



FOLEY FAMILY WINES

FOLEY FAMILY WINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014



FOLEY FAMILY WINES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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FOLEY FAMILY WINES

DIRECTORS AND CEO REPORT

FOR THE YEAR ENDED 30 JUNE 2014

The Directors of Foley Family Wines Limited (FFW) are pleased to present the 2014 operating results and Annual Report for the 12 months ended 30 June 2014. These results reflect the first full year of trading after completing the reverse takeover of the New Zealand Wine Company in 2012. FFW's audited financial statements for the annual report have been prepared in accordance with the New Zealand equivalents to the International Financial Reporting Standards.

The reverse takeover has meant that the comparative numbers are not straightforward to interpret. The 2013 Group financial statements included Foley Family Wines NZ Limited (the accounting acquirer) for the 12 months and FFW (formerly The New Zealand Wine Company Limited) for 10 months. The Parent financial statements included the trading results for the former The New Zealand Wine Company Limited business for the 12 months, and the former Foley Family Wines NZ Limited business from the amalgamation date of 4 October 2012, i.e., 9 months.

Results

At the 2013 AGM, the Directors outlined that 2014 would be a transitional year, with high 2012 vintage costs affecting the first six months' results. The Group, has however, significantly outperformed early expectations and has recorded a profit of \$4,344,000 compared with \$1,725,000 for the previous financial year. The Directors believe this is a solid performance in light of the transformation the company is going through.

While revenue remained flat for the year, the focus has been on fundamental profit improvement. This has been demonstrated by an increase in underlying earnings to \$1,201,000 from a loss last year of \$508,000. At last year's AGM, the Directors outlined an expectation that the business would struggle to achieve a satisfactory margin until the 2012 vintage was sold through and we had moved on to the 2013 vintage. This was demonstrated by a \$4 per case increase in margin for commercial brands in key markets for the 2013 vintage. The Directors also outlined a strategy of continued prudent overhead management, which has resulted in a reduction in operating costs of \$246,000.

Export case sales were up 34,000 to 274,000 for the ended June 2014, with the majority of this growth coming from the USA. Domestic sales were flat at 102,000. However, in real terms this reflected growth as a significant proportion of the 2013 domestic sales included distressed inventory sales at a negative margin. Bulk wine sales were equivalent to 55,000 cases, down 33,000 cases from 2013. In reviewing these numbers, we must bear in mind that there has been adverse exchange rate movement for many of the major markets over the last 12 months and the bulk wine price of Marlborough sauvignon blanc has fallen over \$1.50 per litre. The pleasing aspect has been the increase in branded wine sales and the growth of the Dashwood brand.

The business incurred \$327,000 of non-recurring expenses. The majority of these costs (\$235,000) were takeover costs associated with the purchase of Martinborough Vineyards (MV). This was a relatively expensive process for the size of the transaction. However the transaction achieved the objective of building the FFW shareholder base. The Directors are delighted with having the Martinborough Vineyard Brand join our portfolio and have already appointed Epic Wines in the USA to be the importer. To date MV has had little penetration into the USA and we look forward to building a presence in this market. FFW has booked a \$986,000 gain on purchase based on the assets being valued at fair value.

FFW expensed a further \$78,000 (2013 \$99,000) in respect of vineyard related repairs and maintenance during the year. Normally these costs would be considered to form a component of the cost of goods. However, in the current circumstances, the Directors consider that this cost is more accurately associated with the previous financial situation of the companies and, therefore, took these costs directly to the profit and loss. In addition, FFW wrote off \$187,000 of packaging, primarily associated with the Te Kairanga rebrand and the pending rebrand of Clifford Bay.

FFW had another year of reinvestment in the business with \$2,735,000 spent on capital expenditure. Over \$900,000 was spent on upgrading the bottling line technology. This was also the first year of on-site bottling since the reverse takeover of the New Wine Company. The benefits have been immediate, with significantly lower costs than third party contract bottling. Furthermore, this investment has led to contract bottling to third parties, which we believe will generate an additional future income stream. Currently, FFW is building a warehouse extension at Grove Mill which can store an additional 170,000 dozen cases any one time. In 2014 year, the company spent in excess of \$450,000 on third party warehousing and related costs. The remaining capital expenditure was predominately associated with winery and vineyard improvements. It must be remembered that most of the assets that have been acquired by FFW had minimal expenditure spent on them by the previous owners.

At the heart of FFW is a great portfolio. Over the last 24 months the company has won over 40 different awards, with 15 Gold's and 3 trophies. As outlined last year, Te Kairanga was going through a rebuild under the guidance of Chief Winemaker John Kavanagh. John's first Pinot Noirs have just been released and are already receiving outstanding reviews.



FOLEY FAMILY WINES

DIRECTORS AND CEO REPORT

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

Vintage 2014

Vintage 2014 saw FFW harvest 6,807 tonnes of grapes from its company-owned vineyards, leased vineyards and contract growers. The 2014 harvest is 1,106 tonnes or 19.4 % higher than last year's 2013 grape intake of 5,699 tonnes.

The volume crushed this year has resulted in all wineries being at full capacity, which will continue to have a positive influence on margin improvement. Many wineries were greatly concerned with the impact of the prolonged rain in late April 2014. FFW, however, managed to complete harvest on the day the weather began to deteriorate, so this has not been an issue. The winemakers believe that, once again, that the quality of the grapes harvested will lead to another year of award winning wine being produced.

Operating results outlook

Once again due to the number of variables involved, the Directors are unable to give any reliable earnings guidance for the year ahead. The Directors are, however, optimistic about the likely FY2015 earnings for the following reasons:

- The continued focus on producing exceptional quality wine and building routes to market that ensure higher margins;
- The new distributor relationships secured over the last 24 months that will continue to provide growth opportunities;
- A number of new routes to market have been identified for 2015 and are due to be confirmed in the coming months;
- The purchase of Martinborough Vineyards provides synergies with Te Kairanga, which will lead to a reduction of the cost of goods for this region;
- Our 2015 results will benefit from lower cost of goods for the entire year;
- Our focus on process improvement and margin accretion will continue to have a positive earnings impact;
- The purchase of the Lighthouse Gin brand and intellectual property, while small, provides an exciting new set of opportunities for the future.

Notwithstanding the many positives, the Board is still mindful that many economies are facing significant external headwinds. The NZD exchange rates remain high against the AUD, USD, GBP and EUR. Last year the Directors were concerned with an expected increase in contract grape prices. These concerns were realised this vintage with both an increase in price plus a substantial increase in yields. With the recent private placement, the Directors believe the company has a strong balance sheet, which will enable it to withstand the continued headwinds, make sound long term decisions and seize other opportunities should they arise.

At the core of this business is a great team of people who are absolutely committed to producing world-class wines. The Directors thank all the staff for their focus and hard work.

Dividend

The Directors have resolved that no final dividend will be paid for the year ended 30 June 2014. The policy of the Board is to evaluate present and projected cash flows, sustainable underlying earnings and, if prudent, declare an annual dividend subject to current and future capital and acquisition expenditure requirements.

For and behalf of the Board of Directors

Bill Foley
CHAIRMAN

Mark Turnbull
CEO and DIRECTOR



FOLEY FAMILY WINES

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Foley Family Wines Limited and Group as at 30 June 2014 and the results of their operations and cash flows for the year ended 30 June 2014.

The Directors consider that the financial statements of the Company and the Group have been prepared using accounting policies appropriate to the Company and Group circumstances, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of Foley Family Wines Limited and Group for the year ended 30 June 2014.

This annual report is dated 21 August 2014 and is signed in accordance with a resolution of the Directors made that day pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

WP Foley II
Chairman

AM Turnbull
CEO and Director



FOLEY FAMILY WINES

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Revenue	3	30,954	30,910	30,954	27,229
Expenses					
Excise duty		(2,621)	(2,647)	(2,621)	(2,336)
Cost of sales		(20,631)	(21,761)	(20,631)	(20,257)
Operating and other expenses		(4,983)	(5,556)	(4,983)	(4,633)
Non-recurring expenses	4	(327)	(650)	(327)	(551)
Expenses excluding interest		(28,562)	(30,614)	(28,562)	(27,777)
Profit/(Loss) before interest, impairment, revaluations & income tax		2,392	296	2,392	(548)
Interest revenue		33	82	33	66
Interest expense	5	(1,721)	(1,709)	(1,721)	(1,690)
Net finance costs		(1,688)	(1,627)	(1,688)	(1,624)
Profit/(Loss) before impairment, revaluations & income tax		704	(1,331)	704	(2,172)
Impairment					
Impairment of trade and other receivables	2.2 (e)	57	1,076	57	880
Impairment of inventory	2.2 (e)	440	746	440	93
Impairment of investments	2.2 (e)	-	(999)	-	(998)
Profit/(Loss) before revaluations & income tax		1,201	(508)	1,201	(2,197)
Revaluation gains and losses					
Unrealised gain/(loss) in fair value of financial asset/liabilities	28(k)	537	390	537	390
Unrealised gain/(loss) on biological assets	23	232	1,353	232	1,353
Unrealised (loss)/gain on harvested grapes		1,464	(124)	1,464	(124)
Realised gain on harvested grapes		948	1,381	948	1,381
Revaluation of property, plant & equipment	22	(48)	(76)	(48)	(76)
Profit/(Loss) before income tax		4,334	2,416	4,334	727
Income tax benefit/(expense)	6.1	(1,045)	(728)	(1,045)	(728)
Profit/(Loss) for the year		3,289	1,688	3,289	(1)
Share of associate profit/(loss)		35	37	35	37
Gain on purchase	11	1,020	-	-	-
Profit/(Loss) for the year net of tax, attributable to Shareholders of the Parent Company		4,344	1,725	3,324	36
Basic Earnings per share cps (after tax)	7	10.01	3.93	7.66	0.10
Diluted Earnings per share cps (after tax)	7	8.48	3.33	6.48	0.08

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 51.



FOLEY FAMILY WINES

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Profit/(Loss) for the year		4,344	1,725	3,324	36
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Revaluation of property, plant and equipment	22	1,039	2,021	1,039	2,021
Income tax on items taken directly to or transferred from equity	6.2	(142)	(294)	(141)	(294)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations	12	-	64	-	-
Other comprehensive income for the year, net of tax		897	1,791	898	1,727
Total comprehensive income/(expense) for the year, net of tax		5,241	3,516	4,221	1,763

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Attributed to Owners of the Parent \$'000	Non- controlling Interests \$'000	Total \$'000
Group								
Equity at 1 July 2013		54,063	1,349	64	5,065	60,541	-	60,541
Total comprehensive income/(expense) for the year		-	813	(64)	4,492	5,241	-	5,241
Contributions by owners	9	12,365	-	-	-	12,365	90	12,455
Transactions with owners during the year		12,365	-	-	-	12,365	90	12,455
Added to equity during the year		12,365	813	(64)	4,492	17,606	90	17,696
Equity at 30 June 2014		66,428	2,162	-	9,557	78,147	90	78,237
Dividends paid per share cps								0.0
Equity at 1 July 2012								
		38,518	-	-	2,962	41,480	-	41,480
Total comprehensive income/(expense) for the year		-	1,349	64	2,103	3,516	-	3,516
Contributions by owners	9	15,545	-	-	-	15,545	-	15,545
Transactions with owners during the year		15,545	-	-	-	15,545	-	15,545
Added to equity during the year		15,545	1,349	64	2,103	19,061	-	19,061
Equity at 30 June 2013		54,063	1,349	64	5,065	60,541	-	60,541
Dividends paid per share cps								0.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 51.



FOLEY FAMILY WINES

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Parent					
Equity at 1 July 2013		57,734	3,689	(2,678)	58,745
Total comprehensive income/(expense) for the year		-	813	3,408	4,221
Contributions by owners	9	12,353	-	-	12,353
Gain/(Loss) on amalgamation		-	-	-	-
Transactions with owners during the year		12,353	-	-	12,353
Added to equity during the year		12,353	813	3,408	16,574
Equity at 30 June 2014		70,087	4,502	730	75,319
Dividends paid per share cps					0.0
Equity at 1 July 2012		9,619	2,340	(2,465)	9,494
Total comprehensive income/(expense) for the year		-	1,349	414	1,763
Contributions by owners	9	48,115	-	-	48,115
Gain/(Loss) on amalgamation		-	-	(627)	(627)
Transactions with owners during the year		48,115	-	(627)	47,488
Added to equity during the year		48,115	1,349	(213)	49,251
Equity at 30 June 2013		57,734	3,689	(2,678)	58,745
Dividends paid per share cps					0.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 51.



FOLEY FAMILY WINES

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
CURRENT ASSETS					
Cash and cash equivalents		3,824	2,215	3,793	2,215
Trade and other receivables	19	7,583	6,217	13,690	6,217
Other financial assets	18	305	40	305	40
Inventories	20	29,471	23,294	27,588	23,294
Biological work in progress	21	649	550	579	550
Current tax assets	6.3	413	317	410	317
Prepaid expenses		315	238	315	238
		<u>42,560</u>	<u>32,871</u>	<u>46,680</u>	<u>32,871</u>
NON-CURRENT ASSETS					
Property, plant and equipment	22	47,667	39,652	41,008	39,652
Biological assets	23	14,140	12,641	12,873	12,641
Intangible assets	24	10,805	10,066	8,506	8,267
Investments in subsidiaries	25.1	-	-	2,243	20
Investments in associates	25.2	-	424	-	424
Deferred tax assets	6.4	443	1,060	443	1,060
Other financial assets	18	87	104	87	104
Other non-current receivables		-	-	1	1
		<u>73,142</u>	<u>63,947</u>	<u>65,161</u>	<u>62,169</u>
TOTAL ASSETS		<u>115,702</u>	<u>96,818</u>	<u>111,841</u>	<u>95,040</u>

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 51.



FOLEY FAMILY WINES

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014 (CONTINUED)

	Note	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
CURRENT LIABILITIES					
Trade and other payables	14	5,456	4,326	5,037	4,326
Loans and borrowings	15	745	745	745	745
Finance lease	16	154	103	73	103
Convertible notes	17	10,900	10,900	10,900	10,900
Current tax liabilities	6.3	-	-	-	-
Other financial liabilities	18	18	2	18	2
		<u>17,273</u>	<u>16,076</u>	<u>16,773</u>	<u>16,076</u>
NON-CURRENT LIABILITIES					
Loans and borrowings	15	12,076	12,821	12,094	12,839
Finance lease	16	57	73	-	73
Other financial liabilities	18	125	430	125	430
Deferred tax liabilities	6.4	7,934	6,877	7,530	6,877
		<u>20,192</u>	<u>20,201</u>	<u>19,749</u>	<u>20,219</u>
TOTAL LIABILITIES		<u>37,465</u>	<u>36,277</u>	<u>36,522</u>	<u>36,295</u>
EQUITY					
Share capital	9	66,428	54,063	70,087	57,734
Reserves	12	2,162	1,413	4,502	3,689
Retained earnings/(accumulated losses)	13	9,557	5,065	730	(2,678)
Non-controlling interest		90	-	-	-
TOTAL EQUITY		<u>78,237</u>	<u>60,541</u>	<u>75,319</u>	<u>58,745</u>
TOTAL LIABILITIES AND EQUITY		<u>115,702</u>	<u>96,818</u>	<u>111,841</u>	<u>95,040</u>

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 51.



