

MARLBOROUGH WINE ESTATES GROUP LIMITED

INTERIM REPORT

FOR THE SIX MONTHS ENDED

31 DECEMBER 2015



MARLBOROUGH WINE ESTATES GROUP LIMITED
31 DECEMBER 2015

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**MARLBOROUGH WINE ESTATES GROUP LIMITED
COMPANY DIRECTORY**

Company Registration Number	5639568
Registered office	Level 3, 2015 Queen Street Auckland Central New Zealand
Director	Catherine Ma
Shareholder	Min Jia Otuwhero Trust Other shareholders
Auditors	Deloitte Deloitte Centre 80 Queen Street P.O. Box 115033, Auckland 1140 New Zealand
Solicitors	Duncan Cotterill 50 Customhouse Quay, Wellington New Zealand Anthony Harper Level 8, Chorus House, 66 Wayndham Street, Auckland New Zealand
Accountants	DFK Oswin Griffiths Carlton Limited 52 Symonds Street New Zealand
Bankers	ANZ Bank Limited New Zealand Industrial Commercial Bank of China Limited New Zealand

MARLBOROUGH WINE ESTATES GROUP LIMITED

Compilation Report

For the period ended 31 December 2015

Compilation statements to the Director of Marlborough Wine Estates Group Limited

Scope

On the basis of information provided and in accordance with Service Engagement Standard 2 Compilation of Financial Information, we have compiled the financial statements of Marlborough Wine Estates Group Limited for the period ended 31 December 2015.

These statements have been prepared in accordance with the accounting policies described in the notes to these financial statements.

Responsibilities

The Director is solely responsible for the information contained in the financial statements and we have determined that the New Zealand equivalent IFRS used is appropriate to meet your needs and for the purpose that the financial statements were prepared.

The financial statements we prepared were exclusively for your benefit. We do not accept responsibility to any other person for the contents of the financial statements.

No Audit or Review Engagement Undertaken

Our procedures use accounting expertise to undertake the compilation of the financial statements from information you provided. Our procedures do not include verification or validation procedures. No audit or review engagement has been performed and accordingly no assurance is expressed.

Independence

We have no involvement with Marlborough Wine Estates Group Limited's daily operation other than the preparation of financial statements and management statements, offering advice based on the financial information provided, and assisting the public listing process.

Disclaimer

We have compiled these financial statements based on information provided which has not been subject to an audit or review engagement. Accordingly, we do not accept any responsibility for the reliability, accuracy or completeness of the compiled financial information contained in the financial statement. Nor do we accept any liability of any kind whatsoever, including liability by reason of negligence, to any person for losses incurred as a result of placing reliance on these financial statements.

DFK Oswin Griffiths Carlton Limited

DFK Oswin Griffiths Carlton Limited
52 Symonds Street, Auckland

Date: 24 March 2016

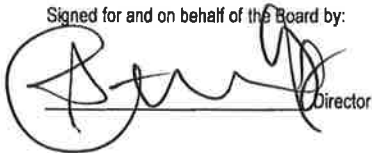
MARLBOROUGH WINE ESTATES GROUP LIMITED
Annual Report & Director's Responsibility Statement

The Director presents the Annual Report including the consolidated financial statements of Marlborough Wine Estates Group Limited (the 'Company' and 'Group') for the six months ended 31 December 2015 and the auditors' report thereon.

With the unanimous agreement of all the shareholders, the Group have taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993 and has not complied with any of paragraphs (a), and (e) to (j) of section 211(1) of the Act.

The Director is responsible for ensuring that the financial statements present fairly the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the period ended on that date. The Director considers that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed. The Director believes that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and the Companies Act 1993. The Director considers that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Signed for and on behalf of the Board by:



Director

Date: 24 March 2016

MARLBOROUGH WINE ESTATES GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2015

	Note	Group Unaudited December 2015 \$	Group Audited June 2015 \$
Sales		2,795,537	1,840,189
Cost of sales	4	<u>(2,827,384)</u>	<u>(1,583,185)</u>
Gross profit		(31,847)	257,004
Interest income		6,493	10,820
Other revenue	3	13,651	24,529
Change in fair value of biological assets and agricultural produce		-	1,054,685
Operating expenses	5	(652,445)	(298,495)
Interest expense		(212,892)	(102,319)
Amortisation	26	(257,673)	
Depreciation		<u>(206,513)</u>	<u>(105,918)</u>
Profit for the period before taxation		<u>(1,341,226)</u>	<u>840,306</u>
Tax expense	6	35,930	(250,266)
Profit/(loss) for the period attributable to shareholders of the company		<u>(1,305,296)</u>	<u>590,040</u>
Other Comprehensive Income		-	-
Total comprehensive income/(loss) for the period attributable to the shareholders of the Company		<u>(1,305,296)</u>	<u>590,040</u>
Basic and diluted earnings/(loss) per share	24	<u>(0.004)</u>	<u>0.002</u>

The above statement of comprehensive income should be read in conjunction with the attached notes.

