FOLEY WINES

made by land & hand

ANNUAL REPORT 2019

Contents

made by land & hand

Foley Wines is a collection of iconic wineries and brands from New Zealand's most acclaimed wine regions

Each with a unique story of New Zealand to tell, our wineries and distillery are linked by a common unrelenting purpose; to make great wine that people love to drink around the world – made by land & hand.

Our wineries & distillery

Martinborough Vineyard
Martinborough

Te Kairanga
Martinborough

Lighthouse Gin
Martinborough

Grove Mill
Wairau Valley, Marlborough

Vavasour
Awatere Valley, Marlborough

Mt Difficulty
Central Otago

Performance Highlights

FROM A PIVOTAL YEAR.

CASE SALES	522,000 (up 11%)
EXPORT CASES	404,000 (up 23.5%)
BOTTLED SALES REVENUE	$44,046,000 (up 15.7%)
OPERATING EARNINGS	$5,059,000 (up 83.8%)
REPORTED PROFIT AFTER TAX	$3,518,000 (up 94.9%)

Long term distribution agreement with Lion NZ Ltd entered into.

Completion of Mt Difficulty purchase.

Step change in Lighthouse distribution in Australia/New Zealand.

Mark Turnbull, CEO and Director

CEO & DIRECTORS' REPORT

A pivotal year.

"The company remained focused on its key strategic initiatives."

The Directors of Foley Wines Limited (FWL) are pleased to present the 2019 operating results and annual report for the 12 months ended 30 June 2019.

2019 was a pivotal year for the company. The completion of the Mt Difficulty purchase was extremely satisfying against a background of significant uncertainty with the gaining of OIO approval.

Notwithstanding this uncertainty, the Company remained focused on its key strategic initiatives; growing higher price point sales, cementing the new Lion strategic partnership in New Zealand, seeking out new distribution in markets where the Company's brands were not represented, nurturing key stakeholder relationships in strategically important markets and continuing to focus on process improvement and delivering cost of goods savings.

RECORD OPERATING PERFORMANCE

A record operating profit before revaluations and income tax ("operating earnings") of $5.059m compared with $2.752m for the previous financial year. As outlined in the Company's half year report, we are of the firm belief that operating performance (underlying profit) is the key metric to demonstrate the progress the company is making due to the complexity around accounting, the accounting standards and fair value adjustments.

Profit for the period net of tax attributable for the shareholders was $3.518m, up 94.8% compared with $1.805m the previous year.

Bottled case sales

BOTTLED CASE SALES (000'S) 12 MONTHS TO JUNE

		JUNE '19	JUNE '18	% CHANGE	JUNE '17	% CHANGE
	New Zealand	118	144	(18)%	92	+28%
	Australia	138	113	+22%	68	+103%
	USA/Canada	145	122	+19%	147	(1)%
	UK/Europe	97	73	+33%	64	+52%
	Rest of World	24	19	+26%	18	+33%
	TOTAL	**522**	**471**	**+11%**	**389**	**+34%**

EXPORT SALES GROWTH

Overall export cases (packaged) shipped grew 23.5% for the 12 months. Once again this compares favorably to the broader industry which grew by 3% according to New Zealand Wine Growers Key Performance Indicators May 2019.

The USA/Canada market delivered strong growth on the previous year, with export cases up 19% for the 12 months. Further, in the first quarter Foley Family Wines Inc (FFW USA) took over the importing of Mt Difficulty, which had previously very low exports to the USA. While it will take some time to build Mt Difficulty sales in the USA due to the high price point, the brand is already gaining interest. Finally, FFW USA took over the Dashwood brand from another importer in the first quarter of this calendar year. We believe this decision will result in the focus this brand needs in the USA.

The value of the Company's portfolio and centralised business model is creating significant opportunities with retailers and importers seeking premium brands and streamlined procurement. The ability to supply five winery brands from three acclaimed regions and a craft gin, with one point of contact, has gained the attention of several significant customers in 2019. We are now supplying three brands to a large Asian retailer directly, with an additional brand set to join the range.

The Company has made significant progress with a large Australian retail group whose focus on premium brands is well satisfied by our portfolio of high quality wineries and brands commanding premium price points.

BUILDING A PREMIUM DISTRIBUTION PLATFORM IN NEW ZEALAND

In 2019 we embarked on the repositioning of brand price points which were not delivering value. As part of this strategy, Lion NZ took over the distribution of many of the Company's brands during the year. We were fully mindful that the price increase and change in distribution would result in a decrease in case sales. As a result, case sales excluding Mt Difficulty were down 50,000 for the year (35%), in line with expectations. However, net case realisation to December (the period prior to the Mt Difficulty acquisition) was increased by $10 per case.

The Company is optimistic that it will see a strong performance in New Zealand over the next 12 months as Lion NZ executes its sales strategy.

This year bulk sales reduced by approximately 46% to 54,680 9L equivalents compared to 101,607 9L equivalents last year. This decrease is a clear indication that the Company is growing the demand for its branded products. Moving forward bulk wine sales will primarily be used to ensure our vintages (effectively inventories) are in balance.

CASHFLOW

Operating cash flow was $6.413m for the year, down from $7.715m the previous year. This year's cashflow was significantly influenced by Mt Difficulty which required increased investment in inventory over the second half of the year. Notwithstanding this investment, the Company's cashflow was significantly strong enough to finance this additional working capital.

Total inventory increased by $14m which was reflective of both the Mt Difficulty acquisition and an increased volume from the 2019 vintage. This level of inventory means the Company is well placed to grow sales in the 2020 year.

Capital expenditure was $2.948m for the year, compared with $2.121m the previous year. The increase is largely attributable to barrel expenditure at Mt Difficulty. However the Company has still invested less than the annual depreciation in the year of $3.353m. The intention is to ensure that the Company's capital expenditure is less than annual depreciation other than significant one-off investments for growth.

The total dividend paid for the year was $1.59m.

MT DIFFICULTY ACQUISITION

Mt Difficulty was finally acquired 3 January 2019 after a long delay of getting OIO approval. Note 30 gives the details of the transaction. In the first six months sales revenue was $6.262m at an average selling price of $196 per case.

The directors are of the firm view that Mt Difficulty was a strategically important acquisition and will deliver significant value to the Company.

LIGHTHOUSE GIN

Lighthouse Gin continues to be a shining light in the craft gin category. Sales of 24,309 Litres (equivalent to approximately 34,727 700ml bottles) compared with 9,531 Litres (equivalent to approximately 13,615 700ml bottles) in the prior 12 months.

In the final quarter a major Australian liquor retail group ranged Lighthouse across all of its three banners comprising of over 900 stores.

Furthermore, since New Zealand distribution of Lighthouse returned to Foley Wines in January, Lighthouse has been core ranged in two of New Zealand's largest specialist liquor groups.

"Lighthouse Gin continues to be a shining light in the craft gin category."

Lighthouse was recently awarded the coveted title of 'Master' at the Spirits Business Gin Masters competition in the UK.

The Company is very optimistic that this growth will continue in the year ahead.

A BEACON FOR GIN LOVERS.

Handcrafted and batch distilled in Martinborough by Rachel Hall

Rachel Hall

BUILDING POWERFUL BRANDS

2019 saw a significant increase in consumer marketing investment to grow awareness and rate of sale in tandem with increased availability. Targeted consumer advertising campaigns in New Zealand attracted premium shoppers in national titles such as Kia Ora and Metro.

The next 12 months will see further activity in New Zealand and Australia to build powerful brands underpinned by excellent wine quality.

The Company continues to focus on a strategy of premiumisation as consumers around the world drink less but spend more.

In 2019 the Company was delighted to receive outside recognition of quality from some of the world's most respected and influential industry competitions and commentators:

- **Te Kairanga John Martin Pinot Noir 2017** was awarded Best in Show with 97 Points at the *Decanter World Wine Awards 2019*, the world's largest and most prestigious wine competition. Te Kairanga Runholder Pinot Noir was awarded Gold with 95 Points at the same competition.
- **Lighthouse Gin** was judged against 300 gins from around the world to be awarded 'Master'; the top accolade of *The Spirits Business Global Gin Masters 2019*.
- **Grove Mill Sauvignon Blanc 2018** was awarded two major trophies by the *New Zealand International Wine Show 2018* and the *Royal Easter Show Wine Awards 2019*.
- **Dashwood Sauvignon Blanc 2018** was awarded Best Open White Wine at the *New Zealand Wine of the Year 2018*.
- Chief Winemaker Marlborough, Stu Marfell, was named Winemaker of the Show by the *New Zealand International Wine Show 2018*, while Grove Mill Winemaker, Greg Lane, was crowned *Tonnellerie de Mercurey New Zealand Young Winemaker of the Year 2018*.
- **Martinborough Vineyard Home Block Pinot Noir** and **Vavasour Sauvignon Blanc** were both again recognised on the *Fine Wines of New Zealand* list 2019, and were joined this year by **Te Kairanga John Martin Pinot Noir**.

These results are testament to the team's skill in the vineyards, wineries and distillery, and serve as a hugely valuable decision-making tool for consumers navigating wine and gin shelves.

TE KAIRANGA

It's Unanimous

Fine Wines of New Zealand 2019

Each year, seven Masters of Wine and a Master Sommelier, blind taste, debate, re-taste and collectively rate hundreds of wines - to select only those with the quality, pedigree and longevity worthy of inclusion on the definitive list of truly world-class New Zealand wines. This year, the judges unanimously voted that Te Kairanga John Martin Pinot Noir 2017 claim its place.

FINE WINES OF NEW ZEALAND 2019

2019 Decanter WORLD WINE AWARDS BEST IN SHOW

A FOLEY WINERY

2019 HARVEST

The harvest totalled 6,812 tonnes across the Marlborough and Martinborough wineries, an overall increase of 16% on the previous year's harvest of 5,868 tonnes. The Mt Difficulty winery totalled 1,492 tonnes, an overall increase of 21% for the 2019 vintage compared with the previous year's 1,236 tonnes.

Spring frosts in Martinborough caused significant issues for many growers. While there was some impact on the Company, it was resolved that the use of helicopters was problematic both from cost and practical perspectives. Frost events which are not forecast pose a major risk. To manage this risk, the Company has purchased sufficient frost fans to protect the majority of the vineyards in this region for spring this year. While this investment is significant, it provides ongoing protection for years to come.

MADE BY LAND & HAND

Foley Wines celebrates the places and people that produce our acclaimed wines and gin. The Company considers itself custodian of the regions we work in and actively pursues business practices in line with our commitment to preserving our land for future generations.

All of the Company's wineries are Sustainable Winegrowing New Zealand accredited, meeting international best practice guidelines for sustainability, biodiversity, soil, water and air, energy, chemicals, by-products, people and business practices.

Solar power at the Grove Mill, Vavasour, Te Kairanga and Martinborough Vineyard wineries significantly reduces the use of electricity from the main grid. Mt Difficulty continues to use vermicast composting and biochar to redistribute waste materials while improving soil quality. Its green roof aids insulation and wastewater management.

Over 90% of our wine is bottled in New Zealand-sourced, recycled glass, reducing our carbon footprint and supporting our local industry.

DIVIDEND

The Directors consider that the underlying operational performance and cashflows justify retaining a fully imputed dividend of 3 cents per share. As outlined in previous years, FWL has a strong balance sheet and is focused on increasing the dividend yield to Shareholders as the Company grows.

The policy of the Board is to evaluate present and projected cash flows, sustainable operating earnings and, if prudent, declare a dividend subject to current and future capital and acquisition expenditure requirements.

OUTLOOK

Over the course of the last two years the Company has demonstrated that it is gaining momentum. The Company is targeting a lift in case sales numbers across the key markets it operates and is forecasting 600,000 cases for the next financial year. However, the Company is mindful of global economic head winds and the major influence of currency movements. Notwithstanding these the Company is focused on improving its performance over all key metrics.

For and on behalf of the Board of Directors

Mark Turnbull
CEO and Director

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 30 June 2019

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly present the financial position of Foley Wines Limited and Group as at 30 June 2019 and the results of their operations and cash flows for the year ended 30 June 2019.

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 Markets Conduct Act 2013 and Financial Reporting Act 2013.

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 Wines Limited and Group for the year ended 30 June 2019.