FOLEY FAMILY WINES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from (applied to)					
Receipts from customers		31,834	37,113	31,834	32,034
Receipts from close out of foreign exchange forward contracts		-	-	-	-
Interest received		33	82	33	54
Payments to suppliers and employees		(28,993)	(29,962)	(28,993)	(23,987)
Interest and other costs of finance paid		(1,717)	(1,709)	(1,717)	(1,690)
Interest capitalised into inventories		-	-	-	-
Income tax paid		9	76	9	22
Return of shareholder current account funds		-	-	-	-
Net cash flow from operating activities	26	1,166	5,600	1,166	6,433
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from (applied to)					
Sale of property, plant and equipment		130	14	130	14
Purchase of property, plant and equipment and biological assets		(2,735)	(3,432)	(2,735)	(3,312)
Purchase of intangible assets		(239)	(4)	(239)	(4)
Purchase of Investment	25	-	-	(272)	-
Advances to subsidiary		-	-	(6,333)	-
Net cash flow from investing activities		(2,844)	(3,422)	(9,449)	(3,302)
CASH FLOW FROM FINANCING ACTIVITIES					
Cash was provided for (applied to)					
Equity contribution	9	10,709	6,000	10,709	6,000
Convertible notes issued	17	-	10,900	-	10,900
Loans advanced		-	15,792	-	15,792
Loans repaid		(7,422)	(34,592)	(848)	(33,734)
Net cash flow from financing activities		3,287	(1,900)	9,861	(1,042)
Net increase (decrease) in cash held		1,609	278	1,578	2,089
Cash and cash equivalents/(Bank overdraft) at beginning of year		2,215	3,510	2,215	(1,399)
(Bank overdraft) from reverse acquisition/Cash from amalgamation		-	(1,573)	-	1,525
Cash and cash equivalents/(Bank overdraft) at end of year		3,824	2,215	3,793	2,215
Comprising: Cash and cash equivalents		3,824	2,215	3,793	2,215
Bank overdraft	15	-	-	-	-
		3,824	2,215	3,793	2,215

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 51.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. REPORTING ENTITY

Foley Family Wines Limited ("the Company", "the Parent") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the NZAX Board of the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Reporting Act 1993.

The Company is an integrated wine company producing table wines with the marketing and sales of premium wines in New Zealand and various export markets.

The Company is 66.54% owned by Foley Family Wines Holdings, New Zealand Limited, which in turn is owned 80.47% by Foley Family Wines Holdings, Inc., a company domiciled in the United States of America.

2. SUMMARY OF ACCOUNTING POLICIES

The financial statements of Foley Family Wines Limited ("the Company", "the Parent") and its subsidiaries and controlled entities (together referred to as "the Group") have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP") and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The Company is a profit-oriented company incorporated in New Zealand with its registered office at 13 Waihopai Valley Road, RD6, Blenheim 7276, New Zealand.

2.1 STATEMENT OF COMPLIANCE

The Company is a reporting entity for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRSs").

The financial statements were authorised for issue by the Directors on 21 August 2014.

2.2 BASIS FOR PREPARATION

The financial statements have been prepared on the historical cost basis except for land and buildings, biological assets and derivative financial instruments each of which have been measured at fair value. Accrual accounting is used to recognise revenue and expenses. The reporting currency is New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

These financial statements include Foley Family Wines NZ Limited (the accounting acquirer) for the 12 months and Foley Family Wines Limited (formerly The New Zealand Wine Company Limited) for 10 months in the comparative due to the reverse acquisition on 4 September 2012 (refer note 10).

Judgements, Estimates and Assumptions and Accounting Policies

In the application of NZ IFRS the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS FOR PREPARATION (CONTINUED)

Judgements, Estimates and Assumptions and Accounting Policies (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant areas of estimation, assumptions and critical judgements made in the preparation of these financial statements are as follows:

(a) *Reverse Acquisition and Amalgamation (prior year)*

The acquisition of Foley Family Wines NZ Limited by The New Zealand Wine Company Limited on 4 September 2012 is treated as a reverse acquisition for reporting purposes. This has the effect of treating Foley Family Wines NZ Limited as the accounting acquirer of The New Zealand Wine Company Limited, as it recognises that the shareholders of Foley Family Wines NZ Limited retained the controlling interest. Further details of the reverse acquisition are set out in note 10. On 4 October 2012 Foley Family Wines Limited and Foley Family Wines NZ Limited amalgamated and the company that continued in existence was Foley Family Wines Limited. The amalgamation does not affect the Group financial statements.

(b) *Fair Value of Agricultural Assets*

The fair value of grape vines is determined by an independent valuer. The fair value of vineyards, including land, grapes vines and other vineyard infrastructure were determined under the principle of highest and best use at balance date. Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Fair value is determined by direct reference to recent market transactions on arm's length terms for vineyards comparable in size, location and varietal mix to those held by the Group. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards, to determine the fair value of grape vines as shown above. The Directors consider that market data exists to support this basis of valuation.

(c) *Fair Value of Grapes at the Point of Harvest*

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

(d) *Determination of Lease Accounting*

The Group has entered into long-term vineyard leases which allow the Group to control the growing and harvesting of the grapes used in the production of finished product. After taking into consideration the terms and conditions within the leases, it is believed that the lessor retains the significant risks and rewards of ownership and the leases are accordingly classified as operating leases.

(e) *Impairment of Assets other than Goodwill and Indefinite Life Intangibles*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment and industry challenges, management considered that the indications of impairment were significant enough to test the Group's inventories and trade and other receivables for impairment in this (and the prior) reporting period and the Parent's investments in this (and the prior) reporting period.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS FOR PREPARATION (CONTINUED)

Judgements, Estimates and Assumptions and Accounting Policies (Continued)

(e) *Impairment of Assets other than Goodwill (continued)*

In relation to inventories the recoverable amount, or net realisable value, represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to be incurred in the marketing, selling and distribution. Following this review of net realisable value of inventories a reversal of previously recorded Impairment of inventory of \$(440,000) for the Group and Parent has been reversed in the current year (2013: Group \$(746,000) & Parent \$(93,000)).

In relation to trade and other receivables the recoverable amount of each trade receivable balance is determined after taking into consideration the period that has elapsed since the debt fell due and any other factors that are known regarding the customers financial stability. The Group has reviewed all trade receivable balances at balance date and has recorded a reversal of previously recorded Impairment of Trade Receivables of \$(57,000) for the Group and Parent in the current year (2013: Group \$(139,000) & Parent \$120,000). In relation to other receivables the Group & Parent recorded a reversal of a previously recognised impairment during the year of \$Nil (2013: Group \$(937,000), Parent \$(1,000,000)). Primarily this related to the intercompany loan that was converted to a capital contribution (refer investments below).

In relation to investments the recoverable amount of each investment is determined by the higher of fair value less costs to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The Parent has reviewed all investments at balance date and has recorded no impairment of Investments in the current year (2013: Impairment of \$998,000 relating to its investment in The New Zealand Wine Company (USA) Inc. The New Zealand Wine Company (USA) Inc. investment in Lineage Imports LLC failed to deliver the cash flows required to enable this investment to be recovered). In 2013 the Group also recorded a further impairment loss relating to The New Zealand Wine Company (USA) Inc. investment in Lineage Imports LLC of \$1,000,000 taking the impairment loss recorded by the Group for the year to \$999,000. There was no impairment in the current year.

(f) *Impairment of Goodwill and Indefinite Life Intangibles*

The Group determines at least annually whether goodwill and intangible assets are impaired. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangible asset was allocated or market based evidence to support the carrying value. The calculation of the recoverable amount of the cash generating unit involves assumptions to be made in terms of the timing and extent of net cash flows expected to arise from the cash generating unit and the selection of an appropriate discount rate in order to determine the present value. The Group has determined that in the current year there is only one cash generating unit for the whole business and the value of the goodwill and intangible assets was supported by value-in-use calculations. These calculations required the use of estimates. These estimates are set out in note 24.

(g) *Taxation*

The Company has estimated it is probable that the tax losses recognised will be able to be utilised in future periods. In calculating the deferred tax assets and liabilities, management has made estimates around the timing of reversal of temporary differences.

(h) *Derivative financial instruments*

The Company has derivative financial instruments which are classified as level 2, as they have inputs other than observable quoted prices. In calculating the mark to market values, management has considered the market rates.

The Directors continually review all accounting policies and areas of judgement in presenting the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. A summary of significant accounting policies and are disclosed in section 2.3.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

2.3.1 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue is recognised when the significant risk and rewards of ownership of the goods have been passed to the buyer and the revenue can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer or at the free on board (FOB) port/delivery point or as otherwise contractually determined.

(b) *Rendering of services*

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the end of the reporting period.

(c) *Interest revenue*

Revenue is recognised as the interest accrues (using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

2.3.2 BORROWING COSTS

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

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

2.3.3 IMPAIRMENT OF ASSETS OTHER THAN GOODWILL AND INDEFINITE LIFE INTANGIBLES

At each reporting date, the Group reviews the carrying value of its tangible and intangible assets and assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists or when annual impairment testing for an asset is required, the Group makes a formal assessment of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses are recognised in the current period profit or loss, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease only to the extent that there are sufficient previous reserves.

Financial assets, other than those "at fair value through profit or loss" (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash at bank and investments on call or in short-term deposits with an initial maturity of three months or less. Bank overdrafts are shown within loans and borrowings in current liabilities in the Statement of Financial Position.

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and includes at call borrowings such as bank overdrafts, used by the Group as part of its day-to-day cash management.

2.3.5 TRADE AND OTHER RECEIVABLES

Trade receivables are recognised at fair value and subsequent to initial recognition are carried at amortised cost. Bad debts are written off during the year in which they are identified.

Other receivables are initially recognised at fair value of the consideration received or receivable. Other receivables are classified as current assets unless the balances are expected to settle at least 12 months after balance date, in which case they are classified as non-current other receivables. Subsequent measurement of other non-current receivables occurs at amortised cost, where the nominal value is discounted to present value, using the effective interest rate of the asset over the expected period of settlement.

2.3.6 INVENTORIES

All inventories are valued at the lower of cost or deemed cost and net realisable value. Cost is calculated on an average cost basis. Inventory costs include a systematic allocation of appropriate production overheads that relate to putting inventories in their present location and condition but exclude borrowing costs. The allocation of production overheads is based on the normal capacity of the production facilities.

The deemed cost for the Group's agricultural produce (grapes) is fair value at harvest date less estimated point-of-sale costs in accordance with NZ IAS 41 'Agriculture'.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to be incurred in the marketing, selling and distribution.

2.3.7 INVESTMENTS IN SUBSIDIARIES

Non-current investments are valued at cost less any impairment.

2.3.8 INVESTMENTS IN ASSOCIATES

Associates are all entities over which the Company has significant influence but not control, generally evidenced by a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method (less impairment losses), after initially being recognised at cost.

The Company's share of its associates' post-acquisition profits or losses is recognised in the Statement of Comprehensive Income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Company's Statement of Comprehensive Income, while in the Statement of Financial Position they reduce the carrying amount of the investment.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.8 INVESTMENTS IN ASSOCIATES (CONTINUED)

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

2.3.9 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in the Statement of Financial Position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant & equipment acquired under finance leases depreciated over the shorter of the asset's useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a systematic basis that is representative of the time pattern of the benefit to the Group.

2.3.10 AGRICULTURE (BIOLOGICAL ASSETS AND BIOLOGICAL WORK IN PROGRESS)

Agriculture comprises grape vines (bearer biological asset) which are valued on initial recognition and at each balance date at fair value less estimated point of sale costs. Any changes in the fair value during the period are recognised in profit or loss.

All costs incurred in deriving produce from the current year's harvest or maintaining agricultural assets are recognised as expenses in profit or loss. Costs incurred in deriving produce from a future harvest are treated as Biological work in progress in the Statement of Financial Position.

The fair value of picked grapes (agricultural produce or "consumable biological asset") less estimated point-of-sale costs is recognised in profit or loss as gain/loss on harvested grapes in the period of harvest. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. This becomes the deemed "cost" for inventory valuation purposes.

The fair value of grape vines (bearer biological asset) on initial recognition is determined with reference to independent valuations of vineyards. Subsequent movements in the fair values of vines in commercial production are determined by valuations which take into account operational reviews of the vineyard portfolio which identify, where applicable, any factors affecting the long term viability and value of vines in use or the current market value of similar relevant properties recently exchanged in the open market. The directors use an independent valuer where appropriate for these purposes.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.11 PROPERTY, PLANT AND EQUIPMENT

Land, land improvements and buildings are valued at fair value less accumulated depreciation. Land is not depreciated. Fair value is determined on the basis of an independent valuation prepared by external valuation experts annually. The fair values are recognised in the financial statements and are reviewed at the end of each reporting period to ensure that the carrying value is not materially different from their fair value. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any subsequent acquisitions since the last revaluation are recorded at cost less accumulated depreciation and impairment losses.

Land improvements include all costs incurred in planting and developing vineyards including direct material, direct labour and an allocation of overhead and financing costs. These are not depreciated until the integrated vineyard asset reaches full commercial production which is typically three years after planting.

Revaluation increases are taken directly to the revaluation reserve except to the extent that they reverse a previous revaluation decrease of the same asset that was recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Decreases in value are debited directly to the revaluation reserve to the extent that they reverse previous surpluses of the same asset and are otherwise recognised as expenses in profit or loss.

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

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

All items of property, plant and equipment other than land, are depreciated on a straight line basis at rates which will write off their cost or revalued amount less estimated residual value over their expected useful lives. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period. The estimated useful lives of major classes of assets are as follows:

Buildings and land improvements	2 – 59 years
Winery equipment	2 – 40 years
Vineyard equipment and Fixtures & fittings	2 – 12 years
Motor vehicles	3 – 20 years
Computer equipment	3 years

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

2.3.12 INTANGIBLE ASSETS OTHER THAN GOODWILL

Purchased identifiable intangible assets, comprising trademarks, are shown at cost less any accumulated impairment losses. Trademarks have been assessed as having an indefinite life, since the Company has the rights to the brand while it is registered and has no intention of relinquishing those rights. Trademarks are not amortised but are subject to annual impairment testing whereby the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.12 INTANGIBLE ASSETS OTHER THAN GOODWILL (CONTINUED)

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

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

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

2.3.13 PAYABLES

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

2.3.14 LOANS AND BORROWINGS

Borrowings are initially recorded at fair value of the consideration received, net of issue costs directly associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortised cost, which present values the borrowing using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on issuance. Any difference between the initial recognised amount and the amortised cost is recognised in profit or loss.