MARLBOROUGH WINE ESTATES GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2015

Group	Note	Share Capital	Retained earnings	Total
		\$	\$	\$
June 2015				
Audited				
Balance at 18 March 2015		-	-	-
Total comprehensive income for the period				
Profit for the period		-	590,040	590,040
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	590,040	590,040
Transactions with owners				
Issue of ordinary shares		15,000,226	-	15,000,226
		15,000,226	-	15,000,226
Acquisitions under common control				
Addition of controlling interest on acquisition of:				
Otuwhero Trustee Limited		-	-	-
Marlborough Vineyard Group Limited		-	(33,741)	(33,741)
O:Tu Investments Limited		-	5,226,631	5,226,631
		-	5,192,890	5,192,890
Balance at 30 June 2015		15,000,226	5,782,930	20,783,156
December 2015				
Unaudited				
Total comprehensive income for the period				
Profit/(loss) for the period		-	(1,305,296)	(1,305,296)
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	(1,305,296)	(1,305,296)
Transactions with owners				
Issue of ordinary shares	7	85,200	-	85,200
		85,200	-	85,200
Balance at 31 December 2015		15,085,426	4,477,634	19,563,060

The above statement of changes in equity should be read in conjunction with the attached notes.

MARLBOROUGH WINE ESTATES GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

		Group Unaudited December 2015	Group Audited June 2015
	Note	\$	\$
ASSETS			
Current assets			
Cash and bank balances	9	2,479,818	988,556
Accounts receivable	11	547,999	1,195,961
Inventory & work in progress	10	4,432,806	6,234,378
Prepayments		35,190	23,775
Deposits paid		7,720	-
GST receivable		4,792	441,616
Total current assets		<u>7,508,325</u>	<u>8,884,286</u>
Non-current assets			
Property, plant and equipment	12	13,826,263	13,812,633
Related Party Loan	18	13,945	13,945
Investments carried at cost	19	72,250	72,250
Deferred tax	8	189,206	153,276
Intangible assets	26	4,899,177	5,153,450
Total non-current assets		<u>19,000,841</u>	<u>19,205,554</u>
Total assets		<u>26,509,166</u>	<u>28,089,840</u>
LIABILITIES			
Current liabilities			
Accounts payable	13	310,226	232,553
Accrued expenses		12,671	32,037
GST payable		256,150	374,783
Income tax payable		236,865	496,679
Interest bearing borrowings	14	6,100,000	6,100,000
Shareholder loan	18	30,194	70,632
Total current liabilities		<u>6,946,106</u>	<u>7,306,684</u>
Total liabilities		<u>6,946,106</u>	<u>7,306,684</u>
Total net assets		<u>19,563,060</u>	<u>20,783,156</u>
EQUITY			
Capital Shares	7	15,085,426	15,000,226
Retained earnings		4,477,634	5,782,930
Total equity		<u>19,563,060</u>	<u>20,783,156</u>

Signed for and on behalf of the board by:


 _____ Director

Date: 24 March 2016

The above statement of financial position should be read in conjunction with the attached notes.

MARLBOROUGH WINE ESTATES GROUP LIMITED
STATEMENT OF CASH FLOWS
For the period ended 31 December 2015

	Group Unaudited December 2015	Group Audited June 2015
	\$	\$
Cash flows from operating activities	Note	
Cash was provided from:		
Receipts from customers	4,211,567	1,039,391
Other revenue	13,023	11,240
Interest received	6,493	10,820
	<u>4,231,083</u>	<u>1,061,451</u>
Cash was disbursed to:		
Payment to suppliers	1,837,224	1,129,955
Payments to employees	294,102	125,970
Income taxes paid	259,814	3,021
Interest paid	214,476	110,362
	<u>2,605,616</u>	<u>1,369,308</u>
Net cash flow from operating activities	20	<u><u>1,625,467</u></u>
Cash flows from investing activities		
Cash was provided from:		
Addition of controlling interest on acquisition of:		
Otuwhero Trustee Limited	-	86,951
Marlborough Vineyard Group Limited	-	717
O:Tu Investments Limited	-	801,043
Disposal of assets	-	2,900
	<u>-</u>	<u>891,611</u>
Cash was disbursed to:		
Deposits paid	7,720	-
Purchase of intangible assets	3,400	-
Fixed asset purchases	148,198	2,825
	<u>159,318</u>	<u>2,825</u>
Net cash flow from investing activities		<u><u>(159,318)</u></u>
Cash flows from financing activities		
Cash was provided from:		
Increases in shareholder advances	-	396,524
Proceeds from issue of share capital	85,200	-
	<u>85,200</u>	<u>396,524</u>
Cash was disbursed to:		
Decreases in shareholder advances	40,441	-
	<u>40,441</u>	<u>-</u>
Net cash flow from financing activities		<u><u>44,759</u></u>
Net changes in cash		<u><u>1,510,908</u></u>
Cash at the beginning of the period	<u><u>988,556</u></u>	<u><u>-</u></u>
Exchange adjustment	(19,646)	11,103
Cash at the end of the period	<u><u>2,479,818</u></u>	<u><u>988,556</u></u>

The above statement of cash flows should be read in conjunction with the attached notes.