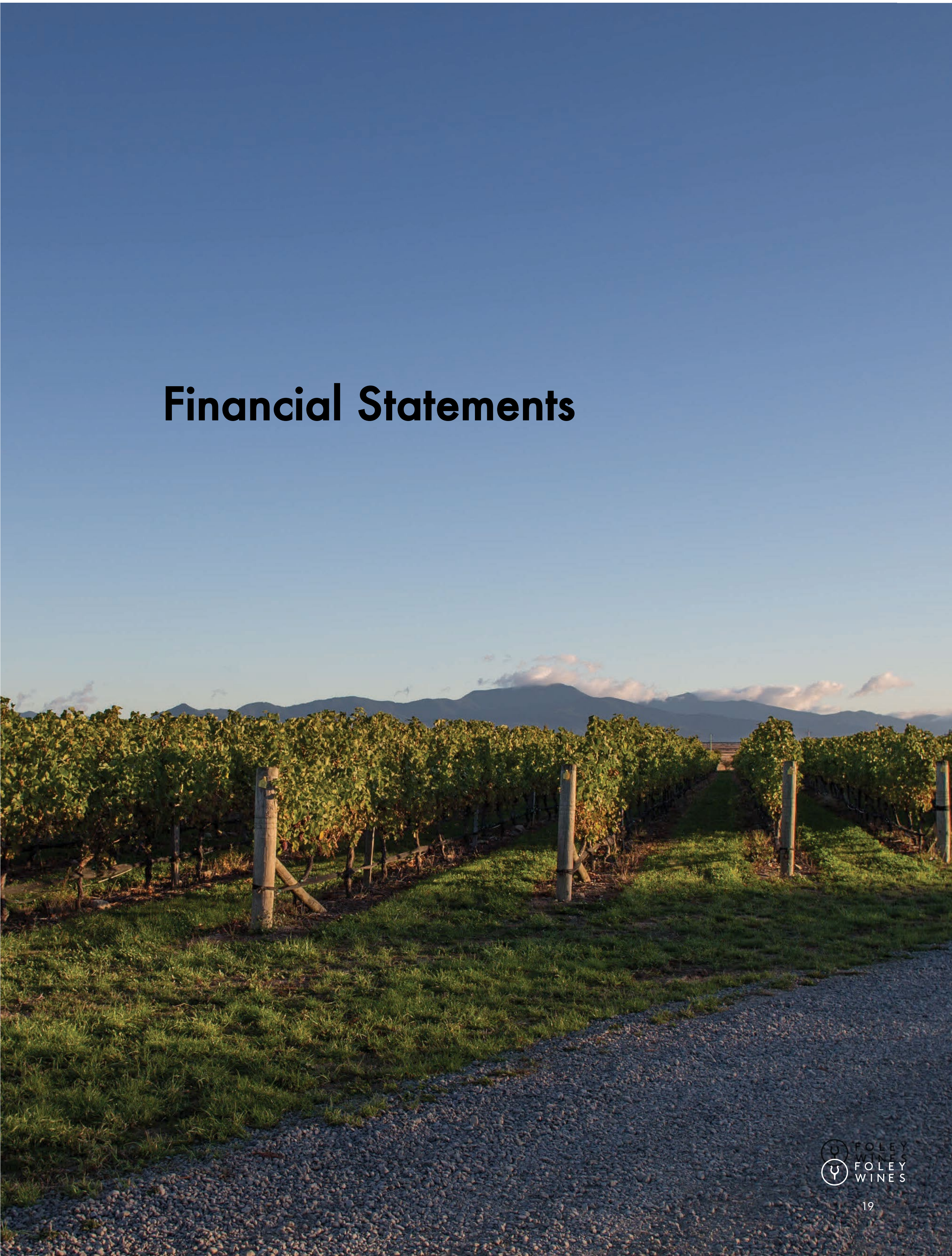
This annual report is dated 27 August 2019 and is signed in accordance with a resolution of the Directors made that day pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

WP Foley II
Chairman

AM Turnbull
CEO and Director

Financial Statements



Income Statement

For the year ended 30 June 2019

	Notes	Group 2019 $'000	Group 2018 $'000
Total Revenue	3	**47,943**	**42,078**
Expenses			
Cost of sales		(32,364)	(30,622)
Selling, marketing and promotion expenses		(5,303)	(4,721)
Administration and corporate governance expenses		(3,051)	(2,491)
Non-recurring expenses	4	(680)	(375)
Expenses excluding interest		**(41,398)**	**(38,209)**
Operating Profit before interest, impairment, revaluations & income tax		**6,545**	**3,869**
Interest revenue		31	1
Interest expense	5	(1,562)	(1,081)
Net finance costs		**(1,531)**	**(1,080)**
Operating Profit before impairment, revaluations & income tax		**5,014**	**2,789**
Impairment			
Impairment of trade and other receivables	2.2 (d)	–	–
Impairment of inventory	2.2 (d)	45	(37)
Operating Profit before revaluations & income tax		**5,059**	**2,752**
Revaluation gains and losses			
Unrealised gain in fair value of financial asset/liabilities	24(k)	187	(229)
Unrealised gain on harvested grapes	20	415	1,084
Realised reversal of gain on harvested grapes		(513)	(812)
Revaluation of property, plant & equipment	2.3.9	(93)	(153)
Profit before income tax		**5,055**	**2,642**
Income tax expense	6.1	(1,537)	(837)
Profit for the year net of tax, attributable to Shareholders of the Parent Company		**3,518**	**1,805**
Basic/Diluted Earnings per share cps (after tax)	7	5.89	3.46

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 27 to 69.

Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	Group 2019 $'000	Group 2018 $'000
Profit for the year		**3,518**	**1,805**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	2.3.9	3,347	3,701
Income tax on items taken directly to or transferred from equity	6.2	(450)	(601)
Other comprehensive income for the year, net of tax		**2,897**	**3,100**
Total comprehensive income for the year, net of tax		**6,415**	**4,905**

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 27 to 69.

Statement of Changes in Equity

For the year ended 30 June 2019

Group	Notes	Fully Paid Ordinary Shares $'000	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Equity at 1 July 2018		66,518	13,337	14,627	94,482
Profit for the year		–	–	3,518	3,518
Other comprehensive income for the year		–	2,672	225	2,897
Total comprehensive income for the year		–	2,672	3,743	6,415
Contributions by owners	9	20,000	–	–	20,000
Distributions to owners	8	–	–	(1,590)	(1,590)
Transactions with owners during the year		20,000	–	(1,590)	18,410
Added to equity during the year		20,000	2,672	2,153	24,825
Equity at 30 June 2019		86,518	16,009	16,780	119,307
Dividends paid per share cps	8				3.0
Equity at 1 July 2017		66,518	10,202	14,424	91,144
Profit for the year		–	–	1,805	1,805
Other comprehensive income for the year		–	3,135	(35)	3,100
Total comprehensive income for the year		–	3,135	1,770	4,905
Distributions to owners	8	–	–	(1,567)	(1,567)
Transactions with owners during the year		–	–	(1,567)	(1,567)
Added to equity during the year		–	3,135	203	3,338
Equity at 30 June 2018		66,518	13,337	14,627	94,482
Dividends paid per share cps	8				3.0

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 27 to 69.

Statement of Financial Position

As at 30 June 2019

	Notes	Group 2019 $'000	Group 2018 $'000
CURRENT ASSETS			
Cash and cash equivalents		3,445	2,768
Trade and other receivables	16	9,279	9,043
Other financial assets	15	93	–
Inventories	17	44,080	30,207
Biological work in progress	18 & 20	1,302	873
Prepaid expenses		1,033	468
Current tax assets	6.3	–	67
		59,232	43,426
NON-CURRENT ASSETS			
Property, plant and equipment	19	101,245	74,634
Intangible assets	21	32,184	13,053
Deferred tax assets	6.4	232	128
		133,661	87,815
TOTAL ASSETS		**192,893**	**131,241**

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 27 to 69.

Statement of Financial Position (continued)

As at 30 June 2019

	Notes	Group 2019 $'000	Group 2018 $'000
CURRENT LIABILITIES			
Trade and other payables	12	7,235	4,903
Loans and borrowings	13	2,261	1,002
Convertible notes	14	10,900	10,900
Other financial liabilities	15	3	84
Current tax liabilities	6.3	1,087	-
		21,486	16,889
NON-CURRENT LIABILITIES			
Loans and borrowings	13	37,601	8,000
Other financial liabilities	15	-	14
Deferred tax liabilities	6.4	14,499	11,856
		52,100	19,870
TOTAL LIABILITIES		73,586	36,759
EQUITY			
Share capital	9	86,518	66,518
Reserves	10	16,009	13,337
Retained earnings	11	16,780	14,627
TOTAL EQUITY		119,307	94,482
TOTAL LIABILITIES AND EQUITY		**192,893**	**131,241**

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 27 to 69.

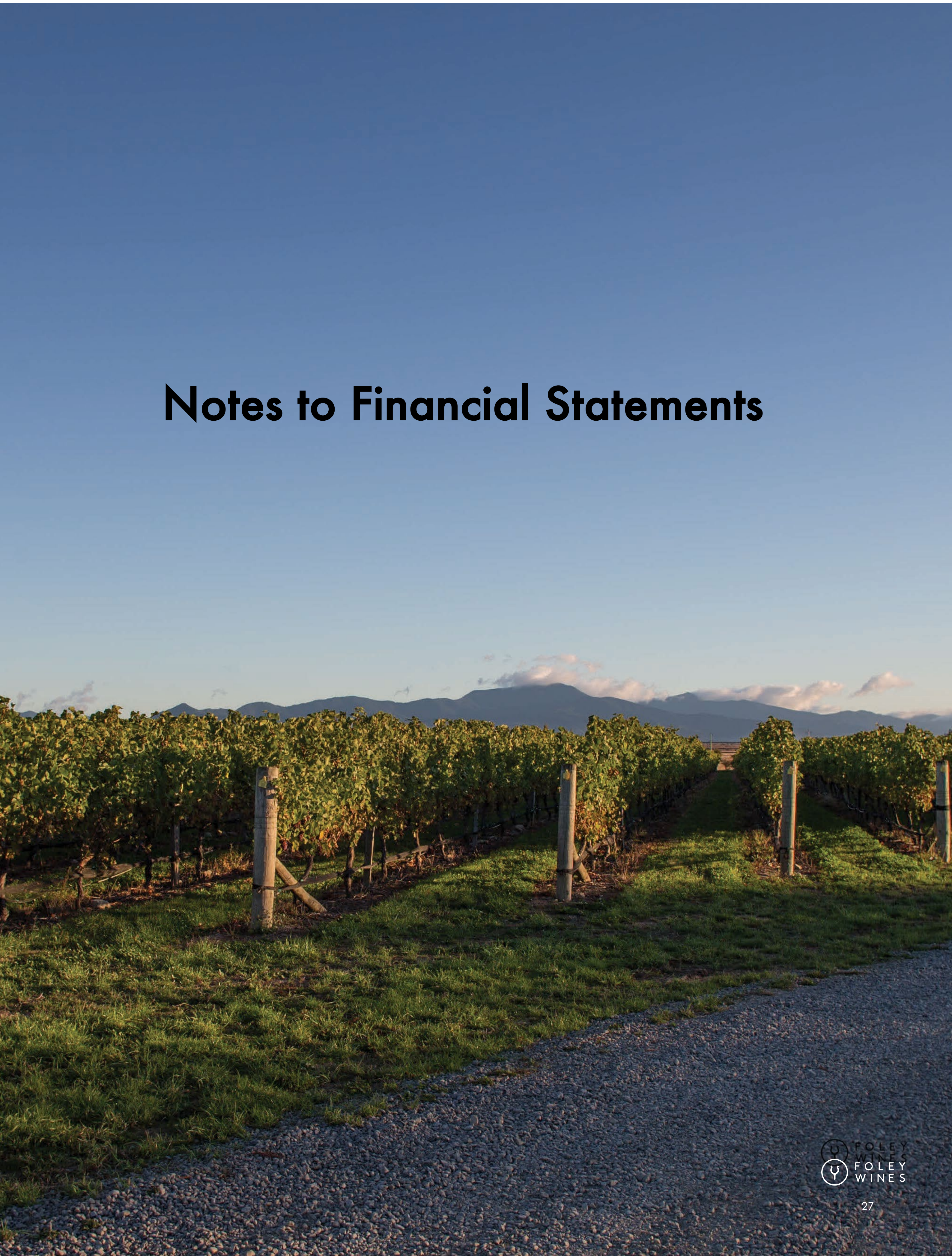
Statement of Cash Flows

For the year ended 30 June 2019

	Notes	Group 2019 $'000	Group 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from (applied to)			
Receipts from customers		50,229	44,599
Insurance proceeds		605	994
Interest received		31	1
Payments to suppliers and employees		(42,303)	(35,670)
Interest and other costs of finance paid		(1,512)	(1,081)
Income tax paid		(637)	(1,668)
Net cash flow from operating activities	22	6,413	7,175
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was obtained from (applied to)			
Sale of property, plant and equipment		74	17
Purchase of property, plant and equipment and biological assets – excluding Mt Difficulty acquisition		(2,948)	(2,121)
Acquisition of Mt Difficulty business and assets, net of cash received	30	(47,081)	–
Net cash flow from investing activities		(49,955)	(2,104)
CASH FLOW FROM FINANCING ACTIVITIES			
Cash was provided for (applied to)			
Issue of equity share capital	9	20,000	–
Dividends paid	8	(1,590)	(1,567)
Loans advanced	13	30,000	–
Loans repaid		(4,191)	(999)
Net cash flow from financing activities		44,219	(2,566)
Net increase in cash held		677	2,505
Cash and cash equivalents at beginning of year		2,768	263
Cash and cash equivalents at end of year		3,445	2,768
Comprising: Cash and cash equivalents		3,445	2,768

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 27 to 69.

