



THE NEW ZEALAND WINE COMPANY
LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

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DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

The Directors of The New Zealand Wine Company Limited (NZWC) are pleased to present their unaudited 2009 Interim Results for the six months ended 31 December 2008.

NZWC unaudited financial statements for the Interim Report have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZIFRS).

Operating Results

NZWC Directors announce an unaudited net profit after tax result of \$738,000 Before Biological Bearer-Asset Adjustments. This represents a 27% decrease on the \$1,012,000 result for the same period in 2007. The full NZIFRS result was \$702,000 compared to the equivalent \$1,029,000 result for the previous year, a decrease of 32%.

Sales and net earnings for the half year have been negatively impacted by the overhang of wine stock that is available for sale on the open market from the record 2008 Marlborough harvest. The company has elected to sell surplus wine stock at lower margins in the first half of the 2009 year to reduce its wine stock levels.

There is still a lot of uncertainty in the wine industry around clearing the remaining overhang of wine stocks from the record 2008 Marlborough harvest. Directors have therefore elected to make a \$140,000 post tax impairment provision for the second half, to recognize the impacts in the second half of 2009 from selling wine stock at less than cost. The impairment provision has reduced the net profit after tax for the 31 December 2008 half year.

Basic earnings per share were 8.5 cps for the 31 December 2008 half year under the Result Before Biological Bearer-Asset Adjustments and 8.1 cps under NZ IFRS.

Sales

Revenue for the 31 December 2008 half year was \$6,213,000 which represents an increase of 11% on the \$5,601,000 for the same period in 2007.

Foreign Exchange

NZD foreign exchange risk management remains a key focus for the Board and Management and the weaker NZD against the USD, AUD & GBP currencies has had a positive impact on the earnings in the 31 December 2008 half year.

Dividend

The Directors have declared a fully imputed interim dividend of 2 cents per share for the half year to 31 December 2008 which will be paid on 3 April 2009, with a record date of 27 March 2009.

With lower earnings being reported for the first half of the June 2009 year Directors have elected to take a conservative approach to reduce the 3 cents per share dividend paid for the same period in 2008 by 1 cent in 2009.

After reviewing sustainable underlying earnings for the full year to June 2009 the Directors will then consider the second half dividend options. The Board remains committed to increasing dividend payments as sustainable underlying earnings increase.

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (CONTINUED)

Vintage 2009

The record NZWC 3,243 tonne 2008 harvest resulted in an overhang of stock that has not been sold through so the management team has taken steps to limit its 2009 vintage to a maximum intake of 2,600 tonnes. Reducing the 2009 vintage intake is targeted at moving wine production back into balance with wine sales opportunities.

A positive benefit from taking steps to limit Sauvignon Blanc harvest yields to 10 tonnes per hectare for vintage 2009 is that everyone at NZWC is focused on producing high quality wines from this year's vintage.

Outlook

Projected wine sales volumes for the second half of the June 2009 financial year are on target to increase in line with forecasts.

NZWC is an agricultural exporting company, and the Directors consider that it would not be prudent to provide guidance for the full year to 30 June 2009 under the NZIFRS accounting standard. NZIFRS requires NZWC to value interest rate swaps, forward foreign exchange contracts and foreign exchange option contracts at "fair value" at balance date. Marking to market at each balance date makes it impossible to forecast the swings that can take place as at different balance dates due to movements in exchange and interest rates. In addition the biological bearer-asset adjustments cannot be determined until after the 2009 harvest and year-end balance date valuations of these assets have been undertaken.

The Directors consider the underlying earnings and future opportunities remain positive for the NZWC and are confident that once the current wine stock overhang has been sold through that NZWC can return to growing the business and adding value for shareholders through improved earnings.

