THE NEW ZEALAND WINE COMPANY

LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

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HALF YEARLY REPORT

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CONTENTS

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

The Directors of The New Zealand Wine Company Limited (NZWC) present their unaudited 2011 Interim Results for the six months ended 31 December 2010. 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).

A significant New Zealand wine industry oversupply from the 2008 and 2009 vintages has resulted in a large volume of bulk wine sales at less than the cost of production and when coupled with the strength of the NZD against the GBP and USD, the industry wide problems have continued to negatively impact operating results.

NZWC unaudited 'underlying' net earnings for the 31 December 2010 half year resulted in a loss before interest, NZ IFRS revaluation adjustments and income tax for the 31 December 2010 half year of ($97,000) which is significantly less than the $511,000 underlying profit reported for the same period in 2009.

NZWC unaudited 'NZ IFRS' net earnings for the 31 December 2010 half year resulted in a net loss after tax of ($1,078,000) which is significantly higher than the ($646,000) net loss reported for the same period in 2009. A number of NZ IFRS non cash revaluation adjustments at balance date contributed to the net loss after tax of ($1,078,000), which are summarised below, and are detailed in the Half Yearly Report Financial Statements and in the accompanying Notes to the Financial Statements.

Income Statement Summary - $'000	**6 months 31 Dec 2010**	**6 months 31 Dec 2009**
Revenue	**$ 6,268**	**$ 6,700**
Underlying profit/(loss) before NZ IFRS revaluations and income tax	**($ 97)**	**$ 511**
NZ IFRS Revaluation gains and losses		
Unrealised 'mark to market' gain/(loss) in the fair value of financial assets/ liabilities – held for trading	($ 1,628)	($ 206)
Unrealised loss from the revaluation of grape vine values classified as biological assets and harvested grapes	$ -	($ 1,060)
Realised gain/(loss) in the value of harvested grapes valued at fair value	$ 188	($ 169)
Profit/(loss) before income tax	($ 1,537)	($ 924)
Income tax expense	$ 459	$ 278
Profit/(loss) for the period	**($ 1,078)**	**($ 646)**

Basic NZ IFRS basic earnings per share were negative at (12.4) cps for the 31 December 2010 half year with the comparable earnings per share for the 2009 year being (7.5) cps.

Net cash flow from operating activities improved in the half year through reduced inventory and the realisation of favourable exchange rate forward cover to be strongly positive at $1,896,000.

With 8,677,199 shares on issue as at 31 December 2010 year end, net tangible asset backing was $2.02 per share compared to the equivalent $2.33 per share reported for the same period in 2009.

Revenue
Revenue for the 31 December 2010 half year was $6,268,000 which represents a decrease of 6% on the $6,700,000 for the same period in 2008.

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2010 (CONTINUED)

Revenue (continued)

87,000 case sales equivalents were sold in the December 2010 half year compared to the 74,000 for the same period in 2009. 13% of NZWC 2010 half year case sales equivalents came from bulk wine sales and revenue was constrained by downward pressure on branded bottled wine prices flowing from the ongoing high level of New Zealand bulk wine sales. New Zealand Winegrowers have reported that bulk wine contributed 31% of the total New Zealand export wine shipment volumes in the December 2010 calendar year.

Balance Sheet and Property Valuations

Total shareholders equity as at 31 December 2010 was $17,541,000, a reduction of $2,726,000 compared to the equivalent $20,267,000 reported for the same half year to 31 December 2009. Shareholders equity as at 30 June 2010 was $18,628,000, with the most significant impact over the past year being the reduction in the valuation of company vineyard biological assets and property assets as at 30 June 2010 which at $16,910,000 was $2,605,000 or 13% lower than the 30 June 2009 valuation of $19,515,000.

Directors will commission a June 2011 year end valuation report from Alexander Hayward Limited to ensure that the valuations of the company properties and vineyards reflect current market conditions at balance date.

NZWC was in full compliance with its ANZ National Bank Limited Financial Covenants for the half year to 31 December 2010.

Dividend

Faced with reporting an underlying loss before revaluations and income tax of ($97,000) for the half year to 31 December 2010 Directors have had to take a responsible approach and have resolved that the company should not pay a 2011 interim dividend.

Directors remain committed to reinstating dividend payments and will continue to review dividend payout levels against sustainable underlying net earnings before NZ IFRS revaluations.