Notes to Financial Statements




I came.
I vavasour.
I conquered.
THEY ONCE DECLARED MARLBOROUGH'S AWATERE VALLEY TOO EXTREME FOR VINES. BUT WE KNOW THIS PLACE; HOW THE STONY SOIL AND UNFORGIVING CLIMATE – WHEN HANDLED WITH INTIMATE UNDERSTANDING – CONSPIRE TO CREATE WINES OF GREATER COMPLEXITY, PERFUME AND EXTRAORDINARY ELEGANCE. VAVASOUR PUT THE AWATERE ON THE WORLD WINEMAKING MAP. WE STARTED THIS APPELLATION AND WE HAVEN'T FINISHED YET.
EST.1986
VAVASOUR
AWATERE VALLEY
2018
SAUVIGNON BLANC
MARLBOROUGH · NEW ZEALAND
Stu Marfell, Winemaker of the Show, New Zealand International Wine Show 2018
Vavasour Sauvignon Blanc 2018, Gold, New Zealand International Wine Show 2018
Vavasour Sauvignon Blanc 2017, Best in Show, Decanter World Wine Awards 2018
Vavasour Sauvignon Blanc, Fine Wines of New Zealand, 2016, 2017, 2018

Notes to the Financial Statements

For the year ended 30 June 2019

1. REPORTING ENTITY

Foley Wines Limited ("the Company", "the Parent") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the NZX Main Board (NZSX) of the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Markets Conduct Act 2013. Foley Wines Limited changed its company name from Foley Family Wines Limited on 1 December 2018.

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 52.80% (2018: 66.46%) 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 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"). 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 Markets Conduct Act 2013 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 also comply with International Financial Reporting Standards ("IFRSs").

The financial statements were authorised for issue by the Directors on 27 August 2019.

2.2 BASIS FOR PREPARATION

The financial statements have been prepared on the historical cost basis except for land and buildings, land improvements including biological bearer plants (refer note 2.2(a)) and derivative financial instruments each of which have been measured at fair value. The reporting currency is New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

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.

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 *BASIS FOR PREPARATION (CONTINUED)*

Judgements, Estimates and Assumptions and Accounting Policies (Continued)

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

(a) Fair Value of Land, Land Improvements and Buildings

The fair value of land, land improvements (vineyards) and buildings is determined by an independent valuer. The fair value of land, vineyards, including bearer plants (grape vines) and other vineyard infrastructure, and buildings 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. To determine the fair value the independent valuer uses valuation techniques which are inherently subjective and involve estimation. The Directors consider that market data exists to support this basis of valuation. Refer to note 19.

(b) 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.

(c) 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.

(d) 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. At balance date management considered that the indications of impairment were significant enough to test the Group's inventories for impairment in this (and the prior) reporting period.

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 there has been a reversal of the previously recorded impairment of inventory of $45,000 for the Group has been recorded in the current year (2018: $37,000).

(e) Impairment of Goodwill and Indefinite Life Intangibles

The Group determines at least annually whether goodwill and indefinite life 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 *BASIS FOR PREPARATION (CONTINUED)*

Judgements, Estimates and Assumptions and Accounting Policies (Continued)

(e) Impairment of Goodwill and Indefinite Life Intangibles (Continued)

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 21.

(f) Derivative financial instruments

The Group 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 is disclosed in section 2.3.

(g) Business Combination

The Significant estimates, assumptions and judgements in relation to the Mt Difficulty Acquisition are outlined in note 30.

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 depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Control is considered transferred 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. Delivery occurs when the goods have been shipped to the customer's specific location. For sales of goods to retail customers, transfer is at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

(b) 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).

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 *SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

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 relating to property, plant and equipment 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. For these assets the Group recognises lifetime expected credit losses (ECL) when there has been a significant increase in credit risk since initial recognition. In determining the expected credit losses for these assets, the Company has taken into account the historical default experience, the financial position of the counterparties and considered various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 *SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

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 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.

2.3.8 AGRICULTURE (BIOLOGICAL ASSET PRODUCE AND BIOLOGICAL WORK IN PROGRESS)

Agriculture comprises agricultural produce (harvested grapes) from bearer plants (grape vines).

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

The fair value of harvested 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 *SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.3.9 PROPERTY, PLANT AND EQUIPMENT

Land, land improvements (vineyards), including bearer plants (grapes vines) and other vineyard infrastructure, and buildings are valued at fair value less accumulated depreciation. Land and grape vines are 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 developing vineyards including direct material (including grapes vines), direct labour and an allocation of overhead and financing cost. These are not depreciated until the integrated vineyard asset reaches full commercial production which is typically two to three years after planting. Grape vines are not depreciated.

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 and grape vines, 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	10 – 50 years
Land improvements	5 – 50 years
Plant, equipment and vehicles	2 – 40 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 *SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.3.10 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.

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.

2.3.11 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.

2.3.12 LOANS AND BORROWINGS

Borrowings are initially recorded at fair value of the consideration received, net of issue costs directly associated with the borrowing. Deferred consideration payable as part of a business combination are treated as borrowings and recorded at fair value at the date of completion of the transaction.

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.

2.3.13 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 *SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.3.14 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.

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.

2.3.15 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. 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 *SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.3.15 INCOME TAX (CONTINUED)

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.

2.3.16 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.

2.3.17 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.

2.3.18 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 *SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.3.19 STATEMENT OF CASH FLOWS

The cash flow statement is prepared inclusive of GST.

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.

2.3.20 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 27).

2.3.21 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.

2.3.22 GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 2.3.21 above) less accumulated impairment losses, if any.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 *SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.3.22 GOODWILL (CONTINUED)

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.

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.

2.3.23 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year except as noted in 2.3.24.1 below.

2.3.24 ADOPTION STATUS ON RELEVANT FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

2.3.24.1 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 January 2018, were adopted by the Group from 1 July 2018. The adoption of these 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 15 Revenue from Contracts with Customers – NZ IFRS 15 introduces a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received for that transfer. NZ IFRS 15 supersedes NZ IAS 18: Revenue. The changes in NZ IFRS 15 do not have an impact on the timing of revenue recognition or net profit after tax for the Group.
- IFRS 9 (2014) Financial Instruments - replaced NZ IAS 39 Financial Instruments and all previous versions of NZ IFRS 9. Financial assets of the Group (including foreign currency forward exchange contracts and options or interest rate swaps) are measured at fair value. The classification and measurement of these has remained the same under NZ IFRS 9. The changes do not have an impact on the net profit after tax for the Group or the net financial position.
- NZ IFRIC 22 Foreign Currency Transactions and Advance Consideration - Clarifies which exchange rate to use in reporting foreign currency transactions when a payment is made or received in advance. The changes in NZ IFRIC 22 do not have an impact on the net profit after tax for the Group or the net financial position.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 *SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.3.24 ADOPTION STATUS ON RELEVANT FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (CONTINUED)

2.3.24.2 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 16 Leases – mandatory for annual periods beginning on or after 1 January 2019. NZ IFRS 16 is the new standard on the recognition, measurement, presentation and disclosure of leases. The standard will replace NZ IAS 17: Leases. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. NZ IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under NZ IAS 17: Leases. Lessees will be required to recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. Reassessment of certain key considerations (e.g. lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as lessor accounting under NZ IAS 17's dual classification approach.
- NZ IFRIC 23 Uncertainty over Income Tax Treatments - Addresses how to reflect uncertainty in accounting for income taxes under NZ IAS 12 – mandatory for annual periods beginning on or after 1 January 2019.
- Definition of a Business (Amendments to NZ IFRS 3) - To clarify whether a transaction should be accounted for as a business combination or as an asset acquisition – mandatory for annual periods beginning on or after 1 January 2020.

The Group's management have completed an initial assessment of the new standards and except for the NZ IFRS 16 Leases do not expect the adoption of these standards to have a material financial impact on the financial statements of the Group but may affect disclosure.

In relation to NZ IFRS 16 Leases the Group has a number of operating leases including those for vineyard land and producing vineyard leases that the Group will be required to recognise a 'Right of-use Asset' and a corresponding 'Lease Liability' in the statement of financial position for all of these leases. This change will also affect the profile of expenses (interest and depreciation) and the timing of these expenses relative to the lease payments which are currently recognised. Management will work through a full analysis of each standard and will provide further information on the expected impact of adoption of these standards in future reports ahead of their effective dates. The Group does not expect to adopt these standards before their effective date.

2.4 *BASIS OF CONSOLIDATION*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved when the Company – has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affects its returns.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.4 BASIS OF CONSOLIDATION (CONTINUED)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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 2019 $'000	Group 2018 $'000
3. PROFIT FOR THE YEAR		
Included in profit before income tax for the year are the following:		
REVENUE:		
Sales revenue – sale of goods – bottled wine	44,046	38,084
Sales revenue – other	3,663	3,994
Total sales revenue	47,709	42,078
Other revenue – insurance proceeds	234	–
Total revenue	47,943	42,078
Sales revenue – other includes the sale of other products such as bulk wine and spirits and restaurant meals.		
EXPENSES:		
Bad debts (net of bad debts recovered)	–	–
Depreciation	3,353	2,654
Directors' fees	193	147
Employee benefits expense:		
– Short-term employee benefits	8,202	6,553
Excise duty and HPA levy	3,220	3,839
Fees paid to auditors (PwC):		
– Audit of the financial statements (including fees and disbursements)	91	71
Operating lease rentals	1,184	826

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Group 2019 $'000	Group 2018 $'000
4. NON-RECURRING EXPENSES		
Included in non-recurring expenses for the year are the following:		
Acquisition expenses	216	375
Capital raising costs	38	–
Insurance claim related expenses	426	–
	680	375

The acquisition expenses in the current and prior year relate to the Mt Difficulty Wines purchase which was completed on 3 January 2019 following the receipt of Overseas Investment Office approval.

The capital raising costs related to the $20 million equity share issue approved by the shareholders to partly fund the Mt Difficulty Wines acquisition.

During the year the Group received insurance proceeds for two main insurance claims. The first related to damage to a wine tank (which was included in property, plant and equipment) and the second to the glycol contamination of bulk wine due to a tank failure. The material damage insurance policy covered the cost to replace the tank subject to the first claim and the contaminated products insurance policy covered the cost of the inventory (bulk wine lost) and business interruption loss of profits on the lost wine.

	Group 2019 $'000	Group 2018 $'000
5. INTEREST EXPENSE		
Loan interest and other costs of finance paid	1,562	1,081

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Group 2019 $'000	Group 2018 $'000
6. INCOME TAX		
6.1 INCOME TAX RECOGNISED IN PROFIT		
Tax expense comprises:		
Current tax expense – current year	1,791	992
Current tax expense/(benefit) – adjustment to prior year	–	–
Current tax expense	1,791	992
Deferred tax expense/(benefit) – origination & reversal of temporary differences	(254)	(155)
Deferred tax expense – adjustment to prior year	–	–
Deferred tax expense/(benefit)	(254)	(155)
Total income tax expense	1,537	837
Reconciliation of income tax expense:		
Profit before income tax	5,055	2,642
Income taxation expense calculated at current rate of 28%	1,415	740
Non-deductible expenses	87	159
Other deferred movements	35	(62)
Income tax expense as reported	1,537	837

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:

	Group 2019 $'000	Group 2018 $'000
Deferred tax: Revaluation of property, plant and equipment	450	601

6.3 CURRENT TAX ASSETS AND LIABILITIES

	Group 2019 $'000	Group 2018 $'000
Current tax assets: Tax refund receivable	–	67
Current tax liabilities: Tax payable	1,087	–

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

6. INCOME TAX (CONTINUED)

6.4 DEFERRED TAX BALANCES

Taxable and deductible temporary differences arise from the following:

	Balance Sheet		Income Statement	
	Group 2019 $'000	Group 2018 $'000	Group 2019 $'000	Group 2018 $'000
(i) Deferred tax liabilities				
Tax and accounting book differences – property, plant and equipment	12,015	9,282	(60)	(127)
Brand intangible assets (value-in-use deferred tax)	2,212	2,212	–	–
Inventories and biological work in progress	144	210	(66)	19
Fair value through profit or loss financial assets/liabilities	26	–	26	(36)
Other including WET rebate receivable	102	152	(50)	5
Gross deferred tax liabilities	14,499	11,856	(150)	(139)
(ii) Deferred tax assets				
Annual, sick leave and employee entitlements, accruals and provisions	(231)	(100)	(131)	12
Fair value through profit or loss financial assets/liabilities	(1)	(28)	27	(28)
Gross deferred tax assets	(232)	(128)	(104)	(16)
Net deferred tax liabilities	14,267	11,728		
Deferred tax expense/(income)			(254)	(155)

All deferred tax assets and liabilities are disclosed as non-current.

