



FOLEY FAMILY WINES

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017



FOLEY FAMILY WINES
HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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FOLEY FAMILY WINES
INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Note	Unaudited 6 Months 31 Dec 2017 Group \$'000	Audited 12 Months 30 Jun 2017 Group \$'000	Unaudited 6 Months 31 Dec 2016 Group \$'000
Revenue	3	20,111	37,821	16,601
Expenses				
Cost of sales		(15,098)	(23,006)	(12,088)
Selling, marketing and promotion expenses		(2,005)	(3,429)	(1,644)
Administration and corporate governance expenses		(1,194)	(2,629)	(1,102)
Non-recurring expenses		(227)	(2,647)	(989)
Expenses excluding interest		(18,524)	(31,711)	(15,823)
Profit before interest, impairment, revaluations and income tax		1,587	6,110	778
Interest revenue		-	9	3
Interest expense	4	(550)	(1,135)	(583)
Net finance costs		(550)	(1,126)	(580)
Profit/(loss) before impairment, revaluations and income tax		1,037	4,984	198
Impairment				
Impairment of trade and other receivables		-	1	-
Impairment of inventory		(66)	(6)	-
Profit/(loss) before revaluations and income tax		971	4,979	198
Revaluation gains and losses				
Unrealised gain/(loss) in fair value of financial asset/liabilities	9	(132)	196	(24)
Unrealised (loss)/gain on harvested grapes		-	246	-
Realised reversal of (gain)/loss on harvested grapes		(425)	(1,330)	(623)
Revaluation of property, plant & equipment		-	(108)	-
Profit before income tax	3	414	3,983	(449)
Income tax expense		(116)	(927)	126
Profit for the period net of tax, attributable to Shareholders of the Parent Company		298	3,056	(323)
Basic Earnings per share cps (after tax)	5	0.57	5.85	(0.62)
Diluted Earnings per share cps (after tax)	5	0.50	5.09	(0.54)

These financial statements should be read in conjunction with the Notes to the financial statements on pages 8 to 12.



FOLEY FAMILY WINES

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Unaudited 6 Months 31 Dec 2017 Group	Audited 12 Months 30 Jun 2017 Group	Unaudited 6 Months 31 Dec 2016 Group
Note	\$'000	\$'000	\$'000
Profit for the period	298	3,056	(323)
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment	-	3,383	-
Income tax on items taken directly to or transferred from equity	-	(657)	-
Other comprehensive income for the period, net of tax	-	2,726	-
Total comprehensive income for the period, net of tax	298	5,782	(323)

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Fully Paid Ordinary Shares	Asset Revaluation Reserve	Retained Earnings	Total
Note	\$'000	\$'000	\$'000	\$'000
Unaudited 6 Months 31 December 2017 Group				
Equity at 1 July 2017	66,518	10,202	14,424	91,144
Profit for the period	-	-	298	298
Other comprehensive income for the period	-	-	-	-
Total comprehensive income/(expense) for the period	-	-	298	298
Distributions to owners	6	-	(1,567)	(1,567)
Contributions by owners	7	-	-	-
Transactions with owners during period	-	-	(1,567)	(1,567)
Added to equity during the period	-	-	(1,269)	(1,269)
Equity at 31 Dec 2017	66,518	10,202	13,155	89,875
Dividends paid per share cps	6			3.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 8 to 12.



FOLEY FAMILY WINES

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Audited 12 Months 30 June 2017 Group					
Equity at 1 July 2016		66,518	7,547	12,864	86,929
Profit for the period		-	-	3,056	3,056
Other comprehensive income for the period		-	2,655	71	2,726
Total comprehensive income for the year		-	2,655	3,127	5,782
Distribution to owners	6	-	-	(1,567)	(1,567)
Contributions by owners	7	-	-	-	-
Transactions with owners during year		-	-	(1,567)	(1,567)
Added to equity during the year		-	2,655	1,560	4,215
Equity at 30 June 2017		66,518	10,202	14,424	91,144
Dividends paid per share cps	6				3.0
Unaudited 6 Months 31 December 2016 Group (Restated)					
Equity at 1 July 2016		66,518	7,547	12,864	86,929
Profit for the period		-	-	(323)	(323)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income/(expense) for the period		-	-	(323)	(323)
Distribution to owners	6	-	-	(1,567)	(1,567)
Contributions by owners	7	-	-	-	-
Transactions with owners during period		-	-	(1,567)	(1,567)
Added to equity during the period		-	-	(1,890)	(1,890)
Equity at 31 Dec 2016		66,518	7,547	10,974	85,039
Dividends paid per share cps	6				3.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 8 to 12.



