MHW Group Limited

Independent Adviser's Report

In Respect of the Full Takeover Offer by MHWG Joint Venture

June 2014

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

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

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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1. Introduction

1.1 MHW Group Limited

MHW Group Limited (**MHW** or the **Company**) was previously known as The Mud House Wine Group Limited. The Company changed its name to MHW Group Limited on 1 April 2014.

MHW owns and operates 2 wineries located in Blenheim and Waipara.

Up until December 2013, MHW was an integrated wine company involved in:

- growing grapes in Marlborough, Waipara and Central Otago
- winemaking
- marketing and sales of premium quality wines in New Zealand and to export markets.

Its key brands included *Mud House*, *Waipara Hills*, *Dusky Sounds*, *HayMaker*, *Sky Leaf* and *Equinox*.

On 4 November 2013, MHW's wholly owned subsidiaries New Zealand Vineyard Estates and Wines Limited (**NZVEW**) and New Zealand Vineyard Estates Limited (**NZVE**) entered into an agreement to sell NZVEW's branded wine and hospitality business and NZVE's grape growing, grape sourcing and grape trading business to Accolade Wines New Zealand Limited (**Accolade**) (the **Accolade Transaction**).

On the same date, NZVE entered into an agreement to sell its 392.3 planted hectares of vineyards and assets to QWIL Investments (NZ) Pty Limited (**QWIL**) (the **QWIL Transaction**).

We refer to the Accolade Transaction and the QWIL Transaction collectively as the **Asset Sales**.

Following the Asset Sales and the sale of the New Zealand Extracts Limited (**NZ Extracts**) business in January 2014, the Company's key remaining assets are its winery assets located in Blenheim and Waipara.

These winery assets are owned by the Company's wholly owned subsidiary New Zealand Wineries Limited (**NZW**).

The Company has 240,575,999 ordinary shares on issue:

- 234,575,999 shares are voting shares
- 6,000,000 shares are non-voting shares.

A profile of MHW is set out in section 4.

1.2 MHWG Joint Venture

MHWG Joint Venture (**MHWG JV**) is an unincorporated joint venture between 13 of MHW's shareholders. The 13 members of MHWG JV collectively hold 222,744,754 shares, representing 92.59% of MHW's total shares on issue and 92.40% of MHW's voting shares.

Members of the MHWG JV

	MHW Shares	% of Total Shares	% of Voting Shares
Marlborough Wine Tourism Limited (**MWTL**)	48,945,571	20.35%	20.87%
Ronald Stewart	40,198,272	16.71%	17.14%
BFM Enterprises Limited (**BFM**)	34,596,067	14.38%	14.75%
Stocker Holdings Limited (**Stocker**)	32,630,382	13.56%	13.91%
Adrian Dykzeul	20,099,136	8.35%	8.57%
Ian Morris	20,099,136	8.35%	8.57%
Gavin Abbot and Lindsay Lloyd as trustees of the Canterbury House Trust	9,609,118	3.99%	4.10%
Central Otago Development Company Limited (**CODCL**)	6,000,000[1]	2.49%	- [1]
Thomas Johnson, Raina Johnson and Michael McPhail as trustees of the Findhorn Trust	3,418,661	1.42%	1.46%
Michael McPhail and John Butchard as trustees of the M A McPhail Settlement Trust	3,125,002	1.30%	1.33%
Anthony Mathios	1,924,624	0.80%	0.82%
Neil Charles-Jones	1,128,571	0.47%	0.48%
Arthur Dublin	970,214	0.40%	0.41%
	222,744,754	92.59%	92.40%

1 Non voting shares

Source: MHW

Neil Charles-Jones and John Williams are managers and administrators of MHWG JV. They are both also directors of MHW.

AWAK Holdings Limited (**AWAK**) holds 952,381 shares (0.40% of the total shares on issue and 0.41% of the voting shares). AWAK is wholly owned by John Williams. Although Mr Williams is a manager and administrator of MHWG JV, AWAK is not a member of MHWG JV.

1.3 MHWG JV Offer

On 19 May 2014, MHWG JV sent MHW a notice of intention to make a full takeover offer for all of the shares in MHW not already held by members of MHWG JV (the **MHWG JV Offer**).

The MHWG JV Offer Document is being sent to MHW's shareholders along with MHW's Target Company Statement (which this report accompanies).

Number of Shares Sought

The MHWG JV Offer is for all of the ordinary shares in MHW not already held by members of MHWG JV. The members of MHWG JV collectively hold 222,744,754 shares. Accordingly, the MHWG JV Offer is for the remaining 17,831,245 shares in the Company (7.41% of the total shares on issue and 7.60% of the voting shares).

Consideration

MHWG JV is offering cash of $0.23 for each MHW ordinary share.

Conditions

The MHWG JV Offer is conditional on MHWG JV receiving sufficient acceptances such that MHWG JV (or persons acting jointly or in concert with MHWG JV) holds or controls 90.00% or more of the voting rights in MHW (the **Minimum Acceptance Condition**).

As MHWG JV (or persons acting jointly or in concert with MHWG JV) already holds or controls more than 90.00% of the voting rights in MHW, the condition will be satisfied on MHWG JV receiving any acceptance in respect of any number of shares from any MHW shareholder who is not a member of MHWG JV.

We understand that AWAK has advised the directors of MHW that it intends to accept all of its 952,381 shares into the MHWG JV Offer. On this basis, it is certain that the Minimum Acceptance Condition will be met and the offer will be declared unconditional.

Change in Circumstances

The MHWG JV Offer contains provisions that if there is a change in circumstances on or after 19 May 2014 that impacts on MHW's shares and the offer is unconditional or becomes unconditional, then an adjustment will be made so as to ensure that the MHWG JV Offer results in the same financial outcome for MHWG JV as if the change in circumstance did not occur. The changes in circumstance relate to MHW:

- declaring, making or paying any dividend or any other distribution
- making any issue of shares, convertible securities or other securities of any nature by way of bonus issue
- making any issue of shares to any person other than by way of bonus issue
- subdividing or consolidating its shares.

Offer Dates

The offer is open from 12 June 2014 and closes at 5pm on 11 July 2014 (unless extended by MHWG JV in accordance with the provisions of the Takeovers Code (the **Code**)).

Agreements to Accept the MHWG JV Offer

No shareholder has agreed conditionally or unconditionally to accept the MHWG JV Offer as at the date of the offer.

1.4 Regulatory Requirements

MHW is a code company for the purposes of the Code.

Rule 6 of the Code prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights (together with its associates) beyond 20% and
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(a) of the Code, enables a person to increase its control of voting rights beyond 20% by making a full offer for all of the shares of the target company.

Rule 21 of the Code requires the directors of a target company to obtain an Independent Adviser's Report on the merits of the offer. This Independent Adviser's Report is to accompany the Target Company Statement required to be sent to the target's shareholders pursuant to Rule 46 and Schedule 2 of the Code.

1.5 Purpose of the Report

The Company's independent directors, Bob Major and Glen Murphy (the **Independent Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the MHWG JV Offer in accordance with Rule 21 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 20 May 2014 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to assist the Company's shareholders in forming their own opinion on whether or not to accept the MHWG JV Offer. We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the MHWG JV Offer in relation to each shareholder. This report on the merits of the MHWG JV Offer is therefore necessarily general in nature.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Merits of the MHWG JV Offer

2.1 Basis of Evaluation

Rule 21 of the Code requires an evaluation of the *merits* of the MHWG JV 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:

- the Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated May 2014
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the MHWG JV Offer should focus on:

- the rationale for the MHWG JV Offer
- the assessed value of MHW's shares and the value of the consideration to be received by shareholders
- the implications of the conditions attached to the offer
- the likelihood of alternative offers or alternative transactions
- the advantages and disadvantages for the shareholders of accepting the MHWG JV Offer
- the implications for the shareholders of not accepting the MHWG JV Offer.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Rationale for the MHWG JV Offer

MHJWG JV has not provided any narrative in the Offer Documentation as to the rationale for its offer. It is not required to do so.

We have discussed the rationale for the MHWG JV Offer with MHWG JV's managers and administrators. They stated that the objective of the takeover offer is to simplify MHW's shareholding structure. MHW's operations are much less complex since the completion of the Asset Sales. While the Company has 534 shareholders, the top 20 shareholders hold almost 98% of the shares. As it has more than 50 shareholders, MHW is deemed to be a code company and must comply with the provisions of the Code. Completion of the MHWG JV Offer will reduce the number of shareholders and MHW will no longer be a code company. This will enable members of MHWG JV to effect any changes in MHW's capital structure (such as capital raisings or the sale and purchase of shares) more efficiently as shareholder approval under the provisions of the Code will no longer be required. The MHWG JV Offer will also enable the Company to save on administration costs (estimated to be in the vicinity of $50,000 per annum).

We consider the rationale for the MHWG JV Offer to be sound. MHW must comply with the provisions of the Code as it is currently a code company. This requirement can sometimes add significant regulatory compliance costs to a relatively small business.

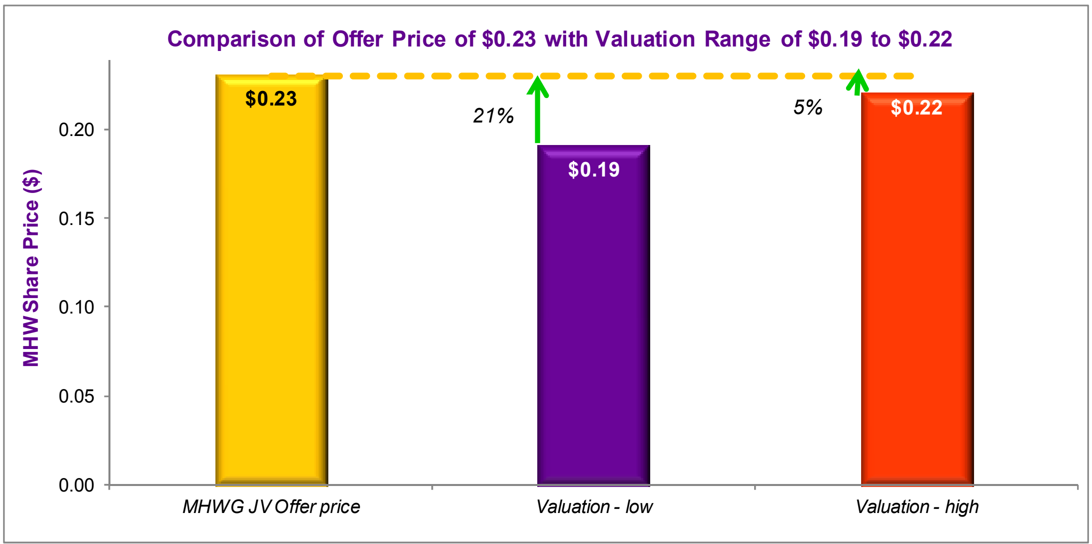
The acquisition of 100% of the Company's shares will enable MHWG JV to gain access to the Company's cash balances, which stood at $6.9 million as at 30 April 2014. MHWG JV's outlay under a successful offer will amount to $4.1 million (plus costs). We are not aware of how MHWG JV is financing the MHWG JV Offer but following the completion of the offer, the cash held by MHW could be used by MHWG JV to retire any debt that was raised to finance the MHWG JV Offer.

2.3 Value of MHW's Shares Compared with the Offer Price of $0.23

In our opinion, the full underlying value of the MHW shares is in the range of $0.19 to $0.22 per share, as set out in section 5.

This value is for 100% of the ordinary shares based on the Company's current strategic and operational initiatives and therefore reflects the value of control. However, it excludes the value of any synergies that MHWG JV may specifically derive from acquiring full control of MHW.

The MHWG JV Offer consideration is cash of $0.23 per share, which is above the upper end of our valuation range.

