



Oyster Bay

MARLBOROUGH

Vineyards Limited

INTERIM REPORT DECEMBER 2004

The unaudited financial statements for the six months to 31 December 2004 have been prepared in accordance with Financial Reporting Standard Number 24 and should be read in conjunction with the published financial statements for the year ended 30 June 2004. There have been no changes in accounting policy since 30 June 2004.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2004

	Unaudited Dec 2004	Audited Jun 2004	Unaudited Dec 2003
Equity			
Share Capital	18,000,000	18,000,000	18,000,000
Retained Deficit	(1,486,795)	(184,839)	(1,857,170)
Total Equity	16,513,205	17,815,161	16,142,830
Liabilities			
Non-Current Liabilities			
Deferred Tax Liability	183,773	442,292	–
Borrowings	18,000,000	18,000,000	18,000,000
Total Non-Current Liabilities	18,183,773	18,442,292	18,000,000
Current Liabilities			
Bank Overdraft	–	–	1,374,291
Borrowings	3,750,000	–	–
Payables and Accruals	374,744	240,386	739,311
Amounts Owed to Related Parties	232,041	93,055	–
Total Current Liabilities	4,356,785	333,441	2,113,602
Total Equity and Liabilities	39,053,763	36,590,894	36,256,432
Assets			
Non-Current Assets			
Property, Plant and Equipment	33,834,323	33,550,787	32,826,192
Total Non-Current Assets	33,834,323	33,550,787	32,826,192
Current Assets			
Cash and Bank Balances	156,468	1,993,380	5,110
Accounts Receivable	408,745	238,496	462,594
Amounts Owed from Related Parties	682,575	36,589	263,951
Inventories – Raw Materials	66,797	16,398	34,107
Growing Costs Relating to Next Harvest	3,904,855	755,244	2,664,478
Total Current Assets	5,219,440	3,040,107	3,430,240
Total Assets	39,053,763	36,590,894	36,256,432

STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 31 December 2004

	Unaudited Dec 2004 6 Months	Audited Jun 2004 12 Months	Unaudited Dec 2003 6 Months
Operating Revenue			
Grape Sales	–	6,544,776	–
Interest Received	15,295	11,557	9,541
Other Revenue	–	–	4,527
	15,295	6,556,333	14,068
Operating Expenses	(226,032)	(4,082,380)	(171,713)
Operating (Deficit)/Surplus before Extraordinary Items, Interest and Income Tax	(210,737)	2,473,953	(157,645)
Gain on Sale of Land	392,914	–	–
Interest Expense	(572,652)	(807,059)	(290,084)
Operating (Deficit)/Surplus before Income Tax	(390,475)	1,666,894	(447,729)
Income Tax Credit/(Expense)	258,519	(442,292)	–
(Deficit)/Surplus after Income Tax	(131,956)	1,224,602	(447,729)

STATEMENT OF MOVEMENTS IN EQUITY

For the six months ended 31 December 2004

Equity at Beginning of Period	17,815,161	16,590,559	16,590,559
(Deficit)/Surplus after Income Tax	(131,956)	1,224,602	(447,729)
Distribution to Owners	(1,170,000)	–	–
Equity at End of Period	16,513,205	17,815,161	16,142,830

PLANTED AND PRODUCING VINEYARD AREA

Vineyard	Hectares Planted	Hectares to be Harvested in 2005
Oyster Bay	257	236
Fault Lake	146	146
Wairau River	135	131
Total Hectares	538	513

Variety	Hectares Planted	Hectares to be Harvested in 2005
Sauvignon Blanc	355	331
Chardonnay	117	117
Pinot Noir	64	63
Riesling	2	2
Total Hectares	538	513

STATEMENT OF CASH FLOWS

For the six months ended 31 December 2004

	Unaudited Dec 2004 6 Months	Audited Jun 2004 12 Months	Unaudited Dec 2003 6 Months
Operating Activities			
Total Operating Receipts	15,295	6,556,333	16,423
Total Operating Payments	(3,637,309)	(4,407,632)	(2,351,616)
Net Cash Flows from Operating Activities	(3,622,014)	2,148,701	(2,335,193)
Investing Activities			
Total Investing Receipts	–	104,600	69,500
Total Investing Payments	(794,898)	(4,621,844)	(3,465,411)
Net Cash Flows from Investing Activities	(794,898)	(4,517,244)	(3,395,911)
Financing Activities			
Total Financing Receipts	3,750,000	3,900,000	3,900,000
Total Financing Payments	(1,170,000)	–	–
Net Cash Flows from Financing Activities	2,580,000	3,900,000	3,900,000
Net (Decrease)/Increase in Cash Held	(1,836,912)	1,531,457	(1,831,104)
Cash at Beginning of Period	1,993,380	461,923	461,923
Cash at End of Period	156,468	1,993,380	(1,369,181)
Being:			
Cash and Bank Balances	156,468	1,993,380	5,110
Bank Overdraft	–	–	(1,374,291)
	156,468	1,993,380	(1,369,181)
Reconciliation with (Deficit)/Surplus			
Reported (Deficit)/Surplus after Tax	(131,956)	1,224,602	(447,729)
Items not Involving Cash Flows	128,986	1,100,621	253,038
Impact of Changes in Working Capital Items	(3,264,406)	(709,871)	(2,184,414)
Items Classified as Investing or Financing Activities	(354,638)	533,349	43,912
Net Cash Flows from Operating Activities	(3,622,014)	2,148,701	(2,335,193)

CHAIRMAN'S REPORT TO SHAREHOLDERS

As explained in previous years, Oyster Bay receives its income in the second half of each financial year, following the sale of its annual grape harvest.

Correspondingly, the accounts for the first half of the year record principally operating and interest expenses incurred, and for the six months ended 31 December 2004, the company recorded a deficit of \$131,956 compared with a deficit of \$447,729 for the prior six month period ending 31 December 2003. The reduced deficit results from a gain of \$392,914 on the sale of a five hectare block of land to Delegat's Wine Estate Limited for the construction of a winery within the Oyster Bay vineyard, and from a reduction of \$258,519 in the Company's deferred tax liability.

Operating expenses totaled \$226,032 compared with \$171,713 for the prior period reflecting the expensing of certain costs that were capitalised during the development phase of our vineyards, and some one off costs associated with the revision of the Company's Constitution to become NZAX compliant.

Interest costs of \$572,652 compared with \$290,084 for the prior period to service borrowings for the development of the Fault Lake and Wairau River vineyards.

December was the coldest on record in the Marlborough region, and although our vineyards were not affected by frost, fruit set was impacted and yield is now expected to be 10-15% lower than the 4,300 tonnes estimate advised at the Annual Meeting in November 2004. Price negotiations will conclude later this month.

While the Directors have been examining opportunities to expand the Oyster Bay estate, our criterion remains that any new investment should be earnings accretive to Shareholders, and no opportunity has arisen that we would wish to present to Shareholders.

In November 2004, John Maasland, a founding Director of the Company resigned, creating an extraordinary vacancy on the Board. After an extensive search process by the independent Directors, the Hon Ruth Richardson and myself, we were pleased to recommend the appointment of Ross Keenan to fill this vacancy, as an independent Director. Ross will bring a wealth of corporate experience to the Board and we look forward to his contribution.



W J Falconer
CHAIRMAN
18 February 2005