FOLEY FAMILY WINES

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Unaudited 6 Months 31 Dec 2017 Group \$'000	Audited 12 Months 30 Jun 2017 Group \$'000	Restated Unaudited 6 Months 31 Dec 2016 Group \$'000
	Note		
CURRENT ASSETS			
Cash and cash equivalents	1,589	263	3,883
Trade and other receivables	8,335	9,564	5,847
Other financial assets	34	182	-
Inventories	25,105	32,587	26,303
Biological work in progress	4,035	706	4,071
Current tax assets	424	-	579
Prepaid expenses	779	303	1,349
	<u>40,301</u>	<u>43,605</u>	<u>42,032</u>
NON-CURRENT ASSETS			
Property, plant and equipment	71,047	71,651	65,574
Intangible assets	13,053	13,053	13,053
Deferred tax assets	112	112	86
	<u>84,212</u>	<u>84,816</u>	<u>78,713</u>
TOTAL ASSETS	<u>124,513</u>	<u>128,421</u>	<u>120,745</u>

These financial statements should be read in conjunction with the Notes to the financial statements on pages 8 to 12.



FOLEY FAMILY WINES

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017 (CONTINUED)

	Note	Unaudited 6 Months 31 Dec 2017 Group \$'000	Audited 12 Months 30 Jun 2017 Group \$'000	Restated Unaudited 6 Months 31 Dec 2016 Group \$'000
CURRENT LIABILITIES				
Trade and other payables		2,793	4,321	2,911
Loans and borrowings		1,000	1,001	1,000
Finance lease		-	-	6
Convertible notes		10,900	10,900	10,900
Current tax liabilities		-	609	-
Other financial liabilities		-	-	25
		<u>14,693</u>	<u>16,831</u>	<u>14,842</u>
NON-CURRENT LIABILITIES				
Loans and borrowings		8,500	9,000	9,500
Other financial liabilities		35	51	65
Deferred tax liabilities		11,410	11,395	11,299
		<u>19,945</u>	<u>20,446</u>	<u>20,864</u>
TOTAL LIABILITIES		<u>34,638</u>	<u>37,277</u>	<u>35,706</u>
EQUITY				
Share capital	7	66,518	66,518	66,518
Reserves		10,202	10,202	7,547
Retained earnings		13,155	14,424	10,974
TOTAL EQUITY		<u>89,875</u>	<u>91,144</u>	<u>85,039</u>
TOTAL LIABILITIES AND EQUITY		<u>124,513</u>	<u>128,421</u>	<u>120,745</u>

These financial statements should be read in conjunction with the Notes to the financial statements on pages 8 to 12.



FOLEY FAMILY WINES

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Note	Unaudited 6 Months 31 Dec 2017 Group \$'000	Audited 12 Months 30 Jun 2017 Group \$'000	Unaudited 6 Months 31 Dec 2016 Group \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		21,851	36,292	19,704
Insurance proceeds – earthquake related		994	1,965	-
Interest received		-	9	3
Payments to suppliers and employees		(16,951)	(32,513)	(14,072)
Interest and other costs of finance paid		(550)	(1,135)	(583)
Income tax paid		(1,134)	(1,115)	(663)
Net cash flow from operating activities	8	<u>4,210</u>	<u>3,503</u>	<u>4,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of property, plant and equipment		5	69	4
Sale of property, plant and equipment – insurance proceeds – earthquake related		-	1,844	-
Purchase of property, plant and equipment and biological assets – excluding earthquake related items		(821)	(1,718)	(748)
Purchase of property, plant and equipment and biological assets – earthquake related			(3,168)	
Net cash flow from investing activities		<u>(816)</u>	<u>(2,973)</u>	<u>(744)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided for (applied to)				
Dividends paid		(1,567)	(1,567)	(1,567)
Loans repaid		(501)	(1,015)	(510)
Net cash flow from financing activities		<u>(2,068)</u>	<u>(2,582)</u>	<u>(2,077)</u>
Net increase (decrease) in cash held		1,326	(2,052)	1,568
Cash and cash equivalents/(Bank overdraft) at beginning of period		<u>263</u>	<u>2,315</u>	<u>2,315</u>
Cash and cash equivalents/(Bank overdraft) at end of period		<u>1,589</u>	<u>263</u>	<u>3,883</u>
Comprising: Cash and cash equivalents		<u>1,589</u>	<u>263</u>	<u>3,883</u>
		<u>1,589</u>	<u>263</u>	<u>3,883</u>

