THE NEW ZEALAND WINE COMPANY
LIMITED

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THE NEW ZEALAND WINE COMPANY
LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2005

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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:	CH 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"

THE NEW ZEALAND WINE COMPANY
LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2005

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CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2005

THE PAST YEAR

The absolute highlight of the past year is a return to profit growth. The full year result of a tax paid surplus of $908,000 is a 23% increase over the previous year's $739,000. Total comprehensive income, after asset revaluations, is, at $1,992,000, almost 29% higher than in 2004. This is an encouraging lift and one which board and management fully intend to be the first step towards much better results and a consistent growth in earnings over ensuing years. The higher volume of the 2004 harvest has certainly been a contributing factor towards the return to profit growth as has the utilisation of current surplus production capacity in a processing contract for 3 years commencing with the just completed harvest cycle. More importantly the work undertaken by the company in securing good distribution channels into our various markets and the repositioning of brand awareness for some of the company's brands has been a sound investment for continued future growth. The lower margin production from 2003 has still had an effect upon this result and to have come out of that position in as sound a way as we have is a credit to board and management for undertaking both capital and marketing investment to lay the groundwork for the success of future years.

The 2005 harvest has been a good one for the company both in terms of satisfactory overall volume off a season when Marlborough yields were generally down on the previous year, and more particularly the overall quality of the fruit intake which has been the best for quite a number of years. Our winemaking team is very excited by the wines they have been preparing since vintage concluded in late April. The performance over the past year of our distribution partners has been of great encouragement and while I will leave it to CEO Rob White to comment in detail suffice for me to say that Paragon Vintners and Sainsbury Plc in the UK, Palm Bay Imports in the US and The Wine Company in Australia, have all performed well and we look forward to these continuing associations in our major export markets to be of long term value to our Company. Work continues in the domestic market where we are trying to position each of our brands in the best way for reaching our domestic market goals. This has included a recently completed revamp of our Grove Mill label format which will adorn the 2005 wines and which will build upon the characteristics of the label in a very positive way.

Just as a matter of record since the question was asked at the 2004 AGM as to why we changed the name of the company from the previous Grove Mill Wine Company to The New Zealand Wine Company, the following are some of the brands we have marketed over the past year which will indicate that we are indeed a multi brand company: Grove Mill, Sanctuary, Lansdowne, Blackbirch, Frog Haven, The Diversion and Croft. In addition in recent months we have been in negotiations with various parties over a second brand for the United States market. I would hope to be able to supply more information on this about the time of the forthcoming AGM on 7th October.

The challenges I highlighted in the 2004 report for the New Zealand Wine Industry are still there and the keys to meeting those challenges have not changed. All are issues recognised and worked upon by this company. In short they are to produce consistently high quality wine meeting consumers' preferences at an efficient cost level and to have in place the necessary quality staff, management and distribution relationships to build upon the value and reputation of the company's brands. We have invested heavily in our brands over the past year and it is intended that such investment will continue.

Accounting Policies have continued unchanged from previous years. Recent Government taxation changes relating to horticulture accounting have not had any effect upon this company.

FUTURE YEARS

The company's strategic plan has recently been updated for the next 5 year cycle. It is intended to provide some summary highlights of that plan at the 2005 AGM. At this time I can say that the strategic plan, on present planning assumptions, is for continued profit growth for 2006 and 2007, consolidation in 2008 and then further growth in 2009 and 2010. Clearly such strategic plan relies on a number of assumptions and we have worked hard on the matters we can control. We now have more confidence in the exchange rate which is forecast to reach a lower point in the cycle sometime over the next year or so which permits a return to more normal trading margins on exported wine. We will of course rely upon advice from our economic and banking experts in respect of timing of locking in more favourable forward rates, though we have learned from experience that predictions and experts do not necessarily meet on the same level.

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

FUTURE YEARS (CONTINUED)

Your board is very aware that returns upon shareholder funds have not been satisfactory and the one thing above most others that future planning has focused on is to improve those returns to a level that is more to shareholder expectations. In the meantime the board has resolved to increase the final dividend by 25% from a 4 cents (imputed to 3 cents) last year to a fully imputed 5 cents this year. This will also be part of the board's ongoing policy to continue to reward shareholders with increased dividend payments over the next few years as profit grows.

During the past year the board has been in negotiations with a number of parties relating to merger/acquisition matters. None of these have come to any fruition and some have been concluded without agreement. However this is still a work in progress matter and various discussions still continue as part of the board's strategy to grow the company beyond its own natural growth capacity. We will of course keep shareholders apprised of any such discussions in the event we reach a mutually beneficial conclusion between other parties and our company. Any matters which might require independent appraisal and shareholder approval will of course be brought to attention in a timely and appropriate manner.

Any wine company relies on the quantity and the quality of grape intake for its continued operation and this company is no different. We continue to have a core number of valuable contract growers and maintain a good balance with production from company owned and operated vineyards. This partnership with growers is an important relationship to us and will continue as the company's production is planned to grow over ensuing years. There has been much discussion and debate regarding future grape prices and while it is correct to say that recent high prices per tonne are not sustainable into the future it is always a matter of integrity with which this company will continue to deal with it's contract growers and fair prices will continue to be paid. The philosophy of this company is that both growers and the company must receive a fair return for their respective contribution to the end product of a bottle of wine. I do feel it is necessary to point out that recent statistics (Marlborough Winegrowers Winepress July 2005) show that nearly 20% of the NZ retail price of a bottle of wine goes to the Government in various indirect taxes and levies other than income tax. I therefore have to conclude that this is a disproportionate share.

