



FOLEY FAMILY WINES

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016



FOLEY FAMILY WINES
HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

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FOLEY FAMILY WINES

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	Unaudited 6 Months 31 Dec 2016 Group \$'000	Audited 12 Months 30 Jun 2016 Group \$'000	Unaudited 6 Months 31 Dec 2015 Group \$'000
Revenue	3	16,601	34,846	17,492
Expenses				
Cost of sales		(12,088)	(23,316)	(11,851)
Selling, marketing and promotion expenses		(1,644)	(3,284)	(1,700)
Administration and corporate governance expenses		(1,102)	(2,659)	(1,105)
Non-recurring expenses		(989)	-	-
Expenses excluding interest		(15,823)	(29,259)	(14,656)
Profit before interest, impairment, revaluations and income tax		778	5,587	2,836
Interest revenue		3	64	41
Interest expense	4	(583)	(1,320)	(693)
Net finance costs		(580)	(1,256)	(652)
Profit/(loss) before impairment, revaluations and income tax		198	4,331	2,184
Impairment				
Impairment of trade and other receivables		-	(1)	-
Impairment of inventory		-	9	(12)
Profit/(loss) before revaluations and income tax		204	4,339	2,172
Revaluation gains and losses				
Unrealised gain/(loss) in fair value of financial asset/liabilities	9	(24)	276	365
Unrealised gain on biological assets		-	2,003	-
Unrealised (loss)/gain on harvested grapes		-	2,770	-
Realised reversal of (gain)/loss on harvested grapes		(623)	(322)	(270)
Revaluation of property, plant & equipment		-	(35)	-
Profit before income tax	3	(449)	9,031	2,267
Income tax expense		126	(2,574)	(635)
Profit for the period net of tax, attributable to Shareholders of the Parent Company		(323)	6,457	1,632
Basic Earnings per share cps (after tax)	5	(0.62)	12.36	3.12
Diluted Earnings per share cps (after tax)	5	(0.54)	10.75	2.72

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



FOLEY FAMILY WINES

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	Unaudited 6 Months 31 Dec 2016 Group \$'000	Audited 12 Months 30 Jun 2016 Group \$'000	Unaudited 6 Months 31 Dec 2015 Group \$'000
Profit for the period		(323)	6,457	1,632
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss:</i>				
Revaluation of property, plant and equipment		-	1,008	-
Income tax on items taken directly to or transferred from equity		-	(124)	-
Other comprehensive income for the period, net of tax		-	884	-
Total comprehensive income for the period, net of tax		(323)	7,341	1,632

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Unaudited 6 Months 31 December 2016 Group					
Equity at 1 July 2016		66,518	4,000	16,411	86,929
Profit for the period		-	-	(323)	(323)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income/(expense) for the period		-	-	(323)	(323)
Distributions to owners	6	-	-	(1,567)	(1,567)
Contributions by owners	7	-	-	-	-
Transactions with owners during period		-	-	(1,567)	(1,567)
Added to equity during the period		-	-	(1,890)	(1,890)
Equity at 31 Dec 2016		66,518	4,000	14,521	85,039
Dividends paid per share cps	6				3.0

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



FOLEY FAMILY WINES

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Audited 12 Months 30 June 2016 Group					
Equity at 1 July 2015		66,518	3,227	10,887	80,632
Profit for the period		-	-	6,457	6,457
Other comprehensive income for the period		-	773	111	884
Total comprehensive income for the year		-	773	6,568	7,341
Distribution to owners	6	-	-	(1,044)	(1,044)
Contributions by owners	7	-	-	-	-
Transactions with owners during year		-	-	(1,044)	(1,044)
Added to equity during the year		-	773	5,524	6,297
Equity at 30 June 2016		66,518	4,000	16,411	86,929
Dividends paid per share cps	6				2.0
Unaudited 6 Months 31 December 2015 Group					
Equity at 1 July 2015		66,518	3,227	10,887	80,632
Profit for the period		-	-	1,632	1,632
Other comprehensive income for the period		-	-	-	-
Total comprehensive income/(expense) for the period		-	-	1,632	1,632
Distribution to owners	6	-	-	(1,044)	(1,044)
Contributions by owners	7	-	-	-	-
Transactions with owners during period		-	-	(1,044)	(1,044)
Added to equity during the period		-	-	588	588
Equity at 31 Dec 2015		66,518	3,227	11,475	81,220
Dividends paid per share cps	6				2.0

