THE NEW ZEALAND WINE COMPANY

LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

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DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

The Directors of The New Zealand Wine Company Limited (NZWC) present their unaudited 2010 Interim Results for the six months ended 31 December 2009. NZWC unaudited financial statements for the Interim Report have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Operating Results

NZWC Directors announce an unaudited net loss after NZ IFRS revaluation adjustments and tax for the 31 December 2009 half year of ($646,000), which compares to a net profit of $1,283,000 for the same period in 2008. A number of significant NZ IFRS revaluation adjustments contributed to the net loss of ($646,000) at balance date which are detailed in the Half Yearly Report Financial Statements and in the accompanying Notes to the Financial Statements. In summary the adjustments are:

- ($ 206,000) of unrealised 'mark to market' losses in the 'fair value' of financial assets/liabilities held for trading.
- ($1,060,000) of unrealised losses from the revaluation of grape vine values classified as 'Biological assets'.
- ($ 169,000) of realised losses in the value of harvested grapes valued at 'fair value'.

NZWC underlying net earnings of $511,000 for the 31 December 2009 half year compare favourably to the prior period 2008 earnings of $471,000, particularly when the underlying net earnings continue to be impacted by the oversupply of wine, discounted bulk wine sales and the global financial crisis.

Basic NZ IFRS earnings per share were (7.5) cps for the 31 December 2009 half year with the comparable earnings per share for the 2008 year being 8.1 cps.

Total shareholders equity as at 31 December 2009 was $20,267,000 compared to the equivalent $21,570,000 reported for the same period in 2008.

With 8,677,199 shares on issue as at 31 December 2009, net tangible assets were $2.33 per share compared to the equivalent $2.48 per share reported for the same period in 2008.

Revenue

Revenue for the 31 December 2009 half year was $6,700,000 which represents an increase of 6% on the $6,340,000 for the same period in 2008. Sales were constrained by the oversupply of wine and discounted bulk wine sales.

NZWC took the opportunity in November 2009 to close out a portion of its NZD/USD forward exchange book for the 2011-2014 financial years after considering advice from its treasury consultant and revenue includes the realised foreign exchange cash benefit of NZ$1,073,000.

Property Valuations

Lower grape prices have impacted on the values of vineyard and winery assets and Directors elected to commission a mid-year valuation report from Alexander Hayward Limited to ensure the valuations of the company properties reflect current market conditions. As at 31 December 2009 the total valuation of all company vineyard and winery property assets was $17, 605,000 which was 10% lower than the 30 June 2009 valuation of $19,515,000. The ($1,910,000) reduction in property values has been taken up in the financial statements as:

- ($1,060,000) through the Income Statement as an unrealised loss on biological assets
  {Note 11 Biological Assets – a reduction in the valuation of grape vines}
- ($ 850,000) through the Balance Sheet as a reduction in Retained Earnings in Equity
  {Note 10 Property Plant and Equipment – a reduction in the valuation of land, buildings and land improvements excluding grape vines}

NZWC is in full compliance with its ANZ National Bank Limited Financial Covenants, not withstanding the reduction in the value of the company properties. Directors are confident that NZWC will remain in full compliance for the full year ended 30 June 2010.

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (CONTINUED)

Foreign Exchange

New Zealand Dollar foreign exchange risk management remains a key focus for the Board and Management who work closely with the NZWC's treasury consultants to implement appropriate foreign exchange management strategies to minimise currency risks and maximise the benefits from operating an integrated Treasury Management Policy.

The persistent strength of the NZD against the USD and GBP is having a significant negative impact on export sales margins, particularly in the UK market.

Oversupply of Grapes and Bulk Wine Sales

The large 2008 and 2009 grape harvests produced an oversupply of wine estimated by NZ Winegrowers at up to 40 million litres of bulk wine and the impact of discounted bulk wine sales on traditional branded wine sales has become a millstone around the neck of the New Zealand wine industry. This factor when coupled with the impacts of the global financial crisis, makes 2010 a very challenging year.

