

DELEGAT'S GROUP LIMITED

Results for announcement to the market

Reporting Period	12 months to 30 June 2008
Previous Reporting Period	12 months to 30 June 2007

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$165,265	23%
Profit from ordinary activities after tax attributable to shareholders	\$19,148	77%
Net profit attributable to shareholders	\$19,148	77%

Audit	The financial statements attached to this report have been audited and are not subject to a qualification. A copy of the audit report applicable to the full financial statements is attached to this announcement.
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Comments	Refer to the Full Year Review appended.
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Dividends

	Cents per share	Imputed Cents per share
Final Dividend for the year ended 30 June 2008	6.00 cents	2.9552 cents

Record date	10 October 2008
Dividend Payment Date	24 October 2008

Net Tangible Assets per share

	Current Year	Previous corresponding year
Net Tangible Assets per share	\$1.43	\$1.28

Delegat's Annual Report 2008

Performance Highlights 2008

2008 has again been a year of record sales performance, profit and market share milestones.

Delegat's Group Limited:

- Achieved record global sales of 1,449,000 cases.
- Achieved record total revenue of \$165.3 million.
- Achieved record net profit of \$19.1 million.
- Achieved 5% increase in average case price realisation to \$112.
- Achieved export case sales growth of 20% against industry growth of 17%.
- Achieved increased share of total New Zealand wine exports to 13.3%.
- Led the New Zealand wine industry with the Oyster Bay brand being the number one selling New Zealand wine brand in the United Kingdom, Australia and Canada.
- Gained momentum in the United States market with Oyster Bay achieving the fastest growth of major New Zealand wine brands.
- Celebrated Oyster Bay being awarded 'Brand of the Year 2007' at the Australian Liquor Industry Awards, and "Premium White Wine of the Year" for the third consecutive year.

CHAIRMAN'S REPORT

On behalf of the Board of Directors I am pleased to present to you the financial results of Delekat's Group Limited (Delekat's) for the year ended 30th June 2008. This is our third report as a publicly listed entity and is the first full year result reported under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). To enable comparability, the results for the fiscal year ended 30th June 2007 have been restated under NZ IFRS.

It is a pleasure to report that the Group continues to deliver strong sales and financial performance that again demonstrates the strength of our business model and the heightened global demand for the Group's Oyster Bay brand, all of which position the Group well for future growth.

Results

Total revenue for the year under review is \$165.3 million compared to \$134.8 million in the 2007 year – an increase of 23%.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) at \$55.4 million is 46% ahead of last year.

Net profit for the year of \$19.1 million is 77% ahead of the 2007 year of \$10.8 million.

Impact of NZ IFRS

For the Group the most significant changes as a result of the transition to NZ IFRS pertain to the valuation of biological assets and financial derivatives, their deferred tax implications and the carrying value of inventories. Importantly the different accounting treatments have had no impact on cash flow and the Group reports a significant cash inflow from operations at \$8.3 million compared to a \$0.4 million outflow in the previous year.

Governance

The Board meets regularly, as does the audit and compliance committee. It is thoroughly aware of the need for transparency and the requirements of good governance. As a global company, the need to be responsive to each of the regulatory environments in which the Group operates becomes paramount and appropriate use is made of professional advisors to ensure compliance. The Group continues a rigorous currency management policy as part of a global centralised treasury.

Dividend

I am pleased to advise that given the profit level achieved, your Directors have approved a fully imputed dividend payout of 6 cents per share (representing 31% of the after tax profit). The dividend for the year ended 30th June 2008 will be paid on 24th October 2008 to Shareholders on record at 10th October 2008.

This dividend is both a function of the desire to reward Shareholders while at the same time creating a fund to support the growth aspirations of the company for Shareholder wealth creation.

Our People

I wish to take this opportunity to acknowledge the contribution of Delekat's staff. The Board places on record its appreciation to each of them, whether they are in New Zealand, Australia, the United Kingdom, Canada or the United States of America.

The Future

The Board's priority is to grow Shareholder value. We will continue to seek all opportunities that are wealth accretive and to ensure Delekat's sustainable growth continues.

I look forward to reporting on our progress at the Annual Meeting on Tuesday, 2nd December 2008.

Robert Wilton
Chairman

Managing Director's Report

Oyster Bay has not only led the New Zealand wine category in major export markets, it is a significant brand in the global Super Premium wine market, and for many global wine consumers, is their wine brand of choice.

Our strategic goal remains unchanged 'To lead New Zealand category growth and establish Oyster Bay as one of the world's great super premium wine brands'.

This year the Group continued to make excellent progress towards realising this goal and the potential of the business.

2008 has again been a year of record sales performance and market share milestones. These results are testament of a proven and robust global business strategy in action.

The Group achieved global sales of 1,449,000 cases, 17% higher than the previous year. Total revenue generated was \$165.3 million, 23% ahead of the previous year and a net profit of \$19.1 million is 77% ahead of the 2007 year.

The Group has continued to maximise the potential of the valuable niche it has established for the Oyster Bay brand globally. Oyster Bay's brand footprint has continued to grow in its major export markets.

The Oyster Bay brand holds the number one New Zealand wine category position in the important markets of the United Kingdom, Australia and Canada.

The sustained global growth in the Super Premium segment and the strength of the Oyster Bay brand has enabled the Group to maximise its in-market price realisation and focus on delivering value and volume growth.

New Zealand Wine Industry Review

New Zealand's reputation and status as a world-class producer of sauvignon blanc, chardonnay, pinot noir and merlot has never been stronger and global consumers continue to demand New Zealand's elegant and flavourful wine styles.

In 2008 the New Zealand wine industry achieved record export sales of \$800 million - a 14% increase in line with export projections.

Fine weather during flowering and favourable spring conditions resulted in a record 2008 industry vintage of 285,000 tonnes – 39% higher than the previous year. The increase in grape supply means that the industry is on track to continue its long-term-sales growth trend and achieve \$1 billion of export sales by 2010. Industry participants with leading brands, powerful established distribution networks, and an uncompromising focus on quality, are well placed to utilise the increase in supply from the 2008 vintage to meet growing global demand for Super Premium New Zealand wine.

Global Sales Performance

In 2008 the Group achieved global sales of 1,449,000 cases, 17% higher than the previous year.

The Group has leveraged and grown its highly-effective global distribution network to achieve growth and cement its market leading position. The Group's aim is to be as close as possible to its consumers, distributors and retail partners. The global in-market sales teams comprising more than 65 people have enabled us to achieve this success by focusing exclusively on our brands, nurturing business relationships and identifying and building high-quality retail distribution.

The Group achieved export case sales growth of 20% for the year versus wine industry export growth of 17%. Export case sales represent 88% of the Group's total case sales.

The Group has once again demonstrated its ability and competitive strength to grow export market share. This success has been achieved beyond New Zealand's principal offering of sauvignon blanc, in which it also commands a leading export share. The Group has continued to achieve strong export growth and category leadership in chardonnay, merlot and pinot noir.

Price Realisation

During the year the Group increased its in-market price realisation resulting in an average of \$112 per case, 5% of ahead of the previous year. This represents a premium of 38% against industry export earnings of \$81 per case. This price premium is underpinned by the strength of the Oyster Bay brand, its Super Premium positioning and the Group's vertically integrated business model.

Global Strategy

The Group's strategy is to lead New Zealand wine category and establish Oyster Bay as one of the world's great Super Premium wine brands.

The Group has established itself as a global marketer of Super Premium wines. It continues to invest in its brands, distribution channels and global sales capability to support substantial future sales growth. This is the Group's demonstrated competitive advantage.

Branding and Communications

The Super Premium segment continues to show strong growth across our global markets. This trend is driven by consumers 'trading up' to stand-out brands from the leading wine regions of the world. As a global marketer, the Group recognises the importance of brand equity as a source of competitive advantage and sustainable long-term earnings.

The Group's strong marketing orientation, brand management disciplines and in-market promotional execution continues to strengthen Oyster Bay's market position as New Zealand's leading Super Premium wine brand globally.

The Group's leading market share, high average rate-of-sale, in-market price realisation and leading share of New Zealand sauvignon blanc, chardonnay, pinot noir and merlot exports are all strong indicators of Oyster Bay's exceptional brand strength.

In recognition of its popularity and sales performance, Oyster Bay was voted Brand of the Year at the Australian Liquor Industry Awards 2007. Oyster Bay also continues to receive consumer choice accolades from around the world.

The Delegat brand is one of New Zealand's most highly-respected wine brands and part of the pioneering spirit of the New Zealand wine industry. The Group sees great potential in this brand to deliver long-term value growth, particularly in the New Zealand market. The Group has undertaken a strategic brand review and developed a comprehensive brand communications platform, including world-class packaging and compelling advertising to position the brand in growing consumer segments of the market.

United Kingdom

- No.1 New Zealand brand by volume and value in multiple grocers
- No.1 New Zealand Sauvignon Blanc
- No.1 New Zealand Chardonnay
- No.1 New Zealand Merlot
- No.1 New Zealand Pinot Noir

Source: AC Nielson MAT 12th July 2008

- No.15 ranked still white wine (all categories)

Source: AC Nielson MAT 26th Jan 2008

Substantial growth was achieved with existing customers and by broadening distribution. During the year the Group successfully improved its price realisation, thereby increasing the profitability of the United Kingdom market. Oyster Bay is a top-selling over £5 wine brand in the United Kingdom and remains well placed to capitalise on the long-term growth of the Super Premium wine category. It is of particular note that the success of Oyster Bay Merlot is by far the most successful New Zealand red wine in the United Kingdom market.

Australia

- No. 1 New Zealand brand by volume and value
- Oyster Bay Sauvignon Blanc is the largest selling still white wine by value
- No. 1 New Zealand Sauvignon Blanc, No. 1 New Zealand Chardonnay, No. 1 New Zealand Merlot

Source: AC Nielsen MAT to 30th Jun 2008

The Group increased distribution significantly, with an estimated 7,500 retail customers stocking the Oyster Bay Brand at year end. Oyster Bay Sauvignon Blanc is the biggest selling still white wine by value in Australia. Oyster Bay is transcending the sauvignon blanc-led New Zealand category with Oyster Bay Chardonnay becoming the biggest selling and fastest-growing Chardonnay above AU\$15 in Australia (AC Nielsen, 30th Jun 2008).

The Group continues to build its in-market sales team including the appointment of sales personnel in Western Australia and Tasmania to complete full distribution development and focus on the long-term growth prospects that these two important states offer.

United States

- Fastest growing major New Zealand Wine Brand. 88% value growth, and 78% volume growth
- No. 3 New Zealand wine brand over US\$10 by value and volume
- No. 4 New Zealand Sauvignon Blanc, No. 2 New Zealand Chardonnay, No. 2 New Zealand Merlot, No. 2 New Zealand Pinot Noir
- No. 11 Imported Wine Brand over US\$10

Source: AC Nielsen MAT 26th July 2008

During the year the Group made significant progress in establishing the foundation for long-term growth in the United States. Key initiative included improving price realisation and the appointment of significant distributors, who are aligned with the sales and marketing goals of the Group's business.

The Group now has an in-market sales team of 19 people and a distribution network covering more than 90% of the US wine consuming market. Oyster Bay is now a leading New Zealand wine brand in the United States and has become the number 12 imported wine brand by value over US\$10. There is significant scope to increase the distribution and sales of Oyster Bay in the important United States market over the long-term.

Canada

- Consistently the No. 1 New Zealand brand for over 15 years
- No. 1 brand in Ontario over CA\$15

Source: ACD & CVA Database MAT 30th Jun 2008

Oyster Bay continues to retain its leadership position in Canada with strong performances in all provinces. The Group has high quality distribution through provincial Liquor Boards and key retail customers. A highlight during the year was a new listing for Oyster Bay Merlot with Société des Quebec in the key red wine market of Quebec. The Group continues to focus on realising significant growth opportunities in Canada.

New Zealand

- No.4 white wine brand \$15 - \$19.99 segment, 50% growth
- No.10 red wine brand \$15 - \$19.99 segment, 48% growth

Source: Synovate Aztec MAT 3rd Aug 2008

The Group achieved strong retail sales volume and value growth with the Oyster Bay brand in what is currently a flat and fragmented market. Oyster Bay is a top four ranked Super Premium brand and the Delegat brand is recognised for its quality and heritage. The Delegat brand will be repositioned in the coming year and the Group's focus will be on delivering value growth.

Asia Pacific and Other Markets

Group case sales in Asia Pacific and other markets for the year were 58% higher than the previous year. Highlights included strong growth in Ireland, Hong Kong, Singapore and the Middle East.

Grape Supply

The 2008 harvest amounted to 26,680 tonnes, 20% above budgeted yields and representing an increase of 45% on the 2007 vintage.

Viticulture

The increased harvest is a result of new plantings coming into production and favourable growing conditions throughout the summer period, which led to early flowering and an abundant fruit-set. Marlborough sauvignon blanc, the Group's most demanded wine globally, made up the principal increase in tonnage.

Marlborough Growing Season

The 2008 Growing Season in Marlborough was warmer than the long-term-average. Although the season started with a cool September, warm temperatures over the following months accumulated more Growing Degree Days (heat summation) than the long-term-average. These conditions were ideal over the flowering period (late November and early December) and resulted in good fruit-set across all varieties. A reduction in wind across the Marlborough region during this period benefited the younger vines. The fruit from Marlborough is considered to be of very good quality.

Hawke's Bay Growing Season

The 2008 Hawke's Bay Growing Season was slightly cooler than the long-term-average. Overall, each month accumulated higher-than-average Growing Degree Days with the exception of a cool December. Frost events in September, which occurred before flowering, resulted in reduced yields across most of the vineyard blocks. The La Nina weather pattern provided long sunshine hours over the flowering period and generally promoted good fruit set. Overall bunch and berry sizes were small, with very good fruit concentration and high-quality across all varieties.

Sustainability

The Group considers sustainability an integral part of the future of New Zealand wine production. As a founding member and strong proponent of Sustainable Winegrowing New Zealand, the Group is committed to the ongoing improvement of all aspects of sustainable practices in its vineyards and wineries.

Group Winemaking

The Group commissioned a new 4,000 tonne, state-of-the-art winery in Hawke's Bay. This is an exclusive arrangement with prominent New Zealand winery facility provider, Indevin Limited. This winery, which is wholly managed and staffed by Delegat's, processed the Group's entire 2008 Hawke's Bay harvest. An extensive barrel cooperage of 5500 barrels has also been established on a neighbouring site. We are very excited about these new facilities given their efficiency and proximity to our Hawke's Bay vineyards.