New Zealand Wine Industry Oversupply of Wine and Bulk Wine Sales

The 2008 and 2009 grape harvests produced an oversupply of wine estimated by New Zealand Winegrowers to have peaked at a surplus of 46 million litres of bulk wine in early 2010. The oversupply of wine has become a crisis business outcome for the New Zealand wine industry as the large volume of discounted bulk wine sales has resulted in downward pressure on the prices that are available to Wine companies in the market place for branded bottled wine. When coupled with the impacts of a strong NZD against the USD and GBP, 2010 has been a very difficult year.

The total volume of New Zealand bulk wine export sales since the June 2008 year at 5% has risen significantly to be 20% in 2009, 27% in 2010 and 31% for the year ending December 2010. The sheer volume of bulk wine export sales has negatively impacted the net earnings and Balance Sheets of all New Zealand wine companies and grape growers.

Directors believe that the New Zealand wine industry needs to continue to be disciplined to restrain the tonnage of grapes harvested in 2011 and agree with New Zealand Winegrowers December 2010 advice to members on the 2011 harvest, which can be summarised as:

- A 2011 New Zealand harvest of 265,000 tonnes of grapes would maintain progress with clearing the bulk wine surplus to match the demand for branded New Zealand wine
- A 2011 New Zealand harvest of 300,000 tonnes of grapes would see a large ongoing bulk wine surplus that would take the New Zealand wine industry backwards

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2010 (CONTINUED)

New Zealand Wine Industry Oversupply of Wine and Bulk Wine Sales (continued)
The 2011 harvest will have a critical impact on New Zealand wine industry's ability to reduce or eliminate the bulk wine surplus by 2012 and it is in the best interests of both grape growers and wine companies to balance the supply of grapes harvested with demand for New Zealand branded wine to ensure that we have a financially sustainable business. In the event that the 2011 grape harvest came in at around 300,000 tonnes then the New Zealand wine industry will need to look seriously at the options available to fund a 'vine pull' to ensure that grape supply can be matched with the demand for branded wine.

NZWC Vintage 2011
NZWC will maintain a disciplined approach to limit its 2011 harvest to match its demand for its branded bottled wine. The maximum 2011 NZWC harvest being targeted is currently 2,600 tonnes, a 17% increase on the 2,222 tonnes harvested in 2010.

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 volumes and margins. The weakness of the NZD against the AUD has seen an unexpected turnaround.

New Zealand Wine Industry Rationalisation
During 2010 NZWC evaluated a number of approaches from other wine companies to merge or purchase their wine businesses which were not advanced for a variety of reasons. The potential to significantly increase the scale of NZWC's business in line with the company's plan to grow to become a 500,000 plus case sales business continues to appeal but opportunities have to be considered within the context of all the uncertainties inherent in this industry right now.

Whilst compelling opportunities will continue to be evaluated, Directors have adjusted the NZWC Strategic Plan to recognize the current suppressed demand for company branded wine and will work within the existing business infrastructure investment.

Operating Results Outlook
NZWC is unable to provide reliable net earnings guidance for the June 2011 financial year based on the NZ IFRS reporting standard, as the standard makes it difficult for an agricultural exporting company to predict what can be significant swings in the revaluation adjustments that are required to be made at each balance date. Directors expect the underlying operating loss for the first half of the of the June 2011 year to increase in the second half, with the strength or weakness of the NZD against the AUD, USD and GBP having a significant bearing on forecast earnings.

The marketing initiatives of having NZWC directly represented in key markets was explained in detail through the CEO's presentation at the last AGM. Securing the required client listings is challenging and takes time but progress is promising and NZWC branded bottled wine case sales are still budgeted to increase by 20% in the second half of the June 2011 year. However available margins and underlying earnings will continue to be negatively impacted until the New Zealand wine industry clears the current bulk wine surplus. NZWC branded wine case sales volumes and margins in the US and the UK are also being negatively impacted by the strong NZD against the USD and GBP coupled with aggressive competition which has placed downward pressure on branded bottled wine prices.

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2010 (CONTINUED)

Operating Results Outlook (continued)

The company's 66% investment in Lineage Imports LLC in the USA secured import and distribution licences and the environmentally focused Eco.Love brand that promotes via Social Media to the younger demographic. There are establishment and operating costs with this new investment which will be expensed and will have a negative net earnings impact in the current financial year. Lineage as a start-up business has inherent risks and the timing of achieving projected sales levels are uncertain.

Directors are acutely aware that the size of the 2011 vintage will dictate the time that it will take the New Zealand wine industry to sell through the current bulk wine surplus to balance supply and demand. Directors are confident that the industry can return to achieving strong annual growth of branded wine once the industry is clear of its current surplus bulk wine problems. NZWC has a sustainable Business Plan that can deliver stronger underlying earnings that will add value for shareholders once the industry is clear of the current oversupply and bulk wine sales problems.

