



THE NEW ZEALAND WINE COMPANY  
LIMITED

## **HALF YEARLY REPORT**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

THE NEW ZEALAND WINE COMPANY  
LIMITED

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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<br>6 Months<br>31 Dec<br>2008<br>Result<br>before<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited<br>6 Months<br>31 Dec<br>2008<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited<br>6 Months<br>31 Dec<br>2008<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited<br>6 Months<br>31 Dec<br>2007<br>Result<br>before<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited<br>6 Months<br>31 Dec<br>2007<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited<br>6 Months<br>31 Dec<br>2007<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Audited<br>12 Months<br>30 Jun<br>2008<br>NZIFRS           |
|--|-------------|---|---|---|---|---|---|--|
|  | Note        | \$'000  | \$'000  | Unaudited<br>6 Months<br>31 Dec<br>2008<br>NZIFRS<br>\$'000                             | \$'000  | \$'000  | Unaudited<br>6 Months<br>31 Dec<br>2007<br>NZIFRS<br>\$'000                             | Audited<br>12 Months<br>30 Jun<br>2008<br>NZIFRS<br>\$'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   |
| <b>Revenue</b>   |             | <b>6,213</b>  | <b>-</b>  | <b>6,213</b>  | <b>5,601</b>  | <b>-</b>  | <b>5,601</b>  | <b>11,986</b>  |
| <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<br>/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)  |
| <b>Profit before income tax</b>  | 3           | <b>1,055</b>  | <b>(52)</b>   | <b>1,003</b>  | <b>1,511</b>  | <b>25</b>   | <b>1,536</b>  | <b>2,998</b>   |
| Income tax expense   |             | (317)   | 16  | (301)   | (499)   | (8)   | (507)   | (954)  |
| <b>Profit for the period</b>   |             | <b>738</b>  | <b>(36)</b>   | <b>702</b>  | <b>1,012</b>  | <b>17</b>   | <b>1,029</b>  | <b>2,044</b>   |
| 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<br>Months 31<br>Dec 2008<br>Before<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited 6<br>Months 31<br>Dec 2008<br>Biological<br>Bearer-<br>Asset<br>Adjustment | <b>Unaudited<br/>6 Months<br/>31 Dec<br/>2008<br/>NZIFRS<br/>\$'000</b> | Unaudited 6<br>Months 31<br>Dec 2007<br>Before<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited 6<br>Months 31<br>Dec 2007<br>Biological<br>Bearer-<br>Asset<br>Adjustment | <b>Unaudited<br/>6 Months<br/>31 Dec<br/>2007<br/>NZIFRS<br/>\$'000</b> | <b>Audited<br/>12 Months<br/>30 Jun<br/>2008<br/>NZIFRS<br/>\$'000</b> |
|-------------------------------|--|--|---|--|--|---|--|
| <b>Note</b>                   | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>   | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>   | <b>\$'000</b>  |
| <b>CURRENT ASSETS</b>         |  |  |   |  |  |   |  |
| 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>  |
| <b>NON-CURRENT ASSETS</b>     |  |  |   |  |  |   |  |
| 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>  |
| <b>TOTAL ASSETS</b>           | <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.

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## BALANCE SHEET

### AS AT 31 DECEMBER 2008 (CONTINUED)

|                                     | Unaudited 6<br>Months 31<br>Dec 2008<br>Before<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited 6<br>Months 31<br>Dec 2008<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited<br>6 Months<br>31 Dec<br>2008<br>NZIFRS | Unaudited 6<br>Months 31<br>Dec 2007<br>Before<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited 6<br>Months 31<br>Dec 2007<br>Biological<br>Bearer-<br>Asset<br>Adjustment | Unaudited<br>6 Months<br>31 Dec<br>2007<br>NZIFRS | Audited<br>12 Months<br>30 Jun<br>2008<br>NZIFRS |
|-------------------------------------|--|--|---|--|--|---|--|
| Note                                | \$'000   | \$'000   | \$'000  | \$'000   | \$'000   | \$'000  | \$'000   |
| <b>CURRENT LIABILITIES</b>          |  |  |   |  |  |   |  |
| 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>                                     |
| <b>NON-CURRENT LIABILITIES</b>      |  |  |   |  |  |   |  |
| 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>                                    |
| <b>TOTAL LIABILITIES</b>            | <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>                                    |
| <b>EQUITY</b>                       |  |  |   |  |  |   |  |
| 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  |
| <b>TOTAL EQUITY</b>                 | <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>                                    |
| <b>TOTAL LIABILITIES AND EQUITY</b> | <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>                                    |