For and on behalf of the Board of Directors



Alton Jamieson

Chairman
3 March 2009

THE NEW ZEALAND WINE COMPANY
LIMITED

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

		Unaudited 6 Months 31 Dec 2008 Result before Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2008 Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2008 Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2007 Result before Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2007 Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2007 Biological Bearer- Asset Adjustment	Audited 12 Months 30 Jun 2008 NZIFRS
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from sale of goods		6,198	-	6,198	5,465	-	5,465	11,774
Revenue from rendering of services		-	-	-	85	-	85	130
Interest revenue		15	-	15	51	-	51	82
Revenue		6,213	-	6,213	5,601	-	5,601	11,986
<i>Other Income</i>								
Gain on biological assets	SI1.1	-	1,468	1,468	-	923	923	280
Vineyard income – harvested grapes	SI1.2	-	-	-	-	-	-	2,198
Vineyard expenses	SI2.3	-	(1,468)	(1,468)	-	(923)	(923)	(1,613)
<i>Net vineyard contribution</i>		-	-	-	-	-	-	865
Net foreign exchange risk management gains/(losses)		101	-	101	426	-	426	799
Government grants		41	-	41	-	-	-	33
Change in fair value of financial asset/liabilities – held for trading	9 /SI1.4	584	-	584	506	-	506	113
<i>Total Other income</i>		726	-	726	932	-	932	1810
Excise duty		(250)	-	(250)	(313)	-	(313)	(533)
Cost of sales		(4,072)	(52)	(4,124)	(3,339)	25	(3,314)	(7,534)
Distribution expenses		(124)	-	(124)	(99)	-	(99)	(196)
Marketing expenses		(452)	-	(452)	(433)	-	(433)	(742)
Administration expenses		(519)	-	(519)	(488)	-	(488)	(1,084)
Financing costs	4	(467)	-	(467)	(350)	-	(350)	(709)
Profit before income tax	3	1,055	(52)	1,003	1,511	25	1,536	2,998
Income tax expense		(317)	16	(301)	(499)	(8)	(507)	(954)
Profit for the period		738	(36)	702	1,012	17	1,029	2,044
Basic Earnings per share	5	8.5	(0.4)	8.1	11.7	0.2	11.9	23.6
Diluted Earnings per share	5	8.4	(0.4)	8.0	11.5	0.2	11.7	23.3
Dividends paid per share	6	5.0	-	5.0	4.0	-	4.0	7.0

Notes to the financial statements are included on pages 9 to 12 and Supplementary Information (SI) on pages 13 to 14.

THE NEW ZEALAND WINE COMPANY
LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Unaudited 6 Months 31 Dec 2008 Before Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2008 Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2008 NZIFRS \$'000	Unaudited 6 Months 31 Dec 2007 Before Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2007 Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2007 NZIFRS \$'000	Audited 12 Months 30 Jun 2008 NZIFRS \$'000
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS							
Cash and cash equivalents	679	-	679	1,319	-	1,319	650
Trade and other receivables	4,109	-	4,109	2,664	-	2,664	3,813
Other financial assets	SI2.1 1,251	-	1,251	501	-	501	176
Inventories	SI2.2 9,602	421	10,023	6,886	(213)	6,673	11,547
Current tax assets	-	-	-	-	-	-	10
Other current assets	SI2.3 1,639	(1,448)	191	1,147	(923)	224	950
	<u>17,280</u>	<u>(1,027)</u>	<u>16,253</u>	<u>12,517</u>	<u>(1,136)</u>	<u>11,381</u>	<u>17,146</u>
NON-CURRENT ASSETS							
Property, plant and equipment	24,716	(9,106)	15,610	23,145	(8,154)	14,991	14,918
Biological assets	SI2.4 -	10,574	10,574	-	9,077	9,077	9,106
Intangible assets	19	-	19	19	-	19	15
Investments	10	-	10	10	-	10	10
Other non-current receivables	48	-	48	132	-	132	88
	<u>24,793</u>	<u>1,468</u>	<u>26,261</u>	<u>23,306</u>	<u>923</u>	<u>24,229</u>	<u>24,137</u>
TOTAL ASSETS	<u>42,073</u>	<u>441</u>	<u>42,514</u>	<u>35,823</u>	<u>(213)</u>	<u>35,610</u>	<u>41,283</u>

Notes to the financial statements are included on pages 9 to 12 and Supplementary Information (SI) on pages 13 to 14.