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



FOLEY FAMILY WINES

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Unaudited 6 Months 31 Dec 2016 Group \$'000	Audited 12 Months 30 Jun 2016 Group \$'000	Unaudited 6 Months 31 Dec 2015 Group \$'000
CURRENT ASSETS				
Cash and cash equivalents		3,883	2,315	5,289
Trade and other receivables		5,847	7,721	6,700
Other financial assets		-	22	130
Inventories		26,303	32,201	22,421
Biological work in progress		4,071	696	3,643
Current tax assets		579	-	-
Prepaid expenses		1,349	617	490
		<u>42,032</u>	<u>43,572</u>	<u>38,673</u>
NON-CURRENT ASSETS				
Property, plant and equipment		48,588	49,848	49,283
Biological assets		16,986	16,932	14,926
Intangible assets		10,841	10,841	10,841
Deferred tax assets		86	86	171
		<u>76,501</u>	<u>77,707</u>	<u>75,221</u>
TOTAL ASSETS		<u>118,533</u>	<u>121,280</u>	<u>113,894</u>

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



FOLEY FAMILY WINES

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016 (CONTINUED)

	Note	Unaudited 6 Months 31 Dec 2016 Group \$'000	Audited 12 Months 30 Jun 2016 Group \$'000	Unaudited 6 Months 31 Dec 2015 Group \$'000
CURRENT LIABILITIES				
Trade and other payables		2,911	3,050	2,314
Loans and borrowings		1,000	1,001	1,000
Finance lease		6	15	26
Convertible notes		10,900	10,900	10,900
Current tax liabilities		-	211	45
Other financial liabilities		25	-	21
		<u>14,842</u>	<u>15,177</u>	<u>14,306</u>
NON-CURRENT LIABILITIES				
Loans and borrowings		9,500	10,000	10,500
Finance lease		-	-	6
Other financial liabilities		65	88	86
Deferred tax liabilities		9,087	9,086	7,776
		<u>18,652</u>	<u>19,174</u>	<u>18,368</u>
TOTAL LIABILITIES		<u>33,494</u>	<u>34,351</u>	<u>32,674</u>
EQUITY				
Share capital	7	66,518	66,518	66,518
Reserves		4,000	4,000	3,227
Retained earnings		14,521	16,411	11,475
TOTAL EQUITY		<u>85,039</u>	<u>86,929</u>	<u>81,220</u>
TOTAL LIABILITIES AND EQUITY		<u>118,533</u>	<u>121,280</u>	<u>113,894</u>

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



FOLEY FAMILY WINES

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	Unaudited 6 Months 31 Dec 2016 Group \$'000	Audited 12 Months 30 Jun 2016 Group \$'000	Unaudited 6 Months 31 Dec 2015 Group \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		19,704	37,276	19,995
Interest received		3	64	41
Payments to suppliers and employees		(14,072)	(32,454)	(14,770)
Interest and other costs of finance paid		(583)	(1,320)	(693)
Income tax paid		(663)	(1,321)	(816)
Net cash flow from operating activities	8	4,389	2,245	3,757
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of property, plant and equipment		4	70	78
Purchase of property, plant and equipment and biological assets		(748)	(2,134)	(1,196)
Net cash flow from investing activities		(744)	(2,064)	(1,118)
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided for (applied to)				
Equity contribution		-	-	-
Dividends paid		(1,567)	(1,044)	(1,044)
Loans repaid		(510)	(1,114)	(598)
Net cash flow from financing activities		(2,077)	(2,158)	(1,642)
Net increase (decrease) in cash held		1,568	(1,977)	997
Cash and cash equivalents/(Bank overdraft) at beginning of period		2,315	4,292	4,292
Cash and cash equivalents/(Bank overdraft) at end of period		3,883	2,315	5,289
Comprising: Cash and cash equivalents		3,883	2,315	5,289
		3,883	2,315	5,289

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



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1. ACCOUNTING PERIOD

The unaudited financial statements presented are for Foley Family Wines Limited (“the Company”, “the Parent”) and its subsidiaries (together referred to as “the Group”) and cover the six month period to 31 December 2016. These condensed financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Statements and should be read in conjunction with Foley Family Wines Limited’s Annual Report for the year ended 30 June 2016. The financial statements were authorised for issue by the Directors on 28 February 2017.

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 2016 with the exception of taxation.