The financial sustainability of the New Zealand wine industry is being severely tested by the high level of bulk wine sales, which rose from 20% of total New Zealand export sales in the June 2009 financial year to 25% in the 2009 calendar year. This departure from the fundamentals of building strong wine brands is now damaging Brand Marlborough and Brand New Zealand wines.

The sheer volume of bulk wine sales at 25% of total export sales has created short term opportunities for a number of substantial global competitors who have the ability to buy bulk wine at less than the cost of production to undercut the branded wine export prices of New Zealand wine companies. The only sustainable solution is to balance the supply of grapes harvested from Vintage 2010 and beyond with demand for New Zealand branded wine, to ensure that the large bulk wine surpluses are not produced on an ongoing basis.

Vintage 2010

NZ Winegrowers has recommended that its members collectively need to reduce the total 2010 New Zealand grape harvest to 265,000 tonnes, from the 285,000 tonnes harvested in 2009, to bring grape supply back into balance with the demand for New Zealand branded wine and NZWC fully supports this approach. The New Zealand wine industry Vintage 2010 average vineyard harvest yields will have a critical impact on how quickly the industry can re-balance grape supply with global demand for branded wine.

NZWC has adopted a disciplined approach to limiting its harvest yields and management will be working hard to ensure that the company's targeted 2010 vintage delivered to the winery is around 2,250 tonnes, down 10% from the 2,478 tonnes harvested in 2009. Lower harvest yields per hectare are also aimed at delivering higher quality grapes to the winery to enable the company's winemakers to improve the quality of NZWC 2010 wines.

Dividend

Directors have declared a fully imputed interim dividend of 2 cents per share for the half year to 31 December 2009 which is the same as the 2009 interim dividend. The interim dividend will be paid on 1 April 2010, with a record date of 26 March 2010. With underlying earnings for the first half being at a similar level to the comparative 2008 half year earnings Directors decided that an interim dividend payment of 2 cents per share should be maintained.

After reviewing the sustainability of underlying earnings for the full year to June 2010 the Directors will then consider the second half dividend options. Directors remain committed to achieving the objective of increasing dividend payments and will continue to review dividend payout levels against sustainable underlying net earnings before NZ IFRS revaluations.

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (CONTINUED)

New Zealand Wine Industry Rationalisation

During the first half your directors evaluated two merger proposals to significantly increase the scale of NZWC's business and add value for shareholders. Whilst these proposals have not proceeded, directors believe the scale of the business must increase to more than 500,000 cases and intends to continue to pursue opportunities that will add value to achieve the objective.

Operating Results Outlook

NZWC Branded wine sales for the second half of the June 2010 financial year are on target with forecasts.

The NZ IFRS reporting standard makes it impossible for an agricultural exporting company to predict what can be significant swings in the revaluation adjustments required to be made at each balance date. When coupled with the New Zealand wine oversupply problems and the market distortions from the sales of discounted bulk wine it is difficult to provide meaningful earnings guidance for the full year. Directors and management will continue to focus on the underlying profit before revaluations and income tax, as it is a more reliable and consistent earnings benchmark.

Directors believe that once the current oversupply bulk wine surplus has been sold through by the New Zealand wine industry that NZWC will have a Business Plan that is sustainable and which can deliver stronger underlying earnings to add value for shareholders.

For and on behalf of the Board of Directors

Alton Jamieson
Chairman
25 February 2010

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Note	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
CURRENT ASSETS				
Cash and cash equivalents		1,378	679	-
Trade and other receivables		2,362	4,109	4,383
Other financial assets	9/16.2.1	2,683	1,251	3,025
Inventories	16.2.2	10,154	10,023	12,164
Current tax assets		486	-	295
Assets available for sale		107	-	113
Other current assets		185	191	421
		17,355	16,253	20,401
NON-CURRENT ASSETS				
Property, plant and equipment	10	14,818	15,610	15,554
Biological assets	11/16.2.3	8,458	10,574	8,443
Intangible assets		15	19	17
Investments		10	10	10
Other non-current receivables		25	48	25
		23,326	26,261	24,049
TOTAL ASSETS		**40,681**	**42,514**	**44,450**

