

## DELEGAT'S GROUP LIMITED

### Results for announcement to the market

Reporting Period	12 months to 30 June 2010
Previous Reporting Period	12 months to 30 June 2009

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$215,810	(6%)
Profit from ordinary activities after tax attributable to shareholders	\$177	(99%)
Net profit attributable to shareholders	\$177	(99%)

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

The Directors have declared a final dividend of 8.0 cents per share. The dividend will be fully imputed and a supplementary dividend of 1.4 cents will be paid to overseas shareholders in accordance with Listing Rule 7.12.7.

	Cents per share	Imputed Cents per share
Final Dividend for the year ended 30 June 2010	8.0 cents	3.4286 cents

Record date	1 October 2010
Dividend Payment Date	15 October 2010

### Net Tangible Assets per share

	Current Year	Previous corresponding year
Net Tangible Assets per share	\$1.52	\$1.67



27<sup>th</sup> August 2010

**DELEGAT'S GROUP LIMITED**

**Results Announcement - 2010**

Delegat's Group Limited (Delegat's) is pleased to present its operating and financial results for the year ending 30 June 2010.

**Performance Highlights**

- Achieved record global sales of 1,950,000 cases.
- Achieved record sales revenue of \$219.7 million.
- Maintained in-market case price realisation in foreign currency.
- Generated record cash from operations of \$48.2 million.
- Reduced net debt by 7% to \$129.2 million.

The Directors consider that the Group has performed admirably in challenging circumstances this year and reports an operating performance profit after tax of \$18.9 million for the year, compared with February's market guidance of \$19.4 million and \$22.7 million in the previous year. Delegat's has recorded a number of one-off non-cash accounting adjustments, which have reduced the reported net profit after tax to \$0.2 million.

The Directors are also of the view that the reported financial result needs to be analysed in greater detail for the Group's success to be recognised.

**FINANCIAL PERFORMANCE**

NZ\$ millions	2010 Actual	2009 Actual	% Δ vs 2009	2010 February Guidance	% Δ vs Guidance
<b>Sales Revenue</b>	<b>219.7</b>	<b>216.6</b>	<b>1%</b>	<b>218.4</b>	<b>1%</b>
<b>Operating NPAT</b>	<b>18.9</b>	<b>22.7</b>	<b>-17%</b>	<b>19.4</b>	<b>-2%</b>
Operating NPAT % of Sales	9%	10%		9%	
<b><u>Non-cash Adjustments</u></b>					
Fair Value Items after Tax & Minorities	(7.9)	7.3	-207%		
Impairment Charges after Tax & Minorities	(5.2)	-	-		
Budget tax changes after Tax & Minorities	(5.7)	-	-		
<b>Reported NPAT</b>	<b>0.2</b>	<b>30.0</b>	<b>-99%</b>		
Reported NPAT % of Sales	0%	14%			

## New operating performance measures

The Group presents its financial statements in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), which were introduced in the 2008 financial year. The Directors are of the view that the results reported under NZ IFRS do not provide adequate insight into the Group's underlying operational performance, primarily due to a number of fair value adjustments that are required to be reported on.

To provide a better understanding of the operational performance, the Group will publish an Operating Performance report at each reporting date. This supplementary report eliminates from each line in the Statement of Financial Performance all fair value adjustments.

Also eliminated are the one-off non-cash accounting adjustments resulting from the impairment of assets and the one-off non-cash accounting adjustments required as a result of the Government announcing changes to company tax legislation in their 2010 Budget - these accounting adjustments are dealt with later in this announcement.

The Directors draw attention to the following three lines in particular:-

- Operating EBIT, being Earnings before Interest, Tax and Fair Value Adjustments;
- Operating NPAT, being Net Profit after Tax and Minority Interests, but before Fair Value Adjustments; and
- Operating EBITDA, being Operating EBIT before Depreciation and Amortisation.

## OPERATING PERFORMANCE

NZ\$ millions	Notes	2010 Actual	2009 Actual	% Δ vs 2009	2010 February Guidance	% Δ vs Guidance
<b>Sales Revenue</b>		<b>219.7</b>	<b>216.6</b>	<b>1%</b>	<b>218.4</b>	<b>1%</b>
Total Operating Revenue	1	222.1	223.8	-1%	220.6	1%
<b>Operating Gross Profit</b>	2	<b>114.9</b>	<b>115.4</b>	<b>-0%</b>	<b>116.3</b>	<b>-1%</b>
Operating Gross Margin		52%	53%		53%	
Operating Expenses	3	(81.5)	(74.6)	-9%	(81.9)	1%
<b>Operating EBIT</b>	5	<b>33.4</b>	<b>40.7</b>	<b>-18%</b>	<b>34.4</b>	<b>-3%</b>
Operating EBIT % of Sales		15%	19%		16%	
Interest, Tax, Minorities	4	(14.5)	(18.0)	20%	(15.0)	3%
<b>Operating NPAT</b>	6	<b>18.9</b>	<b>22.7</b>	<b>-17%</b>	<b>19.4</b>	<b>-2%</b>
Operating NPAT % of Sales		9%	10%		9%	
<b>Operating EBITDA</b>	5	<b>43.7</b>	<b>52.6</b>	<b>-17%</b>	<b>43.9</b>	<b>-0%</b>
Operating EBITDA % of Sales		20%	24%		20%	

1. Total Operating Revenue is before Fair Value Movements on Biological Assets and Derivative Instruments (if gains).
2. Operating Gross Profit is before Fair Value movements on Agricultural Produce, OBVs Gross Profit and the NZ IFRS adjustments excluded in Note 1.
3. Operating Expenses are before Fair Value Movements on Derivative Instruments (if losses) and Share Based Payments and Impairment charges.
4. Interest, Tax and Minorities is before any one-off non-cash accounting entries resulting from the Government's Budget tax announcements.
5. Operating EBIT and EBITDA are before items 1, 2 and 3 above.
6. Operating NPAT is before items 1, 2, 3 and 4 above.

## Operating performance

Delegat's delivered record Sales Revenue of \$219.7 million on record case sales of 1,950,000 in the year. Sales Revenue was up \$1.3 million on the Group's February guidance and \$3.1 million up on 2009, while case sales were up 23,000 on guidance and 212,000 on 2009. The 2010 case price realisation of \$112.70 is in line with Group's February guidance; however, 10% lower than the \$124.60 achieved in 2009.

Jim Delegat, Managing Director, said: "The Group continues to maintain its in-market foreign currency case price realisation across all markets. The persistent higher value of the New Zealand Dollar has negatively impacted the Group's reported Case Price Realisation and Sales Revenue."

Jim Delegat said: "The Group's Oyster Bay brand is established as a leading Super Premium wine brand in New Zealand, Australia, the United Kingdom and Ireland. The Oyster Bay brand is gaining momentum in the important growth markets of the United States and Canada. In the 2010 financial year the Group achieved sales volume growth of 76% in North America to 357,000 cases, which equates to 4.27 million bottles of wine."

The following market performance statistics demonstrate how Oyster Bay has gained momentum in the United States market.

Oyster Bay has now reached number 150 of all wine brands in the USA\*.

- Oyster Bay is the number 10 growth brand within the Top 150.
- Oyster Bay is the number 4 growth brand over \$10 within the Top 150.
- Oyster Bay is the number 3 import growth brand within the Top 150.

\* Source AC Nielsen MAT 24 July 2010.

## CASE SALES, CASE PRICE REALISATION AND FOREIGN CURRENCY

	2010 Actual	2009 Actual	% Δ vs 2009	2010 February Guidance	% Δ vs Guidance
<b>Case Sales (000's)</b>					
UK, Ireland & Europe	957	814	18%	886	8%
Nth America (USA, Canada)	357	203	76%	348	3%
Australia, NZ & Asia Pac	636	721	-12%	693	-8%
<b>Total Cases</b>	<b>1,950</b>	<b>1,738</b>	<b>12%</b>	<b>1,927</b>	<b>1%</b>
<b>Case Price Realisation (\$)</b>	<b>112.7</b>	<b>124.6</b>	<b>-10%</b>	<b>113.3</b>	<b>-1%</b>

1. Case Price Realisation is sensitive to:

- Foreign currency
- Country and product mix

Foreign Currency Rates	2010 Actual	2009 Actual	% Δ vs 2009	2010 February Guidance	% Δ vs Guidance
£	0.4441	0.3737	-19%	0.4390	-1%
A\$	0.7948	0.7948	0%	0.7988	0%
US\$	0.6753	0.6481	-4%	0.7059	4%
C\$	0.7456	0.6967	-7%	0.7571	2%

The Group's Operating Expenses before NZ IFRS adjustments is \$81.5 million - marginally lower than the February guidance for the full year, while 9% higher than the prior year comparative. This increase is the result of greater investment in sales and promotional programs generating increased case sales, and higher recruitment. The Operating Expenses include a provision for doubtful debts of \$1.6 million made in relation to a major UK retailer, which was placed in administration.

The Group's Operating EBIT of \$33.4 million compares to the February guidance of \$34.4 million and is \$7.3 million lower than the prior year. Operating EBITDA of \$43.7 million compares with \$52.6 million in 2009.

Operating NPAT is \$18.9 million for the year under review, which is \$0.5 million below the February guidance and \$3.8 million lower than the prior year.

### **NZ IFRS Fair Value adjustments**

In accordance with NZ IFRS Delegates are required to account for certain of their assets at fair value rather than their historic cost. All movements in fair value are required to be recorded in the Income Statement and the Group records adjustments in respect of four significant items at each reporting date:-

- Biological Assets (Vines) have been written down by \$6.5 million in 2010, whereas in 2009 they were written up by \$1.6 million. The impairment is in line with the industry;
- Biological Produce (Grapes) has been recorded in Inventories at market value rather than costs incurred, resulting in the expensing of \$5.3 million of growing costs in 2010 compared with the write up (or reduction in costs) in 2009 of \$0.6 million. The Group in February forecast a write down of \$1.3 million for the year, based on their best estimate of market prices for grapes and harvest yields at the time;
- Oyster Bay Marlborough Vineyards Ltd's (OBMVL) gross profit contributed a benefit of \$1.2 million in 2010, compared with a benefit of \$3.8 million in 2009 reflecting the lower grape prices in 2010. The Group in February forecast the benefit in 2010 to be \$1.6 million; and
- Derivative Instruments held to hedge the Group's foreign currency and interest rate exposures are recorded at fair value resulting in a loss of \$3.7 million in 2010, compared with a gain in 2009 of \$3.7 million.

In addition the Group makes some minor adjustments in respect of share based payments and release of the provision in respect of the 2006 and 2007 harvests/vintages, which were recorded with the introduction of NZ IFRS in 2008.

In aggregate, and after deducting taxation and minority interests, the impact of fair value adjustments in 2010 amounted to a negative \$7.9 million.

## IMPACT OF 'FAIR VALUE' ADJUSTMENTS

NZ\$ millions	Notes	2010 Actual	2009 Actual	% Δ vs 2009	2010 February Guidance	% Δ vs Guidance
<b>Operating NPAT</b>		<b>18.9</b>	<b>22.7</b>	<b>-17%</b>	<b>19.4</b>	<b>-2%</b>
Operating NPAT % of Sales		9%	10%		9%	
<b><u>NZ IFRS Fair Value Items</u></b>						
Biological Assets (Vines)		(6.5)	1.6	-506%	-	-
Biological Produce (Grapes)		(5.3)	0.6	-976%	(1.3)	-289%
OBV Gross Profit (Grapes)		1.2	3.8	-68%	1.6	-27%
Derivative Instruments		(3.7)	3.7	-198%	(0.6)	-482%
Other Fair Value Items	1	0.1	2.7	-97%	(0.0)	7600%
Total Fair Value Items		(14.2)	12.4	-214%	(0.3)	-3978%
Less: Tax & Minorities		6.3	(5.1)	224%	(0.5)	1314%
<b>Fair Value Items after Tax &amp; Minorities</b>		<b>(7.9)</b>	<b>7.3</b>	<b>-207%</b>	<b>(0.9)</b>	<b>-809%</b>
<b>NPAT after NZ IFRS Fair Value Items</b>		<b>11.1</b>	<b>30.0</b>	<b>-63%</b>	<b>18.5</b>	<b>-40%</b>

1. Other Fair Value Items includes accounting for Share Based Payments and release of initial Harvest provision.

### One-off non-cash accounting adjustments

#### - Impairment of Assets

The subsidiary OBMVL, recorded an impairment charge of \$9.9 million at balance date against the carrying value of their Land and Vineyard Improvements. The lower grape prices in 2010, resulting from the wine industry's ongoing supply imbalance, led to this impairment charge. The carrying value of Land after the impairment charge remains above original cost.