2.3.15 EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Liabilities for short term bonus plans are recognised where there is a contractual or constructive obligation and accrued on an undiscounted basis.

2.3.16 FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, all transactions denominated in a currency other than the entity's functional currency (foreign currencies) occurring during the financial year are translated into the functional currency using the exchange rate in effect at the date of the transaction. Monetary items receivable or payable in a foreign currency are translated at the exchange rate existing at balance date. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at balance date are recognised in profit or loss in the period in which they arise.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.16 FOREIGN CURRENCIES (CONTINUED)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Zealand dollars using exchange rates prevailing at balance date. Income and expense items are translated at the average exchange rates for each month during the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Zealand dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at balance date. Exchange differences arising are recognised in the foreign currency translation reserve which forms part of total equity.

2.3.17 INCOME TAX

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year. It is calculated using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable) at the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets or liabilities which affects neither taxable income nor accounting profit. Furthermore, a deferred liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Adjusted net tangible assets per share (note 25) exclude any deferred tax liabilities which at balance date do not crystallise as a liability under current income tax legislation. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

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



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.18 GOODS AND SERVICES TAX

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST, where invoiced.

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

2.3.19 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments including forward exchange contracts, option contracts and interest rate swaps for the primary purpose of reducing its exposure to fluctuations in foreign currency exchange rates and interest rates.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into (the trade date) and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group has not adopted hedge accounting during the year. All derivative financial instruments are treated as held for trading and changes in their fair value are recognised immediately in profit or loss.

The fair value of forward exchange contracts, foreign exchange option contracts and interest rate swaps are based on discounted cash flows using market inputs.

2.3.20 FINANCIAL INSTRUMENTS ISSUED BY THE GROUP

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

2.3.21 STATEMENT OF CASH FLOWS

The cash flow statement is prepared inclusive of GST.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.21 STATEMENT OF CASH FLOWS (CONTINUED)

Definitions of the terms used in the statement of cash flows are:

"Cash and cash equivalents" includes cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and includes at call borrowings such as bank overdrafts, used by the Group as part of its day-to-day cash management.

"Investing activities" are those activities relating to the acquisition and disposal of current and non-current investments, and any other non-current assets, and includes dividends received.

"Financing activities" are those activities relating to changes in equity and debt capital structure of the Group and dividends paid on the Company's equity capital.

"Operating activities" include all transactions and other events that are not investing or financing activities.

2.3.22 SEGMENT REPORTING

The Group adopted NZ IFRS 8 *Operating Segments*, with effect from 1 July 2009. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segment and to assess its performance. The CODM is considered to be the Board of Directors and has established that the Group operates in one segment (refer note 33).

2.3.23 BUSINESS COMBINATIONS

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

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

2.3.24 GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 2.3.23 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3.25 GOODWILL (CONTINUED)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.3.26 CHANGES IN ACCOUNTING POLICIES

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

2.3.27 ADOPTION STATUS ON RELEVANT FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

2.3.27.1 Standards and interpretations effective in the current year

The following Standards and Amendments to NZ IFRS, which are relevant to the Group's financial statements, and became effective mandatorily for the annual periods beginning on or after 1 July 2013, have not and will not lead to any change in the Group's accounting policies with measurement or recognition impact on the period presented in these financial statements:

- NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 *Separate Financial Statements (revised 2011)* and NZ IAS 28 *Investments in Associates and Joint Ventures (revised 2011)* – NZ IFRS 10 replaces NZ IAS 27 *Consolidated and Separate Financial Statements* and NZ SIC-12 *Consolidation – Special Purpose Entities* and has been issued concurrently with NZ IFRS 11 *Joint Ventures*, NZ IFRS 12 *Disclosure of Interests in Other Entities*, NZ IAS 27 *Separate Financial Statements (revised 2011)* and NZ IAS 28 *Investments in Associates and Joint Ventures (revised 2011)*. Each of the Standards in this “package of five” and amendments have an effective date for annual periods beginning on or after 1 January 2013.
- NZ IFRS 13 *Fair Value Measurement* – mandatory for annual periods beginning on or after 1 January 2013. NZ IFRS 13 provides guidance on how to determine fair value under NZ IFRS. Application of this guidance may result in different fair values being determined for the relevant assets. NZ IFRS 13 also expands disclosure requirements for all assets and liabilities carried at fair value.
- Amendments to NZ IAS 19 *Employee Benefits* – mandatory for annual periods beginning on or after 1 January 2013.
- Amendments to NZ IFRS 7: *Financial Instruments: Disclosures* – Offsetting Financial Assets and Financial Liabilities – mandatory for annual periods beginning on or after 1 January 2013.
- Various - Improvements to IFRSs: 2009-2011 Cycle – mandatory for annual periods beginning on or after 1 January 2013.

2.3.27.2 Standards and interpretations effective in future periods

Certain new Standards, Interpretations and Amendments to existing standards have been published that are mandatory for later periods and which the Group has not early adopted. The key items include:

- NZ IFRS 9 *Financial Instruments* – New Standard issued 2009 and revised 2010 and 2013 – mandatory for annual periods beginning on or after 1 January 2015. NZ IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities which improve and simplify the requirements of NZ IAS 39. The Group is yet to assess the full impact of this standard.
- IFRS 9 *Financial Instruments*, was issued by the IASB in July 2014 as a complete version of the standard. This standard adds to the requirements of NZ IFRS 9. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess the impact of this standard and does not expect to adopt it before its effective date.
- NZ IFRS 15 *Revenue from contracts with customers* – replaces NZ IAS 18 *Revenue* and NZ IAS 11 *Construction Contracts* – mandatory for annual periods beginning on or after 1 January 2017.
- Amendments to NZ IAS 32 *Financial Instruments: Presentation* Offsetting Financial Assets and Financial Liabilities – mandatory for annual periods beginning on or after 1 January 2014.
- Amendments to NZ IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* – mandatory for annual periods beginning on or after 1 January 2014.
- Amendments to NZ IFRSs arising from the Annual Improvements Project (2010-2012) and (2011-2013) – mandatory for annual periods beginning on or after 1 July 2014.
- Amendments to NZ IAS 16 and NZ IAS 41 for bearer plants – mandatory for annual periods beginning on or after 1 January 2016.

The impact of these amendments on the Group's financial statements has not yet been assessed.

With the exception of standards yet to be assessed, as noted above, the adoption of these standards is not expected to have a material financial impact on the financial statements of the Group but may affect disclosure.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement and Statement of Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
3. PROFIT/(LOSS) FOR THE YEAR				
Included in profit/(loss) before income tax for the year are the following:				
REVENUE:				
Sales revenue	30,954	30,910	30,954	27,229
Net foreign exchange gains/(losses) on contract close outs	-	-	-	-
Total revenue	<u>30,954</u>	<u>30,910</u>	<u>30,954</u>	<u>27,229</u>
EXPENSES:				
Bad debts (net of bad debts recovered)	(15)	926	(15)	926
Depreciation	2,255	1,912	2,255	1,697
Directors' fees	150	123	150	131
Employee benefits expense:				
- Short-term employee benefits	4,434	4,186	4,434	3,440
Fees paid to auditors (PwC):				
- Audit of the financial statements (fees and disbursements)	67	64	67	64
- For other services – accounting technical advice	-	8	-	8
Fees paid to auditors (Grant Thornton):				
- Audit of the share registry	4	2	4	2
Operating lease rentals	749	729	749	722



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
4. NON-RECURRING EXPENSES				
Included in non-recurring expenses for the year are the following:				
Merger and acquisition expenses	235	230	235	161
Capital raising costs	67	-	67	-
Restructuring and other one-off costs	25	420	25	390
	<u>327</u>	<u>650</u>	<u>327</u>	<u>551</u>
5. INTEREST EXPENSE				
Loan interest and other costs of finance paid	<u>1,721</u>	<u>1,709</u>	<u>1,721</u>	<u>1,690</u>
6. INCOME TAX				
6.1 INCOME TAX RECOGNISED IN PROFIT/(LOSS)				
Tax expense comprises:				
Current tax expense/(benefit) – current year	164	(103)	164	(103)
Current tax expense/(benefit) – adjustment to prior year	(248)	54	(248)	54
Current tax expense/(benefit)	<u>(84)</u>	<u>(49)</u>	<u>(84)</u>	<u>(49)</u>
Deferred tax expense/(benefit) – origination & reversal of temporary differences	989	1,055	989	1,055
Deferred tax expense/(benefit) – adjustment to prior year	140	(278)	140	(278)
Deferred tax expense/(benefit)	<u>1,129</u>	<u>777</u>	<u>1,129</u>	<u>777</u>
Total income tax expense/(benefit)	<u>1,045</u>	<u>728</u>	<u>1,045</u>	<u>728</u>
Reconciliation of income tax expense/(benefit):				
Profit/(loss) before income tax	4,334	2,459	4,334	727
Offshore losses not recognised	-	(43)	-	-
	<u>4,334</u>	<u>2,416</u>	<u>4,334</u>	<u>727</u>
Income taxation expense calculated at current rate of 28%	1,214	676	1,214	203
Non-deductible expenses	87	73	87	73
Prior period adjustments	108	(54)	108	-
Deferred tax asset recognised on losses	43	(426)	43	(426)
Unused tax losses forfeited on reverse acquisition	-	-	-	346
Other	(407)	459	(407)	532
Income tax expense/(benefit) as reported	<u>1,045</u>	<u>728</u>	<u>1,045</u>	<u>728</u>



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

6. INCOME TAX (CONTINUED)

Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
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6.2 INCOME TAX RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME

The following current and deferred amounts were charged/(credited) directly to other comprehensive income during the year:

Deferred tax: Revaluation of property, plant and equipment	142	294	141	294
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6.3 CURRENT TAX ASSETS AND LIABILITIES

Current tax assets: Tax refund receivable	413	317	410	317
Current tax liabilities: Tax payable	-	-	-	-

6.4 DEFERRED TAX BALANCES

Taxable and deductible temporary differences arise from the following:

	Group 2014 \$000	Balance Group 2013 \$000	Sheet Parent 2014 \$000	Parent 2013 \$000	Group 2014 \$000	Income Group 2013 \$000	Statement Parent 2014 \$000	Parent 2013 \$000
(i) Deferred tax liabilities								
Tax and accounting book differences – property, plant and equipment	5,199	4,699	4,613	4,699	(244)	655	(226)	745
Fair value biological assets (value-in-use deferred tax)	1,998	2,013	2,198	2,013	184	391	184	391
Inventories and biological work in progress	372	-	372	-	842	-	842	-
Fair value through profit or loss financial assets/liabilities	70	-	70	-	150	-	150	-
Other	295	165	277	165	130	165	112	107
Gross deferred tax liabilities	7,934	6,877	7,530	6,877	1,062	1,211	1,062	1,243
(ii) Deferred tax assets								
Inventories and biological work in progress	-	(470)	-	(470)	-	(54)	-	(150)
Annual, sick leave and employee entitlements accruals and provision for doubtful debts	(60)	(84)	(60)	(84)	24	126	24	(13)
Fair value through profit or loss financial assets/liabilities	-	(80)	-	(80)	-	(80)	-	123
Unused tax losses	(383)	(426)	(383)	(426)	43	(426)	43	(426)
Gross deferred tax assets	(443)	(1,060)	(443)	(1,060)	67	(434)	67	(466)
Net deferred tax liabilities	7,491	5,817	7,087	5,817				
Deferred tax expense/(income)					1,129	777	1,129	777

All deferred tax assets and liabilities are disclosed as non-current. Approximately \$276,000 for the Group and Parent (2013: Group and Parent \$(867,000)) are expected to be recovered within the next 12 months.

At 30 June 2014, taxable temporary differences that are unrecognised tax losses that are associated with the Group's investments in subsidiaries totalled \$Nil (2013: \$43,000).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

6.5 IMPUTATION CREDITS	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	267	258	267	258

7. EARNINGS PER SHARE

	Group 2014 cents per shares	Group 2013 cents per shares	Parent 2014 cents per shares	Parent 2013 cents per shares
Basic Earnings per share	10.01	3.93	7.66	0.10

The calculation of basic earnings per share in respect of 2014 is based on profit/(loss) of Group \$4,344,000, Parent \$3,324,000 (2013: Group \$1,725,000, Parent \$36,000) and the weighted average of Group 43,385,995, Parent 43,385,995 ordinary shares on issue during the year (2013: Group 43,892,773; Parent 37,601,196).

	Group 2014 cents per shares	Group 2013 cents per shares	Parent 2014 cents per shares	Parent 2013 cents per shares
Diluted Earnings per share	8.48	3.33	6.48	0.08

The calculation of diluted earnings per share in respect of 2014 is based on profit/(loss) of Group \$4,344,000, Parent \$3,324,000 (2013: Group \$1,725,000, Parent \$36,000) and the weighted average of Group 51,249,020, Parent 51,249,020 ordinary shares on issue during the year (2013: Group 51,755,798; Parent 45,464,221).

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:

	Group 2014 Number of shares	Group 2013 Number of shares	Parent 2014 Number of shares	Parent 2013 Number of shares
Weighted average number of ordinary shares (Basic)	43,385,995	43,892,773	43,385,995	37,601,196
Convertible notes outstanding at year end	7,863,025	7,863,025	7,863,025	7,863,025
Weighted average number of ordinary shares (Diluted)	51,249,020	51,755,798	51,249,020	45,464,221

8. DISTRIBUTION TO OWNERS

The Company did not declare or pay any dividends during the year (2013: nil).

No final dividend for the financial year has been declared and included in these financial statements.

	Parent 2014 Number of shares issued	Parent 2013 Number of shares issued	Group 2014 \$000	Group 2013 \$000	Parent 2014 \$000	Parent 2013 \$000
9. SHARE CAPITAL						
FULLY PAID UP ORDINARY SHARES						
Balance at beginning of financial year	43,385,995	8,677,199	54,063	38,518	57,734	9,619
Movements in share capital	8,773,052	4,328,271	12,365	6,000	12,353	6,000
Reverse acquisition share issue	-	30,380,525	-	9,545	-	42,115
Balance at end of financial year	52,159,047	43,385,995	66,428	54,063	70,087	57,734



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

9. SHARE CAPITAL (CONTINUED)

The Company has only one class of shares and all shares have the same voting rights and share equally in dividends and any surpluses on winding up. The shares have no par value.

Share issues during the year:

Parent

On 30 June 2014 the Company issued 7,092,199 ordinary shares at \$1.41 per share by way of a Share Placement.