The Group has continued to add processing capacity to its Marlborough winery over the last three seasons and this significant facility continues to deliver the benefits of large scale Super Premium wine production. The Group is well positioned to increase its processing capacity as new vineyard plantings progressively come into production.

The Auckland winery is operating at full capacity as the Group's production, packaging and global distribution facility.

Major Awards and Accolades

We are proud to continue to receive major awards and accolades from the worlds leading wine commentators and competitions.

Oyster Bay Marlborough Chardonnay 2007 was named 'Best Import' and awarded 91/100 points by leading Australian wine writer Huon Hooke, Sydney Morning Herald, 13th May 2008, Australia.

Delegat's Reserve Hawke's Bay Cabernet Sauvignon Merlot 2006 won a gold medal at 2007 Air New Zealand wine awards.

Delegat's Reserve Hawke's Bay Chardonnay 2006 won a gold medal at 2008 Royal Easter Show Awards, New Zealand.

Oyster Bay Marlborough Sauvignon Blanc 2007 received the top score in Newsweek Magazine, April 2008, USA.

Oyster Bay Marlborough Sauvignon Blanc 2007 won the 2008 Good Housekeeping Magazine 'Top Wine Under £10' Readers' Choice Award, January 2008, United Kingdom.

Our People

To meet the challenges of our rapidly growing global organisation we realise the importance of attracting and retaining world-class professionals. Through all of our growth we maintain and build a strong culture of performance combined with a can-do attitude that supports the right people working together as a team to deliver world-class outcomes.

Group Outlook

The results from the past year are testament to the disciplined execution of our global strategy and position the Group well for the coming year.

The Group will continue to focus on its established strategy and leverage its market leading position in the strong growth Super Premium wine segment globally. This will ensure that our market lead business continues to deliver sustainable volume and value growth.

I acknowledge the ongoing support of our Shareholders, grower partners, customers, suppliers and the Board. Together we are building one of the world's truly great wine companies.

Jim Delegat
Managing Director

Delegat's Group Limited and Subsidiaries
Income Statement
For the Year Ended 30 June 2008

	Notes	Group		Parent	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
Sales		162,484	131,949	-	-
Fair value increment on biological assets		1,902	1,689	-	-
Other revenue	4	879	1,191	7,924	9,020
Revenue		165,265	134,829	7,924	9,020
Cost of sales		73,018	68,955	-	-
Gross Profit		92,247	65,874	7,924	9,020
Marketing and promotion expenses	5c	38,353	30,337	-	-
Corporate governance expenses	5b	1,064	1,071	803	794
Administration expenses		8,073	5,853	920	1,322
Finance costs	5a	12,958	11,684	1,872	4,702
Production management		520	531	-	-
Profit before income tax		31,279	16,398	4,329	2,202
Income tax expense	16	10,841	4,819	1,201	1,125
Profit after income tax		20,438	11,579	3,128	1,077
Net (profit) attributable to minority interests		(1,290)	(737)	-	-
Net profit for the year		19,148	10,842	3,128	1,077
Earnings Per Share					
- Basic and fully diluted earnings per share		19.15	10.84		

The accompanying notes form part of these financial statements

Delegat's Group Limited and Subsidiaries
Statement of Changes in Equity
For the Year Ended 30 June 2008

For the year ended 30 June 2008 - Group							
	Share Capital \$000	Foreign Currency Translation Reserve \$000	Share-based Payment \$000	Retained Earnings \$000	Total \$000	Minority Interests \$000	Total Equity \$000
Balance at 30 June 2007	47,481	(432)	9	53,680	100,738	28,236	128,974
Changes in equity for the year ended 30 June 2008							
Income and expense recognised directly within equity							
Translation of foreign subsidiaries	-	33	-	-	33	-	33
Total income and expense for the year recognised directly in equity	-	33	-	-	33	-	33
Net profit for the year	-	-	-	19,148	19,148	1,290	20,438
Total recognised income and expense for the year	-	33	-	19,148	19,181	1,290	20,471
Equity Transactions							
Dividends paid to shareholders	-	-	13	(4,513)	(4,500)	-	(4,500)
Dividends paid to minority shareholders	-	-	-	-	-	(225)	(225)
Share-based payments expense	-	-	216	-	216	-	216
Balance at 30 June 2008	47,481	(399)	238	68,315	115,635	29,301	144,936

For the year ended 30 June 2007 - Group							
	Share Capital \$000	Foreign Currency Translation Reserve \$000	Share-based Payment \$000	Retained Earnings \$000	Total \$000	Minority Interests \$000	Total Equity \$000
Balance at 30 June 2006	47,469	-	-	44,442	91,911	27,948	119,859
Changes in equity for the year ended 30 June 2007							
Income and expense recognised directly within equity							
Translation of foreign subsidiaries	-	(432)	-	-	(432)	-	(432)
Total income and expense for the year recognised directly in equity	-	(432)	-	-	(432)	-	(432)
Net profit for the year	-	-	-	10,842	10,842	737	11,579
Total recognised income and expense for the year	-	(432)	-	10,842	10,410	737	11,147
Equity Transactions							
Dividends paid to shareholders	-	-	-	(1,604)	(1,604)	-	(1,604)
Issued share capital	771	-	-	-	771	-	771
Shares held as treasury shares	(771)	-	-	-	(771)	-	(771)
Dividends paid to minority shareholders	-	-	-	-	-	(449)	(449)
Share issue costs	-	-	9	-	9	-	9
Share-based payments expense	12	-	-	-	12	-	12
Balance at 30 June 2007	47,481	(432)	9	53,680	100,738	28,236	128,974

For the year ended 30 June 2008 - Parent							
	Share Capital \$000	Foreign Currency Translation Reserve \$000	Share-based Payment \$000	Retained Earnings \$000	Total \$000	Minority Interests \$000	Total Equity \$000
Balance at 30 June 2007	47,481	-	-	4,906	52,387	-	52,387
Changes in equity for the year ended 30 June 2008							
Net profit for the year	-	-	-	3,128	3,128	-	3,128
Total recognised income and expense for the year	-	-	-	3,128	3,128	-	3,128
Dividends paid to shareholders	-	-	13	(4,513)	(4,500)	-	(4,500)
Balance at 30 June 2008	47,481	-	13	3,521	51,015	-	51,015

For the year ended 30 June 2007 - Parent							
	Share Capital \$000	Foreign Currency Translation Reserve \$000	Share-based Payment \$000	Retained Earnings \$000	Total \$000	Minority Interests \$000	Total Equity \$000
Balance at 30 June 2006	47,469	-	-	5,433	52,902	-	52,902
Changes in equity for the year ended 30 June 2007							
Net profit for the year	-	-	-	1,077	1,077	-	1,077
Total recognised income and expense for the year	-	-	-	1,077	1,077	-	1,077
Dividends paid to shareholders	-	-	-	(1,604)	(1,604)	-	(1,604)
Issued share capital	771	-	-	-	771	-	771
Shares held as treasury shares	(771)	-	-	-	(771)	-	(771)
Share issue costs	12	-	-	-	12	-	12
Balance at 30 June 2007	47,481	-	-	4,906	52,387	-	52,387

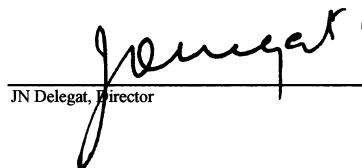
The accompanying notes form part of these financial statements

Delegat's Group Limited and Subsidiaries
Balance Sheet
As at 30 June 2008

	Notes	Group		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Equity					
Share capital	6	47,481	47,481	47,481	47,481
Foreign currency translation reserve	6c	(399)	(432)	-	-
Share based payment reserve	6c	238	9	13	-
Retained earnings		68,315	53,680	3,521	4,906
Shareholders' equity		115,635	100,738	51,015	52,387
Minority interest		29,301	28,236	-	-
Total Equity		144,936	128,974	51,015	52,387
Liabilities					
Current Liabilities					
Trade payables and accruals	9	30,222	22,368	334	800
Derivative financial instruments	10	1,999	-	-	-
Interest-bearing loans and borrowings	11	2,812	2,321	-	-
Subordinated unsecured Capital Notes	11	-	34,395	-	34,395
		35,033	59,084	334	35,195
Non-Current Liabilities					
Deferred tax liability	16	15,300	13,325	-	-
Interest-bearing loans and borrowings	11	173,488	108,465	-	-
		188,788	121,790	-	-
Total Liabilities		223,821	180,874	334	35,195
Total Equity and Liabilities		368,757	309,848	51,349	87,582
Assets					
Current Assets					
Cash and bank balances		14,519	5,469	5	4
Trade and other receivables	12	46,609	39,393	9	37
Derivative financial instruments	10	-	1,297	-	-
Income tax receivable		868	1,050	471	1,244
Inventories	13	91,183	65,731	-	-
		153,179	112,940	485	1,285
Non-Current Assets					
Property, plant and equipment	14	168,794	153,398	2	4
Deferred tax asset	16	-	-	6	7
Biological assets	15	45,745	42,471	-	-
Investment in subsidiaries	21	-	-	2,282	2,282
Intercompany amounts receivable	23	-	-	48,574	84,004
Intangible assets	22	1,039	1,039	-	-
		215,578	196,908	50,864	86,297
Total Assets		368,757	309,848	51,349	87,582

For and on behalf of the Board who authorised the issue of the financial statements on 27 August 2008


 RL Wilton, Director


 JN Delegat, Director

Delegat's Group Limited and Subsidiaries
Statement of Cash Flows
For the Year Ended 30 June 2008

	Note	Group		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Operating Activities					
Cash was provided from					
Receipts from customers		157,884	123,424	-	-
Interest received		134	104	2	1
Income tax received		7	-	-	-
Net GST received		1,500	658	11	1
		<u>159,525</u>	<u>124,186</u>	<u>13</u>	<u>2</u>
Cash was applied to					
Payments to suppliers and employees		105,066	91,433	1,735	2,228
Payments to grape growers		24,268	17,516	-	-
Interest paid		12,333	10,375	1,707	3,413
Income tax paid		9,554	5,309	1,384	2,662
		<u>151,221</u>	<u>124,633</u>	<u>4,826</u>	<u>8,303</u>
Net Cash Inflows/(Outflows) from Operating Activities	26	8,304	(447)	(4,813)	(8,301)
Investing Activities					
Cash was provided from					
Proceeds from sale of property, plant and equipment		47	94	-	-
Dividends received		13	-	1,413	-
		<u>60</u>	<u>94</u>	<u>1,413</u>	<u>-</u>
Cash was applied to					
Purchase of property, plant and equipment		6,064	21,688	-	-
Vineyard development purchases		11,042	6,194	-	-
Purchase of biological assets		1,373	-	-	-
Capitalised interest paid		1,562	510	-	-
Capitalised lease payments		732	207	-	-
Purchase of subsidiary		-	81	-	-
		<u>20,773</u>	<u>28,680</u>	<u>-</u>	<u>-</u>
Net Cash (Outflows) from Investing Activities		(20,713)	(28,586)	1,413	-
Financing Activities					
Cash was provided from					
Proceeds from borrowings		74,273	112,871	-	-
Vineyard development receipts		47	1,468	-	-
		<u>74,320</u>	<u>114,339</u>	<u>-</u>	<u>-</u>
Cash was applied to					
Finance lease principal repayments		2,417	1,993	-	-
Dividends paid to shareholders		4,734	2,050	4,509	1,601
Equity raise issue costs		-	133	-	133
Repayment of borrowings		10,733	79,772	-	-
Repayment of subordinated unsecured Capital Notes		35,000	-	35,000	-
Borrowing facility fees		35	30	-	-
Advances and loans to subsidiaries		-	-	(42,910)	(10,036)
		<u>52,919</u>	<u>83,978</u>	<u>(3,401)</u>	<u>(8,302)</u>
Net Cash Inflows from Financing Activities		21,401	30,361	3,401	8,302
Net Increase in Cash Held					
Cash at beginning of the year		5,469	4,291	4	3
Effect of exchange rate change on foreign currency balance		58	(150)	-	-
Cash at End of the Year		14,519	5,469	5	4

The accompanying notes form part of these financial statements

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies
For the Year Ended 30 June 2008

Reporting Entity

The financial statements presented are those of Delegat's Group Limited (the Parent) and its subsidiaries (the Group). Delegat's Group Limited is a company limited by shares, incorporated and domiciled in New Zealand, registered under the Companies Act 1993, and is an issuer in terms of the Financial Reporting Act 1993. The Company shares are publicly traded on the New Zealand Stock Exchange.

The financial statements comprise the income statement, Statement of Changes in Equity, balance sheet, Cash Flow Statement and accounting policies, as well as the notes to these financial statements. The financial statements for the Group for the year ended 30 June 2008 were authorised for issue in accordance with a resolution of the Directors on 27 August 2008.

Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. These financial statements are presented in New Zealand Dollars, rounded to the nearest thousand. They are prepared on a historical cost basis except, for derivative financial instruments and biological assets which have been measured at fair value.

The preparation of the financial statements requires the Group to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may vary from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Statement of Compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as applicable to the Group as a profit-oriented entity. The financial statements comply with International Financial Reporting Standards (IFRS).

These are the first full set of financial statements prepared based on NZ IFRS and comparatives for the year ended 30 June 2007 have been re-stated accordingly. Reconciliations of equity at 1 July 2006 and 30 June 2007 and profit for the year ended 30 June 2007 under NZ IFRS to the balances reported in the 30 June 2007 financial statements are detailed in Note 29.

New Accounting Standards and Interpretations

In the current year the Group have early adopted NZ IFRS 8: Operating Segments.

Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2008. These are outlined below:

Reference	Title	Group Application Date (Period Beginning)	Summary	Impact on Group
NZ IAS 23 (revised)	Borrowing Costs	1 July 2009	The amendments to NZ IAS 23 require that all borrowing costs associated with a qualifying asset must be capitalised. Previously capitalisation of borrowing costs was optional.	There will be no impact on the Group financial statements as the Group's policy is consistent with the revised standard.
NZ IAS 1 (revised)	Presentation of Financial Statements	1 July 2009	The standard introduces a statement of comprehensive income. Other revisions impact on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	The amendments are expected to only affect the presentation of the Group's financial statements and will not have an impact on the measurement and recognition of amounts under NZ IAS 1. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.
Amendments to NZ IFRS 2	Amendments to NZ IFRS 2 Share-based Payments - Vesting Conditions and Cancellations	1 July 2009	Restricts the definition of a "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are considered "non-vesting" conditions and in the event of a reward not vesting as a result of a "non-vesting" condition it is accounted for as a cancellation.	The Group has not entered into share-based payment schemes with non-vesting conditions attached and does not expect significant implications on its accounting for share-based payments.
NZ IFRS 3 (revised) and NZ IAS 27 (amended)	NZ IFRS 3 Business Combinations (revised) and NZ IAS 27 Consolidated and Separate Financial Statements (amended)	1 July 2009	NZ IFRS 3 (revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. NZ IAS 27 (amended) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amendment standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.	These changes introduced by NZ IFRS 3 (revised) and NZ IAS 27 (amended) must be applied prospectively and will affect future acquisitions and transactions with minority interest.

