

**MARTINBOROUGH VINEYARD
ESTATES LIMITED**

TARGET COMPANY STATEMENT

**IN RESPONSE TO FOLEY FAMILY WINES LIMITED'S
FULL TAKEOVER OFFER FOR MARTINBOROUGH
VINEYARD ESTATES LIMITED**

26 MAY 2014

This is an important document and requires your urgent attention. If you have any questions in respect of this document or the offer, you should seek advice from your financial or legal adviser.

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26 May 2014

Dear Martinborough Vineyard Estates Limited Shareholder

FOLEY FAMILY WINES LIMITED'S TAKEOVER OFFER FOR MARTINBOROUGH VINEYARD ESTATES LIMITED

As you will be aware, Foley Family Wines Limited has made a full takeover offer to acquire all of the ordinary shares in Martinborough Vineyard Estates Limited.

Your Board, comprising Duncan Milne (Chairman), Eion Edgar and Roger Gaskell, has been responsible for the preparation of Martinborough Vineyard Estates' Target Company Statement, of which this letter forms a part.

The Target Company Statement is required by the Takeovers Code and includes certain statutory disclosures required by the Takeovers Code and an Independent Adviser's Report prepared by Armillary Private Capital on the merits of Foley Family Wines' offer.

You should read the Target Company Statement and Independent Adviser's Report carefully, and in full, when considering whether to accept Foley Family Wines' offer.

Recommendation of the Board of Directors

The Board **unanimously** recommends that Martinborough Vineyard Estates shareholders **ACCEPT THE OFFER** for all of their Martinborough Vineyard Estates shares.

The factors which influenced the Board's considerations and recommendation to shareholders are addressed in more detail in the Assessment of the Offer section and in the Independent Adviser's Report. **You are encouraged to read those factors carefully and in full.**

Key terms of the offer

The full terms of Foley Family Wines' offer are set out in Foley Family Wines' Offer Document which accompanies this Target Company Statement.

The key terms of Foley Family Wines' offer are as follows:

- Foley Family Wines is offering one fully paid ordinary share in Foley Family Wines for every 27.95 Martinborough Vineyard Estates shares held by you.
- The offer is conditional on Foley Family Wines receiving acceptances in respect of at least 90% of the Martinborough Vineyard Estates shares. This condition can be waived by Foley Family Wines, provided that Foley Family Wines cannot declare the offer unconditional until it receives acceptances for at least a majority of the shares in Martinborough Vineyard Estates.
- The offer is conditional on other standard matters, including that Martinborough Vineyard Estates' business is carried on in the ordinary course.
- The offer is conditional on Foley Family Wines obtaining the consent of the New Zealand Overseas Investment Office to the acquisition of 100% of the Martinborough Vineyard Estate shares.

Overseas shareholders

Due to legal considerations, Foley Family Wines will only issue Foley Family Wines shares to Martinborough Vineyard Estates shareholders who have a registered address (i.e. your address on our share register) in New Zealand.

If you have an overseas registered address, Foley Family Wines will issue your entitlement of Foley Family Wines shares to a sharebroker, who will then sell those Foley Family Wines shares and distribute the cash proceeds to you (net of brokerage).

Lock up agreements

Prior to the date of its offer, Foley Family Wines entered into lock up agreements with certain Martinborough Vineyard Estates shareholders (including, as noted below, interests associated with each of Martinborough Vineyard Estates' Directors) holding in aggregate approximately 67.73% of the Martinborough Vineyard Estates shares.

Under the terms of the lock up agreements, the relevant Martinborough Vineyard Estates shareholders have each agreed to accept the offer in respect of all of their Martinborough Vineyard Estates shares within three business days of the later of either, the date of Foley Family Wines' offer, or the date of receipt by the Martinborough Vineyard Estates shareholder.

Directors' intentions

At the date of this letter, the Directors of Martinborough Vineyard Estates have the following interests in Martinborough Vineyard Estates shares:

- **Eion Sinclair Edgar** – Sir Eion is a director and ultimate shareholder of Sinclair Long Term Holding Limited which holds 13.29% of the Martinborough Vineyard Estates shares.
- **Roger Lee Gaskell** – Mr Gaskell is a director and shareholder of Amapur Securities Limited which holds 4.04% of the Martinborough Vineyard Estates shares.
- **Duncan William Milne** – Mr Milne, jointly with Margaret Claire Campbell, holds 2.58% of the Martinborough Vineyard Estates shares.

Each of Sinclair Long Term Holdings Limited, Amapur Securities Limited and Mr Milne and Ms Campbell (jointly) have entered into lock up agreements with Foley Family Wines' under which they have agreed to accept the offer in respect of all of the Martinborough Vineyard Estates shares held by them.

Acceptance of the offer

If you wish to accept the offer, use the Acceptance Form that accompanies Foley Family Wines' Offer Document. Complete and return your acceptance in accordance with the instructions on the Acceptance Form.

Acceptances, once given, cannot be withdrawn.

If you decide not to accept the offer, you do not need to take any further action.

Timing

The offer will close at 5.00 pm on 24 June 2014, unless extended by Foley Family Wines. You have until the end of the offer period to decide whether to accept the offer.

Foley Family Wines must issue Foley Family Wines shares to you within seven days after the later of your acceptance or the date on which Foley Family Wines declares the offer unconditional.

Conclusion

You should, when deciding whether to accept Foley Family Wines' offer, consider your own individual circumstances, views on value and the merits of the offer, and investment time horizon. You are encouraged to consider taking your own separate professional advice (e.g. from your lawyer or financial adviser) tailored to your circumstances.

Yours faithfully

Martinborough Vineyard Estates Limited

A handwritten signature in dark ink, appearing to read 'Duncan Milne', written in a cursive style.

Duncan Milne

Chairman of the Board of Directors

RECOMMENDATION

The Board **unanimously** recommends that Martinborough Vineyard Estates shareholders **ACCEPT THE OFFER** for all of their Martinborough Vineyard Estates shares.

The factors set out above which influenced the Board's considerations and recommendation to shareholders are addressed in more detail in the Assessment of the Offer section and in the Independent Adviser's report. **You are encouraged to read those factors carefully and in full.**

ASSESSMENT OF THE OFFER

Options available to shareholders

You have three options in response to Foley Family Wines' offer. You can:

- Accept the offer for all of your Martinborough Vineyard Estates shares.
- Accept the offer for some, but not all, of your Martinborough Vineyard Estates shares.
- Choose to not accept the offer. If you choose this option, you do not need to take any action.

Set out below in this Assessment of the Offer section are key factors that the Board of Directors has considered in forming its recommendation.

The Board strongly encourages you to take these factors, and the merits of the offer addressed in the Independent Adviser's Report, into account when considering which option to take in response to Foley Family Wines' offer.

Assessment of the offer price and related matters

The offer price is one Foley Family Wines share for every 27.95 Martinborough Vineyard Estates shares held by you.

The Independent Adviser appointed by the Board of Directors to prepare a report on the merits of Foley Family Wines' offer has assessed the value of Martinborough Vineyard Estates shares in the range of \$0 to 6.83 cents per share and the value of Foley Family Wines shares in the range of \$1.49 to \$2.44 per share.

Using the midpoint of the Independent Adviser's value ranges for Martinborough Vineyard Estates shares (being 3.415 cents per share) and Foley Family Wines shares (being \$1.965 per share) results in the following ratio:

57.5 Martinborough Vineyard Estates shares : 1 Foley Family Wines share

The purchase price under Foley Family Wines' offer will result in Martinborough Vineyard Estates shareholders who accept the offer receiving more than twice as many Foley Family Wines shares than they would receive were the ratio above to be employed.

Overseas shareholders

Due to legal considerations, Foley Family Wines will only issue Foley Family Wines shares to Martinborough Vineyard Estates shareholders who have a registered address (i.e. your address on our share register) in New Zealand.

If you have an overseas registered address, Foley Family Wines will issue your entitlement of Foley Family Wines shares to a sharebroker, who will then sell those Foley Family Wines shares and distribute the cash proceeds to you (net of brokerage).

Market prices

Foley Family Wines shares are quoted on the NZAX market operated by NZX. In the last significant trade prior to the finalisation of this Target Company Statement, a parcel of 400,000 Foley Family Wines shares was acquired by a domestic institutional investor at a purchase price of \$1.50 per share.

Martinborough Vineyard Estates shares have been quoted on the Unlisted online trading facility

since 2012. Since then there have been no on-market trades of Martinborough Vineyard Estates shares.

Assessment of the transaction

There is no liquidity in the market for Martinborough Vineyard Estates shares

As noted above, there has been no liquidity (being the ability for you to buy and sell shares at will) in the market for Martinborough Vineyard Estates shares.

This constraint has important consequences. It will hamper your ability to sell shares in Martinborough Vineyard Estates at short notice at a price that you consider to be acceptable.

If you accept the Foley Family Wines' offer you will receive one Foley Family Wines share for every 27.95 Martinborough Vineyard Estates shares you hold. Foley Family Wines shares are quoted on the NZAX market operated by NZX. In its report, the Independent Adviser has stated that in the 12 months to 16 May 2014 more than 806,000 Foley Family Wines shares have traded in 60 separate trades. Accordingly, the Board considers that Foley Family Wines shares are likely to enjoy better liquidity than Martinborough Vineyard Estates shares.

Foley Family Wines

Foley Family Wines is an NZAX listed integrated winemaker involved in growing grapes, wine making and bottling. Foley Family Wines owns the following New Zealand wine brands: Vavasour, Clifford Bay, Boatshed Bay, Dashwood, The Pass, Te Kairanga, Goldwater, Grove Mill, Sanctuary and Frog Haven.

For further information regarding Foley Family Wines, see Foley Family Wines' website: <http://www.foleyfamilywines.com>.

In its report, the Independent Adviser states that in its opinion Foley Family Wines is “*an entity that has a strong balance sheet, an established stable of brands and a strong distribution network. [Foley Family Wines] has a track record of investing further capital in its acquisitions and has confirmed an intention to invest in [Martinborough Vineyard Estates] once acquired.*”

The Board considers that Foley Family Wines may be able to extract synergies and other benefits from ownership of Martinborough Vineyard Estates that would not be available to Martinborough Vineyard Estates on a standalone basis. Martinborough Vineyard Estates shareholders who accept the offer and receive Foley Family Wines shares will share in any synergies and benefits that are obtained.

A competing transaction is very unlikely

The Board has, for a number of years, investigated a number of possibilities for the sale of, or further investment in, Martinborough Vineyard Estates. Those possibilities did not eventuate into transactions.

Since the public announcement by Foley Family Wines on 3 February 2014 of its intention to purchase Martinborough Vineyard Estates, no person has made a competing offer.

In addition, shareholders holding in aggregate approximately 67.73% of the Martinborough Vineyard Estates shares have agreed by way of lock up agreements to accept Foley Family Wines' offer.

Accordingly, the Board considers that it is very unlikely that a competing offer will be made prior to, or during, the offer period and that, as a consequence, Foley Family Wines' offer is the best option available to Martinborough Vineyard Estates shareholders at the present time.

Martinborough Vineyard Estates has limited access to required additional capital

In its report, the Independent Adviser has stated that “*there appears to be limited capacity for Martinborough Vineyard Estates to raise additional debt or equity funding to continue to fund its operations*” and further, that “*if [Martinborough Vineyard Estates] shareholders reject the Takeover Offer and [Martinborough Vineyard Estates] is unable to raise additional capital, as required by the bank, an insolvency event is a real prospect, in which case the outcome is likely to be a zero return to [Martinborough Vineyard Estates] shareholders*”.

How to accept of the offer

If you wish to accept the offer, use the Acceptance Form that accompanies Foley Family Wines’ Offer Document. Complete and return your acceptance before 24 June 2014 in accordance with the instructions on the Acceptance Form.

Acceptances, once given, cannot be withdrawn.

If you decide not to accept the offer, you do not need to take any further action.

TARGET COMPANY STATEMENT (TAKEOVERS CODE DISCLOSURES)
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This Target Company Statement has been prepared by Martinborough Vineyard Estates Limited (“**Martinborough Vineyard Estates**”) pursuant to Rule 46 and Schedule 2 of the Takeovers Code in relation to a full takeover offer made by Foley Family Wines Limited (“**Foley Family Wines**”).

1. DATE

1.1 This Target Company Statement (“**Statement**”) is dated 26 May 2014.

2. OFFER

2.1 This Statement relates to a full takeover offer by Foley Family Wines to purchase all of the fully paid ordinary shares in Martinborough Vineyard Estates (“**Shares**”), for scrip consideration of one fully paid ordinary share in Foley Family Wines (“**FFW Shares**”) for every 27.95 Shares (the “**Offer**”).

2.2 The terms of the Offer are set out in Foley Family Wines’ Offer Document dated the same date as and accompanying this Statement (“**Offer Document**”).

3. TARGET COMPANY

3.1 The name of the target company is Martinborough Vineyard Estates Limited.

4. DIRECTORS OF MARTINBOROUGH VINEYARD ESTATES

4.1 The names of the Directors of Martinborough Vineyard Estates are as follows:

- (a) Duncan William Milne (Chairman);
- (b) Eion Sinclair Edgar; and
- (c) Roger Lee Gaskell.

5. OWNERSHIP OF MARTINBOROUGH VINEYARD ESTATES SHARES

5.1 The number and the percentage of Shares held or controlled by each Director or Senior Officer¹ of Martinborough Vineyard Estates, or their associates, is set out in the following table:

Director, Senior Officer or associate/possible associate	Description	Number of Shares held or controlled by Director, Senior Officer or associate/possible associate	Designation of Shares	Percentage of total number of Shares
Eion Sinclair Edgar	Director	5,266,668 ²	Ordinary	15.22%
Roger Lee Gaskell	Director	1,399,060 ³	Ordinary	4.04%

¹ For the purposes of this Statement, Martinborough Vineyard Estates’ Board has determined that the sole Senior Officer of Martinborough Vineyard Estates is Mark Field. Neither Mark Field nor any of his associates holds or controls any Shares.

² 4,600,001 of these Shares are held by Sinclair Long Term Holdings Limited. Sir Eion Sinclair Edgar is a director of Sinclair Long Term Holdings Limited and a major shareholder in that company’s parent company. 666,667 of these Shares are held by Sir Eion Sinclair Edgar’s sons, Jonathan George Edgar, Hamish Eion Sinclair Edgar and Adam John Edgar jointly, who may be possible associates of Sir Eion Sinclair Edgar for the purposes of the Takeovers Code.