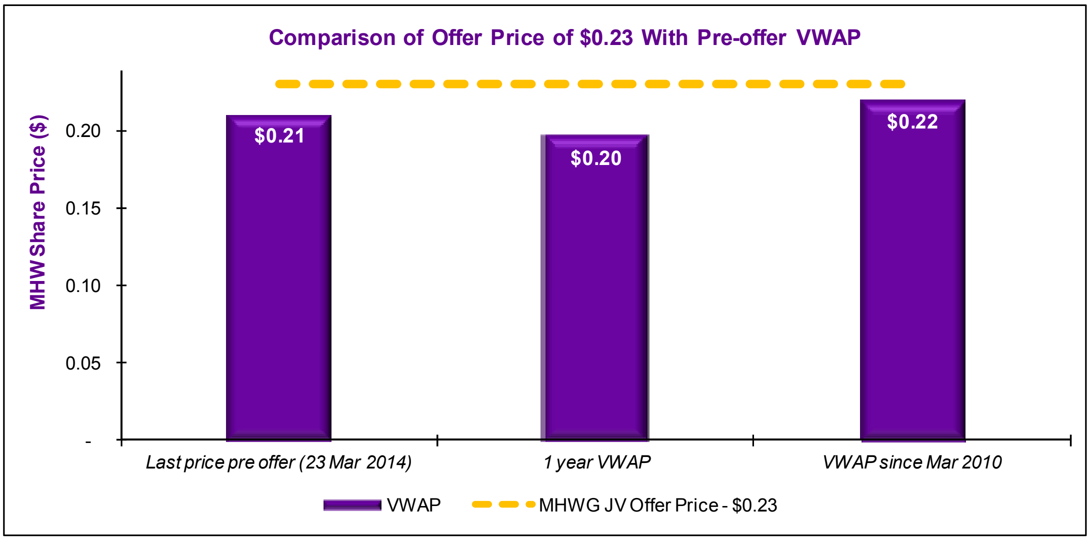


2.4 MHW Share Price Compared with Offer Price of $0.23

MHW's shares are not listed on any securities trading platform. The Company maintains a register of share trades and facilitates trades for shareholders.

The analysis in section 4.12 shows that 4,239,384 shares have traded since March 2010 at prices between $0.15 and $0.25 at a volume weighted average share price (**VWAP**) of $0.22.

The MHWG JV Offer of $0.23 per share represents a premium of 10% on $0.21 (being the price that the shares last traded at on 23 March 2014 before the MHWG JV Offer was announced), a premium of 15% on the one year VWAP of $0.20 and a premium of 5% over the VWAP since March 2010 of $0.22.



The vast majority of successful takeovers of listed companies are at a premium to recent trading prices and, in general terms, tend to be priced at a premium in the vicinity of 20% to 35%.

We note that trading in the Company's shares is extremely thin as the shares are not listed on any securities trading platform. In our view, the lack of liquidity in the Company's shares means that the observed share prices may not be a reliable indicator of the market value of MHW's shares.

2.5 Potential Synergies

The obvious immediate synergies available to MHWG JV arising from its full ownership of MHW will be a reduction in the level of administration costs that would be incurred. The Company would not need to have any independent directors on its board and it would have a significant lower number of shareholders to report to. These cost savings are estimated to be in the vicinity of $50,000 per annum.

As stated in section 2.2, MHWG JV will also be able to gain access to the Company's cash balances, which could be used to retire any debt that was raised to finance the MHWG JV Offer.

2.6 Conditions of the MHWG JV Offer

The only condition of the MHWG JV Offer is the Minimum Acceptance Condition, whereby MHWG JV must receive acceptances for 90% or more of the voting rights in MHW by the end of the offer period (unless extended by MHWG JV).

The 90% shareholding threshold entitles MHWG JV to invoke the compulsory acquisition provisions of the Code. As the members of MHWG JV collectively hold 222,744,754 shares (92.59% of the total shares on issue and 92.40% of the voting shares), the Minimum Acceptance Condition will be met as soon as MHWG JV receives any acceptance in respect of any number of shares from any MHW shareholder who is not a member of MHWG JV.

AWAK has advised the Independent Directors that it intends to accept all of its 952,381 shares into the MHWG JV Offer. On this basis, it is certain that the Minimum Acceptance Condition will be met and the offer will be declared unconditional.

2.7 Compulsory Acquisition

On the basis that it is certain that the MHWG JV Offer will be declared unconditional, MHWG JV will have the right to, and has stated that it intends to, compulsorily acquire the remaining shares in the Company.

Shareholders are therefore not faced with the simple decision of whether they should accept or reject the MHWG JV Offer as shareholders who reject the offer will not be able to retain their shares when MHWG JV compulsorily acquires the shares. However, while shareholders cannot stop MHWG JV from acquiring their shares, their decision as to whether to accept or reject the MHWG JV Offer may have an impact on how the shares are priced for the purposes of compulsory acquisition.

If the holders of more than 50% of the shares for which the offer is made (ie more than 8,915,622 shares, representing 3.71% of all of the shares in the Company and 3.80% of the voting shares) accept the offer, the price at which the other shares will be compulsorily acquired will be the offer price of $0.23 per share.

If the holders of more than 8,915,622 shares do not accept the offer, the price will be fixed as follows:

- MHWG JV will acquire the remaining shares at $0.23 per share, unless
- if within 14 days after the notice of compulsory acquisition is given by MHWG JV, the holders of 10% or more of the shares in respect of which the offer has not been accepted (which is at a maximum 1,783,124 shares, representing 0.74% of all the shares in the Company and 0.76% of the voting shares) object to that price by giving notice to MHWG JV, the price will be determined by an independent expert appointed by the Takeovers Panel. This price may be less than or greater than $0.23 per share.

2.8 Likelihood of Alternative Takeover Offers

Given that the members of MHWG JV currently hold 92.59% of the Company's shares and 92.40% of the voting shares, we consider the likelihood of an alternate takeover offer to be extremely remote.

We are advised by the Independent Directors that as at the date of this report, they are not aware of any alternative takeover offer or alternative transaction impacting on the control of the Company.

For the sake of completeness, we note that if an alternative takeover offer was made, then those shareholders who had already accepted the MHWG JV Offer would not be able to accept those shares into the alternative takeover offer until the MHWG JV Offer lapsed. However, given that the likelihood of an alternate takeover offer is negligible, we do not consider that this matter should influence a shareholder's decision as to whether to accept the MHWG JV Offer.

2.9 Likelihood of MHWG JV Increasing the Offer Price

We are not aware of any intention on MHWG JV's part to increase its offer price. Given that the MHWG JV Offer is guaranteed to be declared unconditional once AWAK accepts the offer and MHWG JV will compulsorily acquire the remaining shares, we consider it highly improbable that MHWG JV will increase its offer price.

Nevertheless, if MHWG JV does increase its price under this offer, the increased price will be available to all shareholders, including those who have already accepted the MHWG JV Offer at $0.23 per share.

2.10 Advantages of Accepting the MHWG JV Offer

Acceptance of the offer will enable shareholders to realise cash of $0.23 for each of their shares. Payment must be made within 5 days of MHWG JV receiving the acceptance.

As stated previously, trading in the Company's shares is extremely thin as the shares are not listed on any securities trading platform. The MHWG JV Offer provides shareholders with the opportunity to promptly realise cash for their shares that otherwise may not be readily available.

2.11 Disadvantages of Accepting the MHWG JV Offer

We are of the view that there are no significant disadvantages to accepting the offer as shareholders cannot stop MHWG JV from compulsorily acquiring all of the shares in MHW once the MHWG JV Offer is declared unconditional.

However, as discussed in section 2.7, the non-acceptance of the offer may have an impact on how the compulsory acquisition price is set.

2.12 Summary of the Evaluation of the Merits of the MHWG JV Offer

The MHWG JV Offer is a full offer for all of the shares in the Company. Factors that shareholders should consider when deciding whether to accept or reject the MHWG JV Offer include:

- the rationale of the MHWG JV Offer is to reduce the number of shareholders in the Company, which will result in MHW no longer being a code company
- MHWG JV is already assured of holding at least 92.59% of the Company's shares (92.40% of the voting shares) once the MHWG JV Offer is declared unconditional. AWAK has notified the Independent Directors that it intends to accept the offer, thereby guaranteeing that the offer will be declared unconditional
- once the MHWG JV Offer is declared unconditional, MHWG JV will compulsorily acquire the remainder of the shares. The price at which shares will be acquired will be $0.23 per share or, in the circumstances explained in section 2.7, at the price determined by an independent expert
- we assess the full underlying value of MHW's shares to be in the range of $0.19 to $0.22 per share. The MHWG JV Offer price of $0.23 per share is 5% above the upper end of our range
- the MHWG JV Offer of $0.23 per share represents premia ranging from 5% to 15% over the Company's VWAP since March 2010. However, trading in the Company's shares is extremely thin and therefore does not necessarily represent a strong indication of the fair market value of MHW's shares

- given that MHWG JV will acquire at least 92.98% of the total shares on issue (including AWAK's shares), we consider the likelihood of an alternative takeover offer to be extremely remote and the likelihood of MHWG JV increasing its offer price to be highly improbable.

In our view, the key decision for shareholders is whether to accept the MHWG JV Offer immediately and receive cash of $0.23 per share within 5 days of the acceptance or wait until MHWG JV compulsorily acquires the shares at a price which may be $0.23 per share or, if sufficient shareholders object to that price, a price that is determined by an independent expert and which may be less than or greater than $0.23 per share.

2.13 Acceptance or Rejection of the MHWG JV Offer

Acceptance or rejection of the MHWG JV Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Overview of the New Zealand Wine Industry

3.1 Industry Snapshot

The New Zealand wine industry is relatively young when compared with many other international wine industries (particularly in Europe) and has grown significantly in the past decade:

- the number of wineries has increased by over 50%
- producing areas have increased by almost 100%
- tonnes crushed have increased by over 100%
- production has increased by over 100%
- export volumes have increased by nearly 450%.

New Zealand Wine Industry Snapshot	
Number of wineries	698
Number of growers	833
Producing area	35,732 hectares
Average yield	9.7 tonnes / hectare
Average grape price	$1,635 / tonne
Tonnes crushed	345,000 tonnes
Total production	248.4 million litres
Domestic sales of New Zealand wine	52.4 million litres
Consumption per capita of New Zealand wine	11.8 litres
Total sale of all wine	93.3 million litres
Consumption per capita of all wine	21.1 litres
Export volume	169.7 million litres
Export value (FOB)	$1,211 million

*Source: New Zealand Winegrowers (**NZWine**) Annual Report 2013*

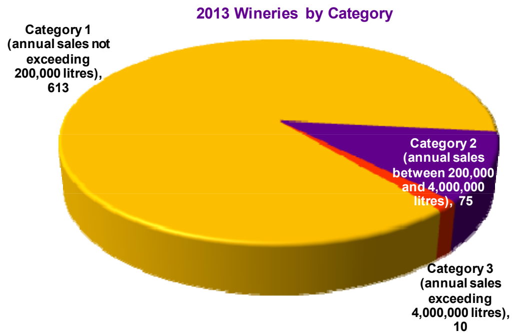
3.2 Industry Participants

Industry Structure

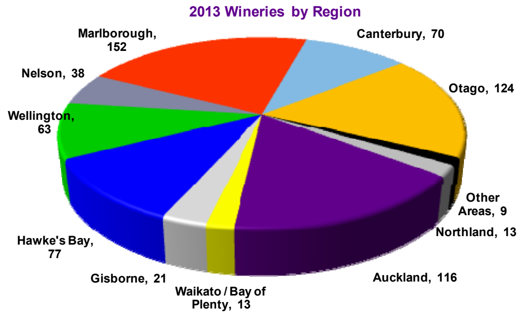
The structure of the New Zealand wine industry is characterised by a combination of winemakers growing their own grapes and a large number of independent growers who supply grapes under contract to wineries or sell grapes or bulk wine at spot market prices.

Wineries

There were 698 wineries in New Zealand in 2013, the majority of which had annual sales of less than 200,000 litres. The Marlborough region has the most wineries.



Source: NZWine Annual Report 2013

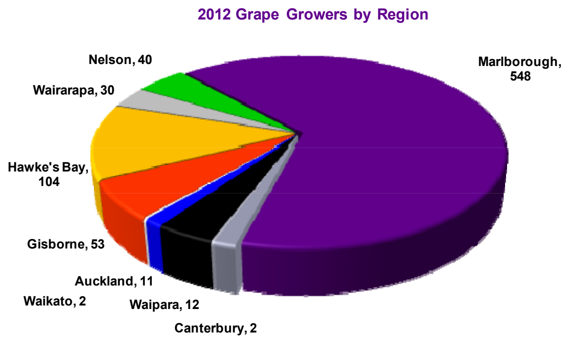


Source: NZWine Annual Report 2013

Grape Growers

There were 833 grape growers in New Zealand in 2013 (down 2 from 835 in 2012).

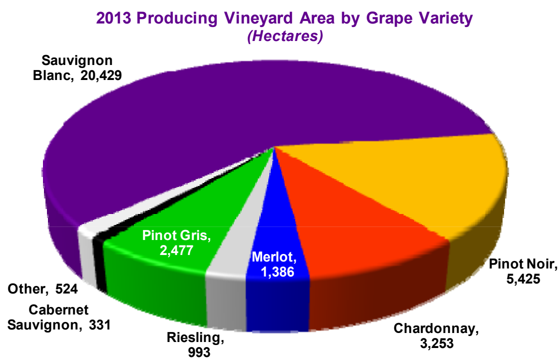
The majority of grape growers are in Marlborough followed by Hawke's Bay.