MARLBOROUGH WINE ESTATES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

1 Accounting period

The unaudited financial statements presented are for Marlborough Wine Estates Group Limited (the Parent) and its subsidiaries (the Group) and cover the six month period to 31 December 2015.

These condensed financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Statements and should be read in conjunction with Marlborough Wine Estates Group Limited's Annual Report for the six month period ended 31 December 2015. The financial statements were authorised for issue by the Directors on 24 March 2016.

2 Summary of significant accounting policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), which complies with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and its interpretations and other relevant Financial Reporting Standards applicable to profit-oriented entities. The financial statements comply with International Financial Reporting Standard (IFRS).

Historical cost convention

The financial statements have been prepared on the historical cost basis. Fixed assets have been recorded at cost less accumulated depreciation.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

Group Financial Statements

These financial statements include those of Marlborough Wine Estates Limited and its subsidiaries listed in note 18.

Functional and presentation currency

All amounts are denominated in New Zealand dollars, which is the Group's functional and presentation currency.

Comparative Figures

The Company commenced trading on 31 March 2015, as such no corresponding figures are presented for 2014 as the Group did not have any transactions in the prior year.

Accounting estimates & judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2 Summary of significant accounting policies (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable NZ IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under NZ IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(c) Revenue Recognition

Sales of grapes and wine

The primary source of revenue for the group is from the sales of grapes harvested and the sale of wines produced. Revenue on sales of goods are recognised when goods are delivered to and ready for use by the customer or when contractual term have been satisfied. Risks and rewards of ownership are considered passed on to the customer at the time of the delivery of the goods.

Interest income and expense

Interest income and expense are recognised on an accrual basis using the effective interest method.

Other income

Other income is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

(d) Goods and Services Tax

With the exception of accounts receivable and payable, all items are stated exclusive of Goods and Services Tax. The net amount of GST recoverable from or payable to the taxation authority is included as part of current assets or current liabilities in the statement of financial position.

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

MARLBOROUGH WINE ESTATES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

2 Summary of significant accounting policies (continued)

(e) Foreign Currencies

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in New Zealand Dollars, which is the Company's functional and presentation currency. All values are rounded to the nearest dollar.

At balance date, foreign monetary assets and liabilities are translated into the functional currency at the closing exchange rate and exchange variations arising from these translations are recognised in profit or loss.

Transaction in foreign currencies are translated into New Zealand currency at the rate of exchange ruling at the transaction date or a rate approximating that rate.

(f) Property, Plant and equipment

The cost of land, dams and roads includes all costs incurred in planting vineyards and developing vineyards, dams and irrigation systems including direct material and direct labour.

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

The Company has five classes of property, plant and equipment:

- Land, dams and roads
- Computer equipment
- Tools & equipment
- Motor vehicles
- Vines & vineyards

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

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation is provided for on a straight line or diminishing value basis on all tangible property, plant and equipment at depreciation rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives.

Rates used during the year were:

- Land, dams and roads / Diminishing value / 0.0% - 6.0%
- Computer equipment / Diminishing value / 50.0%
- Tools & equipment / Diminishing value / 13.0% - 67.0%
- Motor vehicles / Diminishing value / 10.0% - 100.0%
- Vines & vineyards / Straight line / 25 years

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

(g) Impairment

The Group reviews the carrying value of its tangible and intangible assets and assesses whether there is any indication that an asset may be impaired at each reporting date. Where an indication of impairment exists, or when annual impairment testing of an asset is required, the Group makes a formal assessment of recoverable amounts.

If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount. The write down of the item recorded at historical cost is recognised as an expense in profit or loss.

2 Summary of significant accounting policies (continued)

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs on property, plant and equipment are accounted for in profit or loss.

(h) Trade and Other Receivables

Receivables are stated at their cost less impairment losses. Bad debts are written off in the year in which they are identified.

An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectible, it is written off against an allowance account for trade receivables.

Other receivables are initially recognised at fair value of the consideration received or receivable less any provision for impairments. These are classified as current assets unless the balances are expected to settle at least 12 months after balance date, in which case they are classified as non-current assets.

