



THE NEW ZEALAND WINE COMPANY
LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

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THE NEW ZEALAND WINE COMPANY
LIMITED

CHAIRMAN'S REPORT

**HALF YEARLY REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2006**

The company has produced a solid result for the half year ended 31st December 2006, with an after tax surplus of \$462,000 – 7.2% up on the 2005 half year of \$431,000. Total revenue increased by 6.9% to \$4,941,000. It is important to note that in achieving this result, notwithstanding the unexpected strength of the New Zealand dollar in that period (against earlier bank forecasts), the company has made further substantial investment in brand building. As announced at the 2006 AGM, the winery has been rated officially as CarboNZero, and since then has reached qualifying status in Green Globe – which measures environmental impact against a benchmark. Including the cost of these achievements, which already are having a very positive effect in respect of international markets, we have chosen to increase total marketing/brand building investment by around 50% on the same period last year and still deliver a reasonable increase over the 2005 half year. Investment in the programmes referred to above are central to our brand building and will stand the company in very good stead in ensuing years as positive benefits continue to flow from such investment.

The second half of the current financial year is expected to produce significantly higher earnings than the first half and the full year result should be higher than 2006. The final result for the full year will depend very much upon the level of the dollar between now and 30th June 2007. The stubborn strength of the dollar has been well astray from bank forecasts of 56 cents against the \$US used in June 2006 for our projection for 2007 of a net result of \$1.6 million and this certainly will not be reached. What is positive for the full year is that sales volumes are meeting budgeted levels and the various brands in all markets are showing good numbers and growth in sales. Once the currency does see lower levels the company is well placed to benefit accordingly.

All of the 2006 wines which have been released to date have been well received in the market place and a number of high ratings and gold medals have already been realised. The company continues its aim for high quality in each and every one of the various brands. We now supply four separate export brands to various countries and markets, being Grove Mill, Sanctuary, Redcliffe and Frog Haven. Each of these is showing good results and that is a credit to the production and winemaking quality inherent in every brand.

At time of writing the early part of summer has been somewhat mixed in terms of weather, though we anticipate another quality harvest from vintage 2007. The late summer and early autumn will be the key to this. The impact of the spring frost in November was relatively small and we have since been able to replace any crop lost.

A fully imputed interim dividend of 3 cents per share will be paid on 2nd April. This is in line with the 2006 interim dividend. The board is committed to increasing dividends in line with earnings growth. The final dividend for the year will be set once the final result is known and may be reasonably expected to be higher than in 2006.

Setting aside the concerns of the high currency, which affects all New Zealand exporters, the company is in a very sound position with a good management team and staff, well performed distributors in each key market and a strong financial base. Sales volumes are increasing in line with projections and overall the company's strategies are working. The factor outside of the company's control – being exchange rates – is frustrating but all factors within the company's control are performing well and this will be the strength of the base from which the company will progress.

My thanks to fellow board members and all staff for continued commitment to the company.



Mark Peters
CHAIRMAN
26 January 2007

S U S T A I N A B I L I T Y R E P O R T

“GROVE MILL - THE WORLD'S FIRST CARBONZERO WINERY”

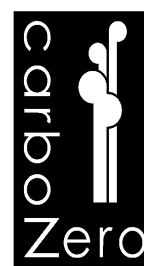
Since its establishment in 1988 The New Zealand Wine Company (NZWC) has developed a reputation both as one of New Zealand's leading wine producers and as a key supporter of the environment.

The philosophy behind our wine production is to produce premium quality wine with minimal environmental impact. Commitment to this philosophy is apparent through all aspects of the NZWC business. NZWC looks to continually improve its processes to minimise its environmental impacts. The key areas that NZWC has focused on have been developing an energy-efficient winery, innovative waste water treatment, recycling grape marc and achieving Sustainable Winegrowing NZ accreditation. Our most recent focus has been gaining CarboNZero Certification. This involves addressing our climate change impacts with the aim of adding no net carbon dioxide (CO₂) emissions to the atmosphere in the production and distribution of our wines.

CarboNZero®

CarboNZero is a certification programme for minimising climate change impacts. Organisations that have measured, managed, and 'offset' (mitigated) their CO₂ emissions can be certified as CarboNZero.

Climate change is a serious problem, mainly caused by unnaturally high levels of greenhouse gases in the atmosphere. Greenhouse gases come from sources such as the burning of fossil fuels (e.g. oil, coal and gas), and are enhanced by deforestation. Atmospheric Carbon Dioxide levels are currently 27% higher than at any time in the past 650,000 years (*Science, 2005*). These gases persist in the atmosphere, trapping warm air that would otherwise have dissipated into space. The impacts of climate change include temperature change, sea level rise and a greater incidence of extreme weather events.



Climate change is widely accepted as one of the greatest environmental challenges we will ever face.

Working in partnership with Landcare Research New Zealand, a Crown research institute, NZWC has measured the CO₂ emissions associated with its use of electricity and fossil fuels. We have introduced energy efficiency initiatives to manage and reduce our CO₂ emissions, and we have offset the remaining unavoidable emissions by investing in the regeneration of native forests.

