



THE NEW ZEALAND WINE COMPANY
LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

THE NEW ZEALAND WINE COMPANY
LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

CONTENTS

	PAGE
DIRECTORS' REPORT	2
FINANCIAL STATEMENTS	
INCOME STATEMENT	6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF FINANCIAL POSITION	9
STATEMENTS OF CASH FLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

The Directors of The New Zealand Wine Company Limited (NZWC) present their unaudited 2012 Interim Results for the six months ended 31 December 2011. 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

2011 has been a very challenging year for the company as Directors and Management have worked to restructure the business while working through a PricewaterhouseCoopers (PwC) Independent Appraisal Report and the requirements of the ANZ National Bank (Bank).

The NZWC unaudited 'underlying' loss before interest, NZ IFRS revaluation adjustments and income tax for the 31 December 2011 half year of (\$1,044,000) was higher than the (\$97,000) comparable underlying loss reported for the same period in 2010. The significant additional expenses in the 2011 first half, which increased the loss over 2010, are:

- (\$312,000) Lineage Imports LLC USA operating losses.
- (\$257,000) One off costs to restructure the business which included staff, legal and independent advisors costs.
- (\$151,000) Higher interest rates increased costs.

NZWC unaudited 'NZ IFRS' net earnings for the 31 December 2011 half year resulted in a net loss after tax of (\$1,597,000) which is higher than the (\$1,078,000) net loss reported for the same period in 2010. A number of NZ IFRS non cash revaluation adjustments at balance date contributed to the net loss after tax of (\$1,597,000), which are summarized below, and are detailed in the Half Yearly Report Financial Statements and in the accompanying Notes to the Financial Statements.

Income Statement Summary - \$'000	Group 6 months 31Dec2011	Group 6 months 31Dec2010	Group 12 months 30Jun2011
Revenue	\$7,318	\$6,288	\$11,158
Underlying profit/(loss) before impairment, NZ IFRS revaluations and income tax	(\$1,044)	(\$97)	(\$ 1,852)
Impairment			
Impairment of trade and other receivables	Nil	Nil	(\$ 26)
Impairment of inventory	14	Nil	(\$ 247)
Impairment of goodwill	Nil	Nil	(\$ 640)
NZ IFRS Revaluation gains and losses			
Unrealised 'mark to market' gain/(loss) in the fair value of financial assets/liabilities – held for trading	(\$1,385)	(\$1,628)	(\$ 1,418)
Unrealised gain/(loss) from the revaluation of grape vine values classified as biological assets	\$1,445	\$1,487	(\$ 627)
Unrealised gain/(loss) in the value of harvested grapes valued at 'fair value'	(\$1,445)	(\$1,487)	\$ 254
Realised gain in the value of harvested grapes valued at fair value	\$ 169	\$ 188	\$ 401
Net loss before income tax	(\$2,246)	(\$1,537)	(\$ 4,155)
Income tax expense	\$ 543	\$ 459	\$ 834
Net loss for the year	(\$1,703)	(\$1,078)	(\$ 3,321)
Loss attributable to non-controlling interest	(\$ 106)	Nil	(\$ 144)
Net Loss for the year net of tax, attributable to Shareholders of the Parent Company	(\$1,597)	(\$1,078)	(\$ 3,177)

Net cash flow from operating activities was negative at (\$682,000) for the half year due to underlying operating loss.

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (CONTINUED)

Revenue

Revenue for the 31 December 2011 half year was \$7,318,000, an increase of \$1,050,000 or 17% on the \$6,268,000 for the same period in 2010.

112,000 case sales equivalents were sold in the December 2011 half year, an increase of 29% on the 87,000 cases sold for the same period in 2010. 8% of NZWC 2011 half year case sales equivalents came from bulk wine sales and revenue was constrained by downward pressure on branded wine selling prices flowing from the ongoing high level of New Zealand bulk wine sales and the strong NZD against the USD and GBP. Bulk wine sales contributed 35% of the total New Zealand export wine shipment volumes in the December 2011 calendar year.

