FOLEY WINES

made by land & hand

HALF YEARLY REPORT

For the six months ended 31 December 2019

Contents

This interim financial report does not include all of the notes of the type normally included in the annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Foley Wines Limited during the interim period.

Foley Wines Limited is a company incorporated and domiciled in New Zealand and listed on the NZSX Board of the New Zealand Stock Exchange (NZX). 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.

These financial statements that were approved for issue on 27 February 2020 and have not been audited.

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

CASE SALES	303,000 (↑13%)
EXPORT CASES	219,000 (↑4%)
BOTTLED SALES REVENUE	$27,640,000 (↑30.8%)
OPERATING EARNINGS	$3,904,000 (↑63.6%)
REPORTED PROFIT AFTER TAX	$2,723,000 (↑62.8%)


TK
TE KAIRANGA
GOLD
WITH 95 POINTS
Te Kairanga Runholder Pinot Noir 2017
Decanter World Wine Awards 2019
MARTINBOROUGH, NEW ZEALAND.
2019
Decanter
WORLD WINE AWARDS
GOLD
TE KAIRANGA
TK
TE KAIRANGA
Runholder
PINOT NOIR
MARTINBOROUGH 2017 WINE of NEW ZEALAND
A FOLEY
WINERY

Mark Turnbill, CEO and Director

CEO & DIRECTORS' REPORT

Value over volume

On behalf of the Board of Directors of Foley Wines Limited I am pleased to present its operating and financial results for the six months ended 31 December 2019.

OPERATING PERFORMANCE

The operating profit before revaluations and income tax ("operating earnings") of $3.904m was a record for the company. This was a 63.6% increase compared with $2.387m in the prior year.

Profit for the period net of tax attributable to shareholders was $2.723m compared with the prior year of $1.672m.

The company has remained focussed on implementing its previously stated strategy (essentially focussing on value versus volume), namely:

- Growing brands at higher price points
- Cementing new distribution partnership with Lion
- Seeking distribution in markets where our brands are not represented
- Improving distribution arrangements where our brands are represented
- Focus on process improvements.

The Directors believe that the company continues to make solid progress in regards to these strategies.

Bottled case sales

BOTTLED CASE SALES 6 MONTHS TO DECEMBER 2019

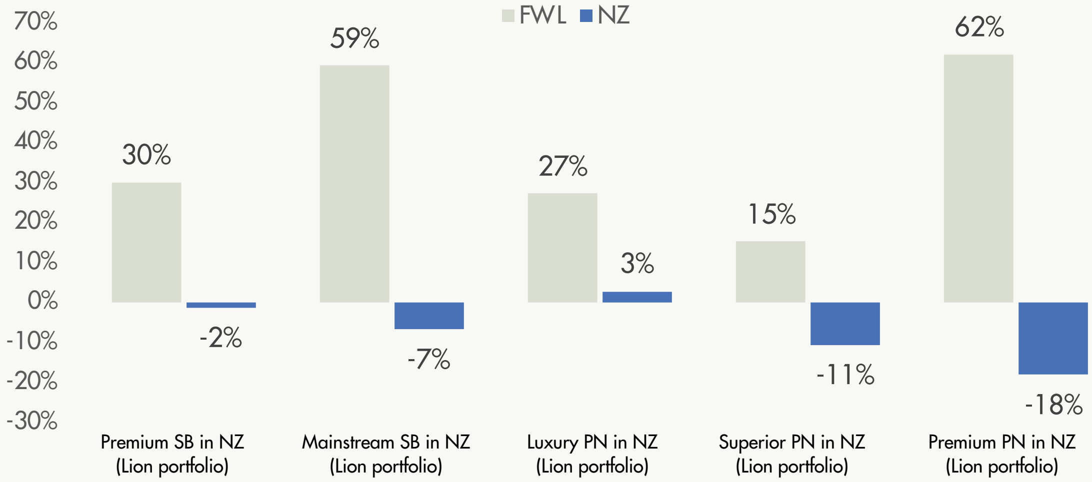
	New Zealand	84,000 cases	+42%
	Australia	87,000 cases	+18%
	USA/Canada	65,000 cases	(13)%
	UK/Europe	54,000 cases	+10%
	Rest of World	12,000 cases	+9%

CASE SALES

The company continues to see a strong appetite for our brands in all markets we operate in.

New Zealand has been a standout performer, reflective of the focus on implementing the Lion distribution relationship. At the ASM in November 2019 we outlined the growth of our brands in New Zealand. Set out below is the latest data from Nielsen – clearly the momentum is continuing.

We now have five Pinot Noirs in the top 25 in the Superior category and two Sauvignon Blancs in the top five in the Superior category.



Quarter to December 30 2019

Australia continues to grow and we are working on a new direct route into a major Australian retail group which we believe will benefit us in the year ended June 2021. Importantly this is for our premium brands and is another example of us selling a portfolio solution.

While the decrease in the USA for the six months (due to a placement not being extended) is disappointing we believe that the USA will generate growth in the medium term.

In terms of other markets, the company is working on new distribution opportunities which will deliver benefits in the next financial year.

