



THE NEW ZEALAND WINE COMPANY  
LIMITED

***HALF YEARLY REPORT***

***FOR THE SIX MONTHS ENDED 31 DECEMBER 2004***

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**CHAIRMAN'S REPORT**

**HALF YEARLY REPORT FOR THE SIX MONTHS ENDED  
31 DECEMBER 2004**

It is pleasing to record a solid 19% increase, to \$414,000, in tax paid surplus for the half year ended 31st December 2004, compared with \$348,000 for the half year to December 2003. The increase in surplus comes off strong growth in revenue, which is up by 25% to \$4,199,000 over the same half year in 2003. The revenue increase has enabled Board and Management to embark upon a concerted Brand building plan, without which the surplus would have been higher, but such investment is seen as part of a foundation for future growth. We firmly believe that the strength of the company's brands will be a key part of future growth strategies. This along with continued concentration on consistent quality of production should see the company well placed to meet future growth targets in both revenue and surplus over ensuing years.

It is also pleasing to note that the recorded result has come in a period where the previously commented upon lower margin 2003 stocks has still been a part of overall sales. The full benefit of utilisation of capacity from the higher volume 2004 harvest, and therefore resultant better margins, will not fully impact until the 2006 financial year. The current half year result does not include any revenue from the previously announced processing contract for Delegat's Wines, which will start with the 2005 harvest. That contract, announced earlier in the year, will enable the company to bring forward and complete the 3rd stage of winery development. We will continue to invest in the further building of company brands throughout the remainder of this year.

The various new distribution arrangements entered into over the previous year have made sound progress and have contributed towards the growth in sales volumes. Some new markets have also been achieved, and most notable new business was the earlier announced large volume sale of Grove Mill Sauvignon Blanc to ANA Airlines in Japan. In the UK new distribution partner Paragon Vintners Ltd., with the Grove Mill brand, and our long term Sanctuary brand partner J Sainsbury plc have both achieved good sales growth. The Australian and USA markets are part of an ongoing establishment plan and the New Zealand market, despite the big national increase from the 2004 harvest, has shown good growth over the same period last year. Other markets are still requiring some further investment, though on a smaller scale Barbados, Hong Kong and Thailand are doing well.

At time of writing indications are that 2005 vintage yields per acre may be slightly lower than 2004, but, with additional areas of company and contract grower land coming on stream, at this stage we are looking at overall volumes within our expectations. With company quality viticulture practices well established, we are expecting good quality yields, though as always in this industry the final result will depend very much on the weather between now and harvest.

The company is well placed both with the strength of our financial position and the quality of our management team to move forward. Clearly the continued high NZ dollar remains of concern. This is mitigated somewhat by cover at earlier better rates in place for the balance of this financial year, and an arrangement to export to some of our international buyers in \$NZ. However it will be clearly desirable for all NZ exporters to see the dollar weaken in the latter part of this year, but one thing the experts agree upon is that they cannot predict with accuracy just when any fall may eventuate. In the meantime we will continue to maintain the best economy of scale and cost efficiency of production as possible and move to take further cover if such a fall in the currency does eventuate.

As overall nationwide volumes increase it will become even more important to have strength in our brands, and, we believe to compete internationally, for the company to be a larger entity than at present. With this in mind the board will continue to review strategies, within the company 5 year plan, for both internal and potential external growth.

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**CHAIRMAN'S REPORT**

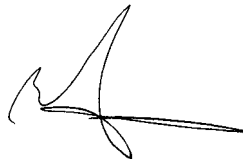
**HALF YEARLY REPORT FOR THE SIX MONTHS ENDED  
31 DECEMBER 2004 (CONTINUED)**

Our Management team, well led by CEO Rob White, with winemaker Dave Pearce, financial controller Jane Trought, marketing manager Karen Walshe and viticulturist Doug Holmes are a highly professional and capable group and, along with their respective teams, are major assets to the company.

It is intended that an interim dividend will be paid in April at the same level as last year – being 2 cents per share fully imputed. The Board is committed to increase dividends as surpluses meet planned increases from the 2005/6 financial year onwards.

Board and management are both well aware that yet further growth, and therefore a more satisfactory return on shareholders funds, needs to be achieved over and above the current year. Investment and planning decisions are continually being reviewed and worked upon towards such consistent growth as we proceed. The Board expects that the second half year result will be comparable with the first half year result.