THE NEW ZEALAND WINE COMPANY
LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008 (CONTINUED)

	Unaudited 6 Months 31 Dec 2008 Before Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2008 Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2008 NZIFRS \$'000	Unaudited 6 Months 31 Dec 2007 Before Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2007 Biological Bearer- Asset Adjustment	Unaudited 6 Months 31 Dec 2007 NZIFRS \$'000	Audited 12 Months 30 Jun 2008 NZIFRS \$'000
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT LIABILITIES							
Trade and other payables	1,416	-	1,416	879	-	879	2,793
Loans and borrowings	2,060	-	2,060	1,446	-	1,446	1,734
Other financial liabilities	SI2.1 573	-	573	-	-	-	64
Current tax payables	181	(15)	166	308	8	316	-
	<u>4,230</u>	<u>(15)</u>	<u>4,215</u>	<u>2,633</u>	<u>8</u>	<u>2,641</u>	<u>4,591</u>
NON-CURRENT LIABILITIES							
Loans and borrowings	13,595	-	13,595	10,291	-	10,291	12,247
Deferred tax liabilities	SI2.5 1,742	1,392	3,134	1,335	1,184	2,519	3,145
	<u>15,337</u>	<u>1,392</u>	<u>16,729</u>	<u>11,626</u>	<u>1,184</u>	<u>12,810</u>	<u>15,392</u>
TOTAL LIABILITIES	<u>19,567</u>	<u>1,377</u>	<u>20,944</u>	<u>14,259</u>	<u>1,192</u>	<u>15,451</u>	<u>19,983</u>
EQUITY							
Share capital	7 9,619	-	9,619	9,599	-	9,599	9,619
Reserves	SI2.6 8,045	(4,099)	3,946	7,396	(3,819)	3,577	3,944
Retained earnings	SI2.7 4,842	3,163	8,005	4,569	2,414	6,983	7,737
TOTAL EQUITY	<u>22,506</u>	<u>(936)</u>	<u>21,570</u>	<u>21,564</u>	<u>(1,405)</u>	<u>20,159</u>	<u>21,300</u>
TOTAL LIABILITIES AND EQUITY	<u>42,073</u>	<u>441</u>	<u>42,514</u>	<u>35,823</u>	<u>(213)</u>	<u>35,610</u>	<u>41,283</u>

Notes to the financial statements are included on pages 9 to 12 and Supplementary Information (SI) on pages 13 to 14.

THE NEW ZEALAND WINE COMPANY
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STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	Note	Unaudited 6 Months 31 Dec 2008 NZIFRS \$'000	Unaudited 6 Months 31 Dec 2007 NZIFRS \$'000	Audited 12 Months 30 Jun 2008 NZIFRS \$'000
Revaluation of property, plant and equipment		-	-	462
Income tax on items taken directly to or transferred from equity		-	-	(97)
Income and expense recognised directly in equity		-	-	365
Profit for the period		702	1,029	2,044
Total recognised income and expense for the period		702	1,029	2,409
Contributions by owners	7	-	1	21
Distributions to owners		(434)	(347)	(607)
Share-based payment		2	4	5
Added to equity during the period		270	687	1,828
Equity at the beginning of the period		21,300	19,472	19,472
Equity at end of period		21,570	20,159	21,300

Notes to the financial statements are included on pages 9 to 12.

CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	Note	Unaudited 6 Months 31 Dec 2008 NZIFRS \$'000	Unaudited 6 Months 31 Dec 2007 NZIFRS \$'000	Audited 12 Months 30 Jun 2008 NZIFRS \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		7,091	8,686	13,338
Interest received		15	46	64
Payments to suppliers and employees		(6,547)	(6,703)	(12,956)
Interest and other costs of finance paid		(468)	(341)	(709)
Interest capitalised into inventories		(183)	(186)	(176)
Income tax paid		(137)	(16)	(266)
Net cash flow from operating activities	8	<u>(229)</u>	<u>1,486</u>	<u>(705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of property, plant and equipment		1	10	10
Purchase of property, plant and equipment and biological assets		(1,024)	(668)	(1,027)
Interest capitalised into biological assets		(27)	(103)	(201)
Purchase of intangible assets		(8)	(1)	(1)
Grower loan repaid (advanced)		65	6	17
Net cash flow from investing activities		<u>(993)</u>	<u>(756)</u>	<u>(1,202)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided for (applied to)				
Issue of equity share capital		-	1	21
Loans advanced		3,650	-	3,000
Loans repaid		(1,965)	(702)	(1,517)
Dividends paid		(434)	(347)	(607)
Net cash flow from financing activities		<u>1,251</u>	<u>(1,048)</u>	<u>897</u>
Net increase (decrease) in cash held		29	(318)	(1,010)
Effect of exchange rate change on foreign currency balance		-	-	23
Cash and cash equivalents/(Bank overdraft) at beginning of period		<u>650</u>	<u>1,637</u>	<u>1,637</u>
Cash and cash equivalents/(Bank overdraft) at end of period		<u>679</u>	<u>1,319</u>	<u>650</u>
Comprising: Cash and cash equivalents		679	1,319	650
Bank overdraft		-	-	-
		<u>679</u>	<u>1,319</u>	<u>650</u>

Notes to the financial statements are included on pages 9 to 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

1. ACCOUNTING PERIOD

These unaudited financial statements cover the six month period to 31 December 2008. These condensed financial statements have been prepared in accordance with NZ IAS 34 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 2008.

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 2008 with the exception of taxation. Income tax expense has been recorded in these financial statements on the basis of 30% of profit 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:

OTHER INCOME:

	Unaudited 6 Months 31 Dec 2008 NZIFRS \$'000	Unaudited 6 Months 31 Dec 2007 NZIFRS \$'000	Audited 12 Months 30 Jun 2008 NZIFRS \$'000
Government grant – market development expenditure co-funding	41	-	33
EXPENSES:			
Amortisation	4	5	9
Bad debts	-	-	-
Depreciation*	7	18	38
Directors' fees	38	67	133
Employee benefits expense:			
- Short-term employee benefits	957	871	1,917
- Equity-settled share-based payments	2	4	5
Fees paid to auditors:			
- Audit of the financial statements	-	-	20
- For other services	23	9	27
Provision for write-down of inventory	200	-	-

* Total depreciation on property, plant and equipment and biological assets totalled \$358,000 for the six months ended 31 December 2008 (Y/E 30Jun08 \$625,000; P/E 31Dec07 \$306,000). \$351,000 has been applied to work in progress (Y/E 30Jun08 \$587,000; P/E 31Dec07 \$288,000).

4. FINANCING COSTS

Loan interest and other costs of finance paid	677	639	1,086
Less: Interest capitalised/included in cost of grapes	(183)	(186)	(176)
Less: Interest capitalised into biological assets	(27)	(103)	(201)
	467	350	709

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (CONTINUED)

5. EARNINGS PER SHARE

Basic Earnings per share

The calculation is based on NZIFRS earnings of \$702,000 (30Jun08 \$2,044,000; 31Dec07 \$1,029,000) including earnings before biological bearer-asset adjustments of \$738,000 (30Jun08 \$1,351,000; 31Dec07 \$1,012,000) and the weighted average of 8,677,199 ordinary shares on issue during the period (30Jun08 8,672,168; 31Dec07 8,668,521).

