

DELEGAT'S GROUP LIMITED

Results for announcement to the market

Reporting Period	12 months to 30 June 2011
Previous Reporting Period	12 months to 30 June 2010

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$235,414	9%
Profit from ordinary activities after tax attributable to shareholders	\$32,722	18,387%
Net profit attributable to shareholders	\$32,722	18,387%

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 2011	8.0 cents	3.4286 cents

Record date	30 September 2011
Dividend Payment Date	14 October 2011

Net Tangible Assets per share

	Current Year	Previous corresponding year
Net Tangible Assets per share	\$1.66	\$1.52



DELEGAT'S GROUP LIMITED

25th August 2011

Results Announcement - 2011

Delegat's Group Limited (Delegat's) is pleased to present its operating and financial results for the year ending 30 June 2011.

Delegat's achieves record net profit after tax of \$32.7 million.

Jim Delegat, Managing Director, says: "Delegat's continues to successfully deliver on its strategy of growing its Super Premium branded wines in key export markets, notwithstanding a range of industry and global economic challenges".

Performance Highlights

- Achieved record global sales of 1,969,000 cases.
- Achieved record sales revenue of \$229.8 million.
- Increased case price realisation to \$116.70
- Achieved record reported profit of \$32.7 million
- Generated cash from operations of \$38.6 million.

The Directors consider that the Group has continued to perform exceptionally – rising above the industry challenges and achieving a creditable result, notwithstanding increasingly unfavourable exchange rates and slowing recovery in major Western economies.

A number of one-off non-cash accounting adjustments to the Group's operating profit of \$23.9 million resulted in reported net profit after tax of \$32.7 million.

FINANCIAL PERFORMANCE

NZ\$ millions	Jun 2011 Actual	Jun 2010 Actual	% Δ vs 2010	2011 February Guidance	% Δ vs Guidance
Sales Revenue	229.8	219.7	5%	221.9	4%
Operating NPAT	23.9	21.7	10%	21.9	9%
Operating NPAT % of Sales	10%	10%		10%	
<u>Non-cash Adjustments</u>					
Fair Value Items after Tax & NCI	1.7	(10.6)	116%		
Impairment Charges after Tax	8.3	(5.2)	260%		
Tax Changes	(1.2)	(5.7)	-78%		
Reported NPAT	32.7	0.2	18439%		
Reported NPAT % of Sales	14%	0%			

Operating performance measures

The Group presents its financial statements in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The Directors continue to be 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 better understand the operating performance, the Group has published an Operating Performance report. 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 in relation to asset impairments and one-off non-cash accounting adjustments required as a result of various tax adjustments - 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 Non-Controlling Interests, but before Fair Value Adjustments; and
- Operating EBITDA, being Operating EBIT before Depreciation and Amortisation.

OPERATING PERFORMANCE

NZ\$ millions	Notes	Jun 2011 Actual	Jun 2010 Actual ⁵	% Δ vs 2010	2011 February Guidance	% Δ vs Guidance
Sales Revenue		229.8	219.7	5%	221.9	4%
Total Operating Revenue	1	233.0	222.1	5%	223.1	4%
Operating Gross Profit	2	124.1	121.2	2%	123.0	1%
Operating Gross Margin		54%	55%		55%	
Operating Expenses	3	(80.3)	(81.5)	1%	(80.8)	1%
Operating EBIT	4	43.8	39.7	10%	42.2	4%
Operating EBIT % of Sales		19%	18%		19%	
Interest, Tax, Non-controlling Interests		(19.8)	(18.0)	-10%	(20.3)	2%
Operating NPAT	4	23.9	21.7	10%	21.9	9%
Operating NPAT % of Sales		10%	10%		10%	
Operating EBITDA	4	55.5	50.0	11%	53.5	4%
Operating EBITDA % of Sales		24%	23%		24%	

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. Operating EBIT, EBITDA and NPAT are before items 1, 2 and 3 above.

5. The prior year has been restated to include the effect on Cost of Sales of the release of the prior year's Fair Value movements on Agricultural Produce and OBVs Gross Profit within inventory when the inventory is sold.