As a consequence of the impairment of the tangible vineyard assets in OBMVL, the Group is required to record an impairment charge of \$1.0 million for the Goodwill recognised in relation to the subsidiary. The Goodwill was recognised at the time Delegat's increased its ownership interest in OBMVL to 50.1%.

The Group's Board understands that OBMVL are receiving professional advice in respect to recapitalisation options and, as the majority shareholder, is in discussions with OBMVL.

#### - Government Tax changes

The New Zealand Government in May 2010 announced changes to tax legislation which have resulted in non-cash accounting adjustments that have a material impact on Net Profit After Tax for the year under review. The change with the largest impact is the removal of the depreciation allowance on buildings for tax purposes, which results in a negative non-cash tax adjustment of \$6.5 million in 2010. The other material change is the reduction in the corporate tax rate to 28% from 2012, which gives rise to positive non-cash tax adjustment of \$1.0 million. After adjusting for minority interests the net impact on the Group is a negative \$5.7 million adjustment to Net Profit After Tax.

Looking forward, the net cash impact of these two changes in tax is estimated to be \$0.2 million per annum benefit to the Group. The estimate is based on the current level of

taxable income for the Group and the tax depreciation allowance claimed on existing buildings.

#### IMPACT OF NON-CASH ADJUSTMENTS

NZ\$ millions	2010 Actual
<b>NPAT after NZ IFRS Fair Value Items</b>	<b>11.1</b>
<b><u>Impairment Charges</u></b>	
Land and Vineyard Improvements	(9.9)
Goodwill	(1.0)
Total Fair Value Items	(11.0)
Less: Tax & Minorities	5.8
<b>Impairment Charges after Tax &amp; Minorities</b>	<b>(5.2)</b>
<b><u>Budget Tax Changes</u></b>	
Change in Corporate Tax Rate	1.0
Removal of Depreciation Deductions	(6.5)
Total Budget Tax Changes	(5.5)
Less: Tax & Minorities	(0.2)
<b>Budget Tax Changes after Tax &amp; Minorities</b>	<b>(5.7)</b>
<b>Reported NPAT</b>	<b>0.2</b>

#### Reported Accounting Performance

After taking into account all of the fair value adjustments under NZ IFRS and the non-cash accounting adjustments resulting from the impairments of assets and changes to tax legislation, the Group's reported audited financial performance for 2010 is as follows:-

- Earnings before Interest and Tax is \$19.3 million, excluding impairment charges;
- Earnings before Interest, Tax, Depreciation and Amortisation is \$29.6 million, excluding impairment charges; and
- Net Profit after Tax is \$0.2 million.

Jim Delegat said: "The wine industry's supply imbalance led to lower grape prices in 2010, which influenced the value of vineyard assets and accordingly Delegat's recorded significant non-cash accounting adjustments in the year to account for lower values for land, vineyard improvements and biological assets. The fair value adjustment in relation to biological produce is also influenced by lower grape prices, the benefits of which will be reflected in a higher gross margin in subsequent years."

#### Cash Flow

The Group generated record cash from operations of \$48.2 million in the year under review, which is an increase of 13% on the prior year. A total of \$28.8 million was invested in additional fixed assets and processing infrastructure during the period, while \$8.5 million was distributed to shareholders in dividends and \$8.7 million reduction in the Group's financing facilities.

## Financial Position and Funding

Delegat's has Net Debt of \$129.2 million as at 30 June 2010 compared with \$139.1 million in 2009 - a decrease of 7%.

The Group has again successfully renewed its existing bank facilities, bringing the average maturity of the facilities to 2.5 years. The renewal confirms the strong relationship between the Company and its banker, Westpac.

### NET DEBT OVERVIEW

Notes	2010 Actual	2009 Actual	% Δ vs 2009	2010 February Guidance	% Δ vs Guidance
<b><u>Funding (NZ\$ millions)</u></b>					
Operating Cash Flow	48.2	42.6	13%	-	-
Net Debt	129.2	139.1	7%	130.0	1%
<b><u>Key Ratios</u></b>					
Operating Interest Cover	4.67	3.74	25%	-	-
Equity / (Equity + Net Debt) %	54%	55%	-1%	-	-

## 2010 Harvest

The New Zealand wine industry harvested a total of 266,000 tonnes, which is a decrease of 7% on the previous year. This is a favourable outcome with regard to the industry's supply position. Ideal growing conditions throughout the 2010 growing season in the Marlborough and Hawke's Bay regions delivered fruit of very high quality.

"Delegat's 2010 harvest of 21,945 tonnes was 10% below the previous year and positions the Group well with regard to inventories for the forthcoming financial year," Jim Delegat said.

## Dividends

The Directors are of the view that the underlying operating performance and strong cash flows fully justify the maintenance of dividends. Accordingly, the Directors are pleased to advise they have approved a fully imputed dividend payout of 8 cents per share. The dividend will be paid on 15 October 2010 to Shareholders on record at 1 October 2010.

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### For further information please contact:

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**Delegat's Group Limited and Subsidiaries**  
**Statement of Financial Performance**  
**For the Year Ended 30 June 2010**

	Notes	GROUP		PARENT	
		2010	2009	2010	2009
		\$000	\$000	\$000	\$000
Sales		<b>219,720</b>	216,590	-	-
Fair value movement on biological assets	15	<b>(6,494)</b>	1,601	-	-
Other revenue	4	<b>2,584</b>	11,207	<b>36,582</b>	5,728
<b>Revenue</b>		<b>215,810</b>	229,398	<b>36,582</b>	5,728
Cost of sales		<b>111,050</b>	101,282	-	-
<b>Gross profit</b>		<b>104,760</b>	128,116	<b>36,582</b>	5,728
Marketing and promotion expenses	5a	<b>69,050</b>	61,129	-	-
Corporate governance expenses	5b	<b>990</b>	1,172	<b>614</b>	753
Administration expenses	5c	<b>14,368</b>	11,691	<b>1,175</b>	1,301
Finance costs	5d	<b>7,404</b>	11,180	-	-
Production management expenses		<b>834</b>	707	-	-
<b>Total expenses</b>		<b>92,646</b>	85,879	<b>1,789</b>	2,054
<b>Profit before impairment charges</b>		<b>12,114</b>	42,237	<b>34,793</b>	3,674
Impairment charges	14	<b>9,930</b>	-	-	-
Goodwill impairment	22	<b>1,039</b>	-	-	-
<b>Profit before income tax</b>		<b>1,145</b>	42,237	<b>34,793</b>	3,674
Income tax expense	16	<b>7,864</b>	11,421	<b>1,057</b>	1,099
<b>(Loss)/profit after income tax</b>		<b>(6,719)</b>	30,816	<b>33,736</b>	2,575
Loss/(profit) attributable to non-controlling interests		<b>6,896</b>	(767)	-	-
<b>Profit for the Year attributable to Shareholders of the Parent Company</b>		<b>177</b>	30,049	<b>33,736</b>	2,575
<b>Earnings Per Share</b>					
- Basic and fully diluted earnings per share (cents per share)	28	<b>0.18</b>	30.05		

**Delegat's Group Limited and Subsidiaries**  
**Statement of Other Comprehensive Income**  
**For the Year Ended 30 June 2010**

	<i>Note</i>	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
(Loss)/profit after income tax		<b>(6,719)</b>	30,816	<b>33,736</b>	2,575
<i>Other comprehensive income:</i>					
- Translation of foreign subsidiaries	6c	<b>(1,365)</b>	(28)	-	-
- Income tax relating to components of other comprehensive income		-	-	-	-
<b>Total comprehensive (loss)/income for the year, net of tax</b>		<b>(8,084)</b>	30,788	<b>33,736</b>	2,575
Comprehensive (loss)/income attributable to non-controlling interests		<b>(6,896)</b>	767	-	-
Comprehensive (loss)/income attributable to Shareholders of the Parent Company		<b>(1,188)</b>	30,021	<b>33,736</b>	2,575

**Delegat's Group Limited and Subsidiaries**  
**Statement of Changes in Equity**  
**For the Year Ended 30 June 2010**

	<b>For the year ended 30 June 2010 - Group</b>						
	<i>Share Capital</i>	<i>Foreign Currency Translation Reserve</i>	<i>Share-based Payment Reserve</i>	<i>Retained Earnings</i>	<i>Total</i>	<i>Non-Controlling Interests</i>	<i>Total Equity</i>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2009	47,481	(427)	311	92,338	<b>139,703</b>	29,171	<b>168,874</b>
<b>Changes in equity for the year ended 30 June 2010</b>							
<i>Other comprehensive income</i>							
- Translation of foreign subsidiaries	-	(1,365)	-	-	<b>(1,365)</b>	-	<b>(1,365)</b>
Total other comprehensive income	-	(1,365)	-	-	<b>(1,365)</b>	-	<b>(1,365)</b>
- Net profit/(loss) for the year	-	-	-	177	<b>177</b>	(6,896)	<b>(6,719)</b>
Total comprehensive income/(loss) for the year	-	(1,365)	-	177	<b>(1,188)</b>	(6,896)	<b>(8,084)</b>
<i>Equity Transactions</i>							
- Dividends paid to shareholders	-	-	15	(8,036)	<b>(8,021)</b>	-	<b>(8,021)</b>
- Dividends paid to non-controlling shareholders	-	-	-	-	-	(450)	<b>(450)</b>
- Share-based payments expense	-	-	75	-	<b>75</b>	-	<b>75</b>
<b>Balance at 30 June 2010</b>	<b>47,481</b>	<b>(1,792)</b>	<b>401</b>	<b>84,479</b>	<b>130,569</b>	<b>21,825</b>	<b>152,394</b>

	<b>For the year ended 30 June 2009 - Group</b>						
	<i>Share Capital</i>	<i>Foreign Currency Translation Reserve</i>	<i>Share-based Payment Reserve</i>	<i>Retained Earnings</i>	<i>Total</i>	<i>Non-Controlling Interests</i>	<i>Total Equity</i>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2008	47,481	(399)	238	68,315	<b>115,635</b>	29,301	<b>144,936</b>
<b>Changes in equity for the year ended 30 June 2009</b>							
<i>Other comprehensive income</i>							
- Translation of foreign subsidiaries	-	(28)	-	-	<b>(28)</b>	-	<b>(28)</b>
Total other comprehensive income	-	(28)	-	-	<b>(28)</b>	-	<b>(28)</b>
- Net profit for the year	-	-	-	30,049	<b>30,049</b>	767	<b>30,816</b>
Total comprehensive income/(loss) for the year	-	(28)	-	30,049	<b>30,021</b>	767	<b>30,788</b>
<i>Equity Transactions</i>							
- Dividends paid to shareholders	-	-	21	(6,026)	<b>(6,005)</b>	-	<b>(6,005)</b>
- Dividends paid to non-controlling shareholders	-	-	-	-	-	(897)	<b>(897)</b>
- Share-based payments expense	-	-	52	-	<b>52</b>	-	<b>52</b>
<b>Balance at 30 June 2009</b>	<b>47,481</b>	<b>(427)</b>	<b>311</b>	<b>92,338</b>	<b>139,703</b>	<b>29,171</b>	<b>168,874</b>

	<b>For the year ended 30 June 2010 - Parent</b>						
	<i>Share Capital</i>	<i>Foreign Currency Translation Reserve</i>	<i>Share-based Payment Reserve</i>	<i>Retained Earnings</i>	<i>Total</i>	<i>Non-Controlling Interests</i>	<i>Total Equity</i>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2009	47,481	-	34	70	<b>47,585</b>	-	<b>47,585</b>
<b>Changes in equity for the year ended 30 June 2010</b>							
<i>Other comprehensive income</i>							
- Net profit for the year	-	-	-	33,736	<b>33,736</b>	-	<b>33,736</b>
Total comprehensive income for the year	-	-	-	33,736	<b>33,736</b>	-	<b>33,736</b>
<i>Equity Transactions</i>							
- Dividends paid to shareholders	-	-	15	(8,036)	<b>(8,021)</b>	-	<b>(8,021)</b>
<b>Balance at 30 June 2010</b>	<b>47,481</b>	<b>-</b>	<b>49</b>	<b>25,770</b>	<b>73,300</b>	<b>-</b>	<b>73,300</b>