On 30 June 2014 the Company issued 1,174,817 ordinary shares at an issue price of \$1.40 per share following a Takeover Offer for all of the shares in Martinborough Vineyard Estates Limited (MVEL) to the MVEL shareholders who accepted the Takeover Offer – refer note 11. Also on that day the Company issued 506,036 ordinary shares at an issue price of \$1.40 per share to finance the repayment of the second debenture holders of MVEL.

Total cash share issues \$10,709,000 (share placement \$10,000,000 and debt repayment \$709,000).

Group

The number of shares issued were as for the Parent however the value of these is recorded \$12,000 higher than the Parent due to the fact that NZ IFRS 3 *Business Combinations* requires the consideration paid for an acquisition to be fair valued at the purchase date and therefore the 1,174,817 ordinary share issued for the takeover were recorded at \$1.41 per share instead of their issue price of \$1.40 per share. Further detail of the acquisition is provided in note 11.

Shares reserved for issuance: Convertible notes on issue at year end – convertible to 7,863,025 ordinary shares – refer note 17.

10. REVERSE ACQUISITION SHARE ISSUE

The acquisition of The New Zealand Wine Company Limited, renamed Foley Family Wines Limited, on 4 September 2012 has been treated as a reverse acquisition for financial reporting purposes recognising that Foley Family Wines NZ Limited shareholders retained the controlling interest in the Company following the transaction.

Summary of the effect of the reverse acquisition:

	Group 2013
	\$'000
Trade and other receivables	3,653
Other financial assets	51
Inventories	5,411
Biological work in progress	635
Current tax assets	89
Prepayments	332
Property, plant and equipment	13,501
Biological assets	5,319
Total assets acquired	<u>28,991</u>
Trade and other payables	(2,010)
Loans and borrowings – bank overdraft	(1,573)
Loans and borrowings – borrowings	(14,371)
Deferred tax	(2,390)
Other financial liabilities	(901)
Total liabilities acquired	<u>(21,245)</u>
Net assets acquired	<u>7,746</u>
Goodwill on consolidation	<u>1,799</u>
Total assets acquired	<u>9,545</u>
Funded as follows:	
Equity investment	<u>9,545</u>



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

11. MARTINBOROUGH VINEYARD ESTATES LIMITED ACQUISITION SHARE ISSUE AND GAIN ON PURCHASE

Foley Family Wines Limited (FFW, the Company) made a full takeover offer (Takeover Offer) dated 26 May 2014 to purchase all of the shares in Martinborough Vineyard Estates Limited (MVEL) pursuant to the Takeovers Code. The Offer became open for acceptance by MVEL shareholders on 26 May 2014 and closed for acceptance at 5.00 pm on 24 June 2014. The Takeover Offer was declared unconditional on 24 June 2014 following satisfaction of the conditions included in the Takeover Offer Document including the grant of consent under the Overseas Investment Act 2005 to purchase 100% of the shares of MVEL. As a result of acceptances received under the Takeover Offer the Company acquired 32,835,889 of the shares of MVEL (being 94.87%) on 30 June 2014 in consideration for the issue of 1,174,817 ordinary shares in FFW: each shareholder in MVEL who accepted the Takeover Offer received one ordinary share in FFW for every 27.95 shares held in MVEL subject to rounding as specified.

Summary of the effect of the acquisition of MVEL on the Group Statement of Financial Position and calculation of the Gain on purchase is as follows:

	Group 2014 \$'000
Cash and cash equivalents	10
Trade and other receivables	393
Inventories	1,883
Biological work in progress	70
Property, plant and equipment	6,039
Biological assets	1,082
Intangible assets	500
Total assets acquired	<u>9,977</u>
Trade and other payables	(523)
Loans and borrowings – borrowings	(6,181)
Finance lease	(138)
Deferred tax	(403)
Total liabilities acquired	<u>(7,245)</u>
Net assets acquired	<u>2,732</u>
Less Non-controlling interest at fair value (5.17%)	<u>(90)</u>
Total assets acquired	<u>2,642</u>
Funded as follows:	
Equity investment (1,174,817 shares at \$1.41 per share)	<u>1,656</u>
Gain on purchase	<u>986</u>

For the purposes of calculating the Gain on purchase NZ IFRS 3 *Business Combinations* requires the consideration paid to be valued at fair value, which in this case is deemed to be an issue price of \$1.41 per share, based on the other arms-length share issues that occurred on the same day in relation to the share placement. As a result an adjustment to the Share Capital of the Parent of an additional \$12,000 is required for the Group.

The total gain on purchase shown on the Income Statement comprises of the following:

	Group 2014 \$'000
Martinborough Vineyard Estates Limited acquisition (as per above)	986
McLeod Vineyard Limited acquisition (refer note 25.2)	34
Total Gain on purchase	<u>1,020</u>



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
12. RESERVES				
ASSET REVALUATION RESERVE				
Balance at beginning of financial year	1,349	-	3,689	2,340
Revaluation increments/(decrements)	1,039	2,021	1,039	2,021
Reversal of previous revaluation decrements taken through profit & loss	(84)	(378)	(85)	(378)
Deferred tax liability arising on revaluation (note 6.2)	(142)	(294)	(141)	(294)
Balance at end of financial year	<u>2,162</u>	<u>1,349</u>	<u>4,502</u>	<u>3,689</u>
<p>The asset revaluation reserve arises on the revaluation of land, buildings and land improvements excluding biological assets. Where a revalued asset is sold that proportion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained earnings.</p> <p>Group: The property, plant & equipment reserve was extinguished in 2010. Refer to note 22 for further details.</p>				
FOREIGN CURRENCY TRANSLATION RESERVE				
Balance at beginning of financial year	64	-	-	-
Translation gains/(losses)	-	64	-	-
Transferred to retained earnings	(64)	-	-	-
Balance at end of financial year	<u>-</u>	<u>64</u>	<u>-</u>	<u>-</u>
TOTAL RESERVES	<u>2,162</u>	<u>1,413</u>	<u>4,502</u>	<u>3,689</u>

13. RETAINED EARNINGS/(ACCUMULATED LOSSES)

Balance at beginning of financial year	5,065	2,962	(2,678)	(2,465)
Profit/(Loss) for the year net of tax, attributable to Shareholders of the Parent Company	<u>4,344</u>	<u>1,725</u>	<u>3,324</u>	<u>36</u>
	9,409	4,687	646	(2,429)
Reversal of previous revaluation reserve taken through profit & loss (note 22)	84	378	84	378
Gain/(Loss) on amalgamation	-	-	-	(627)
Transferred from foreign currency translation reserve	64	-	-	-
Balance at end of financial year	<u>9,557</u>	<u>5,065</u>	<u>730</u>	<u>(2,678)</u>



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
14. TRADE AND OTHER PAYABLES				
Trade creditors	4,361	3,491	4,065	3,491
Employee entitlements	503	291	427	291
Other accruals	592	544	545	544
	<u>5,456</u>	<u>4,326</u>	<u>5,037</u>	<u>4,326</u>

15. LOANS AND BORROWINGS

	Interest Rate %	Interest Rate Review Date	Expiry Date	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
At amortised cost:							
Bank Overdraft				-	-	-	-
Bank of New Zealand Term Loan	6.13% pa	31/7/14	7/9/15	12,821	13,566	12,821	13,566
Loans from Subsidiaries				-	-	18	18
TOTAL LOANS AND BORROWINGS				<u>12,821</u>	<u>13,566</u>	<u>12,839</u>	<u>13,584</u>
Weighted average effective interest rate on Term Loans				6.13%	5.35%	6.13%	5.35%
Bank Overdraft				-	-	-	-
Loans due within 1 year				745	745	745	745
Loans due within 1 year – expected to be renegotiated				-	-	-	-
Total current loans and borrowings				<u>745</u>	<u>745</u>	<u>745</u>	<u>745</u>
Loans due 1 to 2 years				12,076	-	12,076	-
Loans due 2 to 5 years				-	12,821	-	12,821
Loans due after 5 years				-	-	18	18
Total non-current loans and borrowings				<u>12,076</u>	<u>12,821</u>	<u>12,094</u>	<u>12,839</u>
Total loans and borrowings				<u>12,821</u>	<u>13,566</u>	<u>12,839</u>	<u>13,584</u>

For loans covered by interest rate swap contracts (swaps) interest is charged on the underlying loan based on the 1 month floating rate. Interest rate swaps have been taken out by the Group to convert this floating interest rate obligation to a fixed interest rate obligation. Refer note 28 for further details of interest rate swap contracts.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

BANK OF NEW ZEALAND FACILITIES

On 7 September 2012 the Company repaid ANZ Bank (and Foley Family Wines NZ Ltd repaid Rabobank) in full and entered into a new banking facility with Bank of New Zealand. The arrangement provided for a three year \$20 million term loan facility and \$5 million multi-option overdraft/cash advance/letter of credit working capital facility. The facility also provides the option of uncommitted interest rate swap and uncommitted forward foreign exchange facilities. An event of review occurs under the facilities if entities owned or controlled by Mr William Foley no longer own at least 50.10% of the Group.

The terms of the BNZ facilities are as follows:

- The \$20 million term loan facility was provided to refinance the current debt facilities. Interest is payable at 2.65% per annum above the base rate. The base rate is the 'BKBM' rate as quoted on the Reuters Monitor Money Rates Services page.
 - The \$5 million multi-option facility is provided to be utilised for working capital, general corporate purposes and letters of credit. The facility provides three facilities: market connect overdraft facility, committed cash advance facility and letter of credit facility. Interest is payable at: the BNZ Market Connect Overdraft Base Rate; the BNZ Committed Cash Advance Prime Rate plus 1.00% per annum margin respectively. A commitment fee is payable on the facility which is charged quarterly in advance.
- The facilities expire on 7 September 2015. All outstanding debt under any of the facilities is repayable on the maturity date.

SECURITY

The Bank has registered a first ranking general security agreement over all the present and after acquired property of the Company and of its wholly owned subsidiaries, a specific security agreement over any separately identifiable intellectual property of the Company or its wholly owned subsidiaries and a first ranking mortgage over all of the land and improvements owned by the Company.

BANK COVENANTS

The Company complied with all of the financial covenants imposed by the Bank of New Zealand during the year.

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
16. FINANCE LEASES				
Not later than 1 year	154	103	73	103
Later than 1 year and not later than 2 years	41	73	-	73
Later than 2 years and not later than 5 years	16	-	-	-
Total minimum lease payments	211	176	73	176
Disclosed as:				
Current finance lease liability	154	103	73	103
Non current finance lease liability	57	73	-	73
	211	176	73	176

17. CONVERTIBLE NOTES

Foley Family Wines Holdings, New Zealand Limited	10,900	10,900	10,900	10,900
Disclosed as:				
Current convertible notes	10,900	10,900	10,900	10,900



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

17. CONVERTIBLE NOTES (CONTINUED)

As part of the merger transaction with The New Zealand Wine Company Limited (renamed Foley Family Wines Limited ("FFW")) on 4 September 2012, the Company issued an 18 month convertible note to Foley Family Wines Holdings, New Zealand Limited ("Foley Holdings") for the principal amount of \$10,900,000 thereby assuming Foley Family Wines NZ Limited's current loan liability to Foley Family Wines Holdings, New Zealand Limited of the same amount under a promissory note.

The principal terms of the Convertible Note are:

- the term of the Convertible Note is a minimum term of 18 months. After that period or earlier if FFW is in breach of its obligations under the Convertible Note, the Convertible Note converts at the option of Foley Holdings or alternatively Foley Holdings may demand repayment in lieu of conversion;
- the issue price on the conversion of any shares under the Convertible Note is \$1.386 per share which is the same price at which the shares have been issued to Foley Holdings pursuant to the Merger of The New Zealand Wine Company Limited and Foley Family Wines New Zealand Limited. On conversion of the Convertible Note issued by FFW, 7,863,025 shares in FFW could be issued to Foley Holdings at a price of \$1.386 per share by way of off-set against the amount owing to Foley Holdings under the Convertible Note. Assuming no change in the shares on issue in FFW between the date of the issue of the Convertible Note and its conversion to new shares, this would when aggregated with the shares issued under the Merger increase the holdings of Foley Holdings in FFW to 83%.
- the Convertible Note does not give Foley Holdings any right to vote. Foley Holdings will acquire voting rights with the ordinary shares it receives on any exercise of the right to convert under the Convertible Note;
- interest is payable, quarterly in arrears (not compounding), on the Convertible Note pending conversion at the rate of 6.5% pa. The interest rate has been agreed between FFW and Foley Holdings as being representative of market rates for an unsecured loan of its type; and
- all shares issued pursuant to the exercise of the Convertible Note will rank equally in all respects with all other FFW shares on issue.

The Convertible Note can be converted at the option of Foley Holdings after 18 months from the date of issue, that is, from 4 March 2014, and there are no performance hurdles required to be met before conversion can occur. The Convertible Note has been classified as current. At balance date no notification had been received to convert the note.

Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
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18. OTHER FINANCIAL ASSETS/(LIABILITIES)

At fair value:

Foreign currency forward contracts	305	40	305	40
Other financial assets – held for trading – Current	305	40	305	40
Foreign currency forward contracts	87	104	87	104
Other financial assets – held for trading – Non Current	87	104	87	104
Other financial assets – held for trading – Total	392	144	392	144
Interest rate swap contracts	(18)	(2)	(18)	(2)
Other financial liabilities – held for trading - Current	(18)	(2)	(18)	(2)
Interest rate swap contracts	(125)	(430)	(125)	(430)
Other financial liabilities – held for trading – Non Current	(125)	(430)	(125)	(430)
Other financial liabilities – held for trading – Total	(143)	(432)	(143)	(432)

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates. Refer note 28 for details of financial instruments used by the Group.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
19. TRADE AND OTHER RECEIVABLES				
Trade receivables	6,271	4,563	5,999	4,563
Impairment of trade receivables	(1)	(57)	-	(57)
Other receivables	1,313	1,711	7,691	1,711
Impairment of other receivables	-	-	-	-
	<u>7,583</u>	<u>6,217</u>	<u>13,690</u>	<u>6,217</u>

The carrying amount disclosed above is a reasonable approximation of fair value. Trade receivables are non-interest bearing and are generally due the last working day of the month following invoice for domestic customers and 30-120 day terms for export customers.

Not Past Due	6,265	4,472	5,998	4,472
Past Due 1-30 days	5	8	1	8
Past Due 31-60 days	-	25	-	25
Past Due 61-90 days	-	1	-	1
Past Due > 91 days	1	57	-	57
	<u>6,271</u>	<u>4,563</u>	<u>5,999</u>	<u>4,563</u>

Trade receivables that are less than 90 days past due are generally not considered impaired. As of 30 June 2014 trade receivables there were no Group or Parent debts (2013: Group & Parent \$Nil) that were past due but not impaired.