Taxation

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

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

3. PROFIT FOR THE PERIOD

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

REVENUE:

Sales revenue – sale of goods – bottled wine	14,057	32,985	16,492
Sales revenue - other	2,544	1,861	1,000
Total revenue	16,601	34,846	17,492

EXPENSES:

Bad debts (net of bad debts recovered)	-	-	-
Depreciation	1,409	2,702	1,357
Directors’ fees	85	150	75
Employee benefits expense:			
- Short-term employee benefits	2,896	6,074	2,604
Excise duty and ALAC levy	1,303	2,622	1,562
Fees paid to auditors (PwC):			
- Audit of the financial statements (fees and disbursements)	36	65	36
Fees paid to auditors (Grant Thornton):			
- Audit of the share registry	-	1	-
Non-recurring expenses			
- Earthquake related expenses	989	-	-

Unaudited 6 Months 31 Dec 2016 Group \$’000	Audited 12 Months 30 Jun 2016 Group \$’000	Unaudited 6 Months 31 Dec 2015 Group \$’000
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FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (CONTINUED)

	Unaudited 6 Months 31 Dec 2016 Group \$'000	Audited 12 Months 30 Jun 2016 Group \$'000	Unaudited 6 Months 31 Dec 2015 Group \$'000
4. INTEREST EXPENSE			
Loan interest and other costs of finance paid	583	1,320	693

5. EARNINGS PER SHARE

Basic Earnings per share (\$)	(0.62)	12.36	3.12
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The calculation is based on NZIFRS earnings/(loss) of the Group of \$(323,000) (30Jun16 \$6,457,000; 31Dec15 \$1,632,000) and the weighted average of 52,222,534 ordinary shares on issue during the period (30Jun16 52,222,534; 31Dec15 52,222,534).

Diluted Earnings per share (\$)	(0.54)	10.75	2.72
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The calculation is based on NZIFRS earnings/(loss) of the Group of \$(323,000) (30Jun16 \$6,457,000; 31Dec15 \$1,632,000) and the weighted average of 60,085,559 ordinary shares on issue during the period (30Jun16 60,085,559; 31Dec15 60,085,559).

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

	31Dec2016 Number of shares	30Jun2016 Number of shares	31Dec2015 Number of shares
Weighted average number of ordinary shares (Basic)	52,222,534	52,222,534	52,222,534
Convertible notes outstanding at period end	7,863,025	7,863,025	7,863,025
Weighted average number of ordinary shares (Diluted)	60,085,559	60,085,559	60,085,559

6. DIVIDENDS PAID PER SHARE

The calculation of dividends per share in respect of the interim 2017 period is based on the final dividend for 2016 paid in October totalling \$1,567,000 (30Jun16: \$1,044,000; 31Dec15 \$1,044,000).

	Unaudited 6 Months 31 Dec 2016 Group \$'000	Audited 12 Months 30 Jun 2016 Group \$'000	Unaudited 6 Months 31 Dec 2015 Group \$'000
7. SHARE CAPITAL			
FULLY PAID UP ORDINARY SHARES			
Balance at beginning of period	66,518	66,518	66,518
Movements in share capital	-	-	-
Balance at end of period	66,518	66,518	66,518
Number of fully paid ordinary shares	52,222,534	52,222,534	52,222,534

There were no shares issued during the period (30Jun16 and 31Dec15: Nil).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (CONTINUED)

	Unaudited 6 Months 31 Dec 2016 Group \$'000	Audited 12 Months 30 Jun 2016 Group \$'000	Unaudited 6 Months 31 Dec 2015 Group \$'000
8. NET CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT AFTER INCOME TAX FOR THE PERIOD	(323)	6,457	1,632
NON-CASH ITEMS:			
Depreciation	1,409	2,702	1,357
Increase/(decrease) in deferred tax	1	1,271	1
Impairment loss/(gain) recognised on trade and other receivables	-	1	-
Impairment loss/(gain) recognised on inventories	-	(9)	12
Adjustments resulting from revaluation of grapes	623	(2,448)	270
(Gain)/loss on revaluation of biological assets	-	(2,003)	-
(Gain)/loss on disposal of property, plant and equipment	541	(25)	(31)
(Gain)/loss on asset revaluations	-	35	-
	<u>2,574</u>	<u>(476)</u>	<u>1,609</u>
MOVEMENTS IN WORKING CAPITAL BALANCES:			
Trade and other receivables	1,874	439	1,461
Inventories	5,277	(2,309)	4,732
Biological work in progress	(3,375)	(115)	(3,062)
Prepaid expenses	(732)	(335)	(208)
Trade and other payables	(139)	(1,124)	(1,860)
Other financial assets/liabilities	24	(276)	(365)
Current tax assets/liabilities	(791)	(16)	(182)
	<u>2,138</u>	<u>(3,736)</u>	<u>516</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>4,389</u>	<u>2,245</u>	<u>3,757</u>
9. FINANCIAL INSTRUMENTS			
Change in fair value of financial assets/liabilities consists of:			
Foreign currency forward contracts	(47)	214	322
Foreign currency option contracts	-	21	21
Interest rate swaps	23	41	22
	<u>(24)</u>	<u>276</u>	<u>365</u>



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (CONTINUED)