STAFF

As I have said on previous occasions the company is very fortunate in the quality of its staff and this certainly remains the case. CEO Rob White has continued in this his second year with the company by continuing to perform outstandingly and he continues to have the full confidence of the board. His management group of winemaker Dave Pearce, finance manager Jane Trought, marketing manager Karen Walshe, viticulturist Doug Holmes and recently appointed new sales manager Boyd Gardner, along with their respective teams, which include some excellent quality new appointments during the past year, is a major asset for the company going forward. There are some very capable people working for this company and they do have the ability to drive the company's current 5 year plan and strategy set by the board to ensure the company goals are attained. I wish to place on record the board's appreciation of efforts by all our staff over the past year. All staff are further acknowledged on page 34 of this report.

IN CONCLUSION

As I said in 2004 and I repeat now, this company is in a sound position, both financially and with its capital and human assets, to take on all the challenges which face the wine industry in this country. We expect to see The New Zealand Wine Company reach the potential that recently slowed down due to factors that have been well recorded, and the company is now once again picking up the momentum that will take us all forward together.

In the past year by virtue of negotiating a processing contract with Delegat's Wines while its new winery is being developed, we have been able to bring forward completion of the winery expansion and within the current company strategic plan there is really only maintenance and cyclical capital expenditure required. The assets are in place, the vineyards are developed, the staff are experienced and capable, the distribution channels await so we can plan with some confidence given normal harvest conditions that a sound cycle of growth can resume.

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

IN CONCLUSION (CONTINUED)

As noted above a fully imputed final dividend of 5 cents per share will be paid on 23 September 2005.

Finally I wish to place on record my sincere appreciation to fellow board members Jane Hunter, Alton Jamieson, Maurice McQuillan and John Milne who have met with dedication and commitment the challenges the company has faced this year and have set the strategy with which it will progress.

Mark Peters
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2005

The improved trading result this year saw revenues grow 16.1% and operating surplus before tax grow 27.6% reflecting the success in implementing the four strategic priorities of brand development, strengthening distribution channels, quality wines and winery capacity outlined to shareholders at last years Annual General Meeting.

BRAND DEVELOPMENT

Expenditure on Marketing and Sales activity was increased 16% this year. The focus of this spend was towards revitalisation of the Grove Mill brand especially in our offshore markets. Last year considerable effort was put towards developing a clear and powerful positioning for the Grove Mill brand, this year a strong implementation programme has been put in place. This has involved working with our distribution partners to ensure they clearly understand our message and objectives for the brand then jointly developing effective marketing plans to communicate with our trade partners and consumers in each market.

In the UK market this has included participating in the NZ New Release events run by NZ Winegrowers, consumer tastings events such as Taste NZ and supporting trade promotions with development of in-store point of sale.

The US has also participated in a number of NZ Winegrowers events, promoted Grove Mill in its four State distributor/trade tasting fair in March, targeted consumers with an on pack promotion and utilised strongly branded in-store and on pack point of sale to communicate both the brand story and the brands medal and review success.

To ensure we have a cost effective communication tool Karen Walshe and the marketing team have developed 'Reflections', a monthly newsletter from Grove Mill Winery. This is tailored to meet the individual requirements of each offshore market, trade partners, mail order customers or any particular target group including shareholders who will start receiving copies later this year.

Considerable effort has gone into a re-design of the Grove Mill label aimed at lifting the distinctiveness and shelf visibility while maintaining its premium quality. The new label will be rolled out progressively with the release of the 2005 vintages.

DISTRIBUTION CHANNELS

Last year following a complete review of our distribution channels a number of new partners were appointed in our key markets. This year we have seen the positive impact of this particularly in our offshore markets.

With the support of Paragon Vintners in the UK shipments of Grove Mill to this market have increased threefold over last year. We plan to be in a position to release our 2005 vintages into this market within the next three months.

Palm Bay in the USA has implemented an aggressive sales drive on Grove Mill, which has seen shipments increase 75% over last year. Given the extensive marketing programme they have implemented together with their excellent trade relationships we anticipate continued growth in this market.

The recent appointment of The Wine Company in Australia is starting to see improved volumes in the market. Whilst overall sales this year are only slightly up momentum has built over recent months.

We continue to review our distribution in New Zealand and are currently in discussions with Allied Domecq concerning any potential impact their likely acquisition by Pernod Ricard may have on our distribution arrangement. The recent appointment of Independent Liquor locally to distribute the Sanctuary brand should see improved volumes roll out over the next twelve months. Both the domestic market and Australian sales will be strongly supported by the efforts of our newly appointed Sales Manger Boyd Gardner.

Our relationship with J Sainsbury plc in the UK with the Sanctuary brand continues to flourish. Following full participation in their promotional programme this year we achieved record sales for the brand and launched a new product Sanctuary Pinot Gris into their stores.

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2005(CONTINUED)

QUALITY WINES

Our vineyard strategy continues to focus on delivering quality fruit to the winery at affordable costs. While lower than anticipated yields impacted overall volumes with the hard work of Doug Holmes and the vineyard team we successfully managed a record grape crush of 2200 tonnes including contract processing. We are extremely happy with the quality of fruit delivered by our contract growers and off our company vineyards.