CASHFLOW AND BANK FACILITIES

Operating cashflow was down $0.59m for the period, however the decrease was primarily associated with income tax paid of $1.512m.

We are pleased to advise that banking facilities that were due to mature in August this year with the Bank of New Zealand will be renewed. The company is working through the final terms with the bank.

OUTLOOK

As outlined at the November 2019 ASM we advised that an operating profit before tax of $10m for the year ended June 2021 was a realistic target. The Directors believe that the six months performance of $3.904m reinforces this as a realistic goal. However, there are many uncertainties the company faces including exchange rates and agricultural risks. We now are faced with a further uncertainty with the Coronavirus. Although we have a low exposure to China both in terms of sales and supply chain, no one knows how this situation will play out.

30

YEARS IN THE AWATERE VALLEY, AND WE'VE ONLY JUST BEGUN.

I'm the fifth generation Marfell in the Awatere Valley. It's a great place to live, and a great place to make wine.

Vavasour was the first to make wine here in 1989. We know how this stony soil and unforgiving climate conspire to create wines of great complexity, perfume and elegance. And we've only just begun.

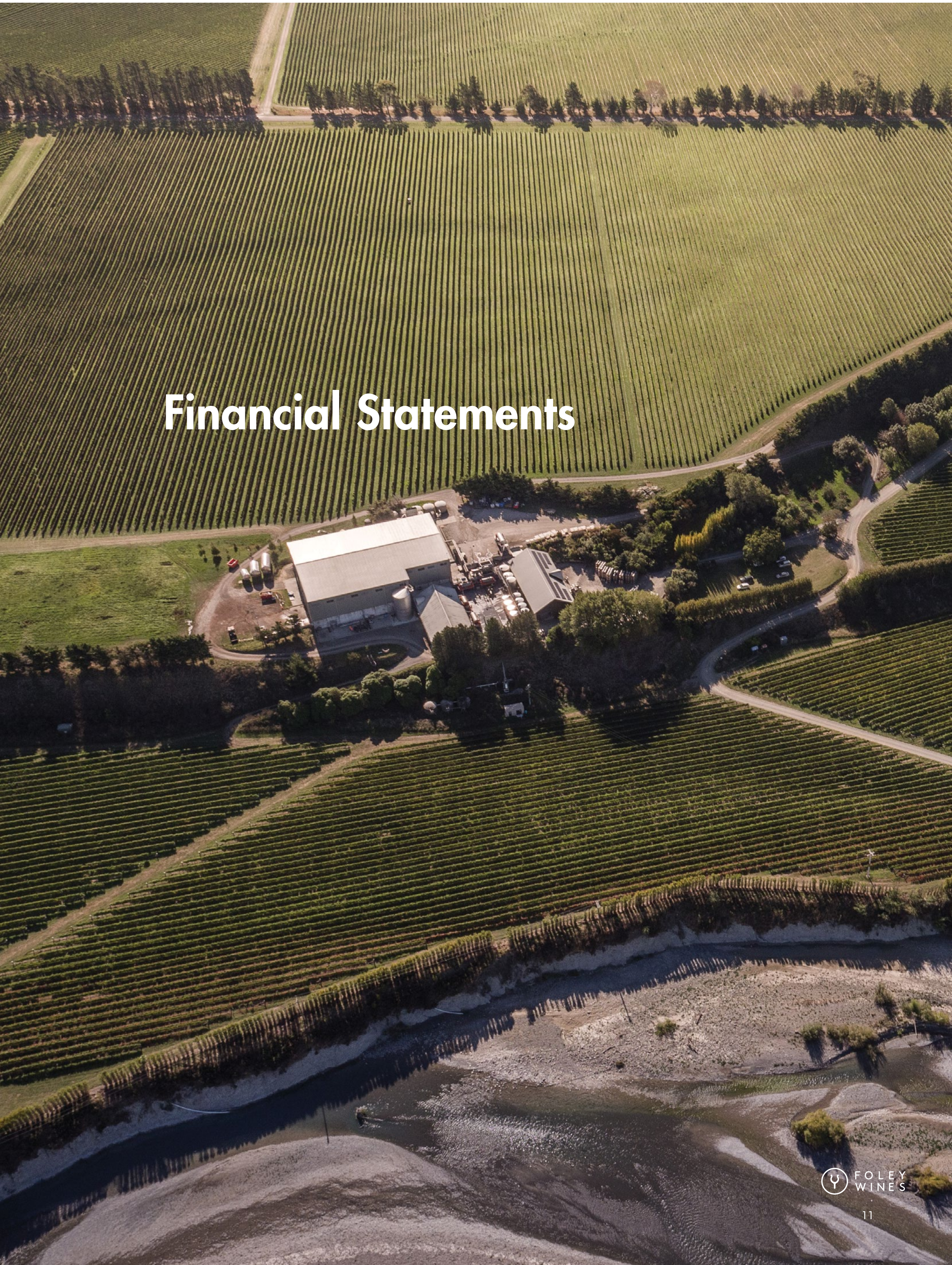
Every year we become more curious and ask more questions of this valley. Every year we capture more layers of flavour, intensity and intrigue – wines that keep you coming back for another sip.

That's something I can't just create, that comes from the place.