These financial statements should be read in conjunction with the Notes to the financial statements on pages 8 to 12.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1. ACCOUNTING PERIOD

The unaudited financial statements presented are for Foley Family Wines Limited (“the Company”, “the Parent”) and its subsidiaries (together referred to as “the Group”) and cover the six month period to 31 December 2017. These condensed financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Statements and should be read in conjunction with Foley Family Wines Limited’s Annual Report for the year ended 30 June 2017. The financial statements were authorised for issue by the Directors on 27 February 2018.

2. ACCOUNTING POLICIES

The same accounting policies and methods of computation are followed in the interim financial statements as were followed in the annual financial statements for the year ended 30 June 2017 with the exception of taxation.

Taxation

Income tax expense has been recorded in these financial statements on the basis of 28% of profit/(loss) before income tax. Any deferred benefits have not been brought to account. This is consistent with the prior year.

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

3. PROFIT FOR THE PERIOD

Included in profit before income tax for the period are the following:

REVENUE:

	Unaudited 6 Months 31 Dec 2017 Group \$'000	Audited 12 Months 30 Jun 2017 Group \$'000	Unaudited 6 Months 31 Dec 2016 Group \$'000
Sales revenue – sale of goods – bottled wine	18,262	30,197	14,057
Sales revenue - other	1,849	2,950	2,544
Total sales revenue	<u>20,111</u>	<u>33,147</u>	<u>16,601</u>
Other revenue – insurance proceeds	-	4,674	-
	<u>20,111</u>	<u>37,821</u>	<u>16,601</u>

EXPENSES:

Bad debts (net of bad debts recovered)	-	-	-
Depreciation	1,420	2,547	1,409
Directors’ fees	80	170	85
Employee benefits expense:			
- Short-term employee benefits	2,964	6,745	2,896
Excise duty and ALAC levy	2,103	2,402	1,303
Fees paid to auditors (PwC):			
- Audit of the financial statements (fees and disbursements)	36	66	36
Non-recurring expenses			
- Earthquake related expenses	-	2,647	989
- Mergers and acquisitions	227	-	-



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 (CONTINUED)

	Unaudited 6 Months 31 Dec 2017 Group \$'000	Audited 12 Months 30 Jun 2017 Group \$'000	Unaudited 6 Months 31 Dec 2016 Group \$'000
4. INTEREST EXPENSE			
Loan interest and other costs of finance paid	550	1,135	583

5. EARNINGS PER SHARE

Basic Earnings per share (\$)	0.57	5.85	(0.62)
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The calculation is based on NZIFRS earnings/(loss) of the Group of \$298,000 (30Jun17 \$3,056,000; 31Dec16 \$(323,000)) and the weighted average of 52,222,534 ordinary shares on issue during the period (30Jun17 52,222,534; 31Dec16 52,222,534).

Diluted Earnings per share (\$)	0.50	5.09	(0.54)
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The calculation is based on NZIFRS earnings/(loss) of the Group of \$298,000 (30Jun17 \$3,056,000; 31Dec16 \$(323,000)) and the weighted average of 60,085,559 ordinary shares on issue during the period (30Jun17 60,085,559; 31Dec16 60,085,559).

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	31Dec2017 Number of shares	30Jun2017 Number of shares	31Dec2016 Number of shares
Weighted average number of ordinary shares (Basic)	52,222,534	52,222,534	52,222,534
Convertible notes outstanding at period end	7,863,025	7,863,025	7,863,025
Weighted average number of ordinary shares (Diluted)	60,085,559	60,085,559	60,085,559

6. DIVIDENDS PAID PER SHARE

The calculation of dividends per share in respect of the interim 2018 period is based on the final dividend for 2017 paid in October totalling \$1,567,000 (30Jun17: \$1,567,000; 31Dec16 \$1,567,000).