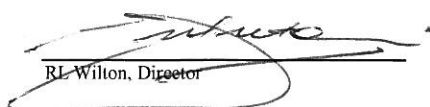
	<b>For the year ended 30 June 2009 - Parent</b>						
	<i>Share Capital</i>	<i>Foreign Currency Translation Reserve</i>	<i>Share-based Payment Reserve</i>	<i>Retained Earnings</i>	<i>Total</i>	<i>Non-Controlling Interests</i>	<i>Total Equity</i>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2008	47,481	-	13	3,521	<b>51,015</b>	-	<b>51,015</b>
<b>Changes in equity for the year ended 30 June 2009</b>							
<i>Other comprehensive income</i>							
- Net profit for the year	-	-	-	2,575	<b>2,575</b>	-	<b>2,575</b>
Total comprehensive income for the year	-	-	-	2,575	<b>2,575</b>	-	<b>2,575</b>
<i>Equity Transactions</i>							
- Dividends paid to shareholders	-	-	21	(6,026)	<b>(6,005)</b>	-	<b>(6,005)</b>
<b>Balance at 30 June 2009</b>	<b>47,481</b>	<b>-</b>	<b>34</b>	<b>70</b>	<b>47,585</b>	<b>-</b>	<b>47,585</b>

The accompanying notes form part of these financial statements

**Delegat's Group Limited and Subsidiaries**  
**Statement of Financial Position**  
**As at 30 June 2010**

	Notes	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Equity</b>					
Share capital	6	47,481	47,481	47,481	47,481
Foreign currency translation reserve	6c	(1,792)	(427)	-	-
Share-based payment reserve	6c	401	311	49	34
Retained earnings		84,479	92,338	25,770	70
Shareholders' equity		130,569	139,703	73,300	47,585
Non-controlling interests		21,825	29,171	-	-
<b>Total Equity</b>		<b>152,394</b>	<b>168,874</b>	<b>73,300</b>	<b>47,585</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade payables and accruals	9	29,461	32,782	223	374
Derivative financial instruments	10	3,356	-	-	-
Interest-bearing loans and borrowings	11	10,810	-	-	-
Income tax payable		1,770	717	391	-
		45,397	33,499	614	374
<b>Non-Current Liabilities</b>					
Deferred tax liability	16	18,718	19,292	-	-
Interest-bearing loans and borrowings	11	124,000	143,470	-	-
		142,718	162,762	-	-
<b>Total Liabilities</b>		<b>188,115</b>	<b>196,261</b>	<b>614</b>	<b>374</b>
<b>Total Equity and Liabilities</b>		<b>340,509</b>	<b>365,135</b>	<b>73,914</b>	<b>47,959</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents		5,660	4,332	3	3
Trade and other receivables	12	40,890	49,338	85	90
Derivative financial instruments	10	1,429	1,750	-	-
Income tax receivable		-	2,851	-	479
Inventories	13	73,197	88,629	-	-
		121,176	146,900	88	572
<b>Non-Current Assets</b>					
Property, plant and equipment	14	175,255	167,919	-	-
Biological assets	15	43,912	49,178	-	-
Deferred tax asset	16	166	99	6	6
Investment in subsidiaries	21	-	-	2,282	2,282
Intercompany amounts receivable	23	-	-	71,538	45,099
Intangible assets	22	-	1,039	-	-
		219,333	218,235	73,826	47,387
<b>Total Assets</b>		<b>340,509</b>	<b>365,135</b>	<b>73,914</b>	<b>47,959</b>

For, and on behalf of, the Board who authorised the issue of the financial statements on 27 August 2010.

  
 RL Wilton, Director

  
 JN Delegat, Director



**Delegat's Group Limited and Subsidiaries**  
**Statement of Cash Flows**  
**For the Year Ended 30 June 2010**

	Note	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Operating Activities</b>					
<b>Cash was provided from</b>					
Receipts from customers		229,921	222,042	-	-
Interest received		95	271	9	2
Income tax received		18	-	-	-
Net GST (paid)/received		(1,891)	529	3	(3)
		<b>228,143</b>	<b>222,842</b>	<b>12</b>	<b>(1)</b>
<b>Cash was applied to</b>					
Payments to suppliers and employees		152,045	138,956	1,937	1,950
Payments to grape growers		16,000	21,057	-	-
Interest paid		7,431	11,355	-	-
Income tax paid		4,425	8,847	180	1,093
		<b>179,901</b>	<b>180,215</b>	<b>2,117</b>	<b>3,043</b>
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	26	<b>48,242</b>	<b>42,627</b>	<b>(2,105)</b>	<b>(3,044)</b>
<b>Investing Activities</b>					
<b>Cash was provided from</b>					
Proceeds from sale of property, plant and equipment		16	69	-	-
Dividends received		28	21	31,293	21
		<b>44</b>	<b>90</b>	<b>31,293</b>	<b>21</b>
<b>Cash was applied to</b>					
Purchase of property, plant and equipment		19,957	5,646	-	-
Vineyard development purchases		6,450	10,514	-	-
Purchase of biological assets		878	1,406	-	-
Capitalised interest paid		831	537	-	-
Capitalised lease payments		676	889	-	-
		<b>28,792</b>	<b>18,992</b>	<b>-</b>	<b>-</b>
<b>Net Cash (Outflows)/Inflows from Investing Activities</b>		<b>(28,748)</b>	<b>(18,902)</b>	<b>31,293</b>	<b>21</b>
<b>Financing Activities</b>					
<b>Cash was provided from</b>					
Proceeds from borrowings		33,148	2,063	-	-
		<b>33,148</b>	<b>2,063</b>	<b>-</b>	<b>-</b>
<b>Cash was applied to</b>					
Finance lease principal repayments		-	2,326	-	-
Dividends paid to shareholders		8,483	6,929	8,033	6,031
Repayment of borrowings		41,808	26,566	-	-
Borrowing facility fees		822	70	-	-
Advances and loans to subsidiaries		-	-	21,155	(9,052)
		<b>51,113</b>	<b>35,891</b>	<b>29,188</b>	<b>(3,021)</b>
<b>Net Cash (Outflows)/Inflows from Financing Activities</b>		<b>(17,965)</b>	<b>(33,828)</b>	<b>(29,188)</b>	<b>3,021</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>1,529</b>	<b>(10,103)</b>	<b>-</b>	<b>(2)</b>
Cash and cash equivalents at beginning of the year		4,332	14,519	3	5
Effect of exchange rate change on foreign currency balance		(201)	(84)	-	-
<b>Cash and Cash Equivalents at End of the Year</b>		<b>5,660</b>	<b>4,332</b>	<b>3</b>	<b>3</b>

## **Delegat's Group Limited and Subsidiaries**

### **Statement of Accounting Policies**

#### **For the Year Ended 30 June 2010**

##### **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 Parent shares are publicly traded on the New Zealand Stock Exchange.

The financial statements comprise the statement of financial performance, statement of other comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and accounting policies, as well as the notes to the financial statements. The financial statements for the Group and the Parent for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the Directors on 27 August 2010.

##### **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, biological assets and produce which have been measured at fair value.

The preparation of the financial statements requires the Group to make judgements, 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 ongoing 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 and other applicable Financial Reporting Standards (NZ IFRS), as applicable to the Group as a profit-oriented entity. The financial statements comply with International Financial Reporting Standards (IFRS).

##### **New Accounting Standards and Interpretations**

There have been no changes in accounting policies, other than the required adoption of NZ IAS 1 (revised): Presentation of Financial Statements effective 1 January 2009. The revised standard prohibits the presentation of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of other comprehensive income. As a result the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of other comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

**Delegat's Group Limited and Subsidiaries**  
**Statement of Accounting Policies (continued)**  
**For the Year Ended 30 June 2010**

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 2010. These are outlined in the following table:

<i>Reference</i>	<i>Title</i>	<i>Group Application Date *</i>	<i>Summary</i>	<i>Impact on Group</i>
Improvements to NZ Equivalents to IFRS	Amendments to New Zealand Accounting Standards arising from the Annual Improvements Project (Improvements Project) - NZ IFRS 5, 8, NZ IAS 1, 7, 17, 18, 36 & 39)	1 July 2010	<p>The amendments to some standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments relate to terminology and editorial changes that are expected to have no or minimal effect. The main changes that will have an impact on the Group are:</p> <p><u>NZ IAS 17: Leases</u>  The amendment to NZ IAS 17 removes the specific guidance on the classification for leases pertaining to land so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases.</p> <p><u>NZ IAS 1: Presentation of Financial Statements</u>  The amendment to NZ IAS 1 stipulates that when a liability can be settled through the issuance of equity instruments at the option of the counterparty this does not impact the classification of the amount owed being classed as a liability.</p> <p><u>NZ IAS 7: Statement of Cash Flows</u>  The amendment to NZ IAS 7 stipulate that items of expenditure(s) on the cash flow statement can only be classified as investing activities if the expenditure(s) result in a recognised asset(s) on the statement of financial position.</p> <p><u>NZ IAS 18 : Revenue</u>  NZ IAS 18 provides guidance on determining if an entity is acting as an agent or principal. The distinction between principal and agent has an impact on revenues being presented on a gross or net basis.</p> <p><u>NZ IAS 36: Impairment of Assets</u>  NZ IAS 36 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is an operating segment as defined in NZ IFRS 8.</p>	<p>To date the Group has not made a formal assessment on whether the significant risks and rewards of ownership have passed necessitating recognition of both the asset and liability as prescribed by NZ IAS 17.</p> <p>The Group does not settle recognised liabilities through the issuance of equity instruments and it is therefore expected that this amendment will not impact upon the Group reporting.</p> <p>The Group currently conforms to the amended standard and accordingly the revised standard is not expected to have a significant impact.</p> <p>The companies comprising the Group act solely as principal and do not act as an agent in any sales capacity. Accordingly, revenue is presented on a basis consistent with being a principal (gross presentation of revenue).</p> <p>This guidance will be applied to future business combinations.</p>
NZ IAS 24	Related Party Disclosures (Revised 2009)	1 July 2011	The revised NZ IAS 24 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The standard now provides partial exemptions from disclosure requirements for entities controlled by the same government agency.	Having reviewed the revised standard there are not any changes in the amendments that would impact upon the current presentation of related parties in these financial statements.
NZ IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	The new interpretation states that when equity instruments are issued in a debt for equity swap that these equity instruments be valued at the fair value. If the fair value of equity instruments cannot be reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability on the date the liability is extinguished.	The Group has not settled or plans on settling financial liabilities through the issuance of equity instruments. It is expected that the new pronouncement will not have an impact on Group and Parent reporting.
NZ IFRS 2	Amendments to NZ IFRS 2: Share-based Payment Transactions	1 July 2010	The amendments clarify the scope of NZ IFRS 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services irrespective which entity in the group settles the transaction, and regardless if the transaction is settled in shares or cash.	The Group has not entered into any cash settled share-based payment transactions and expects no change as a result of this standard. Settlement with third party service providers are generally settled in cash under normal commercial terms.
NZ IFRS 9	Financial Instruments	1 July 2013	<p>This standard is the first of several standards that aim to replace IAS 39 Financial Instruments: Recognition and Measurement. The revised standard relates to financial assets - their classification and measurement.</p> <p>The revised standard requires that financial assets be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially recognised as fair value - or if the business model accounting supports it - cost, adjusted for transactions costs and subsequently measured at amortised cost.</p>	Financial assets of the Group are measured at amortised cost with the exception of foreign currency forward exchange contracts which are held at fair value. The accounting and measurement of these financial assets is consistent with the revised standard.

\* For fiscal periods beginning on or after.

The specific accounting policies that materially affect the measurement of the statement of financial performance, statement of other comprehensive income, statement of changes in equity, statement of financial position and statement of cash flows are set out below.

# Delegat's Group Limited and Subsidiaries

## Statement of Accounting Policies (continued)

### For the Year Ended 30 June 2010

#### **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Parent and the Group as at 30 June 2010 and 30 June 2009.

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 intercompany 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. Investments 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. Non-controlling interests not held by the Group are allocated their share of profit after tax in the income statement and are presented within equity in the consolidated statement of financial position, separately from the Parent shareholders' 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. 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 non-controlling 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 statement of financial performance, 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**

An operating segment is a reportable segment if the operating 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 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**

Changes in the fair value less estimated point of sale costs of grape vines are recognised in the statement of financial performance in the year they arise.

## Delegat's Group Limited and Subsidiaries

### Statement of Accounting Policies (continued)

#### For the Year Ended 30 June 2010

##### 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 at 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 statement of financial performance.

