

HALF YEAR REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023  
Marlborough Wine Estates Group Limited



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## EXECUTIVE CHAIRMAN AND CEO'S REVIEW

For the six months ended 31 December 2023

### Performance Overview

Marlborough Wine Estates Group Limited ("MWE", "Company") is pleased to release its financial results for the six months ended 31 December 2023 (HY24).

HY24 has been a challenging period for the New Zealand Wine industry with global macro-economic conditions leading to significant reductions in export volumes for the period. In HY24 total wine export volumes from New Zealand were down 24% on the previous year. This reduction is being attributed to global customers reducing inventory levels and adjusting their purchasing patterns to match current trading conditions. In contrast the value per litre for New Zealand bottled wine exports increased by 10% as the industry raised prices to counter production cost inflation.

MWE's domestic branded sales revenue increased by 19% in HY24 driven by increased distribution with the major retailers in New Zealand. International case sales were down 10% as distributors reduced inventory holdings. Total sales revenue of \$3.7 million was down 12% compared to HY23, driven by lower than expected bulk wine sales.

Cost pressure on production and logistics, particularly due to labour and material cost increases, as well as increased fuel costs continues to be experienced. Management have achieved some efficiencies through increased volumes and continue to develop and implement initiatives to improve efficiencies where possible.

Gross profit of \$0.6 million, is a decrease of \$0.46 million on the prior comparative period, while the net loss after tax was \$0.74 million, increased \$0.5 million from the previous half-year. The major driver of this was the reduction in bulk wine sales revenue which also led to lower net cashflow from operating activities compared to HY23.

### Strategic Progress

The company continues to pursue its growth initiatives, particularly growth of branded premium wine sales, under the OTU and Music Bay brands, and expansion of its domestic and international distribution networks.

#### **HY24 branded premium wine sales volume increased by 7% compared to HY23**

MWE continues its focus on building premium branded wine sales growth in global and domestic markets and expanding current in-market distribution networks with its existing partners.

The New Zealand market remains the largest market for MWE branded wine sales and plays a key role in demonstrating consumer appeal and commercial success to our international distributor partners. MWE has continued its focus on premiumisation of its products in the New Zealand market. The OTU Sauvignon Blanc is now a top 10 wine brand in the highly competitive premium Sauvignon Blanc segment in New Zealand (Nielsen data, December 2023). An expanded distribution footprint and growing consumer recognition combined to deliver a 14% increase in sales volume in HY24.

The two largest international markets for MWE branded wine sales are the UK and USA. HY24 sales from OTU distributors to customers in the US grew by 300% on the prior year. This is a result of over 12 months trading in the US market and driven by OTU's wines expanding distribution, including a further 8 states during 2023. In the UK distributor sales to customers for HY24 remained steady despite a 20% wine excise tax increase on the 1<sup>st</sup> August 2023.

The company also continues to work closely with our distributor network across Canada, Ireland, Japan, Australia, Singapore and China. The expertise and experience of in-market distribution partners is a significant advantage in building sales in new and existing markets.

MWE will continue to invest resources in developing its global distribution footprint.

## **Accolades and reviews**

During the first half of FY24, MWE's wines continued to receive strong reviews and recognition:

- OTU Marlborough Sauvignon Blanc 2023,
  - Trophy, Gold and Champion Export Wine, National Wine Awards Aotearoa
  - James Suckling, 91 Points
  - 4.5 Stars and Best Buy, Michael Cooper
  - 94 Points, Wine Orbit
- OTU Limited Release Marlborough Sauvignon Blanc 2023,
  - Gold, New Zealand International Wine Show
  - 95 Points, Wine Orbit
- OTU Limited Release Marlborough Syrah 2020,
  - Gold, New Zealand International Wine Show
- OTU Limited Release Pinot Noir Rose,
  - Gold, National Wine Awards Aotearoa

## **Outlook**

The New Zealand wine category is small by global standards accounting for less than 2% of global wine production. The demand for premium Marlborough Sauvignon Blanc in global markets remains strong and despite challenging economic conditions, the New Zealand wine category remains in growth in key markets such as the UK and USA.

Following two strong vintages for the New Zealand wine industry, MWE was expecting a return to average vintage yields for V.24. Due to unsettled weather conditions during the growing season, the industry is now anticipating a lower than average yield however it is too early to reliably estimate this until harvest.

MWE is well positioned to continue its growth in the domestic and international markets. Our premium brands and high quality wines are designed to appeal to engaged wine consumers who are prepared to pay a premium for the best wines from New Zealand.