(i) Payables

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

(j) Financial instruments

Financial instruments are recognised in the Statement of Financial Position when the Group become party to a financial contract. They include cash balances, deposits, bank overdrafts, receivables, payables and related party balances.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance date. These are classified as non-current. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2 Summary of significant accounting policies (continued)

Financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

(k) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with NZ IAS 12 Income Taxes and NZ IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with NZ IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

(l) Common Control Transactions

A combination of entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Common control transactions are accounted for at book value at the date of the transaction with any resulting gain/loss recognised directly in equity.

The charge for current income tax expense is based on the profit for the period adjusted for any non assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged to profit or loss except where it relates to items that may be charged directly to equity or in other comprehensive income, in which case the deferred tax is adjusted directly in equity or against other comprehensive income.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by law.

2 Summary of significant accounting policies (continued)

(n) Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Fair value measurement and valuation processes

In estimating the fair value of an asset or a liability acquired in a Business Combination, the Group estimates fair value by applying a valuation technique using observable market inputs where possible.

ii. Estimation of useful lives of assets (other than bearer plants)

The estimation of useful lives of assets and intangible assets has been based on historical experience and management's best estimate of the terms and conditions attached to intangible assets that arise from legal agreements. In addition, the physical condition of the assets are assessed and considered against the remaining useful life. Adjustments to useful lives are made where necessary.

iii. Useful lives of bearer plants (vines)

As described in (o) Changes in accounting policy and disclosure below, the Group has early adopted the amendments to NZ IAS 16, Property, plant and equipment and NZ IAS 41, Agriculture as it relates to bearer plants. This requires management to estimate the useful lives of vines and depreciate the cost of the vines over their estimated useful lives. Management have estimated the useful lives of the vines to be 25 years. Useful lives and residual values are required to be re-evaluated at every balance date.

iv. Fair value of grapes at the point of harvest less cost to sell

The fair value of grapes at the point of harvest is determined by reference to market prices for each variety of grape grown in the local area at the time of harvest. The Directors' assessment of the fair value at the point of harvest is determined after reviewing the market price paid to independent grape growers.

(o) Changes in accounting policy and disclosure

i. New and amended standards not applied

The following new or amended standards or interpretations were issued but not yet effective for the period ended 30 June 2015:

- NZ IFRS 9 Financial Instruments. This standard is effective for reporting periods beginning on or after 1 January 2018.
- NZ IFRS 15 Revenue from Contracts with Customers. The standard replaces NZ IAS 18 Revenue and is mandatory for annual periods beginning on or after 1 January 2018.
- Annual Improvements to NZ IFRSs 2012-2014 cycle

The Director expects to adopt the above standards and amendments when they become effective. The Director anticipates that the adoption of the above standards and amendments will not have a material effect on the financial statements.

ii. Early adoption of Standards and Interpretations

The group has elected to early adopt the following standards or amendments that were in issue but not yet effective: Agriculture : Bearer Plants (Amendments to NZ IAS 16 and NZ IAS 41). The amendments bring bearer plants, which are used solely to grow produce, into the scope of NZ IAS 16 Property, Plant and Equipment (and out of the scope of NZ IAS 41 Agriculture) so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as "a living plant that:

- is used in the production or supply of agricultural produce;
- is expected to bear produce for more than one period; and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales."

The amendments also clarify that produce growing on bearer plants continues to be accounted for under NZ IAS 41 and that government grants related to bearer plants no longer fall into the scope of NZ IAS 41 but need to be accounted for under NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

MARLBOROUGH WINE ESTATES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

2 Summary of significant accounting policies (continued)

(p) Borrowing costs

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

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

(q) Agriculture (biological assets other than bearer plants and biological work in progress)

All costs incurred in maintaining agricultural assets are recognised in profit or loss. Costs incurred in the current year's harvest are included in profit or loss and Statement of Financial Position as work in progress.

The fair value of picked grapes is recognised in profit or loss as a gain/loss on harvested grapes at the point of harvest. The fair value of grapes is referenced to market prices for grapes in the local area, at the time of harvest. This becomes the deemed 'cost' for inventory valuation purposes.

Unharvested grapes are biological assets and are measured at fair value less costs to sell.

(r) Fair value estimation

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has determined the appropriate valuation techniques and inputs for fair value measurements.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group applies a valuation technique.

Level 1 inputs are based on unadjusted, quoted prices for identical assets or liabilities in an active market.

The carrying value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

(s) Intangible assets

i. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

ii. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

iii. Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

MARLBOROUGH WINE ESTATES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

2 Summary of significant accounting policies (continued)

The same accounting policies and methods of computation are followed in the interim financial statements as were followed in the annual financial statements for the year ended 30 June 2015.

