



THE NEW ZEALAND WINE COMPANY  
LIMITED

*HALF YEARLY REPORT*

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2002*

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**HALF YEARLY REPORT**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2002**

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THE NEW ZEALAND WINE COMPANY  
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**CHAIRMAN'S REPORT**

**HALF YEARLY REPORT FOR THE SIX MONTHS ENDED  
31 DECEMBER 2002**

The Company has once again posted a record half year result with the net tax paid surplus of \$528,000 being 18.4% ahead of the same period to December 2001. This has been achieved from an increase in sales revenue of 21.2% to \$4,316,000.

These results are in keeping with the growth pattern we have been building. The full year result is expected to be broadly in line with such growth. The Board and Management are regularly monitoring our budgets with performance and are constantly seeking to control costs and margins. The current rise in the \$NZ will not impact for some time as the Company has forward cover at appropriate rates to smooth out any effect from the rising currency and The Board will monitor the situation closely and take further forward cover as rates come off the present highs. The existing cover means that this does not need to happen for some time yet, however some concern remains that currency rates will eventually affect margins if they remain at present or higher levels.

The record tonnage for Marlborough and New Zealand from the 2002 harvest seems to have been well absorbed into the market place. While global competition in the branded wine sector is fierce, this does not appear to be adversely affecting super premium New Zealand Wine sales. At time of writing it appears that the 2003 harvest may not be at the same levels nationally due to a number of factors such as bunch numbers after last years big harvest and frost damage in some areas. We are expecting some of our own and growers' yields to be lighter than last year and at this stage expect that our intake will be somewhat less than the record 2002 harvest - with consequent reduction in stock available for the 2004 year. In what could be a challenging year for the company we will decide how best to manage our stocks to fit our various markets once final tonnages are known.

What the industry very much needs is a long range industry wide Strategic Plan. This will be critical in terms of goal setting and marshalling resources in order that together we can successfully market our increasing production (in normal years). New Zealand Winegrowers needs to show sound leadership in this area. The New Zealand Wine Company has set its own 5 year plan in place and our marketing strategies are in train as production grows for our company.

On February 1st 2003, Palm Bay Imports Inc. became the official importer of Grove Mill wines into the USA. Palm Bay has a turnover of more than \$NZ300 Million and a 100 strong sales and marketing team. Competition for good US Importers has become fierce with the number shrinking as distribution channels consolidate. It is a major coup for The New Zealand Wine Company to secure such a partner in this vital market.

Now that our own vineyards are virtually fully planted we have completed construction of the new Winery Production facility to deal with the fruit as it comes on stream. This state of the art high tech facility was completed within budget and on time in December 2002 and will be a great asset for the company from the 2003 Vintage onwards. The Company is now well placed with the required Vineyard and Production assets to go forward. Until all of our vineyards are in full production we will have some surplus winery capacity and may undertake some contract processing if available until such times as we require all of our capacity ourselves. The contribution to the company from our contract growers is of course an equally important factor in the operation of the business. Management and the Board are constantly monitoring the need for either long term grower contracts or planting more company vineyards.

While the Lion Nathan takeover of Wither Hills raised price expectations of Wine Companies that may have been on the market, this seems to have settled down and we are currently in talks with a number of Wine Companies that may be potential merger/acquisition possibilities. The Board's philosophy which I have outlined on a number of occasions in various Reports and Statements still prevails however, in that we will not complete any merger/acquisitions that do not provide ongoing value for all shareholders. We will

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**CHAIRMAN'S REPORT**

**HALF YEARLY REPORT FOR THE SIX MONTHS ENDED  
31 DECEMBER 2002 (CONTINUED)**

continue to explore opportunities and at the same time the Company's own growth path is well established in any event. Since the presentation from The New Zealand Stock Exchange to our 2002 Annual General Meeting, no final proposals have been seen from them for their new AX Market. We understand some proposals are due out shortly. Your Board considers that as time goes by we are more likely to be seeking a full no.1 Board Stock Exchange listing and we will continue to monitor the situation. In the meantime the shares continue to trade quite regularly.

The Cash Issue in October 2002 was fully subscribed and the very small number of Rights not taken up was insufficient to meet the applications for additional Rights from Shareholders and it was decided to place the few Rights available to staff to enhance their interest in the future financial success of the company. The Board were very pleased with the response to the Cash Issue and the confidence in the Company shown by Shareholders. An interim Dividend will be paid in April 2003.