Diluted Earnings per share

The calculation is based on NZIFRS earnings of \$702,000 (30Jun08 \$2,044,000; 31Dec07 \$1,029,000) including earnings before biological bearer-asset adjustments of \$738,000 (30Jun08 \$1,351,000; 31Dec07 \$1,012,000) and the weighted average of 8,761,366 ordinary shares on issue during the period (30Jun08 8,765,335; 31Dec07 8,773,121).

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:

	2008	2007
	Number of shares	Number of shares
Weighted average number of ordinary shares (Basic)	8,677,199	8,668,521
Share options outstanding at period end	84,167	104,600
Weighted average number of ordinary shares (Diluted)	8,761,366	8,773,121

The performance share plan rights were excluded from this calculation as they were anti-dilutive for the periods presented.

6. DIVIDENDS PAID PER SHARE

The calculation of dividends per share in respect of the interim 2009 period is based on the final dividend for 2008 paid in September totalling \$433,860 (31Dec07 \$346,733).

	Unaudited 6 Months 31 Dec 2008 NZIFRS \$'000	Unaudited 6 Months 31 Dec 2007 NZIFRS \$'000	Audited 12 Months 30 Jun 2008 NZIFRS \$'000
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7. SHARE CAPITAL

FULLY PAID UP ORDINARY SHARES

Balance at beginning of period	9,619	9,598	9,598
Share issues	-	1	21
Transfer from employee equity-settled benefits reserve	-	-	-
Balance at end of period	9,619	9,599	9,619
Number of fully paid ordinary shares	8,677,199	8,668,899	8,677,199

There were no shares issued during the period (30Jun08: 567 ordinary shares were issued on 24 October 2007 at an issue price of \$2.20 per share ex employee share options and 8,300 ordinary shares were issued on 30 January 2008 at an issue price of \$2.38 per share ex employee share options; 31Dec07: 567 shares were issued on 24 October 2007 at an issue price of \$2.20 per share ex employee share options).

SHARE OPTIONS

Number of options on issue at end of period	84,167	104,600	93,167
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PERFORMANCE SHARE PLAN RIGHTS

Number of rights on issue at end of period	225,927	225,927	225,927
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (CONTINUED)

	Unaudited 6 Months 31 Dec 2008 NZIFRS \$'000	Unaudited 6 Months 31 Dec 2007 NZIFRS \$'000	Audited 12 Months 30 Jun 2008 NZIFRS \$'000
8. NET CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT AFTER INCOME TAX FOR THE PERIOD	702	1,029	2,044
NON-CASH ITEMS:			
Depreciation	358	306	625
Amortisation of intangibles	4	5	9
Increase/(decrease) in deferred tax	(11)	1	531
Adjustments resulting from revaluation of grapes	52	(24)	(710)
Gain on revaluation of biological assets	(1,468)	(923)	(280)
Effect of exchange rate change on foreign currency balance	-	-	(23)
(Gain)/loss on disposal of property, plant and equipment	(1)	(7)	(7)
Share-based payments	2	4	5
	(362)	391	2,194
CHANGE IN ASSETS AND LIABILITIES:			
Inventories	1,472	965	(3,223)
Trade and other receivables	(321)	1,061	(68)
Trade and other payables	(1,367)	(1,280)	693
Other financial assets/liabilities	(584)	(506)	(113)
Other current assets and current tax assets/liabilities	933	855	(188)
	133	1,095	(2,899)
NET CASH FLOW FROM OPERATING ACTIVITIES	(229)	1,486	(705)
9. FINANCIAL INSTRUMENTS			
Change in fair value of financial assets/liabilities consists of:			
Foreign currency forward contracts	1,075	459	176
Foreign currency option contracts	(77)	-	(5)
Interest rate swaps	(414)	47	(58)
	584	506	113

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (CONTINUED)

10. SEGMENT INFORMATION

The Group operates in the wine industry. The Group has interests in freehold land and winery infrastructure and is party to vineyard leases in Marlborough New Zealand which allows the company to grow, harvest and make finished wine to be marketed, distributed and sold into the super-premium wine market. The Group sells and markets its product directly to customers and distributors located in New Zealand and overseas. The Group reviews its revenue based on the geographical areas in which their customers are based. Financial information available to management to assess segment results are presented on the same basis. In accordance with NZ IAS 14 this forms the basis of presentation for Segment Reporting and is the format adopted below. Wines are sold throughout the period in all regions.