Stu Marfell

Stu Marfell
Chief Winemaker

See our story at
Vavasour.com



Financial Statements

Vineyard Est.
2001

SINGLE VINEYARD

MADE OF HERE

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

Income Statement

For the six months ended 31 December 2019

	Note	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
Revenue	3	**28,931**	**47,943**	**23,153**
Expenses				
Cost of sales		(18,867)	(32,364)	(16,105)
Selling, marketing and promotion expenses		(3,276)	(5,303)	(2,172)
Administration and corporate governance expenses		(1,901)	(3,051)	(1,453)
Non-recurring expenses	3	-	(680)	(563)
Expenses excluding interest		**(24,044)**	**(41,398)**	**(20,293)**
Profit before interest, impairment, revaluations and income tax		**4,887**	**6,545**	**2,860**
Interest revenue		1	31	16
Interest expense	4	(972)	(1,562)	(519)
Net finance costs		**(971)**	**(1,531)**	**(503)**
Profit before impairment, revaluations and income tax		**3,916**	**5,014**	**2,357**
Impairment				
Impairment of trade and other receivables		–	–	–
Impairment of inventory		(12)	45	30
Profit before revaluations and income tax		**3,904**	**5,059**	**2,387**
Revaluation gains and losses				
Unrealised gain in fair value of financial assets/liabilities	9	195	187	201
Unrealised gain on harvested grapes		–	415	–
Realised reversal of gain on harvested grapes		(318)	(513)	(265)
Revaluation of property, plant & equipment		–	(93)	–
Profit before income tax	3	**3,781**	**5,055**	**2,323**
Income tax expense		(1,058)	(1,537)	(651)
Profit for the period net of tax, attributable to Shareholders of the Parent Company		**2,723**	**3,518**	**1,672**
Basic Earnings per share cps (after tax)	5	4.14	5.89	3.10
Diluted Earnings per share cps (after tax)	5	4.05	5.89	3.10

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 20 to 35.

Statement of Comprehensive Income

For the six months ended 31 December 2019

	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
Profit for the period	**2,723**	**3,518**	**1,672**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	–	3,347	–
Income tax on items taken directly to or transferred from equity	–	(450)	–
Other comprehensive income for the period, net of tax	**–**	**2,897**	**–**
Total comprehensive income for the period, net of tax	**2,723**	**6,415**	**1,672**

Statement of Changes in Equity

For the six months ended 31 December 2019

	Note	Fully Paid Ordinary Shares $'000	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Unaudited 6 Months 31 December 2019 Group					
Equity at 1 July 2019		86,518	16,009	16,780	119,307
Adjustment on initial application of NZ IFRS 16	2.2(c)	–	(2)	(1,805)	(1,807)
Rounding adjustment		–	–	(1)	(1)
Adjusted balance at 1 July 2019		86,518	16,007	14,974	117,499
Profit for the period		–	–	2,723	2,723
Total comprehensive income for the period		–	–	2,723	2,723
Distributions to owners	6	–	–	(1,972)	(1,972)
Transactions with owners during period		–	–	(1,972)	(1,972)
Added to equity during the period		–	–	751	751
Equity at 31 December 2019		**86,518**	**16,007**	**15,725**	**118,250**
Dividends paid per share cps	6				3.0

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 20 to 35.

Statement of Changes in Equity (continued)

For the six months ended 31 December 2019

	Note	Fully Paid Ordinary Shares $'000	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Audited 12 Months 30 June 2019 Group					
Equity at 1 July 2018		66,518	13,337	14,627	94,482
Profit for the period		–	–	3,518	3,518
Other comprehensive income for the period		–	2,672	225	2,897
Total comprehensive income for the year		–	2,672	3,743	6,415
Distributions to owners	6	–	–	(1,590)	(1,590)
Contributions by owners	7	20,000	–	–	20,000
Transactions with owners during 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	6				3.0
Unaudited 6 Months 31 December 2018 Group					
Equity at 1 July 2018		66,518	13,337	14,627	94,482
Profit for the period		–	–	1,672	1,672
Total comprehensive income/(expense) for the period		–	–	1,672	1,672
Distributions to owners	6	–	–	(1,590)	(1,590)
Contributions by owners	7	20,000	–	–	20,000
Transactions with owners during period		20,000	–	(1,590)	18,410
Added to equity during the period		20,000	–	82	20,082
Equity at 31 December 2018		**86,518**	**13,337**	**14,709**	**114,564**
Dividends paid per share cps	6				3.0

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 20 to 35.

Statement of Financial Position

As at 31 December 2019

	Note	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
CURRENT ASSETS				
Cash and cash equivalents		3,693	3,445	24,443
Trade and other receivables		9,323	9,279	8,270
Other financial assets		285	93	111
Inventories		35,457	44,080	23,036
Biological work in progress		6,614	1,302	4,220
Prepaid expenses		1,133	1,033	840
		56,505	59,232	60,920
NON-CURRENT ASSETS				
Property, plant and equipment		100,816	101,245	74,255
Right-of-use assets	12	11,971	–	–
Intangible assets		35,121	32,184	13,053
Deferred tax assets		232	232	128
		148,140	133,661	87,436
TOTAL ASSETS		**204,645**	**192,893**	**148,356**

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 20 to 35.