	Group 2019 $'000	Group 2018 $'000
6.5 IMPUTATION CREDITS		
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	4,011	2,838

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

a. Imputation credits that will arise from the payment of the amount of the provision for income tax

b. Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c. Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

7. EARNINGS PER SHARE

	Group 2019 cents per shares	Group 2018 cents per shares
Basic/Diluted Earnings per share	5.89	3.46

The calculation of basic earnings per share in respect of 2019 is based on profit of $3,518,000 (2018: $1,805,000) and the weighted average of 59,759,612 ordinary shares on issue during the year (2018: 52,222,534).

The calculation of diluted earnings per share in respect of 2019 based on profit of $4,028,000 (2018: $2,315,000), being profit for the year adjusted for the interest on the convertible notes after income tax, and the weighted average of 67,622,637 ordinary shares on issue during the year (2018: 60,085,559) becomes anti-dilutive and therefore the diluted earnings per share is the same as basic earnings per share.

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 2019 Number of shares	Group 2018 Number of shares
Weighted average number of ordinary shares (Basic)	59,759,612	52,222,534
Convertible notes outstanding at year end	7,863,025	7,863,025
Weighted average number of ordinary shares (Diluted)	67,622,637	60,085,559

8. DISTRIBUTION TO OWNERS

The Company paid a final dividend for 2018 of 3 cents per share fully imputed on 18 September 2018 totalling $1,590,000 (2018: $1,567,000: 3 cents per share paid 3 October 2017). No final dividend for the financial year has been declared and included in these financial statements. A final dividend of 3 cents per share fully imputed, was approved by the Board on 27 August 2019 for payment on 18 October 2019 (refer note 31).

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Parent 2019 Number of shares issued	Parent 2018 Number of shares issued	Group 2019 $'000	Group 2018 $'000
9. SHARE CAPITAL				
FULLY PAID UP ORDINARY SHARES				
Balance at beginning of financial year	52,222,534	52,222,534	66,518	66,518
Movements in share capital	13,513,614	–	20,000	–
Balance at end of financial year	65,736,148	52,222,534	86,518	66,518

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:

There were 13,513,614 ordinary shares issued during the year (2018: Nil) as follows:

3 July 2018 – Share Purchase Plan Share Issue – 765,634 shares at $1.48 – a total $1,133,000;

19 December 2018 – Share Placement Share Issues – 12,747,980 shares at $1.48 – a total of $18,867,000.

Shares reserved for issuance:

Convertible notes on issue at year end – convertible to 7,863,025 ordinary shares – refer note 14 (2018: 7,863,025).

	Group 2019 $'000	Group 2018 $'000
10. RESERVES		
ASSET REVALUATION RESERVE		
Balance at beginning of financial year	13,337	10,202
Revaluation increments/(decrements)	3,347	3,701
Reversal of previous revaluation decrements taken through profit & loss	(225)	(9)
Transferred to retained earnings	–	44
Deferred tax liability arising on revaluation (note 6.2)	(450)	(601)
Balance at end of financial year	16,009	13,337

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Group 2019 $'000	Group 2018 $'000
11. RETAINED EARNINGS		
Balance at beginning of financial year	14,627	14,424
Profit for the year net of tax, attributable to Shareholders of the Parent Co.	3,518	1,805
Dividends paid relating to 2018 (2018: 2017)	(1,590)	(1,567)
	16,555	14,662
Reversal of previous revaluation reserve taken through profit & loss	225	9
Transferred from asset revaluation reserve	–	(44)
Balance at end of financial year	16,780	14,627
12. TRADE AND OTHER PAYABLES		
Trade creditors	4,674	3,584
Employee entitlements	997	432
Other accruals	1,564	887
	7,235	4,903

13. LOANS AND BORROWINGS

At amortised cost:	Interest Rate %	Interest Rate Review Date	Expiry Date	Group 2019 $'000	Group 2018 $'000
Bank of New Zealand Term Loan #03	3.26% pa	31/7/19	31/8/20	5,001	9,002
Bank of New Zealand Term Loan #05	3.61% pa	3/10/19	5/1/22	29,760	–
Endovanerra Ltd (formerly Mt Difficulty Wines Ltd) – Deferred Consideration Payment	0% pa		3/7/20	5,101	–
TOTAL LOANS AND BORROWINGS				39,862	9,002
Weighted average effective interest rate on BNZ Term Loans				3.56%	3.49%
Loans due within 1 year				2,261	1,002
Total current loans and borrowings				2,261	1,002
Loans due 1 to 2 years				12,101	8,000
Loans due 2 to 5 years				25,500	–
Loans due after 5 years				–	–
Total non-current loans and borrowings				37,601	8,000
Total loans and borrowings				39,862	9,002

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 24 for further details of interest rate swap contracts.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

13. LOANS AND BORROWINGS (CONTINUED)

BANK OF NEW ZEALAND FACILITIES

On 7 September 2012 the Company entered into a banking facility arrangement with Bank of New Zealand (BNZ). The arrangement provided for a $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 is available to the Group. Interest is payable at 1.55% 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 $5 million multi-option facility was converted to a Market Connect Overdraft Facility in January 2019 to fund ongoing working capital requirements. The interest rate payable on the facility is the BNZ Market Connect Overdraft Prime Rate (with 0% margin).

The facilities are due to expire on 31 August 2020. All outstanding debt under any of the facilities was repayable on the maturity date.

On 21 January 2019 the facility agreement for the $20 million term loan facility (loan #03) was amended to include a non-utilisation fee of 0.4% pa. This loan facility is as an interest only facility until maturity on 31 August 2020. The full facility limit of $20 million is available for redraw throughout the term.

On 20 December 2018 the Company entered into a banking facility agreement with Bank of New Zealand (BNZ) for a new $30 million term loan (loan # 05). The loan was drawn down in full on 3 January 2019. The terms of the agreement are as follows: Principal repayments of $500,000 are payable quarterly and the facility limit reduces by this amount each quarter. Interest is payable at 1.75% per annum above the base rate. The base rate is the three month 'BKBM' rate as quoted on the Reuters Monitor Money Rates Services page.

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 NZ during the year.

MT DIFFICULTY ACQUISITION DEFERRED CONSIDERATION PAYMENT

In accordance with the Sale and Purchase Agreement the Deferred Consideration Payment of $5,200,000 is due for payment on 3 July 2020. The fair value of this payment at balance date is $5,101,000 (refer Note 30).

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Group 2019 $'000	Group 2018 $'000
14. CONVERTIBLE NOTES		
Foley Family Wines Holdings, New Zealand Limited	10,900	10,900
Disclosed as:		
Current convertible notes	10,900	10,900

As part of the merger transaction with The New Zealand Wine Company Limited (renamed Foley Family Wines Limited and later Foley Wines Limited ("FWL")) 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 FWL 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 FWL, 7,863,025 shares in FWL 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 FWL 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 FWL 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 FWL 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 FWL 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, and up to the date of these financial statements, no notification had been received to convert the note.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Group 2019 $'000	Group 2018 $'000
15. OTHER FINANCIAL ASSETS/(LIABILITIES)		
At fair value:		
Foreign currency forward contracts	89	–
Foreign currency option contracts	4	–
Other financial assets – held for trading – Current	93	–
Other financial assets – held for trading – Non Current	–	–
Other financial assets – held for trading – Total	**93**	**–**
Foreign currency forward contracts	–	(80)
Interest rate swap contracts	(3)	(4)
Other financial liabilities – held for trading – Current	(3)	(84)
Interest rate swap contracts	–	(14)
Other financial liabilities – held for trading – Non Current	–	(14)
Other financial liabilities – held for trading – Total	**(3)**	**(98)**

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 24 for details of financial instruments used by the Group.

	Group 2019 $'000	Group 2018 $'000
16. TRADE AND OTHER RECEIVABLES		
Trade receivables	8,756	8,284
Impairment of trade receivables	–	–
Other receivables	523	759
Other receivables – insurance proceeds receivable	–	–
	9,279	9,043

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	8,756	8,284
Past Due 1–30 days	–	–
Past Due 31–60 days	–	–
Past Due 61–90 days	–	–
Past Due > 91 days	–	–
	8,756	8,284

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that are less than 90 days past due are generally not considered impaired. As of 30 June 2019 trade receivables there were no debts (2018: $Nil) that were past due but not impaired.

The Group recognises a loss allowance for lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Based on the assessment undertaken at balance date the Group has not recorded an Impairment of Trade Receivables in the current year (2018: $Nil). No bad debts were written off during the year (2018: $Nil) and nothing was recovered from a bad debt written off in the previous financial years (2018: $Nil). The gross debt relating to the trade receivables which were considered to be impaired at balance date was $Nil (2018: $Nil).

	Group 2019 $'000	Group 2018 $'000
17. INVENTORIES		
Raw materials	746	572
Consumable stores	104	105
Work in progress	30,403	21,484
Finished goods	12,827	8,091
Impairment of inventory	–	(45)
Total inventories at lower of cost and net realisable value	44,080	30,207
Impairment of Inventory:		
Opening balance	45	8
Impairment charge reversal during the year	(45)	–
Impairment charge during the year	–	37
Closing balance	–	45
18. BIOLOGICAL WORK IN PROGRESS		
Growing costs related to next harvest	1,302	873

The growth on the vines in the period from harvest to 30 June 2019 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 $1,302,000 (2018: $873,000).

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

19. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land at Fair Value $'000	Freehold Buildings at Fair Value $'000	Land Improvements at Fair Value $'000	Plant, Equip. & Vehicles at Cost $'000	Total $'000
Year ended 30 June 2019					
At 1 July 2018, net of accumulated depreciation and impairment	19,473	13,647	26,435	15,079	74,634
Additions excluding Mt Difficulty acquisition	19	141	467	2,577	3,204
Additions – Mt Difficulty acquisition	7,700	4,500	5,856	5,852	23,908
Disposals	–	(4)	(70)	(148)	(222)
Revaluations	1,512	326	1,236	–	3,074
Depreciation charge for the year	–	(323)	(383)	(2,647)	(3,353)
At 30 June 2019, net of accumulated depreciation and impairment	28,704	18,287	33,541	20,713	101,245
At 30 June 2019					
Cost or fair value	28,704	18,287	33,541	36,224	116,756
Accumulated depreciation (accum impairment nil)	–	–	–	(15,511)	(15,511)
Net carrying amount	28,704	18,287	33,541	20,713	101,245
Year ended 30 June 2018					
At 1 July 2017, net of accumulated depreciation and impairment	17,883	13,286	25,189	15,293	71,651
Additions	–	141	290	1,859	2,290
Disposals	–	–	(1)	(30)	(31)
Revaluations	1,590	490	1,298	–	3,378
Depreciation charge for the year	–	(270)	(341)	(2,043)	(2,654)
At 30 June 2018, net of accumulated depreciation and impairment	19,473	13,647	26,435	15,079	74,634
At 30 June 2018:					
Cost or fair value	19,473	13,647	26,435	28,300	87,855
Accumulated depreciation (accum impairment nil)	–	–	–	(13,221)	(13,221)
Net carrying amount	19,473	13,647	26,435	15,079	74,634

COMMITMENTS

At balance date the Group had capital commitments of $500,000 for an Amenities Building at the Grove Mill/ Waihopai Valley site (2018: $39,000 replacement wine tank Vavasour).

