

G R O V E M I L L W I N E C O M P A N Y L I M I T E D

H A L F Y E A R L Y R E P O R T

F O R T H E S I X M O N T H S E N D E D 3 1 D E C E M B E R 2 0 0 1



G R O V E M I L L W I N E C O M P A N Y L I M I T E D

H A L F Y E A R L Y R E P O R T

F O R T H E S I X M O N T H S E N D E D 3 1 D E C E M B E R 2 0 0 1

| | |
|--------------------------------|--|
| DIRECTORS: | M A Peters (Chairman) P J McAtamney (Managing Director) C P Croft J A Jamieson M J McQuillan J H G Milne |
| WINERY ADDRESS: | Waihopai Valley Road Renwick, Marlborough NZ Telephone + 64 3 572 8200 Facsimile + 64 3 572 8211 |
| POSTAL ADDRESS: | P.O. Box 67, Renwick, Marlborough, NZ |
| EMAIL: | info@grovemill.co.nz |
| WEBSITE: | |
| NATURE OF BUSINESS: | Production and distribution of wine |
| AUDITORS: | Deloitte Touche Tohmatsu, Wellington |
| SOLICITORS: | Wisheart Macnab & Partners, Blenheim Gibson Sheat, Lower Hutt |
| BANKERS: | National Bank of New Zealand, Blenheim |
| REGISTRATION NO: | CH 307139 |
| REGISTERED OFFICE: | 59 High Street, BLENHEIM |
| SHARE REGISTRAR: | Computershare Registry Services Limited Level 2, 159 Hurstmere Road, Takapuna Private Bag 92119, AUCKLAND 1020 Telephone + 64 9 488 8700 Facsimile + 64 9 488 8787 |
| SHARE TRADING: "GRM" | NZSE - Unlisted Public Companies Board |

G R O V E M I L L W I N E C O M P A N Y L I M I T E D

**HALF YEARLY REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2001**

C O N T E N T S

| | PAGE |
|------------------------------------|-------------|
| CHAIRMAN'S REPORT | 2 |
| FINANCIAL STATEMENTS | |
| STATEMENT OF FINANCIAL PERFORMANCE | 3 |
| STATEMENT OF MOVEMENTS IN EQUITY | 3 |
| STATEMENT OF FINANCIAL POSITION | 4 |
| STATEMENT OF CASH FLOWS | 6 |
| NOTES TO THE FINANCIAL STATEMENTS | 7 |



G R O V E M I L L W I N E C O M P A N Y L I M I T E D

C H A I R M A N ' S R E P O R T

**HALF YEARLY REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2001**

It is very pleasing to be able to report a record half yearly pre-tax surplus of \$666,000 for the period to 31st December 2001. This represents an increase of 36.8% over the same period last year and comes about mainly from an increase in gross revenue of 25.6%. Gross revenue being \$3,560,000 compared with \$2,834,000 for the same six months last year. These results are in line with our earlier forecasts and the improvement is mainly due to having higher production from the 2001 harvest and therefore increased wine stocks to sell. The Board and management have also been very careful to maintain cost efficiencies where possible and this has also contributed to the increased result. Stock is being managed through the year, as we are still not yet at full production levels, and a sound second half year result is also expected.

At time of writing, indications are that the 2002 harvest will produce a substantial increase over 2001, as company vineyards and contract growers both have new plantings coming on stream. Bearing in mind of course that much can happen weather wise between early February and harvest time. This expected increase is part of a firm plan to grow production that the company has embarked upon and as earlier advised. New plantings over the past few years by the company, and by our valued contract growers will see us reach our targets for volume as they come fully on stream over the next three years.

As such production increases there will be a lot of pressure on the New Zealand wine industry to both process and market the increased volumes. Your Board and Management have plans in place for this and have already been working on the necessary increase in production facilities and marketing strategies required to deal with expected volume increases through the period of our current 5 year plan and beyond.

In the past six months the balance of the 17 Valley vineyard has been planted except for a small area awaiting certain clones, and a new 40 acre block of leased land has been fully planted, along with some new plantings on a 10 acre block purchased adjacent to the winery site. Plans for a large increase in winery facilities have been drawn up with the majority of a \$3.3 million development of new winery and equipment to be completed prior to the 2003 harvest.