Director, Senior Officer or associate/possible associate	Description	Number of Shares held or controlled by Director, Senior Officer or associate/possible associate	Designation of Shares	Percentage of total number of Shares
Duncan William Milne	Director	893,640 ⁴	Ordinary	2.58%
Geoffrey Thomas Ricketts	Possible Associate ⁵	3,490,050 ⁶	Ordinary	10.08%

5.2 Except as set out paragraph 5.1 of this Statement, no Director or Senior Officer of Martinborough Vineyard Estates, or their associates, holds or controls any Shares.

5.3 The number and the percentage of Shares held or controlled by the persons known by Martinborough Vineyard Estates to hold or control 5% or more of the Shares is set out in the following table:

Holder or controller of 5% or more of the Shares	Ownership interest	Number of Shares held or controlled	Designation of Shares	Percentage of total number of Shares
Sinclair Long Term Holdings Limited	Legal holder	4,600,001	Ordinary	13.29%
MacMine Investments Limited	Legal holder	3,490,050	Ordinary	10.08%
Christopher Robert Mace	Legal holder	3,302,501	Ordinary	9.54%
Jarden Custodians Limited	Legal holder	3,240,000	Ordinary	9.36%
Ashfield Farm Limited	Legal holder	2,459,652	Ordinary	7.11%
Albany Braithwaite Holdings Limited	Legal holder	1,934,623	Ordinary	5.59%

5.4 Except as set out in paragraph 5.3 of this Statement, no other person is known by Martinborough Vineyard Estates to hold or control 5% or more of the Shares.

5.5 The number of Shares that have been issued to Directors or Senior Officers of Martinborough Vineyard Estates, or their associates, in the two year period ending on the date of this Statement is set out in the following table:

Director, Senior Officer or associate/possible associate who has been issued Shares in the two year period ending on the date of this Statement	Date of issue of Shares	Number of Shares issued to the Director, Senior Officer or associate/possible associate in the two year period ending on the date of this Statement
Eion Sinclair Edgar	30 September 2013	1,200,001
Geoffrey Thomas Ricketts	30 September 2013	350,000

³ These Shares are held by Amapur Securities Limited of which Roger Lee Gaskell is a director and shareholder. The shares in Amapur Securities Limited are held 50% by Roger Lee Gaskell in his personal capacity and 50% by Roger Lee Gaskell and David James Steele jointly as trustees of the Amapur Trust.

⁴ These Shares are held in two separate parcels by Duncan William Milne and Margaret Claire Campbell jointly.

⁵ Geoffrey Thomas Ricketts may be a possible associate of each of the Directors of Martinborough Vineyard Estates for the purposes of the Takeovers Code, due to his role as a consultant to Martinborough Vineyard Estates.

⁶ These Shares are held by MacMine Investments Limited of which Geoffrey Thomas Ricketts is a director and shareholder. The shares in MacMine Investments Limited are held by Geoffrey Thomas Ricketts, Frances Mary Ricketts and Thomas Albert Cecil Murray jointly as trustees of The Ricketts Family Trust.

- 5.6 In 2009, Martinborough Vineyard Estates issued 5,502,200 preference shares to various Martinborough Vineyard Estates shareholders, including Sinclair Long Term Holdings Limited⁷ and MacMine Investments Limited⁸. The Shares set out in the table above were issued to Sinclair Long Term Holdings Limited and MacMine Investments Limited upon conversion by those companies of, respectively, 1,200,001 and 350,000 preference shares into Shares, in accordance with the terms of issue of the Martinborough Vineyard Estates preference shares.
- 5.7 Except as set out in paragraphs 5.5 and 5.6 of this Statement, no Director or Senior Officer of Martinborough Vineyard Estates, or their associates, has, in the two year period ending on the date of this Statement:
- (a) been issued with any Shares; or
 - (b) obtained a beneficial interest in any Shares under any Martinborough Vineyard Estates employee share scheme or other remuneration arrangement.

6. TRADING IN MARTINBOROUGH VINEYARD ESTATES SHARES

- 6.1 No Director or Senior Officer of Martinborough Vineyard Estates, or any of their associates, has during the six month period before 9 May 2014 (being the latest practicable date before the date of this Statement) acquired or disposed of Shares.
- 6.2 No person known by Martinborough Vineyard Estates to hold or control 5% or more of the Shares has during the six month period before 9 May 2014 (being the latest practicable date before the date of this Statement) acquired or disposed of Shares.

7. ACCEPTANCE OF OFFER

- 7.1 The Directors and Senior Officers of Martinborough Vineyard Estates, and their associates, who hold or control Shares and who have accepted, or intend to accept, the Offer and the number of Shares in respect of which the person has accepted, or intends to accept, the Offer are set out in the following table:

Director, Senior Officer or associate/possible associate who has accepted, or intends to accept, the Offer	Number of Shares held or controlled by the Director, Senior Officer or associate/possible associate in respect of which the Director, Senior Officer or associate/possible associate has accepted, or intends to accept, the Offer
Eion Sinclair Edgar ⁹	5,266,668
Roger Lee Gaskell ¹⁰	1,399,060
Duncan William Milne ¹¹	893,640
Geoffrey Thomas Ricketts ¹²	3,490,050

⁷ See footnote 2.

⁸ See footnote 5.

⁹ Refer to footnote 2. Sinclair Long Term Holdings Limited and Jonathan George Edgar, Hamish Eion Sinclair Edgar and Adam John Edgar jointly, have entered into lock up agreements with Foley Family Wines whereby they have agreed to accept the Offer. See paragraph 11.1 for information regarding the terms of the lock up agreement.

¹⁰ Refer to footnote 4. Amapur Securities Limited has entered into a lock up agreement with Foley Family Wines whereby it has agreed to accept the Offer. See paragraph 11.1 for information regarding the terms of the lock up agreement.

¹¹ Refer to footnote 5. Duncan William Milne and Margaret Claire Campbell jointly have entered into lock up agreements with Foley Family Wines whereby they have agreed to accept the Offer. See paragraph 11.1 for information regarding the terms of the lock up agreement.

¹² Refer to footnote 6. MacMine Investments Limited has entered into a lock up agreement with Foley Family Wines whereby it has agreed to accept the Offer. See paragraph 11.1 for information regarding the terms of the lock up agreement.

8. OWNERSHIP OF EQUITY SECURITIES OF FOLEY FAMILY WINES

- 8.1 Martinborough Vineyard Estates does not hold or control any class of equity security of Foley Family Wines.
- 8.2 No Director or Senior Officer of Martinborough Vineyard Estates, or any of their associates, holds or controls any class of equity security of Foley Family Wines.

9. TRADING IN EQUITY SECURITIES OF FOLEY FAMILY WINES

- 9.1 Martinborough Vineyard Estates has neither acquired nor disposed of any class of equity security of Foley Family Wines during the six month period before 9 May 2014 (being the latest practicable date before the date of this Statement).
- 9.2 No Director or Senior Officer of Martinborough Vineyard Estates, or any of their associates, has acquired or disposed of any class of equity security of Foley Family Wines during the six month period before 9 May 2014 (being the latest practicable date before the date of this Statement).

10. ARRANGEMENTS BETWEEN FOLEY FAMILY WINES OR ITS ASSOCIATES AND MARTINBOROUGH VINEYARD ESTATES

- 10.1 On 20 December 2013, Foley Family Wines, Martinborough Vineyard Estates and Martinborough Vineyard Limited (a wholly owned subsidiary of Martinborough Vineyard Estates) entered into a heads of agreement ("**Heads of Agreement**"). The material terms of the Heads of Agreement are as follows:
- (a) The parties agreed to explore the potential acquisition of the business of Martinborough Vineyard Estates by Foley Family Wines (the "**Transaction**")
 - (b) The parties agreed that the purchase price would be paid by way of the issue of FFW Shares to Martinborough Vineyard Estates, calculated by way of the net asset backing of each of Foley Family Wines and Martinborough Vineyard Estates.
 - (c) A condition of the arrangement was that Foley Family Wines required Martinborough Vineyard Estates to procure that certain second ranking secured lenders would on settlement of the Transaction subscribe for FFW Shares, with the issue of the FFW Shares to be by way of repayment of the amounts owing to those second ranking secured lenders by Martinborough Vineyard Estates.
- 10.2 On 5 March 2014, Foley Family Wines, Martinborough Vineyard Estates and Martinborough Vineyard Limited entered into an amendment to the Heads of Agreement to agree certain amendments to basis on which Martinborough Vineyard Estates' net asset backing would be calculated, with the remaining provisions of the Heads of Agreement remaining in full force and effect.
- 10.3 Foley Family Wines and Martinborough Vineyard Estates subsequently agreed that:
- (a) the Transaction contemplated in the Heads of Agreement would instead be implemented by way of a takeover of Martinborough Vineyard Estates by Foley Family Wines under the Takeovers Code; and
 - (b) Martinborough Vineyard Estates would not recover from Foley Family Wines the costs that may otherwise be recoverable under rule 49 of the Takeovers Code.

10.4 On 15 May 2014, Martinborough Vineyard Estates, Foley Family Wines and others entered into the arrangements summarised in paragraphs 11.3 and 11.4.

10.5 As at the date of this Statement, except as set out in paragraphs 10.1 to 10.4, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Foley Family Wines or any of its associates and Martinborough Vineyard Estates or any related company of Martinborough Vineyard Estates, in connection with, in anticipation of, or in response to, the Offer.

11. RELATIONSHIP BETWEEN FOLEY FAMILY WINES, AND DIRECTORS AND SENIOR OFFICERS OF MARTINBOROUGH VINEYARD ESTATES

Arrangements

11.1 Foley Family Wines has entered into separate lock up agreements in respect of the Offer with certain Martinborough Vineyard Estates shareholders, including Sinclair Long Term Holdings Limited¹³, Amapur Securities Limited¹⁴, Duncan William Milne and Margaret Claire Campbell (jointly)¹⁵ and MacMine Investments Limited¹⁶. The material terms of the lock up agreements are as follows:

- (a) Foley Family Wines agreed to use its best endeavours to send a notice of takeover offer relating to the Offer in accordance with Rule 41 of the Takeovers Code to Martinborough Vineyard Estates no later than 15 May 2014 (or any later date agreed between Martinborough Vineyard Estates and Foley Family Wines);
- (b) Foley Family Wines agreed to send the Offer to Shareholders as soon as is practicable in the period permitted under Rule 45 of the Takeovers Code;
- (c) Foley Family Wines and each counterparty to the lock up agreement agreed that the consideration payable under the Offer will be satisfied with FFW Shares (with the number of FFW Shares to be calculated in accordance with the Heads of Agreement)¹⁷;
- (d) each counterparty to the lock up agreement agreed to accept the Offer in respect of 100% of that counterparty's Shares on or before the later of the date which is three business days after either, the date of despatch of the Offer, or receipt of the Offer by that counterparty;
- (e) each counterparty to the lock up agreement agreed, unless the lock up agreement is terminated or the Offer lapses or is withdrawn, not to dispose of, encumber, or deal in any way with any of that counterparty's Shares, except to accept the Offer; and
- (f) each counterparty to the lock up agreement may terminate the lock up agreement by written notice to Foley Family Wines, if:
 - (i) the Offer is withdrawn; or
 - (ii) Foley Family Wines has not obtained all consents required to the Offer under the Overseas Investment Act 2005 by 30 June 2014 (or such later date to which the Offer period is extended under the Takeovers Code).

¹³ Refer to footnote 2.

¹⁴ Refer to footnote 3.

¹⁵ Refer to footnote 4.

¹⁶ Refer to footnotes 5 and 6.

¹⁷ For further information about the Heads of Agreement see paragraph 10.1.

- 11.2 The Directors of Martinborough Vineyard Estates, and Geoff Ricketts in his capacity as a consultant to Martinborough Vineyard Estates, provided a letter of comfort to Foley Family Wines dated 16 April 2014 under which each of them confirmed that:
- (a) he was not aware of any material circumstances that had not been disclosed to Foley Family Wines which was likely to materially and adversely affect the business or assets of the Martinborough Vineyard Estates group; and
 - (b) all of the information provided by the Martinborough Vineyard Estates group to Foley Family Wines was, when provided, true and correct in all material respects.
- 11.3 On 15 May 2014, Robec Limited, MacMine Investments Limited¹⁸, Amapur Securities Limited¹⁹, Sinclair Investments Limited²⁰ and Albany Braithwaite Holdings Limited (together, the “**2nd Ranking Secured Lenders**”), Martinborough Vineyard Estates, Foley Family Wines and Amapur Securities Limited entered into a Loan Repayment and Share Subscription Agreement, regarding the repayment of historic loans made by the 2nd Ranking Secured Lenders to Martinborough Vineyard Estates and release of a security interest over the assets of Martinborough Vineyard Estates held by Amapur Securities Limited on trust for the 2nd Ranking Secured Lenders.
- 11.4 The material terms of the Loan Repayment and Share Subscription Agreement are as follows:
- (a) no later than seven days following the Offer becoming unconditional in all respects, Foley Family Wines agrees to advance a loan of \$708,450 (“**Loan**”) to Martinborough Vineyard Estates;
 - (b) immediately following receipt of the Loan:
 - (i) Martinborough Vineyard Estates agrees to repay the amounts owing by Martinborough Vineyard Estates to each of the 2nd Ranking Secured Lenders; and
 - (ii) Amapur Securities Limited agrees to release the general security agreement over the Martinborough Vineyard Estates assets held on trust for the 2nd Ranking Secured Lenders;
 - (c) Immediately following receipt of funds in repayment of the amounts owing by Martinborough Vineyard Estates to the 2nd Ranking Secured Lenders, the 2nd Ranking Secured Lenders agree to pay all of those funds to Foley Family Wines by way of subscription for FFW Shares at \$1.40 per FFW Share (subject to rounding).
- 11.5 Except as set out in paragraphs 11.1 to 11.4 of this Statement, there are no agreements or arrangements (whether legally enforceable or not) that have been made, or are proposed to be made, between Foley Family Wines, or its associates, and any of the Directors or Senior Officers of Martinborough Vineyard Estates or of any related company of Martinborough Vineyard Estates (including in respect of any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office), in connection with, in anticipation of, or in response to, the Offer.

¹⁸ Refer to footnotes 5 and 6.

¹⁹ Refer to footnote 3.

