

THE NEW ZEALAND WINE COMPANY  
LIMITED

***ANNUAL REPORT***  
***FOR THE YEAR ENDED 30TH JUNE 2007***

THE NEW ZEALAND WINE COMPANY  
LIMITED

**A N N U A L R E P O R T**  
**F O R T H E Y E A R E N D E D 3 0 T H J U N E 2 0 0 7**

**DIRECTORS:**

M A Peters (Chairman)  
M J Hunter  
J A Jamieson  
M J McQuillan  
J H G Milne

**WINERY ADDRESS:**

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

**EMAIL:**

info@nzwineco.co.nz

**WEBSITE ADDRESSES:**

www.nzwineco.co.nz  
www.grovmill.co.nz  
www.sanctuarywine.co.nz

**NATURE OF BUSINESS:**

Production and distribution of wine

**AUDITORS:**

Deloitte, Wellington

**SOLICITORS:**

Wisheart, Macnab & Partners, Blenheim

**BANKERS:**

National Bank of New Zealand, Blenheim

**REGISTRATION NO:**

307139

**REGISTERED OFFICE:**

13 Waihopai Valley Road, Renwick, Marlborough

**SHARE REGISTRAR:**

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road, Takapuna  
Private Bag 92119  
AUCKLAND 1020  
Telephone +64 9 488 8777  
Facsimile +64 9 488 8787  
Email: enquiry@computershare.co.nz

**SHARE TRADING:**

NZX - NZAX Market  
Stock Code "NWC"

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**A N N U A L R E P O R T**  
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**C O N T E N T S**

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**CHAIRMAN'S REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

**THE PAST YEAR**

The unexpectedly strong, and continually increasing, value of the \$NZ throughout the past financial year has turned what would have been a record result into an average year for earnings with net tax paid profit of \$961,000 being 6.3% lower than 2006. Sales did achieve a record at \$10.716 million – an increase of 13.8% over 2006. Overall the comprehensive income of \$1.903 million – after independent revaluation of the Company's fixed assets – was up by 12.9% on 2006 lifting the per share asset backing from \$2.31 to \$2.46. It is disappointing that, contrary to earlier bank forecasts, the strong dollar did erode margins and result in earnings being lower than expected.

A pleasing aspect of the year is that sales volumes were right on target with the growth strategy implemented by the Company in recent years. One definite factor in sales growth has been the formal accreditation of CarboNZero® status for the winery in 2006. Details were presented to shareholders at the 2006 AGM and are on the web site. Since accreditation the importance of this has been seen with world wide publicity at a time when the issues of global climate change and food miles have become very real at an international level. While we can not, and do not, claim to have "greened" our full supply chain, we have been able to make our own operation, including freight to foreign ports, a carbon neutral operation. Management is currently working upon matters to expand such carbon neutrality further.

The outlook for this Company is still very sound, although strong concern remains regarding what in my view is a very unrealistic value of the New Zealand dollar. In the meantime strategies to mitigate, as best we can, the current high values are being constantly looked at. I am going to leave most of the commentary on the future to CEO Rob White for his report. Suffice for me to say that good volumes of quality grapes resulted from the 2007 harvest, new markets have been gained for the Company's various wine brands and the future for the Company looks strong. At some stage the current overvalued cycle of the \$NZ will change and the Company will be very well placed to prosper at that time. A very talented and capable management team is ably led by an excellent CEO in Rob White and the Company continues to produce quality products. It will be good for the Company that some new people on the board will provide fresh ideas and abilities to complement the remaining governance team.

**LOOKING BACK**

This is my 18th and final year as a director (15 as chairman) and in this the 20th year of the Company since its first harvest in 1988, I trust that shareholders will indulge me in looking back over some of the history that many current shareholders will not be aware of. To start with I would like to present a few random historical notes and then list a few extracts from various Company annual chairman's reports:

- The Company commenced (as Grove Mill Wine Company Ltd) in 1988. Its first staff appointment was winemaker David Pearce (who has remained loyal right through the Company's existence and remains one of the strengths of this Company). The very first vintage was a few hundred cases of Grove Mill Riesling with fruit from the vineyard of founding shareholders Rex and Paula Brooke-Taylor.
- In the first two years the Company restaurant at Dodson St provided the cash flow to establish the wine making side of the business with its turnover in those years being greater than wine sales.
- In 1988 and 1989 no Sauvignon Blanc was made, the first being 1990 Grove Mill Sauvignon Blanc. This variety of course has now grown to be the largest by far. Both 1989 Lansdowne Chardonnay and 1989 Blackbirch Cabernet Sauvignon won gold medals. The first Sauvignon Blanc gold medal was for 1992 Grove Mill Sauvignon Blanc and in between the 1991 Grove Mill Riesling and 1991 Grove Mill Pinotage also won gold. A great start for a new Company.

**CHAIRMAN'S REPORT**

**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

LOOKING BACK (CONTINUED)

- The first export wines were shipped in 1992 when both Sauvignon Blanc and Chardonnay were exported to the UK. Initial exports were around 8% of total volume, compared with over 75% currently.
- In 1994 having outgrown the 200 tonne capacity of the Dodson St Blenheim winery, the Company moved to its existing site – which has a current capacity of around 3,000 tonnes.
- The Company has only had 4 chairmen in its history. The founding chairman was Peter Croft, then Terry Gillan and Andrew Ritchie had short terms until March 1992 since when I have had the honour of that position.
- Since my first board meeting in early 1990 there have been relatively few directors over the years – being (apart from myself) Peter Croft, Gerald Hope, Terry Gillan, Andrew Ritchie, Gidon Blumenfeld, Maurice McQuillan, Merve Wisheart, John Milne, Alton Jamieson and Jane Hunter. With some sadness, but fond memories, I record that Gidon, Peter and Merve have passed away.
- The Company has also not had a large list of General Managers/CEO's. The first general manager was Gerald Hope, followed by David Pearce, until rapid expansion in 1993/94 made it impossible to hold dual roles of chief winemaker and general manager. Since then Richard Anyon and Peter McAtamney held the position until the present incumbent Rob White.
- Upon formation the Company had 20 shareholders with 375,000 shares issued. Today those totals are 401 and 8,668,332 respectively.

Some extracts from early Annual Reports:

- 1991 “The reputation of our wines, and our winemaker, continues to grow with the winning of two trophies at the 1990 Air New Zealand show and a gold medal at the 1991 Easter show. There is no doubt that winning medals sells wines”
- 1992 “The first export container is leaving New Zealand on 5th September 1992”
- 1993 “The Company paid its first dividend in March 1993” and “Directors and management have maintained their emphasis on total quality in everything the Company does”
- 1994 “In the future we will look back on 1993/94 as the year Grove Mill completed its coming of age and it will be regarded as the foundation stone of success for the Company in future years”
- 1996 “This year we have established a new export outlet through UK Foodmarket Giant – J. Sainsbury & Sons plc”
- 1997 “I must again point out that the major reason for Grove Mill's continued success is the consistent quality of the wines it produces, with National trophies won last year for both red and white wines”
- 1998 “It will be important for the Company to secure ongoing certainty of supply of grapes. To that end we are looking into a number of lease or joint venture arrangements to have a higher percentage of intake from Company controlled vineyards”

THE NEW ZEALAND WINE COMPANY  
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**CHAIRMAN'S REPORT**

**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

LOOKING BACK (CONTINUED)

2000 "The adoption of the new constitution at the 1999 AGM has enabled shares to be listed with Share Mart, and following the share split and rights issue in late 1999, share trading has been more conveniently possible" (Subsequently the Company listed on the NZAX in November 2003).

DIVIDEND

Prior to the dollar strengthening, the board had every intention of an increased final dividend, however as a result of the effect of the high dollar the board will maintain the dividend at the same total rate of 7 cents as for 2006. A final dividend of 4 cents per share fully imputed will be paid on 21 September 2007. Shareholders can expect growth in dividends as and when earnings grow in future years.

FINALLY

I have had the privilege of being close to the cutting edge of the New Zealand Wine Industry for the past 20 years – and I have thoroughly enjoyed that involvement. It is interesting to note that the single most important concept that was true 20 years ago is even truer today – being that the future of our industry is predicated very much on continuation of the production of very high quality products. It is absolutely essential that the highest possible quality integrity of wines with any of the words "New Zealand" or "Marlborough" on the label must always be maintained.

Despite continued and at times lengthy discussions of individual proposals regarding growth by merger/acquisition, the Company has not considered that any such proposals or opportunities looked at to date would add value for shareholders, and will at this stage be continuing along its path of internal growth.

I retire as Chairman, and as a Director, in the comfort and knowledge that the Company is in a sound position, has quality wines, strong brands, good distribution channels, and most importantly a talented management team to take it forward. I do retire in some disappointment that we have not yet delivered a return on shareholders investments that we, the board, would consider as satisfactory. There is no doubt that plans, subject to factors outside of control such as the \$NZ, are for that to change very much over the course of the current 5 year plan. Due to the effect on earnings of the exchange rate the board have resolved to offer to extend the PSP incentive plan as per note 8 of this report. The reason for this extension is to give the key staff under the plan the opportunity to grow earnings by an increased total rate necessary to trigger the benefit under the plan at a later date. This will in turn give shareholders the potential benefit of the growth in earnings to a higher figure than the original plan allowed for. The Board is also planning to introduce a PSP for a wider management group.