The specific accounting policies that materially affect the measurement of income statement, balance sheet and Cash Flow Statement are set out below.

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies (continued)
For the Year Ended 30 June 2008

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Delegat's Group Limited and its subsidiaries (the Group) as at 30 June 2008 and 30 June 2007.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. The effects of inter-company transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investment in subsidiary companies held by the Parent are accounted for at cost in the Parent financial statements. The acquisition of subsidiaries is accounted for using the purchase method of accounting as noted below. Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from the Parent shareholder's equity.

Business Combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price at the date of the exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly within equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at acquisition date, irrespective of the extent of any minority interests. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to the present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a segment based on the Group's accounting policy in the determination of operating segments.

Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generating units, to which the goodwill relates. When the recoverable amount of the cash generating unit (or group of cash generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised on goodwill are not subsequently reversed.

Segment Reporting

A business segment is a reportable segment if the business/segment engages in business activities in which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria have been applied to each individual classification of revenue:

i) Sale of goods

The primary source of revenue earned by the Group is through providing bottled wine to third party retailers and distributors. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of goods to the customer.

ii) Interest revenue

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

iii) Dividends

Revenue is recognised when the right to receive payment is established.

iv) Fair Value of Grape Vines and Grapes

Changes in the fair value less estimated point of sale costs of grape vines are recognised in the income statement in the year they arise. Grapes are initially measured at their fair value less estimated point of sale costs at the time of harvest. The fair value of biological produce is recorded within cost of sales.

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies (continued)
For the Year Ended 30 June 2008

Income Tax

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and Services Tax (GST)

The income statement and cash flow statement have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which includes GST invoiced.

Foreign Currencies

i) Functional and presentation currency

Both the functional currency and presentation currency of the Group is the New Zealand Dollar. Each subsidiary company in the Group determines its own functional currency and uses that functional currency for its individual financial statements. Subsidiary companies having a different functional currency than that of the Group are translated through converting all reported assets and liabilities at the closing rate at the date of the balance sheet while income and expenses are translated at exchange rates at the dates of the transactions. Any resulting exchange differences are recognised as a separate component of equity.

ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities in the balance sheet.

Accounts Receivable

Trade receivables generally have 30 to 90 day terms, and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

Inventories

i) Finished Goods

Inventories are valued at the lower of cost or net realisable value. Cost of finished goods sold are assigned on a weighted average cost basis. Included within the cost of inventory is the fair value of the grapes (agricultural produce) at the time the grapes are harvested. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

ii) Growing Costs Where the Group Maintains a Beneficial Ownership in Vine stock

Harvesting of the grape crop is ordinarily performed in late March or early April. Costs incurred in growing the grapes including any applicable harvest costs are initially allocated into the cost of inventory as part of the total costs to acquire and grow the agricultural produce. At the point of harvest, a fair value adjustment is made so that the cost per tonne is adjusted to fair value in accordance with NZ IAS 41: Agriculture. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. The difference between cost and fair value is included within the income statement as cost of sales.

iii) Growing Costs Where the Group is not the Beneficial Owner of Vine stock

The Group is party to long-term vineyard operating lease contracts where the Group is able to access, harvest and grow agricultural produce, however does not maintain the beneficial ownership in the underlying biological asset. Vineyard costs that are incurred subsequent to harvest up to balance sheet date do not qualify as agricultural produce or biological assets under NZ IAS 41: Agriculture and are accounted under NZ IAS 2: Inventories as inventories. For financial reporting where growing and vineyard costs are incurred in the growing of grapes and where the Group is not the beneficial owner of the biological assets, growing costs are reported at cost, subject to lower of cost and net realisable value in accordance with NZ IAS 2: Inventories.

At the point of harvest the harvest of grapes qualify as agricultural produce under NZ IAS 41: Agriculture and are recorded at fair value at that date. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. The difference between cost and fair value is included within the income statement as cost of sales.

Land and Land Improvements

Land assets are measured at cost and not subject to amortisation.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. The cost of self-constructed assets includes the cost of all materials used in the construction, direct labour on the project, operating lease and financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised when the asset is ready for productive use. In respect of vineyard improvements and capitalised vineyard leases, capitalisation of costs continue until the vineyards are ready for productive use, which is when the vineyard has produced approximately 60% of expected yield at full production, ordinarily a period of three years after the planting of vines.

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies (continued)
For the Year Ended 30 June 2008

Depreciation

Depreciation of property, plant and equipment, other than land which has an indefinite economic life and hence not depreciated, is charged on a straight line basis so as to write off the assets to their expected residual value over their estimated useful lives. The estimated useful lives are as follows:

Buildings	10-50 years
Plant and Equipment	3-10 years
Vineyard Development	15-30 years

Depreciation on vineyard development commences when the vineyard is considered to be in commercial production, which is when the vineyard has produced approximately 60% of the expected yield at full production, ordinarily a period of three years after the planting of vines. The asset's residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at the end of each financial year.

Agricultural Assets (Grape Vines) and Produce (Grapes)

Grape vines are measured at their fair value less estimated point of sale costs. The fair value of vineyards, including land, grape vines and other vineyard infrastructure, is determined by an independent valuer, using the present value of expected net cash flows from the vineyards, discounted using a pre-tax market determined rate. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards, to determine the fair value of grape vines. Changes in fair value, less estimated point of sale costs of grape vines, are recognised in the income statement in the year in which they arise.

Grapes are initially measured at fair value less estimated point of sale costs at the time of harvest. The fair value of grapes is determined by reference to market prices for grapes for that local area as at the time of harvest. The fair value becomes the basis of cost when accounting for inventories.

Leased Assets

The determination of whether an arrangement is or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent upon the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease. Operating lease costs that are directly attributable to bringing new vineyards to working condition for their intended use are capitalised up until the time the vineyards become commercially productive. The accumulated amount is then amortised over the remaining lease term. All other operating lease payments are recognised as an expense in the periods the amounts are payable.

Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements, are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial Instruments

Financial instruments recognised in the balance sheet include cash and bank balances, investments, receivables, trade creditors, capital notes and borrowings. Each of these financial instruments is classed into one of the following categories:

i) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within thirty days of recognition.

ii) Trade and Other Receivables

Trade receivables and other receivables are carried at amortised cost and due to their short term nature, they are not discounted. The amounts are unsecured and are usually received within thirty to sixty days from initial recognition.

iii) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after balance sheet date.

iv) Derivative instruments

The Group uses derivative financial instruments such as forward currency contracts and options to economically hedge its risks associated with foreign currency fluctuations and interest rate swaps and options to manage interest rate risk. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement and are included as administration costs. The fair value of forward exchange contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

Borrowing costs

Borrowing costs are expensed as incurred except when they are directly attributable to the acquisition or construction of a qualifying asset. When this is the case, they are capitalised as part of that asset. Once the asset is put into productive use, capitalisation of the borrowing costs cease.

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies (continued)
For the Year Ended 30 June 2008

Provisions and Employee Leave Benefits

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present value of the obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within twelve months of the reporting date are recognised in respect of the employee's services up to the reporting date. They are measured as the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and is measured at the rates paid or payable.

Post Employment Benefits

The Group makes regular contributions to various defined contribution pension plans. Included within the income statement are amounts paid and payable by the Group into these pension plans net of any related tax rebates. The Group does not make available or make contributions to any defined benefit superannuation plans.

Share-based Payment Transactions

The Group provides benefits to selected employees in the form of share-based payments, whereby the Group makes available interest free loan facilities for those employees to subscribe for shares at a fixed price for a specified time period. The Group's recourse over the loan is limited to the lesser of the market value of the shares and the outstanding loan balance. Provisions of the loan agreement allow any potential upside of the shares to accrue to the employee while the downside risk is limited as the Directors have the ability to cancel or alter the underlying loan agreement. In substance these arrangements represent in-substance equity settled share-based payments and are accounted for as noted below.

The cost of equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined through the use of an option pricing model on grant date. In valuing equity settled transactions, no account is taken of any vesting conditions, other than those conditions which are linked to market conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which performance and / or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of the fair value of the award at grant date and the best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met and the expired portion of the option.

The charge to the income statement for the period is the cumulative amount as noted above, less amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than what were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of the equity settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and the new award are treated as if they were a modification to the original award, as described in the previous paragraph.

The dilutive effects, if any, of any outstanding options is reflected as additional share dilution in the computation of diluted earnings per share, noted below.

Earnings per Share

Basic earnings per share is calculated as net profit attributable to the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares on issue.

Diluted earnings per share is calculated as net profit attributable to the Parent adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
 - the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
 - other non-discretionary changes in revenues and expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

Changes in Accounting Policies

Other than the transition to NZ IFRS, there have been no changes in accounting policies. These are the first set of financial statements prepared based on NZ IFRS and comparatives for the year ended 30 June 2007 have been restated accordingly. Reconciliations of equity at 1 July 2006 and 30 June 2007 and profit for the year ended 30 June 2007 under NZ IFRS to the balances reported in the 30 June 2007 NZ GAAP financial statements are detailed in Note 29.

Certain items have been reclassified in the comparatives to agree with current year presentation.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements
For the Year Ended 30 June 2008

1 Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise bank loans and overdrafts, finance leases, trade payables and accruals, and Capital Notes. The main purpose of these financial liabilities is to raise finance for the Group's on going operations. The Group also has financial assets such as trade and other receivables.

The Group are counter parties to derivative financial instruments principally being foreign currency forward exchange contracts and options, and interest rate swaps. The purpose of entering into forward foreign currency exchange contracts and options is to manage currency risk primarily arising from foreign denominated trade receivables. Interest rate swaps are entered into with the aim of mitigating interest rate risk to movements on floating rate debt facilities.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, and liquidity risk. Each of the main operational risks is reviewed by the Treasury Management Committee (TMC) and their recommendations provided to the Board of Directors. The composition of the TMC includes the Managing Director (or Alternate), Chief Financial Officer, Group Financial Controller and Independent Treasury Advisors. The Board reviews and agrees policies for managing each of these risks as summarised below.

Foreign Currency Risk

The net assets employed through subsidiary companies based overseas exposes the Group to foreign currency risk as a result of changes in the GBP/NZ\$, AUS/NZ\$, US\$/NZ\$, and CAS/NZ\$ exchange rates. The Group also has foreign currency risk resulting from sales of product in a currency which is other than that of the New Zealand dollar. Profits from each export region are repatriated and reported in New Zealand dollars and the Group is exposed to changes in foreign exchange rates.

To minimise foreign currency risk the Group enters into forward exchange contracts and options for foreign denominated sales at levels which are considered to be highly probable. The Group attempts to maintain foreign currency cover of between 75% to 100% of highly probable sales in one to three months, 50% to 75% for highly probable sales in four to six months, 25% to 50% for highly probable sales in seven to twelve months, 0% to 50% for sales between thirteen to eighteen months and 0% to 25% for sales thereafter. The Group has the option of increasing foreign exchange cover to 100% for any time period upon approval by the Board of Directors.

When the Group is exposed to foreign currency risk as a result of being contractually committed to purchase capital from an overseas supplier and when such expenditure is expected to exceed NZ\$100,000 or greater the Group's policy is to ensure the foreign currency exposure is covered in full. Any capital expenditure under NZ\$100,000 is reported to the TMC and Managing Director and the extent of cover is decided on a case by case basis. It is the Group policy that in no instances is trading for speculative purposes permitted.

At 30 June 2008 had the New Zealand Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Impact on Group Post Tax Profits		Impact on Group Equity	
	2008	2007	2008	2007
Group	\$000	\$000	\$000	\$000
NZD/USD +5%	8	(160)	(24)	(177)
NZD/USD -5%	(8)	177	27	196
NZD/GBP +5%	(255)	(89)	(481)	(216)
NZD/GBP -5%	282	98	532	239
NZD/AUD +5%	1,300	129	1,208	86
NZD/AUD -5%	(1,437)	(143)	(1,335)	(96)
NZD/CAD +5%	(12)	(28)	(13)	(28)
NZD/CAD -5%	13	30	14	30
Parent				
NZD/USD +5%	(10)	(4)	(10)	(4)
NZD/USD -5%	11	5	11	5
NZD/GBP +5%	(15)	(5)	(15)	(5)
NZD/GBP -5%	17	6	17	6
NZD/AUD +5%	(1)	(1)	(1)	(1)
NZD/AUD -5%	1	1	1	1
NZD/CAD +5%	(10)	(5)	(10)	(5)
NZD/CAD -5%	11	5	11	5

The above table calculates the impact of a change in foreign exchange rates on closing equity and post tax profits of the Group as a result of the Group being counterparty to transactions which are foreign currency denominated. Foreign currency denominated balances include trade and other receivables, trade payables and accruals, cash on hand and unsettled foreign exchange contracts that exist at balance sheet date. The net foreign currency exposure is determined in aggregate and the impact on post tax profits determined as a result of a +/- 5% movement in foreign exchange rates.

The impact upon the Group equity balance is derived through determining the impact on post tax profits as noted above as well as the impact of changes in the foreign exchange rate on the translation of the net assets of foreign subsidiaries. The net asset value of each subsidiary is adjusted for inter-company balances as these are eliminated upon consolidation.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term debt obligations with interest payable based on floating rates of interest. Interest rate risk is monitored by the TMC on an on-going basis. The recommendation by the TMC to enter into fixed or variable rate debt facilities and decisions to retire existing debt instruments is made after consideration of the economic indicators impacting upon the overnight cash rate, which influences the rates of interest charged by financial institutions. All funding facilities recommended by the TMC must be approved by the Board of Directors.

The Group manages interest rate risk through maintaining a mix of debt instruments having variable and fixed interest rates. The Group's policy is to maintain a level of fixed debt facilities between 40% to 100% of core debt for a period of one year, between 30% to 80% of projected core debt for periods of one to three years, and 15% to 60% of projected core debt facilities for three to five years. Board approval is required for any fixed rate cover that extends beyond five years.