²⁰ Sir Eion Edgar is a director of and a major shareholder in Sinclair Investments Limited.

Relationship with Foley Family Wines

11.6 No Director or Senior Officer of Martinborough Vineyard Estates is also a Director or Senior Officer of Foley Family Wines, or any related company of Foley Family Wines.

12. AGREEMENT BETWEEN MARTINBOROUGH VINEYARD ESTATES, AND DIRECTORS AND OFFICERS OF MARTINBOROUGH VINEYARD ESTATES

12.1 Except as set out in paragraph 12.2, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made between Martinborough Vineyard Estates, or any related company of Martinborough Vineyard Estates, and any of the Directors or Senior Officers of Martinborough Vineyard Estates, or their associates, or its related companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

12.2 Martinborough Vineyard Estates has agreed to pay Mark Field a retention bonus of \$10,000 for agreeing to remain as the General Manager of Martinborough Vineyard Estates until completion of the Offer.

13. INTERESTS OF DIRECTORS AND OFFICERS OF MARTINBOROUGH VINEYARD ESTATES IN CONTRACTS OF FOLEY FAMILY WINES (OR A RELATED COMPANY OF FOLEY FAMILY WINES)

13.1 Except as set out in paragraphs 13.2 and 13.3 of this Statement, no Director or Senior Officer of Martinborough Vineyard Estates, or their associates, has an interest in any contract to which Foley Family Wines, or any related company of Foley Family Wines, is a party.

13.2 The table below sets out the Directors or Senior Officers of Martinborough Vineyard Estates, or their associates, that have entered into lock up agreements (on the terms summarised in paragraphs 11.1) under which they have agreed to accept the Offer for all of their respective Shares. Those interests are quantified, assuming a value of \$1.40 for each share in Foley Family Wines:

Director, Senior Officer or associate/possible associate who has an interest in any contract with Foley Family Wines or a related company of Foley Family Wines is a party	Shares to be sold to Foley Family Wines	Foley Family Wines shares to be issued on completion of the Offer	Quantification of value
Eion Sinclair Edgar ²¹	5,266,668	188,432	\$263,804.80
Roger Lee Gaskell ²²	1,399,060	50,056	\$70,078.40
Duncan William Milne ²³	893,640	31,973	\$44,762.20
Geoffrey Thomas Ricketts ²⁴	3,490,050	124,868	\$174,815.20

13.3 The table below sets out the Directors or Senior Officers of Martinborough Vineyard Estates, or their associates, that have entered into the Loan Repayment and Share Subscription Agreement (on the terms summarised in paragraphs 11.3 and 11.4). Those interests are quantified below, assuming a value of \$1.40 for each share in Foley Family Wines:

²¹ Refer to footnote 2.

²² Refer to footnote 3.

²³ Refer to footnote 4.

²⁴ Refer to footnotes 5 and 6.

Director, Senior Officer or associate/possible associate who has an interest in any contract with Foley Family Wines or a related company of Foley Family Wines is a party	Outstanding Loan	Foley Family Wines shares to be issued	Quantification of value
Eion Sinclair Edgar ²⁵	\$152,112.50	108,653	\$152,114.20
Roger Lee Gaskell ²⁶	\$152,115.50	108,653	\$152,114.20
Duncan William Milne ²⁷	\$202,112.50	144,365	\$202,111.00
Geoffrey Thomas Ricketts ²⁸	\$52,112.50	37,222	\$52,110.80

13A INTERESTS OF MARTINBOROUGH VINEYARD ESTATES' SUBSTANTIAL SECURITY HOLDERS IN MATERIAL CONTRACTS OF FOLEY FAMILY WINES (OR A RELATED COMPANY OF FOLEY FAMILY WINES)

13A.1 Except as set out in paragraphs 13A.2 and 13A.3 of this Statement, no persons, who, to the knowledge of the Directors or the Senior Officers of Martinborough Vineyard Estates, hold or control 5% or more of Martinborough Vineyard Estates' Shares, have an interest in any material contract to which Foley Family Wines, or any related company of Foley Family Wines, is a party.

13A.2 The table below sets out the persons who, to the knowledge of the Directors or the Senior Officers of Martinborough Vineyard Estates, hold or control 5% or more of Martinborough Vineyard Estates' Shares and have entered into lock up agreements with Foley Family Wines (on the terms summarised in paragraphs 11.1) under which they have agreed to accept the Offer for all of their respective Shares. Those interests are quantified below, assuming a value of \$1.40 for each share in Foley Family Wines:

5% Holder	Shares to be sold to Foley Family Wines	Foley Family Wines shares to be issued on completion of the Offer	Quantification of value
Sinclair Long Term Holdings Limited	4,600,001	164,580	\$230,412.00
MacMine Investments Limited	3,490,050	124,868	\$174,815.20
Chris Mace	3,302,501	118,157	\$165,419.80
Jarden Custodians Limited	3,240,000	115,921	\$162,289.40
Ashfield Farm Limited	2,459,652	88,002	\$123,202.80
Albany Braithwaite Holdings Limited	1,934,623	69,217	\$96,903.80

13A.3 Sinclair Investments Limited (the parent company for Sinclair Long Term Holdings Limited, which holds 13.29% of Martinborough Vineyard Estates' Shares), MacMine Investments Limited (which holds 10.08% of Martinborough Vineyard Estates' Shares), and Albany Braithwaite Holdings Limited (which holds 5.59% of Martinborough Vineyard Estates' Shares) have entered into the Loan Repayment and Share Subscription

²⁵ The party that has entered into the Loan Repayment and Share Subscription Agreement is Sinclair Investments Limited. Refer to footnote 22.

²⁶ The party that has entered into the Loan Repayment and Share Subscription Agreement is Amapur Securities Limited. Refer to footnote 3.

²⁷ The party that has entered into the Loan Repayment and Share Subscription Agreement is Robec Limited. Duncan Milne is a director of and shareholder in Robec Limited.

²⁸ The party that has entered into the Loan Repayment and Share Subscription Agreement is MacMine Investments Limited. Refer to footnotes 5 and 6.

Agreement (on the terms summarised in paragraphs 11.3 and 11.4). Those interests are quantified below, assuming a value of \$1.40 for each share in Foley Family Wines:

Lender	Outstanding Loan	Foley Family Wines shares to be issued	Quantification of value
Sinclair Investments Limited	\$152,112.50	108,653	\$152,114.20
MacMine Investments Limited	\$52,112.50	37,222	\$52,110.80
Albany Braithwaite Holdings Limited	\$150,000.00	107,143	\$150,000.20

14. ADDITIONAL INFORMATION

- 14.1 In the opinion of the Directors of Martinborough Vineyard Estates, there is no additional information, within the knowledge of the Directors of Martinborough Vineyard Estates, which is required to ensure that information in the Offer Document is correct or not misleading.

15. RECOMMENDATION

Unanimous recommendation

- 15.1 The Board of Directors' recommendation is set out in the Recommendation section of this Target Company Statement and factors relevant to that recommendation are set out in the Assessment of the Offer section.
- 15.2 Shareholders should, when deciding whether to accept the Offer, consider their own individual circumstances, views on value and the merits of the Offer, and investment time horizons. Shareholders are encouraged to consider taking their own separate professional advice (e.g. from a legal or financial adviser) tailored to their circumstances.

16. ACTIONS BY MARTINBOROUGH VINEYARD ESTATES

No material arrangements

- 16.1 Except for the arrangements summarised or referred to in paragraphs 10, 11.3 and 11.4 there are no material agreements or arrangements (whether legally enforceable or not) of Martinborough Vineyard Estates or its related companies, entered into as a consequence of, in response to, or in connection with, the Offer.

No material negotiations

- 16.2 There are no negotiations underway to which Martinborough Vineyard Estates is party, as a consequence of or, in response to, or in connection with, the Offer that relate to, or could result in:
- (a) an extraordinary transaction (such as a merger, amalgamation, or reorganisation) involving Martinborough Vineyard Estates or any of its related companies; or
 - (b) the acquisition or disposition of material assets by Martinborough Vineyard Estates or any of its related companies; or
 - (c) an acquisition of equity securities by, or of, Martinborough Vineyard Estates or any related company of Martinborough Vineyard Estates; or

- (d) a material change in equity securities on issue, or policy related to distributions, of Martinborough Vineyard Estates.

17. MARTINBOROUGH VINEYARD ESTATES SHARES

- 17.1 There are currently 34,609,764 Shares on issue. These are fully paid. Martinborough Vineyard Estates Shareholders have in respect of each Martinborough Vineyard Estates Share, subject to Martinborough Vineyard Estates' constitution:
- (a) the right to an equal share in dividends authorised by the Martinborough Vineyard Estates Board;
 - (b) the right to an equal share in the distribution of surplus assets of Martinborough Vineyard Estates; and
 - (c) the right to cast one vote on a show of hands or the right to cast one vote on a poll (for each Share held) on any resolution, including a resolution to:
 - (i) appoint or remove a Director or the auditor;
 - (ii) alter Martinborough Vineyard Estates' constitution;
 - (iii) approve a major transaction by Martinborough Vineyard Estates;
 - (iv) approve an amalgamation involving Martinborough Vineyard Estates (other than an amalgamation of a wholly owned subsidiary); and
 - (v) put Martinborough Vineyard Estates into liquidation.

18. FINANCIAL INFORMATION

2013 Annual Report

- 18.1 Every person to whom the Offer is made is entitled to obtain from Martinborough Vineyard Estates a copy of Martinborough Vineyard Estates' most recent audited annual report (being the report for the 12 month period ended 30 June 2013) at the website <http://www.martinborough-vineyard.co.nz/news> or by making a written request to Martinborough Vineyard Estates at:

Martinborough Vineyard Estates Limited
 57 Princess Street
 Martinborough 5711
 New Zealand

Fax: +64 6 306 9955
 Website: www.martinborough-vineyard.co.nz/contact

- 18.2 No half-yearly or interim report has been issued by Martinborough Vineyard Estates since the issue of the annual report referred to in paragraph 18.1 of this Statement.

Changes in the financial position, trading position or prospects of Martinborough Vineyard Estates since the 2013 Annual Report

- 18.3 A summary of matters which may constitute material changes in the financial or trading position or prospects of Martinborough Vineyard Estates between the Martinborough Vineyard Estates' annual report for the year ended 31 June 2013 and the period to 31

March 2014 is set out below and in paragraph 3.2 of the Independent Adviser's Report which accompanies this Statement:

- (a) Martinborough Vineyard Estates gross profit margins have declined from 41% as at 31 June 2013 to 32% as at 31 March 2014 as a result of:
 - (i) the strong New Zealand dollar relative to other currencies;
 - (ii) restaurants promoting cheaper products; and
 - (iii) sales of bulk wine affecting top line revenue.
- (b) Due to the Martinborough Vineyard Estates' accumulated losses and net losses in the period to 31 March 2014 and preceding periods and the uncertainty of future trading results, Martinborough Vineyard Estates has ceased to recognise unused tax losses as deferred tax assets in its accounts.
- (c) Martinborough Vineyard Estates has increased its provision for impairment of stock by \$272,000 in the period to 31 March 2014.
- (d) Martinborough Vineyard Estates has increased its outstanding debt with ANZ Bank New Zealand Limited from \$5.043 million at 31 June 2013 to approximately \$5.164 million as at 31 March 2014.
- (e) In the period to 31 March 2014, Martinborough Vineyard Estates has not had earnings in excess of its interest costs.

18.4 Other than as set out in this Statement and the Independent Adviser's Report, there is no other information about the assets, liabilities, profitability and financial affairs of Martinborough Vineyard Estates that could reasonably be expected to be material to the making of a decision by Shareholders to accept or reject the Offer.

19. INDEPENDENT ADVICE ON MERITS OF THE OFFER

19.1 Armillary Private Capital, as Independent Adviser, has prepared a report on the merits of the Offer under Rule 21 of the Takeovers Code ("**Independent Adviser's Report**"). A full copy of the Independent Adviser's Report is set out in the Appendix.

20. ASSET VALUATION

20.1 The Independent Adviser's Report set out in the Appendix refers to a market valuation of the winery and vineyard property for Martinborough Vineyard Estates prepared by Logan Stone and dated 30 June 2013. In that report Logan Stone states that its valuation was completed in accordance with IFRS41 – Agriculture, International Valuation Standards IVS 300 – Valuations for Financial Reporting, Guidance Note ANZVGN1 - Valuation Procedures for Real Property, Guidance Note NZVGN1 - Valuations for use in New Zealand Financial Reports, Guidance Note 10 – Valuation of Agricultural Properties and International Valuation Standard IVS 220 – Plant and Equipment, Plant and Machinery Valuation Standards Practice Standard 1 & 2, Valuation Procedures 1 – Plant and Machinery. The valuation is conducted on the basis of comparative sales of similar properties, adjusted to reflect location, standard of improvements, plantings, mixed age of plants and productive capacities as compared to the Martinborough Vineyard Estates properties.

20.2 A copy of the valuation referred to in paragraph 20.1 of this Statement is available for inspection at the registered office of Martinborough Vineyard Estates at 57 Princess Street, Martinborough, during usual business hours. Martinborough Vineyard Estates

will send a copy of the valuation to a Shareholder following written request from that Shareholder.

20.3 The Independent Adviser's Report set out in the Appendix refers to the valuation of Martinborough Vineyard Estates and Foley Family Wines. The basis of computation and key assumptions on which those valuations are based is set out in that report.

20.4 Except as set out in paragraphs 20.1 and 20.3 of this Statement, no information provided in this Statement refers to a valuation of any asset of Martinborough Vineyard Estates or Foley Family Wines.

21. PROSPECTIVE FINANCIAL INFORMATION

21.1 This Statement does not contain any prospective financial information in relation to Martinborough Vineyard Estates.

22. SALES OF UNQUOTED EQUITY SECURITIES UNDER THE OFFER

22.1 The Shares, which are the subject of the Offer, are not quoted on a stock exchange.

22.2 All of the information that Martinborough Vineyard Estates has as to the number of Shares that have been disposed of in the 12 months ending on 9 May 2014 (being the latest practicable date before the date of this Statement) and the consideration of those dispositions, is set out in the following table:

Date of disposition	Number of Shares	Consideration
4/06/2013	4,500	Not available
25/06/2013	18,750	Not available
19/11/2013	453,333	Not available
24/12/2013	2,200	Not available
13/02/2014	9,375	Not available
19/03/2014	11,250	Not available

23. MARKET PRICES OF QUOTED EQUITY SECURITIES UNDER OFFER

23.1 The Shares are not quoted on a stock exchange for the purposes of the Takeovers Code or a "registered exchange" (as that term is defined in Section 2(1) of the Securities Markets Act 1988).