Source: NZWine Annual Report 2013

3.3 Vineyard Area

Grape Variety



Source: NZWine Annual Report 2013

There were 35,732 producing vineyard hectares in New Zealand in 2013.

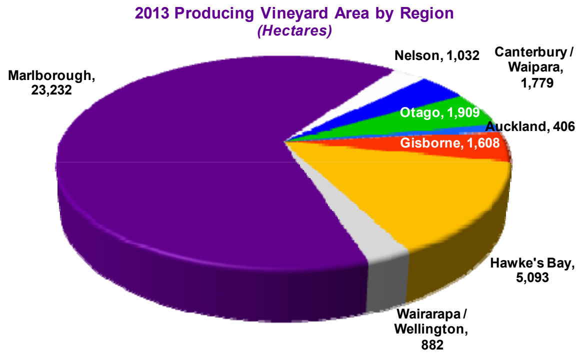
57% were planted in Sauvignon Blanc in 2010 with Pinot Noir representing the second largest plantings (15%).

NZWine forecasts that Sauvignon Blanc will continue to account for over 50% of planted hectares in New Zealand in the near term and for there to be no major changes in other planted varieties.

Regions

Marlborough accounted for 65% of the producing vineyard hectares in New Zealand in 2013, followed by Hawke's Bay with 14%.

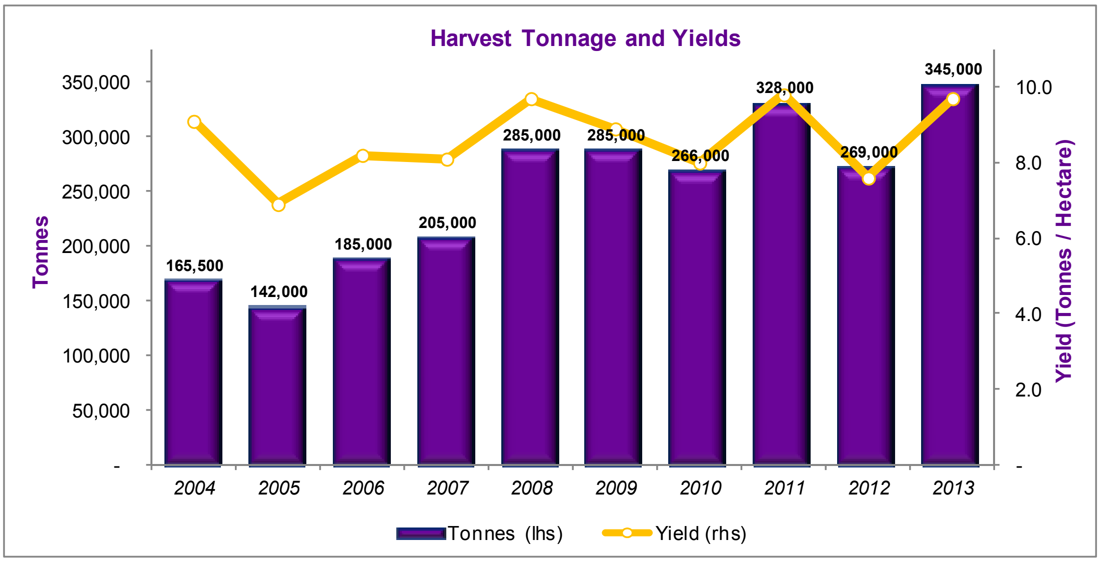
NZWine forecasts that Marlborough will continue to account for approximately 60% of planted hectares in New Zealand in the near term and for there to be no major changes in other regions.



Source: NZWine Annual Report 2013

3.4 Grape Supply

Grape supply increased by 108% between 2004 and 2013, increasing from 165,500 tonnes to 345,000 tonnes.



Source: NZWine Annual Report 2013

The 2008 grape harvest was 39% higher than 2007, driven by good weather and the maturing of large scale recent plantings in Marlborough. Sauvignon Blanc tonnage increased by 66% and Marlborough tonnage increased by 61%.

The large 2008 and 2009 grape harvests produced an oversupply of grapes. This oversupply severely tested the financial sustainability of the New Zealand wine industry as wineries urgently tried to clear tanks and generate cash flow by selling wine in bulk.

The 2012 harvest was 269,000 tonnes, down 59,000 tonnes (18%) on the (then) record 2011 harvest as a result of cool damp climatic conditions over spring and summer. The smaller vintage meant wine was in short supply and wineries took the opportunity to improve their positioning in the market. This resulted in the industry getting closer to a supply and demand equilibrium.

The 2013 harvest was a record 345,000 tonnes, up 76,000 tonnes (28%) on the 2012 harvest as a result of a long dry Indian summer providing ideal vintage conditions. While the vintage was much greater than the previous year, there was little concern in the industry that the record vintage would result in a reversion of supply significantly exceeding demand as experienced in 2008 and 2009, due to continuing strong consumer demand in established and new markets.

The initial indications regarding the 2014 harvest are that it was a large, high quality vintage following favourable growing conditions through the summer and early autumn.

Region Growth

Grape supply in the Marlborough region increased 172% from 92,581 tonnes in 2004 to 251,630 tonnes in 2013.

Grape supply in Hawke's Bay increased 28% from 30,429 tonnes to 38,829 tonnes.

Variety Growth

Sauvignon Blanc grape supply increased 238% from 67,773 tonnes in 2004 to 228,781 in 2013.

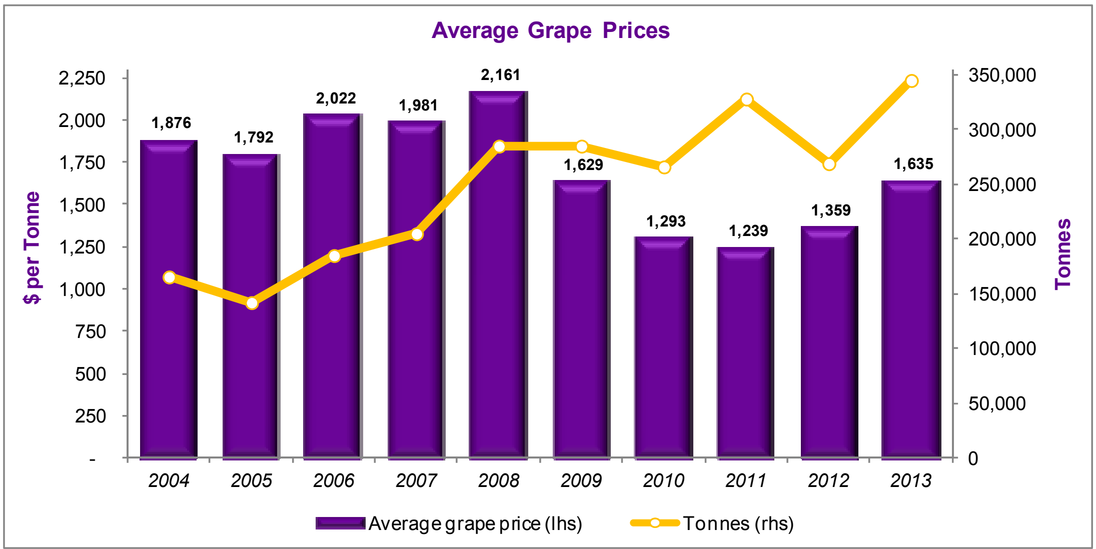
During the same period, Pinot Noir grape supply increased 58% from 20,145 tonnes to 31,775 tonnes and Chardonnay grape supply decreased 24% from 35,597 tonnes to 27,184 tonnes.

Grape Prices

The (then) record 2008 and 2009 grape harvests resulted in an oversupply of grapes which led to a significant reduction in grape prices in 2009.

Average grape price per tonne fell 25% to $1,629 in 2009 and a further 21% to $1,293 in 2010.

Average grape price per tonne remained relatively steady in 2011 at $1,239 and increased by 10% to $1,359 in 2012 and by 20% to $1,635 in 2013.



Source: NZWine Annual Report 2013

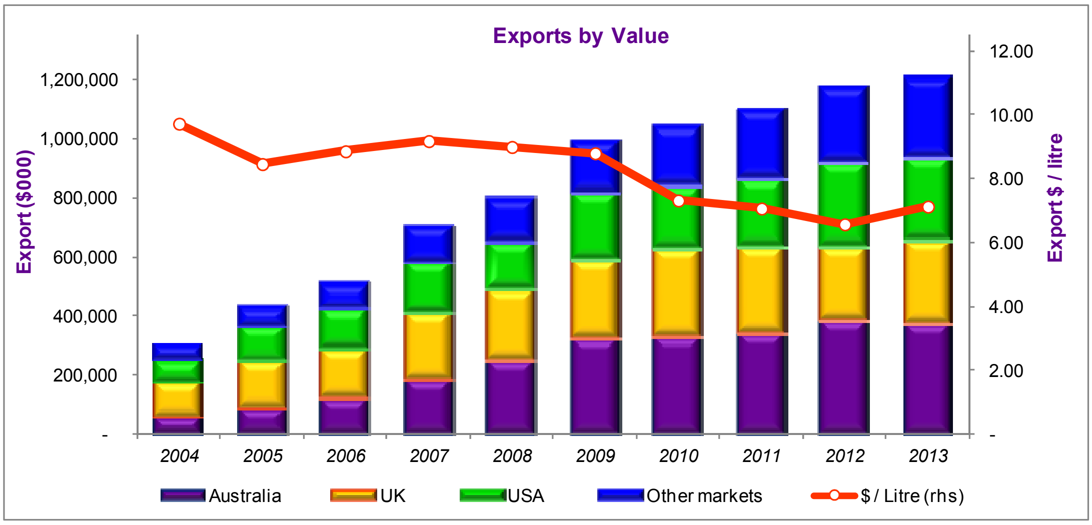
3.5 Exports

Volumes and Values

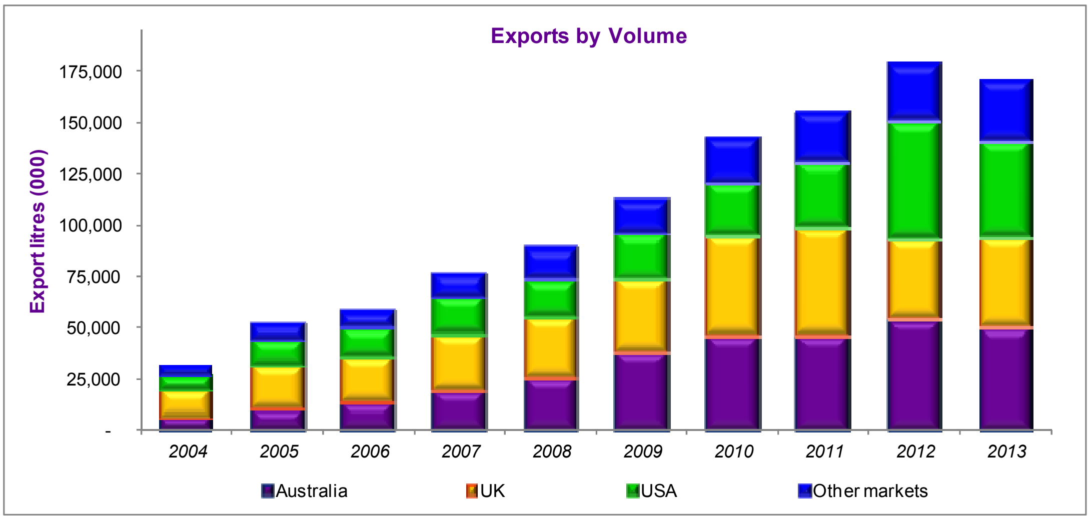
The level of New Zealand wine exports has increased dramatically in the past 10 years, with New Zealand now the world's 8th largest wine exporter by value.

169.7 million litres were exported in 2013, representing 68% of the industry's total production of 248.4 million litres.

The value of wine exports in 2013 was $1.2 billion, an increase of 3% over 2012, notwithstanding a 5% decrease in export volumes.



Source: NZWine Annual Report 2013



Source: NZWine Annual Report 2013

Key Markets

Australia is the largest export market, accounting for 31% of exports by value and 29% by volume in 2013.

The UK is the second largest export market, accounting for 28% of exports by volume and 23% by value in 2013.

The USA is the third largest export market, accounting for 26% of exports by volume and 23% by value in 2013.

Sauvignon Blanc accounted for 84% of wine exports in 2013 by volume, with 144.6 million litres exported primarily to Australia, UK and USA.

Prices

Average price per litre was relatively steady at approximately $9 / litre in the 4 years to 2009.