The Group also manages interest rate risk through being counterparty to a series of interest rate swaps and options, in which the Group agrees to or has the option to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These are discussed in Note 10: Derivative Financial Instruments. There are no variable rate debt facilities held by the Parent and consequently the Parent is not exposed to underlying risk in changes to the variable interest rate.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's post tax profits and equity:

	Impact on Group Post Tax Profits		Impact on Group Equity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
2% Increase (200 basis points)	1,914	(911)	1,914	(911)
2% Decrease (200 basis points)	2,027	1,122	2,027	1,122

The key assumptions which impact upon the values presented in the above table are the following:

- Cash and cash equivalents include deposits on call which are at floating interest rates. The estimated impact upon interest revenues from these sources is based upon amounts held on deposit remaining at consistent levels as reported at the balance sheet date. For foreign denominated deposits the impact on foreign exchange is based on the conversion rate existing at balance sheet date.
- Account balances that are receivables or payables are generally on 30 to 90 day terms and are non-interest bearing and are not subject to interest rate risk.
- The impact upon the fair value of the interest rate swaps is based upon the differential in rates between the Group paying a fixed rate of interest and receiving the floating New Zealand Bank Bill Rate (BKBM) rate multiplied by the nominal amount under the swap agreement up until maturity.
- Interest payable on bank debt is based upon the BKBM plus a margin. The margin is dependent upon the Group achieving certain financial covenants and the margin ranges from 0.30% to 0.55%. The analysis assumes that the margin and principal is held constant at the same rate as at the balance sheet date with the sensitivity calculating the affect on interest expense for movements in the BKBM rate. The analysis excludes any future interest that would be capitalised as part of long-term assets.
- Finance leases are based upon fixed rates of interest implicit in the lease contract. As these rates are fixed they are not subject to interest rate risk.
- Included in the above table is the change in fair value of interest rate swap and options which results from changes in the floating interest rate. The fair value gains are significantly larger than the increase in funding costs on variable rate debt facilities.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2008

Credit Risk

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivables balances are monitored on an ongoing basis which has resulted in no bad debts experienced for the fiscal years presented. The maximum exposure to the carrying amount of receivable balances is disclosed in Note 12. The Group does not have any significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that an unforeseen event or miscalculation in the required liquidity level may lead to the Group being unable to meet its day to day funding obligations. To minimise liquidity risk the Group's policy is to maintain committed funding facilities at a minimum of 105% of the projected peak debt level over the next twelve months (excluding the cash requirements for any business combinations). In addition individual debt maturities cannot exceed the higher of \$20 million or 20% of total debt on any one day.

The below table presents all contractual payments which the Group are legally obliged to make and includes all future interest payments on interest bearing facilities. The interest cost has been estimated by maintaining the current principal balance and interest rates that exist at balance date. The table also includes the NZ\$ equivalent for the foreign currency amounts which are to be delivered to fulfill obligations under foreign currency contracts. The table below excludes amounts required to fund operating lease commitments as these are disclosed in Note 18.

Facility Type (\$000)	Facility Limit	Drawn At Balance Date			
			< 1 year	1 to 2 years	> 2 years
Working capital facility	30,000	30,000	2,670	30,007	-
Seasonal facility	10,000	-	-	-	-
Term Facility	95,000	84,973	7,663	91,943	-
Capital Note Facility	35,000	35,000	3,162	36,178	-
Capital lease obligations ¹	N/A	8,327	3,396	3,389	2,549
Secured Term Loan	18,000	18,000	1,796	1,796	18,005
Working capital facility	5,000	-	-	-	-
Financial statement derivatives	N/A	-	62,340	-	-
	193,000	176,300	81,027	163,313	20,554

¹ The analysis presented above represents the undiscounted cash flow of capital lease obligations. Capital lease obligations included in Note 11 are discounted values.

All of the above facilities have a floating rate of interest which is tied to the New Zealand BKBM plus margin. At balance sheet date the Group have interest rate swaps that cover NZ\$109,000,000 of the principal balance drawn at balance sheet date. Refer to Note 10.

Financial Risk Associated to Biological Assets

The Group is exposed to financial risks in respect of agricultural activities. The agricultural activities of the Group consists of the management of vineyards to produce grapes for use in the production of wine. The primary risk borne by the Group is caused by the length of time between when cash is expended on the purchase or planting and maintenance of grape vines and on harvesting grapes and the ultimate realisation of proceeds from the sale of finished product (wine). The Group takes reasonable measures to ensure that the current year's harvest is not effected by disease, drought, frost, or other factors that may have a negative effect upon yield and quality. These measures include consultation with experts in viticulture, frost protection measures, and ensuring that each vineyard is managed according to a specifically developed Vineyard Management Calendar.

The Group maintains credit facilities at a level sufficient to fund the Group's working capital during the period between cash expenditure and cash inflow. At 30 June 2008 the Group had unused credit facilities in the form of a seasonal facility of NZ\$10,000,000. (2007: NZ\$10,000,000).

Summary of Financial Instruments Held

At the balance sheet date the Group and Parent report the following categories of financial instruments:

	Group		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Financial Assets				
Loans and receivables	46,609	39,393	41,509	41,537
Financial assets at fair value through profit and loss	-	1,297	-	-
	46,609	40,690	41,509	41,537
Financial Liabilities				
Financial liabilities at amortised cost	201,993	130,107	-	34,395
Financial liabilities at fair value through profit or loss	1,999	-	-	-
	203,992	130,107	-	34,395

The Group and Parent do not have any assets or liabilities that are classified as held for trading and does not have any financial assets which would be classified as held to maturity.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders of the business. The ultimate aim is to maintain a capital structure which provides flexibility to enable future growth of the Group whilst ensuring the lowest cost of capital is available to the Group.

Management review the capital structure of the Group as a result of changes in market conditions which impact upon interest and foreign exchange rates and may adjust the capital structure to take advantage of these changes. Management have no current plans to issue further shares on the market but is intent on growing the business which will require future funding.

The Group is subject to a series of bank covenants over its Senior Debt facilities. These are discussed in Note 11.

2 Significant Accounting Judgments, Estimates and Assumptions

In applying the Group's accounting policies, management continually evaluates the judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact upon the Group. All judgements, estimates and assumptions made are believed to be reasonable based upon the most current set of circumstances available to management. The actual results may differ from the judgements, estimates and assumptions used. The significant judgements, estimates, and assumptions made by management in the preparation of these financial statements are the following:

i) Fair Value of Agricultural Assets

The fair value of grape vines is determined by an independent valuer. Two methodologies were used in determining the carrying value of these assets and the methodology applied is dependent upon the size and availability of an open market of similar assets. The significant assumptions used are detailed in Note 15. The two methodologies are described below:

i) Where an Active Market Exists

Where an active market is said to exist the underlying agricultural assets are valued based upon the amount for which the asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction, less any associated disposal costs as a result of sale. The Directors consider that an active market exists for vineyards that have an estimated market value under NZ\$6 million.

ii) Where no Active Market Exists

There is not a sufficiently active market for the size and scale of some of the Group's vineyards and the fair value of biological assets has been measured through the use of a discounted cash flow model. Market value of vineyards of smaller scale had been considered in the determination of fair value, however it was found that measurement inconsistency would result as the underlying assets are fundamentally different in nature. Please refer to Note 15 on individually significant assumptions used in the discounted net cash flow model.

ii) Fair Value of Grapes at the Point of Harvest

The fair value of grapes at the point of harvest is determined by reference to market prices for each variety of grape grown in the local area at the time of harvest. The Directors assessment of the fair value at the point of harvest is determined after reviewing the market price paid to independent grape growers.

iii) Determination of Lease Accounting

The Group have entered into long-term vineyard leases which allow the Group to control the growing and harvesting of the grapes used in the production of finished product. After taking into consideration the terms and conditions within the lease, it is believed that the lessor retains the significant risks and rewards of ownership and the leases are accordingly classified as operating leases.

iv) Impairment of Non-Financial Assets other than Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include vineyard yields, product expectations and the political environment in which segments of the Group operate. If an impairment trigger exists, the recoverable amount of the asset is determined. The calculation of the recoverable amount includes a number of key estimates and assumptions.

v) Impairment of Goodwill

The Group determines whether goodwill and intangible assets are impaired at least annually. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangible asset was allocated. The calculation of the recoverable amount of the cash generating unit involves assumptions to be made in terms of the timing and extent of net cash flows and are outlined in Note 22.

vi) Transactions Involving Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined through the Black-Scholes pricing model. The use of this model requires certain assumptions to be made. The key assumptions in the determination of the fair value of the options are disclosed in Note 8.

vii) Allowance for Impairment Losses on Trade Receivables

Where receivable balances are outstanding beyond their normal trading terms, the likelihood of the recovery of these receivables is assessed by management. The Group reviews the standing of each receivable balance to determine if the recording of an impairment loss is required.

viii) Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience as well as lease terms. The condition of the assets are assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. The significant depreciation terms and classes of equipment are noted in the Statement of Accounting Policies. The depreciation charges are included in Note 5.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2008

3 Segmental Reporting

The Group reviews its operational performance based upon the management and the geographic areas in which their customers are based. Financial information which is available to Management in order to assess segment performance and investment opportunities are presented on the same basis. In accordance with NZ IFRS 8: Operating Segments this forms the basis of presentation for Segment Reporting and is the format adopted below:

- Delegat's Wine Estate Limited (Delegat's) is party to vineyard leases and has interests in freehold land and winery infrastructure which allows the company to grow, harvest and make finished wine to be marketed, distributed and sold into the super-premium wine markets. Delegat's sells and markets its product through a combination of subsidiary companies based overseas or to customers and distributors directly in the New Zealand, Canadian, United States, Asian and Pacific Island markets. Oyster Bay Wines Australia Pty Limited and Delegat's Wine Estate (UK) Limited act as distributors and assist in the marketing of product in their respective geographic regions. Wines are sold all year round to all regions and the Company considers there is no significant variations in revenues throughout the year.

- Oyster Bay Marlborough Vineyards Limited (Oyster Bay) is a vineyard operator being party to vineyard leases and has interests in freehold land in which the company undertakes growing operations. Fruit harvested from these vineyards are sold to the 50.1% majority shareholder, Delegat's, under a long-term contractual supply contract.

The Group implements appropriate transfer pricing regimes within the operating segments on an arm's length basis in a manner similar to transactions with third parties.

Year ended 30 June 2008	Delegat's Wine Estate Ltd \$000	Oyster Bay Wines Australia Pty Ltd \$000	Delegat's Wine Estate (UK) Ltd \$000	Oyster Bay Marlborough Vineyards Ltd \$000	Other Segments \$000	Eliminations and Adjustments \$000	Year Ended 30 June 2008 \$000
Operating Income							
External sales	46,154	53,497	62,833	-	-	-	162,484
Internal sales	104,031	-	-	15,647	-	(119,678)	-
Total segment revenues ¹	150,185	53,497	62,833	15,647	-	(119,678)	162,484
Interest revenue	44	56	-	44	4,806	(4,806)	144
Fair Value Adjustments							
Biological assets and produce	1,713	-	-	189	-	-	1,902
Operating expenses							
Interest expense ²	13,917	-	-	1,972	1,875	(4,806)	12,958
Depreciation and amortisation ³	10,268	18	4	890	25	-	11,204
Income tax expense ⁴	5,143	384	956	2,150	1,374	834	10,841
Segment profit	17,381	860	2,049	2,814	3,470	(6,136)	20,438
Assets							
Segment assets ⁵	286,092	21,641	28,669	90,515	52,980	(111,140)	368,757
Capital expenditure ⁶	27,595	60	3	329	15	-	28,002
Segment liabilities	235,707	19,726	23,918	31,795	1,269	(88,594)	223,821

During the financial year there was a single customer in each of Delegat's and Oyster Bay Wines Australia that comprised 10% or more of Group sales. These customers accounted for sales of NZ\$16,448,000 and NZ\$18,253,000 respectively.

Year ended 30 June 2007	Delegat's Wine Estate Ltd \$000	Oyster Bay Wines Australia Pty Ltd \$000	Delegat's Wine Estate (UK) Ltd \$000	Oyster Bay Marlborough Vineyards Ltd \$000	Other Segments \$000	Eliminations and Adjustments \$000	Year Ended 30 June 2007 \$000
Operating Income							
External sales	42,657	39,899	49,393	-	-	-	131,949
Internal sales	77,821	-	-	9,554	-	(87,375)	-
Total segment revenues ¹	120,478	39,899	49,393	9,554	-	(87,375)	131,949
Interest revenue	19	37	9	35	6,945	(6,941)	104
Fair Value Adjustments							
Biological assets and produce	2,121	-	-	(432)	-	-	1,689
Operating expenses							
Interest expense ²	12,365	-	-	1,800	4,460	(6,941)	11,684
Depreciation and amortisation ³	8,821	9	4	1,094	14	-	9,942
Income tax expense/(credit) ⁴	3,625	292	601	(1,037)	1,257	81	4,819
Segment profit	7,228	640	1,353	1,306	1,317	(265)	11,579
Assets							
Segment assets ⁵	234,602	14,020	19,979	84,938	88,537	(132,228)	309,848
Capital expenditure ⁶	30,205	22	2	145	54	-	30,428
Segment liabilities	198,518	13,121	17,307	28,581	35,799	(112,452)	180,874

During the 2007 financial year Delegat's had a single customer which comprised 10% or more of Group sales and amounted to NZ\$16,532,000. Similarly Delegat's Wine Estate (UK) Limited and Oyster Bay Wines Australia Pty Limited had a single customer which accounted for 10% or more of Group sales and these amounted to NZ\$15,092,000 and NZ\$16,790,000 respectively.

Management monitor the operating result of its business units separately for the purpose of making resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which may be measured differently from operating profit or loss in the consolidated financial statements as segment reporting is based upon internal Management Reports. The main differences are a result of some deferred tax balances being recognised upon consolidation not being allocated to individual subsidiaries. Also inter-company stock margin eliminations are managed on a group basis and are not allocated to operating segments.

1. Inter-segment revenues are eliminated on consolidation. Inter-company profit margins are also eliminated.
2. Interest expense is net of any interest capitalised to long-term assets. During the year NZ\$1,569,000 was capitalised to long-term assets (2007: NZ\$553,000).
3. Depreciation and amortisation expenses presented above is gross of NZ\$6,961,000 (2007: NZ\$5,636,000), which have been included within inventory.
4. Segment income tax expense does not include the deferred tax impacts of temporary differences arising from inter-company stock margin eliminations or fair value adjustments resulting from the purchase of subsidiary companies as these are managed on a group level.
5. Segment assets include the value of investments and loan balances for subsidiaries which reside in Delegat's however do not include the effects of stock margin eliminations for stock on hand in subsidiaries.
6. Capital expenditure consists of additions of property, plant and equipment inclusive of capitalised interest. Capital expenditure is included within each of the reported segment assets noted above.