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 statement of financial performance, statement of other comprehensive income, statement of changes in equity and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include 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 with 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 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 statement of financial position 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 statement of cash flows, 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 statement of financial position.

##### 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. Collectability 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. Costs 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. Any difference between cost and fair value is included within the statement of financial performance as cost of sales. At the point of harvest, management labour and vineyard lease costs have been separately identified from the pool of growing costs and do not form part of the difference between cost and fair value. These costs are expensed to the statement of financial performance 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. Where growing costs are incurred and the Group is not the beneficial owner of the biological assets, growing costs are reported at the 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. Any difference between cost and fair value is included within the statement of financial performance as cost of sales. At the point of harvest, management labour and vineyard lease costs have been separately identified from the pool of growing costs and do not form part of the difference between cost and fair value. These costs are expensed to the statement of financial performance as cost of sales.

##### Land and Land Improvements

Land and Land Improvement assets are measured at cost and not subject to depreciation.

## Delegat's Group Limited and Subsidiaries

### Statement of Accounting Policies (continued)

#### For the Year Ended 30 June 2010

##### 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.

##### 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 Improvements	15-30 years

Depreciation on vineyard improvements 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 assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at the end of each financial year.

##### Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use. For the purposes of assessing impairment, assets are valued at the lowest levels for which there are separately identifiable cash flows (cash generating units).

##### Biological 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 statement of financial performance in the year in which they arise.

Grapes are 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 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.

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 statement of financial performance. 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 statement of financial performance on a straight-line basis over the lease term. 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 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 statement of financial performance on the purchase, sale, issue or cancellation of the Group's own equity instruments.

##### Financial Instruments

Financial instruments recognised in the statement of financial position include trade receivables, intercompany receivables, trade payables, intercompany payables, borrowings and derivative financial instruments. Each of these financial instruments is classed into one of the following categories:

###### i) Trade and Other Payables

Trade and other payables are initially recognised at fair value and then 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 30 days of recognition.

###### ii) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and then carried at amortised cost, and due to their short term nature, they are not discounted. The amounts are unsecured and are usually received within 30 to 90 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 12 months after balance sheet date.

# Delegat's Group Limited and Subsidiaries

## Statement of Accounting Policies (continued)

### For the Year Ended 30 June 2010

#### Financial Instruments (continued)

##### iv) Derivative Financial 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 financial 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 at balance date. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of financial performance. 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.

##### v) Intercompany Payables and Receivables

Intercompany payables and receivables are initially recognised at fair value and then carried at amortised cost, and due to their short term nature, they are not discounted.

##### 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 ceases.

##### 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 12 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 statement of financial performance 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 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 statement of financial performance 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 are reflected as additional share dilution in the computation of diluted earnings per share.

##### Earnings per Share

Basic earnings per share is calculated as Group profit after income tax attributable to ordinary shareholders of 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 Group profit after income tax attributable to ordinary shareholders of 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

There have been no changes in accounting policies except for the adoption of NZ IAS 1 (revised): Presentation of Financial Statements since the previous annual report published by the Group.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements

For the Year Ended 30 June 2010

#### 1. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise bank loans and overdrafts, trade payables and accruals. The main purpose of these financial liabilities is to raise funding for the Group's ongoing operations. The Group also has financial assets such as trade and other receivables and cash which arise directly from its operations.

The Group are counterparties to derivative financial instruments principally being foreign currency forward exchange contracts and options and interest rate swaps and options. The purpose of entering into foreign currency forward exchange contracts and options is to manage currency risk primarily arising from foreign denominated trade receivables. Interest rate swaps and options 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 are reviewed by the Treasury Management Committee (TMC) and their recommendations are 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. Board approval is required for any movement outside policy.

#### 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/NZD, AUD/NZD, USD/NZD, EUR/NZD and CAD/NZD 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 13 to 18 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 items from an overseas supplier and such expenditure is expected to exceed \$100,000, the Group's policy is to ensure the foreign currency exposure is covered in full. Any capital expenditure under \$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's policy that in no instances is trading for speculative purposes permitted.

At 30 June 2010, had the New Zealand Dollar moved as illustrated in the following table with all other variables held constant, post tax profit and equity would have been affected as follows:

<i>Group</i>	<i>Impact on 2010 Reported</i>		<i>Impact on 2009 Reported</i>	
	<i>Post Tax Profits</i>	<i>Equity</i>	<i>Post Tax Profits</i>	<i>Equity</i>
	\$000	\$000	\$000	\$000
NZD/USD +5%	316	316	35	(23)
NZD/USD -5%	(505)	(505)	(49)	14
NZD/GBP +5%	451	451	275	(56)
NZD/GBP -5%	(1,134)	(1,134)	(304)	62
NZD/AUD +5%	1,959	1,959	733	585
NZD/AUD -5%	(2,309)	(2,309)	(876)	(712)
NZD/CAD +5%	72	72	2	6
NZD/CAD -5%	(68)	(68)	(2)	(5)
NZD/EUR +5%	64	64	-	-
NZD/EUR -5%	(88)	(88)	-	-
<i>Parent</i>				
NZD/USD +5%	-	-	(1)	(1)
NZD/USD -5%	-	-	1	1
NZD/GBP +5%	(6)	(6)	(6)	(6)
NZD/GBP -5%	6	6	7	7
NZD/AUD +5%	(6)	(6)	-	-
NZD/AUD -5%	7	7	-	-

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's 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 intercompany balances as these are eliminated upon consolidation.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

For the Year Ended 30 June 2010

#### 1. Financial Risk Management Objectives and Policies (continued)

##### 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 ongoing 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:

<i>Group</i>	<i>Impact on 2010 Reported</i>		<i>Impact on 2009 Reported</i>	
	<i>Post Tax Profits</i>	<i>Equity</i>	<i>Post Tax Profits</i>	<i>Equity</i>
	\$000	\$000	\$000	\$000
2.00% Increase - 200 basis points (2009: 2.00% Increase - 200 basis points)	2,257	2,257	(2,788)	(2,788)
0.25% Decrease - 25 basis points (2009: 0.25% Decrease - 25 basis points)	226	226	352	352

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 trade receivables or trade 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 and options 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) 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 0.80% to 1.05%. 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 effect 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.
- Included in the above table is the change in fair value of interest rate swaps and options which results from changes in the floating interest rate.

##### 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. Receivable balances are monitored on an ongoing basis. 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 12 months (excluding the cash requirements for any business combinations). In addition it is the Group's policy that individual debt maturities cannot exceed the higher of \$20,000,000 or 20% of total debt on any one day. The Group is acting outside this policy and the Board is actively reviewing its risk policy and is managing its debt maturities with its bank.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

For the Year Ended 30 June 2010

#### 1. Financial Risk Management Objectives and Policies (continued)

##### Liquidity Risk (continued)

The below table presents all contractual payments which the Group is 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 sheet date. The table also includes the New Zealand Dollar equivalent for the foreign currency amounts, which are to be delivered to fulfil 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	Facility Limit	Drawn At			
		Balance			
		Sheet Date	< 1 year	1 to 2 years	> 2 years
	\$000	\$000	\$000	\$000	\$000
Working capital facility	30,000	30,000	1,254	1,254	30,003
Seasonal facility	10,000	-	-	-	-
Term facility	95,000	59,000	2,156	2,156	61,162
Capital Note facility	35,000	35,000	1,379	1,379	35,004
Secured term facility <sup>1</sup>	18,000	7,000	7,152	-	-
Working capital facility <sup>1</sup>	5,000	3,810	3,891	-	-
Financial statement derivatives	N/A	N/A	63,715	5,093	1,708
Trade payables and accruals	N/A	26,767	26,767	-	-
Financial guarantee contracts	N/A	N/A	567	-	-
<i>As at 30 June 2010</i>	<u>193,000</u>	<u>161,577</u>	<u>106,881</u>	<u>9,882</u>	<u>127,877</u>

<sup>1</sup> The amounts drawn down under these facilities are classified as < 1 year because Oyster Bay Marlborough Vineyards Limited (Oyster Bay) has no unconditional right to defer payment for at least 12 months. Oyster Bay's bank, Westpac Banking Corporation (Westpac), has agreed to waive measurement of the total fixed charges coverage ratio until 31 December 2010. Further details are discussed in Note 11.

Included in the table above are financial guarantees which are valued at their highest possible amount that can be called at balance date. For each individual guarantee if the obligation at balance date is lower than the maximum amount callable under the guarantee then the lower value has been included. The guarantees can be called and in favour of the beneficiary if certain acts of non-performance occur. The Directors consider the likelihood of each financial guarantee being called remote.

A General Security Agreement exists in favour of Westpac to secure amounts loaned to the Group. The General Security Agreement covers all existing and future assets. The amount of the guarantee in respect of the banking facilities is not included in the above table and is the lower value of the net assets of the Group and the aggregate of the loan facilities advanced at balance date. Loan facilities are disclosed in Note 11.

Facility Type	Facility Limit	Drawn At			
		Balance			
		Sheet Date	< 1 year	1 to 2 years	> 2 years
	\$000	\$000	\$000	\$000	\$000
Working capital facility	30,000	30,000	963	963	30,966
Seasonal facility	10,000	-	-	-	-
Term facility	95,000	69,137	2,235	69,143	-
Capital Note facility	35,000	35,000	1,124	1,124	36,127
Secured term facility	18,000	7,270	270	270	7,540
Working capital facility	5,000	2,063	76	76	2,063
Financial statement derivatives	N/A	N/A	47,468	5,072	203
Trade payables and accruals	N/A	29,971	29,971	-	-
<i>As at 30 June 2009</i>	<u>193,000</u>	<u>173,441</u>	<u>82,107</u>	<u>76,648</u>	<u>76,899</u>

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 has interest rate swap or option contracts that cover \$67,000,000 (2009: \$109,000,000) of the principal balance drawn at balance sheet date. Refer to Note 10.

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 2010 the Group had unused credit facilities in the form of a Seasonal facility of \$10,000,000 (2009: \$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	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Financial Assets</b>				
Loans and receivables at amortised cost	46,550	53,670	41,588	41,593
Financial assets at fair value through profit and loss	1,429	1,750	-	-
	<u>47,979</u>	<u>55,420</u>	<u>41,588</u>	<u>41,593</u>
<b>Financial Liabilities</b>				
Financial liabilities at amortised cost	160,516	171,072	223	374
Financial liabilities at fair value through profit or loss	3,356	-	-	-
	<u>163,872</u>	<u>171,072</u>	<u>223</u>	<u>374</u>

The Group and Parent do not have any financial assets or liabilities that are classified as held for trading, available for sale or classified as held to maturity.

# Delegat's Group Limited and Subsidiaries

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2010

### 1. Financial Risk Management Objectives and Policies (continued)

#### Liquidity Risk (continued)

##### Fair Value of Financial Instruments

The fair value of financial instruments is presented in the above table. For financial instruments measured at fair value further disclosure is required that allocates the fair values into a measurement hierarchy. The following principles have been applied in classifying these instruments:

Level 1 - the fair value is calculated using quoted prices in active markets;

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

#### 30 June 2010

	LEVEL ONE	LEVEL TWO	LEVEL THREE	TOTAL
	\$000	\$000	\$000	\$000
<b>Financial Assets</b>				
- Foreign currency forward exchange option contracts	-	463	-	463
- Foreign currency forward exchange contracts	-	966	-	966
Total assets	-	1,429	-	1,429
	LEVEL ONE	LEVEL TWO	LEVEL THREE	TOTAL
	\$000	\$000	\$000	\$000
<b>Financial Liabilities</b>				
Interest rate swap contracts	-	3,356	-	3,356
Total liabilities	-	3,356	-	3,356

The fair value of financial instruments held at balance date that are not traded on an active market include foreign currency forward exchange contracts and options and net settled interest rate swap contracts. The fair values are derived through valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs come from observable market data the instrument is included in Level 2 of the hierarchy.

##### Financial Risk Associated to Biological Assets

The Group is exposed to financial risks in respect of agricultural activities. The agricultural activities of the Group consist 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 affected 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.

##### 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 Judgements, Estimates and Assumptions

In applying the Group's accounting policies, management continually evaluates the judgements, 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:

#### 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 \$6 million and under 50 productive hectares.

##### 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 net 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. Refer to Note 15 on individually significant assumptions used in the discounted net cash flow model.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

##### **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.

##### **Determination of Lease Accounting**

The Group has 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.