Regenerating forests take CO₂ out of the atmosphere and store the carbon as wood and other biomass. Through external audits and ongoing emissions reductions we can proudly state that we are CarboNZero certified.

Participating in the CarboNZero programme is part of our overall environmental management improvements. Reducing emissions has helped us to become far more energy efficient. Offsetting our remaining emissions by investing in the restoration of native forests complements our own wetland restoration initiative.

Offsetting NZWC's Carbon Emissions

To achieve CarboNZero certification, we must buy carbon credits to offset our unavoidable CO₂ emissions. Carbon credits are generated from projects that remove CO₂ from the atmosphere or prevent CO₂ from being emitted.

NZWC has chosen to buy its carbon credits through the EBEX21® forest regeneration programme. Our EBEX21 carbon credits are sourced locally in Marlborough so that we can contribute to the quality of our local environment.

In Marlborough, Ron Mariott is New Zealand's first EBEX21 forest landowner. It is from Ron that the NZWC sources its carbon credits. Ron's philosophy is that he is "in the business of saving our environment". He believes that by looking at the long term one finds that environment, social responsibility and economics are all equal components of the foundation that supports a good quality of life.

The 640-hectare native wildlife sanctuary "Queen Charlotte Wilderness Park" is located at Cape Jackson at the northern entrance to the Queen Charlotte Sound in Marlborough. Originally a large sheep station, the pastureland has been retired from sheep farming and is being left to revert to native forest.

THE NEW ZEALAND WINE COMPANY
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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Note	Unaudited 6 months ended 31 Dec 2006 \$'000	Audited 12 months ended 30 Jun 2006 \$'000	Unaudited 6 months ended 31 Dec 2005 \$'000
TOTAL REVENUE		4,941	9,414	4,622
Surplus from operations	3	822	1,875	761
Net Financing costs	4	(133)	(341)	(118)
Surplus before taxation		689	1,534	643
Taxation		(227)	(508)	(212)
NET SURPLUS FOR THE PERIOD		462	1,026	431
Earnings per share (after tax)	5	5.3	11.9	5.0

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Note	Unaudited 6 months ended 31 Dec 2006 \$'000	Audited 12 months ended 30 Jun 2006 \$'000	Unaudited 6 months ended 31 Dec 2005 \$'000
Net surplus for the period		462	1,026	431
Surplus on revaluation of land, land improvements and buildings		-	660	-
Comprehensive income for the period		462	1,686	431
Contributions by owners	6, 7	34	-	-
Distributions to owners		(346)	(691)	(431)
Added to equity during period		150	995	-
Equity at beginning of period		19,975	18,980	18,980
Equity at end of period		20,125	19,975	18,980

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 2006

	Note	Unaudited 6 months ended 31 Dec 2006 \$'000	Audited 12 months ended 30 Jun 2006 \$'000	Unaudited 6 months ended 31 Dec 2005 \$'000
CURRENT ASSETS				
Cash		1,501	-	970
Receivables		1,972	2,748	1,826
Inventories		4,740	5,653	4,202
Taxation		27	69	56
Other current assets		1,441	1,238	1,151
		9,681	9,708	8,205
NON-CURRENT ASSETS				
Property, plant & equipment		21,099	20,093	19,412
Intangibles - Identifiable		26	30	210
- Goodwill		-	-	-
Investments		10	10	10
Other non-current assets		154	18	98
		21,289	20,151	19,730
TOTAL		30,970	29,859	27,935

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 2006 (CONTINUED)

	Note	Unaudited 6 months ended 31 Dec 2006 \$'000	Audited 12 months ended 30 Jun 2006 \$'000	Unaudited 6 months ended 31 Dec 2005 \$'000
CURRENT LIABILITIES				
Bank overdraft		-	159	-
Loans		837	757	743
Trade creditors		758	1,277	213
Payables		267	534	525
		1,862	2,727	1,481
NON-CURRENT LIABILITIES				
Deferred taxation		944	946	874
Loans		8,039	6,211	6,600
		8,983	7,157	7,474
TOTAL LIABILITIES		10,845	9,884	8,955
EQUITY				
Equity share capital	6, 7	9,596	9,562	9,562
Reserves		10,529	10,413	9,418
TOTAL EQUITY		20,125	19,975	18,980
TOTAL		30,970	29,859	27,935

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 2006

	Note	Unaudited 6 months ended 31 Dec 2006 \$'000	Audited 12 months ended 30 Jun 2006 \$'000	Unaudited 6 months ended 31 Dec 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		6,251	9,578	5,547
Interest received		10	28	12
Payments to suppliers and employees		(4,278)	(7,854)	(3,984)
Interest		(296)	(569)	(284)
Income taxation paid		(187)	(424)	(182)
Net cash flow from operating activities	8	<u>1,500</u>	<u>759</u>	<u>1,109</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of non-current tangible assets		-	1	1
Purchase of non-current tangible assets		(1,300)	(430)	(188)
Purchase of non-current non-tangible assets		(1)	(7)	(4)
Employee Share Scheme repaid (advanced)		-	100	-
Grower loan repaid (advanced)		(135)	-	-
Net cash flow from investing activities		<u>(1,436)</u>	<u>(336)</u>	<u>(191)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from (applied to)				
Issue of equity share capital		34	-	-
Loans advanced		2,300	-	-
Loans repaid		(392)	(741)	(367)
Dividends paid		(346)	(691)	(431)
Net cash flow from financing activities		<u>1,596</u>	<u>(1,432)</u>	<u>(798)</u>
Net increase/(decrease) in cash held		1,660	(1,009)	120
Cash at beginning of period		(159)	850	850
Cash at end of period		<u>1,501</u>	<u>(159)</u>	<u>970</u>
Comprising: Cash		1,501	-	970
Bank Overdraft		-	(159)	-
		<u>1,501</u>	<u>(159)</u>	<u>970</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 2006