Finally a sincere thank you to all of our very good staff who continue to put in great work and contribute hugely to the Company's continued successful results. Also to my fellow Board members whose Governance skills serve the Company greatly indeed. It is with heavy sadness that I record here the sad passing in November of recently retired founding Director and former Chairman Peter Croft. Peter's love of and work for this company has been tremendous over the years. Our sincere sympathy is extended to Joy and the family.



**Mark Peters**  
**CHAIRMAN**

5 February 2003.

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**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2002**

	Note	Unaudited 6 months ended 31 Dec 2002 \$'000	Audited 12 months ended 30 Jun 2002 \$'000	Unaudited 6 months ended 31 Dec 2001 \$'000
<b>TOTAL REVENUE</b>		<b>4,316</b>	<b>6,777</b>	<b>3,560</b>
Surplus from operations	3	982	1,752	840
Net Financing costs	4	(195)	(237)	(174)
Surplus before taxation		787	1,515	666
Taxation		(259)	(511)	(220)
<b>NET SURPLUS FOR THE PERIOD</b>		<b>528</b>	<b>1,004</b>	<b>446</b>
Earnings per share (after tax)	5	6.7	13.3	5.9

**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2002**

	Note	Unaudited 6 months ended 31 Dec 2002 \$'000	Audited 12 months ended 30 Jun 2002 \$'000	Unaudited 6 months ended 31 Dec 2001 \$'000
Net surplus for the period		528	1,004	446
Surplus on revaluation of land, land improvements and buildings		-	1,214	-
<b>Comprehensive income for the period</b>		<b>528</b>	<b>2,218</b>	<b>446</b>
Contributions by owners	6	1,963	61	-
Distributions to owners		(277)	(344)	(206)
<b>Added to equity during period</b>		<b>2,214</b>	<b>1,935</b>	<b>240</b>
<b>Equity at beginning of period</b>		<b>10,758</b>	<b>8,823</b>	<b>8,823</b>
<b>Equity at end of period</b>		<b>12,972</b>	<b>10,758</b>	<b>9,063</b>

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

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**STATEMENT OF FINANCIAL POSITION**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2002**

	Note	Unaudited 6 months ended 31 Dec 2002 \$'000	Audited 12 months ended 30 Jun 2002 \$'000	Unaudited 6 months ended 31 Dec 2001 \$'000
<b>CURRENT ASSETS</b>				
Cash		356	-	263
Receivables		1,520	1,937	1,646
Inventories		3,946	4,355	2,606
Taxation		54	40	-
Other current assets		165	43	279
		6,041	6,375	4,794
<b>NON-CURRENT ASSETS</b>				
Property, Plant & Equipment		14,441	12,060	9,831
Intangibles - Identifiable		221	161	103
- Goodwill		3	4	4
Investments		30	10	49
Other non-current assets		133	18	28
		14,828	12,253	10,015
<b>TOTAL</b>		<b>20,869</b>	<b>18,628</b>	<b>14,809</b>

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**STATEMENT OF FINANCIAL POSITION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2002 (CONTINUED)**

	Note	Unaudited 6 months ended 31 Dec 2002 \$'000	Audited 12 months ended 30 Jun 2002 \$'000	Unaudited 6 months ended 31 Dec 2001 \$'000
<b>CURRENT LIABILITIES</b>				
Bank overdraft		-	1,564	-
Loans		360	283	252
Trade creditors		238	941	261
Payables		202	146	217
Taxation		-	-	124
		800	2,934	854
<b>NON-CURRENT LIABILITIES</b>				
Deferred taxation		460	465	242
Loans		6,637	4,471	4,650
		7,097	4,936	4,892
<b>TOTAL LIABILITIES</b>		7,897	7,870	5,746
<b>EQUITY</b>				
Equity share capital	6	9,425	6,770	6,709
Reserves		3,512	3,953	2,319
Convertible notes		35	35	35
<b>TOTAL EQUITY</b>		12,972	10,758	9,063
<b>TOTAL</b>		<b>20,869</b>	<b>18,628</b>	<b>14,809</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 2002**