23.2 The Shares have been quoted on the Unlisted online market trading platform since 2012. There have been no on-market trades in Shares since that time.

24. OTHER INFORMATION

Matters relevant to acceptance of the Offer

24.1 Martinborough Vineyard Estates Shareholders, when making decisions as to whether to accept or reject the Offer, and at what point any acceptance should be given, should be aware of the following:

- (a) An acceptance of the Offer is irrevocable and may not be withdrawn unless the Offer lapses in accordance with its terms or is withdrawn by Foley Family Wines with the consent of the Takeovers Panel or if Foley Family Wines fails to issue

FFW Shares to Martinborough Vineyard Estates Shareholders who accept the Offer within the timeframe required by the Takeovers Code.

- (b) The terms of the Offer state that Foley Family Wines will issue FFW Shares to accepting Martinborough Vineyard Estates Shareholders no later than seven days after (or the next working day if the last day falls on a weekend of public holiday) the later of:
- (i) the date on which the Shareholder's Acceptance Form is received by Foley Family Wines; or
 - (ii) the date on which the Offer becomes unconditional.

Reliance on information

24.2 In preparing this Statement, Martinborough Vineyard Estates has relied on the completeness and accuracy of information provided to it by or on behalf of various persons.

25. APPROVAL OF MARTINBOROUGH VINEYARD ESTATES STATEMENT

25.1 This Statement has been unanimously approved by the Martinborough Vineyard Estates Board.

26. CERTIFICATE

26.1 To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Martinborough Vineyard Estates under the Takeovers Code.

SIGNED BY:

Duncan Milne
Director

Eion Edgar
Director

Mark Field

Person fulfilling the role of Chief Executive Officer and Chief Financial Officer for the purposes of the Offer²⁹

²⁹ While Martinborough Vineyard Estates has no Chief Executive Officer and Chief Financial Officer, Mark Field, who is Martinborough Vineyard Estates' General Manager, has fulfilled the role of Chief Executive Officer and Chief Financial Officer for the purposes of this Statement and has taken responsibility for the factual accuracy of this Statement.

APPENDIX: INDEPENDENT ADVISER'S REPORT



MARTINBOROUGH VINEYARD ESTATES LIMITED

INDEPENDENT ADVISER'S REPORT

On the full takeover Offer from Foley Family Wines Limited

16 May 2014

Statement of Independence

Armillary Limited, trading as Armillary Private Capital, confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased Report;
and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this Report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this Report.

Armillary Limited, trading as Armillary Private Capital, has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this Report.

Important Note

This Report has been prepared without taking into account the objectives, financial situation or needs of individual Martinborough Vineyard Estates Limited shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the opinions stated in this Report having regard to their own objectives, financial situation or needs. Shareholders should read the Target Company Statement issued by Martinborough Vineyard Estates Limited in relation to the full Takeover Offer by Foley Family Wines Limited along with this Report in order to fully understand the Takeover Offer.

A decision whether or not to accept the Full Takeover Offer is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions or other events, and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Full Takeover Offer should consult their own professional adviser.

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Abbreviations & Definitions

2 nd Ranking Secured Lenders	2 nd Ranking Security Holders in MVE (referred to as 2 nd Ranking Secured Debentures in the MVE Annual Report)
Armillary	Armillary Limited trading as Armillary Private Capital
Board	Board of directors of Martinborough Vineyard Estates Limited
cent	one hundredth of a New Zealand dollar
Code	the Takeovers Code
Company	Martinborough Vineyard Estates Limited
FFW	Foley Family Wines Limited
k	thousand
MVE	Martinborough Vineyard Estates Limited
m	million
NZ	New Zealand
Report	This Independent Adviser's Report in respect of the merits of the Takeover Offer for MVE by FFW
Shares	Ordinary Shares
Takeover Offer	The Takeover Offer for MVE by FFW which is the subject of this Report
Unlisted	An internet-based securities trading platform
\$ or NZ\$	New Zealand dollars

1.0 Introduction

1.1 Background to the Takeover Offer

On 31 January 2014 Martinborough Vineyard Estates Limited ("MVE" or the "Company") announced that the directors had entered into a conditional agreement to sell the business and assets of the MVE group of companies to Foley Family Wines Limited ("FFW"). In return it was proposed that FFW issue shares to MVE which would then distribute those FFW shares to MVE shareholders and certain 2nd Ranking Lenders pro-rata according to their respective interests.

The number of FFW Shares to be issued to MVE was to be determined on a "book-to-book" valuation based on the net asset backing of FFW and MVE, respectively.

Since that announcement, MVE and FFW have continued discussions and have agreed that the agreement would be amended for the transaction to proceed as a full Takeover Offer for MVE, as opposed to a sale of business and assets of the MVE group, with subsequent distribution of FFW shares to MVE shareholders and certain 2nd Ranking Secured Lenders. FFW gave notice of its intention to make the Takeover Offer on 9 May 2014.

1.2 Summary of Takeover Offer

FFW is offering to acquire 100% of MVE at an implied price of 5.01 cents per share through the issue of 1 new FFW share for every 27.95 MVE shares. The Takeover Offer is conditional upon:

1. Overseas Investment Office approval; and
2. 90% MVE shareholder acceptance.

Non-resident New Zealand shareholders who accept the Takeover Offer will receive cash consideration for their MVE Shares as opposed to FFW Shares as consideration (this will be effected by the issue of FFW Shares to a nominee (a sharebroker) who will sell those Shares and distribute the cash proceeds, net of brokerage, to non-resident shareholders who accept the Takeover Offer). FFW has applied for and received an exemption from the Takeovers Panel for this.

The final pricing of the Takeover Offer is based on a book-to-book basis. This means that the valuation per share for each entity is based on its Net Tangible Assets after certain adjustments divided by the number of shares on issue.

The value ascribed to FFW is based on its Net Asset Value as at 30 June 2013 which, when divided by the number of shares on issue at that date, gives a value per share of \$1.40 as shown in Table 1.1 below.

The value ascribed to MVE is based on its Net Asset Value as at 30 June 2013 adjusted for:

- profits/losses incurred during the 9 months to 31 March 2014;
- plus \$500k to reflect an agreed brand value of MVE group brands;
- less an adjustment for the amount by which existing first secured debt exceeds \$4.0m.

When divided by the number of shares on issue the value per MVE Share is NZ5.01 cents as shown in Table 1.1 below.

Accordingly, under the Takeover Offer, FFW will issue 1 share for every 27.95 MVE shares held by MVE shareholders. The number of FFW shares to be issued to each MVE shareholder will be rounded to the nearest whole FFW Share and every MVE shareholder will receive at least 1 FFW Share.

Table 1.1

Transaction Calculations				
		Net Asset Value (\$000's)	Shares on Issue	Net Asset Value per Share (\$)
FFW	at 30 June 2013	60,542	43,386	1.4000
MVE	at 30 June 2013	3,312		
	Less: loss for 9 months to 31 March 2014	(947)		
	Plus: brand value	500		
	Less: debt adjustment	(1,132)		
		1,733	34,610	0.0501
	Ratio of Share values			27.95

Source: MVE Management Accounts, FFW directors

The offer is open for acceptance until 5.00pm on 24 June 2014 (unless extended by FFW).

1.3 Summary of Offer to 2nd Ranking Secured Lenders

The 2nd Ranking Secured Lenders are certain major shareholders from whom MVE raised \$500k in March 2009 and \$266,048 in March 2010 by way of loans. These loans are repayable on demand and interest (if charged) is payable quarterly in arrears at a rate of 8% per annum. These loans are secured by way of General Security Agreement and rank behind the ANZ, the senior lender to the Company.

FFW has agreed to advance \$708,450 to MVE to allow it to repay the 2nd Ranking Secured Lenders in full. Upon repayment by MVE, the 2nd Ranking Secured Lenders will use the funds to subscribe for approximately 506k FFW Shares at \$1.40 per FFW Share (determined by reference to FFW's net asset backing on 30 June 2013).

We note that as at 31 March 2014 the book value of 2nd Ranking Secured Lender loans was \$708,396 compared to the \$708,450 above. We do not consider that the difference (\$57) is material for the purposes of this Report.

1.4 MVE Shareholder Position post Takeover Offer

Set out in Table 1.2 below is the position of all shareholders of FFW upon completion of the Takeover assuming all MVE shareholders were to accept the Takeover Offer for their MVE Shares. Upon completion, MVE shareholders will collectively hold 2.8% and 2nd Ranking Secured Lenders will hold 1.1% on a fully diluted basis.

Table 1.2

Shareholder Position post Takeover Offer		
	Shares on Issue	Percent
Existing FFW shareholders	43,386	96.1%
Existing MVE shareholders	1,238	2.8%
MVE 2nd Ranking Secured Lenders	506	1.1%
Total	45,130	100.0%

Source: FFW, Armillary

1.5 Summary of Armillary Opinion

In our opinion the Takeover Offer has merit for MVE shareholders. The key factors in our evaluation of the merits of the Takeover offer are:

- FFW's offer provides an opportunity for MVE shareholders to receive Shares in an entity that has a strong balance sheet, an established stable of brands and a strong distribution network. FFW has a track record of investing further capital in its acquisitions and has stated an intention to invest in MVE once acquired.
- The new Shares which FFW will issue are likely to be more liquid than the existing MVE shares. In the 12 months to 16 May 2014 more than 806k FFW shares have traded in 60 separate trades. We note the recent trades in April included the purchase of 400k FFW Shares by the ACC.
- An alternative offer has not emerged since the announcement of the Takeover Offer by FFW and it is unlikely that an alternative offer will emerge.
- There appears to be limited capacity for MVE to raise additional debt or equity funding to continue to fund its operations.
- If MVE shareholders reject the Takeover Offer and the Company is unable to raise additional capital, as required by the bank, an insolvency event may occur, in which case the outcome is likely to be a zero return to MVE shareholders.

We have also reviewed the Lock-up Agreements between FFW and 11 MVE shareholders for the acceptance of the Takeover Offer. In our opinion these agreements are reasonable as they do not confer any additional or special benefit on the MVE shareholders that have entered into them over and above the terms of the Takeover Offer.

The above points are discussed in further detail throughout this Report, specifically in Sections 2.2 to 2.10. Taken collectively, the above factors indicate that the Takeover Offer has merit for MVE shareholders.

1.6 Requirements of the Takeovers Code

MVE is a company listed on the Unlisted securities trading platform and is a “Code Company” as defined by the Takeovers Code. The takeover process initiated by FFW must therefore comply with the provisions set out in the Takeovers Code relating to the offer procedure.

MVE must obtain a report pursuant to Rule 21 of the Code from an independent adviser on the merits of the offer.

1.7 Purpose of the Report

The independent directors of MVE have engaged Armillary to prepare an Independent Adviser's Report on the merits of the Takeover Offer in accordance with Rule 21 of the Code.

Armillary has been approved by the Takeovers Panel, as being independent for the purposes of the Code, to prepare the Independent Adviser's Report.

Armillary has issued this Report to assist MVE shareholders in forming their own opinion on whether or not to accept the Takeover Offer. We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Takeover Offer in relation to each shareholder. This Report on the merits of the Takeover Offer is therefore necessarily general in nature.

Further, certain MVE shareholders have entered into Lock-up Agreements with FFW which commit those shareholders to accept the FFW offer. Rule 20 of the Takeovers Code states that an offer must be on the same terms and provide the same consideration for all securities belonging to the same class of equity securities under offer. Accordingly this Report also considers the reasonableness of the terms and conditions of those Lock-up Agreements.

This Report is not to be used for any other purpose without Armillary's prior written consent.

1.8 Acceptance or Rejection of the Takeover Offer

Acceptance or rejection of the Takeover Offer is a matter for individual shareholders based on their own views as to the terms and merits of the Takeover Offer, the value of MVE, future market conditions, risk profile and other factors. Shareholders will need to consider these factors and consult their own professional adviser, as appropriate.

2.0 Evaluation of the Merits of the Takeover Offer

2.1 Basis of Evaluation

Rule 21 of the Code requires the directors of MVE to engage an independent adviser to prepare a report on the merits of the Takeover Offer. There is no legal definition of the term “merits” in New Zealand in either the Code or in any statute dealing with securities or commercial law. In the absence of an explicit definition of “merits”, guidance can be taken from:

- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction;
- the Takeovers Panel's guidance note on the role of independent advisers released in May 2014;
- NZ and overseas precedents; and
- the ordinary meaning of the term “merits”.

The New Zealand regulations¹ and overseas regulations² in relation to takeovers focus primarily on fairness and reasonableness rather than “merits” and as such are of limited assistance. The New Collins Concise Dictionary of the English Language defines the term “merit” as “the actual and intrinsic rights and wrongs of an issue, especially in a legal case.” Black's Law Dictionary defines “merit” as “the substance, elements or grounds of a course of action or defence.” These definitions imply that the essential elements of an issue of merit should be considered as well as the issue itself, and an assessment is then made of the associated advantages and disadvantages of the issue in relation to the relevant party.

In our view an assessment of the merits of the Takeover Offer should focus on:

- the historic trading performance and current trading outlook for MVE;
- the likely market price and liquidity in MVE shares in the absence of the FFW offer;
- whether the Takeover Offer price is fair, taking into account alternative options for MVE; and
- the implications for shareholders accepting, or not accepting, the Takeover Offer.

These points are discussed throughout this Report.

2.2 Pricing of the Takeover Offer

The FFW Shares to be issued under the Takeover Offer have been valued at \$1.40 per Share. As noted previously, valuation is based on the Net Asset Backing of FFW as at 30 June 2013 and compares to a current market price of \$1.51 as at the date of this Report.

¹ NZSX Listing Rules (Rule 7.5.1) and Guidance Note No. 10 issued by the Institute of Chartered Accountants of New Zealand (“Guideline on Independent Chartered Accountants Reporting as Experts to Shareholders”).

² Policy Statements 74 and 75 and Practice Note 43 issued by the Australian Securities and Investment Commission and Rule 3 of the City Code (City of London).

As set out in Table 2.1, based on a current market price of \$1.51 per FFW Share as at the date of this Report the implied price for MVE Shares is \$0.054. This is a 7.8% uplift in value for MVE shareholders if the FFW Share price stays at \$1.51 compared to the effective \$0.0501 price per MVE Share that forms the basis of the Takeover Offer.