For and on behalf of the Board of Directors

Alton Jamieson
Chairman
2 March 2011

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Note	Unaudited 6 Months 31 Dec 2010 Parent & Group $'000	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Audited 12 Months 30 Jun 2010 Parent & Group $'000
Revenue	3	**6,268**	**6,700**	**13,047**
Expenses				
Excise duty		(466)	(589)	(911)
Cost of sales		(3,967)	(3,811)	(8,548)
Distribution expenses		(98)	(99)	(202)
Marketing expenses		(776)	(759)	(1,505)
Administration expenses		(670)	(572)	(1,221)
Expenses excluding interest		**(5,977)**	**(5,830)**	**(12,387)**
Underlying profit before interest, revaluations and income tax		**291**	**870**	**660**
Interest revenue		20	14	30
Interest expense	4	(408)	(373)	(736)
Net finance costs		**(388)**	**(359)**	**(706)**
Underlying profit before revaluations and income tax		**(97)**	**511**	**(46)**
Revaluation gains and losses				
Unrealised gain/(loss) in fair value of financial asset/liabilities – held for trading	9	(1,628)	(206)	(396)
Unrealised gain/(loss) on biological assets		1,487	(1,060)	(1,383)
Unrealised (loss)/gain on harvested grapes		(1,487)	-	(306)
Realised (loss)/gain on harvested grapes		188	(169)	96
Profit/(loss) before income tax	3	**(1,537)**	**(924)**	**(2,035)**
Income tax expense		459	278	763
Income tax expense – change in depreciation on buildings		-	-	(626)
Profit/(loss) for the period		**(1,078)**	**(646)**	**(1,898)**
Basic Earnings per share cps (after tax)	5	(12.4)	(7.5)	(21.9)
Diluted Earnings per share cps (after tax)	5	(12.4)	(7.4)	(21.7)

These financial statements should be read in conjunction with the Notes to the financial statements on pages 12 to 15.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Note	Unaudited 6 Months 31 Dec 2010 Parent & Group $'000	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Audited 12 Months 30 Jun 2010 Parent & Group $'000
Profit/(loss) for the period		(1,078)	(646)	(1,898)
Other comprehensive income:				
Revaluation of property, plant and equipment		-	(850)	(1,261)
Income tax on items taken directly to or transferred from equity		-	-	195
Other comprehensive income for the period, net of tax		-	(850)	(1,066)
Total comprehensive income/(expense) for the period		(1,078)	(1,496)	(2,964)

These financial statements should be read in conjunction with the Notes to the financial statements on pages 12 to 15.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

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 2010		9,619	2,823	16	6,167	18,625
Total comprehensive income/(expense) for the period		-	-	-	(1,078)	(1,078)
Contributions by owners	7	-	-	-	-	-
Distributions to owners		-	-	(6)	-	(6)
Share-based payment		-	-	-	-	-
Transactions with owners during the period		-	-	(6)	-	(6)
Added to equity during the period		-	-	(6)	(1,078)	(1,084)
Equity at 31 December 2010		9,619	2,823	10	5,089	17,541
Dividends paid per share cps	6					0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 12 to 15.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010 (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 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
Equity at 1 July 2009		9,619	3,889	17	8,413	21,938
Total comprehensive income/(expense) for the period		-	(1,066)	-	(1,898)	(2,964)
Contributions by owners	7	-	-	-	-	-
Distributions to owners		-	-	-	(347)	(347)
Share-based payment		-	-	(1)	2	1
Transactions with owners during the period		-	-	(1)	(345)	(346)
Added to equity during the period		-	(1,066)	(1)	(2,243)	(3,310)
Equity at 30 June 2010		9,619	2,823	16	6,170	18,628
Dividends paid per share cps	6					4.0

These financial statements should be read in conjunction with the Notes to the financial statements on pages 12 to 15.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	Unaudited 6 Months 31 Dec 2010 Parent & Group $'000	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Audited 12 Months 30 Jun 2010 Parent & Group $'000
CURRENT ASSETS				
Cash and cash equivalents		951	1,378	273
Trade and other receivables		2,807	2,362	3,976
Other financial assets		681	1,833	1,424
Inventories		9,542	10,154	11,093
Current tax assets		634	486	265
Assets available for sale		-	107	-
Other current assets		191	185	450
		14,806	16,505	17,481
NON-CURRENT ASSETS				
Property, plant and equipment		14,441	14,818	14,699
Biological assets		8,224	8,458	6,737
Intangible assets		11	15	12
Investments		10	10	10
Other financial assets		381	850	1,236
Other non-current receivables		1	25	1
		23,068	24,176	22,695
TOTAL ASSETS		**37,874**	**40,681**	**40,176**