##### **Impairment of Property, Plant and Equipment 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. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment and industry challenges, management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period. The carrying value of certain land and vineyard improvement assets in the subsidiary, Oyster Bay, has been determined by using a value in use method by taking the present value of expected net cash flows from the vineyards and discounting to net present value using a pre-tax market determined discount rate of 9.3%. For details of other significant assumptions refer to Note 15. This has resulted in an impairment charge recognised in the Statement of Financial Performance of \$9,930,000. For the purposes of this impairment testing in Oyster Bay there is one cash generating unit, being the entire vineyard operating segment. Refer to Note 14 for further detail of the allocation of the impairment to property, plant and equipment.

##### **Impairment of Goodwill**

The Group determines at least annually whether goodwill and intangible assets are impaired. 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. The goodwill on consolidation is allocated entirely to Oyster Bay. As reported above, Oyster Bay has recorded an impairment charge on certain land and vineyard improvement assets so that the net carrying value of assets is not higher than the value in use for these assets. As a result on the impairments recorded in the subsidiary, a further impairment of the goodwill has been recognised in the Statement of Financial Performance of \$1,039,000.

##### **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.

##### **Allowance for Impairment Losses on Trade Receivables**

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

##### **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.

##### **Taxation**

The Group has estimated it is probable that the tax losses recognised will be able to be utilised in future periods. In calculating the deferred tax assets and liabilities, management has made estimates around the timing of reversal of temporary differences.

##### **Derivative Financial Instruments**

The Group has derivative financial instruments which are classified as level 2, as they have inputs other than observable quoted prices. In calculating the mark to market values, management has considered the forward rates.

### **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 is 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, Delegat's Wine Estate (UK) Limited and Oyster Bay Wines USA, Inc 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 Group considers there are no significant variations in revenues throughout the year.

- 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 is 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.

Management monitor the operating results of its business units separately for the purpose of making resource allocations and performance assessments. 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 intercompany stock margin eliminations are managed on a group basis and are not allocated to operating segments.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

<b>Year ended 30 June 2010</b>	<i>Delegat's Wine Estate Ltd</i>	<i>Oyster Bay Wines Australia Pty Ltd</i>	<i>Delegat's Wine Estate (UK) Ltd</i>	<i>Oyster Bay Marlborough Vineyards Ltd</i>	<i>Oyster Bay Wines USA, Inc</i>	<i>Other Segments</i>	<i>Eliminations and Adjustments<sup>9</sup></i>	<i>Year Ended 30 June 2010</i>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Operating Income</b>								
External sales <sup>6</sup>	31,555	71,757	90,719	-	25,689	-	-	219,720
Internal sales	155,176	-	-	8,305	-	-	(163,481)	-
<b>Total segment revenues<sup>1</sup></b>	<b>186,731</b>	<b>71,757</b>	<b>90,719</b>	<b>8,305</b>	<b>25,689</b>	<b>-</b>	<b>(163,481)</b>	<b>219,720</b>
Interest revenue	195	35	-	-	-	3,545	(3,528)	247
<b>Fair Value Adjustments</b>								
Biological assets increase/(decrease)	528	-	-	(7,022)	-	-	-	(6,494)
<b>Operating expenses</b>								
Interest expense <sup>2</sup>	9,705	2	4	1,215	2	4	(3,528)	7,404
Depreciation and amortisation <sup>3</sup>	8,973	76	56	1,092	63	29	-	10,289
Impairment charges	-	-	-	9,930	-	-	-	9,930
Goodwill impairment	-	-	-	-	-	-	1,039	1,039
Income tax expense/(credit) <sup>4</sup>	8,207	515	939	(4,285)	317	1,328	843	7,864
<b>Segment profit</b>	<b>(961)</b>	<b>1,096</b>	<b>2,375</b>	<b>(13,820)</b>	<b>724</b>	<b>33,951</b>	<b>(30,084)</b>	<b>(6,719)</b>
<b>Assets</b>								
Segment assets <sup>5</sup>	264,776	14,526	17,118	63,482	7,053	74,951	(101,397)	340,509
Capital expenditure <sup>7</sup>	28,151	666	2	309	55	228	-	29,411
<b>Segment liabilities</b>	<b>224,809</b>	<b>10,346</b>	<b>8,890</b>	<b>19,744</b>	<b>6,282</b>	<b>1,417</b>	<b>(83,373)</b>	<b>188,115</b>

#### Year ended 30 June 2009

	<i>Delegat's Wine Estate Ltd</i>	<i>Oyster Bay Wines Australia Pty Ltd</i>	<i>Delegat's Wine Estate (UK) Ltd</i>	<i>Oyster Bay Marlborough Vineyards Ltd</i>	<i>Oyster Bay Wines USA, Inc</i>	<i>Other Segments</i>	<i>Eliminations and Adjustments<sup>9</sup></i>	<i>Year Ended 30 June 2009</i>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Operating Income</b>								
External sales <sup>8</sup>	44,283	77,157	91,910	-	3,240	-	-	216,590
Internal sales	141,159	-	-	11,495	-	-	(152,654)	-
<b>Total segment revenues<sup>1</sup></b>	<b>185,442</b>	<b>77,157</b>	<b>91,910</b>	<b>11,495</b>	<b>3,240</b>	<b>-</b>	<b>(152,654)</b>	<b>216,590</b>
Interest revenue	29	31	1	213	-	3,541	(3,528)	287
<b>Fair Value Adjustments</b>								
Biological assets increase	1,461	-	-	140	-	-	-	1,601
<b>Operating expenses</b>								
Interest expense <sup>2</sup>	13,269	-	-	1,430	-	9	(3,528)	11,180
Depreciation and amortisation <sup>3</sup>	10,644	90	43	1,090	10	36	-	11,913
Income tax expense/(credit) <sup>4</sup>	9,555	520	940	240	22	1,325	(1,181)	11,421
<b>Segment profit</b>	<b>18,876</b>	<b>1,184</b>	<b>2,415</b>	<b>1,538</b>	<b>33</b>	<b>3,090</b>	<b>3,680</b>	<b>30,816</b>
<b>Assets</b>								
Segment assets <sup>5</sup>	277,216	17,896	27,082	81,264	4,168	49,749	(92,240)	365,135
Capital expenditure <sup>7</sup>	17,015	117	211	1,402	515	35	-	19,295
<b>Segment liabilities</b>	<b>206,211</b>	<b>14,784</b>	<b>20,113</b>	<b>22,806</b>	<b>4,036</b>	<b>894</b>	<b>(72,583)</b>	<b>196,261</b>

1. Intersegment revenues are eliminated on consolidation. Intercompany profit margins are also eliminated.

2. Interest expense is net of any interest capitalised to long-term assets. During the year \$831,000 was capitalised to long-term assets (2009: \$537,000).

3. Depreciation and amortisation expenses presented above are gross of \$8,751,000 (2009: \$10,445,000), which have been included within inventory.

4. Segment income tax expense does not include the deferred tax impacts of temporary differences arising from intercompany 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. During the 2010 financial year Oyster Bay Wines Australia Pty Limited had a single customer which comprised 10% or more of Group sales amounting to \$23,986,000.

7. 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.

8. During the 2009 financial year Oyster Bay Wines Australia Pty Limited had a single customer which comprised 10% or more of Group sales amounting to \$29,210,000.

9. The elimination and adjustments of segment profit, assets and liabilities relate to intercompany transactions and balances which are eliminated on consolidation.

**Delegat's Group Limited and Subsidiaries**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2010**

**4. Other Revenue**

	GROUP		PARENT	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Wine equalisation tax rebate	621	607	-	-
Interest revenue	247	287	3,544	3,539
Rental income and other income	3	66	-	-
Dividend income	19	17	31,281	-
Bulk wine sale	174	5,297	-	-
Insurance recoveries	-	1,184	-	-
Fair value gain on derivative instruments	-	3,749	-	-
Unrealised foreign exchange gain	1,520	-	-	135
Management fee recharges	-	-	1,757	2,054
	<b>2,584</b>	<b>11,207</b>	<b>36,582</b>	<b>5,728</b>

**5. Expenses**

		GROUP		PARENT	
		2010	2009	2010	2009
		\$000	\$000	\$000	\$000
<b>(a) Marketing and Promotion Expenses</b>					
Domestic brand marketing and selling expenses		2,688	2,197	-	-
International brand support and trade marketing		66,362	58,932	-	-
		<b>69,050</b>	<b>61,129</b>	-	-
<b>(b) Corporate Governance Expenses</b>					
Directors' fees		390	458	260	260
Accounting and tax consultancy	25	183	290	46	170
Audit fees	25	163	163	116	116
Shareholder communications		167	175	132	147
Stock exchange and registry fees		87	86	60	60
		<b>990</b>	<b>1,172</b>	<b>614</b>	<b>753</b>
<b>(c) Administration expenses</b>					
Administration expenses		9,103	7,505	1,144	1,301
Provision for doubtful debts		1,588	657	-	-
Unrealised foreign exchange loss		-	3,529	31	-
Fair value loss on derivative instruments		3,677	-	-	-
		<b>14,368</b>	<b>11,691</b>	<b>1,175</b>	<b>1,301</b>
<b>(d) Finance Costs</b>					
Finance charges on banking facilities <sup>1</sup>		7,385	10,654	-	-
Finance charges payable under finance leases		-	503	-	-
Other		19	23	-	-
		<b>7,404</b>	<b>11,180</b>	-	-

<sup>1</sup>Deducted from the finance charges on banking facilities are interest costs incurred and capitalised of \$831,000 (2009: \$537,000). Capitalisation of interest ceases upon the asset (in identifiable stages) being ready for productive use.

	Notes	GROUP		PARENT	
		2010	2009	2010	2009
		\$000	\$000	\$000	\$000
<b>(e) Depreciation and Amortisation</b>					
Amortisation of capitalised leases		1,707	1,680	-	-
Vineyard development		1,711	1,602	-	-
Buildings		746	748	-	-
Plant and equipment		6,125	7,883	-	2
		<b>10,289</b>	<b>11,913</b>	-	<b>2</b>

The figures presented above represent the gross depreciation and amortisation charge for the year. Depreciation and amortisation is recorded in the business function to which the asset relates. Depreciation incurred on assets directly associated with winemaking and viticulture of \$8,751,000 (2009: \$10,445,000) is 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.

		GROUP		PARENT	
		2010	2009	2010	2009
		\$000	\$000	\$000	\$000
<b>(f) Employee Benefits Expense</b>					
Wages and salaries		23,758	21,927	800	1,000
Defined contribution pension plans		573	356	-	-
Share-based payments expense		75	52	-	-
Termination benefits paid		80	30	-	-
		<b>24,486</b>	<b>22,365</b>	<b>800</b>	<b>1,000</b>

The figures above represent the gross employee benefits expense for the year. 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 \$5,761,000 (2009: \$5,399,000) of employee benefits is included within inventory.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

For the Year Ended 30 June 2010

#### 5. Expenses (continued)

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>(g) Lease Payments and Other Occupancy Expenses</b>				
Vineyard related lease payments	9,875	9,428	-	-
Other lease payments	9,297	5,461	-	-
	<b>19,172</b>	<b>14,889</b>	-	-

The figures above represent the total lease payments and other occupancy expenses for the year. During the year lease costs of \$676,000 (2009: \$889,000) have been capitalised to property, plant and equipment in respect of vineyards that are in development and are not considered to be in commercial production, which is generally when the vineyard has produced approximately 60% of the expected yield at full production.

#### 6. Share Capital

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at beginning of year	47,481	47,481	47,481	47,481
<b>Balance at the end of the year</b>	<b>47,481</b>	<b>47,481</b>	<b>47,481</b>	<b>47,481</b>

##### a) Movement in the Number of Ordinary Shares on Issue

	Shares held		Shares held	
	000's	000's	000's	000's
Balance at beginning of year	100,350	100,300	100,350	100,300
Issued under Delegat's Group Limited Employee Share Ownership Plan	150	50	150	50
<b>Balance at the end of the year</b>	<b>100,500</b>	<b>100,350</b>	<b>100,500</b>	<b>100,350</b>

There are 100,500,000 (2009: 100,350,000) fully paid ordinary shares on issue at balance sheet 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.

On 12 March 2010 the Parent issued 150,000 fully paid shares at \$2.00 each to two employees within the Delegat's Group in accordance with the provisions of the Delegat's Group Limited Employee Share Ownership Plan.