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 18.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009 (CONTINUED)

	Note	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
CURRENT LIABILITIES				
Trade and other payables		1,430	1,416	2,171
Loans and borrowings		1,867	2,060	2,649
Other financial liabilities	9/16.2.1	186	573	336
Current tax payables		-	166	-
		3,483	4,215	5,156
NON-CURRENT LIABILITIES				
Loans and borrowings		13,164	13,595	13,594
Deferred tax liabilities	16.2.4	3,767	3,134	3,762
		16,931	16,729	17,356
TOTAL LIABILITIES		20,414	20,944	22,512
EQUITY				
Share capital	7	9,619	9,619	9,619
Reserves	16.2.5	3,055	3,946	3,906
Retained earnings	16.2.6	7,593	8,005	8,413
TOTAL EQUITY		20,267	21,570	21,938
TOTAL LIABILITIES AND EQUITY		**40,681**	**42,514**	**44,450**

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 18.

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Note	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
Revenue	3	**6,700**	**6,340**	**12,518**
Expenses				
Excise duty		(589)	(250)	(429)
Cost of sales		(3,811)	(4,072)	(8,269)
Distribution expenses		(99)	(124)	(232)
Marketing expenses		(759)	(452)	(1,169)
Administration expenses		(572)	(519)	(1,042)
Expenses excluding interest		**(5,830)**	**(5,417)**	**(11,141)**
Underlying profit before interest, revaluations and income tax		**870**	**923**	**1,377**
Interest revenue		14	15	31
Interest expense	4	(373)	(467)	(837)
Net finance costs		**(359)**	**(452)**	**(806)**
Underlying profit before revaluations and income tax		**511**	**471**	**571**
Revaluation gains and losses				
Unrealised gain/(loss) in fair value of financial asset/liabilities – held for trading	9/16.1.1	(206)	584	2,580
Unrealised gain/(loss) on biological assets	11/16.1.2	(1,060)	-	(726)
Unrealised (loss)/gain on harvested grapes	16.1.3	-	-	(366)
Realised (loss)/gain on harvested grapes	16.1.4	(169)	(52)	(216)
Profit/(loss) before income tax	3	**(924)**	**1,003**	**1,843**
Income tax expense		278	(301)	(560)
Profit/(loss) for the period		**(646)**	**702**	**1,283**
Basic Earnings per share cps (after tax)	5	(7.5)	8.1	14.8
Diluted Earnings per share cps (after tax)	5	(7.4)	8.0	14.6

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 18.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Note	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
Profit/(loss) for the period		(646)	702	1,283
Other comprehensive income:				
Revaluation of property, plant and equipment	10	(850)	-	(14)
Income tax on items taken directly to or transferred from equity		-	-	(26)
Other comprehensive income for the period, net of tax		(850)	-	(40)
Total comprehensive income/(expense) for the period		(1,496)	702	1,243

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 18.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Parent & Group	Note	Fully Paid Ordinary Shares $'000	Asset Revaluation Reserve $'000	Employee Equity-Settled Benefits Reserve $'000	Retained Earnings $'000	Total $'000
Equity at 1 July 2009		9,619	3,889	17	8,413	21,938
Total comprehensive income/(expense) for the period		-	(850)	-	(646)	(1,496)
Contributions by owners	7	-	-	-	-	-
Distributions to owners		-	-	-	(174)	(174)
Share-based payment		-	-	(1)	-	(1)
Transactions with owners during the period		-	(850)	(1)	(174)	(175)
Added to equity during the period		-	(850)	(1)	(820)	(1,671)
Equity at 31 December 2009		9,619	3,039	16	7,593	20,267
Dividends paid per share cps	6					2.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 18.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (CONTINUED)