MWE prides itself on producing some of the world's finest Marlborough Sauvignon Blanc and this was recognised recently with the OTU Sauvignon Blanc being awarded the Champion Export Wine Trophy at the Aotearoa Wine Awards in November 2023. This commitment to quality is essential to maintaining a premium price position for our branded wines in global markets.

Premiumisation of MWE's wines has been a key focus and this will continue. MWE will continue to look for distribution in premium channels to increasingly convert grape and bulk wine sales into branded bottled wine sales.

We would like to thank our committed team, suppliers, business partners and shareholders for their continued support.

Marlborough Wine Estates Group Limited.

Min Jia  
Executive Chairman

Andrew Stafford  
Chief Executive Officer



**MWE** MARLBOROUGH  
WINE ESTATES

## FINANCIAL STATEMENTS



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2023

	Note	6 mths ended Dec 2023 (unaudited) \$	6 mths ended Dec 2022 (unaudited) \$
Revenue	4	3,736,656	4,230,272
Cost of sales		(3,137,054)	(3,164,510)
<b>Gross profit</b>		599,602	1,065,762
Other operating income	5	99,268	45,900
Selling, marketing and promotion expenses		(671,531)	(679,309)
Administration and corporate governance expenses		(715,163)	(570,313)
<b>(Loss) / profit before tax and finance cost</b>	6	(687,824)	(137,960)
Finance income		1,506	29
Finance costs	8	(327,161)	(192,901)
<b>Net finance cost</b>		(325,655)	(192,872)
<b>(Loss) / profit for the period before taxation</b>		(1,013,479)	(330,832)
Tax benefit / (expense)		270,056	83,556
<b>(Loss) for the period attributable to shareholders of the company</b>		(743,423)	(247,276)
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of property, plant and equipment		-	-
Income tax on items taken directly to or transferred from equity		-	-
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive (loss) for the period attributable to the shareholders of the Company</b>		(743,423)	(247,276)
<b>Basic and diluted (loss) per share</b>	18	(0.003)	(0.001)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the six months ended 31 December 2023

Group	Note	Share capital	Capital contribution	Accumulated losses	PPE revaluation reserve	Share-based payment reserve	Total
<b>Balance at 30 Jun 2022 (audited)</b>		16,416,098	210,886	(3,372,312)	16,444,420	39,783	29,738,875
<b>Total comprehensive income for the year</b>							
Loss for the period		-	-	(247,276)	-	-	(247,276)
<b>Total comprehensive income for the year</b>		-	-	(247,276)	-	-	(247,276)
<b>Balance at 31 Dec 2022 (unaudited)</b>		16,416,098	210,886	(3,619,588)	16,444,420	39,783	29,491,599
<b>Balance at 30 Jun 2023 (audited)</b>		16,416,098	325,779	(3,077,119)	17,375,880	39,783	31,080,421
<b>Total comprehensive income for the year</b>							
Loss for the period		-	-	(743,423)	-	-	(743,423)
<b>Total comprehensive income for the year</b>		-	-	(743,423)	-	-	(743,423)
<b>Transactions with owners</b>							
Capital contribution reversed via interest free loan		-	(30,647)	-	-	-	(30,647)
		-	(30,647)	-	-	-	(30,647)
<b>Balance at 31 Dec 2023 (unaudited)</b>		16,416,098	295,132	(3,820,542)	17,375,880	39,783	30,306,351

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	Dec 2023 (unaudited) \$	Jun 2023 (audited) \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	7	191,962	417,426
Accounts receivable	13	548,656	1,082,550
Inventory	11	5,121,022	6,471,214
Biological work in progress	12	2,367,872	484,674
Prepayments		143,833	113,899
GST receivable		-	48,282
<b>Total current assets</b>		<b>8,373,345</b>	<b>8,618,045</b>
<b>Non-current assets</b>			
Property, plant and equipment		33,853,741	34,168,220
Deposits paid		20,000	20,000
Related party loan		44,206	44,206
Investments		28,365	28,365
Right-of-use assets		221,436	96,698
Intangible assets		13,512	15,290
<b>Total non-current assets</b>		<b>34,181,260</b>	<b>34,372,779</b>
<b>Total assets</b>		<b>42,554,605</b>	<b>42,990,824</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts and other payable		750,067	1,627,705
Employee benefit liabilities		55,458	164,011
GST payable		19,040	-
Contract liabilities		120,000	120,000
Lease liabilities		112,722	107,503
Interest bearing borrowings	14	53,158	51,938
Shareholder Loan	14	1,001,244	-
Income tax payable		33,831	52,415
<b>Total current liabilities</b>		<b>2,145,520</b>	<b>2,123,572</b>
<b>Non-current liabilities</b>			
Shareholder Loan	14	-	1,363,379
Interest bearing borrowings	14	6,900,952	5,077,840
Lease liabilities		144,232	17,890
Deferred tax		3,057,550	3,327,722
<b>Total non-current liabilities</b>		<b>10,102,734</b>	<b>9,786,831</b>
<b>Total liabilities</b>		<b>12,248,254</b>	<b>11,910,403</b>
<b>Total net assets</b>		<b>30,306,351</b>	<b>31,080,421</b>
<b>EQUITY</b>			
Share capital		16,416,098	16,416,098
Capital contribution		295,132	325,779
Share-based payment reserve		39,783	39,783
PPE revaluation reserve		17,375,880	17,375,880
Accumulated losses		(3,820,542)	(3,077,119)
<b>Total equity</b>		<b>30,306,351</b>	<b>31,080,421</b>