Balance Sheet and Property Valuations

Directors will commission its annual independent valuation report from Alexander Hayward Limited to ensure that the valuations of the company properties and vineyards reflect current market conditions at the 30 June 2012 balance date.

NZWC Restructuring

In the first half of 2011 Directors recognized that the difficult trading conditions caused by 2008 / 2009 oversupply of wine were likely to continue and reviewed the operations and future prospects of the Company to agree on a Restructuring Plan to reduce operating costs.

During the second half of 2011 the Company worked through a review of the business with PwC and the Bank while implementing the restructuring initiatives targeted at reducing costs. There have been a number of management changes as the company has moved to right size its business around the wine case sales opportunities and revenues available to the company, while also ensuring that its operating costs are appropriate for the size of the company.

The Board believe that the Company is now structured to compete effectively and progressively return underlying earnings to profitability.

Directors would like to thank all staff who have been working hard while the company has been restructuring and managing its way through the most challenging period in the company's history.

Lineage Imports LLC USA

NZWC set up a wholly owned subsidiary in the US in 2010 to take a 66% equity interest in Lineage Imports LLC which holds Federal import and California distribution licenses and has established a carboNZero sustainability platform for a unique brand – Eco.love. As a start-up business Lineage has not yet achieved a profitable sales level and Lineage recorded a loss in the half year to December 2011. (NZ\$206,000) of the Lineage loss is attributable to the shareholders of NZWC.

NZWC Directors resolved in 2011 to work to find a new equity investor to provide Lineage with the additional funding it requires to leverage off the distribution it has achieved. Lineage entered into a non-binding agreement in February 2012 to introduce a new investor and enable it to settle its debts to NZWC. Lineage and NZWC will be working to finalise the restructure of Lineage during the 2012 first quarter.

Vintage 2012

The 2012 Marlborough harvest yields will be lower than 2011 due to the cool and rainy weather conditions during flowering in this year. Wine industry commentators have estimated that the 2012 Marlborough harvest yields might be 20% to 30% lower than the record 2011 Marlborough harvest of 245,000 tonnes.

The impact of the adverse weather on the 2012 harvest yields will increase the market 'valley average' grape prices but it would be speculation if the Company tried to estimate the NZIFRS financial reporting impact from the market 'per tonne' prices of grapes that will be paid in 2012.

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (CONTINUED)

Vintage 2012 (Continued)

At the time of writing management expect that the NZWC 2012 harvest will be up to 20% lower than the initial management forecast intake of 2,550 tonnes.

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 management adviser Asia Pacific Risk Management Limited to implement appropriate foreign exchange management strategies to minimise currency risks and maximise the benefits from operating an integrated Treasury Management Policy.

As at 31 December 2011 the company had \$18.9 million of NZD forward cover in place for its NZD/AUD, NZD/USD, NZD/GBP and NZD/EUR FX exposures, with the majority of the cover in place being for the NZD/AUD FX exposure.

The strength of the NZD against the USD and GBP continues to impact on wine sales and margins. After considering the significant margin challenges faced in the UK market Directors elected to crystalize a gain from the high NZD/GBP FX rate in February 2012 to close out GBP400,000 of forward exchange contracts to realise a cash profit of NZ\$515,000, which will be taken up in the second half of the year.

Global Branded Wine Sales Strategy

NZWC continues to evaluate the impact in the UK and USA of the strong NZD against the USD and GBP. With the prospect of higher market prices for grapes in 2012, due to a lower harvest yield, coupled with current unsustainably high NZD/USD & NZD/GBP FX levels, the Company will have to negotiate price increases or make tough decisions to redirect wine to more profitable markets.

ANZ National Bank

During the second half of 2011 NZWC worked through a review process with the Bank that arose as a result of NZWC breaching one of its three financial covenants as at 30 June 2011. PwC was appointed by NZWC as an independent advisor to prepare an Independent Appraisal Report after reviewing NZWC's financial forecasts, business model, an updated June 2012 Budget and its 3 Year Business Plan.