Parent & Group	Note	Fully Paid Ordinary Shares $'000	Asset Revaluation Reserve $'000	Employee Equity-Settled Benefits Reserve $'000	Retained Earnings $'000	Total $'000
Equity at 1 July 2008		9,619	3,929	15	7,737	21,300
Total comprehensive income/(expense) for the period		-	-	-	702	702
Contributions by owners	7	-	-	-	-	-
Distributions to owners		-	-	-	(434)	(434)
Share-based payment		-	-	2	-	2
Transactions with owners during the period		-	-	2	(434)	(432)
Added to equity during the period		-	-	2	268	270
Equity at 31 December 2008		9,619	3,929	17	8,005	21,570
Dividends paid per share cps	6					5.0
Equity at 1 July 2008		9,619	3,929	15	7,737	21,300
Total comprehensive income/(expense) for the period		-	(40)	-	1,283	1,243
Contributions by owners	7	-	-	-	-	-
Distributions to owners		-	-	-	(607)	(607)
Share-based payment		-	-	2	-	2
Transactions with owners during the period		-	-	2	(607)	(605)
Added to equity during the period		-	(40)	2	676	638
Equity at 30 June 2009		9,619	3,889	17	8,413	21,938
Dividends paid per share cps	6					7.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 18.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Note	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		9,517	7,091	13,189
Interest received		14	15	31
Payments to suppliers and employees		(6,231)	(6,547)	(12,853)
Interest and other costs of finance paid		(364)	(468)	(816)
Interest capitalised into inventories		(140)	(183)	(328)
Income tax paid		91	(137)	(251)
Net cash flow from operating activities	8	2,888	(229)	(1,028)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of property, plant and equipment		-	1	-
Purchase of property, plant and equipment and biological assets		(107)	(1,024)	(1,320)
Interest capitalised into biological assets		(18)	(27)	(46)
Purchase of intangible assets		-	(8)	(10)
Grower loan repaid (advanced)		-	65	89
Net cash flow from investing activities		(125)	(993)	(1,287)
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided for (applied to)				
Issue of equity share capital		-	-	-
Loans advanced		500	3,650	3,650
Loans repaid		(1,079)	(1,965)	(2,010)
Dividends paid		(174)	(434)	(607)
Net cash flow from financing activities		(753)	1,251	1,033
Net increase (decrease) in cash held		2,010	29	(1,282)
Cash and cash equivalents/(Bank overdraft) at beginning of period		(632)	650	650
Cash and cash equivalents/(Bank overdraft) at end of period		1,378	679	(632)
Comprising: Cash and cash equivalents		1,378	679	-
Bank overdraft		-	-	(632)
		1,378	679	(632)

These financial statements should be read in conjunction with the Notes to the financial statements on pages 11 to 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

1. ACCOUNTING PERIOD

These unaudited financial statements cover the six month period to 31 December 2009. 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 2009.

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 2009 with the exception of taxation and the following new interpretations, revisions and amendments to NZ IFRS which are relevant to the Parent and Group's financial statements and became effective mandatorily for the annual periods beginning on or after 1 January 2009: NZ IAS 1 *Presentation of Financial Statements (Revised 2007)*; and NZ IFRS 8 *Operating Segments*.

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.

NZ IAS 1 *Presentation of Financial Statements (Revised 2007)*
The Group has adopted NZ IAS 1 *Presentation of Financial Statements (Revised 2007)* in its parent and consolidated financial statements. This standard has been applied retrospectively. The adoption of the standard does not affect the financial position or profits of the Parent or Group but gives rise to additional disclosures. The measurement and recognition of the Parent and Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, such as for example revaluation of property, plant and equipment. NZ IAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income".

NZ IFRS 8 *Operating Segments*
This standard has been applied retrospectively. The adoption of this standard has not affected the identified operating segments for the Parent and Group. However the accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In contrast NZ IAS 14 required the Group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments. Refer note 12 for segment information.

There have been no other changes in accounting policies during the period.