##### b) Movements in Treasury Shares

	GROUP AND PARENT			
	2010		2009	
	Shares Held	Nominal Value	Shares Held	Nominal Value
	000	\$000	000	\$000
Balance at the beginning of the year	-	-	300	771
Shares reissued under Delegat's Group Limited Employee Share Ownership Plan	-	-	(300)	(771)
<b>Balance at the end of the year</b>	-	-	-	-

On 30 September 2008 the Parent issued 350,000 fully paid shares (300,000 shares were by way of transfer of existing Treasury Stock and 50,000 of new shares issued) at \$2.11 each to seven employees of Delegat's in accordance with the provisions of the Delegat's Group Limited Employee Share Ownership Plan.

##### 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 translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. During the year equity was decreased by \$1,365,000 upon the translation of foreign subsidiaries (2009: \$28,000 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 \$8,036,000 (2009: \$6,026,000) equating to 8.0 cents per share (2009: 6.0 cents per share).

##### b) Unrecognised Amounts

After the balance sheet date, dividends of 8.0 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

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

#### 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 350,000 options were issued under this arrangement in September 2008, and a further 150,000 options in March 2010.

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 are subject to restrictions for a period of 48 months after the date of issue, which restricts 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 are for the benefit of the employees, however the employees have agreed that the dividends paid directly 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 fourth 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 give 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 are accounted for under NZ IFRS 2: Share-Based Payments. During the year ending 30 June 2010 an expense of \$75,000 has been recorded.

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

	PARENT	
	2010	2009
	<i>Number of Options (000)</i>	
Outstanding at the beginning of the year	350	-
Granted during the year	150	350
Cancelled during the year	-	-
<b>Outstanding at the end of the year</b>	<b>500</b>	<b>350</b>
Weighted average of remaining contractual life	2.68 years	3.25 years
Weighted average of option fair value at grant date	\$0.68 per share	\$0.80 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:

	<i>Black-Scholes Option Pricing Model</i>	
	2010	2009
Exercise price	\$2.00	\$2.11
Dividend yield	6.28%	0.80%
Expected volatility	35%	35%
Risk free interest rate	5.09%	8.39%
Expected life of the options	Four years	Four years

#### 9. Trade Payables and Accruals

	GROUP		PARENT	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Trade payables	<b>11,977</b>	14,090	<b>8</b>	97
Employee entitlements and leave benefits	<b>2,694</b>	2,811	-	-
Goods and services tax	<b>1,061</b>	2,369	-	-
Accrued expenses	<b>13,729</b>	13,512	<b>215</b>	277
	<b>29,461</b>	32,782	<b>223</b>	374

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.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

#### 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 statement of financial performance in the period they occur.

The Group has the following derivative financial instruments outstanding at the balance sheet date.

##### a) Foreign Currency Forward Exchange Contracts and Options

	AVERAGE CONTRACTED		GROUP	
	RATE		2010	2009
	2010	2009	2010	2009
			\$000	\$000
<b>i) Forward Exchange Contracts</b>				
<i>Selling Currency/Buying NZD</i>				
Sell AUD, maturity 0-8 months	<b>0.8000</b>	0.7926	<b>35,428</b>	29,125
Sell USD, maturity 0-5 months	<b>0.6957</b>	0.6234	<b>6,154</b>	6,022
Sell GBP, maturity 0-4 months	<b>0.4614</b>	0.3820	<b>8,489</b>	13,911
Sell CAD, maturity 0-8 months	<b>0.7160</b>	0.6545	<b>4,193</b>	2,071
Sell HKD, maturity 0-5 months	-	4.4797	-	128
Sell SGD, maturity 0-1 months	<b>0.9479</b>	0.7816	<b>245</b>	266
Sell EUR, maturity 0-6 months	<b>0.5167</b>	0.4600	<b>2,830</b>	2,191

The fair value of forward exchange 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 balance sheet date is an asset of \$966,000 (2009: \$1,470,000 asset).

	AVERAGE CONTRACTED		GROUP	
	RATE		2010	2009
	2010	2009	2010	2009
			\$000	\$000
<b>ii) Forward Currency Options</b>				
<i>Selling Currency / Buying NZD</i>				
Sell USD, maturity 0-9 months	<b>0.7060</b>	-	<b>3,541</b>	-
Sell GBP, maturity 0-10 months	<b>0.4769</b>	-	<b>7,339</b>	-
Sell AUD, maturity 0-18 months	<b>0.7863</b>	-	<b>9,029</b>	-
Sell EUR maturity 0-8 months	<b>0.5800</b>	-	<b>345</b>	-

The fair value of foreign currency options existing at balance sheet date is \$463,000 (2009: \$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

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 Swaps in Group

Interest rate contracts are in place that cover a total of \$60,000,000 (2009: \$95,000,000) of Group indebtedness through two separate cap rate agreements, which range in maturity from three to four years. The interest rate swap is capped at 6.08% for \$45,000,000 and 5.74% for \$15,000,000 (2009: 8.75% for \$95,000,000) plus bank margin. The total fair value of these contracts at balance sheet date is an liability of \$3,180,000 (2009: \$372,000 asset).

###### ii) Interest Rate Swaps in Subsidiary Company

Interest rate swap contracts are in place that cover \$7,000,000 (2009: \$14,000,000) or 65% (2009: 150%) of principal outstanding within subsidiary company Oyster Bay. The maturity date for the open interest rate swap contracts is 28 June 2014 and has a fair value of \$176,000 liability (2009: \$92,000 liability) at year end.

The Parent and Group have 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

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

### 11. Interest-bearing Loans and Borrowings

#### a) Debt Facilities Existing at Balance Sheet Date

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

	Maturity	Effective Interest Rate		GROUP		PARENT	
		2010	2009	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Current Debt Obligations</b>							
Secured term loan (subsidiary) <sup>1</sup>	1 Jul 2012	5.26%	7.99%	<b>7,000</b>	-	-	-
Working capital facility (subsidiary) <sup>1</sup>	1 Jul 2011	4.25%	3.70%	<b>3,810</b>	-	-	-
				<b>10,810</b>	-	-	-

<sup>1</sup> Oyster Bay announced following the conclusion of the current year harvest that their operating performance would be a loss which would cause the Company to not meet one of its banking covenants and the Oyster Bay Directors would be seeking a waiver. On 28 June 2010 Oyster Bay entered into an amended banking arrangement with Westpac Banking Corporation (Westpac). Under this amended agreement Westpac agreed to waive measurement of the total fixed charges coverage ratio covenant until 31 December 2010, which is calculated quarterly for the previous twelve month period. Oyster Bay sells its grapes to Delegat's Wine Estate Limited at the point of harvest in April each year and all sales revenue is recognised at that point. As a result of the timing of revenue recognition, Oyster Bay will not meet this covenant when measurement commences and as Oyster Bay has no unconditional right to defer payment for at least 12 months the borrowings have been classified as current in the Statement of Financial Position. The bank covenants were met at all other times during the year ended 30 June 2010.

As a result of the borrowings being classified as a current liability in Oyster Bay, the subsidiary financial statement's current liabilities exceed current assets by \$11,178,000. On 28 June 2010 Oyster Bay entered into an amended banking arrangement with Westpac. Under this amended agreement Westpac has agreed to waive measurement of the total fixed charges coverage ratio covenant until 31 December 2010, which is calculated quarterly for the previous twelve month period. The Group Directors understand that as a result of the timing of revenue recognition in Oyster Bay, this covenant will not be met when measurement commences and Oyster Bay therefore has no unconditional right to defer payment for at least 12 months and is required to classify borrowing as current.

The terms of the amended banking agreement between Oyster Bay and Westpac also require Oyster Bay to perform a review of the capital structure and provide a formal capital structure strategy to Westpac by 30 September 2010. The Group Directors understand that Oyster Bay Directors are receiving professional advice in this regard and as the majority shareholder the Group are in discussions with Oyster Bay Directors.

Delegat's continues to manage the Oyster Bay vineyards to a high standard in accordance with the terms of the Vineyard Management Agreements with Oyster Bay. The vineyards are mature, in excellent condition and producing in line with plans.

	Maturity	Effective Interest Rate		GROUP		PARENT	
		2010	2009	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Non-Current Debt Obligations</b>							
Working capital facility	1 Jul 2012	4.18%	3.21%	<b>30,000</b>	30,000	-	-
Term facility	1 Jul 2013	3.65%	3.23%	<b>59,000</b>	69,137	-	-
Capital Note facility	1 Jul 2012	3.94%	3.21%	<b>35,000</b>	35,000	-	-
Secured term loan (subsidiary)	1 Jul 2012	-	7.99%	-	7,270	-	-
Working capital facility (subsidiary)	1 Jul 2011	-	3.70%	-	2,063	-	-
				<b>124,000</b>	143,470	-	-

The carrying amount of the Group's current and non-current borrowings are the fair values at balance sheet date.

#### b) Terms and Conditions of Debt Facilities

##### i) Senior Debt Facilities

The Working Capital, Term, Capital Note 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 maximum limit of the Working Capital facility is \$30,000,000 (2009: \$30,000,000), the Term facility is \$95,000,000 (2009: \$95,000,000) and Capital Note facility is \$35,000,000 (2009: \$35,000,000). At balance sheet date \$36,000,000 (2009: \$25,863,000) is available for further draw down. Interest on these facilities is based on the BKBM plus margin. The facility agreement requires that certain banking covenants be met and requires the Group to maintain or better specified EBITDA and fixed charges coverage ratios, and maintain or better a minimum adjusted equity balance. The Group must also maintain or better a specified total tangible asset backing. At year end, and at all points during the year, the covenants of the Senior Debt Facilities have been met. The covenants in respect of Oyster Bay's bank debt facilities are measured independently of the Senior Debt Facilities of the Group and the failure by Oyster Bay to meet the total fixed charges coverage ratio does not lead to a failure to meet covenants in the Group.

##### ii) Secured Term Loan

The Secured Term Loan represents debt facilities in place in the subsidiary company, Oyster Bay. 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. At balance sheet date \$11,000,000 (2009: \$10,730,000) is available for further draw down. These assets have a carrying value of \$43,738,000 (2009: \$58,458,000). Refer to Note 11a) for further details of the terms under the new facility agreement entered into on 28 June 2010, whereby Westpac agreed to waive the measurement of the total fixed charges coverage ratio until 31 December 2010.

##### iii) Other Facilities

Delegat's has available a Seasonal facility of \$10,000,000 (2009: \$10,000,000), which can be drawn between 1 July and 31 December each year to assist in the working capital requirements surrounding grape harvest. A total of \$nil (2009: \$nil) is drawn at balance sheet date. Interest is based on BKBM plus margin.

Delegat's also has available an overdraft limit of \$100,000 (2009: \$100,000). Interest charged on this facility is the prime lending rate plus 1.0% margin. At 30 June 2010 the prime lending rate is 8.75% (2009: 8.75%). No amount is drawn against this facility at balance sheet date.

Subsidiary company Oyster Bay has a Working Capital facility of \$5,000,000 (2009: \$5,000,000) and an overdraft facility of \$1,000,000 (2009: \$1,000,000). Interest charged on this facility is the prime lending rate plus 1.5% margin. At balance sheet date \$1,190,000 (2009: \$2,937,000) is available for further draw down on the Working Capital facility. Nothing had been drawn down on the overdraft facility. Refer to Note 11a) for further details of the terms under the new facility agreement entered into on 28 June 2010, whereby Westpac agreed to waive the measurement of the total fixed charges coverage ratio until 31 December 2010.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

#### 12. Trade and Other Receivables

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Trade receivables	35,798	46,262	-	-
Prepayments and sundry receivables	3,710	2,999	84	86
Non trade receivables	786	64	-	-
Goods and services tax	596	13	1	4
	<b>40,890</b>	<b>49,338</b>	<b>85</b>	<b>90</b>

As at 30 June 2010 the ageing of trade receivables, net of provisions (as detailed below), is as follows:

	Total	Current	< 30 days	31 to 60 days	61 to 90 days	> 90 days	> 90 days
				PDNI	PDNI	PDNI	PDCI
30 June 2010	35,798	33,706	2,023	15	-	54	-
30 June 2009	46,262	42,845	2,968	-	-	72	377

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. The amounts which were in past due and considered impaired (PDCI) at 30 June 2009 were in subsidiary company, Oyster Bay, and in relation to costs incurred in respect of takeover panel hearings and complaints to the NZX by Peter Yealands Investments Limited (PYIL). On 30 June 2010, Oyster Bay entered into a settlement agreement on this matter with PYIL. Under the terms of the settlement PYIL will pay Oyster Bay \$150,000 plus GST to settle the takeover costs. Settlement will take place on 30 July 2010. This settlement resulted in Oyster Bay recording a further bad debt of \$145,000, for unrecovered expenses relating to the takeover bid, after fully utilising the provision of doubtful debts established in relation to other receivables considered to be previously impaired. This matter is described in more detail in Notes 19 and 20.