Statement of Financial Position (continued)

As at 31 December 2019

	Note	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
CURRENT LIABILITIES				
Trade and other payables		3,687	7,235	2,232
Loans and borrowings		13,949	2,261	1,000
Lease liabilities	12	896	–	–
Convertible notes		10,900	10,900	10,900
Current tax liabilities		629	1,087	294
Other financial liabilities		–	3	8
		30,061	21,486	14,434
NON–CURRENT LIABILITIES				
Loans and borrowings		26,500	37,601	7,500
Lease liabilities	12	12,393	–	–
Deferred tax liabilities		17,441	14,499	11,858
		56,334	52,100	19,358
TOTAL LIABILITIES		86,395	73,586	33,792
EQUITY				
Share capital	7	86,518	86,518	86,518
Reserves		16,007	16,009	13,337
Retained earnings		15,725	16,780	14,709
TOTAL EQUITY		118,250	119,307	114,564
TOTAL LIABILITIES AND EQUITY		**204,645**	**192,893**	**148,356**

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 20 to 35.

Statement of Cash Flows

For the six months ended 31 December 2019

	Note	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		30,812	50,229	24,534
Insurance proceeds		–	605	602
Interest received		1	31	16
Payments to suppliers and employees		(23,764)	(42,303)	(19,410)
Interest and other costs of finance paid		(972)	(1,512)	(519)
Interest paid on lease liabilities capitalised into biological work in progress		(219)	–	–
Income tax paid		(1,512)	(637)	(287)
Net cash flow from operating activities	8	4,346	6,413	4,936
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of property, plant and equipment		43	74	15
Purchase of property, plant and equipment – excluding Mt Difficulty acquisition		(2,314)	(2,948)	(1,184)
Acquisition of Mt Difficulty business and assets, net of cash received	13	–	(47,081)	–
Net cash flow from investing activities		(2,271)	(49,955)	(1,169)
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided for (applied to)				
Issue of equity share capital		–	20,000	20,000
Dividends paid		(1,972)	(1,590)	(1,590)
Loans advanced		1,185	30,000	–
Loans repaid		(598)	(4,191)	(502)
Lease liabilities repaid		(442)	–	–
Net cash flow from financing activities		(1,827)	44,219	17,908
Net increase in cash held		248	677	21,675
Cash and cash equivalents at beginning of period		3,445	2,768	2,768
Cash and cash equivalents at end of period		3,693	3,445	24,443
Comprising: Cash and cash equivalents		3,693	3,445	24,443

These financial statements should be read in conjunction with the Notes to the Financial Statements on pages 20 to 35.

FOLEY WINES

NEW ZEALAND

LIMITED EDITION

EST.05

GIN FOR GIN LOVERS

WE DON'T CUT CORNERS. IT TOOK US FIVE YEARS TO PERFECT OUR GIN, AND TEN YEARS ON, I STILL HAND ZEST THE YEN BEN LEMONS AND NAVEL ORANGES TO COAX THE DELICATE OILS FROM THEIR SKINS. I STILL COLLECT PURE, NATURAL SPRING WATER THAT HAS TAKEN YEARS TO FILTER THROUGH THE REMUTAKA RANGES. I STILL TWICE-DISTIL AND TASTE EVERY BATCH FOR THAT HALLMARK LIGHTHOUSE STYLE – A REMARKABLY CLEAN, SMOOTH, CITRUSY GIN THAT'S TRUE TO ITS LONDON DRY STYLE.

AND WHEN THE GLOBAL GIN MASTERS COMPETITION AWARDS US THEIR HIGHEST ACCOLADE – 'MASTER' – I SMILE AND SIT BACK WITH THE PERFECT GIN & TONIC.