However, the effects of the global financial crisis, a sustained high New Zealand dollar and the increase in bulk wine sales from 2009 onwards has negatively impacted average prices, with average price dropping each year down to $6.57 / litre in the 2012 year before increasing marginally to $7.13 / litre in 2013.

The increase in average price in 2013 was driven by an increase in packaged products and a reduction in bulk shipments. However, the strong New Zealand dollar continued to negatively impact on export returns.

Bulk Wine Sales

The increase in the availability of bulk wine in 2009 due to the oversupply of grapes resulted in a number of substantial global companies buying surplus bulk wine at low prices and creating new bottled wine labels that significantly undercut the branded wine export prices of New Zealand wine companies.

Bulk wine sales increased from 5% of total New Zealand export sales (4 million litres) in 2008 to 20% (23 million litres) in 2009, 27% (38 million litres) in 2010 and 31% (48 million litres) in 2011.

Since then, bulk wine exports have declined, representing less than 30% of total wine exported in 2012 and are expected to continue to decline.

3.6 Industry Outlook

NZWine released a strategic review of the New Zealand wine industry in November 2011, authored by PricewaterhouseCoopers (**PwC**).

Despite the reduced returns experienced by the industry in the recent years leading up to the review, PwC concluded that the outlook for the New Zealand wine industry was positive. Demand for New Zealand wine in key export markets had grown at a compound annual growth rate of approximately 15% over the past decade. This compared favourably with both the global supply growth of 1% per annum over the same period and the total wine demand growth of 5% per annum.

The strategic review concluded that supply of New Zealand wine would tighten due to the reduction of new plantings over the last couple of years together with a short term constraint in winery capacity. On the demand side, growth in the USA and China markets was expected to be significant. The report concluded that the tightening in supply should lead to higher prices for New Zealand wines.

In its document entitled *New Zealand Wine Insights Issue one* dated November 2012, PwC provided an update on the key issues identified in the strategic review and concluded that given that the industry has experienced rapid growth and continues to evolve, further change and development is inevitable, including:

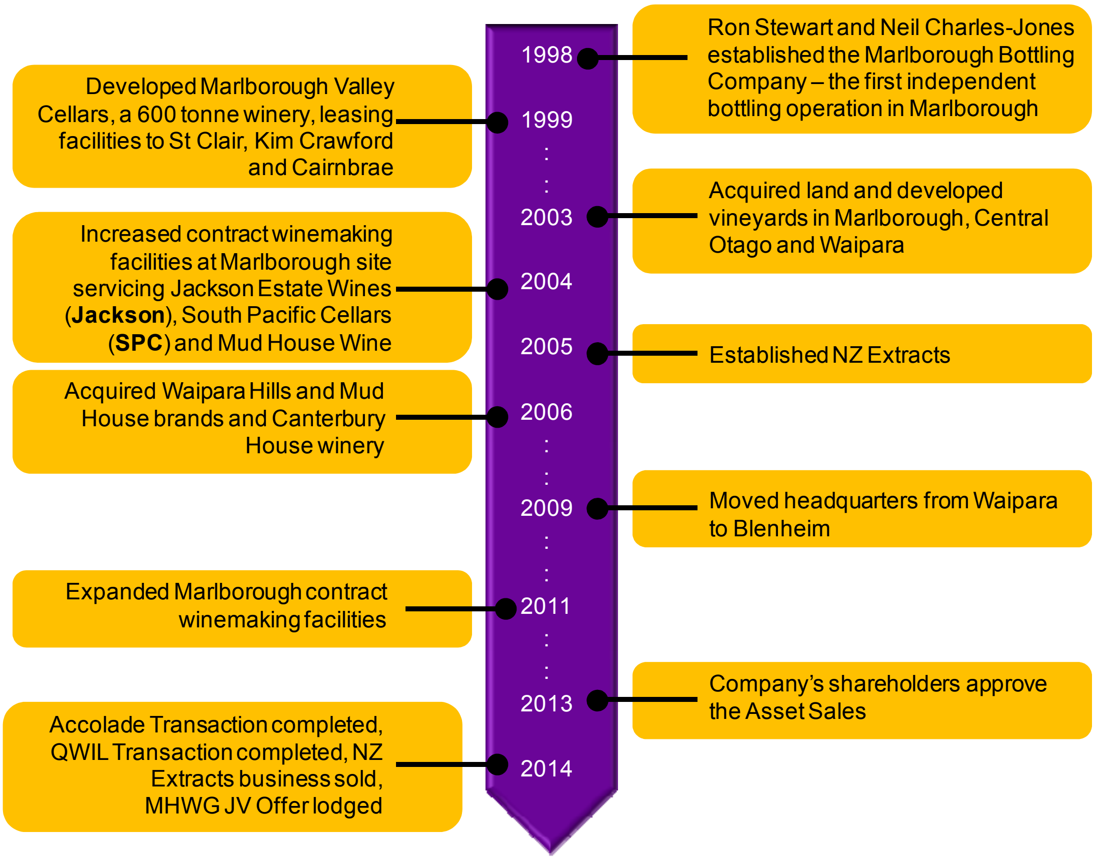
- consolidation at both the grower and winery levels
- development of grower co-operatives
- further growth in contract processing.

4. Profile of MHW

4.1 Company Background and History

The Company was incorporated on 15 June 2001 as Waipara Hills Wine Limited. It changed its name to The Mud House Wine Group Limited on 29 June 2007 and to MHW Group Limited on 1 April 2014.

Key events in the Company's history are set out below.



4.2 Overview of Operations Prior to the Asset Sales

Prior to the Asset Sales, MHW was an integrated wine company involved in:

- growing grapes on 392.3 planted hectares of vineyards in Marlborough, Waipara and Central Otago
- winemaking
- marketing and sales of premium quality wines in New Zealand and to export markets.

4.3 Asset Sales

Accolade Transaction

NZVE and NZVEW entered into an agreement on 4 November 2013 for the sale to Accolade of the business comprising:

- the sale of wine under the *Mud House*, *Waipara Hills*, *Dusky Sounds*, *HayMaker*, *Sky Leaf*, *Equinox* and other brands
- the sale of stock, including finished goods and bulk wine
- the operation of the cafe / cellar door trading as Waipara Hills and an associated hospitality business
- “cellar door” and on-line wine sales businesses
- the business of growing grapes on vineyards, sourcing grapes from other growers and selling grapes.

The consideration for the businesses is not disclosed as it is confidential to the parties.

In addition to acquiring the businesses, Accolade took on all grower contracts, all MHW staff (including the Company’s then chief executive officer (**CEO**) MJ Loza) but excluding NZW staff and the then chief financial officer Louise Miller (who is now CEO of MHW).

Accolade is a global wine company with some of the world’s best known brands sold in over 80 countries.

The Accolade Transaction settled on 1 April 2014. The final wash up of the purchase price is due to be paid on 1 July 2014 and is subject to a working capital adjustment.

QWIL Transaction

NZVE entered into an agreement on 4 November 2013 for the sale to QWIL of all of vineyard land holdings (comprising 392.3 planted hectares) and certain associated assets for $46.4 million.

QWIL is associated with Belvino Investments, which is an agricultural investment business that invests in vineyards across major wine regions of Australia and New Zealand. Its portfolio of vineyards covers approximately 4,600 planted hectares across Australia and approximately 1,100 planted hectares in New Zealand (including the vineyards acquired from NZVE). It is majority owned by CK Life Sciences Int'l Inc., part of the Cheung Kong Group in Hong Kong.

Accolade has entered into a lease agreement with QWIL to lease the vineyards.

The QWIL Transaction settled on 1 April 2014.

NZ Extracts

MHW sold the NZ Extracts business in January 2014 and amalgamated NZE Holding Co Limited (**NZE Holding**) with NZW in May 2014.

4.4 Overview of Current Operations

Following the Asset Sales and the sale of the NZ Extracts business, the Company's assets are its winery assets located in Blenheim and Waipara owned by NZW.

Blenheim Winery

The Blenheim winery is located at 16-22 Liverpool Street in the Riverlands Industrial Estate, approximately 7 kilometres from Blenheim.

The 1.74 hectare property comprises 4 independent winery facilities with a central shared receivable and press area.

Up until 28 February 2014, MHW operated 3 of the winery units and leased the fourth winery unit to SPC at an annual rental of $1.3 million. SPC is 25% owned by MHW and 75% owned by Lake Chalice Wines Limited.

MHW now operates all 4 winery units, which have the capacity to process over 14,000 tonnes of grapes.

The Blenheim winery is situated next to WineWorks Marlborough Limited, a significant bottling plant.

Waipara Winery

The Waipara winery (formerly known as Canterbury House Winery) is located at Glasnevin Road, approximately 3 kilometres south of the Waipara Township and approximately 8 kilometres north of Amberley.

The 14.6 hectare property comprises the winery (4 hectares) as well as a cellar door and restaurant, which are leased to Accolade.

The Waipara winery currently has the capacity to process approximately 1,200 tonnes of grapes.

Wine Processing Agreement

In conjunction with the Asset Sales, NZW and Accolade entered into a 6 year wine processing agreement dated 4 November 2013 (the **Wine Processing Agreement**). The terms of the Wine Processing Agreement are commercially sensitive and therefore are not disclosed in this report.

Key Competitors

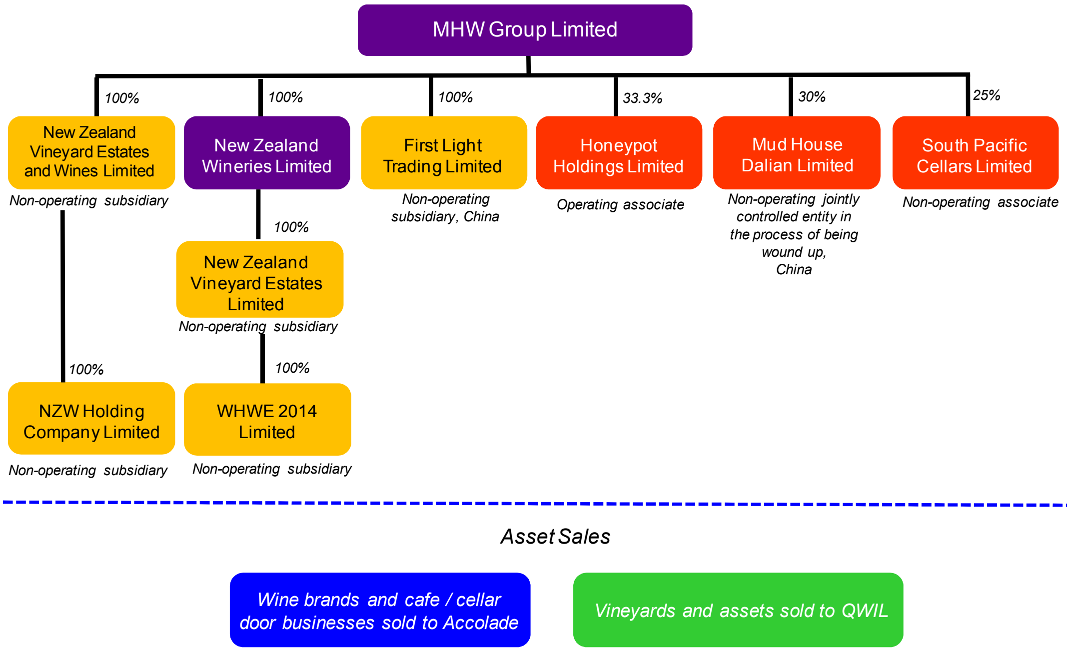
NZW's main competitors include:

- Indevin Partners – New Zealand's largest wine infrastructure and supply company, founded in Marlborough in 2004. It has operations in Blenheim and Gisborne and processes approximately 15% of all grapes produced in New Zealand
- VinLink Marlborough – the business was established for vintage 2013 and focuses mainly on bulk wine processing
- Spring Creek Vintners – an independent contract winemaking facility that has been operating since 2005. It offers a full range of specialised wine making services
- Marlborough Vintners - provides contract wine processing facilities for both white and red wine varietals in Blenheim

- Pernod Ricard – a multinational wine company which has spare tank capacity following the relocation of a number of tanks from Hawke's Bay, which it uses for external contract processing
- other wineries such as Marisco Vineyards, Matua and Kono Beverages.

4.5 Corporate Structure

The current MHW corporate group structure (after the Asset Sales) is set out below.



4.6 Capital Structure and Shareholders

MHW currently has 240,575,999 ordinary shares on issue held by 534 shareholders:

- 234,575,999 voting shares held by 533 shareholders
- 6,000,000 non-voting shares held by CODCL.

The holder of a voting share has the following rights:

- the right to an equal share of dividends authorised by the MHW board
- the right to an equal share of a distribution of surplus assets
- the right to cast one vote.