	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
3. PROFIT/(LOSS) FOR THE PERIOD			
Included in profit/(loss) before income tax for the period are the following:			
REVENUE:			
Sales revenue	5,538	6,299	12,477
Government grant – market development expenditure co-funding	89	41	41
Net foreign exchange gains/(losses) on contract close outs	1,073	-	-
Total revenue	6,700	6,340	12,518

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (CONTINUED)

	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
3. PROFIT/(LOSS) FOR THE PERIOD (CONTINUED)			
EXPENSES:			
Amortisation	2	4	8
Bad debts	-	-	-
Depreciation*	7	7	14
Directors' fees	80	38	159
Employee benefits expense:			
- Short-term employee benefits	1,118	957	2,315
- Equity-settled share-based payments	(1)	2	2
Fees paid to auditors:			
- Audit of the financial statements	-	-	26
- For other services	4	23	-
Provision for write-down of inventory	305	200	-

* Total depreciation on property, plant and equipment totalled $278,000 for the six months ended 31 December 2009 (Y/E 30Jun09 $538,000; P/E 31Dec08 $358,000). $271,000 has been applied to work in progress (Y/E 30Jun09 $524,000; P/E 31Dec08 $351,000).

4. FINANCING COSTS

Loan interest and other costs of finance paid	531	677	1,211
Less: Interest capitalised/included in cost of grapes	(140)	(183)	(328)
Less: Interest capitalised into biological assets	(18)	(27)	(46)
	373	467	837

5. EARNINGS PER SHARE

Basic Earnings per share

The calculation is based on NZIFRS earnings/(loss) of $(646,000) (30Jun09 $1,283,000; 31Dec08 $702,000) and the weighted average of 8,677,199 ordinary shares on issue during the period (30Jun09 8,677,199; 31Dec08 8,677,199).

Diluted Earnings per share

The calculation is based on NZIFRS earnings/(loss) of $(646,000) (30Jun09 $1,283,000; 31Dec08 $702,000) and the weighted average of 8,743,266 ordinary shares on issue during the period (30Jun09 8,761,366; 31Dec08 8,761,366).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (CONTINUED)

5. EARNINGS PER SHARE (CONTINUED)

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:

	2009 Number of shares	2008 Number of shares
Weighted average number of ordinary shares (Basic)	8,677,199	8,677,199
Share options outstanding at period end	66,067	84,167
Weighted average number of ordinary shares (Diluted)	8,743,266	8,761,366

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 2010 period is based on the final dividend for 2009 paid in September totalling $173,545 (31Dec08 $433,860).

	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
7. SHARE CAPITAL			
FULLY PAID UP ORDINARY SHARES			
Balance at beginning of period	9,619	9,619	9,619
Share issues	-	-	-
Balance at end of period	9,619	9,619	9,619
Number of fully paid ordinary shares	8,677,199	8,677,199	8,677,199

There were no shares issued during the period (30Jun09: nil; 31Dec08: nil).

SHARE OPTIONS			
Number of options on issue at end of period	66,067	84,167	93,167
PERFORMANCE SHARE PLAN RIGHTS			
Number of rights on issue at end of period	266,668	225,927	225,927

	$'000	$'000	$'000
8. NET CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT AFTER INCOME TAX FOR THE PERIOD	(646)	702	1,283
NON-CASH ITEMS:			
Depreciation	278	358	538
Amortisation of intangibles	2	4	8
Increase/(decrease) in deferred tax	5	(11)	591
Adjustments resulting from revaluation of grapes	81	52	582
Gain on revaluation of biological assets	(277)	(1,468)	726
(Gain)/loss on disposal of property, plant and equipment	2	(1)	(6)
Share-based payments	(1)	2	2
	(556)	(362)	3,724

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (CONTINUED)