Rachel Hall

RACHEL HALL
DISTILLER

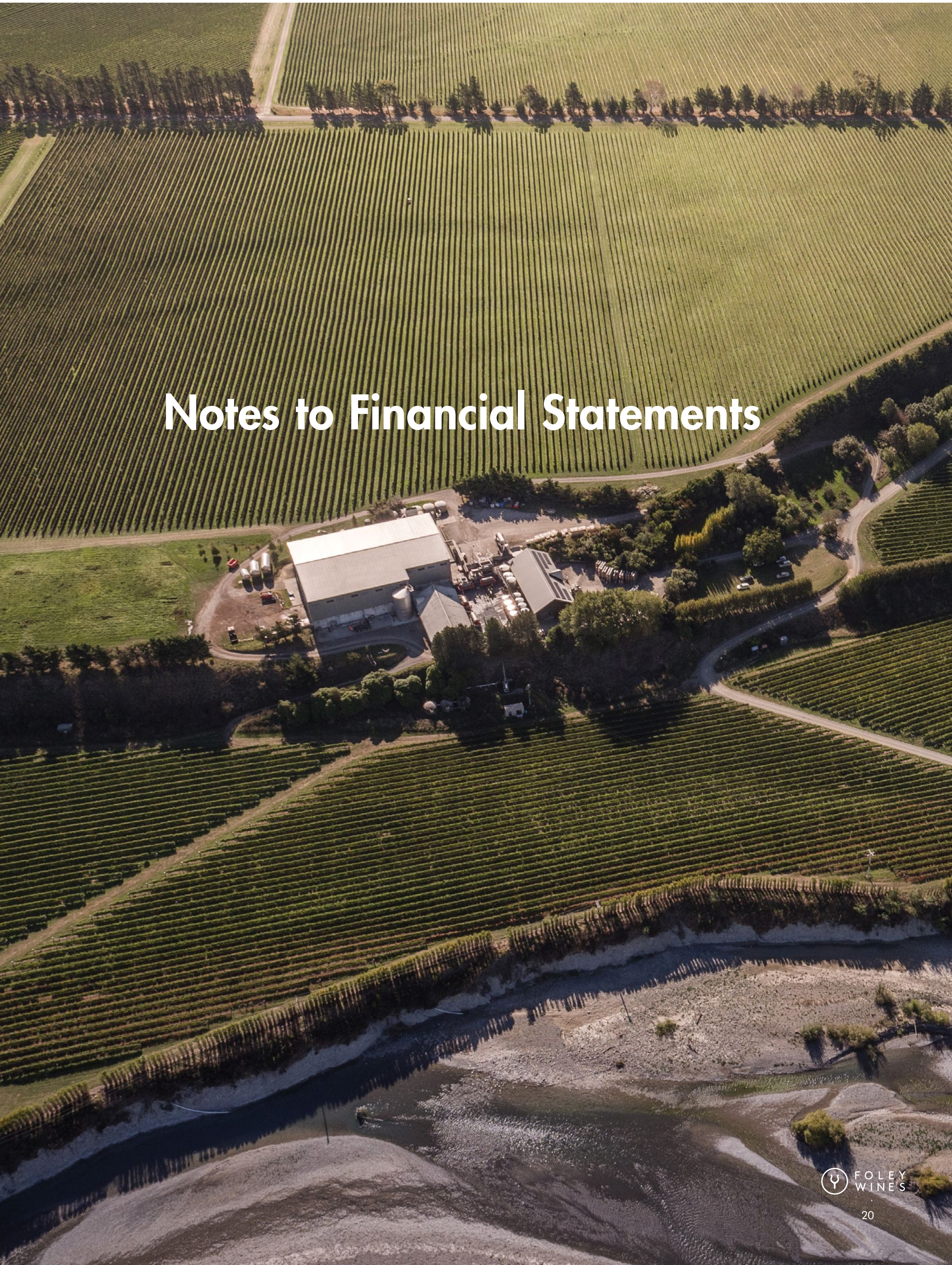
BATCH Nº.

GLOBAL GIN MASTERS · MASTER 2019 · THE SPIRITS BUSINESS

ASIA GIN MASTERS · GOLD 2019 · THE SPIRITS BUSINESS

DOUBLE DISTILLED · 100% NATURAL NEW ZEALAND SPRING WATER · SMALL X2 BATCH · MADE WITH · DOUBLE DISTILLED

Notes to Financial Statements



NEW ZEALAND PIONEER IN SUSTAINABILITY

Established in 1988 in the Wairau Valley by a group of local winegrowers and enthusiasts, Grove Mill has long been dedicated to crafting premium wines with minimal environmental impact, preserving our land for future generations.

Notes to the Financial Statements

For the six months ended 31 December 2019

1. ACCOUNTING PERIOD

The unaudited financial statements presented are for Foley Wines Limited ("the Company", "the Parent") and its subsidiaries (together referred to as "the Group") and cover the six month period to 31 December 2019. These condensed financial statements have been prepared in accordance with NZ IAS 34 *Interim Financial Statements* and should be read in conjunction with Foley Wines Limited's Annual Report for the year ended 30 June 2019. The financial statements were authorised for issue by the Directors on 27 February 2020.

2. ACCOUNTING POLICIES

The same accounting policies and methods of computation are followed in the interim financial statements as were followed in the annual financial statements for the year ended 30 June 2019 with the exception of taxation and the adoption of new and amended standards as set out below.

Taxation

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

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting NZ IFRS 16 *Leases*. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 2.2 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

2.1 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these interim financial statements under 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 significant areas of estimation, assumptions and critical judgements made in the preparation of these financial statements are consistent with those set out in the 2019 Annual Report, except for the new significant judgements related to lessee accounting under NZ IFRS 16 *Leases*.

Significant estimates and judgements that have been required for the implementation of NZ IFRS 16 are:

- The determination of whether an arrangement contains a lease;
- The determination of lease term for some lease contracts in which the Group is a lessee that include renewal options and termination options, and the determination whether the Group is reasonably certain to exercise such option;
- The determination of the incremental borrowing rate used to measure lease liabilities;
- The determination of the expected cost to dismantle and remove lease improvements at the end of the lease.

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.2 ADOPTION OF NEW AND REVISED STANDARDS

Impact of initial application of NZ IFRS 16 *Leases*

The Group has applied NZ IFRS 16 *Leases* that is effective for annual periods that begin on or after 1 January 2019 in the current year. The date of initial application of NZ IFRS 16 for the Group is 1 July 2019.