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

REVALUATION OF LAND, BUILDINGS AND LAND IMPROVEMENTS

Land, buildings and land improvements (which includes biological bearer assets) 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, Telfer Young (Hawkes Bay) Limited, registered independent valuers, for the Martinborough properties, and Logan Stone Ltd, registered independent valuers, for the Central Otago properties, on 30 June 2019 (2018: 30 June 2018). 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. Based on these valuation techniques these fair values are included in Level 2 in the fair value hierarchy (refer note 24(j)).

The carrying amount of land, buildings and land improvements had they been recognised under the historic cost model would have been $16,016,000, $16,710,000 and $18,351,000 respectively (2018: $8,297,000, $12,099,000, $16,656,000).

Land Improvements comprise of vineyards including biological bearer plants (grape vines). The valuation of bearer plants at 30 June 2019 was $24,631,000 (2018: $19,311,000).

20. BIOLOGICAL ASSET PRODUCE

Biological assets consist of grape vines (bearer plants). Bearer plants are classified as Property, Plant and Equipment and are included as part of land improvements (vineyard) in note 19. The Company grows grapes to use in the production of wine, as part of normal operations. Vineyards are located in Marlborough, Martinborough and Central Otago, New Zealand. Grapes are harvested between March and May each year.

At 30 June 2019 the Group held approximately 250 hectares of land owned or leased by the Company in Marlborough (2018: 255), 190 hectares of land owned or leased by the Group in Martinborough (2018: 190) and 180 hectares of land owned or leased by the Group in Central Otago (2018: Nil). 200 hectares are currently in commercial production in Marlborough (2018: 206), 137 hectares in Martinborough (2018: 146) and 161 hectares in Central Otago (2018: Nil).

During the year ended 30 June 2019 the Company harvested 4,301 tonnes of grapes (2018: 3,196). The grapes harvested are recognised at 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 the revaluation gains and losses section of the Income Statement. The fair value adjustment for the 2019 harvest was $415,000 (2018: $1,084,000). Refer to note 18 for recognition of the biological transformation between the time of harvest and balance date.

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, Martinborough and Central Otago regions and through the use of windmills and helicopters for normal frost protection purposes.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Group 2019 $'000	Group 2018 $'000
21. INTANGIBLE ASSETS		
TRADEMARKS		
At start of period, net of impairment	151	151
Additions during the year	–	–
At 30 June, net of impairment	151	151
Cost (gross carrying value)	151	151
Accumulated impairment losses	–	–
Net carrying amount	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.

	Group 2019 $'000	Group 2018 $'000
GOODWILL		
At start of period, net of impairment	4,727	4,727
Additions during the year	19,131	–
At 30 June, net of impairment	23,858	4,727
Cost (gross carrying value)	23,858	4,727
Accumulated impairment losses	–	–
Net carrying amount	23,858	4,727

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. Goodwill relates to the acquisition of the Vavasour Wines' business assets on 1 September 2003, Goldwater Wines' business assets on 1 April 2006, Clifford Bay's business assets on 1 March 2007, the reverse acquisition of The New Zealand Wine Company Ltd (Grove Mill) on 4 September 2012, the acquisition of Martinborough Vineyards on 30 June 2014 and the acquisition of Mt Difficulty Wines' business and assets on 3 January 2019. The value of Goodwill at balance date includes a deferred tax liability on acquired indefinite life intangibles (brands) of $2,212,000 (2018: $2,212,000) and acquired non-depreciable buildings of $1,196,000 (2018: Nil).

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Group 2019 $'000	Group 2018 $'000
21. INTANGIBLE ASSETS (CONTINUED)		
BRANDS AND INTELLECTUAL PROPERTY		
At start of period, net of impairment	8,175	8,175
Additions – current year additions	–	–
Impairment	–	–
At 30 June, net of impairment	8,175	8,175
Cost (gross carrying value)	8,175	8,175
Accumulated impairment losses	–	–
Net carrying amount	8,175	8,175

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.

TOTAL INTANGIBLE ASSETS	32,184	13,053

(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 five years and a pre-tax discount rate 6.3% pa (2018: 6.4% pa). The discount rate used is consistent with companies operating in the same industry. No reasonable possible change in assumptions would lead to an impairment. The recoverable amount determined did not indicate any impairment and no adjustment was deemed to be required.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Group 2019 $'000	Group 2018 $'000
22. CASH FLOW INFORMATION		
(A) RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT AFTER INCOME TAX FOR THE YEAR	3,518	1,805
NON-CASH ITEMS:		
Depreciation	3,353	2,654
Increase/(decrease) in deferred tax	(254)	(155)
Impairment loss/(gain) recognised on trade and other receivables	-	-
Impairment loss/(gain) recognised on inventories	(45)	37
Adjustments resulting from revaluation of grapes	98	(272)
Loss/(gain) on disposal of property, plant and equipment	156	14
Loss/(gain) on asset revaluations	93	153
	3,401	2,431
MOVEMENTS IN WORKING CAPITAL BALANCES:		
Trade and other receivables	145	521
Inventories	(2,825)	2,615
Biological work in progress	(429)	(167)
Prepaid expenses	(448)	(165)
Trade and other payables	2,085	582
Other financial assets/liabilities	(188)	229
Current tax assets/liabilities	1,154	(676)
	(506)	2,939
NET CASH FLOW FROM OPERATING ACTIVITIES	6,413	7,175
(B) NET DEBT RECONCILIATION		
Loans and borrowings – repayable within one year	2,261	1,002
Loans and borrowings – repayable after one year	37,601	8,000
Net debt	39,862	9,002
Loans advanced during the year	30,000	-
Loans repaid during the year	(4,191)	(999)
Net movement in net debt – all cash flows	25,809	(999)

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

	Group 2019 $'000	Group 2018 $'000
23. OPERATING LEASE COMMITMENTS		
Not later than 1 year	1,397	771
Later than 1 year and not later than 5 years	4,677	2,785
Later than 5 years	9,627	6,084
	15,701	9,640

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.

24. 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 13, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings as disclosed in notes 8, 10 and 11 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 adjusted tangible equity percentage at a level of at least 50% of adjusted 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 2018.

(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 $20 million (2018: $16 million).

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

24. FINANCIAL INSTRUMENTS (CONTINUED)

(C) FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

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 periodic 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 24(e)) and interest rates (refer note 24(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.

(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 2019 $'000	Group 2018 $'000
Cash and cash equivalents	1,655	44
Trade and other receivables	6,027	6,417
Trade and other payables	(373)	(418)
Net exposure at balance date	7,309	6,043

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 $259,000, $114,000, $256,000 and $35,000 respectively for the Group (2018: $262,000, $45,000, $207,000 and $35,000). 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 $317,000, $140,000, $313,000 and $42,000 respectively for the Group (2018: $320,000, $55,000, $253,000 and $43,000). 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

24. FINANCIAL INSTRUMENTS (CONTINUED)

(E) FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

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 as at balance date was $6,291,000 (2018: $5,286,000). The aggregate notional principal of foreign exchange option contracts outstanding at balance date was a net of $214,000 (2018: $Nil).

(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 13.

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 $214,000 (2018: $74,000) 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 $233,000 (2018: $1,029,000). The interest rates applicable to the interest rate swap contracts during the year were 5.30% pa – 6.01% pa (2018: 5.30% pa – 6.01% pa).

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

24. FINANCIAL INSTRUMENTS (CONTINUED)

(F) INTEREST RATE RISK MANAGEMENT (CONTINUED)

INTEREST RATE SWAP CONTRACTS (CONTINUED)

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.

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due. Probability of default constitutes a key input in measuring expected credit loss (ECL). Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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.

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 $20 million (2018: $16 million) to further reduce liquidity risk.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

24. FINANCIAL INSTRUMENTS (CONTINUED)

(H) LIQUIDITY RISK MANAGEMENT (CONTINUED)

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 13 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 2019				
Trade and other payables	7,235	–	–	–
Loans and borrowings	3,157	14,154	26,142	–
Convertible notes	11,609	–	–	–
	22,001	14,154	26,142	–
Group 2018				
Trade and other payables	4,903	–	–	–
Loans and borrowings	1,290	1,259	7,040	–
Convertible notes	11,609	–	–	–
	17,802	1,259	7,040	–

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

24. FINANCIAL INSTRUMENTS (CONTINUED)

(H) LIQUIDITY RISK MANAGEMENT (CONTINUED)

LIQUIDITY TABLES (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 2019				
Interest rate swaps – net settled cash flows	(2)	–	–	–
Forward exchange contracts – cash inflows	4,598	2,046	–	–
Forward exchange contracts – cash outflows	(4,722)	(2,015)	–	–
Foreign currency option contracts – cash inflows	214	–	–	–
Foreign currency option contracts – cash outflows	(209)	–	–	–
	(121)	31	–	–
Group 2018				
Interest rate swaps – net settled cash flows	(8)	(13)	(2)	–
Forward exchange contracts – cash inflows	4,416	870	–	–
Forward exchange contracts – cash outflows	(4,482)	(885)	–	–
	(74)	(28)	(2)	–

(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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

24. FINANCIAL INSTRUMENTS (CONTINUED)

(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).

	Group 2019 $'000	Group 2018 $'000
Financial assets held for trading		
Other financial assets (derivative financial assets) – Current	93	–
Other financial assets (derivative financial assets) – Non–Current	–	–
Total financial assets	93	–
Financial liabilities held for trading		
Other financial liabilities (derivative financial liabilities) – Current	3	84
Other financial liabilities (derivative financial liabilities) – Non–Current	–	14
Total financial liabilities	3	98

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.

(K) CHANGE IN FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES

Foreign currency forward contracts	169	154
Foreign currency option contracts	4	6
Interest rate swaps	14	36
	187	196

25. 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	1,651	1,520

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

26. RELATED PARTY DISCLOSURES

(A) INVESTMENT IN SUBSIDIARIES

The Parent entity in the consolidated entity is Foley Wines Limited. The Parent entity of Foley Wines Limited is Foley Family Wines Holdings, New Zealand Limited who own 52.80% (2018: 66.46%) of the shares in Foley 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 42.49% (2018: 53.48%) of the Company.

The consolidated financial statements include the financial statements of Foley Wines Limited (FWL) and the following subsidiaries:

Name of Entity	Principal Activity	Parent Company	Country of Incorpo-ration	Ownership Interest % 2019	Ownership Interest % 2018
Vavasour Wines Ltd	Non-operating	Foley Wines Ltd	NZ	100%	100%
Goldwater Wines Ltd	Non-operating	Foley Wines Ltd	NZ	100%	100%
Clifford Bay Wines Ltd	Non-operating	Foley Wines Ltd	NZ	100%	100%
Te Kairanga Wines Ltd	Non-operating	Foley Wines Ltd	NZ	100%	100%
Grove Mill Wine Company Ltd	Non-operating	Foley Wines Ltd	NZ	100%	100%
Sanctuary Wine Company Ltd	Non-operating	Foley Wines Ltd	NZ	100%	100%
The New Zealand Wine Company Ltd	Non-operating	Foley Wines Ltd	NZ	100%	100%
Martinborough Vineyard Wines Ltd	Non-operating	Foley Wines Ltd	NZ	100%	100%
The New Zealand Wine Company (Europe) Ltd	Non-operating	Foley Wines Ltd	England and Wales	0%	100%
Mt Difficulty Wines Ltd (formerly Martinborough Terraces Ltd)	Non-operating	Foley Wines Ltd	NZ	100%	100%
Burnt Spur Ltd	Non-operating	Foley Wines Ltd	NZ	100%	100%

The New Zealand Wine Company (Europe) Ltd was dissolved on 12 February 2019.

Martinborough Terraces Ltd changed its company name to Mt Difficulty Wines Ltd on 3 January 2019.

(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 25.

	Group 2019 $'000	Group 2018 $'000
Certain Directors and key management personnel have interests in contracts with the Group as follows. All transactions were at normal commercial rates.		
AM Turnbull (Lighthouse Distillery Ltd – purchase of Spirits for resale)	579	362
AM Turnbull (Lighthouse Distillery Ltd – charges from FWL for labour, rent, electricity and administration)	78	41

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

26. RELATED PARTY DISCLOSURES (CONTINUED)

(C) 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 Wines Limited. Sales for the year were $9,184,000 (2018: $5,227,000).

(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 Wines Limited. Marketing support charges for the year were $108,000 (2018: $101,000).

(iii) Interest was paid/payable to Foley Family Wines Holdings, New Zealand Limited the parent of the Foley Wines Limited under the convertible note (note 14). Interest paid/payable for the year was $709,000 (2018: $709,000).

(iv) Sales were made to EuroVintage Limited, a 50% associate of the parent company of Foley Wines Limited (until 30 November 2018). Sales for the year were $1,769,000 (2018: $12,980,000). Management fees and the funding of promotional activity such as bonus stock relating to these sales were paid during the year of $55,000 (2018: $1,628,000). Sales from EuroVintage to the Group totalled $9,000 (2018: $41,000).