	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
8. NET CASH FLOW FROM OPERATING ACTIVITIES (CONTINUED)			
CHANGE IN ASSETS AND LIABILITIES:			
Inventories	1,927	1,472	(1,201)
Trade and other receivables	2,021	(321)	(593)
Trade and other payables	(741)	(1,367)	(622)
Other financial assets/liabilities	192	(584)	(2,577)
Other current assets and current tax assets/liabilities	45	933	241
	3,444	133	(4,752)
NET CASH FLOW FROM OPERATING ACTIVITIES	2,888	(229)	(1,028)
9. FINANCIAL INSTRUMENTS			
Change in fair value of financial assets/liabilities consists of:			
Foreign currency forward contracts	2,683	1,075	2,804
Foreign currency option contracts	-	(77)	50
Interest rate swaps	(186)	(414)	(274)
	2,497	584	2,580

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land at Fair Value $'000	Freehold Buildings at Fair Value $'000	Land Improve-ments at Fair Value $'000	Plant and Equip. at Cost $'000	Motor Vehicles at Cost $'000	Total $'000
6 Months to 31 December 2009						
At 1 July 2009, net of accumulated depreciation and impairment	4,350	3,733	2,989	4,341	141	15,554
Additions	-	-	334	54	-	388
Disposals/Reclassification to available for sale	-	-	-	4	-	4
Revaluations	(430)	(28)	(392)	-	-	(850)
Impairment	-	-	-	-	-	-
Depreciation charge for the period	-	(37)	(35)	(192)	(14)	(278)
At 31 December 2009, net of accumulated depreciation and impairment	3,920	3,668	2,896	4,207	127	14,818
At 31 December 2009:						
Cost or fair value	3,920	3,668	2,896	6,798	468	17,750
Accumulated depreciation and impairment	-	-	-	(2,591)	(341)	(2,932)
Net carrying amount	3,920	3,668	2,896	4,207	127	14,818

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (CONTINUED)

	Freehold Land at Fair Value $'000	Freehold Buildings at Fair Value $'000	Land Improve-ments at Fair Value $'000	Plant and Equip. at Cost $'000	Motor Vehicles at Cost $'000	Total $'000
6 Months to 31 December 2008						
At 1 July 2008, net of accumulated depreciation and impairment	4,450	3,575	2,639	4,085	169	14,918
Additions	-	-	413	637	-	1,050
Disposals/Reclassification to available for sale	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Depreciation charge for the period	-	(36)	(129)	(179)	(14)	(358)
At 31 December 2008, net of accumulated depreciation and impairment	4,450	3,539	2,923	4,543	155	15,610
At 31 December 2008:						
Cost or fair value	4,450	3,575	3,052	6,922	468	18,467
Accumulated depreciation and impairment	-	(36)	(129)	(2,379)	(313)	(2,857)
Net carrying amount	4,450	3,539	2,923	4,543	155	15,610
12 Months to 30 June 2009						
At 1 July 2008, net of accumulated depreciation and impairment	4,450	3,575	2,639	4,085	169	14,918
Additions	-	-	561	740	-	1,301
Disposals/Reclassification to available for sale	-	-	-	(113)	-	(113)
Revaluations	(100)	230	(144)	-	-	(14)
Impairment	-	-	-	-	-	-
Depreciation charge for the period	-	(72)	(67)	(371)	(28)	(538)
At 30 June 2009, net of accumulated depreciation and impairment	4,350	3,733	2,989	4,341	141	15,554
At 30 June 2009:						
Cost or fair value	4,350	3,733	2,989	6,818	468	18,565
Accumulated depreciation and impairment	-	-	-	(2,477)	(327)	(2,898)
Net carrying amount	4,350	3,733	2,989	4,341	141	15,554

Revaluation of Land, Buildings and Land Improvements

Land, buildings and land improvements shown at valuation were valued at fair value under the principle of highest and best use by Alexander Hayward Limited, registered independent valuers, on 31 December 2009 (31Dec08: No independent valuation conducted; 30Jun09: 30 June 2009). Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land, buildings and vineyards comparable in size, location and varietal mix to those held by the Group.