Finally I wish to thank my fellow board members and all staff for their continued dedication to the company. It is through all of their efforts that the company has returned to growth in earnings and seeks to consolidate and increase such growth.



**Mark Peters**  
**CHAIRMAN**

26 January 2005.

THE NEW ZEALAND WINE COMPANY  
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**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

	Note	Unaudited 6 months ended 31 Dec 2004 \$'000	Audited 12 months ended 30 Jun 2004 \$'000	Unaudited 6 months ended 31 Dec 2003 \$'000
<b>TOTAL REVENUE</b>		<b>4,199</b>	<b>7,733</b>	<b>3,352</b>
Surplus from operations	3	760	1,387	650
Net Financing costs	4	(143)	(319)	(153)
Surplus before taxation		617	1,068	497
Taxation		(204)	(329)	(149)
<b>NET SURPLUS FOR THE PERIOD</b>		<b>414</b>	<b>739</b>	<b>348</b>
Earnings per share (after tax)	5	4.8	8.6	4.1

**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

	Note	Unaudited 6 months ended 31 Dec 2004 \$'000	Audited 12 months ended 30 Jun 2004 \$'000	Unaudited 6 months ended 31 Dec 2003 \$'000
Net surplus for the period		414	739	348
Surplus on revaluation of land, land improvements and buildings		-	808	-
<b>Comprehensive income for the period</b>		<b>414</b>	<b>1,547</b>	<b>348</b>
Contributions by owners	6, 7	77	11	23
Distributions to owners		(344)	(515)	(344)
<b>Added to equity during period</b>		<b>147</b>	<b>1,043</b>	<b>27</b>
<b>Equity at beginning of period</b>		<b>17,427</b>	<b>16,384</b>	<b>16,384</b>
<b>Equity at end of period</b>		<b>17,574</b>	<b>17,427</b>	<b>16,411</b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 10.

THE NEW ZEALAND WINE COMPANY  
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**STATEMENT OF FINANCIAL POSITION**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

	Note	Unaudited 6 months ended 31 Dec 2004 \$'000	Audited 12 months ended 30 Jun 2004 \$'000	Unaudited 6 months ended 31 Dec 2003 \$'000
<b>CURRENT ASSETS</b>				
Cash		603	869	41
Receivables		1,956	2,565	545
Inventories		5,100	6,384	5,140
Taxation		5	78	167
Other current assets		1,036	264	3,445
		8,700	10,160	9,338
<b>NON-CURRENT ASSETS</b>				
Property, plant & equipment		18,036	17,196	15,976
Intangibles - Identifiable		234	193	224
- Goodwill		1	1	2
Investments		10	10	10
Other non-current assets		157	158	211
		18,438	17,558	16,423
<b>TOTAL</b>		<b>27,138</b>	<b>27,718</b>	<b>25,761</b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 10.

THE NEW ZEALAND WINE COMPANY  
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**STATEMENT OF FINANCIAL POSITION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2004 (CONTINUED)**

	Note	Unaudited 6 months ended 31 Dec 2004 \$'000	Audited 12 months ended 30 Jun 2004 \$'000	Unaudited 6 months ended 31 Dec 2003 \$'000
<b>CURRENT LIABILITIES</b>				
Bank overdraft		-	-	-
Loans		719	1,742	447
Trade creditors		382	818	236
Payables		342	748	183
		<hr/> 1,443	<hr/> 3,308	<hr/> 866
<b>NON-CURRENT LIABILITIES</b>				
Deferred taxation		768	768	749
Loans		7,353	6,215	7,735
		<hr/> 8,121	<hr/> 6,983	<hr/> 8,484
<b>TOTAL LIABILITIES</b>		<hr/> 9,564	<hr/> 10,291	<hr/> 9,350
<b>EQUITY</b>				
Equity share capital	6	9,527	9,450	9,442
Reserves		8,012	7,942	6,914
Convertible notes	7	35	35	55
<b>TOTAL EQUITY</b>		<hr/> 17,574	<hr/> 17,427	<hr/> 16,411
<b>TOTAL</b>		<hr/> <b>27,138</b>	<hr/> <b>27,718</b>	<hr/> <b>25,761</b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 10.