(v) Sales were made to, and administration services provided to, Wharekauhau Country Estate Limited, a luxury lodge 74.6% owned by Bill Foley, the majority shareholder of the ultimate parent. Sales for the year totalled $30,000 (2018: $33,000). Administration Charges for the year totalled $2,000 (2018: $6,000). Accommodation, meals and events provided by Wharekauhau to the Company during the year totalled $22,000 (2018: $35,000).

(vi) Lighthouse Gin product was purchased for global distribution from Lighthouse Distillery Limited, a company owned by Mark Turnbull, CEO and Director of Foley Wines Limited. Purchases during the period totalled $579,000 (2018: $362,000). Administration services, rental, electricity and contract distilling services were provided to Lighthouse Distillery Limited during the period of $78,000 (2018: $41,000).

	Group 2019 $'000	Group 2018 $'000
Amounts owing to related parties as at balance date:		
Foley Family Wines Inc.	–	27
Foley Family Wines Holdings, New Zealand Limited – convertible note	10,900	10,900
EuroVintage Limited *	–	97
Wharekauhau Country Estate Limited	1	1
Lighthouse Distillery Limited	27	37
Amounts owing from related parties as at balance date:		
Foley Family Wines, Inc.	2,010	1,707
EuroVintage Limited *	–	1,096
Wharekauhau Country Estate Limited	5	6
Lighthouse Distillery Limited	20	31

* EuroVintage Limited ceased to be a related party on 30 November 2018 when Foley Family Wines Holdings, New Zealand Limited, parent of Foley Wines Limited, sold its shareholding in that company.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

27. 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.

Included in sales revenue are revenues of approximately $11,256,000 (2018: $2,315,000), $9,184,000 (2018: $5,227,000), $4,844,000 (2018: $3,930,000) and $1,769,000 (2018: $12,980,000) which arose from sales to the Group's largest customers. No other single customers contributed 10% or more to the Group's revenue in either 2019 or 2018. The second largest customer is a related party – refer note 26.

The Group derived sales revenue from New Zealand customers of $17,612,000 and overseas customers of $29,726,000 (2018: NZ $16,257,000; Overseas $25,821,000).

28. COMMITMENTS

In the ordinary course of business the Group has Grower Agreements which would require it to purchase grapes during harvest which occurs between March and May each year throughout the period of the Agreement.

At balance date the Group had capital commitments of $500,000 for an Amenities Building at the Grove Mill/ Waihopai Valley site (2018: $39,000 replacement wine tank Vavasour). The Group has also committed to a capital expenditure project not exceeding $3 million for the Mt Difficulty Restaurant redevelopment.

29. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2018: Nil).

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

30. MT DIFFICULTY WINES ACQUISITION

On 3 January 2019 the Company completed its purchase of the assets and business of Mt Difficulty Wines, a wine business with a winery, vineyards and cellar door/restaurant located in Central Otago.

The impact of this acquisition on the balance sheet was as follows:

	Group 2019 $'000
Cash	1
Trade and other receivables	381
Inventories	8,612
Biological work in progress	2,489
Prepayments	201
Property, plant and equipment	23,908
Total assets acquired	**35,592**
Trade and other payables	(247)
Deferred tax	(2,343)
Total liabilities acquired	**(2,590)**
Net assets acquired	**33,002**
Goodwill on acquisition	**19,131**
Total net assets acquired	**52,133**
Funded as follows:	
Liabilities – Loans and borrowings	27,082
Equity – Share capital	20,000
Total paid in the current financial year	47,082
Liabilities – Loans and borrowings – Deferred consideration (refer below)	5,051
Total amount paid/payable	52,133

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

30. MT DIFFICULTY WINES ACQUISITION (CONTINUED)

The Deferred Consideration Payment of $5,200,000 is due to be paid on 3 July 2020 in accordance with the Sale and Purchase Agreement. The fair value (net present value) of the deferred consideration at acquisition date was $5,051,000. At year end the fair value of this payment was $5,101,000 and is included in Non-current Loans and borrowings.

The acquisition aligns with and supports the Company's strategic direction to become NZ's most revered wine group by becoming a super-premium wine producer and a leader in the super-premium category. The addition of a third iconic wine region, providing geographical diversification, complement the Foley Wines branded wine portfolio and provide further opportunity to strengthen distribution in New Zealand and internationally. The goodwill is attributable to the brands, key customer contracts, high profitability of the acquired business and synergies from combining the businesses. It will not be deductible for tax purposes.

The initial accounting for the acquisition goodwill has only been provisionally determined at the end of the reporting period. Further analysis is to be undertaken to determine if there are any identifiable intangible assets, such as brands, that are able to be fair valued at the acquisition date and separately recognised in the financial statements.

SIGNIFICANT ESTIMATE: CONTINGENT CONSIDERATION: Mt Difficulty Cellar Door and Restaurant Development (Redevelopment) - If the total aggregate cost to the Company of the Redevelopment (exclusive of GST) (Redevelopment Final Cost) is less than $3,000,000 then upon final completion and operation of the Redevelopment, the Company will be required to pay to the previous Mt Difficulty Wines (shareholders), as an adjustment to the purchase price, the difference (if any) between $3,000,000 and the Redevelopment Final Cost. Based on the information available at balance date the Company does not expect that there will be any further amount payable for the purchase under this provision.

ACQUIRED RECEIVABLES: The fair value and gross contractual value of acquired trade receivables is $381,000. This has all subsequently been collected therefore there is no portion of this estimated to be uncollectible.

TRANSACTION COSTS: The acquisition-related costs (included in Non-recurring expenses – refer Note 4 in the current and prior year) were $591,000. In addition, the costs associated with the equity share capital issues to partly fund the acquisition were $38,000 (Note 4).

REVENUE AND PROFIT CONTRIBUTION: The acquired Mt Difficulty business contributed revenue of $6,264,000 to the Group for the period from 3 January 2019 to 30 June 2019.

There were no acquisitions in the year ended 30 June 2018.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

31. SUBSEQUENT EVENTS

On 3 July 2019 the interest rate on the BNZ Term Loan #05 facility was reviewed. The new interest rate on this loan facility for the period from 3 July 2019 to 3 October 2019 was 3.42% pa.

On 31 July 2019 the interest rate on the BNZ Term Loan #03 facility was reviewed. The new interest rate on this facility for the period from 31 July 2019 to 30 August 2019 was 3.11% pa.

On 2 August 2019 $1,000,000 was redrawn on the BNZ term loan facility #03.

On 27 August 2019 the Board approved a final dividend of 3 cents per share, fully imputed, for payment on 18 October 2019.

No other material events have occurred since balance date.

	Group 2019 $	Group 2018 $
32. NET TANGIBLE ASSETS PER SHARE		
Net tangible assets per share	1.33	1.56

The calculation of net tangible per share in respect of 2019 is based on net tangible assets of $87,123,000, being Net assets $119,307,000 less intangible assets $32,184,000 (2018: $81,447,000 being $94,500,000 less $13,053,000) and the 65,736,148 ordinary shares on issue at balance date (2018: 52,222,534).

33. FOREIGN CURRENCY EXCHANGE RATES

The following spot foreign exchange rates have been applied at balance date:	30 June 2019		30 June 2018	
NZ $1.00 =	FWL Buy	FWL Sell	FWL Buy	FWL Sell
Australian dollar	0.9528	0.9596	0.9160	0.9212
United States dollar	0.6671	0.6726	0.6724	0.6775
Great British pound	0.5265	0.5289	0.5143	0.5184
Euro	0.5868	0.5919	0.5817	0.5864

Independent Auditor's Report


Vineyard Est.
2001
SINGLE VINEYARD
44.937° S
44.930° S
169.297° E
169.308° E
169.319° E
382m
340m
MADE
OF HERE
44.941S ✧ 169.315E
MT DIFFICULTY
GHOST TOWN
BENDIGO
Pinot Noir 2016
mt. difficulty
CENTRAL OTAGO ✦ NEW ZEALAND WINE
44.941S ✦ 169.315E
Soil Type
850,000 year old glacial outwash fan, well drained shallow, stony, sandy soils
Aspect
North facing terrace, gentle sloping with very low frost risk.
Clones
5, 667, Abel, 115, 114
EDITION OF 20,000 BOTTLES

Independent auditor's report

To the shareholders of Foley Wines Limited

We have audited the financial statements, which comprise:

- the statement of financial position as at 30 June 2019;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Foley Wines Limited (the Company), including its subsidiaries and controlled entities (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

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Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $479,428, which represents 1% of total sales revenue.

We chose total sales revenue as our benchmark because, in our view, it is the most stable benchmark against which the performance of the Group can be measured.

We have determined that there are three key audit matters:

- Acquisition of Mt Difficulty Wines
- Valuation of land, land improvements and buildings
- Impairment testing of intangibles

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Acquisition of Mt Difficulty Wines On 3 January 2019, Mt Difficulty Wines was acquired by Foley Wines Limited for a purchase price of $52 million as disclosed in note 30 of the financial statements. The acquisition accounting has been determined provisionally as management has not yet completed an analysis to determine whether there are other identifiable intangibles assets, such as brands, which should be separately recognised. The acquisition has therefore resulted in a provisional goodwill of $19 million. The purchase price includes deferred consideration of $5.2 million (included at a present value of $5.1 million under loans and borrowings) which will become payable on 3 July 2020. If the total aggregate cost to the Group of the Mt Difficulty Cellar Door and Restaurant Development (Redevelopment), exclusive of GST, (Redevelopment Final Cost) is less than $3 million then upon final completion and operation of the Redevelopment, the Group will be required to pay to the previous Mt Difficulty Wines shareholders, as an adjustment to the purchase price, the difference between $3 million and the Redevelopment Final Cost. Management does not expect any further amount will be payable. An independent valuer was engaged to value the biological assets, land, land improvements and buildings. Because of the significant estimates and judgments involved in determining the fair values of net assets acquired and the Redevelopment Final Cost, this was considered to be a key audit matter.	Our audit of the acquisition of Mt Difficulty Wines focused on verifying the purchase price and assessing the significant estimates and judgments made by management based on the provisional accounting for the acquisition. Our audit procedures included: • Confirming the acquisition price paid to the Sale and Purchase Agreement and the cash payment made; • Assessing management's treatment of the deferred consideration and contingent consideration by reviewing the relevant sections of the Sale and Purchase Agreement and confirming our understanding is consistent with the provisional approach taken and supporting documentation available; • Gaining an understanding of the approach management has undertaken to identify and value the tangible assets and liabilities acquired; • Consistent with our approach to auditing external valuations of land, property, plant and equipment and biological assets at 30 June 2019, we have held discussions with the valuer to understand the procedures and processes they performed in undertaking the valuation and the methodology used. This was performed alongside the audit work as outlined in our Valuation of land, land improvements and buildings key audit matter; • Utilising our internal PwC valuation expert, we have assessed the methodology adopted by the valuer to confirm that the basis of valuation was appropriate for assets of this nature; • To confirm the existence of tangible assets at acquisition date we attended inventory counts and performed test counts on a sample basis, and performed existence testing for biological assets and items of property plant and equipment on a sample basis, by sighting the physical assets; • We agreed the deferred consideration to the Sale and Purchase agreement clauses and to the overall calculation of the purchase price; • We have agreed the deferred consideration to supporting documentation confirming the expected payment date; • In respect of the redevelopment final costs we have obtained evidence from management in respect of the redevelopment to confirm that no further amounts are expected to be paid as part of the sale and purchase agreement as a result of this clause. As a result of the audit procedures performed, there were no matters to report.

Key audit matter	How our audit addressed the key audit matter

Valuation of land, land improvements and buildings

As disclosed in note 19 of the financial statements, the company has recorded the following assets at fair value:

Freehold land	$28.7 million
Freehold buildings	$18.4 million
Land improvements	$33.5 million
Total held at fair value:	$80.6 million

Land improvements comprise vineyards including $24.6 million of grape vine biological assets.

Management have used independent valuers to determine the fair values at balance date. The valuations are prepared using a "comparative sales" basis and include an assumption over the comparability of certain key inputs, such as location, soil quality, type and number of buildings, variety of vines and growing conditions at each of the wineries and vineyards. The assumption is that these key elements of the properties held by the company are comparable to those selected for the purpose of performing the valuation.

The valuers have determined a value for each property as a whole taking into account current market conditions and recent sales within each area, based on available market transaction data, to arrive at a range of valuation outcomes, from which they derive a fair value estimate for the property's components of land, buildings and land improvements.