I wish to thank all of my fellow directors and management I have served with over the years, and to make particular mention, with thanks, of Jane Hunter who retired from the board on June 30th 2007. I also extend to my current fellow directors along with the new members of the board, all the very best for the future of this very good Company.



Mark Peters  
CHAIRMAN

**CHIEF EXECUTIVE OFFICER'S REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

The Chairman has pointed out the impact the high New Zealand Dollar has had on earnings which hindered an otherwise strong underlying company performance.

#### DOLLAR IMPACT

With over 75% of case sales derived from export the relative strength of the New Zealand dollar is an integral component in managing our financial performance. When the already record sales revenue is expressed in constant dollars (versus last year) it would represent a 18% increase in net revenue. In June last year we presented to the market a projection for our year ending June 2007 indicating revenue growth to \$11 million and a net profit after tax of \$1.6 million based on published trading bank foreign exchange projections at the time. If we apply those projections to our actual sales our revenue and net profit after tax targets would have been met. The fact of a high New Zealand dollar remains and we continue to work hard to manage the business accordingly.

#### BRAND DEVELOPMENT

The adoption of our environmental sustainable positioning for the company has brought earlier and more significant benefits than first envisaged. The release of Al Gores' 'Inconvenient Truth' and the 'Stern Report' were far from inconvenient for us coming just weeks after the winery achieved CarboNZero® accreditation. The benefits of our various environmental programmes outlined in the 'Environmental Sustainability' section of this annual report are significant. The media coverage for the company and our brands has been extensive ranging from national television coverage through various consumer and trade press to several high profile speaking engagements undertaken by Dave Pearce and myself. In managing down our carbon emissions we are also managing down our costs. The most dramatic example is with electricity usage where in completing the 2007 vintage we used less electricity than in 2006 despite processing an additional 600 tonnes. The response from our customers particularly in the UK has been immediate and has seen us secure listings in Tesco and a major housebrand contract with Sainsburys. The full impact will be felt with our 2007 wines which will all carry CarboNZero® branding. We have no doubt that our environmental sustainability programmes make good business sense as well as being socially responsible. We still have many challenges as we address environmental issues across the entire supply chain but we have made a strong start.

In order to meet our customer and consumer expectations we must continue to produce great wines within a competitive cost structure. With continued investment in our winery and the development of two new vineyards and the skill and dedication of our winemaking and viticulture teams we are achieving this and the 2007 wines are looking like being some of the best wines we have produced.

#### DISTRIBUTION

Our distribution partners have welcomed the opportunity to market our wines which have a real point of difference delivering quality at realistic prices while offering environmental integrity. All markets have shown good growth with Palm Bay in the USA leading the way pushing it to our biggest volume market with 49% growth. This was helped by the expansion of the Redcliffe brand which we produce under contract along with the continued development of Grove Mill.

The UK is likely to retake the No 1 position next year building on 27% growth this year as we expand our relationship with Sainsbury and Paragon Vintners anticipate further significant growth for Grove Mill across a broad range of customers both on and off premise.

**CHIEF EXECUTIVE OFFICER'S REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

**DISTRIBUTION (CONTINUED)**

We have increased sales in Australia by 200% this year thanks to the efforts of The Wine Company and West Coast Wine Cellars. A particular strength has been the launch of Frog Haven through the Dan Murphy's chain.

One of our biggest challenges has been in the domestic market with an unsettled distribution position for Grove Mill over recent years. This has been addressed through the appointment of Independent Liquor to handle the distribution for both Grove Mill and Sanctuary. Despite a small decline in volume this year we are targeting a much stronger domestic performance in the coming 12 months.

**OUTLOOK**

The year ending June 2008 will provide a number of challenges on top of the high New Zealand dollar. Last year was the final year of the Delegats processing agreement and while we are quickly building our own volumes to replace this in the coming year we not only lose the income from the agreement but face funding the significant increase in working capital as we take on our own fruit to replace the lost volume. The high price of contract fruit which is at odds with the lower export returns the industry faces has been compounded by the relatively low yields and frosts from 2007 and while quality is good and overall volumes are sufficient to meet our demand the grape input cost remains high.

We, together with the industry as a whole, need to face the challenges of a high New Zealand dollar, over-valued land and grape prices and the introduction of NZ IFRS accounting standards. If the New Zealand dollar does not quickly reverse its upward trend the business models and structures for both wineries and grape growers will have to change. The New Zealand Wine Company is in a good position to weather the current adverse external factors. We remain in a healthy financial position and extremely well placed to take advantage of the predicted return to long term average foreign exchange rates.

Finally I would like to thank all the management, staff and Directors for their efforts and support this year. I would like to make special reference to the retiring Director Jane Hunter, whose industry knowledge and insights have been invaluable during her time on the Board. This will be our Chairman Mark Peters final AGM in September after 15 years of outstanding contribution to the Company. I would like to personally thank Mark for all the advice and support he has provided me in my role as CEO.



Rob White  
CEO



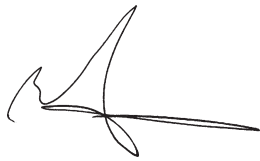
THE NEW ZEALAND WINE COMPANY  
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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

**APPROVAL BY DIRECTORS**

The Directors have approved the Financial Statements of The New Zealand Wine Company Limited for the year ended 30 June 2007 on pages 8 to 26.

For and on behalf of the Board of Directors 31 July 2007.



Mark A Peters  
CHAIRMAN



John HG Milne  
DIRECTOR

THE NEW ZEALAND WINE COMPANY  
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***S T A T E M E N T O F A C C O U N T I N G P O L I C I E S***

***F O R T H E Y E A R E N D E D 3 0 T H J U N E 2 0 0 7***

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

***1. BASIS FOR PREPARATION***

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

***2. SPECIFIC ACCOUNTING POLICIES***

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

**2.1 PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

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

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

Depreciation rates per annum are as follows:

Buildings:	2%
Land Improvements:	2%
Winery Equipment:	5%
Vineyard Equipment:	10%
Fixtures and Fittings:	10%
Motor Vehicles:	20%
Computer Equipment:	33%

***STATEMENT OF ACCOUNTING POLICIES***  
***FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)***

2.2 IDENTIFIABLE INTANGIBLE ASSETS

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

2.3 INVESTMENTS

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

2.4 INVENTORIES

All inventories are valued at the lower of cost and net realisable value. Cost is calculated on an average cost basis.

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

2.5 TRADE RECEIVABLES

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

2.6 STATEMENT OF CASH FLOWS

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

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

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

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

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

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

2.7 TAXATION

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

***STATEMENT OF ACCOUNTING POLICIES***  
***FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)***

2.7 TAXATION (CONTINUED)

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

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

2.8 OPERATING LEASES

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

2.9 FOREIGN CURRENCY TRANSACTIONS

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

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

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

2.10 FINANCIAL INSTRUMENTS

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

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

2.11 PARENT COMPANY FINANCIAL STATEMENTS

Parent Company financial statements have not been separately presented as they are not materially different from those of the Group which are presented in this Report.

2.12 CHANGES IN ACCOUNTING POLICIES

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

THE NEW ZEALAND WINE COMPANY  
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**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

	Note	Group 2007 \$'000	Group 2006 \$'000
TOTAL REVENUE	1	10,716	9,414
Surplus from operations	2	1,704	1,875
Financing costs (net)	3	(356)	(341)
Surplus before taxation		1,348	1,534
Taxation expense	4	(387)	(508)
NET SURPLUS FOR THE YEAR		961	1,026
Earnings per share cps (after tax)	5	11.1	11.9
Dividends per share cps	6	7.0	7.0

**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

	Note	Group 2007 \$'000	Group 2006 \$'000
Net surplus for the year		961	1,026
Revaluation of land, land improvements and buildings	9	942	660
Total recognised revenues and expenses		1,903	1,686
Contributions by owners	8	34	-
Distributions to owners	7	(606)	(691)
Added to equity during the year		1,331	995
Equity at beginning of year		19,975	18,980
Equity at end of year		21,306	19,975

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 26) form an integral part of these Financial Statements.

THE NEW ZEALAND WINE COMPANY  
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**STATEMENT OF FINANCIAL POSITION**

**AS AT 30TH JUNE 2007**

	Note	Group 2007 \$'000	Group 2006 \$'000
<b>CURRENT ASSETS</b>			
Cash balances		1,637	-
Trade receivables		3,525	2,748
Inventories	14	7,852	5,653
Taxation receivable		158	69
Other current assets		811	1,238
		13,983	9,708
 <b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	22,682	20,093
Identifiable intangibles	13	23	30
Investments	16	10	10
Other non-current assets		136	18
		22,851	20,151
 <b>TOTAL ASSETS</b>		<b>36,834</b>	<b>29,859</b>

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 26) form an integral part of these Financial Statements.

