



THE NEW ZEALAND WINE COMPANY
LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

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THE NEW ZEALAND WINE COMPANY
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CHAIRMAN'S REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2005

The highlight of the half year to 31st December 2005 is a continuation of growth in tax paid surplus to \$431,000, compared with \$414,000 for the corresponding period in 2004. While this represents a relatively modest growth of 4.1%, it is the third half year period in succession in which earnings have increased in comparison with the corresponding half year. It is also of relevance to say that the profit result for the current half was in a period when the New Zealand dollar has been at very high levels. This result has shown the Company's ability to generate bottom line earnings in the face of dollar levels that do have an effect upon margins. Gross revenue in the half year grew by a solid 9.8% to \$4,622,000. Such volume of sales, even despite the high dollar levels, have enabled the Company to continue to invest in brand building as was signalled in my previous two reports. Over the next few years Wine Companies with strong brands and good distribution channels will be the best placed to reward their shareholders.

Present indications are that the Company is well placed with contracts and commitments for the second half of the current year to also deliver a better result than the 2005 second half. This would show a reasonable earnings growth for the current full year. The extent of this growth will be largely dependent upon what happens to the \$NZ over the next few months. All of the base economic indicators tell us that it is most likely to fall, but we all know that the dollar doesn't seem to take any notice of base economic indicators. Although it is pleasing to note further growth in earnings the board is very mindful that the overall earnings, measured as a return on shareholders funds, is still not satisfactory and needs to be improved. As stated in my 2005 annual report, board and management continue to work to reach the desired levels of returns with a strategic plan designed to achieve consistent growth in the next few years. In respect of the exchange rate we continue to monitor this and take forward cover on any dips in value. In the meantime until the exchange rate comes down to long term average levels, the company is being very conservative in its cash management and its investment spending other than for cost efficiency measures and income generating expenditures.

The time and cost that has been invested in brand building over recent periods is starting to show positive returns. The new label for Grove Mill has been very well received and the wines have won recent awards for: 2005 Grove Mill Sauvignon Blanc (5 star and second to top wine in January 2006 Cuisine magazine and a Gold Medal at the Sydney Top 100 show in November), 2005 Grove Mill Riesling (Gold Medal at the NZ International Wine Show) and 2004 Grove Mill Riesling (Gold Medal at the 2005 Air New Zealand Wine Awards). Various Sanctuary wines have also earned a number of Silver and Bronze medals which is a good result for wines at their price points. Marketing manager Karen Walshe and her team are doing a great job in brand building.

As earlier mentioned good distribution channels are an absolute key for any wine company. In recent months, following the take over of Allied Domecq by international giant Pernod Ricard, we have moved our NZ Distribution for the Grove Mill Brand to Burleigh Trading. This has got off to a good start. Sales Manager Boyd Gardner is working well with them and our Sanctuary Brand distributor, Independent Liquor, towards growing the Company's share of the NZ market. In the UK, both Paragon Vintners Ltd and J Sainsbury plc continue to make excellent progress with Grove Mill and Sanctuary Brands respectively. In the US market Palm Bay Imports Ltd has secured supply of Grove Mill Sauvignon Blanc to American Airlines and are generally building volume of Grove Mill nicely in the States. We are working very closely with Palm Bay's people regarding supply of a second label into the US. We will hopefully be in a position to advise details of this in the near future. The Australian market continues to be work in progress with our West and East Coast distribution partners. A second label is being worked upon for that market but is a little further away than the US.

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CHAIRMAN'S REPORT

**HALF YEARLY REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2005 (CONTINUED)**

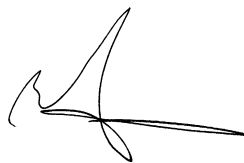
We are very pleased overall with the quality of our 2005 wines. The efforts of Viticulturist Doug Holmes, Winemaker Dave Pearce and their respective vineyard and winery teams have ensured that the aimed for consistency of quality is being delivered. The value of having good brand recognition and good distribution channels would quickly be eroded without year on year consistency of quality in the Company's products.

The board have continued with various discussions regarding mergers and acquisitions as has previously been outlined. These discussions are ongoing and when any matters are finalised, which would have to be of benefit to all Shareholders, due announcements will be made.