The Group has reviewed all trade receivable balances at balance date based on historical experience and the credit worthiness of the counterparty and has recorded a reversal of previously recorded Impairment of Trade Receivables of \$(57,000) for the Group and Parent in the current year (2013: Group \$(139,000) & Parent \$120,000). Bad debts of \$Nil for the Group and Parent were written off during the year (2013: \$981,000), \$Nil of which was subsequently recovered (2013: \$55,000). \$15,000 was recovered from a bad debt written off in the previous financial year. The gross debt relating to the trade receivables which were considered to be impaired at balance date was \$1,000 for the Group and \$Nil for the Parent (2013: Group & Parent \$57,000).

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Impairment of trade receivables:				
Opening balance	57	481	57	387
Written off during the year (net of amounts recovered)	-	(926)	-	(926)
Impairment charge reversal during the year	(57)	(139)	(57)	-
Impairment charge during the year	-	-	-	120
Charged during the year/transferred on merger/amalgamation	1	641	-	476
Closing balance	<u>1</u>	<u>57</u>	<u>-</u>	<u>57</u>



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
20. INVENTORIES				
Raw materials	577	759	531	759
Consumable stores	83	68	83	68
Work in progress	20,253	16,461	18,994	16,461
Finished goods	8,566	6,454	7,988	6,454
Impairment of inventory	(8)	(448)	(8)	(448)
Total inventories at lower of cost and net realisable value	<u>29,471</u>	<u>23,294</u>	<u>27,588</u>	<u>23,294</u>
Impairment of Inventory:				
Opening balance	448	309	448	315
Impairment charge reversal during the year	(440)	(746)	(440)	(93)
Charged during the year	-	-	-	-
Adjustment due to merger/amalgamation	-	885	-	226
Closing balance	<u>8</u>	<u>448</u>	<u>8</u>	<u>448</u>
21. BIOLOGICAL WORK IN PROGRESS				
Growing costs related to next harvest	<u>649</u>	<u>550</u>	<u>579</u>	<u>550</u>

The growth on the vines in the period from harvest to 30 June 2014 cannot be reliably measured due to the lack of market information and the variables in completing the biological transformation process between balance date and the time of harvest. As allowed under NZ IAS 41 the cost of agricultural activity in the period to 30 June has been recognised as work in progress for the next harvest. This assumes the cost of the agricultural activity approximates fair value in determining the value of the biological transformation that has occurred in that period. The value of work in progress at balance date was \$649,000 for the Group and \$579,000 for the Parent (2013: Group & Parent \$550,000).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

22. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land at Fair Value \$'000	Freehold Buildings at Fair Value \$'000	Land Improvements at Fair Value \$'000	Plant and Equip. at Cost \$'000	Motor Vehicles at Cost \$'000	Total \$'000
Year ended 30 June 2014						
At 1 July 2013, net of accumulated depreciation and impairment	11,149	9,267	6,730	12,268	238	39,652
Additions (including acquisitions – note 11 & 25.2)	3,789	1,700	497	3,076	331	9,393
Disposals	-	-	-	(92)	(22)	(114)
Revaluations	473	250	268	-	-	991
Impairment	-	-	-	-	-	-
Depreciation charge for the year	-	(192)	(374)	(1,598)	(91)	(2,255)
At 30 June 2014, net of accumulated depreciation and impairment	15,411	11,025	7,121	13,654	456	47,667
At 30 June 2014:						
Cost or fair value	15,411	11,025	7,121	22,854	1,225	57,636
Accumulated depreciation (accum impairment nil)	-	-	-	(9,200)	(769)	(9,969)
Net carrying amount	15,411	11,025	7,121	13,654	456	47,667
Year ended 30 June 2013						
At 1 July 2012, net of accumulated depreciation and impairment	6,962	5,814	3,965	5,842	193	22,776
Additions (including merger)	3,305	2,969	2,714	7,750	111	16,849
Disposals	-	-	-	(82)	-	(82)
Revaluations	882	650	489	-	-	2,021
Impairment	-	-	-	-	-	-
Depreciation charge for the year	-	(166)	(438)	(1,242)	(66)	(1,912)
At 30 June 2013, net of accumulated depreciation and impairment	11,149	9,267	6,730	12,268	238	39,652
At 30 June 2013:						
Cost or fair value	11,149	9,267	6,730	19,778	905	47,829
Accumulated depreciation (accum impairment nil)	-	-	-	(7,510)	(667)	(8,177)
Net carrying amount	11,149	9,267	6,730	12,268	238	39,652
Parent						
Year ended 30 June 2014						
At 1 July 2013, net of accumulated depreciation and impairment	11,149	9,267	6,730	12,268	238	39,652
Additions	-	174	54	2,190	316	2,734
Disposals	-	-	-	(92)	(22)	(114)
Revaluations	473	250	268	-	-	991
Impairment	-	-	-	-	-	-
Depreciation charge for the year	-	(192)	(374)	(1,598)	(91)	(2,255)
At 30 June 2014, net of accumulated depreciation and impairment	11,622	9,499	6,678	12,768	441	41,008
At 30 June 2014:						
Cost or fair value	11,622	9,499	6,678	20,504	1,080	49,383
Accumulated depreciation (accum impairment nil)	-	-	-	(7,736)	(639)	(8,375)
Net carrying amount	11,622	9,499	6,678	12,768	441	41,008



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land at Fair Value \$'000	Freehold Buildings at Fair Value \$'000	Land Improve- ments at Fair Value \$'000	Plant and Equip. at Cost \$'000	Motor Vehicles at Cost \$'000	Total \$'000
Parent						
Year ended 30 June 2013						
At 1 July 2012, net of accumulated depreciation and impairment	3,345	3,660	2,696	3,848	63	13,612
Additions (including merger/amalgamation)	6,922	5,105	3,937	9,603	231	25,798
Disposals	-	-	-	(82)	-	(82)
Revaluations	882	650	489	-	-	2,021
Impairment	-	-	-	-	-	-
Depreciation charge for the year	-	(148)	(392)	(1,101)	(56)	(1,697)
At 30 June 2013, net of accumulated depreciation and impairment	11,149	9,267	6,730	12,268	238	39,652
At 30 June 2013:						
Cost or fair value	11,149	9,267	6,730	19,778	905	47,829
Accumulated depreciation (accum impairment nil)	-	-	-	(7,510)	(667)	(8,177)
Net carrying amount	11,149	9,267	6,730	12,268	238	39,652

Commitments: At balance date the Group & Parent had capital commitments of \$1,753,000 relating to the construction of the warehouse extension at the Waihopai Valley site (2013: bottling line improvement project \$314,000).

Revaluation of Land, Buildings and Land Improvements

Land, buildings and land improvements shown at valuation were valued at fair value under the principle of highest and best use by Alexander Hayward Limited, registered independent valuers, for the Marlborough properties, and Telfer Young, registered independent valuers, for the Martinborough properties, on 30 June 2014 (2013: 30 June 2013). Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land, buildings and vineyards comparable in size, location and varietal mix to those held by the Group.

Group: The revaluations in the year ended 31 December 2010 resulting in a revaluation decrease extinguished the asset revaluation reserve and the remaining balance of the asset revaluation reserve was recognised as an expense in the statement of comprehensive income. In 2011 further downward revaluations occurred which were recognised in the statement of comprehensive income as an expense. The carry forward value of future gains on revaluation that can be recognised in the profit and loss is \$188,000 (2013: \$282,000).

The carrying amount of land, buildings and land improvements had they been recognised under the cost model would have been Group \$10,492,000 and Parent \$14,242,000 (2013: Group \$10,438,000, Parent \$14,188,000).

23. BIOLOGICAL ASSETS

Biological assets consist of grape vines (bearer biological assets). The Company grows grapes to use in the production of wine, as part of normal operations. Vineyards are located in Marlborough and Martinborough, New Zealand. Grapes are harvested between March and May each year.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

23. BIOLOGICAL ASSETS (CONTINUED)

At 30 June 2014 the Parent and Group held approximately 229 hectares of land owned or leased by the Company in Marlborough (2013: Group & Parent 229) and the Parent held 135 hectares and the Group 184 hectares of land owned or leased by the Parent/Group in Martinborough (2012: Group & Parent 135). 196 hectares are currently in commercial production in Marlborough (2013: Group & Parent 196) and 97 hectares, Parent, and 146 hectares, Group are currently in commercial production in Martinborough (2013: Group & Parent 97). In addition in the prior year the Parent had a 50% interest in the McLeod Vineyard which has 4.99 planted hectares on 6.65 hectares of land. The remaining 50% interest was acquired on 30 June 2014 so this was wholly owned by the Group at the end of the current period – refer note 25.2.

During the year ended 30 June 2014 the Company harvested 3,183 tonnes of grapes (2013: Group & Parent 2,593). The grapes harvested are adjusted to fair value at the point of harvest after taking into consideration various market factors, as well as reviewing the district average pricing report for grapes of similar quality and variety. Any adjustment to bring the cost of sale to fair value is recognised in inventory and cost of sales. The fair value adjustment for the 2014 harvest was \$1,464,000 (2013: Group & Parent \$(124,000)). Refer to note 21 for recognition of the biological transformation between the time of harvest and balance date.

	Group 2014 \$000	Group 2013 \$000	Parent 2014 \$000	Parent 2013 \$000
Carrying amount at start of period	12,641	5,969	12,641	5,319
Gain/(loss) from changes to fair value of vines less estimated point of sale costs	232	1,353	232	1,353
Acquired through Merger/Amalgamation/Acquisition	1,267	5,319	-	5,969
Movement in vines	-	-	-	-
Carrying amount at 30 June	14,140	12,641	12,873	12,641

The fair value less estimated point of sale costs of grape vines is determined by independent valuation at balance date. The fair value of vineyards, including land, grapes vines and other vineyard infrastructure were determined by Alexander Hayward Limited, registered independent valuers, for the Marlborough properties, and Telfer Young, registered independent valuers, for the Martinborough properties, under the principle of highest and best use on 30 June 2014 (2013: Group & Parent 30 June 2013). Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for vineyards comparable in size, location and varietal mix to those held by the Company. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards, to determine the fair value of grape vines as shown above.

The Group is exposed to financial risks in respect of agricultural activity. The agricultural activity of the Company consists of the management of vineyards to produce grapes for use in the production of wine. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes, and ultimately receiving cash from the sale of wine to third parties. The Company's strategy to manage this financial risk is to actively review and manage its working capital requirements. The quality and quantity of the grape harvest is dependent on seasonal climatic factors such as rainfall, sunshine and temperature, including frosts. The Group manages this risk by diversifying its vineyards across the Marlborough and Martinborough regions and through the use of windmills and helicopters for normal frost protection purposes.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
24. INTANGIBLE ASSETS				
Trademarks				
At start of period, net of impairment	151	147	151	21
Additions (including amalgamation)	-	4	-	151
Disposals/write offs	-	-	-	(21)
At 30 June, net of impairment	151	151	151	151
Cost (gross carrying value)	151	151	151	151
Accumulated impairment losses	-	-	-	-
Net carrying amount	151	151	151	151

Trademarks pertain to the registration of trademarks in local and overseas jurisdictions for the Company's brands.

Trademarks are carried at cost, less any accumulated impairment losses. Trademarks have been assessed as having an indefinite life since the Company has the rights to the brand while it is registered and has no intention of relinquishing those rights. The recoverable amount is estimated annually and an impairment loss recognised to the extent that the recoverable amount is lower than the carrying amount.

Goodwill

At start of period, net of impairment	2,515	716	716	-
Additional amounts recognised from business combinations occurring during the year (note 10)	-	1,799	-	-
Addition due to amalgamation	-	-	-	716
At 30 June, net of impairment	2,515	2,515	716	716
Cost (gross carrying value)	2,515	2,515	716	716
Accumulated impairment losses	-	-	-	-
Net carrying amount	2,515	2,515	716	716

After initial recognition, goodwill acquired is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment. The above noted goodwill relates to the acquisition of the Vavasour Wines' business assets on 1 September 2003, acquisition of Goldwater Wines' business assets on 1 April 2006, acquisition of Clifford Bay's business assets on 1 March 2007 and the reverse acquisition of The New Zealand Wine Company Ltd (Grove Mill) on 4 September 2012 (refer note 10).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
24. INTANGIBLE ASSETS (CONTINUED)				
Brands and Intellectual Property				
At start of period, net of impairment	7,400	7,400	7,400	-
Additions (including amalgamation) - current year additions refer note 11 and 32	739	-	239	7,400
Impairment	-	-	-	-
At 30 June, net of impairment	8,139	7,400	7,639	7,400
Cost (gross carrying value)	8,139	7,400	7,639	7,400
Accumulated impairment losses	-	-	-	-
Net carrying amount	8,139	7,400	7,639	7,400

Brands are regarded as having indefinite useful lives as there are no legal restrictions on the use of the brands or technological barriers to their ongoing usefulness. Brands are not amortised, but are subject to impairment testing on an annual basis or whenever there is an indication of impairment. The Brands included are Vavasour, Goldwater, Dashwood, Clifford Bay, Martinborough Vineyard and Lighthouse Gin.

(a) Impairment tests for goodwill and intangibles with indefinite useful lives

The Group has determined that in the current year the value of the goodwill and intangible assets was supported by value-in use calculations performed for the cash generating unit, being the whole business. The recoverable amount of the cash generating unit was determined based on pre-tax cash flow projections based on the current results of the Group and the following key assumptions: Earnings Before Interest and Tax estimated growth rate: 3% pa; Terminal value of 3%; a period of projection of 7 years and a pre-tax discount rate 7.8% pa (2013: 8.7% pa). The discount rate used is consistent with companies operating in the same industry. The recoverable amount determined did not indicate any impairment and no adjustment was deemed to be required.

TOTAL INTANGIBLE ASSETS	10,805	10,066	8,506	8,267
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25. INVESTMENTS

25.1 Investments in Subsidiaries

Parent's direct and ultimate investment in subsidiaries comprises shares at cost	-	-	2,243	20
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Investments in controlled entities are detailed in note 32.

25.2 Investment in Associates

Until 30 June 2014 the Parent owned a 50% interest in McLeod Vineyard Limited. On 30 June 2014 the Parent acquired the remaining 50% (500 shares) and McLeod Vineyard Limited became a wholly owned subsidiary of the Parent.

In the prior year McLeod Vineyard Limited was a joint venture with one other party. Since neither party had a controlling interest, the investment was recognised as an associate investment and equity accounted within the Parent.