11. BIOLOGICAL ASSETS

Biological assets consist of grape vines (bearer biological assets). The Group grows grapes to use in the production of wine, as part of normal operations. Vineyards are located in Marlborough, New Zealand. Grapes are harvested between March and May each year.

At 31 December 2009, the Group held approximately 292,000 grape vines planted on approximately 122 hectares of land owned or leased by the Group (30Jun09: 292,000 grape vines planted on 122 hectares of land). 112 hectares are currently in commercial production (30Jun09: 112). During the period ended 31 December 2009 the Group did not harvest any grapes (P/E 31Dec08: Nil; Y/E 30Jun09: approximately 1,000 tonnes).

	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Unaudited 6 Months 31 Dec 2008 Parent & Group $'000	Audited 12 Months 30 Jun 2009 Parent & Group $'000
11. BIOLOGICAL ASSETS (CONTINUED)			
Carrying amount at 1 July	8,443	9,106	9,106
Gain/(loss) from changes to fair value of vines less estimated point of sale costs	(1,060)	-	(726)
Additions to vines	1,075	1,468	63
Carrying amount at 31 December (30 June)	8,458	10,574	8,443

The fair value less estimated point of sale costs of grape vines is determined by independent valuation at balance date. The fair value of vineyards, including land, grapes vines and other vineyard infrastructure were determined by Alexander Hayward Limited, registered independent valuers, under the principle of highest and best use on 31 December 2009 (31 December 2008: No independent valuation conducted; 30 June 2009: 30 June 2009). Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for vineyards comparable in size, location and varietal mix to those held by the Group. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards, to determine the fair value of grape vines.

12. 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 including the chief operating decision maker to assess segment results are presented on the same basis. In accordance with NZ IFRS 8 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 2009	31 Dec 2008	30 Jun 2009	31 Dec 2009	31 Dec 2008	30 Jun 2009
Geographical segment	$'000	$'000	$'000	$'000	$'000	$'000
New Zealand	4,134	1,480	2,301	39,046	38,943	40,537
United States	224	473	3,715	155	347	2,962
United Kingdom	1,616	2,657	3,795	880	2,302	243
Australia	510	1,386	2,025	557	815	708
Other	216	344	510	43	107	-
Total	6,700	6,340	12,346	40,681	42,514	44,450

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

	Unaudited 6 Months 31 Dec 2009 Parent & Group $	Unaudited 6 Months 31 Dec 2008 Parent & Group $	Audited 12 Months 30 Jun 2009 Parent & Group $
13. NET TANGIBLE ASSETS			
Net tangible assets per share	2.33	2.48	2.53
Adjusted Net tangible assets per share	2.46	2.63	2.65

Adjusted Net tangible assets per share is calculated by excluding deferred tax liabilities of $1,072,000 (31Dec08: $1,229,000; 30Jun09 $1,072,000) which will not crystallise under current income tax legislation. On disposal of a vineyard property, the deferred tax liability on vines that does not crystallise in respect of that property some of which may be reversed back to the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (CONTINUED)

14. SUBSEQUENT EVENTS

Dividend Declaration

On 25 February 2010 the directors declared an interim dividend in respect of the year ending 30 June 2010 of 2 cents per share payable on 1 April 2010 with a record date of 26 March 2010. The dividend will be fully imputed to 30c and a supplementary dividend will be paid to non-resident shareholders.

Performance Share Plan

On 15 January 2010 Rob White accepted an offer to enter a new cash-based Long Term Incentive Plan for year ended 30 June 2012 and withdraw from the existing Performance Share Plan. The rights issued to Rob White for 148,149 shares under the Performance Share Plan were cancelled upon his withdrawal from the Plan.

Loans and borrowings

On 29 January 2010 the Company entered into a Loan Agreement with Lineage Imports LLC in California USA for an unsecured loan of USD 88,000.00 to be advanced in two tranches on 29 January and 15 February 2010.

No other material events have occurred since balance date.