It is intended that a fully imputed interim dividend of 3 cents per share will be paid on 3rd April 2006. Last year the interim dividend was 2 cents per share and the final dividend 5 cents per share. The board at this time is reserving its position on the final dividend which would be balanced to 4 cents in normal circumstances i.e. 7 cents in total. An overall increase in dividend for the year will depend upon the outcome of the second half trading result. The board remains committed to increase dividends as earnings grow. Finance manager Jane Trought continues to deliver board and management timely and accurate financial information so that the Company's current financial performance and position is well documented at any given time.

As stated above, board and management are working well together to ensure that the Company's plans and strategies deliver consistent growth in earnings in ensuing years. CEO Rob White is an invaluable part of this process and together with his management team are constantly working towards delivering the full potential of this Company in so far as factors within their influence and control are concerned. Weather and exchange rates are matters outside such control. I have mentioned the exchange rate factor above. Fortunately at time of writing weather through the spring and summer to date looks like delivering a good 2006 harvest both in terms of volume and quality. With some weeks to go until harvest it will be hoped the right weather continues.

Finally I would like to thank my fellow board members and all staff for their continued commitment and dedication on behalf of the Company.



Mark Peters
CHAIRMAN
24 January 2006.

THE NEW ZEALAND WINE COMPANY
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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	Note	Unaudited 6 months ended 31 Dec 2005 \$'000	Audited 12 months ended 30 Jun 2005 \$'000	Unaudited 6 months ended 31 Dec 2004 \$'000
TOTAL REVENUE		4,622	8,993	4,209
Surplus from operations	3	761	1,646	760
Net Financing costs	4	(118)	(283)	(143)
Surplus before taxation		643	1,363	617
Taxation		(212)	(455)	(204)
NET SURPLUS FOR THE PERIOD		431	908	414
Earnings per share (after tax)	5	5.0	10.5	4.8

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	Note	Unaudited 6 months ended 31 Dec 2005 \$'000	Audited 12 months ended 30 Jun 2005 \$'000	Unaudited 6 months ended 31 Dec 2004 \$'000
Net surplus for the period		431	908	414
Surplus on revaluation of land, land improvements and buildings		-	1,084	-
Comprehensive income for the period		431	1,992	414
Contributions by owners	6, 7	-	77	77
Distributions to owners		(431)	(516)	(344)
Added to equity during period		-	1,553	147
Equity at beginning of period		18,980	17,427	17,427
Equity at end of period		18,980	18,980	17,574

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 10.

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STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	Note	Unaudited 6 months ended 31 Dec 2005 \$'000	Audited 12 months ended 30 Jun 2005 \$'000	Unaudited 6 months ended 31 Dec 2004 \$'000
CURRENT ASSETS				
Cash		970	850	603
Receivables		1,826	1,836	1,956
Inventories		4,202	5,957	5,100
Taxation		56	82	5
Other current assets		1,151	309	1,036
		8,205	9,034	8,700
NON-CURRENT ASSETS				
Property, plant & equipment		19,412	19,579	18,036
Intangibles - Identifiable		210	211	234
- Goodwill		-	-	1
Investments		10	10	10
Other non-current assets		98	98	157
		19,730	19,898	18,438
TOTAL		27,935	28,932	27,138

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 10.

THE NEW ZEALAND WINE COMPANY
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STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (CONTINUED)

	Note	Unaudited 6 months ended 31 Dec 2005 \$'000	Audited 12 months ended 30 Jun 2005 \$'000	Unaudited 6 months ended 31 Dec 2004 \$'000
CURRENT LIABILITIES				
Bank overdraft		-	-	-
Loans		743	734	719
Trade creditors		213	584	382
Payables		525	783	342
		1,481	2,101	1,443
NON-CURRENT LIABILITIES				
Deferred taxation		874	875	768
Loans		6,600	6,976	7,353
		7,474	7,851	8,121
TOTAL LIABILITIES		8,955	9,952	9,564
EQUITY				
Equity share capital	6	9,562	9,527	9,527
Reserves		9,418	9,418	8,012
Convertible notes	7	-	35	35
TOTAL EQUITY		18,980	18,980	17,574
TOTAL		27,935	28,932	27,138

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 10.