NZ IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are set out in note 2.3. The impact of the adoption of NZ IFRS 16 on the Group's consolidated financial statements is described below.

The Group has applied NZ IFRS 16 using the modified retrospective approach which:

- Requires the Group to recognise the cumulative effect of initially applying NZ IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under the previous accounting policies (under NZ IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*).

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. NZ IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in NZ IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in NZ IFRS 16 to all lease contracts entered into or changed on or after 1 July 2019. In preparation for the first-time application of NZ IFRS 16, the Group has carried out a review which has shown that the new definition in NZ IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Impact of initial application of NZ IFRS 16 *Leases* (Continued)

(b) Impact on Lessee Accounting

NZ IFRS 16 changes how the Group accounts for leases previously classified as operating leases under NZ IAS 17, which were off balance sheet.

Applying NZ IFRS 16, for all leases (except as noted below), the Group:

a. Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with NZ IFRS 16:C8(b)(ii);

b. Recognises amortisation (depreciation) of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and in biological work in progress;

c. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with NZ IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes printers and eftpos terminals), the Group has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expense is presented within 'Selling' and 'Administration' expenses in profit or loss.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying NZ IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The Group does not have any leases that were previously classified as finance leases under NZ IAS 17.

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.2 *ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)*

Impact of initial application of NZ IFRS 16 *Leases* (Continued)

(c) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 3.26% pa.

The following table shows the operating lease commitments disclosed applying NZ IAS 17 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings as at 1 July 2019:

	Group $'000
Operating lease commitments at 30 June 2019	15,701
Short-term leases not recognised under NZ IFRS 16	(93)
Leases of low-value assets not recognised under NZ IFRS 16	(27)
Correction to lease amounts and terms used for disclosure	(854)
Effect of discounting the above amounts	(2,874)
Present value of the lease payments due in periods covered by extension options that are included/excluded in the lease term and previously excluded/included in operating lease commitments	1,810
Lease liabilities recognised at 1 July 2019	13,663

The Group has recognised $12,408,000 of right-of-use assets (cost $18,124,000 less accumulated amortisation $5,716,000) and $13,663,000 of lease liabilities upon transition to NZ IFRS 16 and has de-recognised $552,000 of Land improvements relating to vineyard leases previously recognised as part of the Mt Difficulty acquisition on 3 January 2019 and $(2,000) of Asset Revaluations relating to these leases. The difference of $1,805,000 is recognised in retained earnings.

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.3 SIGNIFICANT ACCOUNTING POLICIES

Leases

The Group has applied NZ IFRS 16 using modified retrospective approach and therefore comparative information has not been restated and is presented under NZ IAS 17.

Accounting policy subsequent to transition:

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
3. PROFIT FOR THE PERIOD			
Included in profit before income tax for the period are the following:			
REVENUE:			
Sales revenue – sale of goods – bottled wine	27,640	44,046	21,137
Sales revenue – other	1,291	3,663	1,414
Total sales revenue	28,931	47,709	22,551
Other revenue – insurance proceeds	–	234	602
	28,931	47,943	23,153
Included in profit before income tax for the period are the following:			
EXPENSES:			
Amortisation	504	–	–
Depreciation	2,127	3,353	1,459
Directors' fees	120	193	77
Employee benefits expense:			
– Short-term employee benefits	3,810	8,202	3,008
Excise duty and HPA levy	2,482	3,220	1,606
Fees paid to auditors (PwC):			
– Audit of the financial statements (fees and disbursements)	–	91	37
Non-recurring expenses			
– Mergers and acquisitions	–	216	100
– Insurance claim related expenses	–	426	425
– Capital raising costs	–	38	38

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
4. INTEREST EXPENSE			
Interest on loans and borrowings	612	853	162
Interest on convertible notes	357	709	357
Interest expense on lease liabilities	3	–	–
Total Interest expense	972	1,562	519

	$	$	$
5. EARNINGS PER SHARE			
Basic Earnings per share ($)	4.14	5.89	3.10

The calculation is based on NZIFRS earnings of the Group of $2,723,000 (30Jun19 $3,518,000; 31Dec18 $1,672,000) and the weighted average of 65,736,148 ordinary shares on issue during the period (30Jun18 59,759,612; 31Dec18 53,880,519).

Diluted Earnings per share ($)	4.05	5.89	3.10

The calculation of diluted earnings per share based on profit of $2,980,000 (30Jun19 $4,028,000; 31Dec18 $1,929,000), being profit for the year adjusted for the interest on the convertible notes after income tax, and the weighted average of 73,599,173 ordinary shares on issue during the year (30Jun19 67,622,637; 31Dec18 61,743,544) becomes anti-dilutive in the comparative periods and therefore the diluted earnings per share is the same as basic earnings per share for these periods.

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:

	31 Dec 2019 Number of shares	30 Jun 2019 Number of shares	31 Dec 2018 Number of shares
Weighted average number of ordinary shares (Basic)	65,736,148	59,759,612	53,880,519
Convertible notes outstanding at period end	7,863,025	7,863,025	7,863,025
Weighted average number of ordinary shares (Diluted)	73,599,173	67,622,637	61,743,544

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

6. DIVIDENDS PAID PER SHARE

The calculation of dividends per share in respect of the interim 2020 period is based on the final dividend for 2019 paid in October totalling $1,972,000 (30Jun19: $1,590,000 paid 18Sep18; 31Dec18: $1,590,000).