	Unaudited 6 Months 31 Dec 2016 Group \$	Audited 12 Months 30 Jun 2016 Group \$	Unaudited 6 Months 31 Dec 2015 Group \$
10. NET TANGIBLE ASSETS			
Net tangible assets per share	1.42	1.46	1.35

11. RELATED PARTY TRANSACTIONS

- (a) Material transactions with related parties during the period are set out below:
- (i) Sales were made to Foley Family Wines, Inc., a 100% owned subsidiary of Foley Family Wines Holdings, Inc., the ultimate parent of Foley Family Wines Limited. Sales for the period were \$2,760,000 for the Group (Jun16: \$6,631,000; Dec15: \$2,861,000).
- (ii) Marketing support services were provided by Foley Family Wines Inc., a 100% owned subsidiary of Foley Family Wines Holdings, Inc., the ultimate parent of Foley Family Wines Limited. Marketing support charges for the period were \$50,000 for the Group (Jun16: \$108,000; Dec15: \$55,000).
- (iii) Interest was paid/payable to Foley Family Wines Holdings, New Zealand Limited the parent of the Foley Family Wines Limited under the convertible note. Interest paid/payable for the period was \$357,000 for the Group (Jun16: \$709,000; Dec15: \$357,000).
- (iv) Sales were made to EuroVintage Limited, a 50% associate of the parent company of Foley Family Wines Limited. Sales for the period were \$4,532,000 for the Group (Jun16: \$9,046,000; Dec15: \$5,290,000). Management fees and the funding of promotional activity such as bonus stock relating to these sales of \$424,000 were charged by EuroVintage during the period (Jun16: \$927,000; Dec15: \$505,000).
- (v) Sales were made to, and administration services provided to, Wharekauhau Country Estate Limited, a luxury lodge 74.6% owned by Bill Foley, the majority shareholder of the ultimate parent. Sales for the period totalled \$12,000 for the Group (Jun16: \$27,000; Dec15: \$13,000). Administration Charges for the period totalled \$2,000 for the Group (Jun16: \$5,000; Dec15: \$2,000). Accommodation and function facilities provided by Wharekauhau to the Company during the period totalled \$11,000 (Jun16: \$49,000; Dec15: \$15,000).
- (vi) Sales were made to Epic Ventures, Inc., trading as Epic Wines & Spirits, a company owned by Bill Foley, the majority shareholder in the ultimate parent. Sales for the period were \$Nil (Jun16: \$122,000; Dec15: \$36,000).
- (vii) Lighthouse Gin was purchased for global distribution from Lighthouse Distillery Limited, a company owned by Mark Turnbull, CEO and Director of Foley Family Wines Limited. Purchases during the period totalled \$211,000 (Jun16: \$449,000; Dec15: \$125,000). Administration and contract distilling services were provided to Lighthouse Distillery Limited during the period of \$31,000 (Jun16: \$39,000; Dec15: \$15,000).



FOLEY FAMILY WINES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (CONTINUED)

	Unaudited 6 Months 31 Dec 2016 Group \$'000	Audited 12 Months 30 Jun 2016 Group \$'000	Unaudited 6 Months 31 Dec 2015 Group \$'000
11. RELATED PARTY TRANSACTIONS (CONTINUED)			
(b) Amounts owing to related parties at balance date:			
Foley Family Wines Inc.	26	17	34
Foley Family Wines Holdings, New Zealand Limited – convertible note	10,900	10,900	10,900
EuroVintage Limited	134	84	167
Wharekauhau Country Estate Limited	-	7	-
Lighthouse Distillery Limited	50	108	-
(c) Amounts owing from related parties at balance date:			
Foley Family Wines Inc.	1,059	1,809	1,540
Epic Ventures, Inc.	-	60	-
EuroVintage Limited	1,534	726	1,539
Wharekauhau Country Estate Limited	5	1	4
Lighthouse Distillery Limited	31	37	15

12. SUBSEQUENT EVENTS

No material events have occurred since balance date.

13. FOREIGN CURRENCY EXCHANGE RATES

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

	31 Dec 2016	31 Dec 2016	30 June 2016	30 June 2016	31 Dec 2015	31 Dec 2015
NZ \$1.00 =	FFW Buy	FFW Sell	FFW Buy	FFW Sell	FFW Buy	FFW Sell
Australian dollar	0.9607	0.9679	0.9539	0.9604	0.9354	0.9415
United States dollar	0.6923	0.6983	0.7091	0.7142	0.6804	0.6857
Great British pound	0.5661	0.5709	0.5281	0.5320	0.4587	0.4628
Euro	0.6607	0.6667	0.6383	0.6433	0.6235	0.6285

14. SHAREHOLDER INFORMATION

August/September 2017	Annual Report Published
November 2017	Annual Shareholders Meeting



FOLEY FAMILY WINES
HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

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