Signed for and on behalf of the board by:

Signature:



Signature:



Executive Chairman: Min Jia

Director: Danny Chan

**Date: 28 February 2024***The above statement of financial position should be read in conjunction with the attached notes.*



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2023

	Note	6 mths ended Dec 2023 (unaudited) \$	6 mths ended Dec 2022 (unaudited) \$
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Receipts from customers		4,270,434	5,014,483
Other income		99,268	45,900
GST refund		73,032	105,756
Interest received		1,506	29
		4,444,240	5,166,168
Cash was disbursed to:			
Payment to suppliers and employees		(5,570,016)	(4,744,120)
Interest paid on loans and borrowings		(265,904)	(147,540)
Interest paid on lease liabilities		(18,584)	(5,968)
		(5,854,504)	(4,897,628)
<b>Net cash flow generated / (used in) by operating activities</b>	16	(1,410,264)	268,540
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Proceeds from sales of property, plant and equipment		-	1,378
		-	1,378
Cash was disbursed to:			
Payments for property, plant and equipment		(141,343)	(389,201)
		(141,343)	(389,201)
<b>Net cash flow (used in) investing activities</b>		(141,343)	(387,823)
<b>Cash flows from financing activities</b>			
Cash was provided from:			
Proceeds from borrowing		1,824,332	1,000,000
		1,824,332	1,000,000
Cash was disbursed to:			
Principal paid on lease liabilities		(58,189)	(102,846)
Repayment of bank loan		(440,000)	(1,100,000)
		(498,189)	(102,846)
<b>Net cash flow (used in) / generated financing activities</b>		1,326,143	(102,846)
<b>Net (decrease) / increase in cash</b>		(225,464)	(220,130)
<b>Cash and cash equivalents at the beginning of the period</b>		417,426	337,284
<b>Cash and cash equivalents at the end of the period</b>		191,962	115,155

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



## NOTES TO FINANCIAL STATEMENTS



## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

**1 Reporting Entity**

These financial statements are for Marlborough Wine Estates Group Limited (the Company) and its subsidiaries (together the Group, or MWE).

The Company and its subsidiaries are incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and the parent company is listed on main board of the New Zealand Stock Exchange("NZX")

The Company is designated as a Tier 1 for-profit entity for financial reporting purposes.

The financial statements were authorised for issue by the Board of Directors on 28 February 2024.

The principal activities of the Group are grape production, wine making, marketing and sales of premium wine in New Zealand and international markets.

**2 Summary of Significant Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. For details of these accounting policies please refer to the 2023 Annual Report.

**3 Seasonal Business**

The bulk grape sales are subject to seasonality with the grape harvest occur once a year in March to April. All the bulk grapes sales will be recognised in the second half financial year. For the six months ended 31 December 2023, the grape sales was \$nil (31 December 2022: \$nil). This seasonality also has an impact on the operating cashflow, growing grapes requires heavy investment in Biological Work in Progress in the first half of the financial year and the cash income generated from grape sales are mostly recorded in the second half of the financial year.