An outcome from the PwC Report was that the Company agreed with the Bank to:

- Fix new financial performance covenants and to;
- Develop an equity raising plan to raise new equity and pay down debt to strengthen the NZWC balance sheet.

These changes have been incorporated in a new Deed of Covenant which has been executed by the Company and the Bank. The Deed provides that if the Company fails to satisfactorily comply with the financial performance covenants and the equity raising plan, the Bank is entitled to treat that failure as an Event of Review which may lead to the Bank terminating the Company's credit facilities.

Grant Samuel was appointed by NZWC early in December 2011 to advise on capital restructuring and to work with the Company to implement an equity raising plan.

NZWC advised the NZAX on 20 December 2011 that it had completed the Bank review process and that:

- The Bank had agreed to an unconditional waiver of the breach of the financial covenant at 30 June 2011;
- The Bank had agreed with the Company on the financial performance covenants that would be applicable for the financial year to 30 June 2012 based on the Company's financial forecasts for the year.
- Grant Samuel had provided capital raising advice to the Company, based on satisfying the equity raising covenants included in the new Deed of Covenant finalised with the Bank.

DIRECTORS' REPORT

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (CONTINUED)

ANZ National Bank (Continued)

In late December NZWC Directors reached an agreement with the Bank to raise a minimum of \$5m prior to 30 June 2012 and to reduce Bank debt by a minimum of \$5m. Throughout the lengthy review process that the Company worked through with the Bank, NZWC management have continued to implement the Company's restructuring and recovery plans that the Board considers offer a pathway back to profitability.

As at 31 December 2011, no Event of Review has occurred in terms of the Company's Deed of Covenant with the Bank.

Capital Restructuring

Grant Samuel was appointed by NZWC in early December 2011 to advise on capital restructuring. NZWC is working closely with Grant Samuel to implement an equity raising plan that will satisfy the agreement reached with the Bank to raise a minimum of \$5m prior to 30 June 2012 and to reduce Bank debt by a minimum of \$5m.

Grant Samuel has made good progress with identifying interested investors and has produced an Information Memorandum which has been released to a limited number of interested trade investors. Grant Samuel's brief is to consider all Capital Restructuring options that range from securing a strong cornerstone shareholder through to selling 100% of the business.

Dividend

Faced with reporting an underlying loss before revaluations and income tax of (\$1,044,000) for the half year to 31 December 2011 Directors have resolved that the company should not pay a 2012 interim dividend, which is consistent with the Board's decision on the 2011 final dividend. Directors will continue to review dividend payout levels against sustainable underlying earnings, before NZ IFRS revaluations.

Director Retirements

At the 2011 AGM the prospect of reducing the size of the Board was raised by shareholders. Given the Capital Restructuring initiatives being undertaken and the need for a small responsive unit to manage the process, NZWC Directors have decided that the size of the Board should be reduced. John Albertson and Steve Riley retired as Directors on 16 February 2012 to enable the NZWC Board to be reduced in size to the three remaining Directors - Alton Jamieson, Bill Wallace and David Appleby.

Operating Results Outlook

NZWC is unable to provide reliable net earnings guidance for the June 2012 financial year based on the NZ IFRS reporting standard, as it is not possible 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 and Management will continue to focus on the underlying profit before NZIFRS revaluation adjustments and income tax, as it is a more reliable and consistent earnings benchmark.

Much Director and Management time and effort has been devoted to working with our Bank and PwC to agree the best way of improving the company's value and future returns. The key uncertainties in the second half of the June 2012 year are:

- The 2012 harvest yields and the prices to be paid for grapes purchased from contract growers.
- The strength of the NZD against the USD and GBP and the financial sustainability of exporting to the UK and the USA.

Directors believe that the NZWC three year Business Plan provides a platform for delivering satisfactory and sustainable levels of underlying profitability.

