the day-to-day management of the NZWC business and delivering against the agreed strategic plans, operating budgets and performance targets.

The Role of the Board is to provide the overall framework for governance, accountability, risk control and deliverability of the strategic and operating plans. To do so the Board meets with management normally at approximately monthly intervals, and more frequently if warranted, otherwise contact shall occur via email or teleconference to ensure Directors are fully apprised about key Company activities and issues.

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.

Apart from any Board-only session during each meeting with the CEO and/or the Finance Manager and members of the Management Team may attend Board meetings.

Each year the Board will meet with the CEO and full Management Team in a dedicated strategic planning and review meeting.

To assist in this oversight role, and to help discharge these responsibilities, the Board will receive, and management will provide

- timely current financial and operational information and overall and functional performance against operating plans and budgets;
- advice on the risk and competitive environment and issues facing the NZWC within their review of the current viticultural, winery, marketing and finance functions; and
- overall progress on achieving long term strategic plans and associated threats and opportunities.

The Board shall maintain a Code of Ethics Policy Statement, reviewed annually, to underpin the NZWC's vision and values and expected standards of conduct for Directors, Managers, employees and contractors.

Responsibilities of Directors

In addition to the foregoing, the Directors are responsible for preparing and providing to Shareholders the financial statements, as prescribed in the Financial Reporting Act. These shall give a true and fair view of the financial (and operational) state of affairs of the NZWC for the period, as portrayed in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Statement of Cash Flows. These financial statements are unaudited for the half-year report but must be audited by the External Auditor for the full financial year report ended 30th June.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Composition of the Board

Under the constitution there shall be a minimum of 3 and maximum of 8 directors, with power to increase that number. The Board is therefore authorised to appoint one or more additional directors to fill a casual vacancy or to expand the Board for increased effectiveness or to help meet the Company's objectives.

A minimum of two Directors must be ordinarily resident in New Zealand and at least half the number of Directors must be independent, as defined in the Listing Rules.

Directors are elected by shareholders at the first annual meeting after appointment.

After that, at each annual meeting, at least one-third of Directors shall retire by rotation, determined by length of service since their last election.

Directors' Remuneration

Directors' fees are recommended to and confirmed by Shareholders' resolution at an Annual Meeting.

The last fee increase was resolved at the 2008 Annual Meeting being an increase in fees to $159,000 in total, with effect from 1 July 2008, with the fee allocation to be determined by directors.

The current agreed annual fee pool allocation, paid quarterly, is

Chairman	$42,000
Director	$22,000 (for five)
Board Committee Chairman	$ 3,500 (for two)

In the event of an increase in number of Directors the constitution permits an automatic increase in the fee pool by the base director fee (Cl. 14.2)

Directors may claim reimbursement against GST receipts for travelling and other associated reasonable expenses in the course of business as a Board member.

The Board, and individual Directors with the authority of the Chairman and/or the Board, has the ability to retain, at the Company's expense, special independent legal, accounting and other consultants or experts deemed necessary in the proper discharge of its or his duties and responsibilities.

BOARD ACTIVITIES

The Board's role and responsibilities are outlined above; but in summary they are to

- prepare annual and interim financial statements, report to Shareholders and the NZAX market and call statutory meetings;
- declare dividends to Shareholders;
- ensure compliance with general Company and Securities law requirements including maintenance of up-to-date interests and share registers and other statutory reports and requirements;
- comply with the NZAX Listing Rules and in particular to maintain the continuous disclosure obligations following review at the end of each Board meeting and immediately at all other times market price sensitive information is ready for disclosure according to NZAX LR 10;
- review overall Company strategies, the competitive environment and the Company's risk environment;

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

BOARD ACTIVITIES (CONTINUED)