Delegat's Group Limited and Subsidiaries
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	Note	Group		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
4 Other Revenue					
Other Revenue					
Wine equalisation tax rebate		661	883	-	-
Interest revenue		144	104	4,806	6,941
Rental income and other income		73	204	-	-
Dividend income		1	-	1,400	-
Management fee recharges		-	-	1,718	2,079
		879	1,191	7,924	9,020

Included in other income is fair value changes on interest rate swaps. During the year a fair value loss of NZ\$60,000 (2007: NZ\$70,000 gain) was recorded by the Group and is attributable to subsidiary company Oyster Bay.

5 Expenses

(a) Finance Costs

Interest on banking facilities ¹		10,602	6,631	-	-
Interest incurred on Capital Notes ²		1,872	4,702	1,872	4,702
Finance charges payable under finance leases		376	221	-	-
Other		108	130	-	-
		12,958	11,684	1,872	4,702

¹Deducted from the interest on banking facilities are interest costs incurred and capitalised of NZ\$1,569,000 (2007: NZ\$553,000). Capitalisation of interest ceases upon the asset (in identifiable stages) being ready for productive use.

²Interest incurred on Capital Notes includes amortised cost interest expense of NZ\$605,000 (2007: NZ\$1,289,000). The Capital Notes were redeemed by the Company on 15 November 2007.

(b) Corporate Governance Expenses

Director's fees		371	232	257	170
Accounting and tax consultancy	25	176	302	155	211
Audit fees	25	228	170	185	130
Shareholder communications		189	218	122	185
Stock exchange and registry fees		92	109	80	87
Trustee and other costs		8	40	4	11
		1,064	1,071	803	794

(c) Marketing and Promotion Expenses

Domestic brand marketing and selling expenses		2,088	2,123	-	-
International brand support and trade marketing		36,265	28,214	-	-
		38,353	30,337	-	-

(d) Depreciation and Amortisation

Amortisation of capitalised leases		1,681	1,661	-	-
Vineyard development		1,557	1,626	-	-
Buildings		598	634	-	-
Plant and equipment		7,368	6,021	2	2
		11,204	9,942	2	2

The figures presented above represent the gross depreciation and amortisation charge for the year. Depreciation and amortisation is recorded to the business function to which the asset relates. Depreciation incurred on assets directly associated with winemaking NZ\$6,961,000 (2007: NZ\$5,636,000) are included within the cost of inventories and expensed as a cost of sales when product is sold.

Depreciation on vineyard development commences when the vineyard is considered to be in commercial production, which is generally when the vineyard has produced approximately 60% of the expected yield at full production.

(e) Employee Benefits Expense

Wages and salaries		18,981	16,267	617	900
Defined contribution superannuation scheme		247	206	-	-
Share-based payments expense		216	9	-	-
Termination benefits paid		732	-	-	-
		20,176	16,482	617	900

Included within inventory is remuneration paid to employees directly associated with winemaking, bottling and packaging. These costs are included within inventory until the stock to which the expenditure relates is sold. During the year NZ\$4,478,000 (2007: NZ\$3,326,000) of employee benefits was included within inventory.

(f) Lease Payments and Other Occupancy Expenses

Vineyard related lease payments		10,796	9,475	-	-
Other lease payments		2,420	2,044	-	-
		13,216	11,519	-	-

During the year lease costs of NZ\$737,000 (2007: NZ\$208,000) were capitalised to property, plant and equipment as a result of the vineyards not reaching a level of production which was considered commercially productive.

6 Share Capital

Authorised, Issued, and Fully Paid Capital - Ordinary Shares

	Group		Parent	
	2008	2007	2008	2007
Balance at beginning of year	47,481	47,469	47,481	47,469
Shares issued during the year	-	771	-	-
Shares held as treasury stock	-	(771)	-	-
Share issue costs	-	12	-	12
Balance at the end of the year	47,481	47,481	47,481	47,481

a) Movement in the Number of Ordinary Shares on Issue

	# of Shares on Issue ('000's)			
	2008	2007	2008	2007
Balance at beginning of year	100,300	100,000	100,300	100,000
Issued under Delegat's Group Limited Employee Share Ownership Plan	-	300	-	300
Balance at the end of the year	100,300	100,300	100,300	100,300

There are 100,300,000 (2007: 100,300,000) fully paid ordinary Shares on issue at balance date. All ordinary Shares have equal voting rights and share equally in dividends and surplus on winding up. Shares issued in New Zealand do not have a par value.

b) Movements in Treasury Shares

	2008		2007	
	Shares Held 000's	Nominal Value 000's	Shares Held 000's	Nominal Value 000's
Balance at the beginning of the year	300	771	-	-
Newly issued share capital	-	-	300	771
	300	771	300	771

On 18 May 2007 the Parent issued 300,000 fully paid shares at NZ\$2.57 each to two employees of the Delegat's Group in accordance with the provisions of the Delegat's Group Limited employee share ownership plan. Both employees have subsequently left the Group's employment and as per the Share Scheme rules, the Parent has acquired the shares from the employees at their original issue price. The value of treasury shares are offset against the value of contributed equity.

c) Nature and Purpose of Reserves

i) Share-based Payments Reserve

The employee equity reserve is used to record the value of share-based payments provided to employees as part of their remuneration. Refer to note 8 for more information.

ii) Foreign Currency Translation Reserve

The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. During the year equity was increased by NZ\$33,000 upon the translation of foreign subsidiaries (2007: NZ\$432,000 decrease).

iii) Treasury Share Reserve

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements are deducted from equity.

7 Dividends Paid and Proposed

a) Recognised Amounts

Dividends that were declared and paid on ordinary shares during the year amounted to NZ\$4,513,000 (2007: NZ\$1,604,000) equating to NZ\$4.5 cents per share (2007: NZ\$1.6 cents per share).

b) Unrecognised Amounts

After the balance sheet date, dividends of NZ\$6.0 cents per share were approved by the Board of Directors. These amounts are not recognised in these financial statements as the declaration date was subsequent to year end.

Delegat's Group Limited and Subsidiaries
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8 Share-based Payments

The Parent has an employee share ownership plan, known as the Delegat's Group Limited Employee Share Ownership Plan (Share Scheme). Share options are granted to selected senior executives and the share scheme is designed to align participant's interests with those of shareholders by increasing the value of the Parent's Shares. The Shares issued to the employees carry the same voting rights as other issued ordinary shares.

A total 300,000 options were issued under this arrangement in 2007.

Under the Share Scheme Delegat's, a wholly owned subsidiary of the Parent, provided a loan facility to the subscribers for an amount equal to the issue price. The employee acquired both legal and beneficial ownership in the shares from the date of issue. The Shares were subject to restrictions for a period of 24 months after the date of issue, which restricted the employee from selling, offering for sale, agreeing to sell, transferring, granting any interest in the Shares, or otherwise encumbering the Shares without the prior approval of the Board of Directors of the Parent.

Dividends paid on these Shares will be paid directly to the employee, however the employee has agreed to direct that the dividends be paid to Delegat's to reduce the employee's loan balance with Delegat's.

In the event an employee leaves the full-time employment of the Group (or one of its subsidiary companies) before the second anniversary date of the allotment of the Scheme Shares, the Parent will acquire the Shares from the employee at either the original issue price, or an appropriate price determined by the Parent ensuring the employee's obligation in relation to the debt is satisfied. Any dividends which have been paid in the period and have been used to reduce the loan balance, and any payments made by the employee to reduce the loan balance, will be repaid to the employee. An employee can settle the loan early in full, however, they will not be able to trade the shares until the end of the restriction period. If the employee leaves prior to this date and the loan has been paid in full, the Parent will be required to repay the employee the payments received to date.

As the conditions of the share scheme gives the employee the right, but not necessarily the obligation to subscribe to shares in the Parent the arrangement is considered an in-substance share option plan, and is accounted for under NZ IFRS 2: Share Based Payments. During the year ending 30 June 2008 those options issued in the previous year were cancelled by the Directors of the Company. As a result of the cancellation a total of NZ\$216,000 was reported as an expense being the remaining fair value of the options net of any already recognised expense to date.

The below assumptions materially impacted upon the assessed fair value of the of the options on grant date.

The table below illustrates the number and weighted average exercise price, and movements in options issued under the Scheme:

	Parent	
	2008	2007
Outstanding at the beginning of the year	300,000	-
Granted during the year	-	300,000
Cancelled during the year	(300,000)	-
Outstanding at the end of the year	<u>-</u>	<u>300,000</u>
Weighted average of remaining contractual life	Nil	1.83 years
Weighted average of option fair value at grant date	N/A	\$0.28 per share

The fair value of the options at grant date was determined using the Black-Scholes option pricing model, taking into account the terms and conditions under which the options were granted. The following table lists the inputs used at the time the options were granted:

	Black-Scholes Option Pricing Model	
	2008	2007
Exercise price	N/A	\$2.57
Dividend yield	N/A	0.80%
Expected volatility	N/A	35%
Risk free interest rate	N/A	8.39%
Expected life of the options	N/A	Two years

9 Trade Payables and Accruals

	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade creditors	16,002	12,214	5	113
Employee entitlements and leave benefits	2,255	1,955	-	-
Goods and services tax	2,274	1,092	-	-
Accrued expenses	9,691	7,107	329	687
	<u>30,222</u>	<u>22,368</u>	<u>334</u>	<u>800</u>

Trade payables are non-interest bearing and are generally settled between 30 to 60 days. As a result of their short term nature, trade payables and accruals are not discounted. The carrying amount disclosed above is a reasonable approximation of fair value.

10 Derivative Financial Instruments

Derivative financial instruments are used by the Group in the normal course of business in order to reduce the risk of fluctuations in interest and foreign exchange rates. All movements in the fair value of derivative financial instruments are recognised in the income statement in the period they occur and are included as part of administration expenses.

The Group has the following foreign currency forward exchange contracts and options outstanding at the balance sheet date.

a) Foreign Currency Contracts and Options

i) Forward Currency Contracts

Selling Currency/Buying NZD

	Average Contracted Rate		Group	
	2008	2007	2008	2007
			\$000	\$000
Sell GBP, maturity 0-12 months	0.3805	0.3520	4,546	3,250
Sell AUD, maturity 0-12 months	0.8239	0.8797	49,602	10,058
Sell USD, maturity 0-12 months	0.7529	0.6869	5,366	1,490
Sell CAD, maturity 0-12 months	0.7533	0.7968	2,826	1,090

The fair value of forward currency contracts is determined by comparing the market rates for contracts with the same nominal amount, exercise price and length of time to maturity. The fair value of open contracts existing at year end is a liability of NZ\$1,994,000 (2007: NZ\$1,227,000 asset).

ii) Forward Currency Options

Selling Currency / Buying NZD

	Average Contracted Rate		Group	
	2008	2007	2008	2007
Sell GBP, maturity 0-12 months	0.4222	-	17,950	-
Sell AUD, maturity 0-12 months	0.8836	-	2,670	-
Sell USD, maturity 0-12 months	0.8046	-	20,540	-
Sell CAD, maturity 0-12 months	0.7702	-	1,180	-

The fair value of foreign currency options existing at balance date is a liability of NZ\$243,000 (2007: \$Nil) The Group does not recognise any fair value losses on options which would not have been exercised on balance sheet date other than those option contracts which are participatory in nature.

b) Interest Rate Swaps and Options

In order to protect against risks relating to increases in interest rates, the Group has entered into interest rate swap contracts under which the Group receives interest at variable rates and has agreed to pay interest at fixed rates for varying terms of principal and time durations. The contracts that are outstanding at year end include the following:

i) Interest Rate Caps (Options) in Delegat's Group of Companies

Interest rate contracts are in place that cover a total of NZ\$95 million of Group indebtedness through three separate cap rate agreements which range in maturity from two to five years. All contracts cap the rate of interest charged at 8.75% plus bank margin. The total fair value of these contracts at balance date is an asset of NZ\$228,000 (2007:\$Nil).

ii) Interest Rate Swaps and Options in Subsidiary Company

Interest rate swap and option contracts are in place that cover NZ\$14,000,000 or 78% (2007: 78%) of principal outstanding within subsidiary company Oyster Bay. The maturity date for open interest rate swap and option contracts is 28 September 2009 and have a fair value of NZ\$10,000 asset (2007: NZ\$70,000 asset) at year end.

The Parent and Group has elected not to apply hedge accounting and accordingly the instruments have been classified as fair value through profit and loss.

Delegat's Group Limited and Subsidiaries
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For the Year Ended 30 June 2008

11 Interest Bearing Loans and Borrowings

a) Debt Facilities Existing at Balance Date

At the balance date the following debt facilities have been drawn upon by the Group.

	Maturity	Effective Interest Rate		Group		Parent	
		2008	2007	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current Debt Obligations							
Obligations under finance leases	Refer Note 18	8.78%	7.53%	2,812	2,321	-	-
Fixed rate subordinated unsecured Capital Notes	Matured 15 November 2007	N/A	9.75%	-	34,395	-	34,395
				2,812	36,716	-	-
Non-Current Debt Obligations							
Working capital facility	1 July 2009	8.90%	8.21%	30,000	30,000	-	-
Term facility	28 May 2010	9.02%	8.28%	84,973	56,433	-	-
Capital Note facility	13 November 2009	9.04%	N/A	35,000	-	-	-
Obligations under finance leases	2009 through 2011	8.78%	7.53%	5,515	4,032	-	-
Secured term loan	1 July 2010	9.98%	9.11%	18,000	18,000	-	-
				173,488	108,465	-	-

The carrying amount of the Group's current and non-current borrowings approximate fair value, with the exception of the unsecured Capital Notes. The fair value of the unsecured capital notes at balance date is \$N1 (2007: NZ\$34,545,000) and is based upon the last traded price upon the NZX.

b) Terms and Conditions of Debt Facilities

i) Obligations Under Finance Leases

Delegat's enters into long-term barrel leases with external parties. Each vintage (year) the barrel requirements of the Group are determined and a certain number of barrels are leased. Generally barrel leases are on three to five year terms. All barrel leases are governed by a Master Lease agreement. Finance leases are securitised over the assets to which they relate. At year end the barrels under finance lease had a reported value of NZ\$8,327,000 (2007: NZ\$6,353,000).

ii) Unsecured Capital Notes

The fixed rate subordinated Capital Notes were issued on 23 July 2004 by the Parent. The Capital Notes matured on 15 November 2007 and were fully redeemed for cash on the maturity date.

iii) Senior Debt Facilities

The Working Capital, Term, Capital Notes and Seasonal facility collectively make up the Senior Debt Facilities of Delegat's. The Senior debt facilities are secured by way of a General Security Agreement over the Group's present and future assets. The Term facility has a maximum limit of NZ\$95,000,000, Working Capital facility NZ\$30,000,000, Capital Note facility NZ\$35,000,000 and Seasonal facility NZ\$10,000,000. Interest on these facilities is based on the BKBM plus margin. The lending contract requires that certain banking covenants be met and require the Group to maintain or better specified EBITDA and fixed charges coverage ratio, and maintain or better a minimum adjusted equity balance. The Group must also maintain or better a specific total tangible asset backing. At year end all covenants of the Senior Debt facilities are met and the Group has not failed to meet the specified minimums throughout the year.

iv) Secured Term-Loan

The Secured Term Loan represents debt facilities in place at subsidiary company Oyster Bay. This facility is used by Oyster Bay in order to fund working capital requirements of the Company between payments being received from the impending sale of the year's harvest. The facility is secured by a first mortgage over the Oyster Bay Vineyard and the freehold portion of Fault Lake Vineyard, a registered debenture over the assets of Oyster Bay and a Deed of Assignment over the Vineyard Management and Administration Agreements, Fixed Price Development Agreement, and Grape Purchase Agreements relating to Oyster Bay Vineyard, Fault Lake Vineyard and Wairau River Vineyard. The Secured Term Loan facility with Westpac Banking Corporation matures on 1 July 2010.

v) Other Facilities

Delegat's has available a seasonal facility of NZ\$10,000,000 to assist in the working capital requirements surrounding grape harvest. A total of NZ\$10,000,000 remains undrawn and is available at balance date. Interest is based on BKBM plus margin. Any amounts drawn on the Seasonal Funding Line must be repaid on 1 July 2009.