Table 2.1

		Transaction Calculations		
		Net Asset Value (\$'000's)	Shares on Issue	Net Asset Value per Share (\$)
FFW	at 30 June 2013	60,542	43,386	1.4000
MVE	at 30 June 2013	3,312		
	Less: loss for 9 months to 31 March 2014	(947)		
	Plus: brand value	500		
	Less: debt adjustment	(1,132)		
		1,733	34,610	0.0501
Ratio of Share values				27.95
Implied MVE Share Price				
	Current FFW Share price as at 13/5/14			1.51
	Number of MVE Shares per FFW Share			27.95
	Implied MVE Share price (NZ\$ per Share)			0.0540

Source: MVE Management Accounts, FFW directors, Armillary estimates

Further we note that the Net Asset Backing per FFW share had increased by 1.93 cents per share in the 6 months to December 2013 to \$1.4193.

2.3 Lock-up Agreements

FFW has entered into Lock-up Agreements with 11 MVE Shareholders as set out in Table 2.2 below. These agreements commit the MVE shareholders to accept the Takeover Offer on the same terms as offered to all MVE shareholders.

The Lock-up Agreements capture a total of 23,440,985 MVE Shares, 67.7% of the total MVE Shares on issue. This is just over 75% of the 90% of acceptances that FFW requires for the Takeover Offer to be unconditional.

Table 2.2

Lock-up Agreement MVE Shareholders		
	Shares	Percent
Sinclair Long Term Holdings Limited	4,600,001	13.3%
MacMine Investments Limited	3,490,050	10.1%
C R Mace	3,302,501	9.5%
Jarden Custodians Limited	3,240,000	9.4%
Ashfield Farm Limited	2,459,652	7.1%
Albany Braithwaite Holdings	1,934,623	5.6%
Amapur Securities Limited	1,399,060	4.0%
Hensman Investments Limited	1,098,007	3.2%
D W Milne & M C Campbell	893,640	2.6%
J G Edgar, H E S Edgar & A J Edgar	666,667	1.9%
N Paviour-Smith	356,784	1.0%
Sub Total	23,440,985	67.7%
Other Shareholders	11,168,779	32.3%
Total	34,609,764	100.0%

Source: MVE

Under the Lock-up Agreement each MVE shareholder has:

- agreed to irrevocably accept the Takeover Offer within 3 business days of the Takeover Offer being despatched and received by the MVE shareholder;
- agreed not to sell the MVE Shares or acquire further Shares;
- warranted that it is the sole and beneficial holder of the MVE Shares and that unencumbered title to the MVE Shares can be passed to FFW; and
- warranted that it has no other interest in any other securities in the Company.

In our opinion the terms of these Lock-up Agreements are reasonable as they do not confer any additional or special benefit on the MVE shareholders that have entered into them over and above the terms of the Takeover Offer.

2.4 Prospective Value of MVE

As part of our analysis we have considered a valuation of the MVE business.

In our opinion MVE has a risk of becoming insolvent unless it can raise additional capital and therefore undertaking a going concern valuation is not appropriate.

Therefore we have looked at the value of MVE under 3 scenarios: (i) Net book value of assets at 31 March 2014 and (ii) our estimated liquidation valuation. These are set out in Table 2.3 below.

Table 2.3

MVE Share Valuation		
	Net Asset Value \$(000's)	Net Asset Value per Share (\$)
Net Book Value of Assets (31/3/14)	2,365	0.0683
Liquidation (per Table 2.2)	-	-

Source: MVE Management Accounts, Armillary estimates

We estimate that the value range per MVE share is between 0 and 6.83 cents per share with a likely value around the mid to lower end of this range. As noted in section 3.4 MVE has been listed on the Unlisted share trading platform since October 2012, however has not subsequently traded nor are there any current buy or sell orders.

Our estimated liquidation valuation of MVE, as set out in Table 2.4 below, is based on the book value of assets as at 31 March 2014 to which we have applied an estimated realisable value under a possible insolvency event. After allowances for preferential creditors, insolvency fees and repayments to secured lenders, we consider that it is unlikely that 2nd Ranking Secured Lenders or unsecured creditors would receive any value. As equity holders rank behind the 2nd Ranking Secured Lenders and unsecured creditors, it is also unlikely that they would receive any value.

Table 2.4

MVE Liquidation Analysis			
NZ\$(000's)	Book Value 31/3/14		Estimated Insolvency Realisation Value
Cash	5	100%	5
Receivables	343	80%	274
Vineyard WIP	-	0%	-
Inventory	1,563	60%	938
Derivatives	6	0%	-
Fixed Assets	6,977	60%	4,186
Intangibles	5	0%	-
	8,899		5,403
Less			
Preferential Creditors	31		31
Insolvency Expert Fees (estimate)	-		150
Barrel Lease	75		75
ANZ Bank	5,164		5,147
2nd Ranking Secured Lender	708		-
Unsecured creditors	556		-
Shareholders	2,365		-

Source: MVE Management Accounts, Armillary estimates

Given the current state of MVE and the potential risk of insolvency this outcome should be considered by shareholders as a realistic possibility if the Takeover Offer is rejected.

2.5 Likelihood of Alternative Options for MVE

There are a number of alternatives that the Company could pursue to secure funding, however, each needs to be considered relative to the costs and benefits of the proposed Takeover Offer.

In considering these options MVE's shareholders should bear in mind that, in our opinion, the Company has experienced some liquidity issues and has to some extent been trading on the goodwill and support of its creditors to provide extended credit terms.

Sale of Assets – The Company's land holdings, buildings and improvements and biological assets were valued by Logan Stone Limited in June 2013 on a sales valuation methodology assuming a willing buyer/willing seller concept. In its 2013 annual report MVE revalued its land holdings, buildings and improvements and biological assets to \$6.194m or \$87.4k per hectare in accordance with this valuation.

We note from MVE that it sold the Moy Hall vineyard in mid-2012 for \$900k or for \$112.5k per Ha (\$900k/8Ha). This vineyard comprised 8Ha of land of which 6.77Ha was planted.

Whether a party can be found to acquire the assets of the Company in a short time frame at or near market value is unknown and appears unlikely. We understand from discussions with banks that given the continuing levels of distress in the wine industry, vineyards like MVE are relying on the accommodation of their secured lenders. This implies that it is likely that a buyer, if one can be found, would try to acquire the assets at a discount.

Given the book value of MVE's equity at 31 March 2014 was \$2.365m, any discount on the sale of the Company's assets would further erode the value of shareholders equity which was

6.83 cents per Share at 31 March 2013. For example a sale at a 30% discount on the book value of assets would reduce this value to 4.8 cents per Share.

Refinancing and/or raising New Debt – The Company could look to refinance and raise more debt. Given MVE's historic and current trading performance it is unlikely that the existing lender would be prepared to offer more funding or that a new lender could be secured on acceptable terms (interest rate, etc). The existing funding from ANZ has a loan to value ratio of 57% based on book values at March 2014 and 94% based on our asset realisation valuation as shown in Table 2.4. It is worth noting that a condition of ANZ's loan agreement was for MVE to raise additional capital by 30 June 2013 and the proceeds were to be used to reduce the level of debt. While this condition that has not been met, we are advised by the directors that the bank accepts the directors have been searching for new capital. Our analysis, as shown in Table 2.4, indicates that ANZ may not achieve full recovery on the value of its security after insolvency fees and preferential creditors are paid and possibly face a small shortfall.

Raise further 2nd Ranking Secured loans or some form of Preference Share – The Company could look to raise additional funding through further loans ranking after the ANZ or Preference Shares. As noted above, given MVE's historical and current trading performance, it is unlikely that existing shareholders or new investors would be interested in making such an investment. Even if such investors could be found the terms are unlikely to be acceptable to the Company and likely to be highly dilutive to existing shareholders. Further, given the ANZ prior ranking security position, it is unlikely that any further 2nd Ranking Secured Lender funding or other form of hybrid share funding could be found.

Raise new Equity from Existing Shareholders – The Company could potentially raise new capital through a Rights Issue to existing shareholders. This would likely need to be completed at a significant discount to the current market price, which would see shareholders that did not participate suffer meaningful dilution. As shown in Table 2.5 the average discount for Rights Issues over the past two years has been 16.7%. Given the Company's current position, we would expect that any discount would need to be greater than this average in order to be successful.

Further, the success of a Rights Issue can only be assured if it is underwritten. It is unknown as to whether an underwriter could be secured and if one could be at what cost to the Company and its shareholders. Without an underwritten Rights Issue a successful outcome could not be assured leading to a higher risk of failure through widespread non-participation. Such failure could impose significant financial costs on the Company and damage its reputation.

Table 2.5

NZ Rights Issues (NZD)			
Company Name	Rights Issue Price	30D Preceding Ave. Closing Price	(Discount) /Premium Price
Solution Dynamics Limited	0.20	0.30	(32.4%)
Contact Energy Limited	5.05	5.73	(11.8%)
Scott Technology Limited	1.20	1.38	(13.1%)
Rubicon Limited	0.22	0.33	(33.2%)
New Talisman Gold Mines Limited	0.01	0.02	(23.3%)
GFNZ Group Limited	0.03	0.02	25.8%
EBOS Group Limited	6.50	8.75	(25.7%)
Argosy Property Limited	0.89	0.99	(9.8%)
Vital Healthcare Property Trust	1.28	1.37	(7.2%)
Pacific Edge Limited	0.55	0.55	(0.3%)
Chatham Rock Phosphate Limited	0.15	0.28	(46.6%)
GFNZ Group Limited	0.03	0.04	(22.6%)
Average			(16.7%)

Source: Factset, Armillary analysis

Raise new Equity from New Shareholders – The Company could potentially raise new capital through a public offer or placement. Either of these options would need to be completed at a significant discount to the current market price along similar lines to that required for a Rights Issue. This would also see significant dilution for existing shareholders. Given historical trading performance the success of a capital raising could not be assured unless underwritten. As with a Rights Issue, the failure of a capital raising could impose significant financial costs on the Company, damage its reputation and underwriting would also impose additional cost on the Company and shareholders.

No Capital Raising – We consider that the Company cannot continue trading on a status quo basis without raising further capital to meet operating losses. Without a new capital injection, MVE is at risk of facing an insolvency event, in which case the secured lender may look to appoint a receiver or liquidator to protect the value of its securities.

As noted in section 2.4, in this scenario after the receiver/liquidator realises the assets of the Company and attends to preferential and secured creditors, it is unlikely that unsecured creditors would receive any return, and even if they did, it is unlikely that there would be any residual assets remaining for shareholders.

On balance, Armillary considers that none of the alternatives described above are either likely, or will provide the same level of beneficial outcomes as the proposed Takeover Offer.

2.6 Implications of Accepting the Takeover Offer

By accepting the Takeover Offer shareholders will receive new FFW Shares for their MVE Shares (see, however paragraph 2.9). FFW has a strong balance sheet with a net debt to net debt plus equity ratio of 25% and the desire to grow both its existing businesses and MVE. FFW is currently listed on the NZAX and therefore MVE shareholders who accept the Takeover Offer have the option to retain or sell their new Shares in FFW. It should be noted that FFW currently has low liquidity with the average monthly volume over the 12 months ended 16

May 2014, excluding the single 400k share trade in April, of approximately 33.8k shares. MVE on the other hand has been listed on the Unlisted trading platform since October 2012 and has not traded since that date nor are there any existing buy or sell orders for its Shares.

2.7 Implications of Rejecting the Takeover Offer

By rejecting the Takeover Offer shareholders would be forcing the Company to look for alternative options to raise further capital (either equity or debt), as discussed in Section 2.5, to continue trading or, alternatively, to ask its secured lender to appoint a Receiver or Liquidator. Based on its current trading it appears unlikely that the Company will make a sustainable profit even if it could survive the near term.

2.8 Non-resident New Zealand Shareholders

Non-resident New Zealand shareholders who accept the Takeover Offer will receive cash consideration for their MVE Shares as opposed to FFW shares as consideration (this will be effected by the issue of FFW Shares to a nominee (a sharebroker) who will sell those Shares and distribute the cash proceeds, net of brokerage, to non-resident shareholders who accept the Takeover Offer). FFW has applied for and received an exemption from the Takeovers Panel for this.

While there is a benefit for these non-resident shareholders who will receive cash for their MVE Shares, providing them with liquidity, there is an additional benefit, although minor, to those MVE shareholders who receive FFW shares, in that their collective level of shareholding in FFW will be higher.

2.9 2nd Ranking Secured Lenders

The loans provided by the 2nd Ranking Secured Lenders are secured by way of general security agreement and rank behind the ANZ Bank as senior lender. Therefore they have priority over unsecured creditors and equity holders in the event of a liquidation of assets. They are repayable on demand and attract an 8% per annum interest rate, payable quarterly in arrears (if interest is charged).

The 2nd Ranking Secured Lenders, MVE and FFW have entered into arrangements under which:

- FFW will advance \$708,450 to MVE (being an amount equal to the outstanding loans owed by MVE to the 2nd Ranking Secured Lenders);
- MVE will repay the 2nd Ranking Secured Lenders in full;
- The 2nd Ranking Secured Lenders will use the funds received from MVE by way of loan repayment to subscribe for FFW Shares at \$1.40 per Share (determined by reference to FFW's net asset backing on 30 June 2013).

We note that as at 31 March 2014 the book value of 2nd Ranking Secured Lender loans was \$708,396 compared to the \$708,450 above. We do not consider that the difference (\$57) is material for the purposes of this Report.

Given the secured and priority position of the 2nd Ranking Secured Lenders in comparison to the holders of MVE Shares, in our opinion the arrangements as outlined above has merit for shareholders. The key factor in this evaluation is that the 2nd Ranking Secured Lenders are giving up their security position and income on the loans.

The impact on MVE shareholders as a whole of this is a slightly lower total percentage interest in FFW on a fully diluted basis.