THE NEW ZEALAND WINE COMPANY  
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**STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

	Note	Unaudited 6 months ended 31 Dec 2004 \$'000	Audited 12 months ended 30 Jun 2004 \$'000	Unaudited 6 months ended 31 Dec 2003 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from (applied to)</b>				
Receipts from customers		5,545	8,396	4,890
Interest received		8	11	5
Payments to suppliers and employees		(4,068)	(7,036)	(2,948)
Interest		(262)	(606)	(287)
Income taxation paid		(130)	(246)	(173)
<b>Net cash flow from operating activities</b>	8	<u>1,093</u>	<u>519</u>	<u>1,487</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from (applied to)</b>				
Sale of non-current tangible assets		-	2,723	123
Purchase of non-current tangible assets		(1,161)	(1,749)	(1,305)
Purchase of non-current non-tangible assets		(3)	(9)	(8)
Employee Share Scheme repaid (advanced)		1	(75)	-
Grower loan repaid (advanced)		-	(1)	(113)
<b>Net cash flow from investing activities</b>		<u>(1,163)</u>	<u>889</u>	<u>(1,303)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash was provided from (applied to)</b>				
Issue of equity share capital		34	3	3
Loans advanced		1,500	1,600	1,600
Loans repaid		(1,386)	(458)	(213)
Dividends paid		(344)	(515)	(344)
<b>Net cash flow from financing activities</b>		<u>(196)</u>	<u>650</u>	<u>1,046</u>
<b>Net increase/(decrease) in cash held</b>		(266)	2,058	1,230
<b>Cash at beginning of period</b>		869	(1,189)	(1,189)
<b>Cash at end of period</b>		<u>603</u>	<u>869</u>	<u>41</u>
<b>Comprising: Cash</b>		603	869	41
<b>Bank Overdraft</b>		-	-	-
		<u>603</u>	<u>869</u>	<u>41</u>

These financial statements should be read in conjunction with the notes to the financial statements on pages 8 to 10.



## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

### **1. ACCOUNTING PERIOD**

These unaudited financial statements cover the six month period to 31 December 2004. These financial statements have been prepared in accordance with FRS-24 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 2004. The comparatives have been adjusted to ensure consistency with the treatment of vineyard interest costs.

### **2. ACCOUNTING POLICIES**

Taxation expense has been recorded in these financial statements on the basis of 33% of surplus before taxation (excluding the non-taxable surplus from the sale of vineyard for the period ended 31 December 2003). 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.

<b>Unaudited 6 months ended 31 Dec 2004 \$'000</b>	<b>Audited 12 months ended 30 Jun 2004 \$'000</b>	<b>Unaudited 6 months ended 31 Dec 2003 \$'000</b>
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### **3. SURPLUS FROM OPERATIONS**

*Included in surplus from operations are the following:*

#### **REVENUE ITEMS:**

Net foreign exchange gain	53	164	80
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#### **EXPENSES:**

Amortisation	7	14	7
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Depreciation*	12	26	13
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Directors' fees	51	100	51
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Excise duty	271	502	246
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Fees paid to auditors:

- Audit of financial report	1	12	1
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- For other services	-	2	-
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\* Total depreciation on non-current tangible assets totalled \$320,000 for the six months ended 31/12/04 (Y/E 30/6/04 \$622,000; P/E 31/12/03 \$235,000). \$308,000 has been applied to work in progress (Y/E 30/6/04 \$596,000; P/E 31/12/03 \$222,000).

### **4. NET FINANCING COSTS**

Loan interest	257	624	308
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Less: Interest revenue	(10)	(11)	(5)
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Less: Interest capitalised/included in cost of grapes	(104)	(294)	(150)
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	143	319	153
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### **5. EARNINGS PER SHARE**

The calculation is based on earnings of \$413,590 (30/6/04 \$739,348; 31/12/03 \$348,028) and the weighted average of 8,604,110 ordinary shares in issue during the period (30/6/04 8,585,560; 31/12/03 8,584,852). The earnings per share for 31 December 2003 (reported as 3.8 in the Half Yearly Report for the 6 months ending 31 December 2003) have been adjusted for comparative purposes for the change in treatment of vineyard interest costs.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2004 (CONTINUED)**