THE NEW ZEALAND WINE COMPANY  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2007 (CONTINUED)**

	Note	Group 2007 \$'000	Group 2006 \$'000
<b>CURRENT LIABILITIES</b>			
Bank overdraft	10	-	159
Loans	10	1,414	757
Trade creditors		1,519	1,277
Payables	15	639	534
		3,572	2,727
 <b>NON-CURRENT LIABILITIES</b>			
Loans	10	11,025	6,211
Deferred taxation	11	931	946
		11,956	7,157
<b>TOTAL LIABILITIES</b>		15,528	9,884
 <b>EQUITY</b>			
Share capital	8	9,596	9,562
Reserves	9	11,710	10,413
<b>TOTAL EQUITY</b>		21,306	19,975
 <b>TOTAL LIABILITIES AND EQUITY</b>		 36,834	 29,859

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 26) form an integral part of these Financial Statements.

THE NEW ZEALAND WINE COMPANY  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

	Note	Group 2007 \$'000	Group 2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from (applied to)			
Receipts from customers		11,791	9,578
Interest received		22	28
Payments to suppliers and employees		(11,423)	(7,854)
Interest paid		(549)	(569)
Taxation paid		(487)	(424)
Net cash flow from operating activities	17	(646)	759
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from (applied to)			
Sale of property, plant and equipment		1	1
Purchase of property, plant and equipment		(2,238)	(430)
Interest capitalised into property, plant and equipment		(121)	-
Purchase of identifiable intangible assets		(2)	(7)
Grower loan advances		(96)	100
Net cash flow from investing activities		(2,456)	(336)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was provided from (applied to)			
Issue of equity share capital		34	-
Loan advanced		6,300	-
Loans repaid		(830)	(741)
Dividends paid		(606)	(691)
Net cash flow from financing activities		4,898	(1,432)
Net increase/(decrease) in cash held		1,796	(1,009)
Cash at beginning of year		(159)	850
Cash at end of year		1,637	(159)
Comprising: Cash balances		1,637	-
Bank overdraft		-	(159)
		1,637	(159)

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 26) form an integral part of these Financial Statements.



THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

	Group 2007 \$'000	Group 2006 \$'000
1. TOTAL REVENUE		
<i>Total revenue comprises:</i>		
Total sales revenue (net of excise duty)	10,694	9,371
Interest revenue	22	28
Total operating revenue (net of excise duty)	10,716	9,399
Other income:		
Net foreign exchange gain	-	15
Total revenue (net of excise duty)	10,716	9,414
2. SURPLUS FROM OPERATIONS		
<i>Included in surplus from operations are the following:</i>		
EXPENSES:		
Amortisation of identifiable intangible assets	9	10
Bad and doubtful debts - Bad debts	8	-
Depreciation*	18	24
Directors' fees	151	102
Donations	-	-
Excise duty	582	568
Fees paid to auditors:		
- Audit of financial report	16	16
- For other services	-	-
Net foreign exchange loss (gain)	274	(15)
Operating lease rentals	51	43
*Total depreciation on property, plant and equipment totalled \$589,000 (2006: \$576,000). \$571,000 has been applied to inventories (2006: \$552,000).		
3. NET FINANCING COSTS		
Interest expense	686	565
Less: Interest revenue	(22)	(28)
Less: Interest capitalised/included in cost of grapes	(187)	(196)
Less: Interest capitalised into property, plant & equipment	(121)	-
	356	341

THE NEW ZEALAND WINE COMPANY  
LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

	Group 2007 \$'000	Group 2006 \$'000
4. TAXATION		
SURPLUS BEFORE TAXATION	1,348	1,534
Income taxation expense calculated at current rate of 33 cents	445	506
Taxation effect of permanent differences: Other permanent differences	35	2
Change in corporate tax rate to 30 cents - effect in deferred tax (Note 11)	(93)	-
Taxation expense as reported	387	508
ANALYSIS OF TAXATION EXPENSE		
Current taxation	402	437
Deferred taxation	(15)	71
	387	508
IMPUTATION CREDITS		
Balance at beginning of year	241	150
Taxation paid	492	424
Attached to dividends paid	(293)	(333)
Balance at end of year	440	241
	Group 2007 cents per share	Group 2006 cents per share
5. EARNINGS PER SHARE	11.1	11.9
<p>The calculation of earnings per share in respect of 2007 is based on earnings of \$960,835 (2006: \$1,025,796) and the weighted average of 8,662,554 ordinary shares on issue during the year (2006: 8,643,499). Diluted earnings per share have not been disclosed separately as they are not materially different from the basic earnings per share.</p>		
6. DIVIDENDS PER SHARE	7.0	7.0
<p>The calculation of dividends per share in respect of 2007 is based on the interim dividend paid in April and the proposed final dividend payable (Note 7) totalling \$606,783 (2006: \$605,570) and the weighted average of 8,662,554 ordinary shares on issue during the year (2006: 8,643,499).</p>		
7. DISTRIBUTIONS TO OWNERS	Group 2007 \$'000	Group 2006 \$'000
2007 interim dividend 3 cps fully imputed paid 2/4/07	260	-
2006 final dividend 4 cps fully imputed paid 22/9/06	346	-
2006 interim dividend 3 cps fully imputed paid 3/4/06	-	259
2005 final dividend 5 cps fully imputed paid 23/9/05	-	432
	606	691

No final dividend for the financial year has been declared and included in these financial statements. A final dividend of 4 cents per share fully imputed was approved by the Board on 31 July 2007 for payment on 21 September 2007.

THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

8. SHARE CAPITAL	2007 Number of shares issued	2006 Number of shares issued	Group 2007 \$'000	Group 2006 \$'000
FULLY PAID UP ORDINARY SHARES				
Balance at beginning of year	8,650,999	8,632,999	9,562	9,527
Share issue	17,333	18,000	34	35
Balance at end of year	8,668,332	8,650,999	9,596	9,562

The Company has only one class of shares and all shares have the same rights.

During the year the Company

- Issued 11,200 ordinary shares on 25 October 2006 at an issue price of \$1.96 per share ex employee share options.
- Issued 6,133 ordinary shares on 25 October 2006 at an issue price of \$1.90 per share ex employee share options.

During the previous year the Company

- Issued 18,000 ordinary shares on 24 November 2005 at an issue price of \$1.95 per share ex convertible notes - this resulted in no net movement in equity.

#### SHARE OPTIONS

Balance at end of year	133,292	150,175
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#### 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.

Information regarding options granted under the scheme is as follows:

	29 Jan 03	1 Mar 04	16 Nov 04	14 Nov 05	3 Nov 06	Total
Number of options granted	66,625	26,100	32,900	41,700	40,300	207,625
Number of options exercised	-	-	(11,200)	(6,133)	-	(17,333)
Number of options lapsed	(38,500)	(8,800)	(3,600)	(6,100)	-	(57,000)
Number of options outstanding at year end	28,125	17,300	18,100	29,467	40,300	133,292
Issue price	\$2.75	\$2.38	\$1.96	\$1.90	\$2.20	
Percentage of total shares	0.3%	0.2%	0.2%	0.3%	0.5%	1.5%

THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

8. SHARE CAPITAL (continued)

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 have been granted to Rob White and David Pearce. For the rights to be exercisable future EPS must meet or exceed a performance hurdle and increase by an average of 12% per year, to achieve EPS of no less than 23.1 cps for the 30 June 2008 financial year. EPS are to be calculated on a consistent basis from year to year, working from the base EPS of 13.1 cps actually achieved in the 30 June 2003 financial year. Each right issued under the plan entitles the participant to subscribe for one ordinary share during the exercise period on the terms and conditions of the agreement. No money is payable by the participant in respect of the grant of rights, or on the exercise of the rights. The exercise period for rights issued under the plan commences on the date of the performance hurdle confirmation notice given under the terms and conditions of the agreement and ends on 30 June 2010. If the EPS performance hurdle of 23.1 cps is not achieved for the 30 June 2008 financial year, then the rights will lapse and be cancelled.

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 can 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 JYE2009 year 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.
- That the PSP be extended by a further year to 30 June 2010, if required - as per the JYE2009 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.