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

3 Other Income	Unaudited	Audited
	December 2015	June 2015
	\$	\$
Lease of farmland	3,546	1,773
Lease of equipment	10,105	8,001
Foreign exchange gains	-	14,755
	<u>13,651</u>	<u>24,529</u>

4 Cost of sales

The group runs a vineyard and winery and as a consequence have incurred \$2,827,384 of cost of sales. These costs relate to growing grapes on vines and producing wine.

	Unaudited	Audited
	December 2015	June 2015
	\$	\$
Bottling & labelling	87,163	47,969
Company management	47,100	22,050
Change in inventories and work in progress	1,801,572	962,540
Fertilizer	77,467	-
Harvesting	-	104,411
Irrigation	20,735	22,398
Labour & wages	100,887	49,335
Pruning	195,504	108,071
Repairs & maintenance	62,091	28,430
Spray	134,371	-
Wine making	144,795	113,872
Wine purchased	8,083	-
Wine storage	31,853	89,820
Other vineyard expenses	109,544	24,218
Other winery expenses	6,219	10,071
	<u>2,827,384</u>	<u>1,583,185</u>

5 Operating expenses

	Unaudited	Audited
	December 2015	June 2015
	\$	\$
Accounting expenses	59,113	7,000
Auditor's remuneration - Deloitte	37,110	44,000
Consulting & advisory	43,750	61,250
Salaries & wages	195,585	76,390
Foreign exchange losses	26,447	-
Other expenses	290,440	109,855
	<u>652,445</u>	<u>298,495</u>

6 Taxation

	Unaudited	Audited
	December 2015	June 2015
	\$	\$
(a) Income Tax		
Current tax - current period	-	276,302
- prior year	-	-
Deferred tax movement (refer note 15)	(35,930)	(26,036)
Income tax (benefit) / expense	<u>(35,930)</u>	<u>250,266</u>

MARLBOROUGH WINE ESTATES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

6 Taxation (continued)	Unaudited December 2015	Audited June 2015
	\$	\$
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before taxation	(1,341,226)	840,306
Income tax @ 28%	(375,543)	235,286
Permanent differences	-	9,927
Temporary differences	(35,930)	-
Tax losses not recognised	375,543	5,054
Income tax expense	(35,930)	250,266
(c) Imputation credits are as follows:		
Balance available for use in subsequent reporting periods	377,068	3,516
7 Equity		
Share Capital	Unaudited December 2015	Unaudited December 2015
	Number	\$
Balance of ordinary share capital at 30th June 2015	290,000,000	15,000,226
Ordinary shares issued during the period	426,000	85,200
Balance at 31st December 2015	290,426,000	15,085,426

All shares are ordinary fully paid shares, have equal voting rights.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company and on any written resolution and rank equally with regards to the Company's residual assets.

8 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	Unaudited December 2015	Audited June 2015
	\$	\$
Deferred tax assets	189,206	153,276
Deferred tax liabilities	-	-
	189,206	153,276

	Opening balance	Addition of controlling interest	Recognised in profit or loss	Acquisitions /disposals	Closing balance
	\$	\$	\$	\$	\$
Deferred tax assets/(liabilities) in relation to:					
O:Tu Investments Limited					
Biological assets	143,145	-	31,810	-	174,955
Accrued expenses	4,956	-	(4,956)	-	-
Property, plant & equipment	5,175	-	9,076	-	14,251
	153,276	-	35,930	-	189,206
Tax losses	-	-	-	-	-
	-	-	-	-	-
	153,276	-	35,930	-	189,206

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company.

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

Current and deferred tax is recognised directly in equity for common control transactions.

MARLBOROUGH WINE ESTATES GROUP LIMITED
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For the period ended 31 December 2015

9 Cash and bank balances	Unaudited	Audited
	December 2015	June 2015
	\$	\$
ANZ Bank (USD accounts)	161,971	113,183
ANZ Bank (NZD accounts)	1,867,141	24,397
Industrial Commercial Bank of China (NZD accounts)	200	850,809
Industrial Commercial Bank of China (CNY accounts)	449,152	-
Bank of New Zealand (NZD accounts)	1,280	92
Cash on hand	74	75
	<u>2,479,818</u>	<u>988,556</u>

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

10 Inventories & biological work in progress	Unaudited	Audited
	December 2015	June 2015
	\$	\$
Wines - bottled	3,089,545	2,982,674
Wines - work in progress	243,545	2,909,125
Dry goods	139,048	129,612
Total wine in inventory and work in progress	<u>3,472,138</u>	<u>6,021,411</u>
Unharvested produce on vines	960,668	212,967
Total biological work in progress	<u>960,668</u>	<u>212,967</u>
Inventory & biological work in progress	<u>4,432,806</u>	<u>6,234,378</u>

Inventories are valued at the lower of cost, net realisable value or in the case of agricultural produce at the point of harvest, at fair value less costs to sell. Cost is calculated on an average cost basis. Fair value less costs to sell is determined from average market prices in New Zealand.