15. SHAREHOLDER INFORMATION

1 April 2009	Interim Dividend Payment
September 2010	Annual Report Published
October 2010	Final Dividend Payment
22 October 2010	Annual General Meeting

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

As outlined in the 2009 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.

16.1 Explanation of NZ IFRS Adjustments in the Income Statement:

16.1.1 Unrealised gain/(loss) on change in fair value of financial assets/liabilities – held for trading – Under NZ IFRS derivative instruments are required to be revalued at "fair value" at each balance date. These items have to be included on the balance sheet as financial assets/liabilities and changes in their fair value recorded as a gain/loss in the income statement. What this means is that if the Company were to "cash in" all of its outstanding interest rate swaps and forward foreign exchange contracts at 31 December 2009 it would have received from the bank a net amount of $2,497,000 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (CONTINUED)

16.1 Explanation of NZ IFRS Adjustments in the Income Statement (continued):

16.1.2 **Unrealised gain/(loss) 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). 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.

16.1.3 **Unrealised (loss)/gain on harvested grapes** – Under NZ IFRS the harvested grapes from the company's owned and leased vineyards for the vintage are required to be valued at "fair value", representing market value, at harvest and any gain/loss above/below their cost included in the income statement. This is unrealised until the wine is sold (see below). These grapes were previously transferred to the winery at their cost and any profit was realised upon their eventual sale as wine.

16.1.4 **Realised (loss)/gain on harvested grapes** – This is an adjustment that results from the sales of wine including grapes harvested from the company's owned and leased vineyards that were required to be valued at their "fair value" at harvest (refer above).

16.2 Explanation of NZ IFRS Adjustments in the Balance Sheet:

16.2.1 **Other financial assets/liabilities** – The balances shown at 31 December 2009 of $2,683,000 as current assets and $186,000 as current liabilities are the outstanding financial derivatives including interest rate swaps and forward foreign exchange contracts, at "fair value" at balance date – this is a new asset/liability category required under NZ IAS 39.

16.2.2 **Inventories** – The value of stock has been adjusted down by $ 477,000 which 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.

16.2.3 **Biological assets** – 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.

16.2.4 **Deferred tax liabilities** – The requirement under NZ IFRS to bring to account a deferred tax liability in relation to the revaluation of biological assets has resulted in an adjustment of $1,072,000 to the deferred tax liability in the balance sheet. This liability was not previously recognised and will never be realised in full under current NZ income tax legislation.

16.2.5 **Reserves** – Under NZ IFRS the asset revaluation reserve which related to vines of $3,268,000 was required to be transferred to retained earnings upon transition 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). All subsequent movements in the value of vines have been recorded in the income statement (refer 13.1.2). These revaluation gains/losses are unrealised within the income statement and were formally recorded under previous NZ GAAP as part of the asset revaluation reserve, included in Shareholder's Equity.

16.2.6 **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.

THE NEW ZEALAND WINE COMPANY
LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

DIRECTORS:	JA Jamieson (Chairman) JE Albertson DR Appleby MJ McQuillan SC Riley WF Wallace
WINERY ADDRESS:	13 Waihopai Valley Road Renwick, Marlborough, New Zealand Telephone +64 3 572 8200 Facsimile +64 3 572 8211
POSTAL ADDRESS:	PO Box 67, Renwick 7243, Marlborough, New Zealand
EMAIL:	info@nzwineco.co.nz
WEBSITES:	www.nzwineco.co.nz www.grovemill.co.nz www.sanctuarywine.co.nz
NATURE OF BUSINESS:	Production and distribution of wine
AUDITORS:	Deloitte, Wellington
SOLICITORS:	Lundons Law, Blenheim
BANKERS:	National Bank of New Zealand, Blenheim
REGISTRATION NO.	307139
REGISTERED OFFICE:	13 Waihopai Valley Road, Renwick 7204, Marlborough
SHARE REGISTRAR:	Computershare Investor Services Limited Level 2, 159 Hurstmere Road, Takapuna, Auckland 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”