The holder of a non-voting share has the same rights, except the right to vote.

The names, number of shares and percentage holding of the 10 largest ordinary shareholders as at 6 June 2014 are set out below.

10 Largest Shareholders			
Shareholder	**No. of Shares Held**	**% of Total Shares**	**% of Voting Shares**
MWTL	48,945,571	20.35%	20.87%
Ronald Stewart	40,198,272	16.71%	17.14%
BFM	34,596,067	14.38%	14.75%
Stocker	32,630,382	13.56%	13.91%
Adrian Dykzeul	20,099,136	8.35%	8.57%
Ian Morris	20,099,136	8.35%	8.57%
Gavin Abbot and Lindsay Lloyd	9,609,118	3.99%	4.10%
MBT Limited	7,142,857	2.97%	3.05%
CODCL	6,000,000[1]	2.49%	-
Thomas Johnson, Raina Johnson and Michael McPhail	3,418,661	1.42%	1.46%
Subtotal	222,739,200	92.59%	92.40%
Others (524 shareholders)	17,836,799	7.41%	7.60%
Total	240,575,999	100.00%	100.00%

1 Non-voting shares

Source: MHW

The 13 members of the MHWG JV collectively hold 222,744,754 shares (92.59% of the total shares on issue and 92.40% of the voting shares).

AWAK holds 952,381 shares (0.40% of the total shares on issue and 0.41% of the voting shares). AWAK is not a member of MHWG JV but John Williams, who wholly owns AWAK, is a manager and administrator of MHWG JV.

4.7 Directors and Senior Management

The directors of MHW are:

- Neil Charles-Jones (member of MHWG JV and MHWG JV manager and administrator)
- Bob Major, chair, independent
- Glen Murphy, independent
- Ron Stewart (member of MHWG JV)
- John Williams (MHWG JV manager and administrator).

The Company’s senior executives are:

- Louise Miller, CEO
- Alistair McIntosh, general manager
- Stephen Frame, finance manager.

4.8 Corporate Objectives and Strategy

MHW's mission statement is:

to be recognised as New Zealand's premier service provider of contract winemaking; providing the facilities, services and people that allow our clients to produce the quality of wine they want at a relative cost advantage and with flexibility that reduces their risks.

MHW's strategic initiatives are focussed on:

- delivering what MHW promises to its clients, recognising there are choices as to where they make their wine and believing in the value of strong long term relationships
- commitment to continuously improving the Company's processes using tools such as *LEAN* to help ensure clarity, improve sustainability and to reduce client costs over time
- being client focussed and continually investigating ways to optimise capacity, increase MHW's service range and improve its facilities
- retaining and protecting the people who work in the Company's business as knowledge and experience are critical in MHW's ability to make quality wine.

4.9 Key Issues Affecting MHW

The main industry and specific business factors and risks that MHW faces include:

- wine industry demand and supply – an imbalance between grape supply and quality and the demand for New Zealand wine may have an adverse impact on customers' needs for MHW's contract processing services
- customer concentration – Accolade accounts for over half of the grape tonnage processed by the Company
- product concentration – the Company is heavily focussed on processing a single varietal
- competition – the wine processing industry is highly competitive, which could have an adverse impact on processing pricing and margins
- extreme weather conditions / natural disasters (such as the 2 earthquakes experienced in Marlborough in July and August 2013) may have an adverse impact on the Company's winery assets and MHW's ability to provide wine processing services to its customers
- changes in the regulatory environment in respect of alcoholic beverage sales and consumption, employment, environmental compliance, health and safety, food and beverage production and other government policies or laws could have an adverse impact on MHW's operations
- the ability to recruit and retain a suitably experienced workforce
- the ability to adequately finance the Company's operations.

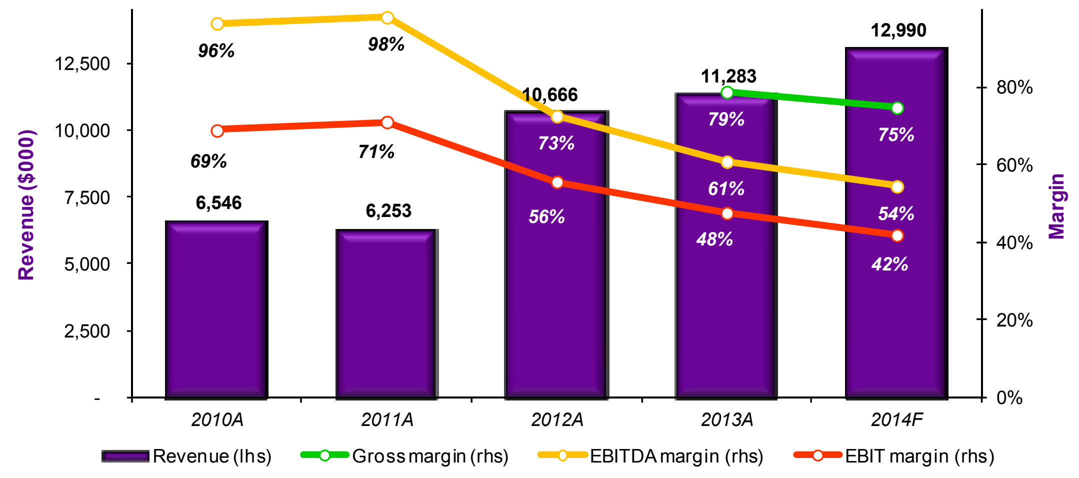
4.10 Financial Performance

Following the Asset Sales, the MHW business consists solely of NZW's operations. Accordingly, the analysis of historic and current year financial performance is based only on NZW's financial performance. This is summarised below.

Summary of NZW Financial Performance

	Year to 30 Jun 10 (Actual) $000	Year to 30 Jun 11 (Actual) $000	Year to 30 Jun 12 (Actual) $000	Year to 30 Jun 13 (Actual) $000	Year to 30 Jun 14 (Forecast) $000
Revenue	6,546	6,253	10,666	11,283	12,990
Gross profit	n/a	n/a	n/a	8,884	9,711
EBITDA	6,313	6,130	7,737	6,863	7,073
EBIT	4,508	4,442	5,931	5,369	5,441
NPBT	3,306	2,972	4,103	3,982	4,017

n/a: *Not applicable*
EBITDA: *Earnings before interest, tax, depreciation and amortisation*
EBIT: *Earnings before interest and tax*
NPBT: *Net profit before tax*
Source: *NZW annual management accounts and forecast for the year ended 30 June 2014*

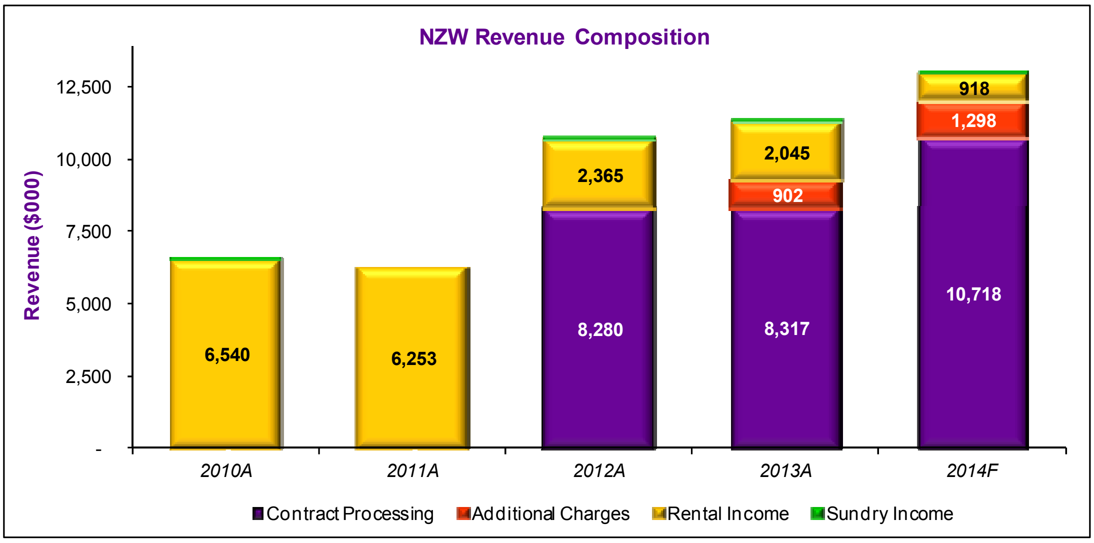


Up to the 2011 financial year, NZW operated as a rental operation rather than a contract processing operation. Its revenue consisted entirely of rent received from leasing the 4 winery units, including rent received from MHW group companies.

In the 2012 financial year, the nature of the business was changed to a contract processing operation and the majority of its income was derived from contract processing for both MHW group companies and external customers. Accordingly, NZW's revenue increased significantly in the 2012 financial year but its underlying earnings levels remained relatively steady.

Revenue

NZW's revenue increased from $6.5 million in the 2010 financial year to $11.3 million in the 2013 financial year and is forecast to increase to $13.0 million in the 2014 financial year.



NZW's revenue in the 2010 and 2011 financial years consisted entirely of rent received from renting out the winery facilities to MHW group companies and external customers.

The change to a contract processing operation in the 2012 financial year resulted in a change in revenue composition for NZW, with MHW group companies and external customers being charged processing fees of $8.3 million based on volumes processed.

The forecast increase in contract processing revenue in the 2014 financial year reflects that the fourth winery unit reverted to NZW when the SPC lease terminated in February 2014 and therefore NZW has been able to contract process a much greater volume in vintage 2014.

Additional charges represent revenue from services such as finishing of wine and barrel storage. The increase in revenue from additional charges in the 2013 and 2014 financial years was due to increased processing volumes.

Following the change to a contract processing operation, rental income in the 2012 and 2013 financial years was primarily from the lease of 2 of the Blenheim winery units to Jackson and SPC respectively. The Jackson winery unit reverted to NZW for the 2013 vintage. The SPC lease terminated in February 2014, accounting for the $0.9 million of rental income in the 2014 financial year.

Gross Margin

NZW's main cost of sales are wages, wine additives and electricity.

Gross margin in the 2013 financial year was 79% and is forecast to be 75% in the 2014 financial year. The decrease is due mainly to a significant increase in wages in respect of additional winemaking staff and assistant winemakers.

Other Operating Expenses

Salaries and wages represent MHW's largest category of administration expenses, ranging from $0.6 million to $1.2 million each year (5% to 11% of revenue).

Repairs and maintenance costs increased from $0.4 million in the 2013 financial year to $0.7 million in the 2014 financial year due to costs associated with tank damage suffered during the 2 earthquakes in Marlborough in July and August 2013.

NZW was charged a management fee of $0.3 million by the MHW parent company in the 2013 financial year for its share of corporate overheads. No management fee was charged in the 2012 financial year. If a similar level of management fee was charged, NZW's adjusted EBITDA in the 2012 financial year would have been $7.4 million.

Non-recurring Items

NPBT of $4.1 million in the 2012 financial year included a $0.3 million loss on the investment in NZ Extracts.

NPBT of $4.0 million in the 2013 financial year included a $0.8 million revaluation of the winery assets.

The forecast NPBT of $4.0 million in the 2014 financial year includes:

- a $0.4 million gain arising in May 2014 from the amalgamation of NZW with NZE Holding
- a $0.6 million gain arising from the revaluation of financial instruments
- a $0.6 million loss arising from the gifting of 5.9 hectares of land by NZW to NZVE in February 2014 as part of a boundary adjustment in order to facilitate the QWIL Transaction.

2014 Forecast

The 2014 forecast is based on the actual results for the 10 months ended 30 April 2014 and the forecast results for the 2 months of May and June 2014.

Summary of NZW 2014 Financial Year Forecast

	10 Mths to 30 Apr 14 (Actual) $000	2 Mths to 30 Jun 14 (Forecast) $000	Year to 30 Jun 14 (Forecast) $000
Revenue	10,628	2,362	12,990
Gross profit	7,849	1,862	9,711
EBITDA	5,608	1,465	7,073
EBIT	4,376	1,065	5,441
NPBT	1,972	2,045	4,017

Source: NZW forecast for the year ended 30 June 2014

The 2014 forecast for the 2 months is based on the following key assumptions:

- revenue of $1.2 million each month
- average gross margin of 79%
- other operating expenses of $0.2 million each month
- a $0.4 million gain in May 2014 from the NZW / NZE Holding amalgamation
- a $0.6 million gain from the revaluation of financial instruments.

4.11 Financial Position

A summary of MHW's financial position as at 30 April 2014 after the Asset Sales is set out below. MHW's financial position prior to the Asset Sales is considered not to be relevant as it includes MHW's prior investment in vineyards and wine brands and therefore does not reflect the current nature of MHW's business operations.