Operating performance

Delegat's generated record Sales Revenue of \$229.8 million on record case sales of 1,969,000 in the year. Sales Revenue was up \$7.9 million on the Group's February guidance and \$10.1 million up on 2010, while case sales were up 82,000 on guidance and 19,000 on 2010. The 2011 case price realisation of \$116.72 is 4% higher than the \$112.70 achieved in 2010.

Jim Delegat said: "The Group's strategy of identifying 'Value Growth Markets' and 'Growth Markets' has proved successful and delivered improved profitability, despite currency headwinds."

The key Value Growth Markets are the United Kingdom and Ireland, where we successfully implemented price increases to improve profitability whilst continuing to grow retail distribution. The key Growth Markets are North America, Australia, New Zealand and Asia Pacific. In these markets the Group has focused on growing sales volumes to realise the potential of the Oyster Bay brand.

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 continues to gain momentum in the important growth markets of the United States and Canada, achieving sales volume growth of 27% to 452,000 cases.

The Group's case sales performance, case price realisation and foreign currency rates achieved are detailed below:

CASE SALES, CASE PRICE REALISATION AND FOREIGN CURRENCY

Case Sales (000's)	Jun 2011 Actual	Jun 2010 Actual	% Δ vs 2010	2011 February Guidance	% Δ vs Guidance
UK, Ireland & Europe	820	957	-14%	759	8%
Nth America (USA, Canada)	452	357	27%	434	4%
Australia, NZ & Asia Pac	697	636	10%	694	1%
Total Cases	1,969	1,950	1%	1,887	13%
Case Price Realisation (\$)	116.7	112.7	4%	117.6	-1%

1. Case Price Realisation is sensitive to:

- Foreign currency
- Country and product mix

Foreign Currency Rates	Jun 2011 Actual	Jun 2010 Actual	% Δ vs 2010	2011 February Guidance	% Δ vs Guidance
£	0.4661	0.4441	-5%	0.4655	-0%
A\$	0.7650	0.7948	4%	0.7736	1%
US\$	0.7589	0.6753	-12%	0.7406	-2%
C\$	0.7638	0.7456	-2%	0.7643	0%

The Group's Operating Expenses before NZ IFRS adjustments is \$80.3 million - marginally lower than the February guidance for the full year and 1% less than the prior year comparative. This decrease is the result of reducing investment in promotional support in the United Kingdom and more than offsets higher costs for establishing our own in-market New Zealand sales team after moving to a direct sales model in August 2010.

The Group's Operating EBIT of \$43.8 million is \$1.6 million higher than the February guidance of \$42.2 million and \$4.1 million higher than the prior year. Operating EBITDA of \$55.5 million compares favourably to the \$53.5 million February guidance and higher than the \$50.0 million achieved in 2010.

Operating NPAT is \$23.9 million for the year under review, which is \$2.0 million higher than the February guidance and \$2.2 million higher than the prior year.

NZ IFRS Fair Value adjustments

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

- Biological Assets (Vines): The Group's vineyards have been revalued, resulting in a higher value attributable to Biological Assets of \$2.5 million in 2011 (in 2010 it was a decrease of \$6.5 million);
- Net Harvest Provision (Grapes): Inventory is valued at market value at harvest. Any fair value adjustment is reflected in the Operating Performance for the year, creating a Harvest Provision. This Harvest Provision is then released through Cost of Sales when inventory is sold in subsequent years.

- Derivative Instruments held to hedge the Group's foreign currency and interest rate exposures are recorded at fair value resulting in a loss of \$1.1 million in 2011, compared with a loss in 2010 of \$3.7 million.

In addition, minor adjustments in respect of share based payments have been effected.

In aggregate, and after deducting taxation and non-controlling interests, the impact of fair value adjustments in 2011 is an increase in profits of \$1.7 million.

IMPACT OF 'FAIR VALUE' ADJUSTMENTS

NZ\$ millions	Notes	Jun 2011 Actual	Jun 2010 Actual	% Δ vs 2010	2011 February Guidance	% Δ vs Guidance
Operating NPAT		23.9	21.7	10%	21.9	9%
Operating NPAT % of Sales		10%	10%		10%	
<u>NZ IFRS Fair Value Items</u>						
Biological Assets (Vines)		2.5	(6.5)	139%	-	n/a
Net Harvest Provision (Grapes)	1	0.3	(10.2)	103%	1.5	-78%
Derivative Instruments		(1.1)	(3.7)	69%	(0.6)	n/a
Other Fair Value Items	2	(0.1)	(0.1)	-29%	(0.1)	-15%
Total Fair Value Items		1.6	(20.4)	108%	0.8	-93%
Less: Tax & Non-controlling Interests		0.1	9.8	-99%	0.3	68%
Fair Value Items after Tax & NCI		1.7	(10.6)	116%	1.2	46%
NPAT after NZ IFRS Fair Value Items		25.6	11.1	132%	23.1	11%

1. Harvest Provision Release is the reversal of fair value adjustments in respect of biological produce in subsequent years as finished wine is sold.