These financial statements should be read in conjunction with the Notes to the financial statements on pages 12 to 15.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010 (CONTINUED)

	Note	Unaudited 6 Months 31 Dec 2010 Parent & Group $'000	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Audited 12 Months 30 Jun 2010 Parent & Group $'000
CURRENT LIABILITIES				
Trade and other payables		1,402	1,430	1,741
Loans and borrowings		1,115	1,867	3,975
Other financial liabilities		111	39	98
Current tax payables		0	-	-
		2,628	3,336	5,814
NON-CURRENT LIABILITIES				
Loans and borrowings		13,916	13,164	11,968
Other financial liabilities		302	147	280
Deferred tax liabilities		3,487	3,767	3,486
		17,705	17,078	15,734
TOTAL LIABILITIES		20,333	20,414	21,548
EQUITY				
Share capital	7	9,619	9,619	9,619
Reserves		2,833	3,055	2,839
Retained earnings		5,089	7,593	6,170
TOTAL EQUITY		17,541	20,267	18,628
TOTAL LIABILITIES AND EQUITY		**37,874**	**40,681**	**40,176**

These financial statements should be read in conjunction with the Notes to the financial statements on pages 12 to 15.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Note	Unaudited 6 Months 31 Dec 2010 Parent & Group $'000	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Audited 12 Months 30 Jun 2010 Parent & Group $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		8,608	9,517	15,228
Interest received		9	14	30
Payments to suppliers and employees		(6,248)	(6,231)	(12,542)
Interest and other costs of finance paid		(418)	(364)	(733)
Interest capitalised into inventories		(142)	(140)	(276)
Income tax paid		87	91	86
Net cash flow from operating activities	8	1,896	2,888	1,793
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of property, plant and equipment		4	-	116
Purchase of property, plant and equipment and biological assets		(108)	(107)	(619)
Interest capitalised into biological assets		-	(18)	(29)
Purchase of intangible assets		-	-	-
Grower and other loans repaid (advanced)		(194)	-	(342)
Net cash flow from investing activities		(298)	(125)	(874)
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided for (applied to)				
Issue of equity share capital		-	-	-
Loans advanced		15,514	500	2,350
Loans repaid		(16,434)	(1,079)	(2,017)
Dividends paid		-	(174)	(347)
Net cash flow from financing activities		(920)	(753)	(14)
Net increase (decrease) in cash held		678	2,010	905
Cash and cash equivalents/(Bank overdraft) at beginning of period		273	(632)	(632)
Cash and cash equivalents/(Bank overdraft) at end of period		951	1,378	273
Comprising: Cash and cash equivalents		951	1,378	273
Bank overdraft		-	-	-
		951	1,378	273

These financial statements should be read in conjunction with the Notes to the financial statements on pages 12 to 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

1. ACCOUNTING PERIOD

These unaudited financial statements cover the six month period to 31 December 2010. 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 2010.

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 2010 with the exception of taxation.

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.

	Unaudited 6 Months 31 Dec 2010 Parent & Group $'000	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Audited 12 Months 30 Jun 2010 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	6,268	5,538	11,792
Government grant – market development expenditure co-funding	-	89	178
Net foreign exchange gains/(losses) on contract close outs	-	1,073	1,077
Total revenue	6,268	6,700	13,047
EXPENSES:			
Amortisation	2	2	5
Bad debts	-	-	-
Depreciation*	12	7	19
Directors' fees	40	80	159
Employee benefits expense:			
- Short-term employee benefits	1,174	1,118	2,374
- Equity-settled share-based payments	(6)	(1)	1
Fees paid to auditors:			
- Audit of the financial statements	-	-	29
- For other services	-	4	36
Provision for write-down of inventory	-	305	111

* Total depreciation on property, plant and equipment totalled $360,000 for the six months ended 31 December 2010 (Y/E 30Jun10 $558,000; P/E 31Dec09 $278,000). $348,000 has been applied to work in progress (Y/E 30Jun10 $539,000; P/E 31Dec09 $271,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010 (CONTINUED)

	Unaudited 6 Months 31 Dec 2010 Parent & Group $'000	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Audited 12 Months 30 Jun 2010 Parent & Group $'000
4. FINANCING COSTS			
Loan interest and other costs of finance paid	550	531	1,041
Less: Interest capitalised/included in cost of grapes	(142)	(140)	(276)
Less: Interest capitalised into biological assets	-	(18)	(29)
	408	373	736

5. EARNINGS PER SHARE

Basic Earnings per share

The calculation is based on NZIFRS earnings/(loss) of $(1,078,000) (30Jun10 $(1,898,000); 31Dec09 $(646,000)) and the weighted average of 8,677,199 ordinary shares on issue during the period (30Jun10 8,677,199; 31Dec09 8,677,199).