	Unaudited 6 Months 31 Dec 2017 Group \$'000	Audited 12 Months 30 Jun 2017 Group \$'000	Unaudited 6 Months 31 Dec 2016 Group \$'000
7. SHARE CAPITAL			
FULLY PAID UP ORDINARY SHARES			
Balance at beginning of period	66,518	66,518	66,518
Movements in share capital	-	-	-
Balance at end of period	66,518	66,518	66,518
Number of fully paid ordinary shares	52,222,534	52,222,534	52,222,534

There were no shares issued during the period (30Jun17 and 31Dec16: Nil).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 (CONTINUED)

	Unaudited 6 Months 31 Dec 2017 Group \$'000	Audited 12 Months 30 Jun 2017 Group \$'000	Unaudited 6 Months 31 Dec 2016 Group \$'000
8. NET CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT AFTER INCOME TAX FOR THE PERIOD	298	3,056	(323)
NON-CASH ITEMS:			
Depreciation	1,420	2,547	1,409
Increase/(decrease) in deferred tax	15	(586)	1
Impairment loss/(gain) recognised on trade and other receivables	-	(1)	-
Impairment loss/(gain) recognised on inventories	66	6	-
Adjustments resulting from revaluation of grapes	425	1,084	623
(Gain)/loss on disposal of property, plant and equipment	-	(1,170)	541
(Gain)/loss on asset revaluations	-	108	-
	<u>1,926</u>	<u>1,988</u>	<u>2,574</u>
MOVEMENTS IN WORKING CAPITAL BALANCES:			
Trade and other receivables	1,229	(1,842)	1,874
Inventories	6,991	(1,475)	5,277
Biological work in progress	(3,329)	(10)	(3,375)
Prepaid expenses	(476)	314	(732)
Trade and other payables	(1,528)	1,271	(139)
Other financial assets/liabilities	132	(197)	24
Current tax assets/liabilities	(1,033)	398	(791)
	<u>1,986</u>	<u>(1,541)</u>	<u>2,138</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>4,210</u>	<u>3,503</u>	<u>4,389</u>

9. FINANCIAL INSTRUMENTS

Change in fair value of financial assets/liabilities consists of:

Foreign currency forward contracts	(143)	154	(47)
Foreign currency option contracts	(5)	6	-
Interest rate swaps	16	36	23
	<u>(132)</u>	<u>196</u>	<u>(24)</u>



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 (CONTINUED)

	Unaudited 6 Months 31 Dec 2017 Group \$	Audited 12 Months 30 Jun 2017 Group \$	Unaudited 6 Months 31 Dec 2016 Group \$
10. NET TANGIBLE ASSETS			
Net tangible assets per share	1.47	1.50	1.42

11. RELATED PARTY TRANSACTIONS

- (a) Material transactions with related parties during the period are set out below:
- (i) Sales were made to Foley Family Wines, Inc., a 100% owned subsidiary of Foley Family Wines Holdings, Inc., the ultimate parent of Foley Family Wines Limited. Sales for the period were \$2,009,000 for the Group (Jun17: \$7,312,000; Dec16: \$2,760,000).
- (ii) Marketing support services were provided by Foley Family Wines Inc., a 100% owned subsidiary of Foley Family Wines Holdings, Inc., the ultimate parent of Foley Family Wines Limited. Marketing support charges for the period were \$53,000 for the Group (Jun17: \$109,000; Dec16: \$50,000).
- (iii) Interest was paid/payable to Foley Family Wines Holdings, New Zealand Limited the parent of the Foley Family Wines Limited under the convertible note. Interest paid/payable for the period was \$357,000 for the Group (Jun17: \$709,000; Dec16: \$357,000).
- (iv) Sales were made to EuroVintage Limited, a 50% associate of the parent company of Foley Family Wines Limited. Sales for the period were \$6,902,000 for the Group (Jun17: \$8,098,000; Dec16: \$4,532,000). Management fees and the funding of promotional activity such as bonus stock relating to these sales of \$766,000 were charged by EuroVintage during the period (Jun17: \$773,000; Dec16: \$424,000). Sales from EuroVintage to the Group during the period totalled \$4,000 (Jun17: \$22,000; Dec16: \$18,000).
- (v) Sales were made to, and administration services provided to, Wharekauhau Country Estate Limited, a luxury lodge 74.6% owned by Bill Foley, the majority shareholder of the ultimate parent. Sales for the period totalled \$16,000 for the Group (Jun17: \$29,000; Dec16: \$12,000). Administration Charges for the period totalled \$3,000 for the Group (Jun17: \$5,000; Dec16 \$2,000). Accommodation and function facilities provided by Wharekauhau to the Company during the period totalled \$15,000 (Jun17: \$56,000; Dec16: \$11,000).
- (vi) Lighthouse Gin was purchased for global distribution from Lighthouse Distillery Limited, a company owned by Mark Turnbull, CEO and Director of Foley Family Wines Limited. Purchases during the period totalled \$134,000 (Jun17: \$473,000; Dec16: \$211,000). Administration services, rental, electricity and contract distilling services were provided to Lighthouse Distillery Limited during the period of \$21,000 (Jun17: \$117,000; Dec16: \$31,000).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 (CONTINUED)