McLeod Vineyard Limited is a vineyard whose principal activity is grape growing. The company was incorporated in New Zealand on 9 June 1998 and commenced trading 1 July 1998.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
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25. INVESTMENTS (CONTINUED)

25.2 Investment in Associates (Continued)

Approximately 87% of the McLeod assets are made up of land and biological assets. The Company has obtained a valuation of these assets as at 30 June 2014 (2013: 30 June 2013) to assist with the preparation of these financial statements. The remaining assets are considered immaterial to the Company's accounts and as such reliance has been placed on McLeod's management accounts as at 30 June 2014 for the purposes of recognition in these accounts.

Assets	-	859	-	859
Liabilities	-	316	-	316
Equity	-	543	-	543
% Held	100%	50%	100%	50%
Share of equity	-	271	-	271
Shareholder current account	-	153	-	153
Carrying amount	-	424	-	424
<i>Results of associate</i>				
Revenue	85	85	85	85
Net profit for the period (including revaluation of biological assets)	69	(30)	69	(30)
Recognised share of profit	35	(15)	35	(15)
<i>Investment in Associate</i>				
Opening balance	424	387	424	387
Share of net profit after taxation	35	(15)	35	(15)
Adjustment due to conversion to NZ IFRS of associate financial statements	-	52	-	52
Adjustment due to acquisition of remaining shares making it a subsidiary	(459)	-	(459)	-
Carrying amount	-	424	-	424

The adjustment is due to the revaluation of biological assets to fair value accounting in accordance with NZ IFRS 41.

Acquisition

Summary of the effect of the acquisition of McLeod Vineyard on the Group Statement of Financial Position and calculation of the Gain on purchase is as follows:

	Group 2014 \$'000
Cash and cash equivalents	21
Trade and other receivables	111
Current tax assets	3
Property, plant and equipment	619
Biological assets	185
Total assets acquired	939
Trade and other payables	(21)
Loans and borrowings – borrowings	(305)
Total liabilities acquired	(326)
Net assets acquired	613
50% acquired	306
Consideration paid	272
Gain on purchase	34



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

26. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
PROFIT/(LOSS) AFTER INCOME TAX FOR THE YEAR	4,344	1,725	3,324	36
NON-CASH ITEMS:				
Depreciation	2,255	1,912	2,255	1,697
Amortisation and write off of intangibles	-	-	-	21
Increase/(decrease) in deferred tax	1,128	777	1,128	777
Bad debts written off	-	981	-	981
Impairment loss/(gain) recognised on trade and other receivables	(57)	(1,060)	(57)	(1,806)
Impairment loss/(gain) recognised on inventories	(440)	(746)	(440)	(93)
Impairment loss recognised on investments	-	-	-	998
Adjustments resulting from revaluation of grapes	(2,412)	(1,257)	(2,412)	(1,257)
Loss/(gain) on revaluation of biological assets	(232)	(1,353)	(232)	(1,353)
Loss/(gain) on disposal of property, plant and equipment	(15)	68	(15)	68
Loss/(gain) on asset revaluations	48	76	48	76
Share of profit of associate company	(35)	(37)	(35)	(37)
Gain on purchase	(1,020)	-	-	-
Unrealised foreign exchange movements/Other	-	64	-	-
	<u>3,564</u>	<u>1,150</u>	<u>3,564</u>	<u>108</u>
MOVEMENTS IN WORKING CAPITAL BALANCES:				
Trade and other receivables	(930)	4,072	(930)	3,145
Inventories	(1,443)	1,547	(1,443)	3,032
Biological work in progress	(29)	298	(29)	896
Prepaid expenses	(77)	317	(77)	(46)
Trade and other payables	711	(961)	711	(200)
Other financial assets/liabilities	(537)	(562)	(537)	(439)
Current tax assets/liabilities	(93)	(261)	(93)	(63)
	<u>(2,397)</u>	<u>4,450</u>	<u>(2,398)</u>	<u>6,325</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>1,166</u>	<u>5,600</u>	<u>1,166</u>	<u>6,433</u>

27. OPERATING LEASE COMMITMENTS

Not later than 1 year	714	731	691	731
Later than 1 year and not later than 5 years	2,704	2,732	2,704	2,732
Later than 5 years	7,363	8,158	7,363	8,158
	<u>10,781</u>	<u>11,621</u>	<u>10,758</u>	<u>11,621</u>

Operating leases relate substantially to vineyard land where the Group is the lessee with lease terms between 19 years and 364 days and 30 years. The vineyard land lease agreements have normal provisions for periodic rent reviews to market rates.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

28. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes loans and borrowings disclosed in note 15, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings as disclosed in notes 9, 12 and 13 respectively. The Group's Board of Directors reviews the capital structure on a semi-annual basis. As part of the review the Board considers the cost of capital and the risks associated with each class of capital as well as the requirement by the Group's bank, Bank of New Zealand, to maintain tangible equity percentage at a level of at least 55% of total tangible assets. The Board will balance the Group's overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2013.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Financial risk management objectives

The Group is exposed to financial risks relating to the operations of the Group. These risks include agricultural risk, market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The agricultural activity of the Group consists of the management of vineyards to produce grapes for use in the production of wine. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes, and ultimately receiving cash from the sale of wine to third parties. The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements. In addition, the Group maintains credit facilities at a level sufficient to fund the Group's working capital during the period between cash expenditure and cash inflow. At balance date, the Group had unused credit facilities in the form of undrawn bank overdrafts and loan facilities of \$12.2 million (2013: Group & Parent \$11.4 million).

The Group seeks to minimise the effects of these risks, by obtaining independent advice and using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Board of Directors on a monthly basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 28(e)) and interest rates (refer note 28(f)). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- (i) forward foreign exchange contracts and foreign currency option contracts to hedge the exchange rate risk arising on the export of wine principally to the United States, United Kingdom, Europe and Australia; and
- (ii) interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Foreign currency risk management

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

Foreign currency denominated assets and liabilities at balance date are:

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Cash and cash equivalents	731	83	723	83
Trade and other receivables	5,303	4,432	5,145	4,432
Trade and other payables	(197)	(232)	(170)	(232)
Net exposure at balance date	5,837	4,283	5,698	4,283

Sensitivity analysis

The Group is mainly exposed to US dollars (USD), Great British pounds (GBP), Australian dollars (AUD) and Euro (EUR). If there was a 10% upward movement in the New Zealand dollar against the relevant currencies the profit before tax and equity would decrease by \$235,000, \$47,000, \$199,000 and \$37,000 respectively for the Group and Parent (2013: Group & Parent \$149,000, \$59,000, \$159,000 and \$34,000). If there was a 10% downward movement in the New Zealand dollar against the relevant currencies the profit before tax and equity would increase by \$287,000, \$57,000, \$244,000 and \$46,000 respectively for the Group and Parent (2013: Group & Parent \$182,000, \$42,000, \$194,000 and \$42,000). The 10% sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the listed percentage change in foreign currency rates.

Forward foreign exchange contracts and option contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts up to 100% of the exposure generated. The Group also enters into forward foreign exchange contracts and option contracts including collars to manage the risk associated with anticipated sales and purchase transactions out to 60 months within 25-100% of the exposure generated, subject to certain criteria being met. Forward foreign exchange contracts and option contracts are measured at fair value through profit or loss. The fair value of forward foreign exchange contracts and option contracts is based on market values of equivalent instruments at the reporting date.

The aggregate notional principal of forward foreign exchange contracts outstanding for the Group and Parent as at balance date was \$4,313,000 (2013: Group & Parent \$11,586,000). The aggregate notional principal of foreign exchange option contracts outstanding at balance date was a net of \$Nil (2013: Group & Parent \$Nil).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Interest rate risk management

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

The Company and the Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note or in note 15.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point (1%) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

At balance date, if interest rates had been 1% lower or higher and all other variables were held constant, the Company and Group's net profit and equity would increase/decrease by approximately \$38,000 (2013: Group & Parent \$13,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Company and Group's sensitivity to interest rates has increased during the current year mainly due to the increase in floating interest rate exposure.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date as disclosed below.

The aggregate notional principal amount of the outstanding interest rate swap contracts at balance date was \$9,393,000 (2013: Group & Parent \$9,924,000). The interest rates applicable to the interest rate swap contracts during the year were 4.37% pa – 6.42% pa (2013: Parent 4.37% pa – 6.42% pa).

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are used to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. These are measured at fair value through profit or loss. The interest rate swaps and the interest payments on the loan occur simultaneously on a monthly basis. The floating rate on the interest rate swaps is the 1 month BKBM rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are approved by the Board of Directors and are monitored on a regular basis. The Group does not require collateral in respect of trade and other receivables.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, trade credit insurance is purchased.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

The Group does not have any significant concentrations of net credit risk. The Company does not expect the non-performance of any obligations at balance date. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit risk.

(h) Liquidity risk management

Liquidity risk represents the Group's ability to meet its contractual obligations. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At balance date, the Group had unused credit facilities in the form of undrawn bank overdrafts and loan facilities of \$12.2 million (2013: Group & Parent \$11.4 million) to further reduce liquidity risk.

Liquidity tables

The following tables detail the Company and Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Refer to note 15 for the weighted average effective interest rate.

	Less than 1 year \$000	1-2 years \$000	2-5 years \$000	Over 5 years \$000
Group 2014				
Trade and other payables	5,456	-	-	-
Loans and borrowings	1,510	12,201	-	-
Finance lease	181	56	23	-
Convertible notes	11,609	-	-	-
	<u>18,756</u>	<u>12,257</u>	<u>23</u>	<u>-</u>
Parent 2014				
Trade and other payables	5,037	-	-	-
Loans and borrowings	1,510	12,201	-	-
Finance lease	76	-	-	-
Convertible notes	11,609	-	-	-
	<u>18,232</u>	<u>12,201</u>	<u>-</u>	<u>-</u>
Group and Parent 2013				
Trade and other payables	4,326	-	-	-
Loans and borrowings	1,332	1,416	18,062	-
Finance lease	113	76	-	-
Convertible notes	11,379	-	-	-
	<u>17,150</u>	<u>1,492</u>	<u>18,062</u>	<u>-</u>



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 6 mths \$000	6-12 mths \$000	1-2 years \$000	Over 2 years \$000
Group and Parent 2014				
Interest rate swaps – net settled cash flows	(74)	(56)	(55)	(54)
Forward exchange contracts – cash inflows	1,965	1,601	747	-
Forward exchange contracts – cash outflows	(1,792)	(1,435)	(646)	-
	<u>99</u>	<u>110</u>	<u>46</u>	<u>(54)</u>
Group and Parent 2013				
Interest rate swaps – net settled cash flows	(134)	(127)	(186)	(156)
Forward exchange contracts – cash inflows	5,078	4,012	1,748	747
Forward exchange contracts – cash outflows	(5,083)	(3,900)	(1,660)	(711)
	<u>(139)</u>	<u>(15)</u>	<u>(98)</u>	<u>(120)</u>

(i) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active markets are determined with reference to the quoted market prices; and
- the fair value of derivative instruments are calculated based on discounted cash flows using market inputs.

The Directors consider that the carrying value of all financial instrument assets and liabilities in the financial statements approximate their fair value.

(j) Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Financial assets held for trading				
Other financial assets (derivative financial assets) – Current	305	40	305	40
Other financial assets (derivative financial assets) – N/Current	87	104	87	104
Total financial assets	392	144	392	144
Financial liabilities held for trading				
Other financial liabilities (derivative financial liabilities) – Current	18	2	18	2
Other financial liabilities (derivative financial liabilities) – N/Current	125	430	125	430
Total financial liabilities	143	432	143	432

All financial assets and liabilities of the Group that are measured at fair value subsequent to initial recognition are included in Level 2 as the fair value of these instruments are not quoted on an active market and is determined by using valuation techniques. These valuation techniques rely on observable market data. There were no transfers between Level 1 and 2 during the year.

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
(k) Change in Fair Value of Financial Assets/Liabilities				
Foreign currency forward contracts	248	39	248	39
Foreign currency option contracts	-	1	-	1
Interest rate swaps	289	350	289	350
	537	390	537	390
	Group 2014 \$	Group 2013 \$	Parent 2014 \$	Parent 2013 \$

29. NET TANGIBLE ASSETS PER SHARE

Net tangible assets per share	1.29	1.16	1.28	1.16
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30. FOREIGN CURRENCY EXCHANGE RATES

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

NZ \$1.00 =	30 June 2014		30 June 2013	
	Buy	Sell	Buy	Sell
Australian dollar	0.9356	0.9281	0.8510	0.8448
United States dollar	0.8812	0.8742	0.7757	0.7700
Great British pound	0.5181	0.5130	0.5101	0.5058
Euro	0.6464	0.6399	0.5966	0.5917



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

Group 2014 \$000	Group 2013 \$000	Parent 2014 \$000	Parent 2013 \$000
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31. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are the Directors of the Company and the executives with the greatest authority for the strategic direction of the Company. The compensation of the Directors and the key management personnel is set out below:

Short-term employee benefits	1,230	1,438	1,230	1,206
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32. RELATED PARTY DISCLOSURES

(a) Investment in Subsidiaries

The Parent entity in the consolidated entity is Foley Family Wines Limited. The Parent entity of Foley Family Wines Limited is Foley Family Wines Holdings, New Zealand Limited who own 66.54% of the shares in Foley Family Wines Limited. The ultimate parent is Foley Family Wines Holdings, Inc., who own 80.47% of Foley Family Wines Holdings, New Zealand Limited and as such owns 53.54% of the Company. (Jun 2013: Foley Family Wines Holdings, Inc. owned 84.25% of Foley Family Wines Holdings, New Zealand Limited (which owned 80% of the Company) and 67.4% of the Company). The consolidated financial statements include the financial statements of Foley Family Wines Limited and the following subsidiaries:

Name of Entity	Principal Activity	Parent Company	Country of Incorporation	Ownership Interest % 2014	Ownership Interest % 2013
Vavasour Wines Limited	Non-operating	Foley Family Wines Ltd	New Zealand	100%	100%
Goldwater Wines Limited	Non-operating	Foley Family Wines Ltd	New Zealand	100%	100%
Clifford Bay Wines Limited	Non-operating	Foley Family Wines Ltd	New Zealand	100%	100%
Te Kairanga Wines Limited	Non-operating	Foley Family Wines Ltd	New Zealand	100%	100%
Grove Mill Wine Company Limited	Non-operating	Foley Family Wines Ltd	New Zealand	100%	100%
Sanctuary Wine Company Limited	Non-operating	Foley Family Wines Ltd	New Zealand	100%	100%
The New Zealand Wine Company Ltd (Previously Bedford Road Investments Limited)	Non-operating	Foley Family Wines Ltd	New Zealand	100%	100%
The New Zealand Wine Company (Europe) Limited	Non-operating	Foley Family Wines Ltd	England and Wales	100%	100%
The New Zealand Wine Company (USA) Inc.	Holding company	Foley Family Wines Ltd	California, USA	0%	100%
McLeod Vineyard Limited	Grape growing	Foley Family Wines Ltd	New Zealand	100%	50%
Martinborough Vineyard Estates Limited (MVEL)	Wine company	Foley Family Wines Ltd	New Zealand	94.87%	0%
Martinborough Vineyard Limited	Grape growing	MVEL	New Zealand	100%	0%
Martinborough Terraces Limited	Non-operating	MVEL	New Zealand	100%	0%
Burnt Spur Limited	Non-operating	MVEL	New Zealand	100%	0%
Martinborough Vineyard (UK) Limited	Sales company	MVEL	England and Wales	100%	0%



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

32. RELATED PARTY DISCLOSURES (CONTINUED)

On 1 July 2013 100% of the shares in The New Zealand Wine Company (USA) Inc. were sold to Foley Family Wines, Inc., a 100% owned subsidiary of Foley Family Wines Holdings, Inc., the ultimate parent of Foley Family Wines Limited, for USD\$1. This investment was fully impaired at 30 June 2013.