**4 Revenue**

	<b>6 mths ended Dec 2023 (unaudited) \$</b>	<b>6 mths ended Dec 2022 (unaudited) \$</b>
Branded wine sales	3,195,675	2,878,255
Bulk wine sales	540,981	1,352,017
	<u>3,736,656</u>	<u>4,230,272</u>

**5 Other Income**

	<b>6 mths ended Dec 2023 (unaudited) \$</b>	<b>6 mths ended Dec 2022 (unaudited) \$</b>
Lease of farmland	1,773	1,773
Government grants	36,558	-
Office lease	10,000	25,605
Others	50,937	18,522
	<u>99,268</u>	<u>45,900</u>

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

**6 Operating Expenses**

	<b>6 mths ended Dec 2023 (unaudited) \$</b>	<b>6 mths ended Dec 2022 (unaudited) \$</b>
Specific expense included in (loss) / profit before tax and finance cost:		
Wages and salaries	676,897	528,821
Kiwisaver contribution	18,135	14,192
Director fees	77,000	67,000
Contractor payment	89,063	81,842
Foreign exchange losses	8,410	7,796
Depreciation- includes right-of-use assets	455,931	394,797

**7 Cash and Bank Balance**

	<b>Dec 2023 (unaudited) \$</b>	<b>Jun 2023 (audited) \$</b>
Cash at bank (ANZ bank, BNZ Bank and Industrial Commercial Bank of China)	191,962	417,426
	<u>191,962</u>	<u>417,426</u>

**8 Interest Expense and Financing Cost**

	<b>6 mths ended Dec 2023 (unaudited) \$</b>	<b>6 mths ended Dec 2022 (unaudited) \$</b>
Interest expense on loans and borrowings	308,577	186,933
Interest expense on lease liabilities	18,584	5,968
	<u>327,161</u>	<u>192,901</u>

The above Interest expense on loans and borrowings includes non-cash interest expense of \$47,218 incurred from shareholder loan (note 14) for the 6 months ended 31 December 2023 (December 2022: \$30,540).

**9 Equity****Share capital**

	<b>Jun 2023 Number</b>	<b>Jun 2023 \$</b>
Balance of ordinary share capital at 1 July 2022	296,234,115	16,416,098
Ordinary shares issued for investors during the period	-	-
Balance at 30 June 2023 (audited)	<u>296,234,115</u>	<u>16,416,098</u>
	<b>Dec 2023 Number</b>	<b>Dec 2023 \$</b>
Balance of ordinary share capital at 1 July 2023	296,234,115	16,416,098
Ordinary shares issued for investors during the period	-	-
Balance at 31 December 2023 (unaudited)	<u>296,234,115</u>	<u>16,416,098</u>

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

### For the six months ended 31 December 2023

#### 9 Equity (continued)

##### PPE revaluation reserve

	6 mths ended Dec 2023 (unaudited) \$	12 mths ended Jun 2023 (audited) \$
Balance at beginning of the period	17,375,880	16,444,420
Revaluation increments/(decrements)	-	1,048,971
Income tax on items taken directly to or transferred from equity	-	(117,511)
Balance at end of the period	<u>17,375,880</u>	<u>17,375,880</u>

The asset revaluation reserve records the revaluation of land and land improvements. Where a revalued asset is sold that proportion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained earnings.

##### Share-based payment reserve

	Jun 2023 Number	Jun 2023 \$
Balance of share-based payment reserve at 1 July 2022	720,000	39,783
Balance at 30 June 2023 (audited)	<u>720,000</u>	<u>39,783</u>
	Dec 2023 Number	Dec 2023 \$
Balance of share-based payment reserve at 1 July 2023	720,000	39,783
Balance at 31 December 2023 (unaudited)	<u>720,000</u>	<u>39,783</u>
Total number of securities registered as at 31 December 2023	<u>296,954,115</u>	

At 31 December 2023, share capital comprised 296,234,115 authorised and issued shares (June 2023: 296,234,115) which are fully paid and 720,000 shares issued (June 2023: 720,000) under the Group's Employee Share Ownership Plan (ESOP) are not paid.

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.

The Company declared and paid no dividend during the period and the comparative period.

Proportionate rights for the holders of unpaid shares issued under ESOP- until a Share is fully paid it shall have the same rights and privileges as an Ordinary Share but only in the proportion to which it has been paid up. For example, if a Share is 50% paid up it will confer half of a right to vote on a poll at a meeting of shareholders and a right to receive half of the amount of any dividend paid on an Ordinary Share. However, the Shares will carry identical rights to Ordinary Shares in terms of entitlements to participate in any issue of equity (including securities convertible into equity capital) in the Company.

#### 10 Biological Asset Produce

Biological asset consist of grape vines (bearer plants) which are classified as Vines and Vineyards. The Group grows grapes to sell and use in the production of wine, as a part of normal operations. Vineyards are located in Marlborough, New Zealand. Grapes are harvested between March and April each year.

At 31 December 2023, the Group held approximately 336 hectares of land owned by the Company in Marlborough, New Zealand (June 2023: 336), and the total planted area is 149 hectares (June 2023: 149).



## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

**11 Inventories**

	Dec 2023 (unaudited) \$	Jun 2023 (audited) \$
Bottled wine	1,558,097	1,522,646
Bulk wine	3,490,604	4,859,567
Dry goods	72,321	89,001
Total wine in inventory and work in progress (net of impairment)	<u>5,121,022</u>	<u>6,471,214</u>
<b>Impairment of Inventory</b>		
Balance at beginning of the period	38,251	106,305
Provision provided during the period	-	38,251
Inventory written off during the period	(38,251)	(106,305)
Balance at the end of the period	<u>-</u>	<u>38,251</u>

Inventories are valued at the lower of cost, net realisable value. Cost is calculated on a FIFO basis.

**12 Biological Work in Progress**

	Dec 2023 (unaudited) \$	Jun 2023 (audited) \$
Growing costs related to next harvest	<u>2,367,872</u>	<u>484,674</u>

The growth on the vines in the period from harvest to 31 December 2023 cannot be reliably measured due to the lack of market information and the variables in completing the biological transformation process between the time of harvest and the balance date. The cost of agricultural activity in the period to 31 December 2023 has been recognised as biological work in progress for the next harvest. This assumes the cost of the agricultural activity approximates the fair value of the biological transformation that has occurred in that period. The value of biological work in progress at balance date was \$2,367,872 (June 2023: 484,674).

**13 Accounts Receivable**

	Dec 2022 (unaudited) \$	Jun 2022 (audited) \$
Trade receivables	548,656	1,082,550
Provision for doubtful debts	-	-
	<u>548,656</u>	<u>1,082,550</u>

The standard credit terms on sales of goods given to domestic branded wine customers are 20th of the month following the issue of invoice. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. For overseas and other major customers, credit quality is assessed individually. Clients with customised purchase orders might receive a different payment term, normally not longer than 180 days.

The Group recognises a loss allowance for expected credit losses on trade and other receivables. Expected credit losses are not material as at 31 December 2023 and 30 June 2023.

Included in the total receivable amount above, there were 5 customers who represent more than 5% of the total balance of trade receivables individually (30 June 2023: 6 customers).

Payment due schedule from major customers 31 December 2023	Total Receivable amount \$	Due in 0 -	Due in	Due in 91	Past due \$
		30 days \$	31 - 90 days \$	days + \$	
Customer 1	181,651	181,651	-	-	-
Customer 2	136,046	-	136,046	-	-
Customer 3	74,692	-	-	-	74,692
Customer 4	34,983	34,983	-	-	-
Customer 5	34,923	34,923	-	-	-

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

**13 Accounts Receivable (continued)**

<b>Payment due schedule from major customers as of 30 June 2023</b>	<b>Total Receivable amount</b>	<b>Due in 0 - 30 days</b>	<b>Due in 31 - 90 days</b>	<b>Due in 91 days +</b>	<b>Past due</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Customer 1	442,560	-	322,560	120,000	-
Customer 2	168,893	168,893	-	-	-
Customer 3	165,742	165,742	-	-	-
Customer 4	120,033	118,862	157	-	1,014
Customer 5	99,349	99,349	-	-	-
Customer 6	90,037	48,157	41,880	-	-

**14 Borrowings**

	<b>Dec 2023 (unaudited)</b>	<b>Jun 2023 (audited)</b>
	<b>\$</b>	<b>\$</b>
Loan - ICBC	6,850,000	5,000,000
Shareholder loan	1,001,244	1,363,379
Asset loan	104,110	129,778
	<b>7,955,354</b>	<b>6,493,157</b>
Current	1,054,402	51,938
Non-current	6,900,952	6,441,219
	<b>7,955,354</b>	<b>6,493,157</b>

The Group entered into a loan agreement with ICBC on 18 December 2014. The loan is secured by way of registered charge over all the present and after acquired property of the Group. The loan was refinanced in June 2023 with the facility amount of \$8.0 million which consist of core debt facility of \$5.0 million and revolving debt facility of \$3.0 million. The revolving debt provides the Group flexibility and allows it to pay down the balance when it has more cash on hand and to repeatedly borrow to the set limit of \$3.0 million, and interest of revolving debt will be calculated monthly based on balance owing. Interest for core debt facility is calculated and paid quarterly. The term loan facility bears a weighted average interest rate of 8.89% for the six months ended 31 December 2023 (June 2023: 7.54%). Both facilities will mature in July 2026.

During the six months ended 31 December 2023, \$1.85 million withdrawal was made to the revolving debt facility. As at 31 December 2023, the total bank loan balance is \$6.85 million, and another \$1.15 million is available for further drawdown from the revolving debt facility.