Summary of Financial Position

	As at 30 Apr 14 (Unaudited) $000
Cash and cash equivalents	6,949
Accolade Transaction deferred payment	5,000
Trade and other receivables	1,540
Other current assets	314
Current assets	13,803
Property, plant and equipment	41,617
Intangible assets	883
Investments	582
Non current assets	43,082
Total assets	56,885
Trade and other payables	(2,692)
Current liabilities	(2,692)
Financial instruments	(863)
Deferred tax	(5,043)
Non current liabilities	(5,906)
Total liabilities	(8,598)
Total equity	48,287

Source: MHW 30 April 2014 management accounts

Given the nature of its operations, NZW operates on negative operating working capital (ie its payables exceed its receivables) and its main investment is in its property, plant and equipment.

MHW held $6.9 million of cash and cash equivalents as at 30 April 2014, following the settlement of the Asset Sales on 1 April 2014.

A $5.0 million deferred payment on the Accolade Transaction is due to be received from Accolade on 1 July 2014 (subject to any adjustment due to changes in working capital balances).

Trade and other receivables mainly relate to contracting processing fees owing to NZW and wine equalisation tax receivable.

Property, plant and equipment of $41.6 million as at 30 April 2014 consisted mainly of the Company's 2 winery assets:

- plant and equipment of $24.7 million
- land and buildings of $16.9 million.

The market value of NZW's land and buildings and plant and equipment was assessed by Logan Stone on 30 June 2013 (the **June 2013 LS Valuation**). The assets are carried at their market valuations at the end of each financial year.

Summary of June 2013 LS Valuation		
	Blenheim Winery $000	**Waipara Winery $000**
Land	1,750	675
Buildings	8,072	3,056
Other improvements	3,150	573
Plant and equipment	21,194	2,177
	34,166	6,481

The assets were valued based on comparable sales, cost and income approaches and the final assessed values were roughly the midpoint of the valuation range

Logan Stone has updated its valuation assessment of the 2 wineries as at 28 May 2014 (the **May 2014 LS Valuation Update**). It assesses the value of the Blenheim winery to be $35.75 million (up $1.58 million) and the value of the Waipara winery to be $6.18 million (down $0.3 million). The movements relate primarily to the value of plant and equipment and reflect capital expenditure at the Blenheim winery and depreciation at the Waipara winery.

Intangible assets consist mainly of goodwill arising on the reverse acquisition of MHW.

Investments of $0.6 million as at 30 April 2014 consisted mainly of:

- $0.4 million in respect of a 33% shareholding in Honeypot Holdings Limited (**Honeypot**) – a vineyard technology and research business that markets the *Klima* pruning system
- $0.1 million in respect of a 25% shareholding in SPC.

Current liabilities consist mainly of trade payables, income in advance and accrued expenses.

Financial instruments represent interest rate swaps that the Company has entered into. The swaps mature in March 2016. The marked-to-market value of the swaps was $0.9 million as at 30 April 2014.

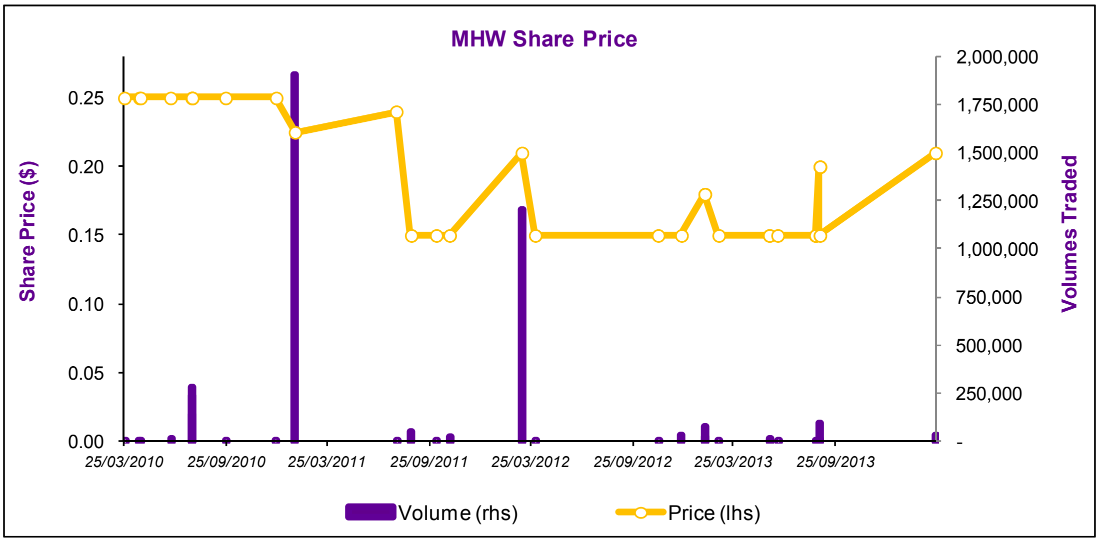
The deferred tax liability arises mainly from timing differences on the depreciation of fixed assets.

The Company's level of net tangible assets (**NTA**) per share as at 30 April 2014 was $0.20.

4.12 Share Price History

MHW's shares are not listed on any securities trading platform. The Company maintains a register of share trades and facilitates trades for shareholders.

The Company's share trading since March 2010 is set out below.



Source: MHW

The graph represents share trades where the share price is known. During the period, 4,239,384 shares (1.8% of the total shares on issue) have traded between $0.15 and $0.25 at a VWAP of $0.22. Over the past year, 168,914 shares (0.1% of the total shares on issue) have traded between $0.15 and $0.21 at a VWAP of $0.20.

5. Valuation of MHW

5.1 Introduction

The MHWG JV Offer is a full takeover offer for all of the Company's shares. In such circumstances, we are of the view that the appropriate basis upon which to evaluate the fairness of the MHWG JV Offer is to compare the offer price of $0.23 per share with the full underlying value of MHW on a standalone basis, pro-rated across all shares.

Such an approach attributes full control value to MHW under its current strategic and operational initiatives, but excludes the value of any synergies that may accrue to a specific acquirer. The resulting value exceeds the price at which we would expect minority interests in MHW to trade in the absence of the MHWG JV Offer.

This approach is in line with one of the Code's core foundations that all shareholders be treated equally and is consistent with Rule 57(4) of the Code (which deals with specific circumstances when an expert determination is required in respect of compulsory acquisition), which seeks to avoid issues of premia or discounts for minority shareholdings.

5.2 Standard of Value

We have assessed the fair market value of 100% of the shares in MHW.

Fair market value is defined as the price that a willing but not anxious buyer, with access to all relevant information and acting on an arm's length basis, would be prepared to pay to a willing but not anxious seller in an open, unrestricted and stable market.

5.3 Basis of Valuation

In general terms it is recognised that the value of a share represents the present value of the net cash flows expected therefrom. Cash flows can be in the form of either dividends and share sale proceeds or a residual sum derived from the liquidation of the business.

There are a number of methodologies used in valuing shares and businesses. The most commonly applied methodologies include:

- discounted cash flow (**DCF**)
- capitalisation of earnings
- net assets or estimated proceeds from an orderly realisation of assets.

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

The DCF method is the fundamental valuation approach used to assess the present value of future free cash flows (**FCF**), recognising the time value of money and risk. The value of an investment is equal to the value of FCF arising from the investment, discounted at the investor's required rate of return.

The capitalisation of earnings method is an adaptation of the DCF method. It requires an assessment of the maintainable earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure.

An assets based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them. A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and/or there is some indication that an orderly realisation is contemplated.

5.4 Valuation Approach

We have assessed the fair market value of MHW using the DCF and the capitalisation of earnings methods.

The DCF and capitalisation of earnings methods that we have applied derive an assessment of the value of the core operating business, prior to considering how the business is financed or whether it has any significant surplus assets. This ungeared business value is commonly referred to as the enterprise value and represents the market value of the operating assets (i.e. operating working capital, fixed assets and intangible assets such as brand names, licences, know-how and general business goodwill) that generate the operating income of the business.

In order to assess the value of MHW's shares, we have added the value of cash and cash equivalents, the final payment receivable under the Accolade Transaction and the value of the investments in associates to the Company's enterprise value and deducted the value of MHW's financial instruments.

5.5 Discounted Cash Flow Valuation

Overview

The DCF methodology assesses value in 2 stages:

- first, the FCF of the business are forecast over a given time frame and a forecast of maintainable FCF beyond then is used to determine a perpetuity value
- then the FCF are adjusted to reflect their value at a certain point in time. Present values are calculated by discounting the FCF at an appropriate discount rate.

FCF represent the surplus cash associated with the business after deducting operating expenses, tax, movements in working capital and capital expenditure. They represent the cash which is available to pay returns to providers of debt and equity capital.

The discount rate used to determine the present values of the FCF is the estimated weighted average cost of capital (**WACC**). The WACC is a blend of the cost of debt and the cost of equity, weighted in accordance with the target capital structure of an entity owning the business. The WACC represents the rate of return required by investors to compensate them for the business risks they bear by investing in the business.

Free Cash Flows

The FCF adopted in the DCF valuations are based on the MHW financial forecasts for the 3 years to 30 June 2017 prepared by MHW in May 2014. These are summarised below.

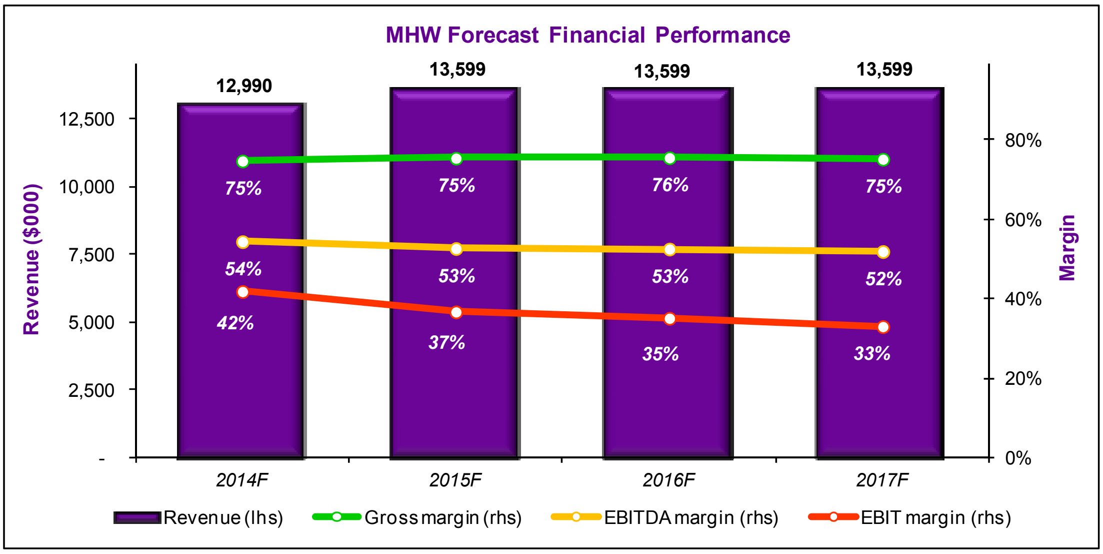
Summary of MHW Financial Projections

	Year to 30 Jun 14 (Forecast)[1] $000	Year to 30 Jun 15 (Forecast) $000	Year to 30 Jun 16 (Forecast) $000	Year to 30 Jun 17 (Forecast) $000
Revenue	12,990	13,599	13,599	13,599
Gross profit	9,711	10,262	10,277	10,228
EBITDA	7,073	7,169	7,151	7,066
EBIT	5,441	4,998	4,780	4,495
NPBT	4,017	3,376	3,349	3,511
Capital expenditure	2,539	5,131	2,000	2,000

1 Based on 10 months actual results to 30 April 2014

Source: NZW forecast for the year ended 30 June 2014 and MHW forecasts for the years ended 30 June, 2015 to 2017

MHW is forecasting that its financial performance will be relatively static over the next 3 years.



The key value drivers that materially impact MHW's FCF are:

- grape processing volumes
- processing prices
- gross margins
- operating expenses
- capital expenditure.

Grape Processing Volumes and Prices

Forecast contract processing revenue for 2015 to 2017 of $13.6 million per annum is based on forecast tonnage for each vintage at agreed processing charges.

Accolade will be MHW's largest customer, accounting for approximately half of processing volumes each year. Under the Wine Processing Agreement, MHW will process wine for Accolade for at least 6 vintages, with processing for the first 3 vintages being at the current MHW rates. Thereafter there is the risk that the processing rates may decrease following price negotiation with Accolade due to competitive pricing pressures in the industry.