	Segment Revenue			Segment Assets		30 Jun 2008
	31 Dec 2008	31 Dec 2007	30 Jun 2008	31 Dec 2008	31 Dec 2007	
Geographical segment	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
New Zealand	1,353	1,917	3,462	38,943	33,233	38,008
United States	473	378	1,756	347	220	1,306
United Kingdom	2,657	1,928	3,883	2,302	1,322	1,253
Australia	1,386	1,110	2,218	815	740	716
Other	344	268	667	107	95	-
Total	6,213	5,601	11,986	42,514	35,610	41,283

Operating profit is not reported or available on a geographical basis. Segment assets relate to trade and other receivables denominated in foreign currency.

11. SUBSEQUENT EVENTS

Dividend Declaration

On 2 March 2009 the directors declared an interim dividend in respect of the year ending 30 June 2009 of 2 cents per share payable on 3 April 2009 with a record date of 27 March 2009. The dividend will be fully imputed to 33c and a supplementary dividend will be paid to non-resident shareholders.

Loans and Borrowings

On 29 January 2009 the directors resolved to borrow an additional \$1 million from the National Bank of New Zealand to fund working capital requirements.

No other material events have occurred since balance date.

12. SHAREHOLDER INFORMATION

3 April 2009	Interim Dividend Payment
September 2009	Annual Report Published
October 2009	Final Dividend Payment
23 October 2009	Annual General Meeting

SUPPLEMENTARY INFORMATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

IMPACT OF THE ADOPTION OF NZ EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)

As outlined in the 2008 Annual Report the Company adopted the NZ Equivalents to International Financial Reporting Standards (NZ IFRS) from the financial year ended 30 June 2008. For the benefit of shareholders and other users we have included here an explanation of the significant impacts that the required changes to accounting standards, and our associated accounting policies, have had on the Company's reported results and financial position.

1. Explanation of NZ IFRS Adjustments in the Income Statement (SI1):

- 1.1 **Gain on biological assets** – under NZ IFRS grape vines are classified as “biological assets”. Any movement in the value of the vines during the period is required to be taken through the profit and loss (Income Statement). Under NZ IFRS the Company has adopted a policy of capitalising the costs incurred to date, pre-veraison, in producing the current year's grapes for commercial harvest, subject to any impairment, and thereby recognising this as an unrealised gain on the vine valuation of \$1,468,000, in accordance with NZ IAS 41. At harvest the recognised half-year gain is reversed and the full harvest value is recognised as unrealised Vineyard revenue. At 30 June the vines (post-harvest) are valued by an independent valuer to determine the gain/loss on previous carrying value. It should be noted that these revaluation gains/losses are unrealised within the Income Statement and were formerly recorded under NZ GAAP as part of the Asset revaluation reserve, included in Shareholder's Equity.
- 1.2 **Vineyard income** – the income shown for the year ended 30 June 2008 of \$2,198,000 is the unrealised value of harvested grapes from the company's owned and leased vineyards for the 2008 vintage valued at “fair value”, representing market value. The reason that there is no revenue in the half year is because the grape harvest occurs in the second half of the financial year. These grapes were previously transferred to the winery at their cost, and vineyard income recorded for this amount, and any profit was realised upon their eventual sale as wine. The valuation of these grapes at market value, as required by NZ IFRS, results in adjustments to vineyard income and subsequently to cost of sales.
- 1.3 **Vineyard expenses** – the costs shown for the current half year of \$1,468,000 are the costs incurred to 31 December 2008 for the production of grapes to be harvested in approximately March/April of the following year. These costs were previously included in “Other current assets” as prepayments until transferred at harvest to Inventory at cost.
- 1.4 **Change in fair value of financial assets** – the other income shown for the current year of \$584,000 includes unrealised gains/(losses) as set out in note 9 relating to the valuation of interest rate swaps, forward foreign exchange contracts and foreign exchange option contracts at “fair value” at balance date. What this means is that if the Company were to “cash in” all of its outstanding interest rate swaps, forward foreign exchange contracts and foreign exchange option contracts at 31 December 2008 it would have received from the bank a net amount of \$584,000 for these. Under the previous accounting policies the interest rate swap benefit/loss would only be accounted for as the interest savings/expenses were realised in future periods. In relation to the forward foreign exchange contracts, under the previous accounting policies the export sales in future periods would be recorded at the realised forward contract rates into New Zealand dollars, not at the unrealised spot rate as is required by NZ IFRS, and as such this is bringing forward revenue for future sales. Such unrealised entries at balance date reverse on the opening of the next financial period. These unrealised gains/losses are revalued at their “fair value” on a continuous basis until either financial instrument maturity, translation into New Zealand dollars or the next balance date occurs.