The valuation of these assets is a key audit matter due to the subjectivity of certain assumptions in these judgements.

Our audit of the land, buildings and land improvements of the group focused on the judgements inherent in the valuation of those assets.

Our audit procedures included:

- Assessing the independence, objectivity and competence of each valuer;
- Discussions with the valuers to understand the procedures and processes they performed in undertaking the valuations and the methodology they used. We discussed the following with each valuer:
    - Valuation methodology used include their peer review process;
    - How they selected comparative sales transactions; and
    - How they obtained knowledge of the characteristics of each vineyard, for example by site inspection to confirm soil type, location and grape varietal.
- Using our PwC valuation expert, we have assessed the appropriateness of the methodology adopted by the valuers for assets of this nature;
- We sighted supporting documentation including comparative sales data from Real Estate Institution of New Zealand (REINZ) and titles (total hectares and ownership) obtained by the valuer, obtained spreadsheets used by the valuer in performing their calculations and yield data and planting details provided by management;
- On a sample basis, we have confirmed components of the valuation, including type and number of buildings, yield data and varietals to source data such as title deeds, vineyard production reports, photographs of the sites and our own observations of the assets during site visits;
- Due to the acquisition of Mt Difficulty Wines during the year there were two valuations performed over this during the year, one for the acquisition (where the site was visited twice by the independent valuer), and one for 30 June 2019 where no visit was performed by the independent valuer. We performed additional procedures at 30 June 2019 to physically visit all sites that were included in the valuations to ensure there was no visible evidence that the valuation may be impaired at this date and confirm the existence of planted vineyards.

As a result of the audit procedures performed, there were no matters to report.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of intangibles The Group has $32.1m of intangibles at 30 June 2019 which has increased from $13m in the prior year. The increase has arisen as a result of the acquisition of Mt Difficulty as noted in the preceding Key Audit Matter. Following the acquisition management have fully integrated the sales of the Mt Difficulty into the existing Foley business and increased the range of brands in their portfolio sales approach to the market. This approach is consistent with the historical company strategy and with the way the goodwill is monitored by the Chief Operating Decision Maker (CODM). This results in the assessment that all the Group's operations are generated from one cash generating unit (CGU). Management have completed the impairment assessment based on this CGU using a discounted cashflow approach. The details of this assessment are shown in note 21 to the financial statements. The discounted cashflow analysis has considered the forecast earnings before interest and tax over a five year period (based on the budget for the next financial year and with an estimated growth percentage applied thereafter), capital expenditure during this period and a terminal value growth rate. The discount rate has been assessed by management based on a calculated Weighted Average Cost of Capital (WACC). Impairment testing is a key audit matter due to the estimates inherent in management's value in use calculation and judgment exercised in determining the relevant CGU level at which the goodwill should be tested for impairment.	Our audit procedures have focused on the key judgements included in the impairment assessment. *Assessment of cash generating unit* • We assessed the appropriateness of the identified CGU by considering the extent to which cash flows are separately identifiable to assets based on the Group's portfolio sales approach, and by reviewing management reporting to validate the level of aggregation at which financial information and goodwill is monitored by the CODM. *Audit of management's value in use calculation* • We have agreed cashflows included in the calculation to the Group's budget and assessed the achievability of the budget and future earnings growth taking account of current performance of the underlying business, including the impact of the inclusion of Mt Difficulty's results for a full year; • We have assessed the reliability of management's budgeting process by comparing previous budgets to actual results achieved; • We have engaged our internal expert to consider the appropriateness of the discount rate used; • We have performed sensitivity analysis to consider the impact of reasonably possible changes in assumptions including earnings growth rate, terminal growth rate, discount rate and capital expenditure; • We checked the calculation of the value of net assets of the CGU. As a result of the audit procedures performed, there were no matters to report.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Victoria Lawson.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 August 2019

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Corporate Governance Information

Corporate Governance Statement

For the year ended 30 June 2019

This statement is designed to provide an overview for Shareholders to reflect the main governance policies and practices adopted or followed during the financial year ended 30 June 2019 and has been approved by the Board. *For further information refer to the Company's website (www.foleywines.co.nz).*

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 Board believes that the Company's policies and practices have complied in all substantial respects with corporate governance best practice in New Zealand including the NZX Corporate Governance Code 2017 (NZX Code) attached as Appendix 16 to the NZX Main Board Listing Rules in force until 30 June 2019. Foley Wines Limited (FWL) will be required to adhere to the updated 2019 version of the NZX Code contained in Appendix 1 of the NZX Main Board Listing Rules issued on 1 January 2019 from 1 July 2019.

THE ROLE OF SHAREHOLDERS

Under the Companies Act, and the NZX 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.

FWL 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, FWL 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 website including an investor section (www.foleywines.co.nz). This contains the constitution, annual and half-yearly reports and financial statements, corporate governance policies and documents, releases to the NZX 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 FWL and are accountable to shareholders for the Company's overall ethical conduct, strategic development, annual performance and long-term sustainable increase in shareholder value.

The Board exercises its powers on behalf of all Shareholders, except for those powers specifically required to be exercised by Shareholders by law, the NZX Listing Rules or the FWL 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 FWL business and delivering against the agreed strategic plans, operating budgets and performance targets.

Corporate Governance Statement (continued)

For the year ended 30 June 2019

ROLE OF THE BOARD OF DIRECTORS (CONTINUED)

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.

The Board shall maintain a Code of Ethics Policy Statement, reviewed at least bi-annually, to underpin FWL's vision and values and expected standards of conduct for Directors, Managers, employees and contractors. The Board shall also maintain a Financial Product Dealing Policy that explains what processes are in place to manage the legal and reputational risks associated with director and staff share trading to provide transparency about expectations and requirements to protect them from the risk of breaching insider trading laws.

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 FWL 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.

COMPOSITION OF THE BOARD

Under the Constitution there shall be a minimum of 3 Directors and the maximum number of Directors may be determined from time to time by the Board, and unless so determined, is 8. 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.

Under the NZX Main Board Listing Rules a minimum of two Directors must be ordinarily resident in New Zealand and one third of the Directors, and a minimum of two, must be independent, as defined in the NZX Listing Rules. Due to the resignation of an Independent Director in November 2017 the Company did not have the required minimum number of independent directors to meet the NZX Main Board requirements for a period from November 2017 until the appointment of a new Independent Director from 1 November 2018. During this time, when the Board reviewed the mix of qualifications, skills and experience the Company needed going forward, the Company was listed on the NZX NZAX Board and not required to meet these NZX Main Board Listing requirements. A further Independent Director was appointed to the Board from 1 February 2019 which resulted in the Board then consisting of a majority of Independent Directors from that date, which is consistent with the recommendation in the NZX Code.

Directors are elected by shareholders at the first annual meeting after appointment. After that, at each annual meeting, the NZX Listing Rules and the Company's Constitution require one-third of Directors to retire by rotation, determined by length of service since their last election. Directors who have served for more than nine years on the Board shall retire annually. Retiring Directors are eligible for re-election.

As at the end of the current financial year there were four Non-Executive Directors, three of which were independent, and one Executive Director. Details of all Directors as at the date of this report, including their qualifications, length of service and experience, are shown in Section 1 of the Statutory Information section of this Annual Report.

Corporate Governance Statement (continued)

For the year ended 30 June 2019

ROLE OF THE BOARD OF DIRECTORS (CONTINUED)

DIRECTOR NOMINATION

The responsibility for identifying suitable candidates for recruitment to the Board, is undertaken by the Board, drawing on advice from independent consultants as appropriate. Nominated candidates are assessed against a number of criteria which include character, background, professional skills and experience, and their availability to commit to the role.

WRITTEN AGREEMENT

The Company provides a letter of appointment to each newly appointed Director setting out the terms of their appointment. The letter includes information regarding expected time commitments, the board's responsibilities, remuneration, independence requirements, disclosure requirements, confidentiality obligations, indemnity and insurance provisions, intellectual property rights and cessation of appointment.

BOARD PERFORMANCE EVALUATION

All Non-Executive Directors are expected to participate in performance reviews, particularly prior to the re-election of a Non-Executive Director to the Board. The findings of the performance review process are used to identify, assess and enhance Director competencies and to define characteristics or skills which should be sought in future Board candidates. The Board undertakes a performance evaluation of the Board and its members bi-annually.

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

Remuneration levels are set at competitive levels to attract and retain appropriately qualified and experienced Directors taking in to account the responsibilities and time commitments provided by those Directors to the Company in discharging their duties.

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 $240,000 per annum.

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.

Corporate Governance Statement (continued)

For the year ended 30 June 2019

ROLE OF THE BOARD OF DIRECTORS (CONTINUED)

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.

DIVERSITY

At 30 June 2019 the Directors were all Male (5) and the Key Management Personnel were 75% Male (3) and 25% Female (1). These percentages were the same as at the prior balance date, 30 June 2018.

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, provided the costs are reasonable and the advice is specific.

BOARD COMMITTEES

To enhance the effectiveness of the Board there is an Audit and Risk Committee. Due to the size of the Board all other matters including Remuneration matters are considered by the full Board. The Board may establish an ad hoc Committee at any appropriate time to consider a special issue.

The committees have their own charters setting out the objectives, composition, and responsibilities of the committee. The Board will periodically review the charters. The Board Chairman may not be the Chairman of the Audit and Risk Committee. A quorum shall be two Committee members, including the Committee Chairman. Any Director may attend any Committee meeting as an observer if he/she so wishes. The Committee may request the CEO, Chief Financial Officer and/or any Management Team member to attend.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises of three Directors: Grant Graham (Chairman), Anthony Anselmi and Paul Brock, and meets formally a minimum of two times during the financial year. The Board is of the opinion that sufficient financial expertise and knowledge of the industry in which the Company operates is possessed by the members of the Audit and Risk Committee. Details of the qualifications of the Audit and Risk Committee members are set out in Section 1 of the Statutory section of this Annual Report.

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 FWL's financial (and operational) affairs. The primary objective of the Audit and Risk 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. The Company does not have an internal audit function. 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.

Corporate Governance Statement (continued)

For the year ended 30 June 2019

ROLE OF THE BOARD OF DIRECTORS (CONTINUED)

AUDIT AND RISK COMMITTEE (CONTINUED)

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 and Risk 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), because it will be outweighed by the value to be achieved by the External Auditor undertaking such activity, and is compatible with maintaining the external audit independence, such decision must be transparent and is to be recorded in the Minutes of the Board.

The Company invites the External Auditor to attend the Annual Meeting of Shareholders and they are available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

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.

HEALTH AND SAFETY

The Board has responsibility for ensuring the Company maintains a health and safety management system that meets best practice standards to protect the health and safety of its employees and contractors engaged by the Company. The Board maintains a Health and Safety Policy, reviewed annually, to underpin the Company's commitment to providing a safe working environment for its employees and contractors. The Board receives a monthly Workplace Health and Safety Report from the Company's Health and Safety Manager.