- review critically the underlying assumptions behind annual budgets and plans, approve such plans and monitor actual results against agreed budgets, including corrective action required to maintain agreed targets;
- authorise and monitor strategic investments, other capital expenditures or divestments and any new or replacement borrowing facilities;
- ensure compliance with general and specific industry laws and regulations, including Health & Safety, Environment, Wine Industry, Customs and export labelling;
- review the performance of the Chief Executive and Management Team members;
- approve management appointments and review and approve remuneration and appropriate performance incentives Company-wide and for all staff individually;
- review annually specific Corporate Policy Statements for the
  - Code of Ethics,
  - Share Trading and Release of Company information,
  - Wine Composition and Packaging Integrity,
  - Wine Blend,
  - Delegation of Authorities,
  - Treasury Management;
- confirm Director appointments to Board Committees and to receive oral and written reports and recommendations from such Board Committees;
- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of the Company's financial and business risks, including fraud;
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- review the effect of the Company's risk management framework on its control environment and insurance arrangements;
- regularly review the performance of and, when appropriate, recommend to the Board changes in the Board, or its Committees, to maintain the right mix of experience, qualifications and skills;
- consider whether changes are required in number of Directors to enhance the performance of the Board;
- review the criteria for determining suitability of potential Directors in terms of Board balance, qualities, qualifications and skills and local and wine industry viticultural, wine making or marketing experience;
- identify Director retirements by rotation pursuant to the constitution and consider with the Board appropriate succession planning whether of Directors, the Chief Executive or members of the Management Team;
- in the event of a vacancy to the Board, or one of its Committees, whether by retirement, death or resignation consider any persons nominated by Directors or Shareholders and make recommendation to the Board in respect of any such nomination;
- establish a programme to assess periodically the Board and Director performance;
- ensure any new Director receives appropriate induction to the NZWC Board and operating activities;
- consider whether specific Director development is appropriate;
- make recommendations for the appointment and removal of Directors;
- attend to any other Nomination matter put to the Committee by the Board.

Board Committees

To increase the effectiveness of the Board there are two standing Board Committees:
- the Audit Committee; and
- the Remuneration Committee.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Board Committees (Continued)

Each plays a vital role in ensuring good governance and the effective and efficient operation of the Board.

Each Committee shall comprise three Directors with the Chairman being a member, or ex officio member, of each Committee. However, the Chairman cannot also be Chairman of the Audit Committee. A quorum shall be two Committee members, including the Committee Chairman. Any Director may attend any Committee meeting as an observer if he/she so wishes.

The terms of reference for each Committee shall be reviewed annually by end-September, after the end of the annual remuneration and financial reporting cycles, to ensure they reflect current best practice.

The Board may establish an ad hoc Committee at any appropriate time to consider a special issue.

The Committee may request the Chief Executive and/or any Management Team member to attend.

Each Committee will report its deliberations and recommendations by oral or written report to the Board for formal resolution or ratification.

Formal minutes shall be provided to the Board at the earliest practicable opportunity.

Audit Committee Charter

Audit Committee Underlying Philosophy

The Board aspires to achieve best practice standards in corporate governance and in the preparation and presentation of its published financial statements, as required by the Financial Reporting Act, and that they present a true and fair view of the current state of the NZWC's financial (and operational) affairs.

Management's monthly financial (and operational) reports are the most significant tools the Board has to monitor the Company's performance.

The underlying internal control and accounting and operational systems determine the accuracy of the financial statements and results presented to the Board.

The External Auditor is responsible for reviewing and making recommendations on these underlying control systems to ensure they produce accurate and consistent reports on which Shareholders may rely and, to assist meeting this responsibility, the External Auditor shall have full access to all board papers and minutes and all financial and related records.

It is paramount the independence of The External Auditor is maintained for Shareholders' benefit.

The Committee is responsible to ensure the External Auditor's independence is maintained. In the event there is actual or perceived conflict this should be brought to the Board's attention for resolution. If the risk is accepted (e.g. for statutory share register audit, for statutory or other Customs and Wine Maker returns), because it will be outweighed by the value to be achieved by the External Auditor undertaking such activity, such decision must be transparent and is to be recorded in the Minutes of the Board.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Audit Committee Membership

Under the Listing Rules at least one Committee member shall have an accounting or financial background and the Chairman and a majority of Independent Directors must constitute Committee membership.
Under best governance practice, the Audit Committee Chairman cannot be the Board Chairman

The Committee members are David Appleby (Chairman), Alton Jamieson and John Albertson.
At present all three members comply and are also Independent Directors.
The quorum is two Committee members of whom one should be the Committee Chairman.