The loan from shareholder (original face value: \$1.5 million) is unsecured and interest free and has been subordinated in favour of all other creditors of the company. The shareholder loan will mature in October 2024. Given the loan is interest-free, it was discounted to its fair value with the difference between the face value of the loan and the fair value being reflected as a capital contribution from the shareholder. The Group repaid \$440,000 to this shareholder loan in October 2023, as such, \$30,647 was reversed from the Capital Contribution account. The Group recognised non-cash interest expense of \$47,218 for the six months ended in December 2023 (June 2023: \$63,658).

	<b>Dec 2023 (unaudited)</b>	<b>Jun 2023 (audited)</b>
	<b>\$</b>	<b>\$</b>
Shareholder loan face value	1,060,000	1,500,000
Shareholder loan fair value	1,001,244	1,363,379
Capital contribution balance	295,132	325,779
Non-cash interest for the period	47,218	63,658

The Group entered into a asset loan agreement during FY23 for \$189,430 to purchase vineyard equipment, the loan will be fully paid off in 3 years with 36 monthly instalments, and the effective interest is 4.64%. The loan is secured by the assets purchased under this agreement. As at 31 December 2023, the asset loan balance was \$104,110 (June 2023: \$129,778).

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.

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

**15 Related Party Disclosures****(a) Identity of related party**

The Group has a related party relationship with its key management personnel. All members of the Group are considered to be the related parties of the Parent, Marlborough Wine Estates Group Limited (MWE). This includes the subsidiaries identified below. This has been remained the same as last year.

Subsidiaries	Principal Activity	Proportion of ownership	Accounting balance date	Jurisdiction
Marlborough Vineyard Group Limited	International Marketing	100%	30 June	New Zealand
Otuwhero Trustee Limited	Wine production, sales and marketing	100%	30 June	New Zealand
O:TU Investments Limited	Vineyards operation	100%	30 June	New Zealand
MB Wine Limited	Music Bay trademark	100%	30 June	New Zealand

The Group has related party relationship with the entity below:

Hunan Xinyoumeisheng Food Co., Ltd	Min Jia, the founder, major shareholder and director of MWE, owns Hunan Xinyoumeisheng Food Co., Ltd in China which sells, distributes and markets MWE's wine in China.
Lily Investment 227 Limited	Min Jia, director of MWE, is a director and shareholder Lily Investment 227 Ltd.
Lily investment 265 Trustee Limited	Min Jia, director of MWE, is a beneficiary of Lily Investment 265 Trust.
Blind River Irrigation Limited	The Group holds 7.8% ownership in Blind River Irrigation Ltd.
The Digital café Limited	Danny Chan, director of MWE, is a shareholder in The Digital café Limited.
OTU Australia Pty Ltd	Catherine Ma, alternate director and former CEO of MWE, is a close relative of the director of OTU Australia Pty Ltd.
LC Wine Ltd	Catherine Ma, alternate director and former CEO of MWE, is a director and shareholder of LC Wine Ltd.
Move Logistics Group Ltd	Danny Chan, director of MWE, was a director in Move Logistics Group Ltd until October 2023.

**(b) Transactions with related party**

	Total Value		Asset/(liability)	
	Dec 2023 (unaudited) \$	Dec 2022 (unaudited) \$	Dec 2023 (unaudited) \$	Dec 2022 (unaudited) \$
<b>Wine sales</b>				
Hunan Xinyoumeisheng Food Co., Ltd	-	94,501	-	-
Lily Investment 265 Trustee Limited	7,553	-	-	-
OTU Australia Pty Ltd	103,967	-	-	-
<b>Office rent and other payments</b>				
Lily Investments 227 Limited (for office rent)	-	3,272	-	-
Lily Investments 265 Trust (for office rent)	10,000	13,087	(14,372)	(10,185)
Blind River Irrigation Limited (for water usage)	11,283	1,469	-	-
The Digital café Limited (marketing)	27,000	13,232	(19,550)	(2,300)
LC Wine Ltd (bulk wine purchase)	-	-	-	(92,136)
Move Logistics Group Ltd (storage & freight)	48,201	11,798	(10,416)	(4,093)

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

### For the six months ended 31 December 2023

#### 15 Related Party Disclosures (continued)

##### Transactions with Directors and Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. The key management personnel are the directors and senior officers of the Group.