Delegat's also has available an overdraft limit of NZ\$100,000. Interest charged on this facility is the prime lending rate plus 1.0% margin. At 30 June 2008 the prime lending rate is 10.5% (2007:10%). No amount is drawn against this facility at balance date.

Subsidiary company Oyster Bay has a NZ\$5,000,000 Working Capital facility and NZ\$1,000,000 overdraft facility. At balance date no amounts were drawn against either facility.

12 Trade and Other Receivables

	Group		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trade receivables	43,853	37,397	-	-
Prepayments and sundry receivables	2,164	1,099	8	25
Non trade receivables	144	131	-	-
Goods and services tax	448	766	1	12
	46,609	39,393	9	37

As at 30 June 2008 the ageing of trade receivables, net of provisions, is as detailed below as follows:

	Total 000's	Current 000's	Ageing			
			< 30 days 000's	31 to 60 days 000's PDNI	61 to 90 days 000's PDNI	> 90 days 000's PDCI
2008	43,853	41,818	1,697	65	2	271
2007	37,397	34,147	2,806	61	20	363

All amounts recognised as trade receivables are unsecured and the maximum credit risk is equivalent to the carrying values noted directly above. Trade receivables are non-interest bearing and generally settled on 30 to 90 day terms. Due to their short term nature trade receivables are not discounted and the above values approximate their fair value. There are amounts which are past due (PDNI) however the Group does not consider these to be impaired as the ultimate collection is reasonably assured. Amounts which are past due and considered impaired (PDCI) are in relation to costs incurred in respect of take over panel hearings and complaints to the NZX by Peter Yealands Investment Limited (PYIL) in subsidiary company Oyster Bay. This matter is described in more detail in notes 19 and 20.

At the end of each month the Group assesses the recoverability of debtors balances and makes provisions for specific debtors where the ultimate collection of balances owed are considered to be unlikely. The table below presents the movements in the provision for doubtful debtors. At 30 June 2008, trade receivables at a nominal value of NZ\$320,000 (2007: NZ\$306,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2008			2007		
	Individually Impaired	Collectively Impaired	Total	Individually Impaired	Collectively Impaired	Total
Balance at the start of the year	306	-	306	57	-	57
Charged during the year	14	-	14	249	-	249
Balance at the end of the year	320	-	320	306	-	306

13 Inventories

	Group		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current vintage	67,854	50,434	-	-
Aged wine	19,004	10,918	-	-
Growing costs relating to next harvest	3,914	3,908	-	-
Winery ingredients, packaging materials and other	411	471	-	-
	91,183	65,731	-	-

Prior to harvest, the cost of agricultural activities are included in inventory. Upon harvest the Group is required to value agricultural produce at fair value in line with NZ IAS 41: Agriculture. A fair value writedown of NZ\$4,206,000 (2007: NZ\$5,616,000 write-down) was recorded during the year and included within cost of sales.

Included within cost of sales is a total of NZ\$72,985,000 (2007: NZ\$55,261,000) which represents costs expended in grape growing, procurement, delivery and materials.

Inventories and all other assets have been pledged as security for the bank indebtedness of the Group, refer to Note 11.

Delegat's Group Limited and Subsidiaries
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14 Property, plant and equipment

a) Reconciliation of Carrying Amounts at the Beginning and End of the Year

	Freehold Land & Land Improvements \$000	Vineyard Improvements \$000	Buildings \$000	Plant & Equipment \$000	Finance Lease Assets \$000	Capitalised Vineyard Lease Payments \$000	Capital Work in Progress \$000	Total \$000
Net book value at 1 July 2007	34,801	21,772	25,852	48,596	6,353	8,794	7,230	153,398
Additions	6,914	1,833	3,282	5,039	4,390	737	4,435	26,630
Disposals	-	(6)	-	(24)	-	-	-	(30)
Depreciation charge	-	(1,557)	(598)	(4,952)	(2,416)	(1,681)	-	(11,204)
At 30 June 2008 net of accumulated depreciation and amortisation	41,715	22,042	28,536	48,659	8,327	7,850	11,665	168,794
At cost	41,724	26,137	31,157	64,428	14,247	13,479	11,665	202,837
Accumulated depreciation and amortisation	(9)	(4,095)	(2,621)	(15,769)	(5,920)	(5,629)	-	(34,043)
Net book value at 30 June 2008	41,715	22,042	28,536	48,659	8,327	7,850	11,665	168,794

	Freehold Land & Land Improvements \$000	Vineyard Improvements \$000	Buildings \$000	Plant & Equipment \$000	Finance Lease Assets \$000	Capitalised Vineyard Lease Payments \$000	Capital Work in Progress \$000	Total \$000
Net book value at 1 July 2006	30,201	21,866	24,751	38,326	3,973	10,248	3,775	133,140
Additions	4,600	1,554	1,735	14,504	4,373	207	3,455	30,428
Disposals	-	(22)	-	(206)	-	-	-	(228)
Depreciation charge for the year	-	(1,626)	(634)	(4,028)	(1,993)	(1,661)	-	(9,942)
At 30 June 2007 net of accumulated depreciation and amortisation	34,801	21,772	25,852	48,596	6,353	8,794	7,230	153,398
At cost	34,810	24,310	27,875	59,676	9,916	12,742	7,230	176,559
Accumulated depreciation and amortisation	(9)	(2,538)	(2,023)	(11,080)	(3,563)	(3,948)	-	(23,161)
Net book value at 30 June 2007	34,801	21,772	25,852	48,596	6,353	8,794	7,230	153,398

The Parent holds one class of long term asset being plant and equipment. During the year there were no additions or disposals to plant and equipment. Depreciation for the year amounted to NZ\$2,000 (2007: NZ\$2,000). At year end the net book value of NZ\$2,000 (2007: NZ\$4,000) is represented by assets of NZ\$7,000 (2007: NZ\$7,000) and accumulated depreciation of NZ\$5,000 (2007: NZ\$3,000).

b) Property, Plant and Equipment Pledged as Security for Liabilities

A General Security Agreement exists in favour of the Westpac Banking Corporation which serves to secure amounts loaned to the Group under the Senior Debt Facilities. The General Security Agreement covers all existing and future assets including those presented above.

Finance lease assets are secured by the assets to which the underlying lease relates. The finance lease assets presented above solely relate to long-term barrel leases.

c) Other Items

During the year there were no impairment charges and no assets were transferred and classified as assets available for sale.

15 Biological Assets

Biological assets consist of grape vines. Grapes are grown for use in the procurement of wine, as part of normal operations with all vineyards located in New Zealand. At 30 June 2008 the Group has grape vines planted on 673 hectares of land (2007: 634 hectares). During the year the Group harvested a total of 26,680 tonnes of grapes (2007: 18,385 tonnes). Of this amount a total of 7,193 (2007: 4,206) tonnes were purchased at fair market value from subsidiary company Oyster Bay and an additional 12,592 tonnes (2007: 8,314 tonnes) were purchased from independent third party grape growers. The fair value of biological produce at the point of harvest was NZ\$30,871,000 (2007: NZ\$20,148,000).

a) Valuation Methodology for "Large" Vineyards

Grape vines are measured at fair value less estimated point of sale costs at balance date as determined by Logan Stone - an accredited and independent third party valuer. During the year fair value was assessed by Logan Stone. For vineyard operations which have an estimated market value in excess of NZ\$6 million the fair value is based upon a discounted cash flow model. The net present values determined for each vineyard from the model are first allocated to the non-biological assets with the value of the biological assets being the residual balance. Inherent within this model are a number of assumptions that significantly impact upon the reported fair value and these are noted below.

The fair value of vines on leased land, where the Group does not have the beneficial ownership in the vine asset, is not reported below as the risks and rewards incidental to owning the vines do not transfer to the Group. The Group is however party to leases of land on which vine stock is owned by the Group. The fair value of these assets are reported as the risk and rewards incidental to ownership are retained by the Group.

The discounted cash flow model used to derive the fair value of "large" vineyards incorporates the following significant assumptions:

i) Average remaining life of grape vines ^(a)	Variable
ii) Average yield per hectare of mature vineyards ^(b)	8.0 to 12.5 t/ha
iii) Pre-tax discount rate which cash flows are discounted ^(c)	10.0%
iv) Annual rate of inflation to cost and revenue inputs ^(d)	1.0% to 2.0%
v) Vineyard maintenance costs ^(e)	\$9,500 to \$10,100/ha

a) The average remaining life of grape vines is based upon the lesser of the estimated longevity of the vines and the underlying land lease on which the vines are located. For freehold land it is assumed that the income stream continues in perpetuity as vines not producing at commercial levels are replaced each year.

b) The average yield is dependent upon the variety of grape grown, as well as the underlying health and age of the vine stock.

c) The discount rate is based upon the long-term pre-tax discount rate of the Group. The rate used is consistent with the Group's long-term cost of capital.

d) Grape prices are reviewed annually after taking into consideration various market factors, as well as reviewing the district average pricing report for grapes of similar quality and variety. Prices for grapes range from \$2,000 to \$3,000 depending on the varietal sold. Subsequent years grape prices per tonne are then indexed for inflation.

e) Vineyard maintenance costs exclude capital expenditure, management fees and lease costs for leased vineyards. These are separately included within the discounted cash flow model. The independent valuer has estimated the total running cost on a per hectare basis, which is variable depending on vineyard management and size and scale of the vineyard being assessed. For leased vineyards the actual annual lease cost is used with future lease costs increased for the anticipated increase in costs as a result of the rent reviews.

Replacement plantings required are expensed as incurred. During the year the Group had incurred NZ\$22,000 (2007: NZ\$33,000) associated with replanting of vines. These expenses are included as repairs and maintenance.

All of the above assumptions were determined by independent valuer, Logan Stone, and were considered reasonable by the Directors of the Company.

b) Valuation Methodology for "Small" Vineyards

For vineyard operations which have an estimated fair value of under NZ\$6 million the Directors believe an active market exists in which past transactions of similar assets can be utilised by the Company to assess the fair value of assets held at each reporting date. A total of 135 hectares of planted vineyards (2007: 95 hectares) have been valued in this manner. In deriving the fair value of these assets Logan Stone, the independent valuer, has assessed asset sales of similar size and scale to those held by the Group and has utilised these as a proxy to estimate the fair value at reporting date.

The movement in the fair value of biological assets is summarised as follows:

	Group	
	2008 \$000	2007 \$000
Carrying value at the start of the year	42,471	40,782
Purchases of biological assets	1,372	-
Changes in fair value less estimated point of sale costs	1,902	1,689
Carrying value at the end of the year	45,745	42,471

Changes in fair value result from vineyards attaining full maturity and vines reaching the maximum expected yield per hectare.

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16 Income tax

a) Numerical Reconciliation between aggregate tax expense in income statement and tax expense calculated per the statutory income tax rate

	Group		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Accounting profit before tax	31,279	16,398	4,329	2,202
at the Group's statutory income tax rate of 33% (2007: 33%)	10,322	5,411	1,429	727
Tax Impact of following items:				
Intra-group profit eliminations	(8)	153	-	-
Adjustments in respect of current income tax of previous years	277	(41)	(4)	(34)
Entertainment	41	64	4	7
Legal fees	28	14	-	-
Non-deductible interest and other charges	236	1,027	233	425
Tax on foreign income due to different tax rates	(126)	(31)	-	-
Dividends from 100% wholly owned subsidiary	-	-	(462)	-
Share-based payments	71	3	-	-
Change in tax rate on deferred tax balances	-	(1,781)	1	-
Total taxation expense	10,841	4,819	1,201	1,125

b) The major components of income tax expense are:

Estimated current period tax assessment	8,589	4,108	1,204	1,154
Adjustments in respect of current income tax of previous years	277	(41)	(4)	(34)
Movements in the deferred income tax liability	1,975	2,533	1	5
Deferred income tax benefit relating to the decrease in tax rate	-	(1,781)	-	-
Tax expense for the year	10,841	4,819	1,201	1,125

c) Deferred income tax at 30 June 2008 relates to the following:

i) Deferred tax liabilities

	Group		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Capitalised interest	2,095	1,787	-	-
Capitalised leases	2,746	3,771	-	-
Accelerated depreciation of long term assets	2,680	3,448	-	-
Capitalised borrowing fees	43	51	-	-
Excess of fair value of biological assets over tax values	12,078	11,382	-	-
Financial statement derivatives	3	103	-	-
Gross deferred tax liabilities	19,645	20,542	-	-

ii) Deferred tax assets

Provisions	328	411	6	7
Stock profit & inter-company margin eliminations	2,247	1,804	-	-
Allowance for doubtful debts	96	92	-	-
Carried forward tax losses	688	2,352	-	-
Fair value adjustments on biological produce	986	2,558	-	-
Gross deferred tax assets	4,345	7,217	6	7

Net deferred tax liability/(asset)

	15,300	13,325	(6)	(7)
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Balance at beginning of year	13,325	12,573	(7)	(12)
On surplus for period	1,975	2,533	1	5
Deferred income tax benefit relating to the decrease in tax rate	-	(1,781)	-	-
	15,300	13,325	(6)	(7)

There are no elements of deferred taxes which are reported within equity.