For and on behalf of the Board of Directors



Alton Jamieson, Chairman, 1 March 2012

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

		Unaudited 6 Months 31 Dec 2011 Group \$'000	Audited 12 Months 30 Jun 2011 Group \$'000	Unaudited 6 Months 31 Dec 2010 Group \$'000
Revenue	3	7,318	11,158	6,268
Expenses				
Excise duty		(457)	(806)	(466)
Cost of sales		(5,147)	(7,890)	(3,967)
Distribution expenses		(358)	(243)	(98)
Marketing expenses		(499)	(1,507)	(776)
Administration expenses		(1,342)	(1,703)	(670)
Expenses excluding interest		(7,803)	(12,149)	(5,977)
Underlying profit before interest, impairment, revaluations and income tax		(485)	(991)	291
Interest revenue		-	25	20
Interest expense	4	(559)	(886)	(408)
Net finance costs		(559)	(861)	(388)
Underlying profit before impairment, valuations and income tax		(1,044)	(1,852)	(97)
Impairment				
Impairment of trade and other receivables		-	(26)	-
Impairment of inventory		14	(247)	-
Impairment of goodwill		-	(640)	-
Revaluation gains and losses				
Unrealised gain/(loss) in fair value of financial asset/liabilities – held for trading	9	(1,385)	(1,418)	(1,628)
Unrealised gain/(loss) on biological assets		1,445	(627)	1,487
Unrealised (loss)/gain on harvested grapes		(1,445)	254	(1,487)
Realised (loss)/gain on harvested grapes		169	401	188
Profit/(loss) before income tax	3	(2,246)	(4,155)	(1,537)
Income tax expense		543	834	459
Profit/(loss) for the period		(1,703)	(3,321)	(1,078)
Loss attributable to non-controlling interests		106	144	-
Loss for the year net of tax, attributable to Shareholders of the Parent Company		(1,597)	(3,177)	(1,078)
Basic Earnings per share cps (after tax)	5	(18.4)	(36.6)	(12.4)
Diluted Earnings per share cps (after tax)	5	(18.4)	(36.5)	(12.4)

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

THE NEW ZEALAND WINE COMPANY
LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Note	Unaudited 6 Months 31 Dec 2011 Group \$'000	Audited 12 Months 30 Jun 2011 Group \$'000	Unaudited 6 Months 31 Dec 2010 Group \$'000
Profit/(loss) for the period		(1,703)	(3,321)	(1,078)
Other comprehensive income:				
Exchange differences on translating foreign operations		(68)	66	-
Revaluation of property, plant and equipment		-	(430)	-
Income tax on items taken directly to or transferred from equity		-	49	-
Other comprehensive income for the period, net of tax		(68)	(315)	-
Total comprehensive income/(expense) for the period		(1,771)	(3,636)	(1,078)
Attributable to:				
Owners of the Parent Company		(1,665)	(3,492)	(1,078)
Non-controlling interests		(106)	(144)	-
		(1,771)	(3,636)	(1,078)

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Foreign Currency Translation Reserve \$'000	Employee Equity- Settled Benefits Reserve \$'000	Retained Earnings \$'000	Attributed to Owners of the Parent \$'000	Non- controlling Interests \$'000	Total \$'000
Unaudited 6 Months 31 December 2011 Group									
Equity at 1 July 2011		9,619	2,442	66	10	2,996	15,133	(144)	14,989
Total comprehensive income/(expense) for the period		-	-	(68)	-	(1,597)	(1,665)	(106)	(1,771)
Share-based payment		-	-	-	(10)	10	-	-	-
Transactions with owners during period		-	-	-	(10)	10	-	-	-
Added to equity during the period		-	-	(68)	(10)	(1,597)	(1,665)	(106)	(1,771)
Equity at 31 Dec 2011		9,619	2,442	(2)	-	1,409	13,468	(250)	13,218
Dividends paid per share cps	6								0.0

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 2011 (CONTINUED)