	Group 2007 \$'000	Group 2006 \$'000
9. RESERVES		
REVALUATION RESERVE		
Balance at beginning of year	6,927	6,254
Revaluation surplus during the year	942	660
Transferred from retained earnings on scrapping of property	-	13
Balance at end of year	7,869	6,927
RETAINED EARNINGS		
Balance at beginning of year	3,486	3,164
Net surplus for the year	961	1,026
Transfer to revaluation reserve	-	(13)
	4,447	4,177
Distributions to owners (Note 7)	(606)	(691)
Balance at end of year	3,841	3,486
TOTAL RESERVES	11,710	10,413

THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

10. FUNDING	Interest Rate %	Interest Rate Review Date	Repayment Date	Group 2007 \$'000	Group 2006 \$'000
BANK OVERDRAFT	8.99% Floating	1/7/2007		-	159
NATIONAL BANK LOANS					
Loan # 1	9.39% Floating	16/9/2007	20/5/2011	251	314
Loan # 2	9.39% Floating	16/9/2007	2/7/2014	915	1,012
Loan # 3	7.55% Fixed	29/11/2010	9/7/2016	1,081	1,161
Loan # 4	9.39% Floating	16/9/2007	9/7/2016	731	788
Loan # 5	7.75% Fixed	29/11/2007	19/2/2012	261	305
Loan # 6	7.58% Fixed	19/7/2007	19/7/2017	882	937
Loan # 7	6.64% Fixed	21/8/2008	21/8/2018	1,323	1,401
Loan # 8	7.75% Fixed	20/12/2007	20/12/2009	750	1,050
Loan # 9	9.06% Floating	17/7/2007	20/11/2021	2,245	-
Loan # 10	9.24% Floating	29/9/2007	29/6/2017	4,000	-
TOTAL LOANS				<u>12,439</u>	<u>6,968</u>
TOTAL FUNDING				<u>12,439</u>	<u>7,127</u>
Bank overdraft				-	159
Loans due within 1 year				1,414	757
Loans due 1 to 2 years				1,397	787
Loans due 2 to 5 years				3,475	2,118
Loans due after 5 years				<u>6,153</u>	<u>3,306</u>
				<u>12,439</u>	<u>7,127</u>

Refer Note 22 for interest rate swap transactions entered into and interest rate reviews post balance date.

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.

SECURITY

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

THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

	Group 2007 \$'000	Group 2006 \$'000
11. DEFERRED TAXATION		
Balance at beginning of year	946	875
Movements during the year: Timing differences (net)	78	71
Change in corporate income tax rate to 30 cents	(93)	-
Balance at end of year	931	946
12. PROPERTY, PLANT AND EQUIPMENT		
FREEHOLD LAND:		
At valuation	4,310	4,220
Revaluation surplus	2,333	2,243
LAND IMPROVEMENTS:		
At valuation	10,779	8,267
Revaluation surplus	4,931	4,080
Depreciation expense current year	179	171
BUILDINGS:		
At valuation	3,401	3,363
Revaluation surplus	605	604
Depreciation expense current year	68	66
WINERY AND VINEYARD EQUIPMENT:		
At cost	5,778	5,550
Accumulated depreciation	(1,732)	(1,487)
	4,046	4,063
Depreciation expense current year	305	285
MOTOR VEHICLES:		
At cost	434	434
Accumulated depreciation	(308)	(280)
	126	154
Depreciation expense current year	28	39

THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

	Group 2007 \$'000	Group 2006 \$'000
12. PROPERTY, PLANT AND EQUIPMENT (continued)		
FURNITURE AND FITTINGS:		
At cost	154	169
Accumulated depreciation	(134)	(143)
	20	26
<i>Depreciation expense current year</i>	9	15
TOTAL NET BOOK VALUE OF PROPERTY, PLANT AND EQUIPMENT	22,682	20,093
<i>Total Depreciation expense current year</i>	589	576

Land, land improvements and buildings shown at valuation were valued at market value under the principle of highest and best use by Alexander Hayward Limited, registered valuers, on 30 June 2007 (2006: 30 June 2006).  
Land and buildings are subject to mortgage (Note 10).

13. IDENTIFIABLE INTANGIBLES

Trademarks		
At cost	67	65
Accumulated amortisation	(44)	(35)
	23	30

Trademarks are amortised over a period of 7 years.

14. INVENTORIES

Raw materials	177	125
Consumable stores	37	34
Work in progress	6,124	4,472
Finished goods	1,514	1,022
	7,852	5,653

15. PAYABLES

Employee entitlements	95	88
Other accruals	544	446
	639	534

THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

	Group 2007 \$'000	Group 2006 \$'000
16. INVESTMENTS		
Bedford Road Investments Limited	10	10

The New Zealand Wine Company Limited has three wholly owned, non-operating subsidiaries with no material assets or liabilities.

Subsidiaries at 30 June 2007 were:

- Grove Mill Wine Company Limited
- Sanctuary Wine Company Limited
- Bedford Road Investments Limited

17. NET CASH FLOW FROM OPERATING ACTIVITIES

*Reconciliation of statement of financial performance surplus with net cash flow from operating activities:*

REPORTED SURPLUS AFTER TAXATION	961	1,026
Non-cash items:		
Depreciation	589	576
Amortisation of identifiable intangibles/goodwill	9	10
Grape supply contract payments	-	31
Increase/(decrease) in deferred tax	(15)	71
	1,544	1,714

MOVEMENTS IN WORKING CAPITAL ITEMS:

Inventories	(2,199)	304
Trade receivables	(777)	(912)
Trade creditors	242	693
Payables	105	(249)
Other current assets and taxation	318	(790)
(Increase)/Decrease in working capital	(2,311)	(954)

ITEMS CLASSIFIED AS INVESTING ACTIVITIES

Interest capitalised into property, plant and equipment	121	-
(Gain)/Loss on disposal of property, plant and equipment	-	(1)
Net cash flow from operating activities	(646)	759

18. OPERATING LEASE COMMITMENTS

Not later than one year	478	261
Later than one year and not later than two years	449	227
Later than two years and not later than five years	1,209	465
Later than five years	7,302	1,327
	9,438	2,280

Operating leases relate substantially to vineyard land with lease terms between 19 years and 364 days and 30 years.



THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

19. FINANCIAL INSTRUMENTS

Currency and Interest Rate Risk

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

*(i) Currency*

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

	Group 2007	Group 2006
	\$'000	\$'000
<i>Forward foreign exchange contracts:</i>	-	2,039

Exchange differences arising are included in the measurement of the transactions to which they relate. The marked to market impact of the forward exchange contracts not matched to transactions at balance date would result in a gain/loss of \$nil (2006: loss of \$54,000) which has not been reflected in these financial statements in accordance with the Company's accounting policies.

The Company has exposure to foreign exchange risk from time to time as a result of purchases denominated in foreign currencies. Where exposures are certain, it is the Company's policy to hedge these risks as they arise. The notional principal or contract amount of foreign exchange instrument outstanding at balance date was a specific hedge of \$nil (2006: \$nil).

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

Foreign currency denominated receivables at balance date are \$2,904,000 (2006: \$1,292,000). Foreign currency denominated payables at balance date are \$123,000 (2006: \$42,000).

*(ii) Interest Rate*

The Company has long-term fixed rate borrowings which are used to fund ongoing activities. It is company policy to ensure interest rate exposure is maintained on fixed and floating rate bases. Refer to Note 10 for contractual interest rate review dates and effective interest rates.

Concentration of Credit Risk

In the normal course of its business the Company incurs credit risk from trade debtors, sundry debtors, grower advances and transactions with financial institutions. At balance date the maximum amount of credit risk is \$3,770,000 (2006: \$2,840,000).

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

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

Fair values

The carrying value of all financial instrument assets and liabilities approximate their fair value except for loans which are impracticable to fair value.

20. SEGMENT INFORMATION

The Company operates wholly within the Wine Industry in New Zealand producing table wines.

THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

21. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO IFRS

In December 2002 the Accounting Standards Review Board ("ASRB") announced that New Zealand reporting entities would be required to apply New Zealand International Financial Reporting Standards ("NZ IFRS") for reporting periods commencing on or after 1 January 2007. The international standards were released on 31 March 2004 and adopted in New Zealand by the ASRB on 24 November 2004 with certain adaptations to reflect New Zealand circumstances. Entities have the option of voluntary early adopting NZ IFRS for periods beginning on or after 1 January 2005.

The New Zealand Wine Company opted not to be an early adopter of NZ IFRS and will adopt NZ IFRS for the financial year ending 30 June 2008. A conversion project is well advanced. This project entails assessing the impacts of changes in financial reporting standards on the Company's financial reporting and other related activities, then designing and implementing processes to deliver financial reporting on an NZ IFRS compliant basis, as well as dealing with any related business impacts.

Transition from existing NZ GAAP to NZ IFRS will be made in accordance with NZ IFRS 1 "First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards." An explanation of how the transition from superseded policies to NZ IFRS is expected to affect the Company's financial position is set out in the following tables and the notes that accompany the tables. Upon full adoption of NZ IFRS in the year ended 30 June 2008, comparative information for the year ended 30 June 2007 will be restated to conform with the requirements of NZ IFRS and the impact that adoption of NZ IFRS has had on the Company's financial statements for that year will be set out initially in the 2008 Interim and finally in the 2008 Annual Report.