THE NEW ZEALAND WINE COMPANY
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STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	Note	Unaudited 6 months ended 31 Dec 2005 \$'000	Audited 12 months ended 30 Jun 2005 \$'000	Unaudited 6 months ended 31 Dec 2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		5,547	10,904	5,545
Interest received		12	25	8
Payments to suppliers and employees		(3,984)	(7,408)	(4,068)
Interest		(284)	(549)	(262)
Income taxation paid		(182)	(349)	(130)
Net cash flow from operating activities	8	<u>1,109</u>	<u>2,623</u>	<u>1,093</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of non-current tangible assets		1	25	-
Purchase of non-current tangible assets		(188)	(1,987)	(1,161)
Purchase of non-current non-tangible assets		(4)	(4)	(3)
Employee Share Scheme repaid (advanced)		-	54	1
Grower loan repaid (advanced)		-	1	-
Net cash flow from investing activities		<u>(191)</u>	<u>(1,911)</u>	<u>(1,163)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from (applied to)				
Issue of equity share capital		-	33	34
Loans advanced		-	1,500	1,500
Loans repaid		(367)	(1,748)	(1,386)
Dividends paid		(431)	(516)	(344)
Net cash flow from financing activities		<u>(798)</u>	<u>(731)</u>	<u>(196)</u>
Net increase/(decrease) in cash held		120	(19)	(266)
Cash at beginning of period		850	869	869
Cash at end of period		<u>970</u>	<u>850</u>	<u>603</u>
Comprising:				
Cash		970	850	603
Bank Overdraft		-	-	-
		<u>970</u>	<u>850</u>	<u>603</u>

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 10.

THE NEW ZEALAND WINE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

1. ACCOUNTING PERIOD

These unaudited financial statements cover the six month period to 31 December 2005. These financial statements have been prepared in accordance with FRS-24 Interim Financial Statements and should be read in conjunction with The New Zealand Wine Company Limited's Annual Report for the year ended 30 June 2005.

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.

Unaudited 6 months ended 31 Dec 2005 \$'000	Audited 12 months ended 30 Jun 2005 \$'000	Unaudited 6 months ended 31 Dec 2004 \$'000
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3. SURPLUS FROM OPERATIONS

Included in surplus from operations are the following:

REVENUE ITEMS:

Net foreign exchange gain/(loss)	(3)	126	53
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EXPENSES:

Amortisation	5	13	7
Depreciation*	13	25	12
Directors' fees	51	102	51
Excise duty	353	531	271
Fees paid to auditors:			
- Audit of financial report	-	15	1
- For other services	-	-	-

* Total depreciation on non-current tangible assets totalled \$355,000 for the six months ended 31Dec05 (Y/E 30Jun05 \$659,000; P/E 31Dec04 \$320,000). \$342,000 has been applied to work in progress (Y/E 30Jun05 \$596,000; P/E 31Dec04 \$308,000).

4. NET FINANCING COSTS

Loan interest	284	547	257
Less: Interest revenue	(16)	(27)	(10)
Less: Interest capitalised/included in cost of grapes	(100)	(237)	(104)
Less: Interest prepaid relating to 2nd half year contract revenue	(50)	-	-
	118	283	143

5. EARNINGS PER SHARE

The calculation is based on earnings of \$431,406 (30Jun05 \$908,153; 31Dec04 \$413,590) and the weighted average of 8,635,999 ordinary shares in issue during the period (30Jun05 8,618,555; 31Dec04 8,604,110).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (CONTINUED)

	Unaudited 6 months ended 31 Dec 2005 \$'000	Audited 12 months ended 30 Jun 2005 \$'000	Unaudited 6 months ended 31 Dec 2004 \$'000
6. SHARE CAPITAL			
ORDINARY SHARES			
Balance at beginning of period	9,527	9,450	9,450
Share issues	35	77	77
Balance at end of period	9,562	9,527	9,527
Number of fully paid ordinary shares	8,650,999	8,632,999	8,632,999
During the period the Company issued the following shares:			
24 November 2005: 18,000 shares at an issue price of \$1.95 per share via conversion of convertible notes.			
SHARE OPTIONS			
Number of options on issue at end of period	150,175	114,500	114,500
7. CONVERTIBLE NOTES			
Balance at beginning of period	35	35	35
Convertible note issues/(conversions)	(35)	-	-
Balance at end of period	-	35	35
Number of convertible notes on issue	-	18,000	18,000
8. NET CASH FROM OPERATING ACTIVITIES			
<i>Reconciliation of statement of financial performance surplus with net cash flow from operating activities</i>			
REPORTED SURPLUS AFTER TAXATION	431	908	414
Non-cash items:			
Depreciation	355	659	320
Amortisation of identifiable intangibles/goodwill/grape supply contracts	5	31	7
Increase/(Decrease) in deferred taxation	(1)	107	-
	790	1,705	741
MOVEMENTS IN WORKING CAPITAL ITEMS:			
Inventories	1,755	427	1,283
Receivables	10	729	664
Trade creditors	(371)	(234)	(436)
Payables and other current assets	(1,074)	(9)	(1,159)
(Increase)/Decrease in working capital	320	913	352
ITEMS CLASSIFIED AS INVESTING ACTIVITIES			
Loss (profit) on disposal of non-current tangible assets	(1)	5	-
Net cash inflow from operating activities	1,109	2,623	1,093