17 Imputation credit account

Balance at beginning of year			4,973	781
Tax payments			7,987	4,981
Fully imputed dividend paid			(2,211)	(789)
Balance at the end of the year			10,749	4,973

At balance date the imputation credits available to the shareholders of the Parent were:

Through direct shareholding in the Parent			506	1,608
Through indirect interests in subsidiaries			10,243	3,365
			10,749	4,973

18 Commitments

Operating Leases

Lease commitments under non-cancellable operating leases.

	Group		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Within one year	14,133	5,963	-	-
One to two years	12,644	9,919	-	-
Two to five years	12,717	25,438	-	-
Beyond five years	47,401	43,480	-	-
	86,895	84,800	-	-

Operating lease commitments comprise long-term land leases, which allow the Group to access prime viticultural land in the Marlborough and Hawkes Bay areas. The leases provide the Group the right of first refusal in the event that the land is put up for sale. Vineyard leases generally comprise an initial term of ten years with following rights of renewal which vary depending on vineyard. Leases are reviewed every five years and if required the market rate of rent adjusted in relation to the market value of the underlying land plus a guaranteed rate of return as determined by the five year government bond rate.

Capital Commitments

The estimated capital expenditure contracted for at 30 June 2008 but not provided for is NZ\$806,000 (2007: NZ\$131,000).

19 Contingent assets

The Group's subsidiary, Oyster Bay was the subject of an ongoing complaint by PYIL regarding the takeover undertaken by Delegat's in 2005. Oyster Bay has issued invoices to PYIL for its bid and related complaints amounting to NZ\$600,000 plus GST. The target company statement related costs of NZ\$295,000 plus GST continue to be recorded as a receivable by Oyster Bay. Oyster Bay has provided for NZ\$305,000 for the complaint related portion of the invoices, as to date no payment has been received by PYIL for any of these invoices. Oyster Bay is pursuing court action to reach a final determination on recovery of these costs.

20 Contingent liabilities

At 30 June 2008 Delegat's and Oyster Bay have received claims from PYIL arising from the takeover process in the amount of NZ\$293,000. In late 2007, PYIL issued proceedings against both Delegat's and Oyster Bay alleging that the companies had engaged in oppressive conduct towards PYIL. There is no quantification of the Group's liability (if any) under this claim. The Group disputes the liability and the amounts claimed and considers court action will be required to reach a final determination. Given the uncertainty concerning the Group's liability in regard to the claims and any required payment, no amount has been recognised in the financial statements.

21 Investment in subsidiaries

The Parent's direct or ultimate investment in subsidiaries comprises shares at cost.

	Parent	
	2008 \$000	2007 \$000
Investments	2,282	2,282

Investments in controlled entities are detailed in note 23.

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22 Intangible Assets

a) Goodwill on consolidation

Gross goodwill at the beginning of the year

	Group	
	2008	2007
	\$000	\$000
	1,039	1,039

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment. The above noted goodwill has been allocated entirely to the operations of Oyster Bay. Each year the Directors assess the "value in use" of Oyster Bay by projecting the discounted cash flows of the business and comparing it to the net carrying value of assets employed at each balance sheet date. If the value in use is less than the net carrying value of assets, including goodwill and other allocations of shared assets, goodwill is considered to be impaired and is written down. During the year there were not any impairment write-downs. The calculation of value in use is most sensitive to the following assumptions:

i) Grape Prices

The value in use calculation includes an initial price per tonne for each variety of grape grown at Oyster Bay which is based upon the regional average selling price for that variety. Subsequent years grape prices are indexed for inflation at a rate of 2% per annum. The Directors assess the reasonability of the prices used in this assumption each financial year subsequent to concluding that years' harvest.

ii) Estimated Yields

Yields represent management's best estimate of the anticipated harvested volumes after taking into account the age of vine stock, exposure to climatic events and other factors. Yields are reviewed and compared to prior year years actual harvested volumes and are assessed each financial year. The significant yield estimates are listed in Note 15.

iii) Vineyard Operating Costs & Occupancy Costs

Assumptions of vineyard operating and occupancy costs have been estimated on a per hectare basis after careful consideration of actual costs incurred in past financial years. These costs are reviewed as part of the annual budgeting process for Oyster Bay. The future prices of crop inputs, and labour charges are estimated to move in line with inflation.

iv) Discount Rates

Discount rates reflect the time value of money and the risks specific to the operating unit to which the goodwill relates. In determining the appropriate discount rate, regard has been given to the yield on a ten year government bond at the beginning of the budgeted year plus a risk return premium on the company's assets. A discount rate of 10% has been applied in assessing impairment.

v) Timing of Cash Receipts & Certainty of Sale

The timing of cash receipts is reasonably assured due to the fact that 100% of the output of Oyster Bay is purchased by Delegat's.

b) Other Intangible Assets

The Group does not report any other intangible assets.

23 Related Parties

a) Investment in Subsidiaries

Name of entity:	Principal Activity	Parent Company	Country of Incorporation	Ownership interest %	
				2008	2007
Delegat's Wine Estate Limited	Winemaking, Sales and Distribution	Delegat's Group Limited	New Zealand	100.00	100.00
Oyster Bay Wines (Canada) Limited	Brand Marketing	Delegat's Group Limited	Canada	100.00	100.00
Oyster Bay Wines Australia Pty Limited	Sales and Distribution	Delegat's Group Limited	Australia	100.00	100.00
Oyster Bay Wines (USA) Limited	Brand Marketing	Delegat's Group Limited	New Zealand	100.00	100.00
Delegat's Wine Estate UK Limited	Sales and Distribution	Delegat's Wine Estate Limited	United Kingdom	100.00	100.00
Oyster Bay Marlborough Vineyards Limited	Vineyard Owner	Delegat's Wine Estate Limited	New Zealand	50.10	50.10

All subsidiaries have a balance date of 30 June.

At balance sheet date the parent company, Delegat's Group Limited, has the following balances that are due from/(to) subsidiary companies:

	Parent	
	2008	2007
	\$000	\$000
Delegat's Wine Estate Limited	47,480	83,436
Delegat's Wine Estate UK Limited	456	290
Oyster Bay Wines Australia Pty Limited	33	(13)
Oyster Bay Wines (USA) Limited	308	139
Oyster Bay Wines (Canada) Limited	297	152
	<u>48,574</u>	<u>84,004</u>

The Parent completed a Capital Notes issue of NZ\$35 million in 2004. These funds were advanced to Delegat's, supported by an interest bearing loan agreement, repayable November 2007. During the year Delegat's increased the senior debt facilities with Westpac by drawing down a Capital Note facility of NZ\$35 million. The funding received by Delegat's was used to repay the loan from the Parent company, which in turn repaid the Capital Noteholders in full.

The Parent successfully completed a capital raise of NZ\$41.5 million in 2006. These funds were advanced to Delegat's to finance the Marlborough Winery capital expenditure project, supported by an interest bearing loan agreement.

The Parent Company receives working capital funding support from Delegat's - the main operating subsidiary within the Group.

b) Key Management Personnel

Details relating to key management personnel, including remuneration paid, are included within note 24.

c) Related Parties by Virtue of Share Ownership

The following Director's hold the following number of Shares in the Parent.

	2008	2007
Jim Delegat	33,928,571	33,928,571
Rosemari Delegat & Robert Wilton	32,928,571	32,928,571
Robert Wilton	1,000,000	1,000,000

The individuals above are considered related parties as a result of their shareholding or by virtue of being considered a member of key management. During the year a total of NZ\$100,000 was paid to Robert Wilton in his capacity of a Non-Executive Director (2007: NZ\$80,000). Rosemari Delegat received NZ\$47,000 in her capacity as a Non-Executive Director during the year, after ceasing to be an Executive Director on 20 July 2007.

During the year a total of NZ\$180,000 (2007: NZ\$200,000) was paid to Robert Wilton in his capacity as an independent consultant.

Director fees paid to the Directors of subsidiary company Oyster Bay amounted to NZ\$114,000 (2007: NZ\$62,000)

Please also refer to the Disclosure of Directors Interests at the back of this report.

d) Related party Transactions with Person Having Significant Influence over Subsidiary Companies

Oyster Bay Wines Australia Pty Limited had engaged legal services in relation to compliance, liquor licences review and other general legal advice from Holman Webb Lawyers. Mr. Jonathan Casson (resigned June 2008) served as a Director of Oyster Bay Wines Australia Pty Limited and is also a partner in Holman Webb Lawyers. During the year NZ\$27,000 (2007: NZ\$54,000) was paid to Holman Webb Lawyers under normal commercial terms and conditions. Mr. Jonathan Casson was considered to be a related party by virtue of his ability to significantly influence the financial and operating policies of a subsidiary company.

e) Transactions with Related Parties under Common Control

Oyster Bay is considered a related party by virtue of being a subsidiary company which is directly controlled by Delegat's, a subsidiary of Delegat's Group Limited. The following table provides the total amount of transactions that were entered into with Oyster Bay for the relevant financial year.

		Delegat's Group	
		Purchases From	Sales To
Accounting and administration services ¹	2008		263,000
	2007	-	256,000
Machine, Labour & Material Costs ²	2008	361,000	313,000
	2007	199,000	188,000
Sales of agricultural produce ³	2008	15,647,000	-
	2007	9,554,000	-

¹ - Delegat's provided accounting and administrative services to Oyster Bay under a Vineyard Management and Administration Agreement. A total of \$Nil (2007: \$Nil) remains payable by Oyster Bay at balance date.

² - During the year Delegat's provide labour and other vineyard materials for work performed on Oyster Bay vineyards. These amounts are generally settled in the month following the work being performed or the service being provided. At balance date NZ\$168,000 (2007: NZ\$165,000) remains outstanding. Vineyard machinery owned by Oyster Bay is utilised on Delegat's managed vineyards. Delegat's reimburses Oyster Bay for the use of this machinery and at balance date NZ\$105,000 (2007: NZ\$93,000) is owed to Oyster Bay.

³ - Delegat's has entered into a Long-Term Grape Purchase Agreement requiring the purchase of all grapes produced by Oyster Bay. During the year Delegat's paid NZ\$15,647,000 (2007: NZ\$9,554,000) to Oyster Bay for the 2008 grape harvest. No amounts for this are outstanding at balance sheet date.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2008

24 Key Management Personnel

Compensation of Key Management Personnel

Included in the definition of related parties are Key Management Personnel having authority and responsibility for planning, directing, and controlling the activities of the entity either directly or indirectly, including any Director. Management have assessed the composition of the Key Management and their compensation for the year ended 30 June is presented below:

	Group		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Short-term employee benefits	3,770	3,904	617	900
Post employment benefits	65	50	-	-
Termination payments	732	102	-	-
Share-based payments expense	216	9	-	-
	4,783	4,065	617	900

25 Auditors' Remuneration

The auditor of Delegat's Group Limited is Ernst and Young. Amounts received, or due and receivable by, Ernst and Young are as follows:

	Group		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Audit of the financial statements	158	150	115	110
Other assurance related services	70	20	70	20
Tax compliance	176	222	155	139
Other services	-	80	-	72
	404	472	340	341

Included within other administration costs are professional fees paid to Oyster Bay auditor PricewaterhouseCoopers. Audit fees paid to PricewaterhouseCoopers amounted to \$40,000 (2007: \$23,000). Oyster Bay also uses PricewaterhouseCoopers for taxation advice. During the year a total of NZ\$9,000 (2007: NZ\$12,000) was paid to them in their capacity as advisors.

26 Reconciliation of Net Profit for the Year with Net Cash Flows from Operating Activities

	Group		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Reported net profit after tax	19,148	10,842	3,128	1,077
Minority interest share of profit	1,290	737	-	-
	20,438	11,579	3,128	1,077
Plus items not involving cash flows				
Fair value adjustment on biological assets	(1,902)	(1,689)	-	-
Amortisation of leases	1,681	1,661	-	-
Depreciation expense	9,523	8,281	2	2
Interest expense from amortised cost accounting	605	1,289	605	1,289
Other non-cash items	(593)	1,667	-	-
(Gain)/loss on disposal of assets	(34)	131	-	-
Movement in derivative financial instrument assets	3,296	(2,211)	-	-
Movement in deferred tax liabilities	1,975	752	1	5
	34,989	21,460	3,736	2,373
Movement in working capital balances are as follows:				
Trade payables and accruals	7,855	2,321	(466)	(236)
Trade and other receivables	(7,216)	(13,266)	28	(18)
Inventories	(25,452)	(8,929)	-	-
Income tax	182	(1,369)	773	(1,542)
	(24,631)	(21,243)	335	(1,796)
<i>Deduct items classified as investing and financing activities</i>				
Vineyard development receivables and facility fees	(66)	(1,070)	-	-
Capital purchases included within trade payables	(1,988)	406	(5)	141
Related party funding included within working capital	-	-	(8,879)	(9,019)
	(26,685)	(21,907)	(8,549)	(10,674)
Net Cash Flow from Operating Activities	8,304	(447)	(4,813)	(8,301)

27 Events Subsequent to Balance Date

On 27 August 2008, the Directors of the Parent declared a fully imputed dividend of NZ\$6,018,000 (6.0 cents per Share) to be paid on the 24th of October 2008.

28 Earnings Per Share

The following reflects the earnings used in the calculation of the basic and fully diluted earnings per share.

a) Earnings Used in Calculating Earnings per Share

Net profit for the year - basic and fully diluted.

Group	
2008	2007
19,148	10,842

b) Weighted Average Number of Shares

Weighted average number of shares - basic and fully diluted

100,000	100,000
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The treasury shares held by the Parent, as disclosed in Note 6, are excluded from the weighted average number of shares on issue for the purposes of the basic and fully diluted earnings per share calculation.