The Chief Executive and Finance Manager attend Committee meetings by invitation
The External Auditor is invited to attend the Annual Accounts sign-off Audit Committee meeting.
The External Auditor shall be invited to meet with Committee members without management present to permit the full and proper discharge of their independence

The Audit Committee Chairman shall maintain contact with the Audit Lead Partner to ensure an open communication channel exists between the External Audit Partner and the Board, or if necessary, the Board Chairman.

Purpose

The Audit Committee is appointed by and reports to the Board to assist the Board in fulfilling its financial oversight responsibilities. The principal duties and responsibilities are to:

- Monitor the integrity of the NZWC's financial reporting process and system of internal controls regarding finance, accounting and associated legal compliance;
- Maintain the independence of the External Auditor, including audit partner rotation at approximately 5 yearly intervals; to receive and review the annual Audit Plan, the Letters of Representation and the Audit Management letter (and management responses), including the annual External Audit report, and the Auditors Independence Confirmation letter;
- Meet with and review the performance of the External Auditor;
- Determine the cost-effectiveness of the annual audit;
- Recommend the annual audit fee basis;
- Review and make recommendations on financial and accounting policies;
- Review the integrity of and make recommendations on the statutory annual and half-yearly financial statements together with any other statutory or NZAX continuous disclosure for other financial reporting requirements and for the release of any investor or financial information to Shareholders or onto the Company web-site;
- Evaluate the Company's internal control environment and risk identification and mitigation;
- Conduct any investigation appropriate to discharging these responsibilities;
- Maintain Board Audit Committee oversight responsibility over any other NZWC operational entities;
- Review these terms of reference annually, after the annual financial reporting cycle, or when circumstances change;
- Provide oral or written reports to the Board on its deliberations and recommendations as soon as practicable after any meeting and maintain Minutes of its proceedings.

External Financial Reporting

This is a special responsibility of the Committee. It shall

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

External Reporting (Continued)

- Consider and recommend to the Board adoption of the unaudited half-year and audited annual financial statements and confirm they present a true and fair view of the NZWC's financial (and operational) performance and position;
- Consider the appropriateness of the NZWC's accounting policies and recommend any new or changed Policies to the Board so as to ensure they comply with NZ-GAAP (NZ-IFRS)
- Management shall advise whether accounting methods comply with NZ-GAAP (NZ-IFRS)
- The External Auditor shall also advise and report to the Committee its concurrence with any new or changed accounting policy
- Management will advise the Committee specifically on any new, significant or unusual transactions or accounting treatment
- Assess significant estimates or judgements (particularly relating to impairments) in financial reports by enquiring about the process used in making material estimates and judgements and then enquire of the External Auditor the basis for their conclusions as to the reasonableness of management's estimates;
- Receive and review any communication from the External Auditor relating to their review of and final reporting on their External Audit Opinion;
- • Assess management's internal control process for release of financial information, including the External Auditor's Report, to the NZX and to Shareholders, and onto the NZWC's web-site to ensure the release is accurate and does not conflict with the Board approved financial statements or other financial reports.

Remuneration Committee Charter

Committee Membership

The Committee shall comprise three directors, a majority of whom shall be independent directors.

The Committee members are Bill Wallace (Chairman), Maurice McQuillan and Steve Riley.
At present all three members are Independent Directors.
The quorum is two Committee members of whom one should be the Committee Chairman.

The Chief Executive and Finance Manager attend Committee meetings by invitation

The Committee may commission any study, survey and/or independent advice that it sees fit in its consideration of any matter within its responsibilities.