Included in the inventory balance as at 31 December 2015 is approximately \$800,000 of bottled wine (Inventory) which is yet to receive certification from Ministry of Primary Industries (MPI). The Group's understanding is that the former contracted wine processor has been subject to a dispute with MPI for approximately 15 months in connection with the processes it has used to make wine and that other grape suppliers have also been affected.

If the wine processor is successful in its dispute with MPI this Inventory will be certified and released to the Group for sale. The Group's view is that in these circumstances this Inventory should be realisable for its book value.

If MPI are successful in the dispute, the Inventory will have to be disposed of and the value of the Inventory written down on the Company's balance sheet. Should this situation arise, the Group may have a claim against the contracted wine processor, however, the relative merits of any such claim cannot be assessed at this time.

11 Accounts receivable	Unaudited	Audited
	December 2015	June 2015
	\$	\$
Trade receivables	547,999	1,195,961
Provision for doubtful debts	-	-
	<u>547,999</u>	<u>1,195,961</u>

12 Property, plant & equipment

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Land, dams & vines	Computer equipment	Tools & equipment	Motor vehicles	Total
Cost:	\$	\$	\$	\$	\$
Balance at 18 March 2015	-	-	-	-	-
Acquisitions through common control transactions					
Marlborough Vineyard Group Limited	-	-	-	-	-
O:Tu Investments Limited	13,310,902	348	358,192	217,541	13,886,983
Acquired in business combinations	-	3,704	17,653	7,244	28,601
Additions	5,500	-	-	-	5,500
Disposals	-	-	-	(2,533)	(2,533)
Balance at 30 June 2015	<u>13,316,402</u>	<u>4,052</u>	<u>375,845</u>	<u>222,252</u>	<u>13,918,551</u>
Additions	218,579	1,564	-	-	220,143
Balance at 31 December 2015	<u>13,534,981</u>	<u>5,616</u>	<u>375,845</u>	<u>222,252</u>	<u>14,138,694</u>

MARLBOROUGH WINE ESTATES GROUP LIMITED
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For the period ended 31 December 2015

12 Property, plant & equipment (continued)

	Land, dams & vines	Computer equipment	Tools & equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
Accumulated Depreciation:					
Balance at 18 March 2015	-	-	-	-	-
Depreciation for the year	67,453	508	29,827	8,130	105,918
Balance at 30 June 2015	67,453	508	29,827	8,130	105,918
Depreciation for the year	135,768	1,082	54,076	15,587	206,514
Balance at 31 December 2015	203,221	1,590	83,903	23,717	312,432

(b) Carrying amounts

	Land, dams & vines	Computer equipment	Tools & equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
Audited					
June 2015					
Cost	13,316,402	4,052	375,845	222,252	13,918,551
Accumulated depreciation	(67,453)	(508)	(29,827)	(8,130)	(105,918)
Carrying amount	13,248,949	3,544	346,018	214,122	13,812,633
Unaudited					
December 2015					
Cost	13,534,981	5,616	375,845	222,252	14,138,694
Accumulated depreciation	(203,221)	(1,590)	(83,903)	(23,717)	(312,431)
Carrying amount	13,331,760	4,026	291,942	198,535	13,826,263

Land, dams and vines acquired by the Group are subject to a registered charge in favour of the ICBC Bank. (refer note 14)

The Group grows and harvests grapes. Harvesting of grapes is from April to May each year. The vineyards are situated in Marlborough.

13 Accounts payable

	Unaudited December 2015	Audited June 2015
	\$	\$
Trade payables	310,748	232,304
Other payables	(522)	249
	310,226	232,553

14 Borrowings

	Unaudited December 2015	Audited June 2015
	\$	\$
Loan - ICBC	6,100,000	6,100,000
	6,100,000	6,100,000
Current	6,100,000	6,100,000
Non-current	-	-
	6,100,000	6,100,000

MARLBOROUGH WINE ESTATES GROUP LIMITED
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For the period ended 31 December 2015

14 Borrowings (continued)

(i) A subsidiary of the Group entered into a loan agreement with ICBC on 18 December 2014. The loan is secured by way of registered charge over land located at Blind River Loop Road, Seddon. The loan is interest only and as such no principle repayments have been made. The interest rate at 31 December 2015 was 6.39%. The loan was provisionally approved to be extended from the maturity date 17 December 2015 until 22 December 2016.

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

15 Lease Obligations and Commitments

As at the year end, there were no lease obligations and commitments.