The forecasts are based on the assumption that the 2 wineries will operate at close to full capacity. The forecast volumes processed for clients other than Accolade are based on actual contracts in place, which vary in duration from one year to 3 years.

Gross Margins

Gross margin is forecast to remain relatively steady at 75% to 76% between the 2015 and 2017 financial years on the basis that MHW will not require to commission any external processing.

Operating Expenses

Salaries and wages represent MHW's largest operating expense, amounting to around 10% of revenue. MHW forecasts that its administrative salaries and wages expense will be $1.4 million in the 2015 and will increase by 1.5% each year thereafter.

Capital Expenditure

MHW forecasts no significant expansionary capital expenditure. Maintenance capital expenditure is forecast at $2.0 million per annum. In addition, MHW estimates that it may need to spend approximately $3.1 million in the 2015 financial year on strengthening its earthquake damaged wine tanks by replacing and bracing the legs of the tanks (the **Earthquake Strengthening**).

Terminal Value Growth

We have assumed that, on average, the growth in FCF beyond the 2017 financial year will be negligible due to:

- MHW has limited excess capacity at the 2 wineries
- competitive pricing pressures in the industry may suppress MHW's ability to increase (or even maintain) its prices charged to Accolade and other customers.

Weighted Average Cost of Capital

The calculation of the WACC, while being derived from detailed formula, is fundamentally a matter of professional judgement. We have used the Capital Asset Pricing Model to assess the WACC for MHW.

We have assessed the WACC for MHW to be in the vicinity of 9.2%. Key inputs in the WACC assessment are:

- a risk free rate of 5.0%
- an asset beta of 0.8
- a debt risk premium of 0.5%
- a post investor tax market risk premium of 7.0%
- target financial leverage of 35%
- a corporate tax rate of 28%.

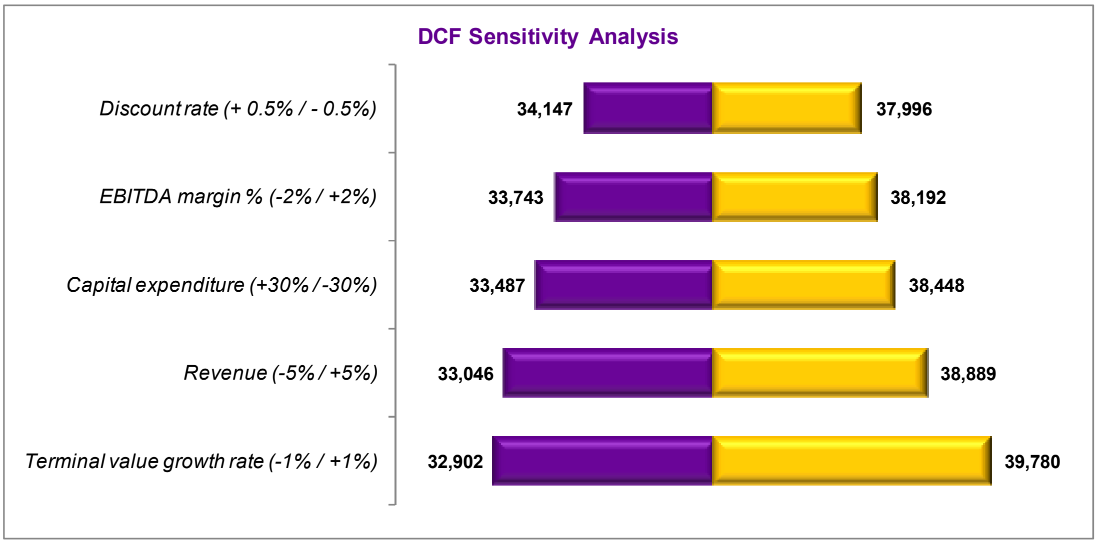
The above inputs result in a cost of equity in the vicinity of 12.0% and a cost of debt (before tax) in the vicinity of 5.5%.

Base Case DCF Assessment

Based on the forecast FCF, a WACC of 9.2% and terminal value growth beyond the 2017 financial year of 0%, we assess MHW's enterprise value to be in the vicinity of $36.0 million.

Sensitivity Analysis

We have evaluated the sensitivity of the base case valuation outcome to changes to the key value drivers and the discount rate and terminal growth assumptions.



Valuation Conclusion

Based on the above, we assess MHW's enterprise value to be in the range of $32.9 million to $39.8 million as at the present date based on the DCF method.

5.6 Capitalisation of Earnings Valuation

Overview

We have assessed the Company's future maintainable earnings and have reviewed the market valuation and operational performance of comparable companies to derive a range of earnings multiples to apply to our assessed level of maintainable earnings.

An implied assumption in the capitalisation of earnings method is that, on average, depreciation and capital expenditure equate. While this is a reasonable assumption for MHW's annual maintenance capital expenditure, it does not take into account the $3.1 million of Earthquake Strengthening which the Company may incur in the 2015 financial year. Accordingly, we have deducted the Earthquake Strengthening from the assessed enterprise value to derive the value of the MHW business under the capitalisation of earnings approach.

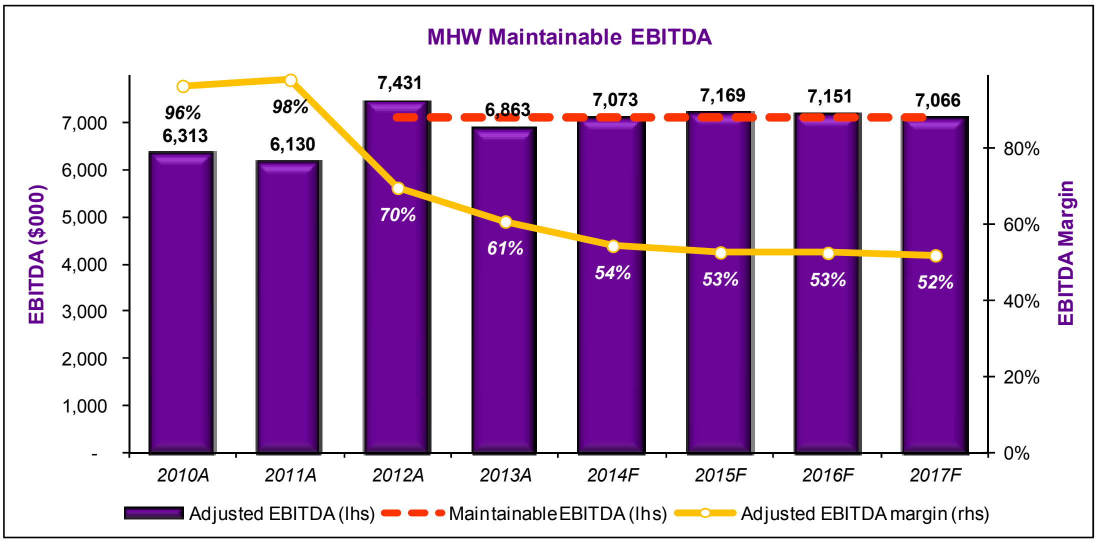
Future Maintainable Earnings

The evaluation of maintainable earnings involves an assessment of the level of profitability which (on average) the business can expect to generate in the future, notwithstanding the vagaries of the economic cycle.

The assessment of maintainable earnings is made after considering such factors as the risk profile of the business, the characteristics of the market in which it operates, its historical and forecast performance, non-recurring items of income and expenditure and known factors likely to impact on future operating performance.

We have used EBITDA as the measure of earnings. The use of EBITDA and EBITDA multiples is common in valuing businesses for acquisition purposes as it eliminates the effect of financial leverage which is ultimately in the control of the acquirer and also eliminates any distortions from the tax position of the business and differing accounting policies in respect of depreciation and the amortisation of intangible assets.

Since NZW changed its business to focus on contract processing in the 2012 financial year, its adjusted EBITDA for the 2012 and 2013 financial years averaged $7.1 million and it is forecasting EBITDA of $7.1 million in the 2014 financial year. Forecast EBITDA for the 2015 to 2017 financial years averages $7.1 million.



We have assessed maintainable EBITDA based on NZW's adjusted EBITDA for the 2012 and 2013 financial years and MHW's forecast EBITDA for the 2014 to 2017 financial years. Based on this approach, we assess MHW's future maintainable EBITDA to be in the vicinity of $7.1 million.

Earnings Multiple

Actual sales of comparable businesses can provide reliable support for the selection of an appropriate earnings multiple. In addition, we can infer multiples from other evidence such as minority shareholding trades for listed companies in New Zealand and overseas with similar characteristics to MHW or transactions involving businesses in the same industry.

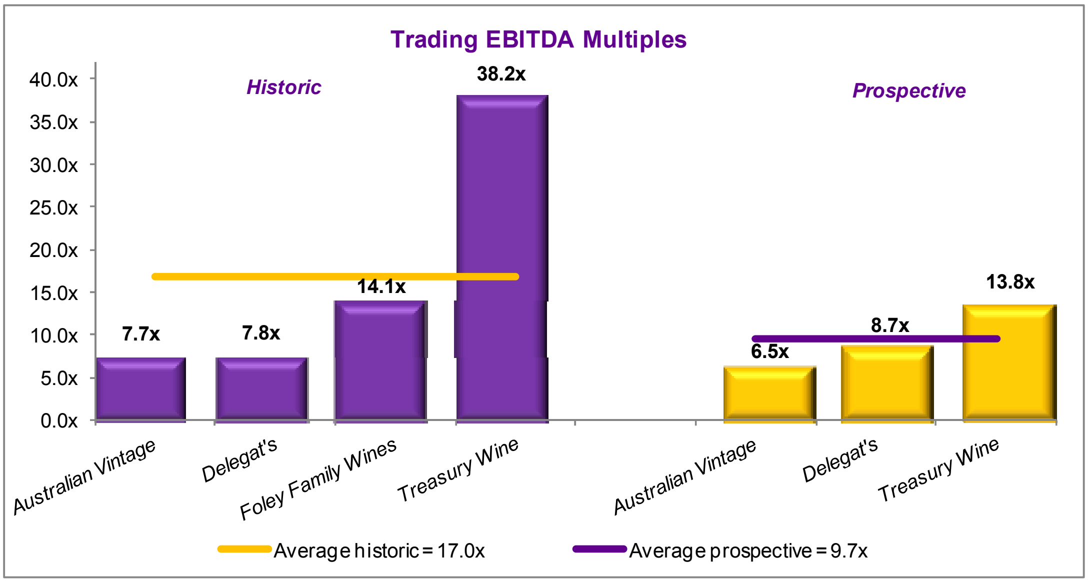
Transaction Multiples

While there have been a number of transactions involving Australasian integrated wine companies in the past 15 years, the vast majority of these transactions have limited relevance to MHW as these tend to involve the acquisition of vineyards and / or wine brands and the majority occurred over 10 years ago when the wine industry underwent considerable consolidation. We were not able to identify any recent transactions involving "pure play" contract processing businesses.

Trading Multiples

There are no "pure play" contact processing wineries listed on the NZX or ASX. In the absence of such companies, we have reviewed the historic and prospective EBITDA multiples for Australasian integrated wine companies that are listed on the NZX and ASX. This data is set out in Appendix I.

The comparable companies' multiples are based on minority trades and as such do not include any premium for control.



Source: Capital IQ, data as at 10 June 2014

The analysis shows that the historic EBITDA trading multiples range from 7.7x to 38.2x at an average of 17.0x and the prospective EBITDA trading multiples range from 6.5x to 13.8x at an average of 9.7x.

We note that the average multiples are heavily skewed by the observed multiples for Treasury Wine Estates Limited (**Treasury Wine**). Kohlberg Kravis Roberts & Co (**KKR**) offered to acquire Treasury Wine for A$3 billion in April 2014. Prior to the announcement of the KKR offer, Treasury Wine was trading on a historic EBITDA multiple of 26.9x and a prospective EBITDA multiple of 8.8x.

Conclusion

MHW is solely focused on contract processing whereas the comparable companies are integrated wine companies. MHW is significantly smaller than most of the comparable companies and is a much less liquid investment. Therefore we consider an appropriate EBITDA multiple for MHW should be lower than those observed for the comparable companies.

We consider an appropriate prospective EBITDA multiple for MHW to be in the range of 5.5x to 6.5x.

Valuation Conclusion

We assess the value of MHW's existing business to be in the range of $35.9 million to $43.0 million as at the present date based on the capitalisation of earnings method.