	Unaudited 6 Months 31 Dec 2017 Group \$'000	Audited 12 Months 30 Jun 2017 Group \$'000	Unaudited 6 Months 31 Dec 2016 Group \$'000
11. RELATED PARTY TRANSACTIONS (CONTINUED)			
(b) Amounts owing to related parties at balance date:			
Foley Family Wines Inc.	27	17	26
Foley Family Wines Holdings, New Zealand Limited – convertible note	10,900	10,900	10,900
EuroVintage Limited	205	77	134
Wharekauhau Country Estate Limited	5	-	-
Lighthouse Distillery Limited	45	84	50
(c) Amounts owing from related parties at balance date:			
Foley Family Wines Inc.	941	2,336	1,059
EuroVintage Limited	2,091	916	1,534
Wharekauhau Country Estate Limited	5	4	5
Lighthouse Distillery Limited	24	14	31

12. SUBSEQUENT EVENTS

No material events have occurred since balance date.

13. FOREIGN CURRENCY EXCHANGE RATES

The following spot foreign exchange rates have been applied at balance date:

	31 Dec 2017 FFW Buy	31 Dec 2017 FFW Sell	30 June 2017 FFW Buy	30 June 2017 FFW Sell	31 Dec 2016 FFW Buy	31 Dec 2016 FFW Sell
NZ \$1.00 =						
Australian dollar	0.9061	0.9117	0.9465	0.9525	0.9607	0.9679
United States dollar	0.7055	0.7109	0.7266	0.7320	0.6923	0.6983
Great British pound	0.5244	0.5286	0.5591	0.5634	0.5661	0.5709
Euro	0.5899	0.5947	0.6350	0.6402	0.6607	0.6667

14. SHAREHOLDER INFORMATION

August/September 2018	Annual Report Published
November 2018	Annual Shareholders Meeting



FOLEY FAMILY WINES
HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

DIRECTORS:	WP Foley, II (Chairman) AJ Anselmi JA Jamieson (until 6 November 2017) AM Turnbull (CEO)
HEAD OFFICE ADDRESS:	13 Waihopai Valley Road RD 6, Blenheim 7276, Marlborough, New Zealand Telephone +64 3 572 8200 Facsimile +64 3 572 8211
POSTAL ADDRESS:	PO Box 67, Renwick 7243, Marlborough, New Zealand
EMAIL:	info@ffw.co.nz
WEBSITES:	www.ffw.co.nz (www.nzwineco.co.nz) www.grovemill.co.nz www.vavasour.com www.tekairanga.com www.martinborough-vineyard.co.nz
NATURE OF BUSINESS:	Production and distribution of wine
AUDITORS:	PricewaterhouseCoopers, Auckland
SOLICITORS:	Bell Gully, Auckland
BANKERS:	Bank of New Zealand, Auckland
REGISTRATION NO.	307139
REGISTERED OFFICE:	13 Waihopai Valley Road, RD 6 Blenheim 7276, Marlborough, New Zealand
SHARE REGISTRAR:	Computershare Investor Services Limited Level 2, 159 Hurstmere Road, Takapuna, Auckland Private Bag 92119, Auckland 1020 Telephone +64 9 488 8777 Facsimile +64 9 488 8787 Email: enquiry@computershare.co.nz (please quote CSN or shareholder number) Website for shareholders to change address or payment instructions or view investment portfolio: www.computershare.co.nz/investorcentre
SHARE TRADING:	NZX – NZAX Market Security Code “FFW”