INSURANCE

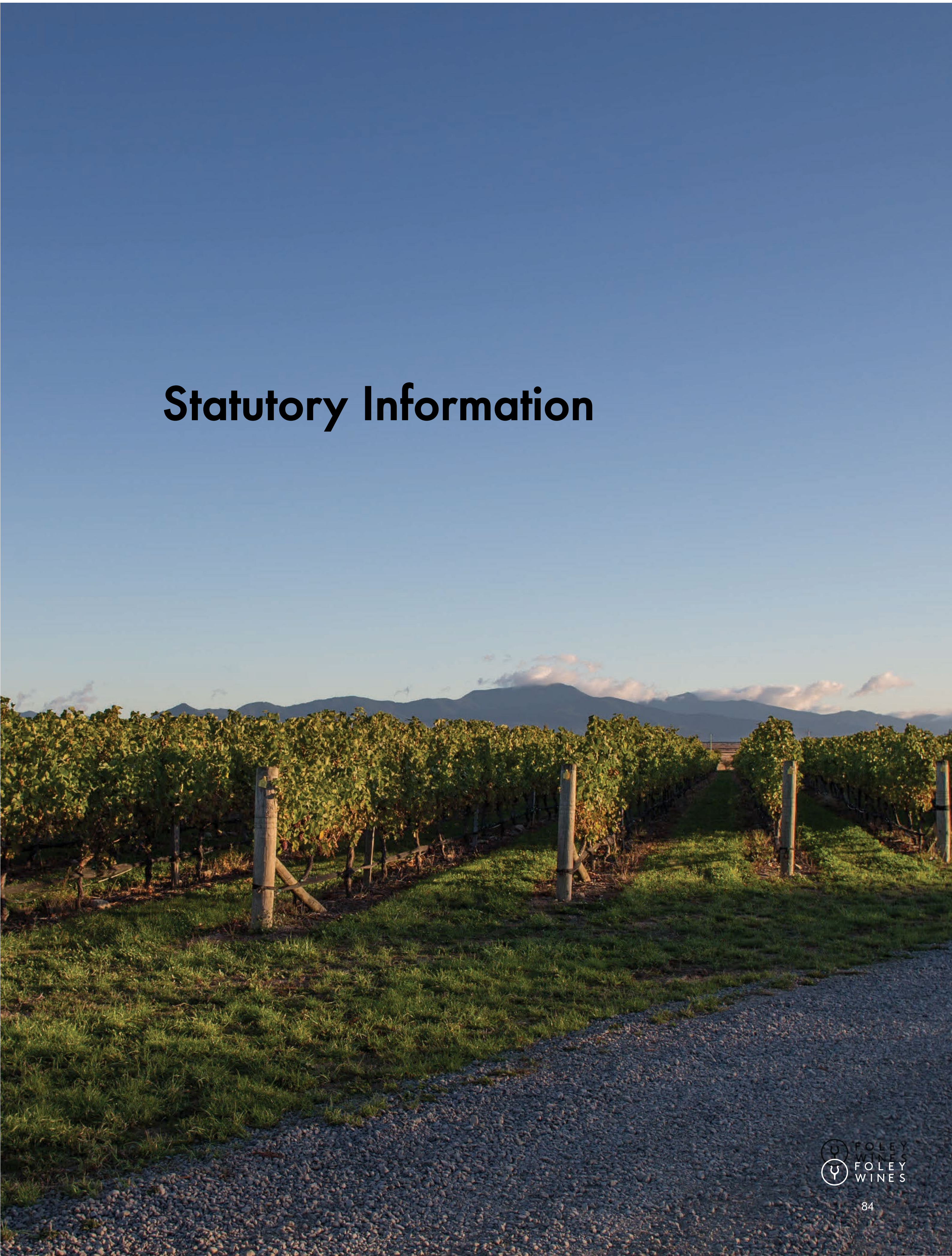
The Company carries insurance which the Board considers sufficient for the size and nature of the Company's business and risk profile.

CONTINUOUS DISCLOSURE

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the NZX Listing Rules.

The Company's website contains copies of the annual reports and financial statements, annual meeting documents, corporate governance policies and documents, NZX announcements and any presentations to third parties.

Statutory Information



Statutory Information

For the year ended 30 June 2019

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. 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 plus 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.

PAUL BROCK – *DEPUTY CHAIRMAN – NON-EXECUTIVE INDEPENDENT DIRECTOR*

Paul Brock was appointed to the Board with effect from 1 November 2018 and was appointed Deputy Chairman. Paul Brock was the Kiwibank Group Chief Executive from 2010-2017. He was Co-Founder of the bank which was launched in 2002. As Group Chief Executive Paul led the Kiwibank Group through a period of rapid growth and diversification into business banking, wealth management, insurance and asset finance. The bank is now a major player in the New Zealand market with one in four New Zealanders holding an account with Kiwibank.

Paul has a strong background in governance, management, growth business development, brand development and marketing. An extensive background in the financial services industry has also included senior management positions with Westpac and Trust Bank. Paul has been Chairman of Gareth Morgan Investments Ltd and Kiwibank Investment Management Ltd and a Director of Kiwi Insurance Ltd, New Zealand Home Loans Ltd, Kiwibank Custodial Services Ltd, AMP Home Loans Ltd, Kiwi Capital Securities Ltd, Kiwi Capital Funding Ltd and Kiwi Wealth Management Ltd. Paul is currently Chair of the board of the New Zealand Story Group, a country reputation programme to enhance the New Zealand brand and increase the benefits to New Zealand from export trade, and is also a member of the Massey University Business School Advisory Board.

Paul holds a Bachelors degree in Business Studies from Massey University.

ANTHONY ANSELMI O.B.E. – *NON-EXECUTIVE INDEPENDENT DIRECTOR*

Anthony Anselmi (Tony) was appointed to the Board in September 2012 and is a member of the Audit and Risk Committee. Tony's business career began in footwear retail, and today the family owned business, Overland Footwear Company Ltd. of which Tony is the Chairman, owns and operates retail stores throughout New Zealand and in the State of Victoria, Australia. The Company has been a finalist for the last eleven years in the I.B.M. Kenexa Employment Consultants, Best Places to Work annual awards and a category and overall winner several times. 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 land into an extensive dairy farming enterprise.

Statutory Information (continued)

For the year ended 30 June 2019

1. DIRECTOR PROFILES (CONTINUED)

ANTHONY ANSELMI O.B.E. – *NON-EXECUTIVE INDEPENDENT DIRECTOR (CONTINUED)*

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 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 Wines, New Zealand Ltd. at the invitation of Mr Foley be transferred his investment to the new Company.

GRANT GRAHAM – NON-EXECUTIVE INDEPENDENT DIRECTOR

Grant Graham was appointed to the Board with effect from 1 February 2019 and as Chair of the Board Audit and Risk Committee. Grant is a Partner at advisory and investment firm KordaMentha with a strong background in corporate finance and advisory in valuation, restructuring and as an expert witness.

Over 20 years, Grant has written numerous Independent Advisors' reports for listed company activity subject to NZX listing rules and the New Zealand Takeovers' Code. In the process, he has gained an enviable reputation for the quality of these reports, his clear and concise communication style, and pragmatic advice.

Grant has a Bachelor of Commerce and is a Chartered Accountant with Chartered Accountants Australia New Zealand (CAANZ) holding a Certificate of Public Practice and CAANZ Accredited Insolvency Practitioner status. Grant is a member of the Institute of Directors in New Zealand.

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 Chartered Accountants Australia and New Zealand.

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 WINES LIMITED

Share transactions undertaken during the year were as follows (2018: Nil):

WP Foley II – purchased 8,981,487 jointly with CJ Foley at $1.48 per share on 18 December 2018;

AM Turnbull – purchased 10,136 shares as part of the Share Purchase Plan at $1.48 per share on 3 July 2018 and 40,211 shares on market for $55,127 (an average price per share of $1.37) on 28 November 2018. The balance held at year end was 60,347 shares.

SHARE DEALINGS IN THE SHARES OF FOLEY WINES LIMITED SUBSIDIARY COMPANIES

There were no transactions during the year (2018: Nil).

Statutory Information (continued)

For the year ended 30 June 2019

2. INTEREST REGISTERS (CONTINUED)

	2019 $'000	2018 $'000
TRANSACTIONS		
Certain Directors have interests in contracts with Foley Wines Limited. All transactions were at normal commercial rates.		
AM Turnbull (Lighthouse Distillery Ltd – purchase of Spirits for resale)	579	362
AM Turnbull (Lighthouse Distillery Ltd – charges from FWL for labour, rent, electricity and administration)	78	41

LOANS TO DIRECTORS

No loans to directors were authorised during the year.

IMDEMNITY 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:

	2019 $'000	2018 $'000
DIRECTORS' FEES		
WP Foley II	100	100
AJ Anselmi	39	35
PR Brock	33	–
GR Graham	21	–
JA Jamieson	–	12

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 Executive Directors during the year was $548,000 (2018: $543,000). There were no short term or long term incentive schemes in place during the year.

Statutory Information (continued)

For the year ended 30 June 2019

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	3
$110,000 – $119,999	1
$120,000 – $129,999	2
$130,000 – $139,999	2
$150,000 – $159,999	1
$240,000 – $249,999	2
$370,000 – $379,999	1

5. DONATIONS

Foley Wines Limited made no cash donations during the year (2018: $Nil).

6. SHAREHOLDER BREAKDOWN

Shareholding as at 30 June 2019	Number of shareholders	Total shares held	% of share capital
1-999	508	124,710	0.19%
1,000-9,999	324	1,110,838	1.69%
10,000-49,999	144	2,676,652	4.07%
50,000-99,999	23	1,633,448	2.49%
100,000-499,999	20	3,879,209	5.90%
500,000+	10	56,311,291	85.66%
	1,029	65,736,148	100.00%

7. DIRECTORS' SHAREHOLDING

As at 30 June 2019 Directors held the following direct interests in the Company.

WP Foley II – Individually and with CJ Foley held a direct interest in Foley Wines Limited (FWL) of 61% through his shareholding in Foley Family Wines Holdings, Inc. (FWLH), the ultimate parent of Foley Family Wines Holdings, New Zealand Limited (FWLH-NZ) which is the New Zealand based parent company and majority shareholder of FWL, through his shareholding in FWLH-NZ and through the ownership of 8,981,487 ordinary FWL shares (2018: 60%). This interest was 64% including the shares to be issued under the Convertible Note (note 14) (2018: 64%).

AJ Anselmi – held a direct interest in FWL of 1.7% through his shareholding in FWLH-NZ (2018: 2.1%). This interest was 1.8% including the shares to be issued under the Convertible Note (note 14) (2018: 2.3%).

AM Turnbull – held a direct interest in FWL of 1.1% (2018: 1.5%) through his shareholding in FWLH-NZ (1.15%; 2018 1.5%) and through the ownership of 60,347 ordinary FWL shares (0.09% 2018: 0.02%). This interest was 1.3% including the shares to be issued under the Convertible Note (note 14) (2018: 1.6%).

Statutory Information (continued)

For the year ended 30 June 2019

8. 20 LARGEST REGISTERED HOLDERS

Ordinary shares held at 30 June 2019:	Ordinary shares held	% of share capital
Foley Family Wines Holdings, New Zealand Limited *	34,708,796	52.80%
WP Foley II & CJ Foley	8,981,487	13.66%
National Nominees New Zealand Limited on behalf of Milford Asset Management Limited *	3,942,553	6.00%
Accident Compensation Corporation	2,821,875	4.29%
Lion NZ Limited	2,027,027	3.08%
Alfa Lea Horticulture Limited	903,330	1.37%
JP Morgan Chase Bank NA NZ Branch - Segregated Clients Acct - NZCSD	878,410	1.34%
New Zealand Permanent Trustees Limited - NZCSD	875,000	1.33%
Sky Hill Limited	600,000	0.91%
BNP Paribas Nominees (NZ) Limited - NZCSD	572,813	0.87%
Public Trust RIF Nominees Limited - NZCSD	413,099	0.63%
FNZ Custodians Limited	389,741	0.59%
JD Croft	322,388	0.49%
Phaben Holdings Limited	300,001	0.46%
Kynance Holdings Limited	300,000	0.46%
TJ Fairhall	295,116	0.45%
Custodial Services Limited	207,522	0.32%
CM & BW Doig	198,794	0.30%
JD Orchard, CS Orchard & JG Orchard	160,000	0.24%
MJ McQuillan	135,107	0.21%
Sub-total	59,033,059	89.80%
Others (1,009 Shareholders)	6,703,089	10.20%
TOTAL	65,736,148	100.00%

* These shareholders are **substantial product holders** as defined in Section 274 of Sub-part 5 of Part 5 of the Financial Markets Conduct Act 2013 as they have a **substantial holding** in the Company.

9. NZX WAIVERS

The Company traded its ordinary shares on the NZX Alternative Market (NZAX) until 30 November 2018 under the ticker code "FFW". On 3 December 2018 the Company migrated to the NZ Main Board (NZSX) and commenced trading Foley Wines Limited ordinary shares under the ticker code "FWL" (following a company name change on 1 December 2018). As part of the migration process the Company applied to, and the NZX granted, a number of waivers from certain NZX Main Board Listing Rules. The details of these waivers can be viewed on the NZX website www.nzx.com (http://nzx-prod-s7fsd7f98s.s3-website-ap-southeast-2.amazonaws.com/attachments/FFW/327240/291048.pdf).

Company Directory

For the year ended 30 June 2019

DIRECTORS:	WP Foley, II (Chairman) PR Brock (Deputy Chairman) AJ Anselmi GR Graham 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@foleywines.co.nz
WEBSITES:	www.foleywines.co.nz www.grovemill.co.nz www.vavasour.com www.tekairanga.com www.martinborough-vineyard.co.nz www.mtdifficulty.nz www.lighthousegin.co.nz
NATURE OF BUSINESS:	Production and distribution of wine
AUDITORS:	PricewaterhouseCoopers, Napier
SOLICITORS:	Bell Gully, Auckland Jennifer Mills & Associates, 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 – NZSX Market Security Code "FWL"

FOLEY WINES

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Investors who wish to join the Foley Investors Wine Club, please email info@foleywines.co.nz

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