	Note	Unaudited 6 months ended 31 Dec 2002 \$'000	Audited 12 months ended 30 Jun 2002 \$'000	Unaudited 6 months ended 31 Dec 2001 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from (applied to)</b>				
Receipts from customers		5,470	7,385	3,786
Interest received		3	6	4
Payments to suppliers and employees		(4,119)	(6,435)	(2,877)
Interest		(262)	(360)	(163)
Income taxation paid		(279)	(238)	(3)
<b>Net cash flow from operating activities</b>	7	<u>813</u>	<u>358</u>	<u>747</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from (applied to)</b>				
Sale of non-current tangible assets		38	4	3
Purchase of non-current tangible assets		(2,658)	(2,420)	(1,265)
Purchase of non-current non-tangible assets		(18)	(31)	(20)
Employee Share Scheme repaid		1	14	7
Grower loan repaid (advanced)		(116)	7	-
<b>Net cash flow from investing activities</b>		<u>(2,753)</u>	<u>(2,426)</u>	<u>(1,275)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash was provided from (applied to)</b>				
Issue of equity share capital		1,913	-	-
Loans advanced		2,400	2,500	2,520
Loans repaid		(176)	(259)	(130)
Dividends paid		(277)	(344)	(206)
<b>Net cash flow from financing activities</b>		<u>3,860</u>	<u>1,897</u>	<u>2,184</u>
<b>Net increase/(decrease) in cash held</b>		1,920	(171)	1,656
<b>Cash at beginning of period</b>		(1,564)	(1,393)	(1,393)
<b>Cash at end of period</b>		<u>356</u>	<u>(1,564)</u>	<u>263</u>
<b>Comprising: Cash</b>		356	-	263
<b>Bank Overdraft</b>		-	(1,564)	-
		<u>356</u>	<u>(1,564)</u>	<u>263</u>

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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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2002**

**1. ACCOUNTING PERIOD**

These unaudited financial statements cover the six month period to 31 December 2002. 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 2002.

**2. ACCOUNTING POLICIES**

Taxation expense has been recorded in these financial statements on the basis of 33% of surplus before taxation. Any deferred benefits have not been brought to account. This is consistent with the prior year. There have been no changes in accounting policies during the period.

**3. SURPLUS FROM OPERATIONS**

*Included in surplus from operations are the following:*

**REVENUE ITEMS:**

	Unaudited 6 months ended 31 Dec 2002 \$'000	Audited 12 months ended 30 Jun 2002 \$'000	Unaudited 6 months ended 31 Dec 2001 \$'000
Net foreign exchange (gain) loss	(30)	29	-

**EXPENSES:**

Amortisation	8	15	9
Depreciation*	86	146	58
Director's fees	50	88	44
Excise duty	245	427	232
Fees paid to auditors:			
- Audit of financial report	1	10	2
- For other services	-	17	-

\* Total depreciation on non-current tangible assets totalled \$177,000 for the six months ended 31/12/02 (Y/E 30/6/02 \$316,000; P/E 31/12/01 \$140,000). \$91,000 has been applied to work in progress (Y/E 30/6/02 \$170,000; P/E 31/12/01 \$82,000).

**4. NET FINANCING COSTS**

Loan interest	276	373	178
Less: Interest revenue	(3)	(6)	(4)
Less: Interest capitalised	(78)	(130)	-
	195	237	174

**5. EARNINGS PER SHARE**

The calculation is based on earnings of \$527,546 (30/6/02 \$1,004,120; 31/12/01 \$446,072) and the weighted average of 7,925,610 ordinary shares in issue during the period (30/6/02 6,881,266; 31/12/01 6,872,099). The earnings per share for 30 June 2002 (reported as 14.6 in the Annual Report 2002) and 31 December 2001 have been adjusted for comparative purposes for the 1 for 10 bonus issue made in September 2002.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2002 (CONTINUED)**

	Unaudited 6 months ended 31 Dec 2002 \$'000	Audited 12 months ended 30 Jun 2002 \$'000	Unaudited 6 months ended 31 Dec 2001 \$'000
<b>6. SHARE CAPITAL</b>			
ORDINARY SHARES			
Balance at beginning of period	6,770	6,709	6,709
Share issues	2,004	61	-
Less Costs of issues	(41)	-	-
Bonus shares issued	692	-	-
Balance at end of period	<u>9,425</u>	<u>6,770</u>	<u>6,709</u>
Number of fully paid ordinary shares	<u>8,574,452</u>	<u>6,894,099</u>	<u>6,872,099</u>

During the period the Company issued the following shares:

8 July 2002: 9,000 new shares at an issue price of \$3.15.

12 September 2002: 16,720 new shares at an issue price of \$2.97.

19 September 2002: 691,980 new shares from a fully imputed 1 for 10 bonus issue.

31 October 2002: 951,586 new shares at an issue price of \$2.00 from a 1 for 8 renounceable rights issue; 1,133 shares issued from share options exercised at \$1.57 and 2,900 shares issued from share options exercised at \$2.50.