SUPPLEMENTARY INFORMATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (CONTINUED)

2. Explanation of NZ IFRS Adjustments in the Balance Sheet (SI2):

- 2.1 Other financial assets/liabilities** – the balances shown at 31 December 2008 of \$1,251,000 as current assets and \$573,000 as current liabilities are the outstanding financial derivatives including interest rate swaps, forward foreign exchange contracts and foreign exchange option contracts, at “fair value” at balance date – this is a new asset/liability category required under NZ IAS 39.
- 2.2 Inventories** – the adjustment of \$421,000 relates to the grapes being valued at “fair value” under NZ IAS 41 as the deemed cost instead of actual cost as previously. The wine inventories held at transition to NZ IFRS had to be restated to “fair value” from actual cost as though NZ IAS 41 had always applied. The corresponding adjustment was made in Retained earnings.
- 2.3 Other current assets** – the adjustment of \$1,468,000 relates to the vineyard expenses incurred towards the next harvest that were previously treated as prepayments (other current assets) and must now be expensed as Vineyard expenses as incurred under NZ IFRS.
- 2.4 Biological assets** – the adjustment of \$10,574,000 consists of the reclassification of grape vines out of “property, plant & equipment” of \$9,106,000 and the capitalisation of current half year vineyard costs of \$1,468,000. Under NZ IFRS grape vines are deemed to be a severable asset from the integrated vineyard land and improvements. These are required to be classified separately as a non-current asset under NZ IAS 41.
- 2.5 Deferred tax liabilities** – the adjustment of \$1,392,000 results primarily from the requirement under NZ IFRS to bring to account a deferred tax liability in relation to the revaluation of biological assets. This liability was not previously recognised and will never be realised in full under current NZ income tax legislation.
- 2.6 Reserves** – the adjustment shown in reserves of \$4,099,000 includes the asset revaluation reserve which related to vines of \$3,268,000 which was required to be transferred to retained earnings upon transition from NZ GAAP to NZ IFRS. This is because NZ IAS 41 requires movements in the value of vines (“biological assets”) be taken through the profit and loss (Income Statement).
- 2.7 Retained earnings** – in accordance with NZ IFRS 1 “First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards” all entries arising from the transition from NZ GAAP to NZ IFRS are required to adjust through opening retained earnings.

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

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AUDITORS:	Deloitte, Wellington
SOLICITORS:	Lundons Law, Blenheim
BANKERS:	National Bank of New Zealand, Blenheim
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SHARE TRADING:	NZX – NZAX Market Stock Code “NWC”