The continuation of internal growth is one part of the company's strategy to increase its critical mass, profitability and assets and will take the company to a substantial size without making any acquisitions of other companies. We have looked at and moved on from a number of potential acquisitions, and are not going to hurry the process whereby we are seeking only acquisitions that will add shareholder value to our company and to the selling company. We will not compromise that and while we will continue to look at any opportunity that may present itself we will maintain our own strict criteria. We will still proceed with the proposed group where The New Zealand Wine Company Ltd will be the holding company for Grove Mill Wine Company Ltd and two newly formed companies Sanctuary Wine Company Ltd and Bedford Road Investments Ltd, along with any companies which might eventually be acquired. The documentation and special meeting to effect this will be advised shortly. In the meantime the date of the special meeting can be advised as 19th March 2002.

The Board is pleased that the new "Faster" trading system for the company shares is working well, and that we now comply with virtually all of the Stock Exchange regulations for fully listed companies, even though we are still on the unlisted board.

Finally I want to thank all of the company staff who continually strive towards production of a quality product and quality results for the company and its shareholders, and the Board for its continued commitment to sound planning for a sound future.

An interim dividend will be paid to shareholders in April 2002.



Mark Peters
CHAIRMAN
7th February 2002.

GROVE MILL WINE COMPANY LIMITED

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

| | Note | Unaudited 6 months ended 31 Dec 2001 \$'000 | Audited 12 months ended 30 Jun 2001 \$'000 | Unaudited 6 months ended 31 Dec 2000 \$'000 |
|--------------------------------|------|---|--|---|
| TOTAL REVENUE | | 3,560 | 5,316 | 2,834 |
| Surplus from operations | 3 | 840 | 1,223 | 607 |
| Net Financing costs | 4 | (174) | (172) | (120) |
| Surplus before taxation | | 666 | 1,051 | 487 |
| Taxation | | (220) | (350) | (161) |
| NET SURPLUS FOR THE PERIOD | | 446 | 701 | 326 |
| Earnings per share (after tax) | 5 | 6.5 | 10.2 | 5.2 |

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

| | Note | Unaudited 6 months ended 31 Dec 2001 \$'000 | Audited 12 months ended 30 Jun 2001 \$'000 | Unaudited 6 months ended 31 Dec 2000 \$'000 |
|--|------|---|--|---|
| Net surplus for the period | | 446 | 701 | 326 |
| Surplus on revaluation of land, land improvements and buildings | | - | 741 | - |
| Comprehensive income for the period | | 446 | 1,442 | 326 |
| Contributions by owners | 6 | - | 70 | 35 |
| Distributions to owners | | (206) | (124) | - |
| Added to equity during period | | 240 | 1,388 | 361 |
| Equity at beginning of period | | 8,823 | 7,435 | 7,435 |
| Equity at end of period | | 9,063 | 8,823 | 7,796 |

These financial statements should be read in conjunction with the notes to the financial statements on pages 7 to 9.



G R O V E M I L L W I N E C O M P A N Y L I M I T E D

S T A T E M E N T O F F I N A N C I A L P O S I T I O N

F O R T H E S I X M O N T H S E N D E D 3 1 D E C E M B E R 2 0 0 1

| | Note | Unaudited 6 months ended 31 Dec 2001 \$'000 | Audited 12 months ended 30 Jun 2001 \$'000 | Unaudited 6 months ended 31 Dec 2000 \$'000 |
|-----------------------------|------|---|--|---|
| CURRENT ASSETS | | | | |
| Cash | | 2 6 3 | - | - |
| Receivables | | 1,646 | 1,314 | 1,482 |
| Inventories | | 2,606 | 3,007 | 2,204 |
| Taxation | | - | 88 | - |
| Other current assets | | 279 | 570 | 587 |
| | | <u>4,794</u> | <u>4,979</u> | <u>4,273</u> |
| NON-CURRENT ASSETS | | | | |
| Property, Plant & Equipment | | 9,831 | 8,748 | 7,239 |
| Intangibles - Identifiable | | 103 | 91 | 99 |
| - Goodwill | | 4 | 5 | 6 |
| Investments | | 49 | 10 | 10 |
| Other non-current assets | | 28 | 32 | 47 |
| | | <u>10,015</u> | <u>8,886</u> | <u>7,401</u> |
| TOTAL | | <u>14,809</u> | <u>13,865</u> | <u>11,674</u> |

These financial statements should be read in conjunction with the notes to the financial statements on pages 7 to 9.