16 Contingent Liabilities

As of 31 December 2015, the Group had an undrawn upon letter of credit of \$4,400,000 in favour of ICBC bank lending to O:Tu Investments Limited and Otuwhero Trustee Limited as Trustee for Otuwhero Trust.

As at the period end there were no other contingent liabilities.

17 Capital Commitments

There were no capital commitments at year end.

18 Related Party Disclosures

(a) Owners

The Company is controlled by its major shareholder who holds 91% of the ordinary shares.

(b) Directors

The names of the directors of each company in the group at any time during the six months are as follows: Min Jia (O:Tu Investments Limited & Otuwhero Trustee Limited & Marlborough Vineyard Group Limited), Catherine Ma (Otuwhero Trustee Limited & Marlborough Wine Estates Group Limited).

(c) Key management and personnel compensation

Key management personnel compensation for the six months ended 31 December 2015 is set out below. The key management personnel comprises the Directors of the Companies and other senior management with the greatest authority for the strategic direction and management of the Company.

	Unaudited December 2015	Audited June 2015
	\$	\$
Key management compensation	-	-
	<u>-</u>	<u>-</u>

As at the reporting date no payments have been made to key management.

(d) Outstanding balances

The following balances were outstanding at the reporting date in relation to transactions with related parties:

	Unaudited December 2015	Audited June 2015
	\$	\$
Amounts owed to related parties:		
Shareholder loan - Min Jia	30,194	70,632
	<u>30,194</u>	<u>70,632</u>
Amounts owing from related parties:		
Blind River Irrigation Limited -loan	13,945	13,945
	<u>13,945</u>	<u>13,945</u>

All shareholder and related party balances are interest free and are not repayable within 12 months of signing the financial statements. No amounts owed by related parties have been written off or forgiven during the year.

MARLBOROUGH WINE ESTATES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18 Related Party Disclosures (continued)

The loan from shareholder is unsecured and has been subordinated in favour of all other creditors of the company. The shareholder has also agreed not to demand repayment for any portion of the loan for a period of no less than 12 months following the approval of the financial statements.

(e) *Related party relationships*

Related party	Nature of relationship
Otuwhero Trust	Associated Trust
Marlborough Vineyard Group Limited	Subsidiary
Otuwhero Trustee Limited	Subsidiary
O:Tu Investments Limited	Subsidiary
MB Wine Limited	Subsidiary

19 Investments

The Group owns a 7.8% stake in Blind River Irrigation Limited and has advanced funds to the company. The Group also has a small stake in CRT Co-Operative.

20 Notes to Cash Flow Statement

	Unaudited	Audited
	December 2015	June 2015
	\$	\$
a) <i>Reconciliation of net profit/(loss) after tax to net cash flow from operating activities:</i>		
Net profit/(loss) after tax	(1,305,296)	590,040
<i>Add: Non-cash items</i>		
Amortisation	257,673	-
Depreciation	206,513	105,918
Tax expense	(35,930)	250,266
Foreign exchange movement	19,646	(11,103)
<i>(Increase)/decrease in assets:</i>		
(Increase) / Decrease in accounts receivables	647,963	(1,012,626)
(Increase) / Decrease in GST receivable	441,617	(33,297)
(Increase) / Decrease in tax paid	-	(3,021)
(Increase) / Decrease in inventory	1,801,572	(92,145)
(Increase) / Decrease in prepayments	(11,415)	(23,775)
(Increase) / Decrease in related party loan	-	6,812
<i>Increase / (Decrease) in liabilities:</i>		
Increase / (Decrease) in trade payables	5,728	(89,848)
Increase / (Decrease) in GST payable	(123,424)	-
Increase / (Decrease) in tax paid	(259,814)	-
Increase / (Decrease) in accrued expenses	(19,366)	4,922
Net cash provided/(used) by operating activities	1,625,467	(307,857)

21 Financial Instrument Risk Management

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and agricultural risk.

(a) *Market risk*

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

(b) *Credit risk*

Credit risk is managed on a regular basis. Credit risk arises from outstanding receivables from debtors. As part of the Group's financial risk policy, limits on exposures have been set and are monitored on a regular basis. Credit risk is therefore not significant. The Group does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

MARLBOROUGH WINE ESTATES GROUP LIMITED
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21 Financial Instrument Risk Management (continued)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

(d) *Agricultural risk*

The Group is exposed to financial risks in respect of agricultural activities. The agricultural activities of the Group primarily consist of the ownership of vineyards to produce grapes that are then sold to both related and non-related parties for the production of wine. The Company takes reasonable measures to ensure that the current year's harvest is not affected by disease, drought, frost or other factors that may have a negative effect on yield and quality. These measures include consultation with experts in viticulture and frost protection measures.