	Total Value		Asset/(liability)	
	Dec 2023 (unaudited)	Dec 2022 (unaudited)	Dec 2023 (unaudited)	Dec 2022 (unaudited)
	\$	\$	\$	\$
<b>Directors' fees</b>				
Min Jia	5,000	5,000	(2,500)	-
Danny Chan	31,000	31,000	(17,825)	(17,825)
Christine Pears	31,000	31,000	-	-

	Total Value		Asset/(liability)	
	Dec 2023 (unaudited)	Dec 2022 (unaudited)	Dec 2023 (unaudited)	Dec 2022 (unaudited)
	\$	\$	\$	\$
<b>Senior officers' compensation (excludes directors)</b>				
Short-term employee benefits	344,272	254,370	(21,103)	(28,394)
Share-based payments	-	-	-	-
<b>Total senior officers' compensation (excludes directors)</b>	<b>344,272</b>	<b>254,370</b>	<b>(21,103)</b>	<b>(28,394)</b>

	6 mths ended Dec 2023 (unaudited)	6 mths ended Dec 2022 (unaudited)
	\$	\$
<b>Shareholder loan- Min Jia</b>		
Amount owed to Min Jia at the beginning of the period	1,363,379	1,414,614
Amount repaid to Min Jia during the period	(440,000)	-
Interest on the loan (non-cash)	47,218	30,540
Fair value adjustment for the loan	30,647	-
Amount owed to Min Jia at the end of the period (note 14)	<b>1,001,244</b>	<b>1,445,154</b>

##### Amounts owing from related parties:

	6 mths ended Dec 2023 (unaudited)	6 mths ended Dec 2022 (unaudited)
	\$	\$
Amount owing from Blind River Irrigation Limited at the beginning of the period	44,206	48,005
Amount withdrawn by the Company during the period	-	-
Amount owing from Blind River Irrigation Limited at the end of the period	<b>44,206</b>	<b>48,005</b>

##### Other related party transactions during the period

	6 mths ended Dec 2023 (unaudited)	6 mths ended Dec 2022 (unaudited)
	\$	\$
Wine purchased by shareholders and senior officers during the period	664	107
Payments reimbursed to senior officers and shareholders for business related expenses during the period	1,088	7,627

No amounts owed by related parties have been written off or forgiven during this period. All related party balances are repayable within 12 months.

The loan from shareholder is unsecured and has been subordinated in favour of all other creditors of the company.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
For the six months ended 31 December 2023

16 Notes to Cash Flow Statement

(a) Reconciliation of net (loss) after tax to net cash flow from operating activities:

	6 mths ended Dec 2023 (unaudited) \$	6 mths ended Dec 2022 (unaudited) \$
Net (loss) / profit after tax	(743,423)	(247,276)
<i>Add: Non-cash items</i>		
Amortisation	1,778	1,878
Depreciation on PPE and ROU assets	496,084	394,797
Interest expense on shareholder loan	47,218	30,540
Tax expense	(270,056)	(83,556)
Gain/loss on disposal of property, plant and equipment	-	1,705
Other non-cash adjustment	24,634	30,891
<i>(Increase)/decrease in assets:</i>		
Decrease / (Increase) in accounts receivables	533,894	784,211
Decrease / (Increase) in GST receivable	-	74,865
Decrease / (Increase) in inventory	1,350,192	1,605,768
Decrease / (Increase) in deposit paid	-	15,375
(Increase) / Decrease in biological work in progress	(1,883,198)	(1,436,465)
Decrease / (Increase) in prepayments	(29,934)	(11,692)
<i>Increase / (Decrease) in liabilities:</i>		
(Decrease) / Increase in trade and other payable	(877,638)	(805,723)
(Decrease) / Increase in employee benefit liabilities	(108,553)	(86,770)
(Decrease) / GST payable	67,322	-
(Decrease) / Increase in tax paid	(18,584)	(8)
<b>Net cash provided by operating activities</b>	<b>(1,410,264)</b>	<b>268,540</b>

(b) Reconciliation of liabilities arising from financing activities

	Dec 2023		Jun 2023	
	Borrowing (unaudited) \$	Lease Liabilities (unaudited) \$	Borrowing (unaudited) \$	Lease Liabilities (unaudited) \$
Balance at 1 July	6,493,157	125,393	6,364,614	242,877
Lease liabilities recognised	-	189,750	-	-
Repayment of lease liabilities - cash flow	-	(58,189)	-	(117,484)
Proceed from loan- cash flow	1,824,332	-	1,389,430	-
Repayment of loan - cash flow	(440,000)	-	(1,209,652)	-
Fair value adjustment for shareholder loan	30,647	-	(114,893)	-
Interest - non cash	47,218	-	63,658	-
<b>Balance at end of the period</b>	<b>7,955,354</b>	<b>256,954</b>	<b>6,493,157</b>	<b>125,393</b>



## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

### For the six months ended 31 December 2023

#### 17 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. During the financial year, majority of Group's sales were generated from supplying products to customers based in New Zealand, North America, UK/Europe and Australasia. At reporting date, the Group held all non-current assets in Marlborough, New Zealand.