The Committee shall provide oral or written reports to the Board on its deliberations and recommendations as soon as practicable after any meeting and maintain Minutes of its proceedings.

In the event a member is personally conflicted on any deliberations the Board may appoint an alternate.

Purpose

The purpose is to regularly review, and recommend changes to director fees and executive and staff total remuneration to ensure it is at the appropriate level and effectively managed so as to advance the NZWC's business objectives.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Responsibilities

The Committee will:

Employees

- Adopt a Remuneration Policy for the Company that takes into account when settling remuneration levels for individual employees the following matters - Job Size, Organisation Policy, Organisation's Ability to Pay, Organisation's Need to Pay, Individual Performance and Market Relativities.
- Establish and oversee an Organisation Policy for the purpose of remuneration market alignment.
- Review in line with the Organisation Policy, the remuneration of the CEO and the members of the management who report directly to the CEO.
- Review the total remuneration of salaried employees in line with the Remuneration and Organisation Policies.
- Review, oversee and monitor all bonus schemes and the company's incentive based Share Option Schemes and Performance Share Plans.
- Ensure that all employment agreements comply with prevailing legislative or case law requirements at the time of engagement and are fully up to date.
- Attend to any other remuneration matter put to the Committee by the Board.
- In setting management remuneration the Company promotes a market-led strategy and alignment to stable median line in remuneration surveys. In addition there is the opportunity for at-risk performance related bonuses and incentive plans where shareholder value accretive performance occurs against financial metrics.

Directors

- Annually review the fees payable to Directors for recommendation to the Board and thence for submission to and consideration by Shareholders at the Annual Meeting.
- The Board reviews annually and recommends to shareholders any increase in directors' fees when profit performance warrants.

Board Meetings

Director participation in meetings during the year (# denotes Chairman):

Director	Appointment	Board	Audit	Remuneration
JA Jamieson	Oct 1999	17 #	2	4
JE Albertson	Oct 2008	15	2	-
DR Appleby	Jun 2007	17	2 #	-
MJ McQuillan	Apr 1993	15	-	3
SC Riley	Jun 2007	16	-	4
WF Wallace	Oct 2007	17	-	4 #

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010

1. DIRECTOR PROFILES

ALTON JAMIESON - CHAIRMAN

Alton Jamieson was elected to the Board in September 1999 and as its Chairman in September 2007. Alton's business career has covered banking, transport and waste management services. He has had a 23 year career with waste management services businesses, primarily with NZX and ASX publicly listed Waste Management NZ Limited and was its Managing Director on listing in 1985. Alton spent 5 years based in Sydney from 1991 as CEO and a director of Pacific Waste Management Pty Limited, Australia. He also served as Chairman of Waste Management NZ Limited for 12 years until he retired from the Board in 2002. Alton has been a director of the Blues Franchise Limited and also served as an independent contractor to the New Zealand Rugby Union, working on a number of projects over the 3 years to 2006. Alton is an Accredited Director and Fellow of the Institute of Directors in New Zealand and is a Fellow of the New Zealand Institute of Management.

JOHN ALBERTSON

John Albertson was elected to the Board in October 2008. John is currently the Chief Executive of the New Zealand Retailers Association, a position he has held for the last 14 years. He is also currently a Director of the Retail Institute and GS1 NZ and until recently he was a member of the Standards Council of New Zealand. John has spent most of his career in marketing and market research roles having graduated in 1968 with a B Com (Marketing) from Otago University. He is a Fellow of the New Zealand Institute of Management.

DAVID APPLEBY

David Appleby was elected to the Board in July 2007. David is a director of Appleby Consulting Ltd, an Auckland based business specialising in business valuations and business advisory services. David has a career in chartered accounting and currently holds a number of directorships of private companies. David has been the Executive Chairman of publicly listed Ceramco Corporation Ltd as well as a past Chairman of the NZ Hockey Federation. He is a Chartered Accountant, Fellow of the Institute of Directors, member of the Arbitrators and Mediators Institute and a Fellow of the Chartered Institute of Secretaries.

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.