**Effect of NZ IFRS on the balance sheet as at 1 July 2006**

	Note	30 June 2006 under NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	1 July 2006 under NZ IFRS \$'000
<b>Current assets</b>				
Trade receivables	(f)	2,748	-43	2,705
Inventories	(d)	5,653	163	5,816
Taxation		69	-14	55
Other current assets		1,238		1,238
<b>Total current assets</b>		<b>9,708</b>	<b>106</b>	<b>9,814</b>
<b>Non-current assets</b>				
Property, plant and equipment		20,093	-6,612	13,481
Biological assets		-	6,612	6,612
Identifiable intangibles		30		30
Investments		10		10
Other non-current assets		18		18
<b>Total non-current assets</b>		<b>20,151</b>	<b>0</b>	<b>20,151</b>
<b>Total assets</b>		<b>29,859</b>	<b>106</b>	<b>29,965</b>
<b>Current liabilities</b>				
Bank overdraft		159		159
Loans		757		757
Trade creditors		1,277		1,277
Other financial liabilities	(f)	0	11	11
Payables	(b)	534	4	538
<b>Total current liabilities</b>		<b>2,727</b>	<b>15</b>	<b>2,742</b>
<b>Non-current liabilities</b>				
Loans		6,211		6,211
Deferred taxation	(a)	946	253	1,199
<b>Total non-current liabilities</b>		<b>7,157</b>	<b>253</b>	<b>7,410</b>
<b>Total liabilities</b>		<b>9,884</b>	<b>268</b>	<b>10,152</b>
<b>Net assets</b>		<b>19,975</b>	<b>-162</b>	<b>19,813</b>
<b>Equity</b>				
Share capital		9,562		9,562
Reserves - Retained earnings	(c), (d), (e)	3,486	3,100	6,586
Reserves - Other		6,927	-3,262	3,665
<b>Total equity</b>		<b>19,975</b>	<b>-162</b>	<b>19,813</b>

THE NEW ZEALAND WINE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

21. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO IFRS (CONTINUED)

**Notes**

(a) *Income Taxes*

Under previous NZ GAAP the Company financial statements accounted for deferred tax on a comprehensive basis using the liability method, which recognises differences between the accounting surplus and taxable income. Under NZ IFRS (NZ IAS 12) deferred tax is calculated using a "balance sheet" approach, which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of balance sheet items. The effects of the adoption of NZ IFRS are expected to be as follows:

	1 July 2006
Deferred Tax Liability	\$'000
Deferred tax liability on property, plant and equipment	200
Deferred tax liability on employee benefits	-1
Deferred tax liability on biological produce	54
	253

(b) *Employee Benefits*

Under previous NZ GAAP short term employee benefits such as sick leave were not brought to account. Under NZ IFRS, NZ IAS 19 requires short term benefits that accumulate to be expensed in the year that the services are provided. This is expected to result in an increase in Payables of \$4,000 for accumulated sick leave for waged employees and the responding adjustment to retained earnings.

(c) *Share-Based Payments*

The Company operates an employee share option scheme and employee performance share plan. Under previous NZ GAAP the options and rights were not accounted for until they were exercised. Under NZ IFRS (NZ IFRS 2) the compensatory component of the schemes will be valued at the grant date at fair value (using an appropriate valuation methodology) and allocated over the vesting period of the share option schemes and performance share plan. An amount of \$6,000 is expected to be recognised in the employee equity-settled benefits reserve on the date of transition under NZ IFRS with a corresponding adjustment to retained earnings. The amount relates to share options granted under the employee share scheme which were issued after 7 November 2002 and are not vested as of 1 July 2006.

(d) *Biological Assets*

Under current accounting policy, the Company accounts for the costs incurred in growing the grapes for each harvest in the period of the harvest. Costs incurred subsequent to the current year's harvest, for growing grapes for the next harvest are capitalised on the Statement of Financial Position and expensed in that period when the harvest occurs. Harvested grapes are carried in Inventory as wine at the lower of cost or market value. Under NZ IFRS (NZ IAS 41) the Company will be required to account for biological assets (vines) and agricultural produce (grapes) at fair value less estimated point-of-sale costs. Any gain or loss arising from initial recognition of the vines and grapes at fair value less estimated point-of-sale costs and from a change in the fair value less estimated point-of-sale costs of the vines is expected to be included in the profit or loss for the period in which it arises. Upon transition inventories are expected to have to be increased by \$163,000 to reflect the fair value of grapes produced from the 2006 vintage with a corresponding adjustment to retained earnings and the revaluation reserve held for vines of \$3,268,000 will be moved to retained earnings.

(e) *Retained Earnings*

The effect on retained earnings of the changes set out above are as follows:

	Note	\$'000
Employee Benefits – Sick Leave	(b)	-4
Share Based Payments	(c)	-6
Biological Assets – Inventory effect	(d)	163
Biological Assets - Transfer from Asset Revaluation Reserve	(d)	3,268
Financial Instruments – FX Forward Contracts	(f)	-54
Income Taxes – Current Tax Liability	(a)	-14
Income Taxes – Deferred Tax Liability	(a)	-253
Impact on opening retained earnings		3,100

(f) *Derivative Financial Assets and Liabilities*

The requirements of NZ IAS 39 "Financial instruments: recognition and measurement" require the recognition of the fair value of derivative financial assets and liabilities as a separate balance sheet category. Derivative instruments comprise foreign exchange forward contracts. The fair value of foreign exchange forward contracts was previously disclosed by way of a note to the financial statements and movements in the fair value were not brought to account. The total value of foreign exchange forward contracts at 1 July 2006 was \$2,039,000 and the foreign exchange loss not brought to account due to movements in the fair value of the contracts allocated to sales invoices and included in trade receivables at opening balance date was \$43,000.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

21. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO IFRS (CONTINUED)

This list should not be taken as an exhaustive list of all the differences between NZ GAAP and NZ IFRS. The impacts discussed are based on management's current interpretation of the Standards that have been released to date. There is potential for further changes when the Company prepares its first set of NZ IFRS financial statements due to changes in the Standards and their formal interpretation, changes in our business, or changes in management's interpretation of the Standards. The impacts of these changes may be material.

As the assessment of the impact of NZ-IFRS is continuing, other Standards may be identified as impacting on the Company's results. As NZWC progresses toward full adoption of NZ IFRS the Company will continue, where material, to provide users of the financial statements with updated information about the likely impacts of NZ IFRS on the Company's earnings, cash flows and financial position.

22. SUBSEQUENT EVENTS

On 4 July 2007 the Company entered into interest rate swap transactions as follows:

- Loan # 1, 2, 4 and 6: 2 year swap effective from 31 July 2007 at an interest rate of 9.33% pa;
- Loan # 5: 20 month swap effective 29 November 2007 at an interest rate of 9.33% pa;
- Loan # 9: 3 year swap effective from 31 July 2007 at an interest rate of 9.23% pa;
- Loan # 10: 1 year swap for \$1 million effective from 29 July 2007 at an interest rate of 9.40% pa and 4 year swap for \$3 million effective from 29 July 2007 at an interest rate of 9.14% pa.

On 17 July 2007 the interest rate on Loan #9 was reviewed. The new interest rate for the loan is 9.56% pa floating until the interest rate swap becomes effective on 31 July 2007.

On 19 July 2007 the interest rate on Loan #6 was reviewed. The new interest rate for the loan is 9.44% pa floating until the interest rate swap becomes effective on 31 July 2007.

On 31 July 2007 the Board approved a final dividend of 4 cents per share fully imputed for payment on 21 September 2007.

No other material events have occurred since balance date, not referred to elsewhere in these notes to the financial statements.

THE NEW ZEALAND WINE COMPANY  
LIMITED

**A U D I T R E P O R T**

**F O R T H E Y E A R E N D E D 3 0 T H J U N E 2 0 0 7**

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



We have audited the financial statements on pages 8 to 26. The financial statements provide information about the past financial performance of The New Zealand Wine Company Limited (the "Company") and Group and their financial position as at 30 June 2007. This information is stated in accordance with the accounting policies set out on pages 8 to 10.

**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 and Group as at 30 June 2007 and of the results of their operations and cash flows for the year ended 30 June 2007.

**Auditors' 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 and Group's circumstances, consistently applied and adequately disclosed.

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

Other than in our capacity as auditor we have no relationship with or interests in the Company or the Group.

**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 as far as appears from our examination of those records; and
- the financial statements on pages 8 to 26:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the Company and Group as at 30 June 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 31 July 2007 and our unqualified opinion is expressed as at that date.