2.10 Armillary Opinion

In our opinion the Takeover Offer has merit for MVE shareholders. The key factors in our evaluation of the merits of the Takeover offer are:

- FFW's offer provides an outcome for MVE shareholders where they are receiving Shares in an entity that has a strong balance sheet, an established stable of brands and a strong distribution network. FFW has a track record of investing further capital in its acquisitions and has confirmed an intention to invest in MVE once acquired.
- The new Shares which FFW will issue are likely to be more liquid than the existing MVE shares. As noted in section 3.4 MVE shares have been listed on the Unlisted trading platform since October 2012 and have not subsequently traded nor are there any current buy or sell orders. Conversely, as noted in section 4.9, FFW shares have traded on the NZAX, although volumes are low.
- There is a value transfer from existing FFW shareholders to MVE shareholders. We estimate this value transfer to be approximately \$136k being the number of Shares to be issued to MVE shareholders multiplied by the difference between the FFW Share price as at the date of this Report (\$1.51) and the FFW book value per Share as at 30 June 2013 (\$1.40).
- An alternative offer has not emerged since the announcement of the Takeover Offer by FFW and it is unlikely that an alternative offer will emerge.
- There appears to be limited capacity for MVE to raise additional debt funding or refinance existing debt funding to continue to fund its loss-making operations.
- The option to raise new 2nd ranking secured funding or new equity appears limited and has a high level of risk that such capital may not be able to be secured.
- If MVE shareholders reject the Takeover Offer, in our opinion an insolvency event is a risk as MVE is running out of alternative options and the outcome for MVE shareholders is that they may not receive any return given MVE's current financial position.

We have also reviewed the Lock-up Agreements between FFW and 11 MVE shareholders for the acceptance of the Takeover Offer. In our opinion these agreements are reasonable as they do not confer any additional or special benefit on the MVE shareholders that have entered into them over and above the terms of the Takeover Offer.

3.0 Profile of MVE

3.1 Nature of Business

MVE was established in 1980 in the township of Martinborough by a small group of investors led by Derek and Duncan Milne. The area around the town was chosen because it displayed characteristics similar to the Burgundy region in France famous for its Pinot Noirs. The vineyard was the first to plant the Pinot Noir variety, for which the region is now best known.

The vineyard has 3 main sites in the Martinborough area, with two based near the township and the third based slightly further away on Fraters Road. The total land area of the three main sites amounts to 54 hectares.

Of the plantings, 75% are made up of Pinot Noir with the remainder made up of mostly Chardonnay, Sauvignon Blanc and Pinot Gris.

The average harvest for the vineyard is approximately 150 tonnes and on average 150 tonnes of contract fruit is purchased to produce between approximately 20,000-22,000 cases per year. The older sites based around the township produce on average 4 tonnes per hectare while the Fraters road site can produce between 5 and 6 tonnes per hectare.

The vineyard operates with approximately 10 full time equivalent staff with casual/seasonal staff ranging from 15 – 35 depending on the requirements for the season.

The current winemaker, Paul Mason, brings over 10 years of experience both internationally and domestically.

The vineyard currently has four brands; the premium brand is Martinborough Vineyards, which has won numerous awards including the illustrious Bouchard Finlayson Trophy for the best Pinot Noir Worldwide for its 1994 Reserve Pinot Noir. Following this is the Burnt Spur brand, which produced its first commercial wine in 2004. The Te Tera brand is seen as the slightly cheaper companion brand to the Martinborough Vineyards brand, and finally the Russian Jack brand is the Company's entry level wine.

The average case price for the wine is approximately \$168 for the Company as a whole, with the Pinot Noir cases ranging from \$140 for a case of Russian Jack, to approximately \$480 for a case of the Martinborough Vineyards branded Pinot Noir.

The Company does all processing on-site and sends the wine to Wine Works in the Hawke's Bay to be bottled and stored prior to shipment.

The Company also operates a cellar door which is open 7 days a week and accounts for approximately 3% of total turnover for the vineyard.

Sales are split approximately 40% export and 60% domestic with the main export markets being Australia, the UK and Asia (Hong Kong, Singapore, Japan, and China).

Lion Nathan is the domestic distributor for MVE and targets annual sales of 8k-12k cases per year.

The current market conditions have seen many wine companies discounting heavily domestically and selling in bulk. These negative trends appear to have increased during the last year. With exports static domestic discounting is seen as a way to increase cash flow but has had a negative effect of lowering brand values in New Zealand. Further, the high value of the NZ dollar is having an ongoing impact on export margins.

The restaurant trade, which is seen as important for building brand loyalty and profile, has started promoting cheaper products that can be marked up to maximise margin per glass pour. This market segment has been the primary channel for the Martinborough Vineyards premium products.

3.2 Financial Background

The Company's historical audited financial performance for the four years ended 30 June 2013 and management accounts for the 9 months to 31 March 2014 are summarised in Table 3.1 as follows:

Table 3.1

MVE Summary Statement of Financial Performance					
FYE 30 June	2010	2011	2012	2013	9 months to 31 March 2014
NZ\$ (000's)	Actual	Actual	Actual	Actual	Management
Total Revenue	4,753	3,689	4,395	3,285	2,103
Cost of Sales	3,438	2,608	2,314	1,946	1,436
Gross Margin	1,315	1,081	2,081	1,340	666
Gross Margin %	28%	29%	47%	41%	32%
Operating Costs	695	528	658	736	542
Earnings before Interest, Tax, Depreciation and Amortisation	619	553	1,422	604	125
EBITDA %	13%	15%	32%	18%	6%
Depreciation & Amortisation	573	440	390	285	222
Earnings before Interest and Tax	47	113	1,032	318	(97)
EBIT %	1%	3%	23%	10%	-5%
Interest	943	816	695	583	445
Tax	-	-	-	-	-
Net Profit after Tax (NPAT)	(896)	(703)	337	(265)	(542)
Other Comprehensive Expenses / Losses	(1,706)	(666)	(374)	(628)	(405)
Other Comprehensive Income / Profits	-	-	3	34	-
Total Comprehensive Income	(2,603)	(1,369)	(33)	(858)	(947)

Source: MVE annual reports and management accounts, Armillary analysis

Key aspects of the historical financial performance are as follows:

- Gross profit margins had increased from approximately 29% in 2010 to approximately 47% in 2012 but have declined back to 32% in 2014. Management advise that this is the result of the multiple impacts of (i) the strong New Zealand dollar, (ii) restaurants promoting cheaper products and (iii) sales of bulk wine for cash flow affect top line revenue.
- Total operating expenses have remained largely static over the four year period.
- For the last two years MVE has not had earnings in excess of its interest cost.

The Company's historical audited financial position as at 30 June 2010 to 2013 and as at 31 March 2014 (unaudited) are summarised in Table 3.2 as follows:

Table 3.2

MVE Summary Statement of Financial Position					
FYE 30 June	2010	2011	2012	2013	As at 31 March 2014
NZ\$ ('000's)	Actual	Actual	Actual	Actual	Management
Current Assets					
Accounts Receivable	910	641	773	622	343
Inventory	2,124	1,804	1,975	2,140	1,563
Other Current Assets	3,346	2,975	1,727	-	-
Current Liabilities					
Accounts Payable	(271)	(435)	(350)	(636)	(556)
Other Current Liabilities	(44)	(33)	(42)	(40)	(31)
Net Working Capital	6,066	4,952	4,083	2,086	1,319
Non-Current Assets					
Fixed Assets	5,646	5,189	4,892	6,146	5,942
Intangibles	547	546	546	5	5
Other Non-current Assets	1,053	837	778	1,052	1,041
Total Non-current Assets	7,246	6,572	6,215	7,203	6,988
Total Net Assets	13,311	11,524	10,298	9,290	8,307
(Cash) / Overdraft	(157)	(64)	(1)	(4)	(5)
Debt	7,897	7,385	6,130	5,981	5,947
Net Debt	7,739	7,320	6,129	5,978	5,942
Equity	5,572	4,203	4,170	3,312	2,365
Total Capital Employed	13,311	11,524	10,298	9,290	8,307

Source: MVE annual reports and management accounts, Armillary analysis

The key points to note in respect of MVE's financial position are as follows:

- At 30 June 2013 the Company had tax losses available to be brought forward of approximately \$12.8m and unrecognised tax losses of approximately \$11.3m resulting in a deferred tax asset of approximately \$420k. Due to the Company's accumulated losses and net losses in the current period and preceding periods and the uncertainty of future trading results the Company has de-recognised the deferred tax asset related to unused tax losses.
- Goodwill of approximately \$500k was fully impaired during the 2013 period.
- Impairment provision has increased by \$272k in the year to date with impairment being attributed to stock.
- Additional funding of \$266k in 2010 was provided by way of 2nd Ranking Secured Lender loans from Kitchener Properties Limited. This loan was on the same terms as the \$500k of 2nd Ranking Secured Lender loans raised in 2009 from a number of parties related to existing MVE shareholders.
- MVE has outstanding debt with ANZ of approximately \$5.164m at 31 March 2014 from \$5.043m at 31 June 2013.

MVE's historical audited cash flow for the four years ended 30 June 2010 to 2013 and for the 9 months to 31 March 2014, from the management accounts are summarised in Table 3.3 as follows:

Table 3.3

MVE Summary Statement of Cash Flow					
FYE 30 June	2010	2011	2012	2013	9 months to 31 March 2014
NZ\$ (000's)	Actual	Actual	Actual	Actual	Estimate
Cash Flows from Operating Activities	430	480	348	290	43
Cash Flows from Investing Activities	698	(62)	844	(140)	(7)
Cash Flows from Financing Activities	(759)	(512)	(1,255)	(148)	(34)
Net Cash Flow	369	(93)	(63)	2	1
Opening Cash/(Overdraft)	(212)	157	64	1	4
Closing Cash/(Overdraft)	157	64	1	4	5

Source: MVE annual reports and management accounts, Armillary analysis

In respect of the Company's cash flow we specifically note that operating cash flow has been declining since 2011 which has limited MVE's ability to invest in its business which will continue to inhibit the Company's future operating ability.

3.3 Current Ownership Structure & Governance Arrangements

The breakdown of shareholders set out in Table 3.4 below is taken from MVE's share register as at 7 May 2014.

Table 3.4

MVE Top Fifteen Shareholders as at 7 May 2014		
	Number of Shares	Percent
Sinclair Long Term Holdings Limited	4,600,001	13.3%
MacMine Investments Limited	3,490,050	10.1%
C R Mace	3,302,501	9.5%
Jarden Custodians Limited	3,240,000	9.4%
Ashfield Farm Limited	2,459,652	7.1%
Albany Braithwaite Holdings	1,934,623	5.6%
Amapur Securities Limited	1,399,060	4.0%
Hensman Investments Limited	1,098,007	3.2%
M D & C C Small	900,000	2.6%
D W Milne & M C Campbell	893,640	2.6%
J G Edgar, H E S Edgar & A J Edgar	666,667	1.9%
R J & S E Schultz	513,318	1.5%
Westmed Developments	453,333	1.3%
R W T Mear	380,854	1.1%
N Paviour-Smith	356,784	1.0%
Sub Total	25,688,490	74.2%
Other Shareholders	8,921,274	25.8%
Total	34,609,764	100.0%

Source: MVE

In aggregate the top 15 shareholders hold 25,688,490 or 74.2% of 34,609,764 issued shares. MVE has 608 shareholders.

The directors have disclosed the following shareholder interests in MVE:

Table 3.5

MVE Director Shareholding Interests as at 7 May 2014	
	Number of Shares
R L Gaskell (1,399,060 held by associated persons)	1,399,060
E S Edgar (5,266,668 held by associated persons)	5,266,668
D W Milne (456,789 held by associated persons)	893,640

Source: MVE

Collectively the Directors controlled 7,559,368 shares or 21.84% of MVE's issued capital.

3.4 Share Price Analysis:

MVE has been listed on the Unlisted share market since October 2012, however its Shares have not been traded since that time nor are there any current buy or sell orders.

4.0 Profile of FFW

4.1 Nature of Business

FFW was originally established in November 2002 as The New Zealand Wine Company Limited (“NZWC”) which owned the Grove Mill winery operations in Marlborough. NZWC was listed on the NZAX in November 2003.

In 2009, Foley Holdings Limited acquired the New Zealand Wine Fund (NZWF), which operated the Vavasour winery, and changed its name to Foley Family Wines NZ Limited.

As a result of a reverse takeover in September 2012, Foley Holdings Limited sold Foley Family Wines NZ Limited to NZWC in exchange for shares and changed its name to FFW. As a result Foley Family Wines Holdings Limited is now the largest shareholder in FFW, with 80%. Today FFW is an integrated wine company producing table wines with the marketing and sales of premium wines in New Zealand and a number of export markets.

FFW acquired the Te Kairanga winery in Martinborough in December 2011 and added this operation to its Grove Mill and Vavasour operations. In addition to these wineries, FFW also owns the Clifford Bay; Goldwater Estate; and Sanctuary Wines vineyards.

The total FFW operation now comprises approximately 300ha of vineyards in Marlborough and Martinborough growing a mix of varieties producing the equivalent of circa 400,000 cases of wine. This compares to MVE's circa 59ha producing between 20-22,000 cases.

Whilst FFW has focussed on expansion of its core business, the Foley relationship also brings with it a number of food and beverage and hospitality relationships in NZ, Australia, UK, Europe and USA, including wine distributor, Eurovintage Limited and the Nourish Group Limited restaurant chain in NZ.

FFW's expansion has been targeted to provide:

- sufficient economies of scale to commercialise production and bottling;
- ownership of a range of premium labels;
- comprehensive marketing and distribution; and
- a focus on obtaining profitable volumes of grape varieties from the most appropriate growing regions.

In November 2013, FFW's production capacity was calculated at 6,600 tonnes, with an increase in the actual harvest from 4,469 tonnes in 2012 to 5,698 tonnes in 2013.

FFW's growth strategy is focused around:

- acquisitions to build volumes and strengthen the portfolio of brands; and
- increasing sales and distribution through related businesses.

4.2 Director Profiles

William P Foley II - Chairman

Mr. Foley has served as the Executive Chairman of Fidelity National Financial, Inc. (FNF) since October 2006 and, prior to that, as Chairman of the Board since 1984. He also served as Chief Executive Officer of FNF from 1984 until May 2007 and as President of FNF from 1984 until December 1994. In March 2012, Mr. Foley became the Vice Chairman of the Board of Fidelity National Information Services, Inc. and has served as the Chairman of Lender Processing Services, Inc. and a director of the Foley Family Charitable Foundation, Florida Rock Industries, Inc, Cummer Museum of Arts and Gardens and Remy International, Inc.

Anthony Anselmi O.B.E.