Note	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Foreign Currency Translation Reserve \$'000	Employee Equity- Settled Benefits Reserve \$'000	Retained Earnings \$'000	Attributed to Owners of the Parent \$'000	Non- controlling Interests \$'000	Total \$'000
Audited 12 Months								
30 June 2011 Group								
Equity at 1 July 2010	9,619	2,823	-	16	6,167	18,625	-	18,625
Total comprehensive income/(expense) for the year	-	(381)	66	-	(3,177)	(3,492)	(144)	(3,636)
Share-based payment	-	-	-	(6)	6	-	-	-
Transactions with owners during the year	-	-	-	(6)	6	-	-	-
Added to equity during the year	-	(381)	66	(6)	(3,171)	(3,492)	(144)	(3,636)
Equity at 30 June 2011	9,619	2,442	66	10	2,996	15,133	(144)	14,989
Dividends paid per share cps	6							0.0
Unaudited 6 Months 31 December 2010 Group								
Equity at 1 July 2010	9,619	2,823	-	16	6,167	18,625	-	18,625
Total comprehensive income/(expense) for the period	-	-	-	-	(1,078)	(1,078)	-	(1,078)
Share-based payment	-	-	-	(6)	-	(6)	-	(6)
Transactions with owners during period	-	-	-	(6)	-	(6)	-	(6)
Added to equity during the period	-	-	-	(6)	(1,078)	(1,084)	-	(1,084)
Equity at 31 December 2010	9,619	2,823	-	10	5,089	17,541	-	17,541
Dividends paid per share cps	6							0.0

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

THE NEW ZEALAND WINE COMPANY
LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

Note	Unaudited 6 Months 31 Dec 2011 Group \$'000	Audited 12 Months 30 Jun 2011 Group \$'000	Unaudited 6 Months 31 Dec 2010 Group \$'000
CURRENT ASSETS			
Cash and cash equivalents	-	-	951
Trade and other receivables	3,989	2,641	2,807
Other financial assets	536	954	681
Inventories	9,927	12,776	9,542
Current tax assets	645	88	634
Other current assets	240	411	191
	15,337	16,870	14,806
NON-CURRENT ASSETS			
Property, plant and equipment	13,581	13,903	14,441
Biological assets	7,477	6,032	8,224
Intangible assets	11	10	11
Investments	10	10	10
Other financial assets	-	506	381
Other non-current receivables	-	-	1
	21,079	20,461	23,068
TOTAL ASSETS	36,416	37,331	37,874

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

THE NEW ZEALAND WINE COMPANY
LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011 (CONTINUED)

Note	Unaudited 6 Months 31 Dec 2011 Group \$'000	Audited 12 Months 30 Jun 2011 Group \$'000	Unaudited 6 Months 31 Dec 2010 Group \$'000
CURRENT LIABILITIES			
Trade and other payables	1,593	1,957	1,402
Loans and borrowings	17,977	17,254	1,115
Other financial liabilities	24	1	111
	<u>19,594</u>	<u>19,212</u>	<u>2,628</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	-	-	13,916
Other financial liabilities	1,074	613	302
Deferred tax liabilities	2,530	2,517	3,487
	<u>3,604</u>	<u>3,130</u>	<u>17,705</u>
TOTAL LIABILITIES	<u>23,198</u>	<u>22,342</u>	<u>20,333</u>
EQUITY			
Share capital	7	9,619	9,619
Reserves	2,440	2,518	2,833
Retained earnings	1,409	2,996	5,089
Equity attributable to owners of the Parent Company	13,468	15,133	17,541
Non-controlling interests	(250)	(144)	-
TOTAL EQUITY	<u>13,218</u>	<u>14,989</u>	<u>17,541</u>
TOTAL LIABILITIES AND EQUITY	<u>36,416</u>	<u>37,331</u>	<u>37,874</u>