	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
7. SHARE CAPITAL			
FULLY PAID UP ORDINARY SHARES			
Balance at beginning of period	86,518	66,518	66,518
Movements in share capital	–	20,000	20,000
Balance at end of period	86,518	86,518	86,518
Number of fully paid ordinary shares	65,736,148	65,736,148	65,736,148

There were no shares issued during the period. There were 13,513,614 ordinary shares issued during the prior year 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.

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
8. NET CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT AFTER INCOME TAX FOR THE PERIOD	2,723	3,518	1,672
NON-CASH ITEMS:			
Depreciation	2,127	3,353	1,459
Amortisation	504	–	–
Increase/(decrease) in deferred tax	5	(254)	2
Impairment loss/(gain) recognised on inventories	12	(45)	(30)
Adjustments resulting from revaluation of grapes	318	98	265
Loss on disposal of property, plant and equipment	21	156	89
Loss on asset revaluations	–	93	–
	2,987	3,401	1,785
MOVEMENTS IN WORKING CAPITAL BALANCES:			
Trade and other receivables	(44)	145	773
Inventories	8,293	(2,825)	6,936
Biological work in progress	(5,312)	(429)	(3,347)
Prepaid expenses	(100)	(448)	(372)
Trade and other payables	(3,548)	2,085	(2,671)
Other financial assets/liabilities	(195)	(188)	(201)
Current tax assets/liabilities	(458)	1,154	361
	(1,364)	(506)	1,479
NET CASH FLOW FROM OPERATING ACTIVITIES	4,346	6,413	4,936
9. FINANCIAL INSTRUMENTS			
Change in fair value of financial assets/liabilities consists of:			
Foreign currency forward contracts	180	169	191
Foreign currency option contracts	12	4	-
Interest rate swaps	3	14	10
	195	187	201

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

	Unaudited 6 Months 31 Dec 2019 Group $	Audited 12 Months 30 Jun 2019 Group $	Unaudited 6 Months 31 Dec 2018 Group $
10. NET TANGIBLE ASSETS			
Net tangible assets per share	1.26	1.33	1.54

11. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties during the period are set out below:

(i) Sales were made to Foley Family Wines, Inc., a 100% owned subsidiary of Foley Family Wines Holdings, Inc., the ultimate parent of Foley Wines Limited. Sales for the period were $4,563,000 for the Group (Jun19: $9,184,000; Dec18: $4,615,000).

(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 period were $56,000 for the Group (Jun19: $108,000; Dec18: $54,000).

(iii) Interest was paid/payable to Foley Family Wines Holdings, New Zealand Limited the parent of the Foley Wines Limited under the convertible note. Interest paid/payable for the period was $357,000 for the Group (Jun19: $709,000; Dec18: $357,000).

(iv) Sales were made to, and administration services provided to, Wharekauhau Country Estate Limited, a luxury lodge 74.6% owned by Bill Foley, the majority shareholder of the ultimate parent. Sales for the period totalled $23,000 for the Group (Jun19: $33,000; Dec18: $13,000). Accommodation and function facilities provided by Wharekauhau to the Company during the period totalled $10,000 (Jun19: $22,000; Dec18: $10,000).

(v) 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 $46,000 (Jun19: $579,000; Dec18: $288,000). Administration services, rental, electricity and contract distilling services were provided to Lighthouse Distillery Limited during the period of $25,000 (Jun19: $78,000; Dec18: $28,000).

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

	Unaudited 6 Months 31 Dec 2019 Group $'000	Audited 12 Months 30 Jun 2019 Group $'000	Unaudited 6 Months 31 Dec 2018 Group $'000
11. RELATED PARTY TRANSACTIONS (CONTINUED)			
(b) Amounts owing to related parties at balance date:			
Foley Family Wines Inc.	–	–	36
Foley Family Wines Holdings, New Zealand Limited – convertible note	10,900	10,900	10,900
Wharekauhau Country Estate Limited	–	1	3
Lighthouse Distillery Limited	15	27	57
(c) Amounts owing from related parties at balance date:			
Foley Family Wines Inc.	2,727	2,010	2,693
Wharekauhau Country Estate Limited	11	5	–
Lighthouse Distillery Limited	8	20	8

12. LEASES

RIGHT-OF-USE ASSETS

Group	Land $'000	Buildings $'000	Land Improve-ments $'000	Plant, Equip. & Vehicles $'000	Total $'000
Period ended 31 December 2019					
Cost					
At 1 July 2019	13,137	200	4,765	22	18,124
Additions	-	-	67	-	67
At 31 December 2019	13,137	200	4,832	22	18,191
Accumulated amortisation					
At 1 July 2019	(5,423)	(40)	(241)	(12)	(5,716)
Amortisation charge for the period	(223)	(34)	(244)	(3)	(504)
At 31 December 2019	(5,646)	(74)	(485)	(15)	(6,220)
Net carrying amount	7,491	126	4,347	7	11,971

The Group leases vineyard land, office space (buildings), producing vineyards (land improvements) and a motor vehicle. The average lease term is 11.8 years at 31 December 2019.