Anthony Anselmi's (Tony) began his business career in footwear retail and today the family owned business, Overland Footwear Company Ltd. of which Tony is Chairman, has retail stores throughout New Zealand and is presently expanding into Australia. He has considerable experience in farming and developed a large area of neglected and unproductive land into an extensive dairy farm operation. Tony was a Director of Forestry Corporation and an inaugural director of Inframax Limited, a road construction and maintenance L.A.T.E. owned by The Waitomo District Council.

James Alton Jamieson

James Alton Jamieson (Alton) was Chairman of The New Zealand Wine Company Limited from September 2007 to September 2012. Alton's business career has covered banking, transport and waste management services. He was Chairman of Waste Management NZ Limited for 12 years and has been a director of the Blues Franchise Limited. Alton is an Accredited Director and Fellow of the Institute of Directors in New Zealand and is a Fellow of the New Zealand Institute of Management.

Anthony Mark Turnbull – CEO (Executive Director)

Anthony Mark Turnbull (Mark) was appointed Chief Executive Officer and Director of the FFW in September 2012. Mark's career started as an accountant with Ernst and Young, then for the next 18 years he was Managing Partner of the brand consultancy Designworks. Mark was Chairman of the New Zealand Wine Fund when it was acquired by Foley Family Wines in 2009. In 2011 Mark had a sabbatical year and attended London Business School where he completed a Masters of Science in Leadership and Strategy with Distinction. Mark is a Chartered Accountant with the New Zealand Institute of Chartered Accountants.

4.3 Vineyards

FFW owns and leases a number of vineyards in New Zealand. The following section provides a brief background to the main brands currently operating under the Foley Family Wines umbrella:

Vavasour – Based in the Awatere Valley in Marlborough, Vavasour Wines has a history dating back to 1985 when the first grapes were planted. The first vintage was produced in 1989 and

the vineyard produces Sauvignon Blanc, Pinot Noir, Pinot Gris, Chardonnay and Riesling grapes.

Grove Mill – Founded in 1988 Grove Mill is based in the Wairau Valley in Marlborough. Also produced by Grove Mill are the Sanctuary branded wines, and both labels are dedicated to producing wines with minimal environmental impact. In 2006 the winery became the world's first carbonZeroCert™ certified winery and has become a haven for wildlife with its wetlands established next to the winery. Grove Mill produces Sauvignon Blanc, Pinot Gris, Chardonnay and Pinot Noir grapes under its umbrella.

Clifford Bay – The Clifford Bay vineyard is located at the eastern entrance of the Cook Straight in the Marlborough region. It operates vineyards in both the Awatere Valley and the Wairau Valley which are two of the marquee regions for wine production in Marlborough. Clifford Bay produced its first vintage in 1997 and produces Sauvignon Blanc, Pinot Noir, Pinot Gris, and Chardonnay.

Goldwater – Goldwater was founded in 1978 in the Wairau Valley out of Marlborough. It is among the oldest wine producers in New Zealand producing Sauvignon Blanc, Chardonnay, Pinot Noir and Pinot Gris grapes.

Te Kairanga Martinborough Winery – Te Kairanga was established over 20 years ago and is one of Martinborough's founding vineyards, operating six vineyards each with their own distinctive characteristics. Te Kairanga produces a wide array of wines including Pinot Noir, Riesling, Sauvignon Blanc, Pinot Gris, and Chardonnay.

Table 4.1 below shows a summary of FFW's existing land holdings by brand and plantings by varietal.

Table 4.1

FFW Land Holdings by Brand	
Brand	Size (ha)
Clifford Bay	20.5
Grove Mill / Sanctuary	121.2
Te Kairanga	94.09
Vavasour / Dashwood / Goldwater	63.2
Total	299.0

FFW Plantings by Varietal	
Brand	Size (ha)
Chardonnay	14.3
Gewurtztraminer	1.4
Gruener Veltliner	0.4
Kolor	0.1
Pinot Blanc	1.3
Pinot Gris	13.6
Pinot Noir	93.0
Riesling	8.3
Sauvignon Blanc	164.4
Semillon	1.7
Malbec	0.5
Total	299.0

Source: NZWC, Individual Vineyard Websites, FFW

Within the Foley stable of NZ businesses are a number of entities which have strong relationships with the vineyards, such as distributor Eurovintage Limited, and the Nourish

Group Limited which operates a number of restaurants across the country, including Shed 5 in Wellington, Jervois Steak House in both Queenstown and Auckland, and Bistro Lago in Taupo.

4.4 Financial Background

The reverse takeover of the NZWC in 2012 has meant that FFW's financial results are not straightforward to compare between the years 2010-2013. Details of the reverse acquisition are provided in section 4.5 below. The 2013 financial statements include Foley Family Wines NZ Limited (the accounting acquirer) for the 12 months to 30 June 2013 and FFW for 10 months to 30 June 2013. The comparatives disclosed for 2012 comprise the 6 month period ended 30 June 2012 for Foley Family Wines NZ Limited only. The financial statements for the 2010 and 2011 year are those of NZWC.

On the basis described above, the historical audited financial performance for the four years ended 30 June 2013 is summarised in Table 4.2 below.

Table 4.2

FFW Summary Statement of Financial Performance				
FYE 30 June NZ\$ (000's)	2010 Actual	2011 Actual	2012 Actual	2013 Actual
Total Revenue	13,047	11,158	13,517	30,910
Cost of Sales	8,548	7,890	10,436	21,761
Gross Margin	4,499	3,268	3,081	9,149
Gross Margin %	34%	29%	23%	30%
Operating Costs	3,815	4,232	3,507	6,291
Earnings before Interest, Tax, Depreciation and Amortisation	684	(964)	(426)	2,858
EBITDA %	5%	-9%	-3%	9%
Depreciation & Amortisation	24	27	28	1,912
Earnings before Interest and Tax and Non-recurring Items	660	(991)	(454)	946
EBIT %	5%	-9%	-3%	3%
Interest	706	861	1,048	1,627
Tax	(137)	(834)	(98)	728
Profit/(Loss) Before Impairments and Revaluations	91	(1,018)	(1,404)	(1,409)
Non-recurring Expenses	-	-	(1,017)	(650)
Impairments and Revaluations	(1,989)	(2,303)	(3,053)	3,747
Total Comprehensive Income	(1,898)	(3,321)	(5,474)	1,688

Source: FFW Annual Reports, Armillary analysis

A key aspect of the historical financial performance is that the directors considered 2013 as a turnaround year. The cost of goods carried into the 2013 results from the 2012 harvest reduced the 2013 margin. At balance date, the directors stated that the inventory was in balance with all surplus bulk wine sold at year end.

The results include non-recurring expenses of \$1.0m in 2012 and \$650k in 2013. These expenses were mainly restructuring and merger expenses.

The historic audited financial position as at 30 June 2010 to 30 June 2013 is summarised in Table 4.3 as follows:

Table 4.3

FFW Summary Statement of Financial Position				
FYE 30 June	2010	2011	2012	2013
NZ\$ (000's)	Actual	Actual	Actual	Actual
Current Assets				
Accounts Receivable	3,976	2,641	2,928	6,217
Inventory	11,093	13,079	8,408	23,294
Other Current Assets	2,139	1,150	270	1,145
Current Liabilities				
Accounts Payable	1,741	1,957	1,914	4,326
Other Current Liabilities	98	1	73	2
Net Working Capital	15,369	14,912	9,619	26,328
Non-Current Assets				
Fixed Assets	21,436	19,935	18,931	52,293
Intangibles	12	20	21	10,066
Investments	10	-	-	424
Other Non-current Assets	1,237	506	-	1,164
Total Non-current Assets	22,695	20,461	18,952	63,947
Total Net Assets	38,064	35,373	28,571	90,275
Non Current Liabilities				
	3,766	3,130	3,174	7,307
(Cash) / Overdraft	(273)	1,596	1,399	(2,215)
Debt	15,943	15,658	14,507	24,642
Net Debt	15,670	17,254	15,906	22,427
Equity	18,628	14,989	9,491	60,541
Total Capital Employed	38,064	35,373	28,571	90,275

Source: FFW Annual Reports, Armillary analysis

The key points to note in respect of FFW's financial position are as follows:

- According to FFW's 2013 audited financial statements fixed assets of \$52.3m at 30 June 2013 comprised:
 - Freehold land (fair value) \$11.1m;
 - Freehold buildings (fair value) \$9.3m;
 - Land improvements (fair value) \$6.7m;
 - Plant & equipment (book value) \$12.3m; and
 - Biological assets of \$12.6m.
- FFW has a strong capital base with equity of \$60.5m and net debt of \$22.4m representing a conservative 25% debt to debt plus equity ratio.
- The net debt includes \$10.9m of convertible notes issued to Foley Family Holdings Limited. The convertible notes attract an interest rate of 6.5% payable quarterly in arrears. The notes are convertible into ordinary shares or repayable at Foley Family Holdings Limited's option. The conversion rate is at \$1.386 per FFW share. We note that the market value of these convertible notes will be higher than the book value due to the embedded value of the conversion option.

For the purposes of the acquisition of MVE, FFW is being valued on a Net Asset Backing per share basis at 30 June 2013. FFW's net asset value in Table 4.3 above, as equity value, was

\$60.541m. As set out in Table 4.5, FFW had approximately 43.386m shares on issue at that date. Accordingly FFW's Net Asset Backing per Share is \$1.40.

The Company's historical audited cash flow for the four years ended 30 June 2013 is summarised in Table 4.4 below.

Table 4.4

FFW Summary Statement of Cash Flow				
FYE 30 June	2010	2011	2012	2013
NZ\$ (000's)	Actual	Actual	Actual	Actual
Cash Flows from Operating Activities	1,793	(1,461)	1,549	5,600
Cash Flows from Investing Activities	(874)	(105)	(201)	(3,422)
Cash Flows from Financing Activities	(14)	(303)	(1,151)	(1,900)
Net Cash Flow	905	(1,869)	197	278
Opening Cash/(Overdraft)	(632)	273	(1,596)	1,937
Closing Cash/(Overdraft)	273	(1,596)	(1,399)	2,215

Source: FFW Annual Reports, Armillary analysis

Strong operating cash flows in the 2013 financial year enabled FFW to fund (post reverse acquisition) \$3.3m in capital expenditure, repay \$2.2m of bank debt, and end the year with \$2.2 cash on hand. Further, the business met its peak working capital requirements in July (for grower payments) without using any overdraft facilities.

We note that the 2012 closing cash balance differs from the 2013 opening cash balance due to the impact of accounting for the reverse acquisition.

4.5 Reverse Acquisition Share Issue

As noted above, on 4 September 2012 Foley Family Wines NZ Limited was acquired in a reverse acquisition transaction by The New Zealand Wine Company Limited, which purchased 100% of Foley Family Wines NZ Limited for approximately \$42,114,541 from Foley Family Wines Holdings New Zealand Limited. The New Zealand Wine Company Limited changed its name to Foley Family Wines Limited on 4 September 2012 and changed its NZX ticker code from NWC to FFW. The acquisition price was satisfied with the issue to Foley Family Wines Holdings New Zealand Limited of 30,380,525 shares at an issue price of \$1.386 per share. At the same time Foley Family Wines Holdings New Zealand Limited subscribed for 4,328,271 shares which were also issued at \$1.386 per share, a total investment of \$6,000,000. This gave Foley Family Wines Holdings New Zealand Limited an 80% interest in FFW as at that date.

4.6 Current Ownership Structure & Governance Arrangements

The summary of the top 10 FFW shareholders is set out in Table 4.5 below.

Table 4.5

FFW Top 10 Shareholders as at 7 May 2014		
	Number of Shares	Percent
Foley Family Wines Holdings New Zealand Limited	34,708,796	80.0%
James Alton Jamieson	988,268	2.3%
Alfa Lea Horticulture Limited	903,330	2.1%
NZ Central Securities Depository Limited	602,605	1.4%
Joy Doris Croft	459,363	1.1%
Accident Compensation Corporation	400,000	0.9%
John Garth Orchard and Vida Rose Orchard	387,842	0.9%
Helen Christine Fletcher and Peters Doig Trustee Company Limited	354,000	0.8%
John Herbert Glanville Milne, Maureen Ann Milne and Daniel Francis Barr Stevenson	348,589	0.8%
Timothy John Fairhall	295,116	0.7%
Sub Total	39,741,570	90.9%
Other Shareholders	3,644,425	8.4%
Total	43,385,995	100.0%

Source: FFW

As shown above, the top 10 shareholders hold 39,741,570 shares or 90.9% of the issued capital of FFW.

Foley Family Wines Holdings New Zealand Limited holds 34,708,796 or 80.0% of FFW's shares. The shareholders in that company are shown in the Table 4.6 below.

Table 4.6

Shareholders of Foley Family Wines Holdings NZ Limited as at 7 May 2014		
	Number of Shares	Percent
Foley Family Wines Holdings, Inc	36,855,942	80.5%
William Patrick Foley II and Carol Foley	6,486,579	14.2%
Ross Michael Alleman and Anthony John Anselmi	1,456,703	3.2%
AMT Equities Limited	1,000,000	2.2%
Total	45,799,224	100.0%

Source: FFW

Directors' Shareholdings

As at 30 June 2013 the Directors of FFW held the following direct interests in FFW.

- William P Foley Individually and with CJ Foley held an indirect interest in FFW of 69.9% through his shareholding in Foley Family Wines Holdings, Inc., the ultimate parent of Foley Family Wines Holdings New Zealand Limited.
- Anthony Anselmi held an indirect interest in FFW of 2.5% through his shareholding in Foley Family Wines Holdings New Zealand Limited.
- James Jamieson held a direct interest in FFW of 2.3% through the ownership of 988,268 ordinary FFW shares.

Mark Turnbull held an indirect interest in FFW of 1.8% through his shareholding in Foley Family Wines Holdings New Zealand Limited.

4.7 Related Parties

During the financial year to 30 June 2013, FFW either undertook transactions and / or had closing balances with the following related parties:

- Lineage Imports LLC;
- Foley Family Wines, Inc.;
- Foley Family Wines Holdings Limited;
- EuroVintage Limited;
- Wharekauhau Country Estate Limited;
- Wharepapa Station Limited;
- NZ Wine Growers (USA) Limited;
- McLeod Vineyard Limited; and
- Wineinc Pty Limited.

These are all interests associated with Foley Family Holdings Limited.