1. ACCOUNTING PERIOD

These unaudited financial statements cover the six month period to 31 December 2006. 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 2006.

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 2006 \$'000	Audited 12 months ended 30 Jun 2006 \$'000	Unaudited 6 months ended 31 Dec 2005 \$'000
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3. SURPLUS FROM OPERATIONS

Included in surplus from operations are the following:

REVENUE ITEMS:

Net foreign exchange gain/(loss)	(73)	15	(3)
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EXPENSES:

Amortisation	5	10	5
Depreciation*	9	24	13
Directors' fees	58	102	51
Excise duty	321	568	353
Fees paid to auditors:			
- Audit of financial report	-	16	-
- For other services	-	-	-

* Total depreciation on non-current tangible assets totalled \$293,000 for the six months ended 31Dec06 (Y/E 30Jun06 \$576,000; P/E 31Dec05 \$355,000). \$284,000 has been applied to work in progress (Y/E 30Jun06 \$552,000; P/E 31Dec05 \$342,000).

4. NET FINANCING COSTS

Loan interest	298	565	284
Less: Interest revenue	(10)	(28)	(16)
Less: Interest capitalised/included in cost of grapes	(117)	(196)	(100)
Less: Interest prepaid relating to 2nd half year contract revenue	(38)	-	(50)
	133	341	118

5. EARNINGS PER SHARE

The calculation is based on earnings of \$461,771 (30Jun06 \$1,025,796; 31Dec05 \$431,406) and the weighted average of 8,656,777 ordinary shares in issue during the period (30Jun06 8,643,499; 31Dec05 8,635,999).

THE NEW ZEALAND WINE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (CONTINUED)

	Unaudited 6 months ended 31 Dec 2006 \$'000	Audited 12 months ended 30 Jun 2006 \$'000	Unaudited 6 months ended 31 Dec 2005 \$'000
6. SHARE CAPITAL			
ORDINARY SHARES			
Balance at beginning of period	9,562	9,527	9,527
Share issues	34	35	35
Balance at end of period	9,596	9,562	9,562
Number of fully paid ordinary shares	8,668,332	8,650,999	8,650,999
During the period the Company issued 11,200 shares at an issue price of \$1.96 per share and 6,133 at an issue price of \$1.90 per share on 25 October 2006 ex share option scheme.			
SHARE OPTIONS			
Number of options on issue at end of period	133,292	150,175	150,175
7. CONVERTIBLE NOTES			
Balance at beginning of period	-	35	35
Convertible note issues/(conversions)	-	(35)	(35)
Balance at end of period	-	-	-
Number of convertible notes on issue	-	-	-
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	462	1,026	431
Non-cash items:			
Depreciation	293	576	355
Amortisation of identifiable intangibles/goodwill/grape supply contracts	5	41	5
Increase/(Decrease) in deferred taxation	(2)	71	(1)
	758	1,714	790
MOVEMENTS IN WORKING CAPITAL ITEMS:			
Inventories	913	304	1,755
Trade Receivables	775	(912)	10
Trade creditors	(519)	693	(371)
Payables and other current assets	(427)	(1,039)	(1,074)
(Increase)/Decrease in working capital	742	(954)	320
ITEMS CLASSIFIED AS INVESTING ACTIVITIES			
Loss (profit) on disposal of non-current tangible assets	-	(1)	(1)
Net cash inflow from operating activities	1,500	759	1,109

THE NEW ZEALAND WINE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 (CONTINUED)

9. 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 ("NZ IFRS") 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 NZ IFRS for periods beginning on or after 1 January 2005.

The New Zealand Wine Company will not be an early adopter of NZ IFRS. 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 and is ongoing. 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 NZ IFRS compliant basis, as well as dealing with any related business impacts.

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

This is more particularly described in Note 24 to the 30 June 2006 financial statements.

As the assessment of the impact of NZIFRS is continuing other standards may be identified as impacting on the Company's results. As we progress toward full adoption of NZ IFRS the Company will continue to provide users of the financial statements with updated information about the likely impacts of NZ IFRS on the Company's earnings, cash flows and financial position.

10. SUBSEQUENT EVENTS

No material events have occurred since balance date.

11. SHAREHOLDER INFORMATION

2 April 2007	Interim Dividend
August 2007	Annual Report Published
September 2007	Final Dividend
25 September 2007	Annual General Meeting

THE NEW ZEALAND WINE COMPANY
LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

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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:	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"