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

12. LEASES (CONTINUED)

The maturity analysis of lease liabilities relating to these leases is presented below.

	Unaudited 6 Months 31 Dec 2019 Group $'000
Amounts recognised in profit and loss:	
Amortisation expense on right-of-use assets	37
Interest expense on lease liabilities	3
Expense relating to short-term leases	–
Expense relating to leases of low value assets	8
Amounts capitalised to biological work in progress:	
Amortisation expense on right-of-use assets	467
Interest expense on lease liabilities	219
Expense relating to short-term leases	97
Expense relating to leases of low value assets	–

At 31 December 2019, the Group is committed to $45,000 for short-term leases.

The total cash outflow for leases during the period was $663,000.

LEASE LIABILITIES

Classified as:	
Current	896
Non Current	12,393
Total	13,289
Maturity analysis (undiscounted cash flows):	
Year 1	1,317
Year 2	1,230
Year 3	1,091
Year 4	1,062
Year 5	1,051
Over 5 Years	13,007
Total	18,758

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

All lease obligations are denominated in New Zealand dollars.

Notes to the Financial Statements (continued)

For the six months ended 31 December 2019

13. MT DIFFICULTY 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
Intangible assets (Brands)	10,493
Total assets acquired	**46,085**
Trade and other payables	(247)
Deferred tax	(5,281)
Total liabilities acquired	**(5,528)**
Net assets acquired	**40,557**
Goodwill on acquisition	**11,576**
Total net assets acquired	**52,133**
Funded as follows:	
Liabilities – Loans and borrowings	**27,082**
Equity – Share capital	**20,000**
Total paid to date (in the financial year to 30Jun19)	**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 six months ended 31 December 2019

13. 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 31 December 2019 the fair value of this payment was $5,150,000 and is included in Current Loans and borrowings (30Jun19: $5,101,000 Non-current).

Further analysis undertaken determined that there were identifiable intangible assets, being brands, that were able to be fair valued at the acquisition date and separately recognised in the financial statements. This resulted in an increase in the deferred tax (being the value-in-use deferred tax on brands) and a reduction in the Goodwill recognised on the acquisition.

The fair value of the brand intangible assets acquired were determined using a relief-from-royalty valuation method.

This assessment may change in the full year financial statements as this is unaudited.

14. FOREIGN CURRENCY EXCHANGE RATES

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

	31 December 2019		30 June 2019		31 December 2018	
NZ $1.00 =	FWL Buy	FWL Sell	FWL Buy	FWL Sell	FWL Buy	FWL Sell
Australian dollar	0.9576	0.9645	0.9528	0.9596	0.9464	0.9540
United States dollar	0.6705	0.6759	0.6671	0.6726	0.6674	0.6740
Great British pound	0.5108	0.5131	0.5265	0.5289	0.5255	0.5307
Euro	0.5981	0.6032	0.5868	0.5919	0.5828	0.5888

15. SUBSEQUENT EVENTS

On 27 February 2020 the Company entered into a Credit Approved Letter of Offer with Bank of New Zealand (BNZ) to refinance the BNZ $20 million term loan facility (loan # 03) due to mature on 31 August 2020. The offer is subject to a number of conditions including the execution of all final documentation.

No other material events have occurred since balance date.

16. SHAREHOLDER INFORMATION

August 2020	Annual Report Published
November 2020	Annual Shareholders Meeting

Company Directory

For the six months ended 31 December 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:	2019: PricewaterhouseCoopers, Napier 2020: Deloitte Limited, Wellington
SOLICITORS:	Bell Gully, Auckland
BANKERS:	Bank of New Zealand, Auckland
REGISTRATION NO.	307139
REGISTERED OFFICE:	13 Waihopai Valley Road, RD6 Blenheim 7276, Marlborough, New Zealand
SHARE REGISTRAR:	Computershare Investor Services Limited Level 2, 159 Hurstmere Road, Takapuna, Auckland Private Bag 92119, Auckland 1142 Telephone +64 9 488 8777 Facsimile +64 9 488 8787 General enquiries can be directed to: Email: enquiry@computershare.co.nz (please quote CSN or shareholder number) Managing your shareholding online: To change your address or payment instructions or view your investment portfolio please visit: www.investorcentre.com/NZ
SHARE TRADING:	NZX Main Board – Security Code “FWL”

FOLEY WINES


30
YEARS IN THE AWATERE VALLEY, AND WE'VE ONLY JUST BEGUN.
I'm the fifth generation Marfell in the Awatere Valley. It's a great place to live, and a great place to make wine.
Vavasour was the first to make wine here in 1989. We know how this stony soil and unforgiving climate conspire to create wines of great complexity, perfume and elegance. And we've only just begun.
Every year we become more curious and ask more questions of this valley. Every year we capture more layers of flavour, intensity and intrigue – wines that keep you coming back for another sip.
That's something I can't just create, that comes from the place.
Stu Marfell
Stu Marfell
Chief Winemaker
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