Special mention should be made on the ability of our 17 Valley vineyard to deliver 'Reserve' quality fruit. This will enable us to release a number of reserve labels this coming year. The current development phase on our 17 Valley and Dowliing Vineyards is now complete which will see them reaching full production over the next two years.

Following the upgrade of our grape receival area we were able to utilise all waste material (marc) collected through an automated removal system to provide mulch for our Bedford Road Vineyard. This ensured not only a cost effective removal process but supports our commitment to environmentally friendly practices.

WINERY CAPACITY

We successfully fulfilled our contract processing arrangement with Delegats following completion of the winery upgrade, which was completed in time for the harvest and within budget. This not only contributed to the financial performance this year but also delivered an improvement in our capability in producing premium quality wine.

The addition of new heat exchangers gives us the option to cool or warm juice at process flow rates ensuring a speedier and more efficient process. A new rotary vacuum filter enabled improved processing capability of yeast lees. The automated receival area and additional press improved our ability to respond to requirements from the vineyards resulting in the ability to choose optimum harvest times. The first wines produced using new Pinot fermenters installed last year will be seen shortly and we believe will deliver fantastic results. Two new assistant winemakers recruited prior to harvest have supported Dave Pearce and the rest of the winery team in managing a difficult vintage and present us with one of our most promising vintages with regard to quality for some time. Of special interest will be a stunning 2005 Grove Mill Pinot Gris the first since the highly successful 2002 vintage.

OUTLOOK

The New Zealand Wine Company is in a good position to maintain the growth trend from this last year. We will continue to build our brand portfolio by strengthening Grove Mill and evaluating the development of second labels that deliver profitable volume in key markets. By working closely with our distribution partners we can deliver on the volume opportunities the new expanded winery can support over the coming years. This can be achieved with quality wines that our vineyards together with the invaluable group of contract growers support through quality fruit.

A final word of acknowledgment to all our permanent and part-time employees, through your efforts and assistance we have successfully managed difficult growing and market conditions together with a number of major projects. Thank you to Jane Trought and the finance team for the very efficient management of our accounts and compliance requirements together with the preparation of this Annual Report. I would also like to acknowledge the support and assistance of all the Directors in supporting the implementation of our strategic priorities.

Rob White
CEO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005

APPROVAL BY DIRECTORS

The Directors have approved the Financial Statements of The New Zealand Wine Company Limited for the year ended 30 June 2005 on pages 8 to 25.

For and on behalf of the Board of Directors 2 August 2005.

Mark A Peters CHAIRMAN	John HG Milne DIRECTOR

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH JUNE 2005

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

1. BASIS FOR PREPARATION

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

2. SPECIFIC ACCOUNTING POLICIES

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

2.1 PROPERTY, PLANT AND EQUIPMENT

Land, land improvements and buildings are revalued to market value every year by an independent valuer. 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.

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.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

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

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

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

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

2.8 OPERATING LEASES

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

2.9 FOREIGN CURRENCY TRANSACTIONS

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

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

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

2.10 FINANCIAL INSTRUMENTS

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

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

2.11 CHANGES IN ACCOUNTING POLICIES

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

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30TH JUNE 2005

	Note	2005 $'000	2004 $'000
TOTAL REVENUE	1	8,993	7,744
Surplus from operations	2	1,646	1,387
Financing costs (net)	3	(283)	(319)
Surplus before taxation		1,363	1,068
Taxation	4	(455)	(329)
NET SURPLUS FOR THE YEAR		**908**	**739**
Earnings per share cps (after tax)	5	10.5	8.6
Dividends per share cps	6	7.0	6.0

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2005

	Note	2005 $'000	2004 $'000
Net surplus for the year		908	739
Surplus on revaluation of land, land improvements and buildings	9	1,084	808
Comprehensive income for the year		**1,992**	**1,547**
Contributions by owners	8	77	11
Distributions to owners	7	(516)	(515)
Added to equity during the year		1,553	1,043
Equity at beginning of year		17,427	16,384
Equity at end of year		**18,980**	**17,427**

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 25) form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2005

	Note	2005 $'000	2004 $'000
CURRENT ASSETS			
Cash balances		850	869
Trade receivables		1,836	2,565
Inventories	16	5,957	6,384
Taxation		82	78
Other current assets		309	264
		9,034	**10,160**
NON-CURRENT ASSETS			
Property, plant and equipment	13	19,579	17,196
Identifiable intangibles	14	211	193
Goodwill	15	-	1
Investments	18	10	10
Other non-current assets		98	158
		19,898	**17,558**
TOTAL ASSETS		**28,932**	**27,718**

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 25) form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2005 (CONTINUED)

	Note	2005 $'000	2004 $'000
CURRENT LIABILITIES			
Loans	11	734	1,742
Trade creditors		584	818
Payables	17	783	748
		2,101	**3,308**
NON CURRENT LIABILITIES			
Loans	11	6,976	6,215
Deferred taxation	12	875	768
		7,851	**6,983**
TOTAL LIABILITIES		**9,952**	**10,291**
EQUITY			
Share capital	8	9,527	9,450
Reserves	9	9,418	7,942
Convertible notes	10	35	35
TOTAL EQUITY		**18,980**	**17,427**
TOTAL LIABILITIES AND EQUITY		**28,932**	**27,718**