The below represents a geographical analysis of sales:

	<b>6 mths ended Dec 2023 (unaudited) \$</b>	<b>6 mths ended Dec 2022 (unaudited) \$</b>
<b>Sales</b>		
New Zealand and Oceania	2,801,355	2,619,757
North America (USA and Canada)	406,458	624,738
UK / Europe	271,937	727,470
Australasia	256,906	258,307
Total (note 4)	<u>3,736,656</u>	<u>4,230,272</u>

For the 6 months ended 31 December 2023, there were 3 customers (31 December 2022: 2 customers) who individually accounted for greater than 10% of the Group's total sales. The sales amount to these customers in total was \$2.55 million (31 December 2022: \$1.83 million). The following table shows only the amount which is greater than 10% of the Group's total sales.

	<b>6 mths ended Dec 2023 (unaudited) \$</b>	<b>6 mths ended Dec 2022 (unaudited) \$</b>
Customer A	1,515,152	1,238,671
Customer B	399,705	592,620
Customer C	633,868	-
Total	<u>2,548,725</u>	<u>1,831,291</u>

#### 18 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.

	<b>6 mths ended Dec 2023 (unaudited)</b>	<b>6 mths ended Dec 2022 (unaudited)</b>
Number of ordinary share at the beginning of the period	296,234,115	296,234,115
Ordinary shares issued and paid during the period	-	-
Number of ordinary share at the end of the period	<u>296,234,115</u>	<u>296,234,115</u>
Weighted average number of ordinary shares	<u>296,234,115</u>	<u>296,234,115</u>
	<b>6 mths ended Dec 2023 (unaudited) \$</b>	<b>6 mths ended Dec 2022 (unaudited) \$</b>
(Loss) / profit attributable to equity holders of the Company (in dollars)	(743,423)	(247,276)
Weighted average number of ordinary shares on issue	296,234,115	296,234,115
Basic (loss) per share (in dollars)	<u>(0.003)</u>	<u>(0.001)</u>

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

### For the six months ended 31 December 2022

#### 18 Earnings Per Share (continued)

##### (b) Diluted earnings per share

Same earning was used for diluted earning per share, Share options have not been included in the current year DEPS calculation as these would be anti-dilutive due to loss for the periods.

	<b>6 mths ended Dec 2023 (unaudited)</b>	<b>6 mths ended Dec 2022 (unaudited)</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	296,234,115	296,234,115
Weighted average number of share options	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	296,234,115	296,234,115
Diluted (loss) per share (in dollars)	<u>(0.003)</u>	<u>(0.001)</u>

#### 19 Net Tangible Assets Per Share

	<b>Dec 2023 (unaudited) \$</b>	<b>Jun 2023 (audited) \$</b>
Net tangible assets	30,292,839	31,065,131
Net tangible assets per share	0.102	0.105

#### 20 Contingent Liabilities

There were no contingent liabilities or any outstanding litigation against the Group as at 31 December 2023.

#### 21 Capital Commitments

There was no capital expenditure commitment as at 31 December 2023 (31 December 2022: \$nil).

#### 22 Subsequent Events

There were no significant events between balance date and the date the financial statements were authorised for issue.

#### 23 Going Concern

'The Directors believe that the use of the Going Concern assumption in preparation of the financial statements remains appropriate.

COMPANY DIRECTORY  
As At 31 December 2023

**Company Registration Number**

5639568

**Registered office**

Level 6, 5-7 Kingdon Street  
Newmarket, Auckland Central  
New Zealand

**Directors**

Min Jia (executive chairman)  
Christine Pears (independent)  
Danny Chan (independent)

**Auditors**

BDO Auckland  
Level 4, BDO Centre  
4 Graham Street, Auckland CBD, Auckland 1010  
PO Box 2219, Auckland 1140  
New Zealand

**Solicitors**

Duncan Cotterill  
Level 2, Chartered Accountants House  
50 Custom House Quay, Wellington

**Bankers**

Industrial Commercial Bank of China (New Zealand) Limited  
ANZ Bank Limited  
BNZ Bank Limited

**Share Registrar**

Link Market Services Limited  
Level 30, PWC Tower  
15 Customs Street West, Auckland 1010