STEVE RILEY

Steve Riley was appointed as a Director in July 2007. Steve has lived in Marlborough most of his life and is a lawyer in Blenheim. Steve owns his own law firm, Lundons. Outside of the law Steve and his wife own 35 acres of vineyards in the Awatere Valley. Steve, an old boy of Marlborough Boys' College, served on the College's Board of Trustees for nine years and as Chairman for three of those years.

BILL WALLACE

Bill Wallace was appointed to the Board in September 2007. This followed a career as a manager with Public Trust, Managing Director of Hannahs Footwear, Operations Director of the NZ Rugby Union and an offshore assignment with the International Rugby Board. He has held directorships for over 20 years, is a member of the Institute of Directors and currently a director of five private companies (Chairman of three) in Nelson/Marlborough, Chair of a shopping centre company in Palmerston North, Chairman of a Cinemas Exhibition business and a Past President of the NZ Retailers Association.

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

2. INTEREST REGISTERS

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

SHARE DEALINGS IN THE SHARES OF THE NEW ZEALAND WINE COMPANY LIMITED

Share transactions undertaken during the year were as follows: Nil (2009: Nil)

TRANSACTIONS	2010 $000	2009 $000
Certain Directors have interests in contracts with The New Zealand Wine Company Limited. All transactions were at normal commercial rates.		
SC Riley (Lundons Law – legal fees)	14	1

LOANS TO DIRECTORS

No loans to directors were authorised during the year.

IMDEMNITY 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.

3. 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	2010 $000	2009 $000
JA Jamieson	42	42
JE Albertson	22	15
DR Appleby	26	26
MJ McQuillan	22	22
SC Riley	22	22
WF Wallace	26	26
JHG Milne	-	8

No Directors are executives. No remuneration and other benefits were paid to Directors during the year (2009: $nil).

4. 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
$130,000-$139,999	3
$180,000-$189,999	1
$220,000-$229,000	1
$250,000-$259,999	1

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

5. DONATIONS

The New Zealand Wine Company Limited made no donations during the year (2009: Nil).

6. SHAREHOLDER BREAKDOWN

Shareholding as at 30 June 2010	Number of shareholders	Total shares held	% of share capital
1-999	73	29,999	0.3%
1,000-9,999	206	582,230	6.7%
10,000-49,000	61	1,202,194	13.9%
50,000-99,999	12	812,121	9.4%
100,000-499,999	18	4,157,857	47.9%
500,000+	2	1,892,798	21.8%
	372	8,677,199	100.0%

7. DIRECTORS' SHAREHOLDING

Shares held at 30 June 2010 (including Beneficial interests):

	Ordinary Shares
JE Albertson	-
DR Appleby	300,000
JA Jamieson	988,268
MJ McQuillan	135,107
SC Riley	-
WF Wallace	39,531

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

8. 20 LARGEST REGISTERED HOLDERS

Ordinary shares held at 30 June 2010:	Ordinary shares held	% of share capital
JA Jamieson*	988,268	11.4%
Alfa Lea Horticulture Limited*	904,530	10.4%
JD Croft*	459,363	5.3%
MA & VF Peters	402,376	4.6%
JG & VR Orchard	387,842	4.5%
CJC & HC Fletcher & Peters Doig Trustee Co Ltd	354,000	4.1%
WC McDonald, DR Appleby & RN Burnes	337,467	3.9%
Possum Equities Limited	300,000	3.4%
TJ Fairhall	295,116	3.4%
D Edwards	207,712	2.4%
CM & BW Doig	198,794	2.3%
ANZ Nominees Limited - NZCSD	182,581	2.1%
JHG Milne & DFB Stevenson	154,529	1.8%
MA Milne & DFB Stevenson	154,529	1.8%
FNZ Custodian Limited	144,963	1.7%
MJ McQuillan	135,107	1.5%
PI McCallum	123,684	1.4%
AW & A Rutledge	109,981	1.3%
Fifeshire Holdings Limited	105,772	1.2%
LJ Hope	104,041	1.2%
Sub-total	6,050,655	69.7%
Others (352 Shareholders)	2,626,544	30.3%
TOTAL	8,677,199	100.0%

* These shareholders are substantial security holders as defined in Section 21 of the Securities Markets Act 1988.