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 2011

	Note	Unaudited 6 Months 31 Dec 2011 Group \$'000	Audited 12 Months 30 Jun 2011 Group \$'000	Unaudited 6 Months 31 Dec 2010 Group \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to)				
Receipts from customers		6,860	14,157	8,608
Interest received		-	25	9
Payments to suppliers and employees		(6,845)	(14,569)	(6,248)
Interest and other costs of finance paid		(559)	(888)	(418)
Interest capitalised into inventories		(137)	(283)	(142)
Income tax paid		(1)	97	87
Net cash flow from operating activities	8	<u>(682)</u>	<u>(1,461)</u>	1,896
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to)				
Sale of property, plant and equipment		-	4	4
Purchase of property, plant and equipment and biological assets		(18)	(132)	(108)
Purchase of intangible assets		(3)	(1)	-
Grower and other loans repaid (advanced)		-	24	(194)
Net cash flow from investing activities		<u>(21)</u>	<u>(105)</u>	(298)
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided for (applied to)				
Loans advanced		-	16,514	15,514
Loans repaid		(698)	(16,817)	(16,434)
Net cash flow from financing activities		<u>(698)</u>	<u>(303)</u>	(920)
Net increase (decrease) in cash held		(1,401)	(1,869)	678
Cash and cash equivalents/(Bank overdraft) at beginning of period		<u>(1,596)</u>	273	273
Cash and cash equivalents/(Bank overdraft) at end of period		<u>(2,997)</u>	<u>(1,596)</u>	951
Comprising: Cash and cash equivalents		-	-	951
Bank overdraft		<u>(2,997)</u>	<u>(1,596)</u>	-
		<u>(2,997)</u>	<u>(1,596)</u>	951

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 2011

1. ACCOUNTING PERIOD

The unaudited financial statements presented are for The New Zealand Wine Company Limited (the Parent) and its subsidiaries (the Group) and cover the six month period to 31 December 2011. 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 2011. The financial statements were authorised for issue by the Directors on 1 March 2012.

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 2011 with the exception of taxation.

Taxation

Income tax expense has been recorded in these financial statements on the basis of 28% of profit/(loss) 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 2011 Group \$'000	Audited 12 Months 30 Jun 2011 Group \$'000	Unaudited 6 Months 31 Dec 2010 Group \$'000
3. PROFIT/(LOSS) FOR THE PERIOD			
Included in profit/(loss) before income tax for the period are the following:			
REVENUE:			
Sales revenue	7,318	11,158	6,268
Net foreign exchange gains/(losses) on contract close outs	-	-	-
Total revenue	7,318	11,158	6,268
EXPENSES:			
Amortisation	2	3	2
Bad debts	-	1	-
Depreciation*	12	24	12
Directors' fees	69	159	40
Employee benefits expense:			
- Short-term employee benefits	1,376	2,571	1,174
- Equity-settled share-based payments	-	-	(6)
Fees paid to auditors:			
- Audit of the financial statements	10	36	-
- For other services	-	-	-

* Total depreciation on property, plant and equipment totalled \$340,000 for the six months ended 31 December 2011 (Y/E 30Jun11 \$570,000; P/E 31Dec10 \$360,000). \$328,000 has been applied to work in progress (Y/E 30Jun11 \$546,000; P/E 31Dec10 \$348,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (CONTINUED)

	Unaudited 6 Months 31 Dec 2011 Group \$'000	Audited 12 Months 30 Jun 2011 Group \$'000	Unaudited 6 Months 31 Dec 2010 Group \$'000
4. FINANCING COSTS			
Loan interest and other costs of finance paid	696	1,169	550
Less: Interest capitalised/included in cost of grapes	(137)	(283)	(142)
	559	886	408

5. EARNINGS PER SHARE

Basic Earnings per share

The calculation is based on NZIFRS earnings/(loss) of the Group of \$(1,597,000) (30Jun11 \$(3,177,000); 31Dec10 \$(1,078,000)) and the weighted average of 8,677,199 ordinary shares on issue during the period (30Jun11 8,677,199; 31Dec10 8,677,199).

Diluted Earnings per share

The calculation is based on NZIFRS earnings/(loss) of the Group of \$(1,597,000) (30Jun11 \$(3,177,000); 31Dec10 \$(1,078,000)) and the weighted average of 8,709,399 ordinary shares on issue during the period (30Jun11 8,709,399; 31Dec10 8,713,799).