(e) *Cash flow risk*

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Interest payable has been calculated at balance date rates, assuming bank borrowings at balance date are held to maturity.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	\$	\$	\$	\$
Trade Payables	310,226	-	-	-
Bank Borrowings	6,100,000	-	-	-

(f) *Foreign currency risk*

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved parameters utilising forward foreign exchange contracts and foreign exchange option contracts. There are no option contracts held by the Group at year end.

Foreign currency denominated assets and liabilities at balance date are:

	Unaudited December 2015	Audited June 2015
	\$	\$
Cash and cash equivalents	611,123	113,183
Trade & other receivables	46,189	51,296
Trade & other payables	-	(4,669)
Exposure at balance date	<u>657,312</u>	<u>159,810</u>

The Group is mainly exposed to US Dollars (USD) and Chinese Yen (CNY). If there was a 10% upward movement in the New Zealand Dollar against the relevant currencies, the profit before tax and equity would decrease by \$18,924 and \$40,832 respectively. If there was a 10% downward movement in the New Zealand Dollar against the relevant currencies, the profit before tax and equity would increase by \$23,129 and \$49,906 respectively. The 10% sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the listed percentage change in foreign currency rates.

(g) *Interest rate risk*

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

MARLBOROUGH WINE ESTATES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

21 Financial Instrument Risk Management (continued)

(h) Categories of financial assets and liabilities

Audited	Loans and receivables	Investment at cost	Financial liabilities at amortised cost	Total
	\$	\$	\$	\$
June 2015				
Cash and bank balances	988,556	-	-	988,556
Accounts receivable	1,195,961	-	-	1,195,961
Related party loan	13,945	-	-	13,945
Investment carried at cost	-	72,250	-	72,250
Total financial assets	2,198,462	72,250	-	2,270,712
Non-financial assets				25,819,128
Total assets				28,089,840
Liabilities				
Accounts payable	-	-	232,553	232,553
Accrued expenses	-	-	32,037	32,037
Shareholder advance	-	-	70,632	70,632
Related party loan	-	-	-	-
Bank loan	-	-	6,100,000	6,100,000
Total financial liabilities	-	-	6,435,222	6,435,222
Non-financial liabilities				871,462
Total liabilities				7,306,684

(h) Categories of financial assets and liabilities

Unaudited	Loans and receivables	Investment at cost	Financial liabilities at amortised cost	Total
	\$	\$	\$	\$
December 2015				
Cash and bank balances	2,479,818	-	-	2,479,818
Accounts receivable	547,999	-	-	547,999
Related party loan	13,945	-	-	13,945
Investment carried at cost	-	72,250	-	72,250
Total financial assets	3,041,762	72,250	-	3,114,012
Non-financial assets				23,395,154
Total assets				26,509,166
Liabilities				
Accounts payable	-	-	310,226	310,226
Accrued expenses	-	-	12,671	12,671
Shareholder advance	-	-	30,194	30,194
Related party loan	-	-	-	-
Bank loan	-	-	6,100,000	6,100,000
Total financial liabilities	-	-	6,453,091	6,453,091
Non-financial liabilities				493,015
Total liabilities				6,946,106

22 Subsequent events

There have been no subsequent events since the balance sheet date which would impact on these financial statements.

23 Going concern

During the current period, the Group's Director has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. On this basis, the Director believes that the use of the Going Concern assumption in preparation of the financial statements remains appropriate.

MARLBOROUGH WINE ESTATES GROUP LIMITED
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For the period ended 31 December 2015

24 Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	Unaudited	Audited
	December 2015	June 2015
	\$	\$
Profit/(loss) attributable to equity holders of the Company (in dollars)	(1,305,296)	590,040
Weighted average number of ordinary shares on issue (refer note 7)	290,426,000	290,000,000
Basic earnings per share (in dollars)	<u>(0.004)</u>	<u>0.002</u>

(b) *Diluted earnings per share*

Diluted earnings per share is equal to basic earnings per share as above as there are no dilutive instruments issued by the Company.

25 Segment Reporting

The Group operates in the wine industry and is considered to operate in a single segment.

The Group operates in one principal geographical area - Marlborough, New Zealand. All of the Group's revenue from continuing operations from external customers and its non-current assets are sourced in this area.

26 Intangibles

	Unaudited	Audited
	December 2015	June 2015
	\$	\$
Cost		
Balance at the beginning of the year	5,153,450	-
Distribution rights recognised from business combinations during the year	-	5,153,450
Trademark applications	3,400	-
Less accumulated amortisation	<u>(257,673)</u>	<u>-</u>
	<u>4,899,177</u>	<u>5,153,450</u>

Intangibles represents the value attached to a distribution agreement that grants rights to distribute wine produced by the Group to China.

The distribution rights were acquired on 31 March, 2015, and are provisionally estimated to have a 10 year useful life.