In addition, under the terms of the settlement Delegat's will purchase all of PYIL shares in Oyster Bay (433,816 shares at \$1.80 per share) and pay \$200,000 towards PYIL costs.

At the end of each month the Group assesses the recoverability of debtor 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 2010, trade receivables at a nominal value of \$2,101,000 (2009: \$963,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2010			2009		
	Individually Impaired	Collectively Impaired	Total	Individually Impaired	Collectively Impaired	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at the start of the year	963	-	963	320	-	320
Written off during the year	(450)	-	(450)	(14)	-	(14)
Recovered during the year	(100)	-	(100)	-	-	-
Charged during the year	1,688	-	1,688	657	-	657
<b>Balance at the end of the year</b>	<b>2,101</b>	<b>-</b>	<b>2,101</b>	<b>963</b>	<b>-</b>	<b>963</b>

#### 13. Inventories

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current vintage	42,456	58,259	-	-
Aged wine	25,680	25,751	-	-
Growing costs relating to next harvest	4,572	4,240	-	-
Winery ingredients, packaging materials and other	489	379	-	-
	<b>73,197</b>	<b>88,629</b>	<b>-</b>	<b>-</b>

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 loss of \$5,250,000 (2009: \$599,000 gain) was recorded during the year and included within cost of sales.

Included within cost of sales is a total of \$106,996,000 (2009: \$105,635,000) which represents costs expended in grape growing (inclusive of leased costs), 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

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

#### 14. Property, Plant and Equipment

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

Year ended 30 June 2010	Freehold Land and Land	Vineyard	Buildings	Plant and Equipment	Finance Lease Assets	Capitalised Vineyard Lease Payments	Capital Work in Progress	Total
	Improvements	Improvements		\$000	\$000	\$000	\$000	
Net book value at 1 July 2009	45,178	23,710	27,543	48,882	-	7,059	15,547	167,919
Additions	4,175	4,117	342	14,517	-	676	4,058	27,885
Disposals	(155)	(20)	-	(15)	-	-	-	(190)
Foreign currency translation	-	-	-	(140)	-	-	-	(140)
Impairment charge <sup>1</sup>	(4,581)	(5,349)	-	-	-	-	-	(9,930)
Depreciation charge	-	(1,711)	(746)	(6,125)	-	(1,707)	-	(10,289)
<b>Net book value at 30 June 2010</b>	<b>44,617</b>	<b>20,747</b>	<b>27,139</b>	<b>57,119</b>	<b>-</b>	<b>6,028</b>	<b>19,605</b>	<b>175,255</b>
At cost	49,205	33,468	31,251	84,042	-	15,044	19,605	232,615
Accumulated depreciation, amortisation and impairment	(4,588)	(12,721)	(4,112)	(26,923)	-	(9,016)	-	(57,360)
<b>Net book value at 30 June 2010</b>	<b>44,617</b>	<b>20,747</b>	<b>27,139</b>	<b>57,119</b>	<b>-</b>	<b>6,028</b>	<b>19,605</b>	<b>175,255</b>

<sup>1</sup> The impairment charge has been allocated firstly to land to reduce its value to fair value less costs to sell and the balance to vineyard improvements. No impairment has been allocated to buildings and plant and equipment as the Directors consider there is no impairment of these assets. For further detail refer to Note 2.

Year ended 30 June 2009	Freehold Land and Land	Vineyard	Buildings	Plant and Equipment	Finance Lease Assets	Capitalised Vineyard Lease Payments	Capital Work in Progress	Total
	Improvements	Improvements		\$000	\$000	\$000	\$000	
Net book value at 1 July 2008	41,715	22,042	28,536	48,659	8,327	7,850	11,665	168,794
Additions	3,463	3,270	104	5,855	-	889	3,882	17,463
Disposals	-	-	(349)	(76)	(6,000)	-	-	(6,425)
Depreciation charge	-	(1,602)	(748)	(5,556)	(2,327)	(1,680)	-	(11,913)
<b>Net book value at 30 June 2009</b>	<b>45,178</b>	<b>23,710</b>	<b>27,543</b>	<b>48,882</b>	<b>-</b>	<b>7,059</b>	<b>15,547</b>	<b>167,919</b>
At cost	45,187	29,407	30,909	69,870	-	14,368	15,547	205,288
Accumulated depreciation and amortisation	(9)	(5,697)	(3,366)	(20,988)	-	(7,309)	-	(37,369)
<b>Net book value at 30 June 2009</b>	<b>45,178</b>	<b>23,710</b>	<b>27,543</b>	<b>48,882</b>	<b>-</b>	<b>7,059</b>	<b>15,547</b>	<b>167,919</b>

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 \$nil (2009: \$2,000). At year end the net book value of \$nil (2009: \$nil) is represented by assets of \$7,000 (2009: \$7,000) and accumulated depreciation of \$7,000 (2009: \$7,000).

##### 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.

The finance lease assets presented above solely relate to long-term barrel leases which were exited in the prior year.

##### c) Other Items

During the year no assets were transferred and classified as assets available for sale. The weighted average interest rate on interest capitalised during the year was 5.57%.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

#### 15. Biological Assets

Biological assets consist of grape vines. Grapes, which are agricultural produce, are grown for use in the procurement of wine, as part of normal operations with all vineyards located in New Zealand. At 30 June 2010 the Group has grape vines planted on 875 productive hectares of land (2009: 809 productive hectares). During the year the Group harvested a total of 21,965 tonnes of grapes (2009: 24,268 tonnes). Of this amount a total of 5,652 tonnes (2009: 6,236 tonnes) were purchased at fair market value from subsidiary company Oyster Bay and an additional 11,169 tonnes (2009: 10,870 tonnes) were purchased from independent third party grape growers. The fair value of agricultural produce at the point of harvest was \$15,484,000 (2009: \$23,927,000).

Grape vines are measured at fair value less estimated point of sale costs at balance sheet date as determined by Crighton Stone - an accredited and independent third party valuer. During the year fair value was assessed by Crighton Stone. For vineyard operations which have a forecasted future market value in excess of \$6,000,000 (2009: \$6,000,000) or when the vineyard has in excess of 50 productive hectares, the fair value is based upon a discounted net 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. All of the Group's interest in biological assets have been valued using this methodology. 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 net cash flow model used to derive the fair value of large vineyards incorporates the following significant assumptions:

	2010	2009
i) Average remaining life of grape vines <sup>(a)</sup>	Variable	Variable
ii) Average yield per hectare of mature vineyards <sup>(b)</sup>	8.0 to 14.0 tonnes per hectare	8.0 to 14.0 tonnes per hectare
iii) Pre-tax discount rate which cash flows are discounted <sup>(c)</sup>	9.3%	10.0%
iv) Annual rate of inflation to cost and revenue inputs <sup>(d)</sup>	0.8% to 2.0%	1.0% to 2.0%
v) Vineyard maintenance costs <sup>(e)</sup>	\$8,000 to \$11,800 per hectare	\$8,400 to \$10,900 per hectare

a) The average remaining life of grape vines is assumed to continue 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 \$1,700 to \$2,700 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 net cash flow model. The Independent Valuer has estimated the total running cost on a per hectare basis, which is variable depending on vineyard management, 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 \$706,000 (2009: \$32,000) associated with replanting of vines. These expenses are included as repairs and maintenance.

All of the above assumptions were determined by Independent Valuer, Crighton Stone, and were considered reasonable by the Directors of the Group.

The movement in the fair value of biological assets (grape vines) is summarised as follows:

	GROUP	
	2010	2009
	\$000	\$000
Carrying value at the start of the year	49,178	45,745
Purchases of biological assets	1,497	1,832
Disposal of biological assets	(269)	-
Changes in fair value less estimated point of sale costs	(6,494)	1,601
<b>Carrying value at the end of the year</b>	<b>43,912</b>	<b>49,178</b>

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

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

#### 16. Income Tax Expense

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>a) Numerical Reconciliation between aggregate tax expense in income statement and tax expense</b>				
Accounting profit before tax	1,145	42,237	34,793	3,674
At the Group's statutory income tax rate of 30% (2009: 30%)	344	12,671	10,438	1,102
<b>Tax Impact of following items:</b>				
Adjustments in respect of income tax of prior years	(18)	(430)	-	(8)
Entertainment	69	36	4	5
Legal fees	75	8	-	-
Non-deductible interest and other items	113	(821)	(5)	-
Tax on foreign income due to different tax rates	45	(59)	-	-
Dividends from 100% wholly owned subsidiary	-	-	(9,380)	-
Share-based payments	23	16	-	-
Impairment charges - land and goodwill	1,685	-	-	-
Removal of tax depreciation on buildings	6,546	-	-	-
Change in tax rate on deferred tax balances	(1,018)	-	-	-
<b>Income tax expense for the year</b>	<b>7,864</b>	<b>11,421</b>	<b>1,057</b>	<b>1,099</b>

Following the May 2010 Budget announcement regarding the change in corporate tax rates from 30% to 28%, the Group estimates that the temporary differences anticipated to reverse after the commencement of the 2011/12 income tax year will reduce the deferred tax liability by \$1,018,000. This adjustment has been recognised in the income tax charge in this current year. In addition the Budget announcement removed the ability for companies to claim depreciation on 'buildings' that have an estimated useful life of 50 years or more, from the 2011/2012 income tax year. The removal of tax depreciation on buildings requires the Group to adjust the tax carrying value of the buildings. This change has resulted in an increase in the deferred tax liability of \$6,546,000 and a corresponding increase in the income tax charge in this current year.

#### b) The major components of income tax expense are:

Estimated current period tax assessment	8,523	7,958	1,057	1,107
Adjustments in respect of income tax of prior years	(18)	(430)	-	(8)
Movements in the deferred income tax liability	(641)	3,893	-	-
<b>Income tax expense for the year</b>	<b>7,864</b>	<b>11,421</b>	<b>1,057</b>	<b>1,099</b>

#### c) Deferred income tax at balance sheet date relates to the following:

##### i) Deferred tax liabilities

Capitalised interest	1,946	1,926	-	-
Capitalised leases	1,971	2,552	-	-
Accelerated depreciation of long-term assets	8,206	3,176	-	-
Excess of fair value of biological assets over tax values	10,097	12,660	-	-
Financial derivative instruments	-	552	-	-
Fair value adjustments on biological produce	1,117	1,572	-	-
<b>Gross deferred tax liabilities</b>	<b>23,337</b>	<b>22,438</b>	<b>-</b>	<b>-</b>

##### ii) Deferred tax assets

Provisions	633	471	6	6
Stock profit and intercompany eliminations	805	1,722	-	-
Allowance for doubtful debts	156	287	-	-
Carried forward tax losses	1,012	606	-	-
Financial derivative instruments	490	-	-	-
Fair value adjustments on biological produce	1,689	159	-	-
<b>Gross deferred tax assets</b>	<b>4,785</b>	<b>3,245</b>	<b>6</b>	<b>6</b>

<b>Net deferred tax liability/(asset)</b>	<b>18,552</b>	<b>19,193</b>	<b>(6)</b>	<b>(6)</b>
Balance at beginning of year	19,193	15,300	(6)	(6)
On surplus for year	(641)	3,893	-	-
	<b>18,552</b>	<b>19,193</b>	<b>(6)</b>	<b>(6)</b>

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

#### 17. Imputation Credit Account

	PARENT	
	2010 \$000	2009 \$000
Balance at beginning of year	15,065	10,749
Tax payments	2,402	7,270
Fully imputed dividend paid	(3,936)	(2,954)
<b>Balance at the end of the year</b>	<b>13,531</b>	<b>15,065</b>
At balance sheet date the imputation credits available to the shareholders of the Parent were:		
Through direct shareholding in the Parent	13,512	3,607
Through indirect interests in subsidiaries	19	11,458
	<b>13,531</b>	<b>15,065</b>

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

For the Year Ended 30 June 2010

#### 18. Commitments

##### a) Operating Leases

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Lease commitments under non-cancellable operating leases.				
Within one year	18,167	17,282	80	80
One to two years	13,146	13,358	80	80
Two to five years	15,831	16,676	60	140
Beyond five years	33,862	34,704	-	-
	<b>81,006</b>	<b>82,020</b>	<b>220</b>	<b>300</b>

Operating lease commitments include long-term land leases, which allow the Group to access prime viticultural land in the Marlborough and Hawke's 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 the vineyard. Leases are reviewed every five years and if required the market rate of rent is 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. Other operating lease commitments include short term car, barrel and equipment leases.