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 25) form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2005

	Note	2005 $'000	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from (applied to)			
Receipts from customers		10,904	8,396
Interest received		25	11
Payments to suppliers and employees		(7,408)	(7,036)
Interest paid		(549)	(606)
Taxation paid		(349)	(246)
Net cash flow from operating activities	19	**2,623**	**519**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from (applied to)			
Sale of property, plant and equipment		25	2,723
Purchase of property, plant and equipment		(1,987)	(1,749)
Purchase of identifiable intangible assets		(4)	(9)
Grower loan advances		54	(75)
Employee loan advances/share scheme		1	(1)
Net cash flow from investing activities		**(1,911)**	**889**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from (applied to)			
Issue of equity share capital		33	3
Loan advanced		1,500	1,600
Loans repaid		(1,748)	(438)
Dividends paid		(516)	(515)
Net cash flow from financing activities		**(731)**	**650**
Net increase/(decrease) in cash held		(19)	2,058
Cash at beginning of year		869	(1,189)
Cash at end of year		**850**	**869**
Comprising: Cash balances		850	869

The Statement of Accounting Policies (pages 8 to 10) and the Notes to the Financial Statements (pages 15 to 25) form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005

	2005 $'000	2004 $'000
1. TOTAL REVENUE		
Total revenue comprises:		
Total operating revenue (net of excise duty)	8,840	7,569
Net foreign exchange gain	126	164
Interest revenue	27	11
Total turnover (net of excise duty)	8,993	7,744

	2005 $'000	2004 $'000
2. SURPLUS FROM OPERATIONS		
Included in surplus from operations are the following:		
REVENUE ITEMS:		
Net foreign exchange gain	126	164
EXPENSES:		
Amortisation of goodwill	1	1
Amortisation of identifiable intangible assets	12	13
Bad and doubtful debts - Bad debts	-	-
Depreciation*	25	26
Directors' fees	102	102
Donations	-	-
Excise duty	531	467
Fees paid to auditors:		
- Audit of financial report	15	14
- For other services	-	-
Operating lease rentals	54	50

*Total depreciation on property, plant and equipment totalled $659,000 (2004: $622,000). $634,000 has been applied to inventories (2004: $596,000).

	2005 $'000	2004 $'000
3. NET FINANCING COSTS		
Interest expense	547	624
Less: Interest revenue	(27)	(11)
Less: Interest capitalised/included in cost of grapes	(237)	(294)
	283	319

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

4. TAXATION	2005 $'000	2004 $'000
SURPLUS BEFORE TAXATION	1,363	1,068
Income taxation expense calculated at current rate of 33 cents	450	352
Taxation effect of permanent differences		
Gain on sale of property	-	(15)
Reversal of deferred tax due to sale of property	-	(14)
Other permanent differences	5	6
Taxation expense as reported	455	329
ANALYSIS OF TAXATION EXPENSE		
Current taxation	348	313
Deferred taxation	107	16
	455	329
IMPUTATION CREDITS		
Balance at beginning of year	4	5
Taxation paid	352	246
Attached to dividends paid	(207)	(247)
Balance at end of year	149	4

	2005 cents per share	2004 cents per share
5. EARNINGS PER SHARE	10.5	8.6

The calculation of earnings per share in respect of 2005 is based on earnings of $908,153 (2004: $739,348) and the weighted average of 8,618,555 ordinary shares on issue during the year (2004: 8,585,560). Diluted earnings per share have not been disclosed separately as they are not materially different from the basic earnings per share.

6. DIVIDENDS PER SHARE	7.0	6.0

The calculation of dividends per share in respect of 2005 is based on dividends paid/payable of $516,247 (2004: $515,308) and the weighted average of 8,618,555 ordinary shares on issue during the year (2004: 8,585,560). The dividends per share calculation has been adjusted for $431,650 proposed for the final dividend not included in these financial statements (2004: $343,587).

7. DISTRIBUTIONS TO OWNERS	2005 $'000	2004 $'000
2004 final dividend 4 cps imputed to 3cps paid 29/10/04	343	-
2005 interim dividend 2 cps fully imputed paid 15/4/05	173	-
2003 final dividend 4 cps fully imputed paid 24/10/03	-	343
2004 interim dividend 2 cps fully imputed paid 16/4/04	-	172
	516	515

No final dividend has been declared and included in these financial statements. A final dividend of 5 cents per share fully imputed was approved by the Board on 2 August 2005 for payment on 23 September 2005.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

8. SHARE CAPITAL	2005 Number of shares issued	2004 Number of shares issued	2005 $'000	2004 $'000
ORDINARY SHARES				
Balance at beginning of year	8,589,666	8,583,452	9,450	9,439
Share issue	43,333	6,214	77	11
Cost of issue	-	-	-	-
Bonus shares issued	-	-	-	-
Balance at end of year	8,632,999	8,589,666	9,527	9,450

During the year the Company

- Issued 22,000 ordinary shares on 26 October 2004 at an issue price of $1.96 per share.
- Issued 4,933 ordinary shares on 28 October 2004 at an issue price of $1.57 per share ex share option scheme.
- Issued 16,400 ordinary shares on 2 November 2004 at an issue price of $1.57 per share ex share option scheme.