On 30 June 2014 the Company purchased the remaining 50% of the shares in the McLeod Vineyard Limited - refer note 25.2. The Company advanced McLeod Vineyard Limited \$153,000 to repay the current account owing to the previous joint owner.

On 30 June 2014 the Company purchased 94.87% of the shares in Martinborough Vineyard Estates Limited – refer note 11.

At balance date the Parent has the following balances that are due from/(to) subsidiary companies:

	Parent 2014 \$000	Parent 2013 \$000
Grove Mill Wine Company Limited	(9)	(9)
Sanctuary Wine Company Limited	(9)	(9)
The New Zealand Wine Company Limited (previously Bedford Road Investments Limited)	1	1
Martinborough Vineyard Estates Limited	6,181	-
McLeod Vineyard Limited	305	-
Impairment of other receivable	-	-
	6,469	(17)

All balances with the Parent are unsecured and not covered by any guarantees.

(b) Transactions with Related Parties – Directors and Key Management Personnel

Details of the compensation paid to Directors and key management personnel are set out in note 31.

	Group 2014 \$000	Group 2013 \$000	Parent 2014 \$000	Parent 2013 \$000
Certain Directors and key management personnel have interests in contracts with the Parent & Group as follows. All transactions were at normal commercial rates.				
AM Turnbull (Lighthouse Distillery Limited formerly Greytown Fine Distillates Limited – purchase of Lighthouse Gin and Greytown Fine Distillates Brand/Intellectual Property)	239	-	239	-
AM Turnbull (Lighthouse Distillery Limited formerly Greytown Fine Distillates Ltd – purchase of Spirits for resale)	53	-	53	-

(c) Transactions with Related Parties under Common Control

During the 2013 financial year the Parent advanced funds to The New Zealand Wine Company (USA) Inc to allow it to fund the accountancy and legal fees relating to the US Company and its membership interest in Lineage Imports LLC of which it previously owned 66%. Interest is charged on the loan at a fixed rate of 5.4% pa. Total advances during the financial year were a net of \$Nil (2013: \$24,000). The Parent has recognised net interest revenue of \$Nil (2013: \$12,000) from The New Zealand Wine Company (USA) Inc. for these advances. On 31 October 2012 the loan balance of \$981,000 (USD\$807,343) was converted to a capital contribution and 807,343 shares at USD\$1 each were issued by The New Zealand Wine Company (USA) Inc. to Foley Family Wines Limited. On 1 July 2013 100% of the shares in The New Zealand Wine Company (USA) Inc. were sold to Foley Family Wines, Inc., a 100% owned subsidiary of Foley Family Wines Holdings, Inc., the ultimate parent of Foley Family Wines Limited, for USD\$1.



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

32. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Transactions with Lineage Imports LLC

During the 2011 financial year the Parent sold inventories to Lineage Imports LLC at normal commercial rates. The total sales revenue recorded for these sales during the financial year was \$Nil (2013: \$Nil, 2012: \$Nil, 2011: \$515,000). The debtor balance owing by Lineage Imports LLC of \$523,000 was written off as a bad debt during the 2013 year.

During the financial year The New Zealand Wine Company (USA) Inc advanced Lineage Imports LLC \$Nil (2013: \$35,000) to by way of interest capitalised on the loan. The loan advances are supported by an interest-bearing loan agreement whereby interest is charged at a fixed rate of 5.4% pa. The New Zealand Wine Company (USA) Inc. recognised interest revenue from Lineage Imports LLC in 2013 for these advances which was eliminated on consolidation. An impairment of \$53,000 was recorded against the loan to Lineage Imports LLC during the 2013 year.

(f) Transactions with Other Related Parties

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 year were \$6,472,000 for the Group and Parent (2013: Group \$4,188,000, Parent \$3,362,000).
- (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 were \$144,000 for the Group and Parent for the year (2013: Group \$148,000, Parent \$111,000).
- (iii) Sales were made to Foley Family Wines Holdings, New Zealand Limited, the parent of Foley Family Wines Limited. Sales for the year were \$Nil for the Group and Parent (2013: Group \$(83,000), Parent \$46,000).
- (iv) Interest was accrued on the intercompany loan from Foley Family Wines Holdings, New Zealand Limited the parent of the Foley Family Wines Limited. Interest accrued during and offset against the intercompany balance owing during the year was \$Nil for the Group (2013: \$120,000).
- (v) Interest was paid/payable to Foley Family Wines Holdings, New Zealand Limited the parent of the Foley Family Wines Limited under the convertible note (note 17). Interest paid/payable for the year was \$709,000 for the Group and Parent (2013: Group & Parent \$582,000).
- (vi) Sales were made to EuroVintage Limited, a 50% associate of the parent company of Foley Family Wines Limited. Sales for the year were \$6,951,000 for the Group and Parent (2013: Group \$6,982,000, Parent \$4,653,000). Management fees and the funding of promotional activity such as bonus stock relating to these sales were paid during the year of \$713,000.
- (vii) 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 year totalled \$20,000 for the Group and Parent (2013: Group \$16,000, Parent \$15,000). Administration Charges for the year totalled \$1,000 for the Group and Parent (2013: Group \$10,000, Parent \$4,000). Accommodation provided by Wharekauhau to the Company during the year totalled \$65,000.
- (viii) New Zealand Wine Growers (USA) Limited is a group of 21 wine growers in New Zealand established to promote New Zealand wines at the premium end of the market. Foley Family Wines Limited (Vavasour) has a 5% interest in the Company and makes payment of \$6 per quarter as membership fees. Total amount paid during the year was \$23,000 for the Group and Parent (2013: Group \$23,000, Parent \$17,000).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

32. RELATED PARTY DISCLOSURES (CONTINUED)

	Group 2014 \$000	Group 2013 \$000	Parent 2014 \$000	Parent 2013 \$000
Amounts owing to related parties as at balance date:				
Foley Family Wines Inc.	49	46	49	46
Foley Family Wines Holdings, New Zealand Limited – convertible note	10,900	10,900	10,900	10,900
EuroVintage Limited	66	32	66	32
Wharekauhau Country Estate Limited	-	-	-	-
McLeod Vineyard Limited	111	81	111	81
Amounts owing from related parties as at balance date:				
Foley Family Wines Inc.	2,454	1,146	2,454	1,146
EuroVintage Limited	1,092	597	1,092	597
Wharekauhau Country Estate Limited	2	3	2	3
Lighthouse Distillery Limited	25	-	25	-

33. SEGMENT INFORMATION

The Group operates in the wine industry and is considered to operate in one segment. Financial information available to management including the chief operating decision maker is principally based on the information provided in these financial statements. There are therefore no additional disclosures included in these financial statements.

The largest customers are related parties – refer note 32.

34. COMMITMENTS

In the ordinary course of business the Group has Grower Agreements which would require it to purchase grapes. At balance date there were capital commitments in relation to the Waihopai Valley Site Warehouse Extension Project of \$1,753,000 (2013: Bottling Line Improvement Project \$314,000).

35. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2013: Nil).

36. SUBSEQUENT EVENTS

On 31 July 2014 the Company completed the compulsory acquisition phase of its Takeover of Martinborough Vineyard Estates Limited and purchased the remaining shares to give it 100% of the shares in that Company. 63,487 ordinary shares were issued in July 2014 at an issue price of \$1.40 per share to complete this acquisition.

On 31 July 2014 the Directors resolved to amalgamate Foley Family Wines Limited with its wholly owned subsidiaries McLeod Vineyard Limited and Martinborough Vineyard Estates Limited and its wholly owned subsidiary Martinborough Vineyard Limited on 1 September 2014 and continue as Foley Family Wines Limited.

On 31 July 2014 a new wholly owned subsidiary company of the Parent, Martinborough Vineyard Wines Limited, was incorporated. This new subsidiary will be non-operating.

No other material events have occurred since balance date.



FOLEY FAMILY WINES

AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2014



Independent Auditors' Report

to the shareholders of Foley Family Wines Limited

Report on the Financial Statements

We have audited the financial statements of Foley Family Wines Limited ("the Company") on pages 5 to 51, which comprise the statements of financial position as at 30 June 2014, the income statements, statements of comprehensive income and statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, Foley Family Wines Limited or any of its subsidiaries.



FOLEY FAMILY WINES

AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

Independent Auditors' Report

Foley Family Wines Limited

Opinion

In our opinion, the financial statements on pages 5 to 51:

- (i) comply with generally accepted accounting practice in New Zealand; and
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Chartered Accountants
21 August 2014

Auckland



FOLEY FAMILY WINES

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

This statement is designed to provide an overview for Shareholders to reflect the current governance policies and practices adopted or followed by the Board for Foley Family Wines Limited's ("FFW") adherence to the principles contained in

- the NZX Corporate Governance Best Practice Guide (NZSX Listing Rules Appendix 16); and
- the NZ Securities Commission "Corporate Governance in New Zealand Principles and Guidelines" issued 16 March 2004 (and reprinted in February 2011).

This statement elaborates on the foregoing with a structured Statement of the Responsibilities to and Role of Shareholders and the Board's Charter, including the operation of the Board, its Committees and the over-arching Code of Conduct to be adopted by directors, management, staff and contractors.

In summary, the Board is committed to high standards of best practice corporate governance and ethical conduct as being integral to overall business integrity and to delivery of long term shareholder value.

THE ROLE OF SHAREHOLDERS

Under the Companies Act, and the NZAX Listing Rules, all Shareholders have the right to receive Annual and Interim Financial Statements and all Notices of Meetings and to attend all such Meetings in person or by proxy. Resolutions for which requisite Notice are given may be voted upon by show of hands or, if a poll is called, on a one share one vote basis. There are no priority or special voting shares.

FFW is required to maintain the full list of shareholders - with the Register held by Computershare Investor Services - and certain other statutory information available to shareholders at the Company's registered office.

The Company is committed to communicating regularly with Shareholders. However, under the Listing Rules, FFW is obliged to meet the NZX continuous disclosure requirements of all market price sensitive or other material company information to be supplied first to the NZX as soon as practicable (and subject only to specified departures for incomplete information) - prior to communicating that information to shareholders, the general investment or local community, or to the media.

To facilitate this general information flow, the Company maintains a comprehensive web site including an investor section. This contains the constitution, annual and half-yearly reports and financial statements, releases to the NZAX or media and any presentations to third parties.

The Directors have the power to declare dividends from time to time to shareholders subject to complying with the solvency and liquidity test criteria contained in the Companies Act.

BOARD CHARTER

ROLE OF THE BOARD OF DIRECTORS

The Directors are responsible, collectively as the Board under its Chairman, for the success of FFW and are accountable to shareholders for the Company's overall ethical conduct, strategic development, annual performance and long-term sustainable increase in shareholder value.



FOLEY FAMILY WINES

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

ROLE OF THE BOARD OF DIRECTORS (CONTINUED)

The Board exercises its powers on behalf of all Shareholders, except for those powers specifically required to be exercised by Shareholders by law, the NZAX Listing Rules or the FFW constitution. Except for powers specifically reserved to the Directors under the Companies Act or the Delegated Authorities Policy, the Board in turn delegates authorities to the Chief Executive Officer (CEO), with sub-delegations to members of the Management Team, with the CEO (Executive Director) responsible for the day-to-day management of the FFW business and delivering against the agreed strategic plans, operating budgets and performance targets.

The Role of the Board is to provide the overall framework for governance, accountability, risk control and deliverability of the strategic and operating plans. To do so the Board meets with management normally at approximately quarterly intervals, and more frequently if warranted, otherwise contact shall occur via email or teleconference to ensure Directors are fully apprised about key Company activities and issues.

The Chairman, on behalf of the Board, is the formal channel of communication to external stakeholders and to the CEO who in turn has delegated responsibility for management and staff and for achieving agreed policies, business strategies, operating plans and budgets. The CEO reports regularly to the Chairman on critical issues being faced by the Company, as well as progress being made against strategic plans.

Apart from any Board-only session during each meeting with the CEO and/or the Chief Financial Officer (CFO) and members of the Management Team may attend Board meetings.

Each year the Board will meet with the CEO and full Management Team in a dedicated strategic planning and review meeting.

To assist in this oversight role, and to help discharge these responsibilities, the Board will receive, and management will provide

- timely current financial and operational information and overall and functional performance against operating plans and budgets;
- advice on the risk and competitive environment and issues facing FFW within their review of the current viticultural, winery, marketing and finance functions; and
- overall progress on achieving long term strategic plans and associated threats and opportunities.

The Board shall maintain a Code of Ethics Policy Statement, reviewed annually, to underpin FFW's vision and values and expected standards of conduct for Directors, Managers, employees and contractors. The Board shall also maintain a Health and Safety Policy, reviewed annually, to underpin the Company's commitment to providing a safe working environment for its employees and contractors.

In addition to the foregoing, the Directors are responsible for preparing and providing to Shareholders the financial statements, as prescribed in the Financial Reporting Act. These shall give a true and fair view of the financial (and operational) state of affairs of FFW for the period, as portrayed in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Statement of Cash Flows. These financial statements are unaudited for the half-year report but must be audited by the External Auditor for the full financial year report ended 30th June.



FOLEY FAMILY WINES

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

Composition of the Board

Under the constitution there shall be a minimum of 3 and maximum of 8 directors, with power to increase that number. The Board is therefore authorised to appoint one or more additional directors to fill a casual vacancy or to expand the Board for increased effectiveness or to help meet the Company's objectives.

A minimum of two Directors must be ordinarily resident in New Zealand and at least half the number of Directors must be independent, as defined in the Listing Rules. The Company considers that, at balance date, two of its non-executive Directors were independent.

Directors are elected by shareholders at the first annual meeting after appointment.

After that, at each annual meeting, one-third of Directors shall retire by rotation, determined by length of service since their last election.