2. Other Fair Value Items includes accounting for Share Based Payments.

One-off non-cash accounting adjustments

- Impairment of Assets

Following a reassessment of the land and vineyard improvements valuation the impairment charge of \$9.9 million in last year's financial statements has been reversed.

- Tax Adjustments

Last year, as part of the May 2010 budget announcement, certain changes to tax legislation resulted in non-cash accounting adjustments based on estimates. These changes became effective for the Group on 1 July 2011 and the Group is required to review the 2010 estimates for each of these adjustments. This has resulted in a reduction in the tax expense of \$0.2 million.

During the year Delecta's purchased the remainder of the shares not already owned in OBMVL and as a consequence of the takeover, lost \$2.5 million of previously recognised tax losses leading to a tax expense of \$0.8 million. In addition, the Group was required to expense a deferred tax balance of \$0.7 million that had been carried forward in respect of taxes paid on dividends received by Delecta's Wine Estate Limited from OBMVL.

IMPACT OF NON-CASH ADJUSTMENTS

NZ\$ millions	Jun 2011 Actual	Jun 2010 Actual	% Δ vs 2010
NPAT after NZ IFRS Fair Value Items	25.6	11.1	132%
<u>Impairment Charges</u>			
Land and Vineyard Improvements	9.9	(9.9)	200%
Goodwill	-	(1.0)	100%
Total Fair Value Items	9.9	(11.0)	191%
Less: Tax & Non-controlling Interests	(1.6)	5.8	-128%
Impairment Charges after Tax & Minorities	8.3	(5.2)	260%
<u>Tax Impacts</u>			
Change in Corporate Tax Rate	0.1	1.0	-91%
Removal of Depreciation Deductions	0.1	(6.5)	102%
Loss of Continuity - OBML Tax Losses	(0.8)	-	n/a
Prior Period Tax Adjustment	(0.7)	-	n/a
Total Budget Tax Changes	(1.2)	(5.5)	77%
Less: Non-controlling Interests	-	(0.2)	100%
Tax Changes after Minorities	(1.2)	(5.7)	78%
Reported NPAT	32.7	0.2	18439%

Reported Accounting Performance

After taking into account all of the fair value adjustments under NZ IFRS and the non-cash accounting adjustments, the Group's reported audited financial performance for 2011 is as follows:-

- Earnings before Interest and Tax is \$46.3 million, excluding impairment charges;
- Earnings before Interest, Tax, Depreciation and Amortisation is \$57.1 million, excluding impairment charges; and
- Net Profit after Tax is \$32.7 million.

Cash Flow

The Group generated cash from operations of \$38.6 million in the year under review, which is a reduction on the record cash collections of \$48.2 million in the prior year. A total of \$22.4 million was invested in additional fixed assets and processing infrastructure during the period, while \$8.0 million was distributed to shareholders in dividends and a \$9.9 million reduction in the Group's financing facilities.

Financial Position and Funding

Delegat's has Net Debt of \$121.3 million as at 30 June 2011 compared with \$129.2 million in 2010 - a decrease of 6%.

The Group has extended its existing bank facilities, bringing the average maturity of the facilities to 3.6 years. The renewal confirms the strong relationship between the Company and its banker, Westpac.