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:

	31Dec2011 Number of shares	30Jun2010 Number of shares	31Dec2010 Number of shares
Weighted average number of ordinary shares (Basic)	8,677,199	8,677,199	8,677,199
Share options outstanding at period end	-	32,200	36,600
Weighted average number of ordinary shares (Diluted)	8,677,199	8,709,399	8,713,799

6. DIVIDENDS PAID PER SHARE

The calculation of dividends per share in respect of the interim 2012 period is based on no final dividend for 2011 being paid (31Dec10 \$Nil).

	Unaudited 6 Months 31 Dec 2011 Group \$'000	Audited 12 Months 30 Jun 2011 Group \$'000	Unaudited 6 Months 31 Dec 2010 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 (30Jun11: nil; 31Dec10: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (CONTINUED)

	Unaudited 6 Months 31 Dec 2011 Group \$'000	Audited 12 Months 30 Jun 2011 Group \$'000	Unaudited 6 Months 31 Dec 2010 Group \$'000
7. SHARE CAPITAL (CONTINUED)			
SHARE OPTIONS			
Number of options on issue at end of period	-	32,200	36,600
8. NET CASH FLOW FROM OPERATING ACTIVITIES			
LOSS AFTER INCOME TAX FOR THE PERIOD	(1,597)	(3,177)	(1,078)
Non-controlling interest share of (loss)/profit	(106)	(144)	
NON-CASH ITEMS:			
Depreciation	340	570	360
Amortisation of intangibles	2	3	2
Increase/(decrease) in deferred tax	13	(921)	-
Impairment loss recognised on trade and other receivables	-	26	-
Adjustments resulting from revaluation of grapes	(169)	(655)	(188)
(Gain)/loss on revaluation of biological assets	(1,445)	627	(1,487)
(Gain)/loss on disposal of property, plant and equipment	-	3	2
(Gain)/loss on asset revaluations	-	(1)	-
Share-based payments	-	-	(6)
Unrealised foreign exchange movements	(68)	66	(6)
	(3,030)	(3,603)	(2,395)
CHANGE IN ASSETS AND LIABILITIES:			
Inventories	3,018	(1,028)	1,739
Trade and other receivables	(1,348)	1,287	1,363
Trade and other payables	(365)	215	(339)
Other financial assets/liabilities	1,408	1,436	1,633
Other current assets and current tax assets/liabilities	(365)	232	(105)
	2,348	2,142	4,291
NET CASH FLOW FROM OPERATING ACTIVITIES	(682)	(1,461)	1,896

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (CONTINUED)

	Unaudited 6 Months 31 Dec 2011 Group \$	Audited 12 Months 30 Jun 2011 Group \$	Unaudited 6 Months 31 Dec 2010 Group \$
9. FINANCIAL INSTRUMENTS			
Change in fair value of financial assets/liabilities consists of:			
Foreign currency forward contracts	(985)	(1,248)	(1,687)
Foreign currency option contracts	(72)	54	94
Interest rate swaps	(328)	(224)	(35)
	(1,385)	(1,418)	(1,628)

10. NET TANGIBLE ASSETS

Net tangible assets per share	1.52	1.73	2.02
Adjusted Net tangible assets per share	1.58	1.79	2.10

Adjusted Net tangible assets per share is calculated by excluding deferred tax liabilities of \$526,000 (30Jun11: \$526,000; 31Dec10: \$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

Foreign Exchange

On 3 February 2012 foreign exchange forward contract totalling GBP401,000 were closed out and realised a foreign exchange gain of NZ\$515,000.

Dividend Declaration

On 1 March 2012 the Directors resolved not to pay an interim dividend in respect of the year ending 30 June 2012.

No other material events have occurred since balance date.

12. SHAREHOLDER INFORMATION

September 2012 Annual Report Published

26 October 2012 Annual General Meeting

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

DIRECTORS:	JA Jamieson (Chairman) DR Appleby WF Wallace JE Albertson (until 16 February 2012) SC Riley (until 16 February 2012)
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
NATURE OF BUSINESS:	Production and distribution of wine
AUDITORS:	Deloitte, Wellington
SOLICITORS:	Lundons Law, Blenheim
BANKERS:	National Bank of New Zealand, Wellington
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”