Conflict of Interest

In order to ensure that any "interest" of a Director in a particular matter to be considered by the Board are known by each Director, the Company has developed protocols, consistent with obligations imposed by the Companies Act 1993, to require each Director to disclose any relationships, duties or interests held that may give rise to a potential conflict.

Remuneration – Non-executive Directors

Directors' fees are recommended to and confirmed by Shareholders' resolution at an Annual Meeting. In accordance with the Listing Rules the Shareholders approve the total aggregate amount of fees payable to all Directors as Directors' fees, with the fee allocation to be determined by Directors. Currently the maximum aggregate amount of fees payable to Directors is \$159,000 per annum.

In the event of an increase in number of Directors the constitution permits an automatic increase in the fee pool by the base director fee (Cl. 14.2)

The Company's policy is to pay all of its Directors in cash. The Directors fees paid during the year are shown in section 3 of the Statutory Information section of this Annual Report.

The Board reviews annually and recommends to Shareholders any increase in directors' fees when profit performance warrants. The criteria for reviewing non-executive Director remuneration includes obtaining advice from external consultants, where appropriate, information on Board arrangements for other corporations of similar size and complexity, and the review of current and expected workloads of non-executive Directors. The Board will continue to review its remuneration strategies in relation to non-executive Directors from time to time, in line with general industry practice.

Directors may claim reimbursement against GST receipts for travelling and other associated reasonable expenses in the course of business as a Board member.

Remuneration – CEO (Executive Director) and Senior Executives

The criteria for reviewing the remuneration for senior executives includes, as appropriate, advice obtained from external consultants, participation in independent surveys, specific market comparison of individual roles, and level of achievement against business and personal objectives.



FOLEY FAMILY WINES

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

Independent Professional Advice

The Board, and individual Directors with the authority of the Chairman and/or the Board, has the ability to retain, at the Company's expense, special independent legal, accounting and other consultants or experts deemed necessary in the proper discharge of its or his duties and responsibilities.

Board Committees

Due to the current size of the Board there are currently no separate Board Committees in existence. All matters are considered by the full Board including the role of the previous Audit Committee as set out below. The Board may establish an ad hoc Committee at any appropriate time to consider a special issue.

Audit Committee

The Board aspires to achieve best practice standards in corporate governance and in the preparation and presentation of its published financial statements, as required by the Financial Reporting Act, and that they present a true and fair view of the current state of FFW's financial (and operational) affairs. The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to annual reporting, tax planning and compliance, and risk management practices.

Management's monthly financial (and operational) reports are the most significant tools the Board has to monitor the Company's performance.

The underlying internal control and accounting and operational systems determine the accuracy of the financial statements and results presented to the Board. Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and ensure the integrity of reporting. The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

The External Auditor is responsible for reviewing and making recommendations on these underlying control systems to ensure they produce accurate and consistent reports on which Shareholders may rely and, to assist meeting this responsibility, the External Auditor shall have full access to all board papers and minutes and all financial and related records.

It is paramount the independence of The External Auditor is maintained for Shareholders' benefit.

The Audit Committee is responsible to ensure the External Auditor's independence is maintained. In the event there is actual or perceived conflict this should be brought to the Board's attention for resolution. If the risk is accepted (e.g. for statutory share register audit, for statutory or other Customs and Wine Maker returns), because it will be outweighed by the value to be achieved by the External Auditor undertaking such activity, such decision must be transparent and is to be recorded in the Minutes of the Board.

Managing Risks

The Board has identified a number of risks in the Company's operations that are commonly faced by other entities in the wine industry. The Board and management of the Company believe they have taken all necessary steps to manage and mitigate those risks.



FOLEY FAMILY WINES

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

1. DIRECTOR PROFILES

WILLIAM P FOLEY II - CHAIRMAN

William P Foley II (Bill) was appointed to the Board in September 2012. Mr. Foley has served as the Executive Chairman of Fidelity National Financial, Inc. (FNF) since October 2006 and, prior to that, as Chairman of the Board of FNF since 1984. Mr. Foley also served as Chief Executive Officer of FNF from 1984 until May 2007 and as President of FNF from 1984 until December 1994. Effective March 2012, Mr. Foley became the Vice Chairman of the Board of Fidelity National Information Services, Inc.; prior to that he served as Executive Chairman from February 2006 through February 2011 and as non-executive Chairman from February 2011 to March 30, 2012. Mr. Foley served as the Chairman of the Board of Lender Processing Services, Inc. from July 2008 until March 2009, and, within the past five years, has served as a director of Florida Rock Industries, Inc. Mr. Foley also serves on the board of directors of the Foley Family Charitable Foundation, Cummer Museum of Arts and Gardens and Remy International, Inc. Mr. Foley also is Chairman, CEO and President of Foley Family Wines Holdings, Inc., which is the holding company of numerous vineyards and wineries located in the U.S. and in New Zealand.

Mr. Foley's qualifications to serve on the Board include his 30 years as a director and executive officer of FNF, his experience as a board member and executive officer of public and private companies in a wide variety of industries, and his strong track record of building and maintaining shareholder value and successfully negotiating and implementing mergers and acquisitions.

ANTHONY ANSELMI O.B.E.

Anthony Anselmi (Tony) was appointed to the Board in September 2012. Tony's business career began in footwear retail and today the family owned business, Overland Footwear Company Ltd. of which Tony is Chairman, has retail stores throughout New Zealand and is presently expanding into Australia. The Company was voted 2012 Best Place to Work in New Zealand in a survey done annually by Kenexa, an international research consultancy. Tony opened a manufacturing plant in 1966 and Fabia Products Ltd. became one of the larger footwear manufacturers in New Zealand. He has considerable experience in farming and developed a large area of neglected and unproductive land into an extensive dairy farm operation.

Tony was appointed a Director of the State Owned Enterprise, Forestry Corporation and served on the Board until it was sold by the Government. He was also appointed an inaugural director of Inframax Ltd a road construction and maintenance L.A.T.E. owned by The Waitomo District Council.

Tony was an investor in The New Zealand Wine Fund Ltd. (Vavasour Wines) and when this was purchased by Foley Family Wine Holdings Ltd. he transferred his investment to the new Company.

JAMES ALTON JAMIESON

James Alton Jamieson (Alton) was elected to the Board in September 1999 and was Chairman of The New Zealand Wine Company Limited from September 2007 to September 2012. Alton's business career has covered banking, transport and waste management services. He has had a 23 year career with waste management services businesses, primarily with NZX and ASX publicly listed Waste Management NZ Limited and was its Managing Director on listing in 1985. Alton spent 5 years based in Sydney from 1991 as CEO and a director of Pacific Waste Management Pty Limited, Australia. He also served as Chairman of Waste Management NZ Limited for 12 years until he retired from the Board in 2002. Alton has been a director of the Blues Franchise Limited and also served as an independent contractor to the New Zealand Rugby Union, working on a number of projects over the 3 years to 2006. Alton is an Accredited Director and Fellow of the Institute of Directors in New Zealand and is a Fellow of the New Zealand Institute of Management.



FOLEY FAMILY WINES

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

1. DIRECTOR PROFILES (CONTINUED)

ANTONY MARK TURNBULL - CEO (EXECUTIVE DIRECTOR)

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

2. INTEREST REGISTERS

The following entries were recorded in the Directors' interest register of the Company during the year:

SHARE DEALINGS IN THE SHARES OF FOLEY FAMILY WINES LIMITED

Share transactions undertaken during the year were as follows: Nil (2013: Nil).

SHARE DEALINGS IN THE SHARES OF FOLEY FAMILY WINES LIMITED SUBSIDIARY COMPANIES

During the year Foley Family Wines Limited sold 100% of the shares in The New Zealand Wine Company (USA) Inc. to Foley Family Wines, Inc., a 100% owned subsidiary of Foley Family Wines Holdings, Inc., the ultimate parent of Foley Family Wines Limited, for USD\$1. WP Foley II declared interest as a shareholder in Foley Family Wines Holdings, Inc. and did not vote on the transaction. (2013: Nil).

TRANSACTIONS	2014	2013
	\$000	\$000
Certain Directors have interests in contracts with Foley Family Wines Limited. All transactions were at normal commercial rates.		
AM Turnbull (Lighthouse Distillery Limited formerly Greytown Fine Distillates Limited – purchase of Lighthouse Gin and Greytown Fine Distillates Brand/Intellectual Property)	239	-
AM Turnbull (Lighthouse Distillery Limited – purchase of Spirits for resale)	53	-

LOANS TO DIRECTORS

No loans to directors were authorised during the year.

INDEMNITY AND INSURANCE

The Directors' and Officers' liability insurance is held to cover risks normally covered by such policies arising out of acts or omissions of directors and employees in their capacity as such except for specific matters which are expressly excluded.

3. DIRECTORS REMUNERATION

Directors of the Company during the year and remuneration and other benefits paid to directors by the Company were as follows:

	2014	2013
DIRECTORS' FEES	\$000	\$000
WP Foley II	100	75
AJ Anselmi	25	19
JA Jamieson	25	29
DR Appleby	-	4
WF Wallace	-	4

REMUNERATION AND OTHER BENEFITS

AM Turnbull was a Director and the Chief Executive Officer during the year and as such did not receive Director's Fees. Remuneration and other benefits paid to Directors during the year was \$545,000 (2013: \$482,000).



FOLEY FAMILY WINES

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

4. EMPLOYEES' REMUNERATION

Section 211(1)(g) of the Companies Act 1993 required disclosure of remuneration and other benefits, including redundancy and other payments made on termination of employment, in excess of \$100,000 per year, paid by the Company or any of its subsidiaries worldwide to any employees who are not Directors of the Company:

	Number of Employees
\$100,000-\$109,999	1
\$150,000-\$159,999	1
\$180,000-\$189,999	1
\$190,000-\$199,999	1

5. DONATIONS

Foley Family Wines Limited made donations of \$480 during the year (2013: \$500).

6. SHAREHOLDER BREAKDOWN

Shareholding as at 30 June 2014	Number of shareholders	Total shares held	% of share capital
1-999	382	101,478	0.2%
1,000-9,999	219	649,042	1.3%
10,000-49,999	73	1,424,328	2.7%
50,000-99,999	11	750,211	1.4%
100,000-499,999	26	5,141,627	9.9%
500,000+	6	44,092,361	84.5%
	717	52,159,047	100.0%

7. DIRECTORS' SHAREHOLDING

As at 30 June 2014 Directors held the following direct interests in the Company.

WP Foley – Individually and with CJ Foley held a direct interest in Foley Family Wines Limited (FFW) of 59.2% through his shareholding in Foley Family Wines Holdings, Inc. (FFWH), the ultimate parent of Foley Family Wines Holdings, New Zealand Limited (FFWH-NZ) which is the New Zealand based parent company and majority shareholder of FFW and through his shareholding in FFWH-NZ.

AJ Anselmi – held a direct interest in FFW of 2.1% through his shareholding in FFWH-NZ.

JA Jamieson – held a direct interest in FFW of 1.9% through the ownership of 988,268 ordinary FFW shares.

AM Turnbull – held a direct interest in FFW of 1.5% through his shareholding in FFWH-NZ.



FOLEY FAMILY WINES

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

8. 20 LARGEST REGISTERED HOLDERS

Ordinary shares held at 30 June 2014:	Ordinary shares held	% of share capital
Foley Family Wines Holdings, New Zealand Limited *	34,708,796	66.5%
TEA Custodians Limited on behalf of Milford Asset Management Limited *	4,042,553	7.8%
Accident Compensation Corporation	2,173,050	4.2%
New Zealand Permanent Trustees Limited - NZCSD	1,276,364	2.4%
JA Jamieson	988,268	1.9%
Alfa Lea Horticulture Limited	903,330	1.7%
JD Croft	459,363	0.9%
JG & VR Orchard	387,842	0.7%
JP Morgan Chase Bank NA NZ Branch - Segregated Clients Acct - NZCSD	374,406	0.7%
CJC & HC Fletcher & Peters Doig Trustee Co Ltd	354,000	0.7%
JHG Milne & MA Milne & DFB Stevenson	348,589	0.7%
TJ Fairhall	295,116	0.6%
Public Trust RIF Nominees Limited - NZCSD	242,837	0.5%
CM & BW Doig	198,794	0.4%
BNP Paribas Nominees (NZ) Limited - NZCSD	187,484	0.4%
Albany Braithwaite Holdings Limited	176,360	0.3%
BNP Paribas Nominees (NZ) Limited – NZCSD	170,000	0.3%
Sinclair Long Term Holdings Limited	164,580	0.3%
Macmine Investments Limited	162,090	0.3%
Amapur Securities Limited	158,709	0.3%
Sub-total	47,772,531	91.6%
Others (697 Shareholders)	4,386,516	8.4%
TOTAL	52,159,047	100.0%

* These shareholders are **substantial security holders** as defined in Section 21 of the Securities Markets Act 1988.



FOLEY FAMILY WINES

CONTRIBUTORS

PERMANENT EMPLOYEES/CONTRACTORS AS AT 30 JUNE 2014

Allan Croker	Mark Langlands
Angela McLaughlan	Mark Turnbull
Angela Rutledge	Mary Besley
Bernard Ryan	Mathew Duncan
Bradley Newton	Muriel Yvon
Cameron Wilson	Murray Phillips
Craig Fryett	Nigel Kumeroa
Dave Edwards	Paul Freeth
David Stevenson	Paul Rayner
Donna Ngatai	Paul Stevens
Dennise Baas	Peter Powell
Emile Mckenzie	Rowie Nelson
Enrico Bragantini	Sarah Harrington
Esme Holdsworth	Sharon Campbell
Gillian Moore	Stefan Newman
Glen Stanton	Steve Simpson
Hamish Smith	Stu Marfell
Hugh Arthur	Susan Van Der Pol
Jane Trought	Tanya Houghton
Jeffrey Parker	Tom Masters
Joeari Turia	Tony Allen
John Kavanagh	Troy Mckenzie
Lorraine Boost	Vaughan Hudson
Marie Harvey	Wendy Sargent



FOLEY FAMILY WINES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS:	WP Foley, II (Chairman) AJ Anselmi JA Jamieson AM Turnbull (CEO)
HEAD OFFICE ADDRESS:	13 Waihopai Valley Road RD6, 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
NATURE OF BUSINESS:	Production and distribution of wine
AUDITORS:	PricewaterhouseCoopers, Auckland and Napier
SOLICITORS:	Minter Ellison Rudd Watts, Auckland Bell Gully, Auckland
BANKERS:	Bank of New Zealand, Auckland
REGISTRATION NO.	307139
REGISTERED OFFICE:	13 Waihopai Valley Road, RD6 Blenheim 7276, Marlborough, New Zealand
SHARE REGISTRAR:	Computershare Investor Services Limited 159 Hurstmere Road, Takapuna, North Shore City 0622 Private Bag 92119, Auckland 1142 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” (previously “NWC”)