SHARE OPTIONS

	2005	2004
Balance at end of year	114,500	118,658

EMPLOYEE SHARE OWNERSHIP SCHEME

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

	2005	2004
Shares allocated to employees	NIL	1,021
Percentage of total shares	0%	0.01%
Amount not paid up	-	$399
Due within 1 year	-	$399
Due after 1 year	-	-
	-	$399

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.

8. SHARE CAPITAL (continued)

SHARE OPTION SCHEME (continued)

Information regarding options granted under the scheme is as follows:

	7 Mar 01	31 Oct 01	29 Jan 03	1 Mar 04	16 Nov 04	Total
Number of options granted	65,400	98,500	66,625	26,100	32,900	289,525
Number of options exercised	(37,234)	(6,300)	-	-	-	(43,534)
Number of options lapsed	(28,166)	(58,450)	(37,475)	(7,400)	-	(131,491)
Number of options outstanding at year end	-	33,750	29,150	18,700	32,900	114,500
Issue price	$1.90	$2.75	$2.75	$2.38	$1.96	
Exercise price adjusted for bonus issues	$1.57	$2.50	$2.75	$2.38	$1.96	
Percentage of total shares	0%	0.4%	0.3%	0.2%	0.4%	1.3%

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, 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.

9. RESERVES

	2005 $'000	2004 $'000
REVALUATION RESERVE		
Balance at beginning of year	5,170	5,656
Revaluation surplus during the year	1,084	808
Transferred to retained earnings on sale of property	-	(1,294)
Balance at end of year	6,254	5,170
RETAINED SURPLUS		
Balance at beginning of year	2,772	1,254
Net surplus for the year	908	739
Transfer from revaluation reserve	-	1,294
	3,680	3,287
Distributions to owners (Note 7)	(516)	(515)
Balance at end of year	3,164	2,772
TOTAL RESERVES	9,418	7,942

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

10. CONVERTIBLE NOTES	2005 $'000	2004 $'000
18,000 Convertible notes	35	35

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

11. FUNDING	Interest Rate %	Interest Rate Review Date	Repayment Date		
BANK OVERDRAFT	8.54% Floating	1/7/2005		-	-
NATIONAL BANK LOANS					
Loan # 1	7.60% Fixed	20/5/2006	20/5/2011	379	442
Loan # 2	7.50% Fixed	2/7/2005	2/7/2014	1,098	1,180
Loan # 3	7.28% Fixed	29/11/2005	9/7/2016	1,236	1,306
Loan # 4	7.75% Fixed	29/11/2006	9/7/2016	837	885
Loan # 5	7.75% Fixed	29/11/2007	19/2/2012	347	385
Loan # 6	7.58% Fixed	19/7/2007	19/7/2017	990	2,218
Loan # 7	6.64% Fixed	21/8/2008	21/8/2018	1,473	1,541
Loan # 8	7.75% Fixed	20/12/2007	20/12/2009	1,350	-
TOTAL LOANS				7,710	7,957
TOTAL FUNDING				7,710	7,957
Bank overdraft				-	-
Loans due within 1 year				734	1,742
Loans due 1 to 2 years				759	434
Loans due 2 to 5 years				2,323	1,472
Loans due after 5 years				3,894	4,309
				7,710	7,957

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

12. DEFERRED TAXATION	2005 $'000	2004 $'000
Balance at beginning of year	768	752
Movements during the year: Timing differences	107	16
Balance at end of year	875	768

13. PROPERTY, PLANT AND EQUIPMENT

	2005 $'000	2004 $'000
FREEHOLD LAND:		
At valuation	4,030	3,880
Revaluation surplus	*2,053*	*1,968*
LAND IMPROVEMENTS:		
At valuation	8,035	7,076
Revaluation surplus	*3,729*	*2,661*
Depreciation expense current year	*277*	*258*
BUILDINGS:		
At valuation	3,295	3,055
Revaluation surplus	*472*	*541*
Depreciation expense current year	*95*	*91*
PLANT AND MACHINERY:		
At cost	5,279	3,938
Accumulated depreciation	(1,205)	(975)
	4,074	2,963
Depreciation expense current year	*231*	*204*
MOTOR VEHICLES:		
At cost	351	402
Accumulated depreciation	(241)	(226)
	110	176
Depreciation expense current year	*42*	*53*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

13. PROPERTY, PLANT AND EQUIPMENT (continued)	2005 $'000	2004 $'000
FURNITURE AND FITTINGS:		
At cost	172	175
Accumulated depreciation	(137)	(129)
	35	46
Depreciation expense current year	*14*	*16*
TOTAL PROPERTY, PLANT AND EQUIPMENT	19,579	17,196
Total Depreciation expense current year	*659*	*622*

Land, land improvements and buildings shown at valuation were valued at market value by Alexander Hayward Limited, registered valuers, on 30 June 2005 (2004: 30 June 2004).
Land and buildings are subject to mortgage, (Note 11).

Depreciation rates per annum are as follows:

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

14. IDENTIFIABLE INTANGIBLES	2005 $'000	2004 $'000
Trademarks/Imaging		
At cost	117	114
Accumulated amortisation	(83)	(72)
	34	42

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

14. IDENTIFIABLE INTANGIBLES (continued)	2005 $'000	2004 $'000
Grape Supply Contract Payments		
At cost	234	190
Accumulated amortisation	(57)	(39)
	177	151
Total Identifiable Intangibles	211	193

Trademarks are amortised over a period of 7 years and Imaging costs are amortised over a period of 3 years. Grape Supply Contract Payments are amortised over the period of the contract (i.e from 10 to 13 years) and charged direct to inventories.