##### b) Capital Commitments

The estimated capital expenditure contracted for at 30 June 2010 but not provided for is \$1,002,000 (2009: \$5,258,000).

#### 19. Contingent Assets

The Group has no contingent asset at balance date (2009: \$305,000).

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, in previous years issued invoices to PYIL for its bid and related complaints amounting to \$600,000 plus GST. The Group had in previous years recognised a provision for doubtful debts for the complaint-related portion of the invoices amounting to \$305,000, and this amount was disclosed as a contingent asset. The Group settled this matter with PYIL on 30 June 2010. Under the terms of the settlement PYIL will pay \$150,000 plus GST to Oyster Bay to settle the takeover costs, and this amount is recognised as a receivable (refer to Note 12), with the balance of \$145,000 recognised as a bad debt expense during the period. Settlement of this receivable will take place on 30 July 2010. There are no longer any contingent assets arising from this matter.

#### 20. Contingent Liabilities

At 30 June 2009, PYIL had made claims against Delegat's and Oyster Bay arising from the takeover process in the amount of \$293,000. The Group settled this matter with PYIL on 30 June 2010. Under the terms of the settlement Delegat's will purchase all of PYIL's shares in Oyster Bay (433,816 shares at \$1.80 per share) and pay \$200,000 towards PYIL costs. The \$200,000 has been recorded within accrued expenses at balance date. At 30 June 2010 there are no other contingent liabilities.

#### 21. Investment in Subsidiaries

	PARENT	
	2010 \$000	2009 \$000
The Parent's direct or ultimate investment in subsidiaries comprises shares at cost.		
<b>Investments</b>	<b>2,282</b>	<b>2,282</b>

Investments in controlled entities are detailed in Note 23.

#### 22. Intangible Assets

	GROUP	
	2010 \$000	2009 \$000
<b>a) Goodwill on consolidation</b>		
Goodwill at start of year	1,039	1,039
Goodwill impairment	(1,039)	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>1,039</b>

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 net 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. 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 between 1% and 2% per annum. The Directors assess the reasonability of the prices used in this assumption each financial year subsequent to concluding that year's 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 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.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

#### For the Year Ended 30 June 2010

## 22. Intangible Assets (continued)

### 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 pre-tax discount rate of 10% has been applied in assessing impairment.

### v) Timing of Cash Receipts and 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 %	
				2010	2009
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
Oyster Bay Wines USA, Inc	Sales and Distribution	Delegat's Group Limited	United States of America	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 sheet date of 30 June.

At balance sheet date the Parent has the following balances that are due from/(to) subsidiary companies:	PARENT	
	2010 \$000	2009 \$000
Delegat's Wine Estate Limited	71,292	44,985
Delegat's Wine Estate (UK) Limited	122	136
Oyster Bay Wines Australia Pty Limited	124	-
Oyster Bay Wines (USA) Limited	-	(22)
Oyster Bay Wines (Canada) Limited	-	-
	<b>71,538</b>	<b>45,099</b>

All balances with the Parent Company are unsecured and not covered by any guarantees.

### a) Investment in Subsidiaries (continued)

The Parent successfully completed a capital raise of \$41,500,000 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 Directors hold the following number of Shares in the Parent.	2010	2009
Jakov Delegat and Rosamari Delegat and Robert Wilton	33,928,571	-
Rosemari Delegat and Robert Wilton	32,928,571	32,928,571
Jim Delegat	-	33,928,571
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 \$100,000 (2009: \$100,000) was paid to Robert Wilton in his capacity as a Non-Executive Director. Rosamari Delegat received \$50,000 (2009: \$50,000) in her capacity as a Non-Executive Director during the year.

During the year a total of \$100,000 (2009: \$140,000) was paid to Robert Wilton in his capacity as an independent consultant, under normal terms and conditions.

Director fees paid to the Directors of subsidiary company Oyster Bay amounted to \$115,000 (2009: \$184,000). William Falconer received \$75,000 on cessation of being Chairman of the Board of Oyster Bay on his retirement on 11 February 2009.

Refer to the Disclosure of Directors' Interests at the back of this report.

### d) Transactions with Related Parties who have Significant Influence over Subsidiary Companies

During the period Oyster Bay Wines Australia Pty Limited paid a total of \$12,000 (2009: \$12,000) to Yaroona Pty Limited. The payments made to Yaroona Pty Ltd were made in Peter Taylor's capacity as Company Director and were under normal commercial terms and conditions. Peter Taylor was considered to be a related party by virtue of his ability to significantly influence the financial and operating policies of a subsidiary company.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

For the Year Ended 30 June 2010

#### 23. Related Parties (continued)

##### e) Transactions with Related Parties under Common Control

The following table provides the total amount of transactions that were made between the Parent company and subsidiaries for the relevant financial year.

		DELEGAT'S GROUP	
		Purchases	Sales To
		From	
Management fee recharges			
- Delegat's Wine Estate Limited	2010	-	1,503,000
	2009	-	1,912,000
Management fee recharges			
- Delegat's Wine Estate (UK) Limited	2010	-	127,000
	2009	-	142,000
- Oyster Bay Wines Australia Pty Limited	2010	-	127,000
Interest recharge on capital raise			
- Delegat's Wine Estate Limited	2010	-	3,528,000
	2009	-	3,528,000
Dividends received			
- Delegat's Wine Estate Limited	2010	-	30,150,000
- Oyster Bay Wines USA Limited	2010	-	1,115,000

##### f) Transactions with Delegat's Wine Estate Limited

The Parent successfully completed a capital raise of \$41,500,000 in 2006. These funds were advanced to Delegat's to finance the Marlborough Winery project, supported by an interest-bearing loan agreement and is repayable on demand. During the year the Parent recognised \$3,528,000 (2009: \$3,528,000) of interest revenue from Delegat's. Interest is charged at a fixed rate of 8.50%.

The Parent Company receives working capital funding support from Delegat's and interest is settled when the need for working capital is required by the Parent. The Parent has not demanded repayment of the amounts owed from Delegat's in the next 12 months.

During the year the Parent had also charged Delegat's management fees of \$1,503,000 (2009: \$1,912,000) and these remain payable at the balance sheet date. Management fees are based upon a proportion of actual costs incurred by the Parent on behalf of Delegat's and are expected to be settled within 30 days.

##### g) Transactions with Delegat's Wine Estate (UK) Limited

During the year the Parent had charged Delegat's Wine Estate (UK) Limited management fees of \$127,000 (2009: \$142,000). The Management fees are based on an allocation of actual cost incurred by the Parent on behalf of Delegat's Wine Estate (UK) Limited and are expected to be settled within 30 days.

##### h) Transactions with Oyster Bay Wines Australia Pty Limited

During the year the Parent had charged Oyster Bay Wines Australia Pty Limited management fees of \$127,000 (2009: \$nil). The Management fees are based on an allocation of actual cost incurred by the Parent on behalf of Oyster Bay Wines Australia Pty Limited and are expected to be settled within 30 days.

#### 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Short-term employee benefits	5,274	5,483	1,325	1,351
Post-employment benefits	91	47	-	-
Termination payments	29	-	-	-
Share-based payments expense	75	52	-	-
	<b>5,469</b>	<b>5,582</b>	<b>1,325</b>	<b>1,351</b>

#### 25. Auditor's 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Audit of the financial statements	158	158	111	111
Other assurance related services	5	5	5	5
Tax compliance	162	102	44	72
	<b>325</b>	<b>265</b>	<b>160</b>	<b>188</b>

Included within administration costs are professional fees paid to Oyster Bay's auditor PricewaterhouseCoopers. Audit fees paid to PricewaterhouseCoopers amounted to \$26,000 (2009: \$26,000). Oyster Bay also uses PricewaterhouseCoopers for taxation advice. During the year a total of \$5,000 (2009: \$14,000) was paid to them in their capacity as advisors.

## Delegat's Group Limited and Subsidiaries

### Notes to the Financial Statements (continued)

For the Year Ended 30 June 2010

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

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Reported profit after tax</b>	<b>177</b>	30,049	<b>33,736</b>	2,575
Non-controlling interest share of (loss)/profit	(6,896)	767	-	-
	<b>(6,719)</b>	30,816	<b>33,736</b>	2,575
<b>Plus items not involving cash flows</b>				
Fair value movement on biological assets	6,494	(1,601)	-	-
Amortisation of leases	1,707	1,680	-	-
Depreciation expense	8,582	10,233	-	2
Other non-cash items	(1,611)	232	15	(145)
Loss on disposal of assets	141	263	-	-
Impairment charges	9,930	-	-	-
Goodwill impairment	1,039	-	-	-
Movement in derivative financial instrument assets	3,677	(3,749)	-	-
Movement in deferred tax assets	(67)	(40)	-	-
Movement in deferred tax liabilities	(574)	3,933	-	-
	<b>22,599</b>	41,767	<b>33,751</b>	2,432
<b>Movement in working capital balances are as follows:</b>				
Trade payables and accruals	(3,321)	2,560	(151)	40
Trade and other receivables	8,448	(2,729)	5	(81)
Inventories	15,432	2,554	-	-
Income tax	3,904	(1,266)	870	(8)
	<b>24,463</b>	1,119	<b>724</b>	(49)
<b>Deduct items classified as investing and financing activities</b>				
Vineyard development receivables and facility fees	881	17	-	-
Capital purchases included within trade payables	299	(276)	-	5
Related party funding included within working capital	-	-	(36,580)	(5,432)
	<b>25,643</b>	860	<b>(35,856)</b>	(5,476)
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	<b>48,242</b>	42,627	<b>(2,105)</b>	(3,044)

#### 27. Events Subsequent to Balance Sheet Date

On 27 August 2010, the Directors of the Parent declared a fully imputed dividend of \$8,040,000 (8.0 cents per Share) to be paid on 15 October 2010.

On 30 June 2010 Oyster Bay and Delegat's Group Limited entered into a settlement agreement with Peter Yealands and Peter Yealands Investments Limited (PYIL). Under the terms of settlement, Delegat's will purchase all of PYIL's shares in Oyster Bay (433,816 shares at \$1.80 per share comprising 4.82% of the issued capital) and pay \$200,000 towards PYIL costs. PYIL was also required to pay \$150,000 plus GST to Oyster Bay to settle their takeover costs.

On 30 July 2010 Delegat's made payment to PYIL to settle the costs and acquire the shares, which were transferred to Delegat's the same day. Following this off-market share purchase Delegat's now owns 54.92% of Oyster Bay. Oyster Bay received \$150,000 plus GST from PYIL in settlement of their costs on the same day.

#### 28. Earnings Per Share

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

	2010	2009
<b>a) Earnings Used in Calculating Earnings per Share</b>		
Profit for the year - basic and fully diluted (\$000)	177	30,049
<b>b) Weighted Average Number of Shares</b>		
Weighted average number of shares - basic and fully diluted (000)	100,000	100,000
<b>c) Reported Earnings Per Share on income statement (expressed as cents per share)</b>		
- Basic and fully diluted earnings per share	0.18	30.05

The Shares issued under the Delegat's Group Limited Employee Share Ownership Plan, 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, as they are anti-dilutive.

**Independent Auditor's Report****To the Shareholders of Deleat's Group Limited****Report on the Financial Statements**

We have audited the financial statements of Deleat's Group Limited and its subsidiaries on pages 1 to 30, which comprise the statement of financial position of Deleat's Group Limited and the group as at 30 June 2010, and the statement of financial performance, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

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' Responsibility for the Financial Statements**

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Ernst and Young provides other assurance and taxation services to the group.

Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

**Opinion**

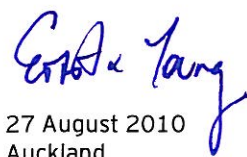
In our opinion, the financial statements on pages 1 to 30:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of Deleat's Group Limited and the group as at 30 June 2010 and the financial performance and cashflows of the company and group for the year then ended.

**Report on Other Legal and Regulatory Requirements**

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

In our opinion proper accounting records have been kept by Deleat's Group Limited as far as appears from our examination of those records.



27 August 2010  
Auckland