4.8 Foley Family Wines Inc

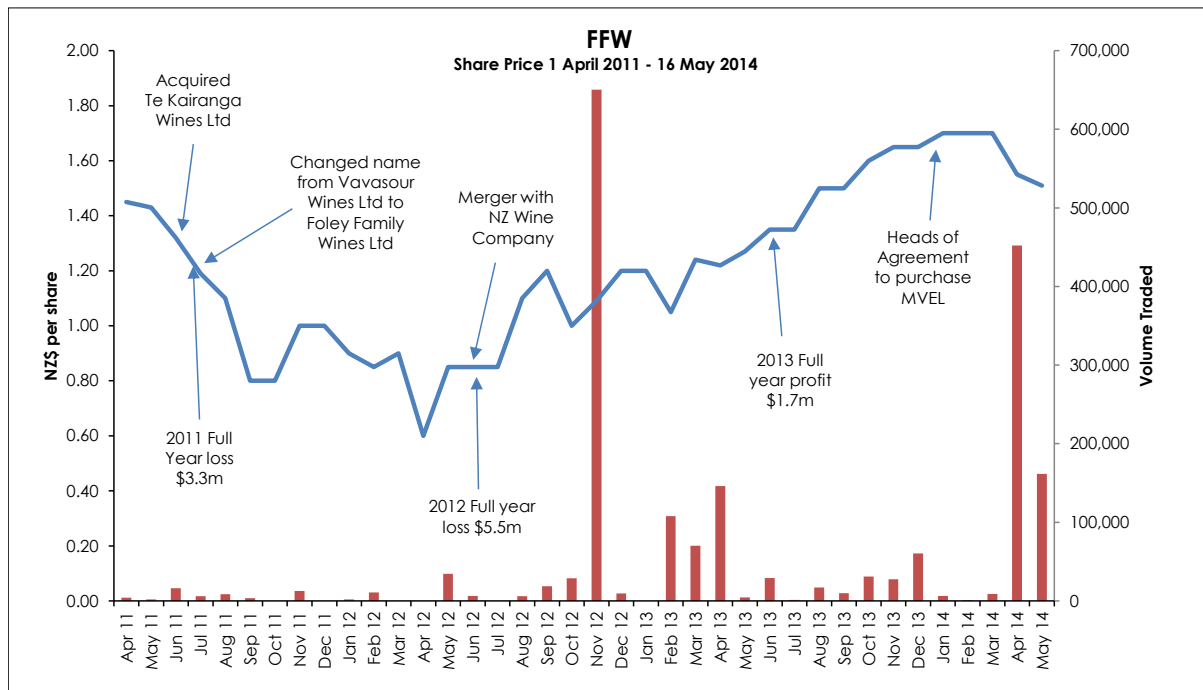
Foley Family Wines Inc is an entity controlled by Mr Foley which owns 12 USA-based wineries in the Napa Valley and Sonoma regions of California and one in Washington State as follows:

- Altvs, Napa Valley, California;
- Chalk Hill Winery, Healdsburg California;
- EOS Estate Winery, Paso Robles, California;
- Firestone Vineyard, Santa Ynez Valley, California;
- Foley Estates, Santa Rita Hills, California;
- Kuleto Estate, Napa Valley, California;
- Lincourt Vineyards, Santa Ynez Valley, California;
- Merus, Napa Valley, California;
- Sebastiani Vineyards and Winery, Sonoma, California; and
- Three Rivers Winery, Walla Walla, Washington.

4.9 Share Price Analysis

The performance of FFW's Shares since 1 April 2011 is shown in Chart 4.1 below along with notations in respect of certain key events for FFW.

Chart 4.1



Source: Armillary, NZX

Shareholders should note the recent levels of activity in April and this month comprising two major trades and several smaller trades being completed representing 1.8x the volume of FFW Shares traded in the 12 months to 31 March 2014. We note that these trades include the purchase of 400k FFW Shares by the ACC.

4.10 FFW Valuation

For this Report we have also undertaken a broad analysis of a valuation range for FFW.

Given that FFW is continuing to capture the gains from the consolidation of its acquisitions and will, if the Takeover Offer is completed, also need to consolidate MVE, forecasting future earnings is complex.

Therefore we have used a price to book value methodology to estimate a valuation range for FFW. Table 4.7 sets out FFW's book value as at 30 June 2013 multiplied by the median, upper quartile and lower quartile price to book value multiples from a range of global vineyard and winery businesses as set out in Appendix 1. The result is an implied market capitalisation which, when divided by the number of shares on issue, suggests a valuation range of \$1.49 to \$3.56 per share for FFW.

Table 4.7

	FFW Valuation Range			Current
	Lower Quartile	Median	Upper Quartile	
FFW Book Value	60,541	60,541	60,541	60,541
Comparatives Price to BV	1.07	1.75	2.55	1.07
Implied Market Capitalisation	64,779	105,947	154,380	65,079
Implied Share Price	1.49	2.44	3.56	1.50

Source: Factset, Armillary

Our inclination is that the value range for FFW should be between the lower quartile and median (\$1.49 to \$2.44 per share) which is in line with the current share price. This opinion is based on FFW's need to still deliver the gains from recent acquisitions and changes to the business. Once these become visible in FFE's results we would anticipate a re-rating toward the mid to upper end of this \$1.49 to \$2.44 per share range.

We note that Delegat's Group Limited, listed on the NZX under the code DGL, is currently priced at 1.71x its 30 June 2013 Book Value per Share which is close to the median of the comparables reviewed. DGL has also recently undertaken a number of acquisitions and is growing its business and this pricing could provide a pricing benchmark for FFW in the future.

5.0 Sources of Information, Reliance, Disclaimer & Indemnity

5.1 Sources of Information

The statements and opinions expressed in this Report are based on the following sources of information:

- MVE 2011, 2012 and 2013 Annual Reports;
- MVE management accounts to 31 March 2014;
- MVE and FFW Heads of Agreement and amendment to the Heads of Agreement;
- FFW and MVE shareholder Lock-up Agreements;
- Logan Stone Limited Valuation of MVE at 30 June 2013;
- FFW 2010, 2011, 2012 and 2013 Annual Reports;
- FFW Interim Report to December 2013; and
- FFW Target Company Statement.

During the preparation of this Report, Armillary has had discussions with and/or received information from the management and certain directors of MVE and FFW. The Directors of MVE have confirmed that Armillary has been provided for the purposes of preparing this Report with all the information relevant to the Takeover Offer that is known to them and that all information is true and accurate in all material respects and is not misleading in a material manner by way of omission or otherwise.

Including this confirmation, we have obtained all the relevant information that we believe necessary for the purpose of preparing this Report.

In our opinion, the information set out in this Report is sufficient to enable the shareholders of MVE to understand all the relevant factors and to make an informed decision in respect of the Takeover Offer.

5.2 Reliance on Information

In preparing this Report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources or by MVE and FFW and their advisers.

We have evaluated this information through analysis, enquiry and examination for the purposes of preparing this Report but we have not verified the accuracy or completeness of any such information or conducted any appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of MVE. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

5.3 Disclaimer

We have prepared this Report with care and diligence and the statements in the Report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading.

We assume no responsibility arising in any way whatever for errors or omissions (including responsibility to any person for negligence) for the preparation of the Report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the Report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this Report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this Report or to review, revise or update our Report.

We have had no involvement in the preparation of the Takeover Offer related documentation issued by MVE and have not verified or approved the contents of the documentation. We do not accept any responsibility for the contents of the Takeover Offer related documentation except for this Report.

5.4 Indemnity

MVE has agreed that to the extent permitted by law, it will indemnify Armillary and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the Report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. MVE has also agreed to indemnify Armillary and its directors, employees and consultants for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Armillary or its directors, employees and consultants are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Armillary shall reimburse such costs.

6.0 Qualifications and Expertise, Independence, Declarations and Consents

6.1 Qualifications & Expertise

Armillary is a specialist New Zealand based investment banking, asset management, financial training and advisory firm. Armillary provides a range of services including the preparation of valuations, merger and acquisition advice, capital raising management and due diligence. Its client base includes a range of private and small to medium listed companies and a number of government agencies.

The individuals responsible for this Report are David Wallace and Michael Lee.

David Wallace and Michael Lee have significant experience in financial markets including advising companies on merger, acquisition and divestment transactions, capital raisings, valuations, corporate strategy and appropriate financial structures.

6.2 Independence

Armillary has not had any part in the formulation of the Takeover Offer or any aspects thereof. Armillary's only involvement has been the preparation of this Report.

Armillary will receive a fee for the preparation of this Report. This fee is not contingent on the conclusions of this Report or the outcome of the Takeover Offer. Armillary will receive no other benefit from the preparation of this Report. Armillary does not have any conflict of interest that could affect its ability to provide an unbiased report.

6.3 Declarations

This Report is dated 16 May 2014 and has been prepared by Armillary at the request of the directors of MVE to fulfil the reporting requirements of the Takeovers Code. This Report, or any part of it, should not be reproduced or used for any other purpose. Armillary specifically disclaims any obligation or liability to any party whatsoever in the event that this Report is supplied or applied for any purpose other than that for which it is intended.

Advance drafts of this Report were provided to MVE directors and representatives of FFW. Certain changes were made to this Report as a result of the circulation of the drafts. However, there was no material alteration to any part of the substance of this Report, including the methodology or conclusions as a result of issuing the drafts.

Our terms of reference for this engagement did not contain any term that materially restricted the scope of this Report.

6.4 Consents

Armillary consents to the issuing of this Report in the form and context in which it is to be included with the MVE Target Company Statement to be sent to MVE shareholders. Neither the whole nor any part of this Report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Armillary Private Capital

A handwritten signature in black ink, appearing to read 'DW', is positioned above the name and title of the signatory.

David Wallace
Director

Appendix 1 Wine Industry International Comparables

Wine Industry International Comparables (5 May 2015)					
Name	Country	Last Result	EV:EBITDA	EV:EBIT	Price:Book Value
Abrau-Durso JSC	Russian Federation	31-Dec-2012	10.28	11.83	36.45
Ambra S.A.	Poland	30-Jun-2013	7.33	9.67	0.92
Andrew Peller Limited	Canada	31-Mar-2013	8.02	10.58	1.35
Australian Vintage Ltd	Australia	30-Jun-2013	8.83	12.70	0.28
Barkan Wine Cellars Ltd.	Israel	31-Dec-2012	10.61	17.90	-
Baron de Ley, S.A.	Spain	31-Dec-2013	10.01	14.85	1.78
Bodegas Esmeralda SA	Argentina	31-Mar-2013	7.41	8.14	3.21
Bodegas Riojanas, S.A.	Spain	31-Dec-2013	17.98	31.93	1.07
Brand New Vintage Limited	Australia	30-Jun-2013	16.80	70.79	1.22
Compania Vinicola del Norte de Espana, S.A.	Spain	31-Mar-2013	10.29	13.20	2.03
Corby Spirit & Wine Limited	Canada	30-Jun-2013	10.94	12.62	3.03
Crimson Wine Group Ltd.	United States	31-Dec-2013	16.64	40.86	1.08
Delegat's Group Limited	New Zealand	30-Jun-2013	7.63	9.19	1.71
Diageo plc	United Kingdom	30-Jun-2013	14.82	16.22	6.52
Distell Group Limited	South Africa	30-Jun-2013	14.69	16.41	3.01
Foley Family Wines Ltd.	New Zealand	30-Jun-2013	23.45	45.63	1.06
Laurent-Perrier SA	France	31-Mar-2013	14.76	16.45	1.44
Lombard & Medot	France	31-Dec-2012	3,510.87	-	0.39
Pernod Ricard SA	France	30-Jun-2013	12.66	14.13	1.99
Pol Roger et Compagnie	France	31-Dec-2012	12.99	14.70	2.46
Qinghai Huzhu Barley Wine Co., Ltd.	China	31-Dec-2012	25.25	26.39	3.45
Radico Khaitan Limited	India	31-Mar-2013	15.22	19.54	1.87
Remy Cointreau SA	France	31-Mar-2013	17.95	19.16	2.82
Sektellerei Schloss Wachenheim AG	Germany	30-Jun-2013	7.49	10.99	0.81
Tonghua Grape Wine Co., Ltd.	China	31-Dec-2012	111.16	275.33	2.29
Treasury Wine Estates Limited	Australia	30-Jun-2013	18.64	28.90	0.84
Vina Concha y Toro S.A.	Chile	31-Dec-2013	17.92	26.89	2.08
Vina San Pedro Tarapaca S.A.	Chile	31-Dec-2013	7.55	12.00	0.78
Vinedos Emiliana S.A.	Chile	31-Dec-2012	85.34	-	0.66
Willamette Valley Vineyards, Inc.	United States	31-Dec-2013	11.34	14.92	1.52
Xinjiang Yilite Industry Co. Ltd.	China	31-Dec-2012	18.79	22.76	2.89
Yantai ChangYu Pioneer Wine Co., Ltd.	China	31-Dec-2012	9.95	10.60	1.59
Zhejiang Guyuelongshan Shaoxing Wine Co., Ltd.	China	31-Dec-2013	22.79	32.13	2.05
Median			14.69	16.22	1.75
Lower Quartile			10.01	12.31	1.07
Upper Quartile			17.98	26.64	2.55

Source: Factset

GLOSSARY	
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Independent Adviser	Armillary Private Capital
Independent Adviser's Report	The report prepared by Armillary Private Capital, as Independent Adviser, under Rule 21 of the Takeovers Code and set out in the Appendix
Martinborough Vineyard Estates	Martinborough Vineyard Estates Limited
Martinborough Vineyard Estates Share or Share	A fully paid ordinary share in Martinborough Vineyard Estates
NZX	NZX Limited
NZAX	The NZAX Alternative Market operated by NZX
Offer	Foley Family Wines' full takeover offer for 100% of the Shares in Martinborough Vineyard Estates
Offer Document	The offer document setting out the terms of Foley Family Wines' Offer, dated 26 May 2014
Foley Family Wines	Foley Family Wines Limited
FFW Shares	Fully paid ordinary shares in Foley Family Wines
Statement	This Target Company Statement

DIRECTORY	
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Board of Directors	Duncan William Milne (Chairman) Eion Sinclair Edgar Roger Lee Gaskell
Takeovers Code Independent Adviser	Armillary Private Capital
Legal Adviser	Harmos Horton Lusk Limited
Share Registry	Link Market Services Limited Ph: +64 9 375 5998 Fax: +64 9 375 5990
Registered Office	57 Princess Street Martinborough 5711 New Zealand
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Website	http://www.martinborough-vineyard.co.nz