**CHARTERED ACCOUNTANTS  
WELLINGTON, NEW ZEALAND**

***Matters Relating to the Electronic Presentation of the Audited Financial Statements***

*This audit report relates to the financial statements of The New Zealand Wine Co Limited for the year ended 30 June 2007 included on The New Zealand Wine Co Limited's website. The New Zealand Wine Co Limited's Directors are responsible for the maintenance and integrity of The New Zealand Wine Co Limited's website. We have not been engaged to report on the integrity of The New Zealand Wine Co Limited'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 31st July 2007 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.*

THE NEW ZEALAND WINE COMPANY  
LIMITED

***COMPARATIVE FINANCIAL REVIEW***

***FOR THE YEARS ENDED 30TH JUNE***

	Note	2007 Audited \$'000	2006 Audited \$'000	2005 Audited \$'000	2004 Audited \$'000	2003 Audited \$'000
Statement of Financial Performance Data						
Total Revenue		10,716	9,414	8,966	7,733	7,407
Surplus from Operations		1,704	1,875	1,646	1,387	1,835
Financing Costs		356	341	283	319	212
Taxation		387	508	455	329	542
Net Surplus for the Year		961	1,026	908	739	1,081
Earnings per share (cents)	1	11.1	11.9	10.5	8.6	13.1
Dividends per share (cents)	2	7.0	7.0	7.0	6.0	6.2
Statement of Financial Position Data						
Current Assets		13,983	9,708	9,034	10,160	7,822
Current Liabilities		3,572	2,727	2,101	3,308	2,508
Working Capital Ratio		3.9	3.6	4.3	3.1	3.1
Non-Current Assets		22,851	20,151	19,898	17,558	18,235
Total Assets		36,834	29,859	28,932	27,718	26,057
Non-Current Liabilities		11,956	7,157	7,851	6,983	7,165
Total Liabilities		15,528	9,884	9,952	10,291	9,673
Total Shareholders Equity		21,306	19,975	18,980	17,427	16,384
Net Surplus % of Average Shareholders Equity		4.7%	5.3%	5.0%	4.4%	8.0%
Total Recognised Revenues & Exps % of Avg S/holders Equity		9.2%	8.7%	10.9%	9.2%	30.2%
Total Loans		12,439	6,968	7,710	7,957	6,795
Gearing Ratio %	3	36.9%	25.9%	28.9%	31.3%	29.3%
Net Gearing Ratio %	4	33.6%	25.9%	26.5%	28.9%	29.3%
Shareholders' Equity % of Total Assets		57.8%	66.9%	65.6%	62.9%	62.9%
Net Tangible Assets per share		\$2.46	\$2.31	\$2.17	\$2.01	\$1.88
Number of Shares at year end	1	8,668,332	8,650,999	8,632,999	8,589,666	8,583,452

Notes:

- 1 Dividends and earnings per share are restated to reflect the 1:10 bonus issue in September 2002.
- 2 Dividends per share are calculated on the amount paid/payable in respect of the year to which they relate.
- 3 Gearing Ratio is Total Loans as a percentage of Total Loans plus Total Shareholders Equity.
- 4 Net Gearing Ratio adjusts the Total Loans in Note 3 by netting off Cash Balances.

## C O R P O R A T E G O V E R N A N C E S T A T E M E N T

F O R T H E Y E A R E N D E D 3 0 T H J U N E 2 0 0 7

The NZWC is listed on the NZAX with ticker code 'NWC'. Its Companies Office registration is 307139. The NZWC has three subsidiaries Grove Mill Wine Company, Sanctuary Wine Company and Bedford Road Investments; each name protection or dormant companies for the meantime. The NZWC Constitution provides for a minimum of three and maximum of eight directors, two of whom must be resident in New Zealand. The directors have now determined the Board should revert to its former six directors with increasing scale of operations and opportunities. The Chairman is Mark Peters, appointed Chairman in 1993, who has decided to retire after the 2007 Annual Meeting. All current directors are non-executive and confirmed as independent directors under NZX Listing Rule criteria.

### GOVERNANCE PRINCIPLES AND RESPONSIBILITIES

Although the NZWC is listed on the NZAX, the Board plans to list on the NZSX once it meets full listing criteria or obtains a requisite NZX waiver. At present, with about 400 shareholders, the NZWC is under the minimum 500 shareholder NZSX threshold but well exceeds minimum financial specifications. Accordingly, the Board complies with NZAX listing rules and wherever practicable meets NZSX listing rules including the minimum requirements of the Appendix 16 best practice corporate governance code together with the New Zealand Securities Commission best corporate governance practice guidance with effective management and risk minimisation procedures. These principles are set out below with comment relevant to the NZWC's operations.

#### *Ethical standards and responsible decision making*

The NZWC Board operates within the following general principles and practice:

- The Board is responsible to shareholders for the strategic direction and operational oversight for the NZWC's strategies, plans, budgets and financial performance; control over the NZWC's physical and intangible brand assets; its environmental sustainability initiatives and the codified ethics culture of the company - all with the objective of delivering long term enhanced shareholder value;
- Apart from statutory rights in the Companies Act which are the responsibility of shareholders, and certain Board-reserved powers, Board authority consistent with these principles is delegated to the Chief Executive with sub-delegations to respective senior management team members;
- Compliance programmes and audits are undertaken for health and safety, resource management compliance, and sustainable environmental compliance and audits for its specialist industry CarboNZero, Green Globe 21, Sustainable Winegrowing NZ and Enviro-Mark NZ initiatives;
- Full disclosure of interests and promotion of responsible conduct by directors and all employees for shareholders benefit. Directors are responsible for maintaining their up to date Interests and Shareholding Register and to identify and absent themselves from decisions where there is any actual or potentially perceived conflict of interest;
- Any director or staff member seeking to buy or sell shares must follow a prescribed procedure within defined 'trading windows' certifying the trade is at a fair price, without use of inside knowledge relating to that trade and that, if bought, shares will be held for at least six months.

#### *Balance of independence, skills and knowledge for maximum Board effectiveness*

The Board considers with the Remuneration and Nominations Committee:

- The general skills, experience and local knowledge requirements for proper NZWC governance;
- The desirable number of directors to achieve that objective whilst maintaining independence;
- The rotation requirements under the constitution and if a retirement or resignation occurs suitable candidates to fill casual vacancies. Two appointments were made with effect from 1 July 2007 - Stephen Riley, Blenheim solicitor and grape grower, to replace Jane Hunter OBE who resigned on 30th June, and David Appleby, chartered accountant, shareholder and experienced director;
- These two directors will resign and offer themselves for election at the 2007 Annual Meeting;
- With the retirement of the Chairman, Mark Peters, at the conclusion of the 2007 Annual Meeting, there will be a vacancy for nomination to the Board and potentially for election by shareholders.

#### *Appropriate processes to identify and manage potential relevant risks*

The NZWC ensures the following procedures are in place:

- At the annual Strategic Planning Meeting the Board and Management review the wider risk environment, challenges and threats and appropriate mitigating plans and new opportunities;
- At every meeting the Board reviews with management current vineyard, winery, distribution and financial risks and considers appropriate mitigating action to help manage such risks;
- Progressive annual Board review of every key policy including Delegated Authorities, Foreign Exchange, Blend Composition, Blend and Packaging Integrity and Share Trading updated whenever legislative, regulatory or other requirements oblige policy review in the interim;
- Effective procedures to monitor and improve quality and environmental programmes.



**C O R P O R A T E G O V E R N A N C E S T A T E M E N T**

**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

**GOVERNANCE PRINCIPLES AND RESPONSIBILITIES (CONTINUED)**

*Committee use to enhance Board effectiveness whilst retaining overall Board responsibility*

The Board has two standing Committees but will establish other ad hoc committees for specific special purposes as and when required. Its Committees comprise:

- An Audit Committee of three directors at least one of whom is experienced in financial matters;
- A Remuneration and Nominations Committee of three directors;
- A charter of responsibilities for each;
- Procedures to ensure that all non-Committee directors are apprised of Committee deliberations and minutes, with the opportunity to attend meetings if they so wish;
- All Committee decisions must be approved or confirmed by the full Board.

Director participation in meetings during the year were as follows:

	Board	Audit	Rem/Noms
M Peters	12	2	3
J Hunter	9	2	2
A Jamieson	12		5
M McQuillan	9		5
J Milne	12	2	2

*Integrity in financial reporting and timeliness of continuous disclosures*

The NZWC undertakes the following obligations:

- Preparing audited annual and unaudited interim financial reports complying with requirements in the Financial Reporting Act 1993 under NZ-GAAP (NZ-IFRS for the 2007/08 financial year);
- The CEO and CFO are required to supply appropriate Letters of Representation to the Board and to the Auditor at the conclusion of the financial year for the annual audit;
- At all times, and at the conclusion of each Board meeting, the directors ensure the NZX is kept informed under continuous disclosure requirements about potentially market price sensitive or other relevant market information as required under the NZAX Listing Rules;
- Management is required to supply to each monthly Board Meeting full reports on the NZWC's marketing, winery, viticultural and financial affairs, progress against capital and operating budgets together with the CEO's progress overview against the current strategic plan and identification of the NZWC's current operational issues and risks. These are supplemented by email, or conference call, contact with directors on material issues arising at other times.

*Transparent, fair and reasonable remuneration of directors, management and staff*

The Remuneration and Nominations Sub-Committee oversees and is responsible to the Board for consideration of all appropriate remuneration policies for directors, management and staff.

- The aim is for management and staff salaries to be in the top quartile for equivalent employers with opportunity for at-risk performance related bonuses and share incentive plans where shareholder value accretive performance occurs against specified financial metrics;
- The Board reviews annually and recommends to shareholders any increase in directors' fees when profit performance warrants. The last recommended fee increase was in 2006;
- The constitution permits retirement allowances to be paid to directors provided these are approved by shareholders' resolution. The NZAX Listing Rules confine these to directors in place on 1st May 2004. This matter will be addressed at the 2007 Annual Meeting;
- The Annual Report discloses all fees and other professional payments to directors and also reports executives' remuneration and other benefits paid in bands in excess of \$100,000 per annum.