The Capital Notes do not impact on the fully diluted earnings per share as their effect is anti dilutive.

c) Reported Earnings Per Share on income statement (expressed as cents per share)

- Basic and fully diluted earnings per share

19.15	10.84
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Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2008

29 Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards

		Twelve Months Ended 30 June 2007					
Notes		Previous NZ	Effect of				
		GAAP	Transition to NZ	IFRS	NZ IFRS		
		\$000	\$000	\$000			
	Sales	131,949	-	131,949			
	Fair value increment on biological assets	-	1,689	1,689			
	Other income	1,156	35	1,191			
	Revenue	133,105	1,724	134,829			
	Cost of sales	62,949	6,006	68,955			
	Gross Profit	70,156	(4,282)	65,874			
	Marketing and distribution expenses	30,390	(53)	30,337			
	Corporate governance expenses	923	148	1,071			
	Administrative expenses	6,081	(228)	5,853			
	Finance costs	8,837	2,847	11,684			
	Production management	531	-	531			
	Profit before income tax	23,394	(6,996)	16,398			
	Income tax expense	7,374	(2,555)	4,819			
	Profit after income tax	16,020	(4,441)	11,579			
	Net (profit) attributable to minority interests	(1,119)	382	(737)			
	Net profit for the year	14,901	(4,059)	10,842			
		Transition to NZ IFRS as at 1 July 2006			As at 30 June 2007		
Notes		Previous NZ	Effect of		Previous NZ	Effect of	
		GAAP	Transition to NZ	IFRS	NZ IFRS	Transition to NZ	NZ IFRS
		\$000	\$000	\$000	\$000	\$000	\$000
Equity							
	Share capital	47,469	-	47,469	48,252	(771)	47,481
	Revaluation reserve	13,054	(13,054)	-	13,054	(13,054)	-
	Foreign currency translation reserve	-	-	-	-	(432)	(432)
	Share based payment reserve	-	-	-	(771)	780	9
	Retained earnings	26,414	18,028	44,442	39,711	13,969	53,680
	Shareholders' equity	86,937	4,974	91,911	100,246	492	100,738
	Minority interest	26,990	958	27,948	27,660	576	28,236
	Total Equity	113,927	5,932	119,859	127,906	1,068	128,974
Liabilities							
Current Liabilities							
	Trade payables and accruals	20,047	-	20,047	22,368	-	22,368
	Borrowings	1,850	-	1,850	2,321	-	2,321
	Subordinated unsecured Capital Notes	-	-	-	35,000	(605)	34,395
	Income tax payable	319	-	319	-	-	-
		22,216	-	22,216	59,689	(605)	59,084
Non-Current Liabilities							
	Deferred tax liability	2,769	9,804	12,573	6,185	7,140	13,325
	Borrowings	73,457	-	73,457	108,465	-	108,465
	Subordinated unsecured Capital Notes	35,000	(1,894)	33,106	-	-	-
		111,226	7,910	119,136	114,650	7,140	121,790
	Total Liabilities	133,442	7,910	141,352	174,339	6,535	180,874
	Total Equity and Liabilities	247,369	13,842	261,211	302,245	7,603	309,848
Assets							
Current Assets							
	Cash and bank balances	4,291	-	4,291	5,469	-	5,469
	Trade and other receivables	25,389	738	26,127	40,554	(1,161)	39,393
	Derivative financial instruments	-	(914)	(914)	-	1,297	1,297
	Income tax receivable	-	-	-	1,050	-	1,050
	Inventories	58,531	(1,729)	56,802	75,812	(10,081)	65,731
		88,211	(1,905)	86,306	122,885	(9,945)	112,940
Non-Current Assets							
	Property, plant and equipment	158,211	(25,051)	133,160	178,390	(24,992)	153,398
	Biological assets	-	40,782	40,782	-	42,471	42,471
	Intangible assets	947	16	963	970	69	1,039
		159,158	15,747	174,905	179,360	17,548	196,908
	Total Assets	247,369	13,842	261,211	302,245	7,603	309,848

The transition to NZ IFRS has affected the financial position of the Group through a series of non-cash adjustments. The following section provides detail on the NZ IFRS transition adjustments.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2008

29 Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards (continued)

(A) Recognition of Fair Value of Agricultural Assets

Under NZ GAAP, biological assets were initially reported at cost included within property, plant and equipment and subsequently depreciated over the estimated useful life of the asset. Under NZ GAAP, the valuation of the biological assets was based upon depreciated historical cost and the fair value of these assets was not reported.

Under NZ IFRS, the Group is required to account for biological assets (vines) at fair value less estimated point of sale costs. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is determined by an Independent Valuer (Logan Stone) who have assessed the fair value of the biological assets with reference to recent market transactions, or where this information was not available, the fair value was derived through the use of a discounted cash flow model. The Group recognised upon transition to NZ IFRS a total of NZ\$40,782,000 being the fair value of vines on 1 July 2006 for which the Group maintains a beneficial ownership interest and excludes vines that are not owned by the Group.

The partial acquisition of Oyster Bay occurred on 28 February 2006 resulting in the fair value of the assets acquired being recognised by the Group, with the majority of the fair value attributed to vineyard improvements. Vineyard improvements included biological assets, vineyard infrastructure (trellis), irrigation and other assets that support vineyard activities. As a result of the adoption of NZ IFRS, the agricultural assets (vines) are required to be separately disclosed in the +A1173 balance sheet. Consequently NZ\$28,956,000 has been removed from property, plant and equipment being the NZ GAAP net book value of the vines on transition date. A further NZ\$1,283,000 has been reclassified from property, plant and equipment and represents the net book value of the vine stock owned by Delegat's.

The comparative income statement for 30 June 2007 includes a gain of NZ\$1,689,000. This gain represents an increase in value of vines from 1 July 2006 to 30 June 2007 as they reach maturity. The amount of the gain is calculated net of estimated point of sale costs.

(B) Valuation of Agricultural Produce at Point of Harvest

i) Valuation of Grapes on Leased Vineyards

Under NZ GAAP, inventory was valued based on a full absorption pricing model which was inclusive of all operational expenditure incurred by each vineyard including lease costs. The Company considers lease expenses a significant part of total running costs and can represent between 30% and 50% of total vineyard expenditure. The total costs incurred for a growing season were aggregated and allocated over the total tonnes harvested to derive a cost per tonne. These costs formed a significant portion of the stock cost as reported under NZ GAAP.

Under NZ IFRS, the Group is required to account for biological produce (grapes) at fair value. Fair value is defined as the amount for which an asset could be exchanged for a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is determined by reference to the price quoted in an active market. In the absence of an active market fair value is referenced to recent market transactions, discounted cash flow or in exceptional circumstances, cost. Upon transition, a fair value adjustment is recorded and represents the amount by which the fully absorbed cost per tonne is in excess of the fair value cost per tonne. Upon transition, a fair value adjustment (decrement) was recorded in the amount of NZ\$3,448,000 relating to 2006 and all prior year's vintages.

This fair value adjustment initially decreases total reported assets and is released as a reduction in cost of sales when inventory is sold for which the fair value adjustment relates. During the 2007 comparative year NZ\$2,415,000 relating to the transition adjustment was realised into income.

Fair value adjustments in relation to the 2007 vintage inventory were also established at NZ\$5,616,000 being the excess by which the NZ GAAP price per tonne (by variety) exceeded the fair value (price per tonne).

Fair value is determined with reference to grapes of similar quality and characteristics purchased on the open market between two parties at arm's length under no compulsion to act.

ii) Purchase of Grapes from Subsidiary Company and Grapes Harvested from Owned Vineyards

Delegat's source part of its grape requirements from Oyster Bay, a 50.1% owned subsidiary. Under NZ GAAP, inter company profit arising from the sales of grapes to Delegat's was eliminated on consolidation, resulting in each year's grape harvest being recorded at the cost to the Group. The profit recognition occurred when the finished product was sold to a third party outside the consolidated group. Oyster Bay profit of NZ\$3,731,000 recognised by the Group under NZ GAAP when the finished product was sold to a third party has been reversed from inventory on transition to NZ IFRS and this profit has been recorded to the income statement as at 30 June 2006.

Under NZ IFRS, agricultural produce is required to be held at fair value. The requirement to value agricultural produce at fair value has resulted in the NZ GAAP inter-company profit elimination no longer being required and as a result, the inventory balances on transition to NZ IFRS have been increased by NZ\$1,719,000. The component parts of this margin adjustment has been presented in the financial statements based upon their function within the entity (i.e. administration, finance cost etc).

Under NZ GAAP, Oyster Bay's costs incurred in relation to the next year's harvest were reported in the balance sheet as inventory. Upon transition to NZ IFRS, deferred growing costs of NZ\$1,105,000 have been expensed in the income statement to 30 June 2007.

All of the changes in stock valuation resulting from the adoption of NZ IFRS are non-cash and the Directors believe that fundamentally the financial position of the Group has not changed.

(C) Derivative Financial Instruments

Under NZ GAAP, the fair value of derivative financial instruments were disclosed by way of note only. Financial statement derivatives were included in the determination of net profit only at the point in time when they were realised.

Under NZ IFRS, derivative financial instruments are recognised at fair value. The Group has considered the impact of hedge accounting under NZ IFRS and elected not to adopt hedge accounting. As a result, the movements in the fair value of derivative instruments are included within the income statement in the year in which they occur. Under NZ GAAP, the Group translated accounts receivable balances at the contracted forward exchange rates to the extent there was foreign exchange cover. Under NZ IFRS, accounts receivable balances at 1 July 2006 have been translated using the closing spot rate resulting in an increase of NZ\$738,000 with the fair value of the forward exchange contracts recognised separately as a liability of NZ\$914,000. The resulting impact to opening equity is a decrease of NZ\$176,000.

During the comparative twelve month period ended to 30 June 2007, income was increased by NZ\$322,000 inclusive of a reduction of the accounts receivable balance of NZ\$1,161,000 as a result of valuing foreign denominated receivables at spot rate and the reporting of the fair value of financial instrument asset of NZ\$1,297,000.

For 30 June 2007 the accounts receivable balance under NZ IFRS is reduced by NZ\$1,161,000 by revaluing foreign denominated balances at spot rates, rather than using the contracted foreign exchange rates. A separate derivative asset of NZ\$1,297,000 is recognised representing the fair value of foreign exchange contracts as at 30 June 2007. The impact of the change in fair value of the derivative instruments from 1 July to 30 June 2007 has increased income by NZ\$2,211,000 for the year.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2008

29 Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards (continued)

(D) Financial Liabilities at Amortised Cost

Under NZ GAAP, financial liabilities were measured at their face value, unless the impact of the time value of money was material, in which instance the financial liability was held at the expected future cash flows discounted for the time value of money.

Under NZ IFRS, financial liabilities are valued at amortised cost through the use of the effective interest method of accounting. Over time loan amortisation accretes the carrying value of the loan balance to its face value. The use of the effective interest rate method requires any issue costs initially expensed to be reinstated and deducted from the original loan value. As a result upon transition the carrying value of the loan is NZ\$1,894,000 lower than under NZ GAAP. Changes in the balance of financial liabilities held at amortised cost represent interest expense. Interest expense has been recognised of NZ\$1,252,000 in the 30 June 2007 financial year.

(E) Amortisation of Goodwill

Under NZ GAAP, the Group's accounting policy is that the excess of cost over the fair value of the net assets of subsidiaries is recognised as goodwill at the time of acquisition and is amortised to the income statement over the shorter of its estimated useful life or twenty years. Under NZ IFRS, goodwill is no longer subject to amortisation and instead is subject to an annual impairment test. As of 30 June 2006, a total of NZ\$16,000 had been amortised and has been reversed upon transition to NZ IFRS. A further NZ\$53,000 of goodwill amortised under NZ GAAP in the year to 30 June 2007 has been reversed in the restated 30 June 2007 NZ IFRS income statement.

(F) Deferred Taxes

Under NZ IFRS a balance sheet approach to tax effect accounting is followed which measures the deferred tax balances through assessing the accounting value of an asset or liability relative to its tax base. The resulting differences between these carrying values are temporary differences and are tax effected resulting in the deferred tax position for the Group. Temporary differences that result in a deferred tax asset are recognised only to the extent that it is probable that the temporary differences will reverse.

Upon transition to NZ IFRS, the deferred tax liability for the Group has been increased by NZ\$9,804,000. A significant portion of the increase is attributed to the increase in the temporary differences resulting from the reported fair value of biological assets and their respective tax values. A deferred tax liability is reported in the balance sheet as the Directors consider that the biological assets will generate assessable income in the future and the Company will be required to pay tax on this income.

Subsequent movements in the deferred tax balances are significantly influenced by fair value adjustments in the vine assets.

(G) Share-based Payments

Under NZ GAAP, the Group's Employee Share Ownership Plan is treated as an issue of shares with the contribution to equity not recognised until full settlement of the loan is made by the employee and the employee receives an unencumbered right to the shares. Under NZ IFRS, the scheme is accounted for as an in substance share option plan, with the fair value of the option being recognised in the income statement over the vesting period.

Under NZ GAAP, a share-based payment reserve was established in the amount of NZ\$771,000 to off-set the value of the newly issued shares under the Employee Share Ownership Plan, resulting in no net movement in reported equity. Under NZ IFRS, the values of the previously reported reserve and issued capital are eliminated. A newly established reserve for share-based payments has been established which accumulates the fair value of the options granted over the vesting period. The increase in the reserve each year represents the expense recognised in the year. Included within the reported income statement at 30 June 2007 is an expense NZ\$9,000.

(H) Translation of Foreign Subsidiaries

Under NZ IFRS, the translation of foreign subsidiaries is performed and any resulting foreign exchange impacts are reported as a separate component of equity being the foreign currency translation reserve. Under NZ GAAP, translations of subsidiary's balances were based upon the subsidiaries being a fully integrated operation, resulting in exchange differences on translation being borne through the income statement.

During the 30 June 2007 fiscal year a NZ\$432,000 loss on translation of foreign operations was reported in the income statement for NZ GAAP purposes. For NZ IFRS, purposes this has been reclassified as a separate component of equity and has resulted in an increase in the reported profit. There is no change in the overall reported equity position as a result of these adjustments.

(I) Deemed Cost Provisions

Upon transition to NZ IFRS, Delegat's has exercised the deemed cost provision under NZ IFRS: 1 and have elected to report the fair value of land as the deemed cost to the Group. As a result of this, Delegat's has recognised an increase of NZ\$3,633,000 in land and an equivalent increase in retained earnings. Land assets will not be revalued each year and this represents a one time increase to retained earnings.

(J) Revaluation Reserves

The Group has elected not to re-value assets at each reporting date and as a result, the asset revaluation reserve under NZ GAAP is not applicable. The NZ GAAP balance of NZ\$13,054,000 has been reclassified within equity.

Auditor's Report

To the Shareholders of Deleat's Group Limited

We have audited the financial statements on pages 1 to 22. The financial statements provide information about the past financial performance of the company and group and their financial position as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 5 to 9.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 30 June 2008 and of their financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ernst & Young provides taxation advice and other assurance related services to the company and group.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company and group as far as appears from our examination of those records; and
- the financial statements on pages 1 to 22:
 - comply with generally accepted accounting practice in New Zealand; and
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of the financial position of the company and group as at 30 June 2008 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 August 2008 and our unqualified opinion is expressed as at that date.



Auckland