15. GOODWILL

On acquisition of contract processing rights at cost	13	13
Accumulated amortisation	(13)	(12)
	-	1

Goodwill is amortised over a period of 10 years.

16. INVENTORIES

Raw materials	216	226
Consumable stores	34	28
Work in progress	3,454	3,674
Finished goods	2,253	2,456
	5,957	6,384

17. PAYABLES

Employee entitlements	98	54
Other accruals	685	694
	783	748

18. INVESTMENTS

Bedford Road Investments Limited	10	10

The New Zealand Wine Company Limited has three wholly owned, non-operating subsidiaries with no assets or liabilities. No consolidation has been performed as there is no material effect on the Group's position.

Subsidiaries at 30 June 2005 were:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

19. NET CASH FLOW FROM OPERATING ACTIVITIES	2005 $'000	2004 $'000
Reconciliation of statement of financial performance surplus with net cash flow from operating activities:		
REPORTED SURPLUS AFTER TAXATION	908	739
Non-cash items:		
Depreciation	659	622
Amortisation of identifiable intangibles/goodwill/grape supply contracts	31	29
Increase in deferred tax	107	16
	1,705	1,406
MOVEMENTS IN WORKING CAPITAL ITEMS:		
Inventories	427	(692)
Trade receivables	729	(854)
Trade creditors	(234)	93
Payables and other current assets	(9)	629
(Increase)/Decrease in working capital	913	(824)
ITEMS CLASSIFIED AS INVESTING ACTIVITIES		
(Gain)/Loss on disposal of property, plant and equipment	5	(63)
Net cash flow from operating activities	2,623	519

20. CAPITAL COMMITMENTS		
Purchase of vineyard equipment	63	-
Purchase of land	-	60
	63	60

21. OPERATING LEASE COMMITMENTS		
Not later than one year	226	206
Later than one year and not later than two years	197	140
Later than two years and not later than five years	416	367
Later than five years	1,134	1,239
	1,973	1,952

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

22. FINANCIAL INSTRUMENTS

Currency and Interest Rate Risk

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

(i) Currency

The Company has exposure to foreign exchange risk as a result of sales denominated in foreign currencies, arising from normal trading activities. Where exposures are certain, it is the Company's policy to hedge these risks as they arise, 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:

	2005 $'000	2004 $'000
Forward foreign exchange contracts:	351	2,773

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 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 (2004: $238,000).

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

(ii) Interest Rate

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

Concentration of Credit Risk

In the normal course of its business the Company incurs credit risk from trade debtors and transactions with financial institutions. The Company has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counter parties have been set and approved by the Board of Directors and are monitored on a regular basis.
The Company does not have any significant concentrations of credit risk. The Company does not expect the non-performance of any obligations at balance date.

Fair values

The carrying value of all financial instrument assets and liabilities approximate their fair value.

23. SEGMENT INFORMATION

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

24. 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 ("NZIFRS") 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 NZIFRS for periods beginning on or after 1 January 2005.

The New Zealand Wine Company will be a late adopter of NZIFRS. The Opening Balance Sheet under the new Standards will be reported in the 2007 Annual Report preparatory to full adoption for the financial year ending 30 June 2008. A conversion project has commenced. 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 NZIFRS compliant basis, as well as dealing with any related business impacts.

Transition from existing NZ GAAP to NZIFRS will be made in accordance with NZ IFRS 1 "First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards." Upon adoption of NZIFRS, comparative information will be restated to conform with the requirements of NZIFRS and the impact that adoption of NZIFRS has had on the Company's financial statements will be set out.

The NZIFRS that have been identified to date as being expected to have the most impact on the Company's results and financial position are:
NZ IAS 12 Income Taxes
NZ IAS 19 Employee Benefits
NZ IAS 36 Impairment of Assets
NZ IAS 39 Financial Instruments: Recognition and Measurement
NZ IAS 41 Agriculture
NZ IFRS 2 Share-based Payment

The actual impact of adopting NZIFRS is not yet known.

25. SUBSEQUENT EVENTS

On 2 July 2005 the interest rate on Loan #2 was reviewed. The new interest rate for the loan is 7.95% fixed for 12 months.

On 2 August 2005 the Board approved a final dividend of 5 cents per share fully imputed for payment on 23 September 2005.

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

AUDIT REPORT

FOR THE YEAR ENDED 30TH JUNE 2005

AUDIT REPORT

To the Shareholders of The New Zealand Wine Company Limited

We have audited the financial statements on pages 7 to 25. The financial statements provide information about the past financial performance of The New Zealand Wine Company Limited (the "Company") and its financial position as at 30 June 2005. 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 as at 30 June 2005 and of the results of its operations and cash flows for the year ended 30 June 2005.

Auditors' Responsibilities

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

Basis of Opinion

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

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

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

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

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 7 to 25:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the financial position of the Company as at 30 June 2005 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 2 August 2005 and our unqualified opinion is expressed as at that date.

Deloitte.