Valuation of MHW Business		
	Low $000	**High $000**
Future maintainable EBITDA	7,100	7,100
EBITDA multiple	5.5x	6.5x
Value of MHW business – pre Earthquake Strengthening	39,050	46,150
Earthquake Strengthening	(3,131)	(3,131)
Value of MHW business	35,919	43,019

5.7 Valuation of MHW Business

Based on the valuation outcomes under the DCF and capitalisation of earnings methods, we assess the value of the MHW business to be in the range of $34.4 million to $41.4 million as at the present date.

Valuation of MHW Business		
	Low $000	**High $000**
DCF	32,900	39,800
Capitalisation of earnings	35,919	43,019
Value of MHW business	34,400	41,400

5.8 Valuation of MHW Shares

To derive the value of the MHW shares, the Company's cash and cash equivalents, the deferred payment due from Accolade and the value of the investments in associates are added to the enterprise value and the liability in respect of financial instruments is deducted.

The Company held cash and cash equivalents of $6.9 million as at 30 April 2014.

A deferred payment of $5.0 million is owing to MHW by Accolade in respect of the Accolade Transaction. This is to be received on 1 July 2014.

The carrying value of the Company's 33% shareholding in Honeypot and 25% shareholding in SPC is $0.6 million. Honeypot had NTA of negative $1.2 million as at 30 June 2013 and is projecting negligible cash flows in the 2014 and 2015 financial years. SPC no longer operates and MHW estimates that the recoverable value of its investments is negligible. Accordingly, we have ascribed no value to the Company's investments in Honeypot and SPC.

The marked-to-market value of MHW's interest rate swaps was $0.9 million as at 30 April 2014.

We assess the fair market value of 100% of the shares in MHW to be in the range of $45.5 million to $52.5 million as at the present date. This equates to a value of $0.19 to $0.22 per share.

Valuation of MHW Shares

	Low $000	High $000
Value of MHW business	34,400	41,400
Cash and cash equivalents	6,949	6,949
Accolade Transaction deferred payment	5,000	5,000
Investment in associates	-	-
Financial instruments	(863)	(863)
Value of MHW shares	45,486	52,486
Number of ordinary shares currently on issue	240,575,999[1]	240,575,999[1]
Value per ordinary share	$0.19	$0.22

1 Includes 6,000,000 non voting shares

The valuation represents the full underlying standalone value of MHW based on its current strategic and operational initiatives. The value exceeds the price at which we would expect minority interests in MHW to trade at the present time in the absence of a takeover offer.

5.9 Implied Multiples

The value range of $0.19 to $0.22 per share implies EBITDA, EBIT, price earnings (**PE**) and NTA multiples as set out below. The earnings multiples are based on NZW's forecast results for the 2014 financial year (based on 10 months actual results) and MHW's forecast for the 2015 financial year.

Implied Multiples

	30 Jun 14 (Forecast)		30 Jun 15 (Forecast)	
	Low	High	Low	High
EBITDA multiple	4.9x	5.9x	4.8x	5.8x
EBIT multiple	6.3x	7.6x	6.9x	8.3x
PE multiple	15.7x	18.1x	18.7x	21.6x
NTA multiple [1]	1.0x	1.1x	1.0x	1.1x

1 Based on NTA as at 30 April 2014

We consider the implied multiples to be reasonable.

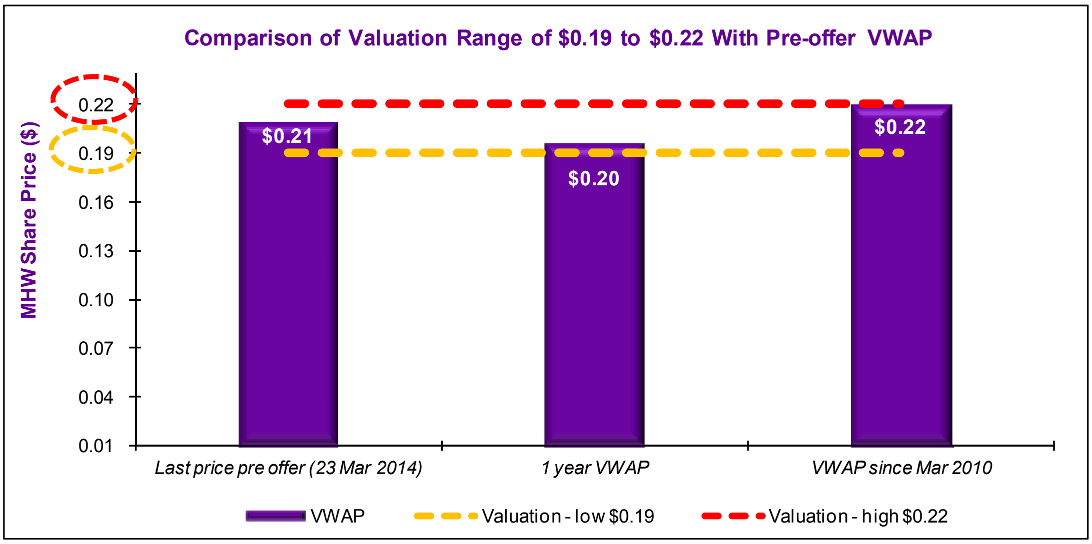
The implied multiples are impacted to some degree by the effect of the $3.1 million Earthquake Strengthening allowed for in the valuation assessment (which has an impact of reducing the valuation by $0.01 per share).

5.10 Implied Premium for Control

Purchasers may be prepared to pay a premium in an acquisition that will give them control of a company. Frequently, purchasers will pay more for control of a business where they perceive they can add substantial value to the business operations through synergies with other operations, changed management practices, reduced or eliminated competition, ensured sources of material supply or sales or other means.

Gaining control in itself does not create value - real value enhancement can only flow from factors that either increase future cash flows or reduce the risk of the combined entity. All rational bidders will have made some assessment of the value of the synergies that are available and the proportion of that value that they are prepared to pay away in order to complete the acquisition.

The top end of our valuation range of $0.22 represents premia ranging from nil to 10% over recent share prices.



While the premia over the recent share prices is not significant, we note:

- the potential level of synergies available to MHWG JV arising from its full ownership of the Company is unlikely to be significant
- trading in the Company's shares is extremely thin as MHW's shares are not listed on any securities trading platform and hence may not necessarily provide a strong indication of the fair market value of the Company's shares.

6. Sources of Information, Reliance on Information, Disclaimer and Indemnity

6.1 Sources of Information

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

- the MHWG JV takeover notice dated 19 May 2014
- the MHWG JV Offer Document dated 12 June 2014
- the draft MHW Target Company Statement
- the MHW and NZW board minutes from August 2011 to May 2014
- the MHW annual reports for the years ended 30 June, 2011 to 2013
- the NZW management accounts for the years ended 30 June, 2011 to 2013 and the 10 months ended 30 April 2014
- the MHW and NZW forecasts for the year ended 30 June 2014
- the MHW financial projections for the years ended 30 June, 2015 to 2017
- the June 2013 LS Valuation and the May 2014 LS Valuation Update
- the Honeypot annual report for the year ended 31 July 2013 and cash flow budgets for the years ended 31 July, 2014 and 2015
- the Wine Processing Agreement
- data from NZX Data and Capital IQ in respect of comparable companies
- publicly available information regarding the wine industry.

During the course of preparing this report, we have had discussions with and / or received information from the Independent Directors and the executive management of MHW and MHW's legal advisers.

The Independent Directors have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information that the Independent Directors consider relevant to the MHWG JV Offer that is known to them and that all the factual information provided by the Company contained in this report is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information set out in this Independent Adviser's Report is sufficient to enable the Independent Directors and the shareholders to understand all the relevant factors and to make an informed decision in respect of the MHWG JV Offer.

6.2 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 and all information that was furnished to us by MHW and its advisers.

We have evaluated that 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 an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of MHW. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

6.3 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. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of MHW will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of MHW and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever 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 this report.

We have had no involvement in the preparation of the Target Company Statement issued by MHW and have not verified or approved the contents of the Target Company Statement. We do not accept any responsibility for the contents of the Target Company Statement except for this report.

6.4 Indemnity

MHW has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance 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 fraud, bad faith, negligence, misconduct or breach of law. MHW has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any reasonable costs in relation to any inquiry or proceeding initiated by any person as a result of or in connection with the preparation of this report (subject to the exceptions in the previous sentence).

7. Qualifications and Expertise, Independence, Declarations and Consents

7.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

7.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with MHW or MHWG JV or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the MHWG JV Offer.

Simmons Corporate Finance has not had any part in the formulation of the MHWG JV Offer or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the MHWG JV Offer. We will receive no other benefit from the preparation of this report.

7.3 Declarations

An advance draft of this report was provided to the Independent Directors for their comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

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

7.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to MHW's 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.

Peter Simmons
Director
Simmons Corporate Finance Limited

10 June 2014

Appendix I

Comparable Company Trading Multiples

Trading Multiples						
Company	Market Capitalisation ($m)	Enterprise Value ($m)	EBITDA Multiple		PE Multiple	
			Hist.	Pros.	Hist.	Pros.
Delegat's Group Limited	NZ$405	NZ$554	7.8x	8.7x	10.2x	13.7x
Foley Family Wines Limited	NZ$66	NZ$89	14.1x	n/a	31.9x	n/a
Australian Vintage Limited	A$81	A$188	7.7x	6.5x	7.1x	7.7x
Brand New Vintage Limited	A$4	A$8	50.7x	n/a	n/a	n/a
Treasury Wine	A$3,374	A$3,687	38.2x	13.8x	35.4	29.4x
Minimum			7.7x	6.5x	7.1x	7.7x
Average (excluding Brand New Vintage Limited)			17.0x	9.7x	21.2x	16.9x
Maximum			50.7x	13.8x	35.4x	29.4x

n/a: not available

Source: Capital IQ, data as at 10 June 2014

Delegat's Group Limited

Delegat's Group Limited produces, markets, distributes and sells wine under the *Delegat's*, *Oyster Bay* and *Barossa Valley Estate* brands. It sells and markets its products to customers, retailers and distributors in the United Kingdom, Ireland, Europe, the United States, Canada, Australia, New Zealand and the Asia Pacific region. The company was founded in 1947 and is based in Auckland.

Foley Family Wines Limited

Foley Family Wines Limited is an integrated wine company which produces and distributes wine in New Zealand. It also exports its products to various countries. Foley Family Wines Limited is a subsidiary of Foley Family Wines Holdings, New Zealand Limited following a merger with New Zealand Wine Co. Limited in June 2012. The company is headquartered in Marlborough. It made a takeover offer for all the shares in Martinborough Vineyard Estates Limited in May 2014.

Australian Vintage Limited

Australian Vintage Limited produces, packages, markets and distributes wine. The company offers its wine under the *McGuigan, Miranda*, *Nepenthe*, *Passion Pop*, *Sunnyvale*, *Tempus Two* and *Yaldara* brands. It also owns, operates, manages and develops vineyards in the Sunraysia, Riverland and Adelaide Hills regions in Australia. In addition, Australian Vintage Limited offers packaged and bulk wines and concentrate and winery processing services. It sells its products through retail, wholesale and distributor channels as well as through regional outlets in Australia, New Zealand, Asia, North America, the United Kingdom and Europe. The company was formerly known as McGuigan Simeon Wines Limited and changed its name to Australian Vintage Limited in February 2008. The company is based in Cowandilla, Australia.

Brand New Vintage Limited

Brand New Vintage Limited manufactures and sells wine products in Australia. The company also markets and distributes wine brands and is involved in contract wine processing and bulk wine production activities. It sells its products through wholesalers and distributors under the *One Planet* and *Sticks* brands. The company also markets its products in New Zealand, the United States, Canada, the United Kingdom, Europe and Asia. Brand New Vintage Limited is headquartered in Malvern, Australia.

Treasury Wine

Treasury Wine is engaged in the viticulture and winemaking, marketing, sale and distribution of wine in Australia, New Zealand, Europe, the Middle East, Africa, the Americas and Asia. It offers commercial, masstige and luxury wine, distributes beer products and provides contract bottling services to third parties. The company offers its products primarily under the *Beringer Vineyards*, *Lindeman's*, *Penfolds*, *Rosemount Estate*, *Wolf Blass*, *Annie's Lane*, *Castello di Gabbiano*, *Chateau St. Jean*, *Coldstream Hills*, *Devil's Lair*, *Etude Wines*, *Greg Norman Estates*, *Heemskerk, Matua*, *Pepperjack*, *Seppelt Wines*, *Stags' Leap Winery*, *Wynns Coonawarra Estate* and *Yellowglen* brands. It owns approximately 10,511 hectares of vineyards. Treasury Wine was founded in 1843 and is based in Southbank, Australia. KKR entered into a scheme of arrangement to acquire Treasury Wine for A$3 billion in cash in April 2014. The board of Treasury Wine rejected the offer in May 2014.