Diluted Earnings per share

The calculation is based on NZIFRS earnings/(loss) of $(1,078,000) (30Jun10 $(1,898,000); 31Dec09 $(646,000)) and the weighted average of 8,713,799 ordinary shares on issue during the period (30Jun10 8,743,266; 31Dec09 8,743,266).

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:

	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares (Basic)	8,677,199	8,677,199
Share options outstanding at period end	36,600	66,067
Weighted average number of ordinary shares (Diluted)	8,713,799	8,743,266

6. DIVIDENDS PAID PER SHARE

The calculation of dividends per share in respect of the interim 2011 period is based on the final dividend for 2010 paid in September totalling $nil (31Dec09 $173,545).

	Unaudited 6 Months 31 Dec 2010 Parent & Group $'000	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Audited 12 Months 30 Jun 2010 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 (30Jun10: nil; 31Dec09: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010 (CONTINUED)

	Unaudited 6 Months 31 Dec 2010 Parent & Group $'000	Unaudited 6 Months 31 Dec 2009 Parent & Group $'000	Audited 12 Months 30 Jun 2010 Parent & Group $'000
7. SHARE CAPITAL (CONTIINUED)			
SHARE OPTIONS			
Number of options on issue at end of period	36,600	66,067	84,167
PERFORMANCE SHARE PLAN RIGHTS			
Number of rights on issue at end of period	-	266,668	-
8. NET CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT AFTER INCOME TAX FOR THE PERIOD	(1,078)	(646)	(1,898)
NON-CASH ITEMS:			
Depreciation	360	278	558
Amortisation of intangibles	2	2	5
Increase/(decrease) in deferred tax	-	5	(82)
Adjustments resulting from revaluation of grapes	(188)	81	210
(Gain)/loss on revaluation of biological assets	(1,487)	(277)	1,383
(Gain)/loss on disposal of property, plant and equipment	2	2	13
(Gain)/loss on asset revaluations	-	-	(1)
Share-based payments	(6)	(1)	1
	(2,395)	(556)	189
CHANGE IN ASSETS AND LIABILITIES:			
Inventories	1,739	1,927	852
Trade and other receivables	1,363	2,021	773
Trade and other payables	(339)	(741)	(432)
Other financial assets/liabilities	1,633	192	407
Other current assets and current tax assets/liabilities	(105)	45	4
	4,291	3,444	1,604
NET CASH FLOW FROM OPERATING ACTIVITIES	1,896	2,888	1,793
9. FINANCIAL INSTRUMENTS			
Change in fair value of financial assets/liabilities consists of:			
Foreign currency forward contracts	(1,687)	2,683	(320)
Foreign currency option contracts	94	-	(50)
Interest rate swaps	(35)	(186)	(26)
	(1,628)	2,497	(396)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010 (CONTINUED)

	Unaudited 6 Months 31 Dec 2010 Parent & Group $	Unaudited 6 Months 31 Dec 2009 Parent & Group $	Audited 12 Months 30 Jun 2010 Parent & Group $
10. NET TANGIBLE ASSETS			
Net tangible assets per share	2.02	2.33	2.15
Adjusted Net tangible assets per share	2.10	2.46	2.22

Adjusted Net tangible assets per share is calculated by excluding deferred tax liabilities of $659,000 (31Dec09: $1,072,000; 30Jun10 $659,000) 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 profit or loss.

11. SUBSEQUENT EVENTS

Dividend Declaration

On 2 March 2011 the Directors resolved not to pay an interim dividend in respect of the year ending 30 June 2011.

Investments

On 1 January 2011 the US Subsidiary of the Company, The New Zealand Wine Company (USA) Inc., entered into a Membership Purchase Agreement to acquire a 66% interest in Lineage Imports LLC, an import and distribution company in California USA, for $26,000 (USD 20,000).

No other material events have occurred since balance date.

12. SHAREHOLDER INFORMATION

September 2011	Annual Report Published
28 October 2011	Annual General Meeting

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THE NEW ZEALAND WINE COMPANY
LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

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"