Chartered Accountants
Wellington, NZ

COMPARATIVE FINANCIAL REVIEW

FOR THE YEARS ENDED 30TH JUNE

	Note	2005 Audited $'000	2004 Audited $'000	2003 Audited $'000	2002 Audited $'000	2001 Audited $'000
Statement of Financial Performance Data						
Total Revenue		8,966	7,733	7,407	6,777	5,316
Surplus from Operations		1,646	1,387	1,835	1,752	1,223
Financing Costs		283	319	212	237	172
Taxation		455	329	542	511	350
Net Surplus for the Year		908	739	1,081	1,004	701
Earnings per share (cents)	1	10.5	8.6	13.1	13.3	9.3
Dividends per share (cents)	2	7.0	6.0	6.2	5.5	4.4
Statement of Financial Position Data						
Current Assets		9,034	10,160	7,822	6,375	4,979
Current Liabilities		2,101	3,308	2,508	2,934	2,447
Working Capital Ratio		4.3	3.1	3.1	2.2	2.0
Non-Current Assets		19,898	17,558	18,235	12,253	8,886
Total Assets		28,932	27,718	26,057	18,628	13,865
Non-Current Liabilities		7,851	6,983	7,165	4,936	2,595
Total Liabilities		9,952	10,291	9,673	7,870	5,042
Total Shareholders Equity		18,980	17,427	16,384	10,758	8,823
Net Surplus % of Average Shareholders Equity		5.0%	4.4%	8.0%	9.3%	8.6%
Total Loans		7,710	7,957	6,795	4,754	3,905
Gearing Ratio %	3	28.9%	31.3%	29.3%	30.6%	30.7%
Net Gearing Ratio %	4	26.5%	28.9%	29.3%	30.6%	30.7%
Shareholders' Equity % of Total Assets		65.6%	62.9%	62.9%	57.8%	63.6%
Net Tangible Assets per share		$2.17	$2.01	$1.88	$1.54	$1.27
Number of Shares at year end	1	8,632,999	8,589,666	8,583,452	6,894,099	6,872,099

Notes:

1 Dividends and earnings per share are restated to reflect the 1:10 bonus issues in May 2001 and 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.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2005

This statement gives Shareholders an overview of the Company's main corporate governance policies, practices and processes adopted or followed by the Board. The Board is committed to a high standard of corporate governance and ethical conduct and regularly reviews and updates the Company's policies and business practices to ensure they reflect best practice and the prevailing NZAX Listing Rules. The Company has made some changes to its corporate governance policies during the last year as the Directors continue to improve the Company's Corporate Governance Principles and Practice.

ROLE OF THE BOARD OF DIRECTORS

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

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

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

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

COMPOSITION OF THE BOARD

Under the October 2003 constitution the minimum number of Directors shall be 3 and the maximum 8 but the Board has the power to increase that number. Not less than two Directors shall ordinarily be resident in New Zealand. The Board currently comprises 5 non-executive Directors all of whom are ordinarily resident in New Zealand and are shareholders of the Company. The Board has determined each of the present Directors are independent in terms of the Listing Rules. One-third of the Directors retire at each Annual Meeting.

REMUNERATION OF DIRECTORS

Directors' fees are referenced against The Institute of Directors annual "Directors' Fee Survey" guidelines for equivalent entities. Any changes in Directors' fees are approved by ordinary resolution at the Company's Annual Meeting. At the 26 September 2003 Annual Meeting, a total sum of $102,000 per annum commencing from 1 July 2003 was approved by Shareholders. No fee change notice is being tabled for consideration at the 2005 Annual Meeting.

BOARD OPERATIONS

The Board meets formally each month, but more frequently on an as-required basis and to consider business opportunities with management. In the June 2005 financial year 14 Board meetings were held, 2 via telephone conference. Apart from a Board-only session during each meeting with the CEO and/or the finance manager all of the management team then present in Blenheim attend each Board meeting.
Each year the Board meets with the CEO and management team in a separate dedicated strategic planning and review meeting. Otherwise frequent contact is made via email to ensure Directors are fully apprised about the Company's activities.

BOARD COMMITTEES

The Board has two working committees responsible for improving Board effectiveness and addressing key Board responsibilities. Any non-Committee board member may attend a committee meeting.

Audit Committee

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

- To maintain the independence of the external auditor, including audit partner rotation at approximately 5 yearly intervals, to review the annual audit plan, the letters of representation and audit management letter and the cost-effectiveness of the annual audit, together with the recommended annual audit fee basis;
- To meet with and review the performance of the external auditor;
- To review and make recommendations on financial and accounting policies;
- To review the integrity of and make recommendations on the statutory annual and half-yearly financial statements together with any other statutory or NZAX continuous disclosure or other reporting requirements and the release of any investor or financial information to Shareholders or onto the Company web-site;
- To evaluate the Company's internal control environment and risk identification and mitigation.

The Committee members are John Milne (Chairman), Jane Hunter & Mark Peters. Two Committee members have an accounting or financial background. The CEO and finance manager attend committee meetings by invitation. The External Auditor is invited to attend the Annual Accounts sign-off Audit Committee meeting.

Remuneration and Nomination Committee

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

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

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

THE ROLE OF SHAREHOLDERS

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

The Board's policy is to pay progressive fully imputed cash dividends through time, subject to the solvency test criteria, at approximately 50% of annual Net Surplus, with an interim dividend of approximately one-third payable in March/April and with the final balance for the year payable in September/October.