*Quality and independence of the external audit process*

The NZWC requires:

- Its annual Financial Statements to be audited independently by Deloitte;
- No relationships between NZWC and Auditor to compromise external audit independence;
- The lead Auditor appointment to rotate at least every five years, unless as has happened in 2007, that is extended for a further year being the final year of reporting under NZ-GAAP;



**C O R P O R A T E G O V E R N A N C E S T A T E M E N T**  
**F O R T H E Y E A R E N D E D 3 0 T H J U N E 2 0 0 7 ( C O N T I N U E D )**

GOVERNANCE PRINCIPLES AND RESPONSIBILITIES (CONTINUED)

- The opportunity for the lead Auditor to address any issues with the Audit Committee members without management present. Direct contact is also maintained between the lead Auditor and the Board Audit Chairman on any matters relating to audit and financial integrity;
- The Board to authorise beforehand any non-audit related work to be undertaken by the Auditor;
- Disclosure of all fees paid to the Auditor in the NZWC's Annual Report.

*Rights of Shareholders*

NZWC fosters and maintains shareholder accountability by:

- Annual and Interim reports, notices of meetings and other matters requiring shareholders' approval to be supplied to shareholders with full explanations within statutory requirements;
- Maintaining the Investor Section in its web-site giving full relevant information about the NZWC; its constitution and other key reporting documents with links to the Grove Mill and Sanctuary sites which contain information about its vineyard operations, winery and wines;
- Periodic Newsletters to shareholders, and other stakeholders, on key matters affecting the NZWC including company announcements, awards, current wine developments and harvest progress.

*Interests of external stakeholders*

The NZWC conducts its operations within the context of the NZWC's corporate ownership and enhanced shareholder value objective by recognising wider interests affecting the NZWC including:

- The legislative requirement to be a good employer with all employment agreements to be dealt with openly, honestly and with integrity and maintaining relevant health and safety obligations;
- Responsiveness to wine quality and integrity for benefit of all NZWC's customers;
- Maintenance of professional, business-like dealings with the NZWC's local growers and suppliers and its key distributors in local and export markets;
- Policies for the NZWC to be environmentally responsible within its wider 'carbon footprint', with sustainable viticultural stewardship and operating within all resource management consents;
- An overall commitment to achieving business excellence, profitability and good governance.

## ***ENVIRONMENTAL REPORT***

***FOR THE YEAR ENDED 30TH JUNE 2007***

### INTRODUCTION

The New Zealand Wine Company brands Grove Mill, Sanctuary and Frog Haven take their iconography, and two of them their names, from the wetland which is located next to the winery. The wetland is part of the Southern Alpine fault line which runs down the South side of the Wairau Valley. When the winery was relocated to this site in 1994 this was a grazed over field and has progressively been developed and replanted since. It's only a small area but it has come to symbolize our philosophies and restoring it led us to broader issues, firstly "Sustainability" and more recently "Climate Change" and CarboNZero®. In September 2006 we became the first winery in the world to achieve CarboNZero® certification.

### WHAT IS CARBONZERO®?

Let's start by looking at what CarboNZero® means. On a basic level, as it implies, it refers to no (zero) net Carbon dioxide emissions going into the atmosphere from a series of activities. It means more than that though as CarboNZero® has to do with "Carbon dioxide equivalence" and, more importantly, what an individual, company, town, city, province or country can do about it.

Carbon dioxide equivalence is how we relate any activity to the potential global warming resulting from it. A topical example of Carbon dioxide equivalence would be found in the "Food Miles" debate.

Landcare Research which is in part funded by the New Zealand Government, developed the science based CarboNZero® programme. It has three fundamental components: "Measure", "Manage" and "Mitigate". The programme is extremely robust, regarded as world leading and independently third-party audited.

**Measure:** Step one involves measuring your Carbon footprint. The programme metrics for the New Zealand wine industry were developed by the NZWC and Landcare Research in early 2006. Wineries and vineyards joining the programme today obviously don't need to repeat this work. The result of our first CarboNZero® assessment was 312 tonne of Carbon Dioxide equivalence as shown with the emission's sources for the year to June 2006.

There are three points to reaching these figures:

1. The portion of your business you are going to gain CarboNZero® accreditation for. The NZWC elected to cover its entire business and so its total Carbon dioxide emissions equivalence is the sum of those from the vineyards, winery, sales, marketing administration etc. This did not need to be the case but company wide accreditation was our choice as an integrity issue.
2. The scope of the emissions included in the assessment. Deciding what needed to be included in our emissions inventory was not an easy task. The CarboNZero® programme complies with ISO 14064 (Greenhouse Gas and Inventory Standard) and as such emissions are split into Scopes 1,2 and 3. Scopes 1 and 2 are compulsory. Scope 3 emissions are optional when preparing an emissions inventory but carry varying degrees of moral obligation with them: "Scope 1 encompasses a company's direct GHG emissions, whether from on-site energy production or other industrial activities. Scope 2 accounts for energy that is purchased from off-site (primarily electricity, but can also include energy like steam). Scope 3 is much broader and can include anything from employee travel, to "upstream" emissions embedded in products purchased or processed by the firm, to "downstream" emissions associated with transporting and disposing of products sold by the firm." For us diesel and petrol are Scope 1, electricity is Scope 2 and all other sources are Scope 3 emissions. We elected to include direct work done by outside sources, in other words those things we have a high degree of influence over, in our Scope 3 emissions.
3. As indicated by the Food Miles reference each activity must be converted to Carbon dioxide equivalence. Landcare provides the conversions from internationally recognized research and have these independently audited.

**Manage:** "Manage" refers to managing down and is the most important component of the programme. Knowing our Carbon footprint allows us to initiate reduction programmes and review their effectiveness. We have initiated programmes companywide, starting with the areas where the greatest gains could be achieved; many of which address Scope 3 emissions.

The freight components of our footprint are particularly significant and an obvious place to look for reductions. One CarboNZero®, and Food Miles, related emission reduction project last year saw us reducing our international freight footprint through the redesign of packaging and container loading formats. The project resulted in an average (across different product lines) 12% saving in container shipments simply by getting more in. This is something we should have done anyway but we have found that every project is something we should be doing anyway.

**Mitigate:** The third leg of the programme is "Mitigate". Those emission which remain, after managing down, are mitigated through Carbon sequestration. We sponsor the regeneration of New Zealand native forest on Cape Jackson, in our local Marlborough Sounds, through the EBEX 21 Programme. Ron Marriot is "farming" the regeneration of 600 Hectares of previously marginal farmland. Of his total farm our current emissions equate to about 100 Hectares.

**ENVIRONMENTAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

**WHY DID WE BECOME CARBONZERO®?**

CarboNZero® fell out of a much larger picture we were looking at which was “Sustainability”. We wanted to organize what we were already doing with “Sustainability” and create an ongoing “Sustainability” culture. In the early stages of this work CarboNZero® was not a serious consideration. We had discussed Carbon neutrality but didn’t consider we were well enough resourced to follow up on it.

CarboNZero® became a prime driver in our sustainability programme after we looked more closely at issues like:

1. “Food Miles” and
2. “Stakeholders Concerns” (Sainsbury’s in this instance) which we had picked up in our initial assessments and others we had missed or left out like
3. “Carbon Labeling” concepts coming out of the UK and
4. “Carbon Lifecycle Analysis” coming from New Zealand as a response to the threat posed by Food Miles.

It also occurred to us that Global Warming was probably the largest environmental issue that the world faced and maybe we should think about that.

In adopting environmentally sustainable practices we recognized the positive commercial results that can be achieved. Through better management of our resources and waste we also manage down our costs. The marketing benefits for our brands through becoming a preferred purchase are significant and by protecting our environment we help secure the future of winemaking in our region.

When we looked at our sustainability footprint we elected to start with the definition given by the World Commission on Environment and Development: **“Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.”**

It’s both a fairly broad definition and yet nicely succinct. We also felt it was easily understandable from a variety of viewpoints and as our industry has a very long timeline itself we liked its vision. Obviously our major focus needs to be on our production environment and that means our vineyards and winery. Also implicit in this definition of sustainability though is the need for an organisation to remain in business.

The individual programmes we’ve chosen manage our environmental impacts. They cover issues specific to our location and industry, such as Sustainable Winegrowing New Zealand and Sanctuary Habitat Rehabilitation, and the more global issues into which I would include CarboNZero®, Environmark and Green Globe 21. These include an environmental management system and international benchmarking, all the way through to planting trees for native birds.

**ENVIRONMENTAL AWARDS**

In 2007 we received a Marlborough Environment Award, the Rapaura Vintners Wine Growing/Horticulture award for “Demonstrating sound environmental management is good business”

We also sponsored an award, the Grove Mill Habitat Enhancement Award.