	Unaudited 6 months ended 31 Dec 2004 \$'000	Audited 12 months ended 30 Jun 2004 \$'000	Unaudited 6 months ended 31 Dec 2003 \$'000
<b>6. SHARE CAPITAL</b>			
ORDINARY SHARES			
Balance at beginning of period	9,450	9,439	9,439
Share issues	77	11	3
Balance at end of period	9,527	9,450	9,442
Number of fully paid ordinary shares	8,632,999	8,589,666	8,585,586
During the period the Company issued the following shares:			
26 October 2004: 22,000 shares at an issue price of \$1.96 per share.			
28 October 2004: 4,933 shares at an issue price of \$1.57 per share ex share option scheme.			
2 November 2004: 16,400 shares at an issue price of \$1.57 per share ex share option scheme.			
SHARE OPTIONS			
Balance at end of period	114,500	118,658	92,558
<b>7. CONVERTIBLE NOTES</b>			
Balance at beginning of period	35	35	35
Convertible note issues	-	-	20
Balance at end of period	35	35	55
Number of convertible notes on issue	18,000	18,000	24,580
<b>8. NET CASH FROM OPERATING ACTIVITIES</b>			
<i>Reconciliation of statement of financial performance surplus with net cash flow from operating activities</i>			
SURPLUS	414	739	348
Non-cash items:			
Depreciation	320	622	231
Amortisation of identifiable intangibles	7	29	7
Increase/(Decrease) in deferred taxation	-	16	(3)
	741	1,406	583
MOVEMENTS IN WORKING CAPITAL			
(Increase)/Decrease in inventories	1,283	(692)	552
(Increase)/Decrease in receivables	664	(854)	1,166
Increase/(Decrease) in trade creditors	(436)	93	(489)
Increase/(Decrease) in payables and other current assets	(1,159)	629	(262)
	352	(824)	967
ITEMS CLASSIFIED AS INVESTING ACTIVITIES			
Loss (profit) on disposal of non-current tangible assets	-	(63)	(63)
<b>Net cash inflow from operating activities</b>	<b>1,093</b>	<b>519</b>	<b>1,487</b>

THE NEW ZEALAND WINE COMPANY  
LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2004 (CONTINUED)**

	Unaudited 6 months ended 31 Dec 2004 \$'000	Audited 12 months ended 30 Jun 2004 \$'000	Unaudited 6 months ended 31 Dec 2003 \$'000
<b>9. CAPITAL COMMITMENTS</b>			
Winery Expansion Stage 3	510	-	-
Purchase of Land	40	60	-
Winery Expansion Stage 2	-	-	312

**10. SUBSEQUENT EVENTS**

No material events have occurred since balance date.

**11. SHAREHOLDER INFORMATION**

April 2005	Interim Dividend
August/September 2005	Annual Report Published
October 2005	Annual General Meeting
October 2005	Final Dividend

THE NEW ZEALAND WINE COMPANY  
LIMITED

**HALF YEARLY REPORT**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

<b><i>DIRECTORS:</i></b>	M A Peters (Chairman) M J Hunter J A Jamieson M J McQuillan J H G Milne
<b><i>WINERY ADDRESS:</i></b>	13 Waihopai Valley Road Renwick, Marlborough NZ Telephone + 64 3 572 8200 Facsimile + 64 3 572 8211
<b><i>POSTAL ADDRESS:</i></b>	P.O. Box 67, Renwick, Marlborough, NZ
<b><i>EMAIL:</i></b>	info@nzwineco.co.nz
<b><i>WEBSITES:</i></b>	www.nzwineco.co.nz www.grovemill.co.nz www.sanctuarywine.co.nz
<b><i>NATURE OF BUSINESS:</i></b>	Production and distribution of wine
<b><i>AUDITORS:</i></b>	Deloitte, Wellington
<b><i>SOLICITORS:</i></b>	Wisheart Macnab & Partners, Blenheim
<b><i>BANKERS:</i></b>	National Bank of New Zealand, Blenheim
<b><i>REGISTRATION NO:</i></b>	CH 307139
<b><i>REGISTERED OFFICE:</i></b>	13 Waihopai Valley Road, Renwick, Marlborough
<b><i>SHARE REGISTRAR:</i></b>	Computershare Investor Services Limited Level 2, 159 Hurstmere Road, Takapuna Private Bag 92119, AUCKLAND 1020 Telephone + 64 9 488 8777 Facsimile + 64 9 488 8787 Email: enquiry@computershare.co.nz
<b><i>SHARE TRADING:</i></b> <b><i>"NWC"</i></b>	NZX - NZAX Market