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

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

STATUTORY INFORMATION

FOR THE YEAR ENDED 30TH JUNE 2005

1. DIRECTOR PROFILES

MARK PETERS - CHAIRMAN

Mark Peters was elected to the Board in 1990 and has been Chairman since 1993. Mark is a Senior Partner in Peters Doig Ltd, a leading local accounting practice. Mark is a Director of the New Zealand Rugby Union and is a past Chairman of the Marlborough District Council Holdings Limited and the Marlborough Rugby Football Union. He is a Chartered Accountant and Member of the Institute of Directors in New Zealand.

JANE HUNTER O.B.E.

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

ALTON JAMIESON

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

MAURICE MCQUILLAN

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

JOHN MILNE

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

STATUTORY INFORMATION

FOR THE YEAR ENDED 30TH JUNE 2005 (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:
MA Peters & JHG Milne as trustees for the Employee Share Acquisition Scheme transferred the remaining outstanding balance of 1,021 shares to employees on 20 September 2004.

TRANSACTIONS	2005 $'000	2004 $'000
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)	2	14
MA Peters (Peters Doig Ltd - accounting, taxation and consultancy fees)	2	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	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
MA Peters (Chairman)	32	34	-	-
JA Jamieson	19	19	-	-
MJ McQuillan	16	17	-	-
JHG Milne	19	19	-	-
MJ Hunter	16	13	-	-

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

STATUTORY INFORMATION

FOR THE YEAR ENDED 30TH JUNE 2005 (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
$180,000 - $189,999	1

5. DONATIONS

During the year:

The New Zealand Wine Company Limited made no donations during the year (2004: Nil).

6. SHAREHOLDING BREAKDOWN

Shareholding as at 30 June 2005	Number of shareholders	Total shares held	% of share capital
1-999	56	22,093	0.3%
1,000-9,999	204	601,175	7.0%
10,000-49,999	68	1,466,754	17.0%
50,000-99,999	22	1,427,212	16.5%
100,000-499,999	18	4,127,497	47.8%
500,000+	1	988,268	11.4%
	369	**8,632,999**	**100.0%**

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 2005 (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	-

STATUTORY INFORMATION

FOR THE YEAR ENDED 30TH JUNE 2005 (CONTINUED)

8. 20 LARGEST REGISTERED HOLDERS

Ordinary Shares held at 30 June 2005:

	Ordinary shares held	% of share capital
JA Jamieson	988,268	11.4%
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%
TJ & MG Fairhall & RJ Wilson	295,116	3.4%
C & J Sacher	250,000	2.9%
CJC & HC Fletcher	235,000	2.7%
CM & BW Doig	228,794	2.7%
AW & A Rutledge	216,981	2.5%
RB & DM Thompson	212,362	2.5%
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%
DR Appleby & Others	130,189	1.5%
PI McCallum	123,684	1.4%
D & M Breaden	105,772	1.2%
LB McQuillan	104,732	1.2%
TE & SN Seatter	93,456	1.1%
Sub-total	5,209,221	60.3%
Others (349 shareholders)	3,423,778	39.7%
TOTAL	8,632,999	100%

CONTRIBUTORS

(PERMANENT EMPLOYEES AS AT 30TH JUNE 2005)

Alison Scobie	Doug Holmes	Karen Walshe
Boyd Gardner	Gillian Moore	Lorraine Carryer
Craig Mahon	Jan Rutherford	Murray Coyle
Craig Young	Jane Trought	Robert White
David Pearce	Jarad Payne	Samuel Piper
David Sax	Jared Nott	Sara Bateup
Donna Simmons	John Jackson	Sarah McAlpine

WINE SHOW AWARDS

(FOR THE YEAR ENDED 30TH JUNE 2005)

The Dallas Morning News Wine Competition (USA) 2004
Silver: Grove Mill Sauvignon Blanc 2002

Liquorland Top 100 2004
Silver: Grove Mill Chardonnay 2002
Silver: Grove Mill Riesling 2003

WINPAC Wine Show (HKG) 2005
Silver: Grove Mill Pinot Noir 2002

Air New Zealand Wine Awards 2004
Silver: Grove Mill Riesling 2003

London International Wine and Spirits Competition (UK) 2005
Silver and Best in Class: Sanctuary Pinot Gris 2004

New Zealand Royal Easter Show 2005
Silver: Sanctuary Pinot Gris 2004

International Aromatic Wine Competition 2004
Silver: Sanctuary Pinot Gris 2004
Silver: Sanctuary Riesling 2003

Hyatt National Riesling Challenge (AUS) 2004
Silver: Sanctuary Riesling 2004

International Chardonnay Challenge 2004
Silver: Sanctuary Chardonnay 2003

International Cool Climate Wine Show (AUS) 2005
Trophy for Best Pinot Gris and Gold: Lansdowne Estate Pinot Gris 2004

Since its establishment, Grove Mill has earned gold medals for Sauvignon Blanc, Riesling, Gewurztraminer, Pinot Gris, Chardonnay, Riesling, Cabernet Sauvignon, Cabernet Pinotage and Merlot. Sanctuary has won gold medals for Sauvignon Blanc and Riesling. 398 medals (comprising 53 gold, 128 silver and 217 bronze) have been gained in national and international shows since 1991. A full list of recent awards can be found on the Grove Mill website: www.grovemill.co.nz.