CONTRIBUTORS

PERMANENT EMPLOYEES AS AT 30 JUNE 2010

Aaron Tupara	Gillian Moore	Marie Dufour
Anja Steenkamp	Greg Deason	Murray Coyle
Boyd Gardner	Helen Wilkes	Patrick Maher
Craig Fowles	Hugh Girling	Peter Cairns
Craig Young	Jan Rutherford	Peter Sanders
David Busch	Jane Trought	Robert White
David Pearce	Jayne Spalding	Sara Bateup
David Sax	Jeffrey Parker	Shane Healey
Donna Clark	John Jackson	Steven Simpson
Doug Holmes	Maree Thomas	

WINE SHOW AWARDS

FOR THE YEAR ENDED 30 JUNE 2010

Air New Zealand Wine Awards 2009
Silver Medal – Sanctuary Sauvignon Blanc 2009
New World Wine Awards 2009
Siler Medal – Diversion Noble Late Harvest Riesling 2008
Royal Perth Wine Show 2009
Silver Medal – Grove Mill Chardonnay 2007
New Zealand International Wine Show 2009
Silver Medal – Grove Mill Grand Reserve Riesling 2009
Silver Medal – Sanctuary Gewurztraminer 2008
International Wines and Spirits Competition 2009
Silver Medal – Grove Mill Grand Reserve Riesling 2009
New Zealand Royal Easter Show 2010
Gold Medal – Grove Mill Chardonnay 2008
Gold Medal – Grove Mill Riesling 2009
Silver Medal – Grove Mill Sauvignon Blanc 2009
Silver Medal – Grove Mill Pinot Gris 2009
Silver Medal – Sanctuary Riesling 2009
Decanter Wine Awards 2010
Silver Medal – Grove Mill Home Black Sauvignon Blanc 2009
Silver Medal – Grove Mill Grand Reserve Riesling 2009
International Wine Challenge 2010
Silver Medal – Grove Mill Grand Reserve Riesling 2009
Silver Medal – Grove Mill Riesling 2009
Liquorland International Wine Competition 2010
Trophy and Gold Medal – Sanctuary Riesling 2008
Gold Medal – Sanctuary Riesling 2009
Silver Medal – Grove Mill Riesling 2009

THE NEW ZEALAND WINE COMPANY
LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

DIRECTORS:	JA Jamieson (Chairman) JE Albertson DR Appleby MJ McQuillan SC Riley WF Wallace
WINERY ADDRESS:	13 Waihopai Valley Road Renwick, Marlborough, New Zealand Telephone +64 3 572 8200 Facsimile +64 3 572 8211
POSTAL ADDRESS:	PO Box 67, Renwick 7243, Marlborough, New Zealand
EMAIL:	info@nzwineco.co.nz
WEBSITES:	www.nzwineco.co.nz www.grovemill.co.nz www.sanctuarywine.co.nz
NATURE OF BUSINESS:	Production and distribution of wine
AUDITORS:	Deloitte, Wellington
SOLICITORS:	Lundons Law, Blenheim
BANKERS:	National Bank of New Zealand, Blenheim
REGISTRATION NO.	307139
REGISTERED OFFICE:	13 Waihopai Valley Road, Renwick 7204, Marlborough
SHARE REGISTRAR:	Computershare Investor Services Limited 159 Hurstmere Road, Takapuna, North Shore City 0622 Private Bag 92119, Auckland 1142 Telephone +64 9 488 8777 Facsimile +64 9 488 8787 Email: enquiry@computershare.co.nz (please quote CSN or shareholder number) Website for shareholders to change address or payment instructions or view investment portfolio: www.computershare.co.nz/investorcentre
SHARE TRADING:	NZX – NZAX Market Stock Code “NWC”