GROVE MILL WINE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2001 (CONTINUED)

| | Note | Unaudited 6 months ended 31 Dec 2001 \$'000 | Audited 12 months ended 30 Jun 2001 \$'000 | Unaudited 6 months ended 31 Dec 2000 \$'000 |
|--------------------------------|------|---|--|---|
| CURRENT LIABILITIES | | | | |
| Bank overdraft | | - | 1,393 | 571 |
| Loans | | 252 | 156 | 155 |
| Trade creditors | | 261 | 768 | 371 |
| Payables | | 217 | 130 | 141 |
| Taxation | | 124 | - | 56 |
| | | <u>854</u> | <u>2,447</u> | <u>1,294</u> |
| NON-CURRENT LIABILITIES | | | | |
| Deferred taxation | | 242 | 239 | 114 |
| Loans | | 4,650 | 2,356 | 2,435 |
| | | <u>4,892</u> | <u>2,595</u> | <u>2,549</u> |
| TOTAL LIABILITIES | | <u>5,746</u> | <u>5,042</u> | <u>3,843</u> |
| EQUITY | | | | |
| Equity share capital | 6 | 6,709 | 6,709 | 6,084 |
| Reserves | | 2,319 | 2,079 | 1,712 |
| Convertible notes | | 35 | 35 | 35 |
| TOTAL EQUITY | | <u>9,063</u> | <u>8,823</u> | <u>7,831</u> |
| TOTAL | | <u>14,809</u> | <u>13,865</u> | <u>11,674</u> |

These financial statements should be read in conjunction with the notes to the financial statements on pages 7 to 9



G R O V E M I L L W I N E C O M P A N Y L I M I T E D

S T A T E M E N T O F C A S H F L O W S

F O R T H E S I X M O N T H S E N D E D 3 1 D E C E M B E R 2 0 0 1

| | Note | Unaudited 6 months ended 31 Dec 2001 \$'000 | Audited 12 months ended 30 Jun 2001 \$'000 | Unaudited 6 months ended 31 Dec 2000 \$'000 |
|---|------|---|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash was provided from (applied to) | | | | |
| Receipts from customers | | 3,786 | 6,551 | 3,422 |
| Interest received | | 4 | 5 | 5 |
| Payments to suppliers and employees | | (2,877) | (4,938) | (2,402) |
| Interest | | (163) | (262) | (123) |
| Income taxation paid | | (3) | (254) | (47) |
| Net cash flow from operating activities | 7 | <u>747</u> | <u>1,102</u> | <u>855</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash was provided from (applied to) | | | | |
| Sale of non-current tangible assets | | 3 | 69 | 7 |
| Purchase of non-current tangible assets | | (1,265) | (2,309) | (1,359) |
| Purchase of non-current non-tangible assets | | (20) | (4) | (1) |
| Employee Share Scheme repaid (advanced) | | 7 | 1 | 12 |
| Grower loan repaid (advanced) | | - | 37 | - |
| Net cash flow from investing activities | | <u>(1,275)</u> | <u>(2,206)</u> | <u>(1,341)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Cash was provided from (applied to) | | | | |
| Issue of equity share capital | | - | - | - |
| Loans advanced | | 2,520 | - | - |
| Loan repaid | | (130) | (156) | (77) |
| Dividends paid | | (206) | (312) | (187) |
| Net cash flow from financing activities | | <u>2,184</u> | <u>(468)</u> | <u>(264)</u> |
| Net increase/(decrease) in cash held | | 1,656 | (1,572) | (750) |
| Cash at beginning of period | | <u>(1,393)</u> | 179 | 179 |
| Cash at end of period | | <u>263</u> | <u>(1,393)</u> | <u>(571)</u> |
| Comprising: Cash | | 263 | - | - |
| Bank Overdraft | | - | (1,393) | (571) |
| | | <u>263</u> | <u>(1,393)</u> | <u>(571)</u> |

These financial statements should be read in conjunction with the notes to the financial statements on pages 7 to 9

GROVE MILL WINE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

1. ACCOUNTING PERIOD

These unaudited financial statements cover the six month period to 31 December 2001. These financial statements have been prepared in accordance with FRS-24 Interim Financial Statements and should be read in conjunction with Grove Mill Wine Company Limited's Annual Report for the year ended 30 June 2001.

2. ACCOUNTING POLICIES

Taxation expense has been recorded in these financial statements on the basis of 33% of surplus before taxation. 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. SURPLUS FROM OPERATIONS

| | Unaudited 6 months ended 31 Dec 2001 \$'000 | Audited 12 months ended 30 Jun 2001 \$'000 | Unaudited 6 months ended 31 Dec 2000 \$'000 |
|--|---|--|---|
|--|---|--|---|

Included in surplus from operations are the following:

REVENUE ITEMS:

| | | | |
|----------------------------------|---|---|---|
| Net foreign exchange (gain) loss | - | 5 | 6 |
|----------------------------------|---|---|---|

EXPENSES:

| | | | |
|--------------|---|----|---|
| Amortisation | 9 | 14 | 8 |
|--------------|---|----|---|

| | | | |
|---------------|----|-----|----|
| Depreciation* | 58 | 101 | 51 |
|---------------|----|-----|----|

| | | | |
|-----------------|----|----|----|
| Director's fees | 44 | 88 | 44 |
|-----------------|----|----|----|