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## STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

|  | Note | Unaudited<br>6 Months<br>31 Dec 2008<br>NZIFRS<br>\$'000 | Unaudited<br>6 Months<br>31 Dec 2007<br>NZIFRS<br>\$'000 | Audited<br>12 Months 30<br>Jun 2008<br>NZIFRS<br>\$'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   |
| <b>Total recognised income and expense for the period</b>        |      | 702  | 1,029  | 2,409   |
| Contributions by owners  | 7    | -  | 1  | 21  |
| Distributions to owners  |      | (434)  | (347)  | (607)   |
| Share-based payment  |      | 2  | 4  | 5   |
| <b>Added to equity during the period</b>                         |      | 270  | 687  | 1,828   |
| <b>Equity at the beginning of the period</b>                     |      | 21,300   | 19,472   | 19,472  |
| <b>Equity at end of period</b>                                   |      | 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

|   | Unaudited<br>6 Months<br>31 Dec 2008<br>NZIFRS<br>\$'000 | Unaudited<br>6 Months<br>31 Dec 2007<br>NZIFRS<br>\$'000 | Audited<br>12 Months 30<br>Jun 2008<br>NZIFRS<br>\$'000 |
|---|--|--|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |  |  |   |
| 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  | 1,486  | (705)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |  |  |   |
| 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                           | (993)  | (756)  | (1,202)   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                        |  |  |   |
| 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                           | 1,251  | (1,048)  | 897   |
| 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 | 650  | 1,637  | 1,637   |
| Cash and cash equivalents/(Bank overdraft) at end of period       | 679  | 1,319  | 650   |
| Comprising: Cash and cash equivalents                             | 679  | 1,319  | 650   |
| Bank overdraft  | -  | -  | -   |
|   | 679  | 1,319  | 650   |

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<br>6 Months<br>31 Dec 2008<br>NZIFRS<br>\$'000 | Unaudited<br>6 Months<br>31 Dec 2007<br>NZIFRS<br>\$'000 | Audited<br>12 Months 30<br>Jun 2008<br>NZIFRS<br>\$'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<br>6 Months<br>31 Dec 2008 | Unaudited<br>6 Months<br>31 Dec 2007 | Audited<br>12 Months 30<br>Jun 2008 |
|--|--------------------------------------|--------------------------------------|-------------------------------------|
|  | NZIFRS<br>\$'000                     | NZIFRS<br>\$'000                     | NZIFRS<br>\$'000                    |

#### 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 |
|---|--------|---------|--------|

##### PERFORMANCE SHARE PLAN RIGHTS

|  |         |         |         |
|--|---------|---------|---------|
| Number of rights on issue at end of period | 225,927 | 225,927 | 225,927 |
|--|---------|---------|---------|

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (CONTINUED)

|   | Unaudited<br>6 Months<br>31 Dec 2008<br>NZIFRS<br>\$'000 | Unaudited<br>6 Months<br>31 Dec 2007<br>NZIFRS<br>\$'000 | Audited<br>12 Months 30<br>Jun 2008<br>NZIFRS<br>\$'000 |
|---|--|--|---|
| <b>8. NET CASH FLOW FROM OPERATING ACTIVITIES</b>                 |  |  |   |
| 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)   |
| <b>9. FINANCIAL INSTRUMENTS</b>                                   |  |  |   |
| 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 |             |        |
|----------------------|-----------------|-------------|-------------|----------------|-------------|--------|
|                      | 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

|                            |  |
|----------------------------|--|
| <b>DIRECTORS:</b>          | JA Jamieson (Chairman)<br>JE Albertson<br>DR Appleby<br>MJ McQuillan<br>SC Riley<br>WF Wallace   |
| <b>WINERY ADDRESS:</b>     | 13 Waihopai Valley Road<br>Renwick, Marlborough, New Zealand<br>Telephone +64 3 572 8200<br>Facsimile +64 3 572 8211   |
| <b>POSTAL ADDRESS:</b>     | PO Box 67, Renwick 7243, Marlborough, New Zealand  |
| <b>EMAIL:</b>              | info@nzwineco.co.nz  |
| <b>WEBSITES:</b>           | www.nzwineco.co.nz<br>www.grovemill.co.nz<br>www.sanctuarywine.co.nz   |
| <b>NATURE OF BUSINESS:</b> | Production and distribution of wine  |
| <b>AUDITORS:</b>           | Deloitte, Wellington   |
| <b>SOLICITORS:</b>         | Lundons Law, Blenheim  |
| <b>BANKERS:</b>            | National Bank of New Zealand, Blenheim   |
| <b>REGISTRATION NO.</b>    | 307139   |
| <b>REGISTERED OFFICE:</b>  | 13 Waihopai Valley Road, Renwick 7204, Marlborough   |
| <b>SHARE REGISTRAR:</b>    | Computershare Investor Services Limited<br>Level 2, 159 Hurstmere Road, Takapuna, Auckland<br>Private Bag 92119, Auckland 1020<br>Telephone +64 9 488 8777<br>Facsimile +64 9 488 8787<br>Email: enquiry@computershare.co.nz |
| <b>SHARE TRADING:</b>      | NZX – NZAX Market<br>Stock Code “NWC”  |