THE NEW ZEALAND WINE COMPANY  
LIMITED

**STATUTORY INFORMATION**

**FOR THE YEAR ENDED 30TH JUNE 2007**

**1. DIRECTOR PROFILES**

**MARK PETERS - CHAIRMAN**

Mark Peters was elected to the Board in 1990 and has been Chairman since 1992. Mark is a Senior Partner in Peters Doig Ltd, a leading Marlborough accounting practice. Mark is a Director of the New Zealand Rugby Union, is a past Chairman of the Marlborough District Council Holdings Limited and the Marlborough Rugby Football Union, and currently holds a number of private company Directorships. He is a Chartered Accountant and Member of the Institute of Directors in New Zealand.

**JANE HUNTER O.B.E.**

Since 1987, Jane has been owner, viticulturist and managing director of Hunter's Wines. In 1993 she received an OBE for service to the wine industry, and she was recently awarded an Honorary Doctorate of Science from Massey University for her outstanding contribution to the industry. She has served on the executive committee of the New Zealand Wine Institute, served as Director for the NZ Wine Guild, been a member of the Horticulture & Food Research Institute of New Zealand, and is currently a Board member of NZ Trade and Enterprise. Jane joined the Board in September 2003. In October 2003 Jane won the inaugural international Women in Wine Award at the International Wine and Spirits Awards in London for her long term commitment to Marlborough, New Zealand and wine. Jane retired from the Board on 30 June 2007.

**ALTON JAMIESON**

Alton Jamieson was elected to the Board in September 1999. Alton's business career has covered banking, transport and waste management industries. He has been Managing Director of publicly listed Waste Management N.Z. Limited and CEO and a director of Pacific Waste Management Pty Limited, Australia. He has been a director of the Blues Franchise Limited and he retired as a director of Waste Management NZ Limited in December 2002 after serving as its Chairman for 12 years. For the three years through to 2006 Alton was an independent contractor to the New Zealand Rugby Union, working on a number of projects. Alton is a Fellow of the New Zealand Institute of Management and is an Accredited Director and Fellow of the Institute of Directors in New Zealand.

**MAURICE MCQUILLAN**

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

**JOHN MILNE**

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

THE NEW ZEALAND WINE COMPANY  
LIMITED

**STATUTORY INFORMATION**  
**FOR THE YEAR ENDED 30TH JUNE 2007 (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.

TRANSACTIONS	2007 \$'000	2006 \$'000
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Certain Directors have interests in contracts with The New Zealand Wine Company Limited.

All transactions were at normal commercial rates.

MJ McQuillan (Grove Road Super Liquor - purchase of finished product)	1	1
MA Peters (Peters Doig Ltd - accounting, taxation and consultancy fees)	1	1

**LOANS TO DIRECTORS**

No loans to directors were authorised during the year.

**INDEMNITY AND INSURANCE**

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

**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		REMUNERATION AND OTHER BENEFITS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
MA Peters (Chairman)	37	32	36*	-
MJ Hunter	18	16	-	-
JA Jamieson	21	19	-	-
MJ McQuillan	18	16	-	-
JHG Milne	21	19	-	-

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

\* Provision for a proposed retirement allowance to be considered by shareholders at the September AGM.

THE NEW ZEALAND WINE COMPANY  
LIMITED

**STATUTORY INFORMATION**

**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

**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	1
\$200,000 - \$209,999	1

**5. DONATIONS**

During the year:

The New Zealand Wine Company Limited made no donations during the year (2006: Nil).

**6. SHAREHOLDING BREAKDOWN**

Shareholding as at 30 June 2007	Number of shareholders	Total shares held	% of share capital
1-999	71	28,996	0.3%
1,000-9,999	222	638,077	7.4%
10,000-49,999	74	1,467,462	17.0%
50,000-99,999	16	1,035,494	11.9%
100,000-499,999	16	3,878,255	44.7%
500,000+	2	1,620,048	18.7%
	<b>401</b>	<b>8,668,332</b>	<b>100.0%</b>

Under the Company's Constitution the minimum shareholding is as set out in the Listing Rules of the New Zealand Exchange. This minimum limit is waived by the Directors for any permanent staff member with a shareholding in the Company.

**7. DIRECTORS' SHAREHOLDING**

Shares held at 30 June 2007 (including Beneficial Interests)

	Ordinary Shares	Share Options
MJ Hunter	1,362	-
JA Jamieson	988,268	-
MJ McQuillan	135,107	-
JHG Milne	348,589	-
MA Peters	412,400	-

THE NEW ZEALAND WINE COMPANY  
LIMITED

**STATUTORY INFORMATION**

**FOR THE YEAR ENDED 30TH JUNE 2007 (CONTINUED)**

**8. 20 LARGEST REGISTERED HOLDERS**

Ordinary Shares held at 30 June 2007:

	Ordinary shares held	% of share capital
JA Jamieson	988,268	11.4%
Alfa Lea Horticulture Limited	631,780	7.3%
JD Croft	459,363	5.3%
MA & VF Peters	402,376	4.7%
JG & VR Orchard	387,842	4.5%
WC McDonald, DR Appleby & RN Burnes	337,467	3.9%
CJC & HC Fletcher	320,000	3.7%
Possum Equities Limited	300,000	3.5%
TJ & MG Fairhall & RJ Wilson	295,116	3.4%
AW & A Rutledge	205,981	2.4%
CM & BW Doig	198,794	2.3%
DE & WR Edwards	193,654	2.2%
JHG Milne & DFB Stevenson	154,529	1.8%
MA Milne & DFB Stevenson	154,529	1.8%
MJ McQuillan	135,107	1.6%
PI McCallum	123,684	1.4%
D & M Breden	105,772	1.2%
LJ Hope	104,041	1.2%
TE & SN Seatter	93,456	1.1%
JMA Milne	79,062	0.9%
Sub-total	5,670,821	65.4%
Others (381 shareholders)	2,997,511	34.6%
TOTAL	8,668,332	100%

THE NEW ZEALAND WINE COMPANY  
LIMITED

**C O N T R I B U T O R S**

*(PERMANENT EMPLOYEES AS AT 30TH JUNE 2007)*

Alison Scobie	Gillian Moore	Lisa Brinkley
Boyd Gardner	Jan Rutherford	Lorraine Carryer
Craig Mahon	Jane Trought	Mary Vortouni
Craig Young	Jarad Payne	Peter Sanders
David Pearce	Jayne Spalding	Robert White
David Sax	Jeffrey Parker	Roger Kerrison
Donna Clark	Jo De Fazio	Sara Bateup
Doug Holmes	John Jackson	

**W I N E S H O W A W A R D S**

*(FOR THE YEAR ENDED 30TH JUNE 2007)*

**Decanter Magazine – February Tasting 2007**  
5 Stars – Grove Mill Sauvignon Blanc 2006

**Sydney International Wine Competition 2006**  
Blue/Gold Medal – Grove Mill Riesling 2006

**Winestate Magazine Annual Tasting 2006**  
3<sup>rd</sup> Place – Sanctuary Riesling 2004

**2006 Hyatt International Riesling Challenge 2006**  
Gold Medal – Grove Mill Riesling 2006  
Gold Medal – Sanctuary Riesling 2004

**Liquorland Top 100 2006**  
Silver Medal – Sanctuary Riesling 2004  
Silver Medal – Grove Mill Late Harvest Gewürztraminer 2006  
Bronze Medal – Grove Mill Riesling 2006  
Bronze Medal – Frog Haven Riesling 2006  
Bronze Medal – Sanctuary Pinot Gris 2006

**International Chardonnay Challenge 2006**  
Bronze Medal – Grove Mill Chardonnay 2003  
Bronze Medal – Grove Mill Chardonnay 2004

**New Zealand International Wine Show 2006**  
Silver Medal – Grove Mill 17 Valley Reserve Sauvignon Blanc 2005  
Silver Medal – Grove Mill Riesling 2004  
Silver Medal – Sanctuary Riesling 2004  
Bronze Medal – Grove Mill Late Harvest Gewürztraminer 2006  
Bronze Medal – Grove Mill Riesling 2006  
Bronze Medal – Sanctuary Sauvignon Blanc 2006

**International Aromatic Competition 2006**  
Silver Medal – Grove Mill Riesling 2004  
Silver Medal – Sanctuary Pinot Gris 2006  
Bronze Medal – Grove Mill Late Harvest Gewürztraminer 2006  
Bronze Medal – Sanctuary Sauvignon Blanc 2006  
Bronze Medal – Sanctuary Riesling 2004  
Bronze Medal – Grove Mill Riesling 2006  
Bronze Medal – Grove Mill Riesling 2005

**Air New Zealand Wine Competition 2006**  
Silver Medal – Frog Haven Riesling 2006  
Silver Medal – Sanctuary Riesling 2004  
Bronze Medal – Grove Mill Riesling 2006  
Bronze Medal – Grove Mill Riesling 2005  
Bronze Medal – Frog Haven Sauvignon Blanc 2006  
Bronze Medal – Grove Mill Chardonnay 2004  
Bronze Medal – Sanctuary Pinot Noir 2004