Fees paid to auditors:

| | | | |
|-----------------------------|---|----|---|
| - Audit of financial report | 2 | 10 | 1 |
|-----------------------------|---|----|---|

| | | | |
|----------------------|---|---|---|
| - For other services | - | - | - |
|----------------------|---|---|---|

* Total depreciation on non-current tangible assets totalled \$140,000 for the six months ended 31/12/01 (Y/E 30/6/01 \$244,000; P/E 31/12/00 \$123,000). \$82,000 has been applied to work in progress (Y/E 30/6/01 \$142,000; P/E 31/12/00 \$72,000).

4. NET FINANCING COSTS

| | | | |
|----------------------------|------------|------------|------------|
| Loan interest | 178 | 262 | 125 |
| Less: Interest revenue | (4) | (5) | (5) |
| Less: Interest capitalised | - | (85) | - |
| | <u>174</u> | <u>172</u> | <u>120</u> |

5. EARNINGS PER SHARE

The calculation is based on earnings of \$446,072 (30/6/01 \$701,377; 31/12/00 \$326,480) and the weighted average of 6,872,099 ordinary shares in issue during the period (30/6/01 6,867,599; 31/12/00 6,238,362).



G R O V E M I L L W I N E C O M P A N Y L I M I T E D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2001 (CONTINUED)

| | Unaudited 6 months ended 31 Dec 2001 \$'000 | Audited 12 months ended 30 Jun 2001 \$'000 | Unaudited 6 months ended 31 Dec 2000 \$'000 |
|--|---|--|---|
| 6. EQUITY SHARE CAPITAL | | | |
| Balance at beginning of period | 6,709 | 6,049 | 6,049 |
| Share issue | - | 35 | 35 |
| Bonus shares issued | - | 625 | - |
| Balance at end of period | <u>6,709</u> | <u>6,709</u> | <u>6,084</u> |
| Number of fully paid ordinary shares | <u>6,872,099</u> | <u>6,872,099</u> | <u>6,247,362</u> |
| | | | |
| 7. NET CASH FROM OPERATING ACTIVITIES | | | |
| <i>Reconciliation of statement of financial performance surplus with net cash flow from operating activities</i> | | | |
| SURPLUS | 446 | 701 | 326 |
| Non-cash items: | | | |
| Depreciation | 140 | 244 | 123 |
| Amortisation of identifiable intangibles | 9 | 18 | 8 |
| Increase/(Decrease) in deferred taxation | 3 | 124 | (1) |
| | <u>598</u> | <u>1,087</u> | <u>456</u> |
| | | | |
| MOVEMENTS IN WORKING CAPITAL | | | |
| (Increase)/Decrease in inventories | 401 | (310) | 493 |
| (Increase) in receivables | (43) | (83) | (258) |
| Increase/(Decrease) in trade creditors | (507) | 485 | 88 |
| Increase in payables | 297 | (78) | 75 |
| | <u>148</u> | <u>14</u> | <u>398</u> |
| | | | |
| ITEMS CLASSIFIED AS INVESTING ACTIVITIES | | | |
| Loss/(Surplus) on disposal of non-current tangible assets | 1 | 1 | 1 |
| Net cash inflow from operating activities | <u>747</u> | <u>1,102</u> | <u>855</u> |

GROVE MILL WINE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2001 (CONTINUED)

| | Unaudited 6 months ended 31 Dec 2001 \$'000 | Audited 12 months ended 30 Jun 2001 \$'000 | Unaudited 6 months ended 31 Dec 2000 \$'000 |
|--|---|--|---|
|--|---|--|---|

8. CAPITAL COMMITMENTS

| | | | |
|---------------------|---|---|----|
| Warehouse extension | - | - | 16 |
|---------------------|---|---|----|

9. SUBSEQUENT EVENTS

On 1 February 2002 the Company entered into a contract with Apollo Projects Ltd for the construction of a winery extension. The total contract value is estimated to be approximately \$3.3 million over 4 years commencing later this year. No other material events have occurred since balance date.

10. SHAREHOLDER INFORMATION

| | |
|----------------|-------------------------|
| April 2002 | Interim Dividend |
| August 2002 | Annual Report Published |
| September 2002 | Annual General Meeting |
| October 2002 | Final Dividend |



G R O V E M I L L W I N E C O M P A N Y L I M I T E D

H A L F Y E A R L Y R E P O R T

F O R T H E S I X M O N T H S E N D E D 3 1 D E C E M B E R 2 0 0 1