7 November 2002: 1,167 shares issued from share options exercised at \$1.57.

11 November 2002: 2,467 shares issued from share options exercised at \$1.57 and 3,400 shares issued from share options exercised at \$2.50.

SHARE OPTIONS

Balance at end of period	<u>147,133</u>	<u>160,000</u>	<u>61,500</u>
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**7. NET CASH FROM OPERATING ACTIVITIES**

*Reconciliation of statement of financial performance surplus with net cash flow from operating activities*

SURPLUS	528	1,004	446
Non-cash items:			
Depreciation	177	316	140
Amortisation of identifiable intangibles	8	24	9
Increase/(Decrease) in deferred taxation	(5)	226	3
	<u>708</u>	<u>1,570</u>	<u>598</u>
MOVEMENTS IN WORKING CAPITAL			
(Increase)/Decrease in inventories	409	(1,348)	401
(Increase)/Decrease in receivables	418	(623)	(43)
Increase/(Decrease) in trade creditors	(702)	173	(507)
Increase/(Decrease) in payables	(81)	585	297
	<u>44</u>	<u>(1,213)</u>	<u>148</u>
ITEMS CLASSIFIED AS INVESTING ACTIVITIES			
Loss on disposal of non-current tangible assets	61	1	1
<b>Net cash inflow from operating activities</b>	<u><b>813</b></u>	<u><b>358</b></u>	<u><b>747</b></u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2002 (CONTINUED)**

	Unaudited 6 months ended 31 Dec 2002 \$'000	Audited 12 months ended 30 Jun 2002 \$'000	Unaudited 6 months ended 31 Dec 2001 \$'000
<b>8. CAPITAL COMMITMENTS</b>			
Winery Expansion Stage 1	87	2,113	-

**9. INVESTMENT IN SUBSIDIARIES**

The New Zealand Wine Company has three wholly owned, non-operating subsidiaries with no assets or liabilities. No consolidation has been performed as there is no material effect on the Group's position. Subsidiaries as at 31 December 2002 were:  
Grove Mill Wine Company Limited  
Sanctuary Wine Company Limited  
Bedford Road Investments Limited

**10. SUBSEQUENT EVENTS**

On 29 January 2003 the Company issued 66,625 share options under the 2002 Share Options Scheme per the Registered Short Form Prospectus dated 23 December 2002 at an exercise purchase price of \$2.75 per share.

No other material events have occurred since balance date.

**11. SHAREHOLDER INFORMATION**

April 2003	Interim Dividend
August 2003	Annual Report Published
September 2003	Annual General Meeting
October 2003	Final Dividend

THE NEW ZEALAND WINE COMPANY  
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**HALF YEARLY REPORT**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2002**

<b>DIRECTORS:</b>	M A Peters (Chairman) P J McAtamney (Managing Director) J A Jamieson M J McQuillan J H G Milne
<b>WINERY ADDRESS:</b>	13 Waihopai Valley Road Renwick, Marlborough NZ Telephone + 64 3 572 8200 Facsimile + 64 3 572 8211
<b>POSTAL ADDRESS:</b>	P.O. Box 67, Renwick, Marlborough, NZ
<b>EMAIL:</b>	info@nzwineco.co.nz
<b>WEBSITES:</b>	www.nzwineco.co.nz www.grovemill.co.nz www.sanctuarywine.co.nz
<b>NATURE OF BUSINESS:</b>	Production and distribution of wine
<b>AUDITORS:</b>	Deloitte Touche Tohmatsu, Wellington
<b>SOLICITORS:</b>	Wisheart Macnab & Partners, Blenheim Gibson Sheat, Wellington
<b>BANKERS:</b>	National Bank of New Zealand, Blenheim
<b>REGISTRATION NO:</b>	CH 307139
<b>REGISTERED OFFICE:</b>	13 Waihopai Valley Road, Renwick, Marlborough
<b>SHARE REGISTRAR:</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>SHARE TRADING:</b> "NWC"	NZSE - Unlisted Public Companies Board