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (CONTINUED)

	Unaudited 6 months ended 31 Dec 2005 \$'000	Audited 12 months ended 30 Jun 2005 \$'000	Unaudited 6 months ended 31 Dec 2004 \$'000
9. CAPITAL COMMITMENTS			
Purchase of vineyard equipment	-	63	-
Winery expansion stage 3	-	-	510
Purchase of land	-	-	40

10. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO IFRS

In December 2002 the Accounting Standards Review Board ("ASRB") announced that New Zealand reporting entities would be required to apply New Zealand International Financial Reporting Standards ("NZIFRS") for reporting periods commencing on or after 1 January 2007. The international standards were released on 31 March 2004 and adopted in New Zealand by the ASRB on 24 November 2004 with certain adaptations to reflect New Zealand circumstances. Entities have the option of voluntary early adopting NZIFRS for periods beginning on or after 1 January 2005.

The New Zealand Wine Company will be a late adopter of NZIFRS. The Opening Balance Sheet under the new Standards will be reported in the 2007 Annual Report preparatory to full adoption for the financial year ending 30 June 2008. A conversion project has commenced. This project entails assessing the impacts of changes in financial reporting standards on the Company's financial reporting and other related activities, then designing and implementing processes to deliver financial reporting on an NZIFRS compliant basis, as well as dealing with any related business impacts.

Transition from existing NZ GAAP to NZIFRS will be made in accordance with NZ IFRS 1 "First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards." Upon adoption of NZIFRS, comparative information will be restated to conform with the requirements of NZIFRS and the impact that adoption of NZIFRS has had on the Company's financial statements will be set out.

The NZIFRS that have been identified to date as being expected to have the most impact on the Company's results and financial position are:

- NZ IAS 12 Income Taxes
- NZ IAS 19 Employee Benefits
- NZ IAS 36 Impairment of Assets
- NZ IAS 39 Financial Instruments: Recognition and Measurement
- NZ IAS 41 Agriculture
- NZ IFRS 2 Share-based Payment

The actual impact of adopting NZIFRS is not yet known.

11. SUBSEQUENT EVENTS

No material events have occurred since balance date.

12. SHAREHOLDER INFORMATION

March 2006	Interim Dividend
August 2006	Annual Report Published
September 2006	Annual General Meeting
September 2006	Final Dividend

THE NEW ZEALAND WINE COMPANY
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HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

DIRECTORS:	M A Peters (Chairman) M J Hunter J A Jamieson M J McQuillan J H G Milne
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POSTAL ADDRESS:	P.O. Box 67, Renwick, Marlborough, NZ
EMAIL:	info@nzwineco.co.nz
WEBSITES:	www.nzwineco.co.nz www.grovmill.co.nz www.sanctuarywine.co.nz
NATURE OF BUSINESS:	Production and distribution of wine
AUDITORS:	Deloitte, Wellington
SOLICITORS:	Wisheart Macnab & Partners, Blenheim
BANKERS:	National Bank of New Zealand, Blenheim
REGISTRATION NO:	CH 307139
REGISTERED OFFICE:	13 Waihopai Valley Road, Renwick, Marlborough
SHARE REGISTRAR:	Computershare Investor Services Limited Level 2, 159 Hurstmere Road, Takapuna Private Bag 92119, AUCKLAND 1020 Telephone + 64 9 488 8777 Facsimile + 64 9 488 8787 Email: enquiry@computershare.co.nz
SHARE TRADING:	NZX - NZAX Market Stock Code "NWC"