NET DEBT OVERVIEW

Notes	Jun 2011 Actual	Jun 2010 Actual	% Δ vs 2010	2011 February Guidance	% Δ vs Guidance
<u>Funding (NZ\$ millions)</u>					
Operating Cash Flow	38.6	48.2	-20%	18.3	111%
Net Debt	121.3	129.2	6%	137.2	12%
<u>Key Ratios</u>					
Operating Interest Cover	4.75	4.67	2%	5.81	-18%
Equity / (Equity + Net Debt) %	58%	54%	7%	55%	5%
Senior Debt Ratio	2.2	2.5	11%	2.7	18%

2011 Harvest

Jim Delegat said, *“An exceptional 2011 growing season has again delivered outstanding quality fruit with magnificent flavours and concentration. Delegat’s 2011 harvest of 25,469 tonnes was 16% above the previous year and positions the Group well with regard to inventories for the forthcoming financial year.”*

Dividends

The Directors consider 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 14 October 2011 to Shareholders on record at 30 September 2011.

ENDS

For further information please contact:

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Managing Director

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Chief Financial Officer

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Delegat's Group Limited and Subsidiaries
Statement of Financial Performance
For the Year Ended 30 June 2011

	Notes	GROUP		PARENT	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Sales		229,777	219,720	-	-
Fair value movement on biological assets	15	2,526	(6,494)	-	-
Other revenue	4	3,111	2,584	5,370	36,582
Revenue		235,414	215,810	5,370	36,582
Cost of sales		108,258	111,050	-	-
Gross profit		127,156	104,760	5,370	36,582
Marketing and promotion expenses	5a	68,444	69,050	-	-
Corporate governance expenses	5b	922	990	605	614
Administration expenses	5c	11,608	14,368	1,226	1,175
Finance costs	5d	9,327	7,404	-	-
Production management expenses		690	834	-	-
Total expenses		90,991	92,646	1,831	1,789
Profit before impairment charges		36,165	12,114	3,539	34,793
Impairment (reversal)/charges	14	(9,930)	9,930	-	-
Goodwill impairment	20	-	1,039	-	-
Profit before income tax		46,095	1,145	3,539	34,793
Income tax expense	16	14,156	7,864	1,077	1,057
Profit/(loss) after income tax		31,939	(6,719)	2,462	33,736
Loss attributable to non-controlling interests		783	6,896	-	-
Profit for the Year attributable to Shareholders of the Parent Company		32,722	177	2,462	33,736
Earnings Per Share					
- Basic and fully diluted earnings per share (cents per share)	26	32.62	0.18		

The accompanying notes form part of these financial statements

Delegat's Group Limited and Subsidiaries
Statement of Other Comprehensive Income
For the Year Ended 30 June 2011

	<i>Note</i>	GROUP		PARENT	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Profit/(loss) after income tax		31,939	(6,719)	2,462	33,736
<i>Other comprehensive income:</i>					
- Translation of foreign subsidiaries	6c	(836)	(1,365)	-	-
- Income tax relating to components of other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year, net of tax		31,103	(8,084)	2,462	33,736
Comprehensive loss attributable to non-controlling interests		(783)	(6,896)	-	-
Comprehensive income/(loss) attributable to Shareholders of the Parent company		31,886	(1,188)	2,462	33,736

The accompanying notes form part of these financial statements

Delegat's Group Limited and Subsidiaries
Statement of Changes in Equity
For the Year Ended 30 June 2011

For the year ended 30 June 2011 - Group

	Share Capital	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	Total	Non- Controlling Interests	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2010	47,481	(1,792)	401	84,479	130,569	21,825	152,394
Changes in equity for the year ended 30 June 2011							
<i>Other comprehensive income</i>							
- Translation of foreign subsidiaries	-	(836)	-	-	(836)	-	(836)
Total other comprehensive income	-	(836)	-	-	(836)	-	(836)
- Net profit/(loss) for the year	-	-	-	32,722	32,722	(783)	31,939
Total comprehensive income/(loss) for the year	-	(836)	-	32,722	31,886	(783)	31,103
<i>Equity Transactions</i>							
- Dividends paid to shareholders	-	-	28	(8,045)	(8,017)	-	(8,017)
- Share-based payments expense	-	-	97	-	97	-	97
- Purchase of non-controlling interest	1,298	-	-	11,823	13,121	(21,042)	(7,921)
Balance at 30 June 2011	48,779	(2,628)	526	120,979	167,656	-	167,656

For the year ended 30 June 2010 - Group

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

For the year ended 30 June 2011 - Parent

	Share Capital	Foreign Currency Translation Reserve	Share-based Payment Reserve ¹	Retained Earnings	Total	Non- Controlling Interests	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2010	47,481	-	401	25,770	73,652	-	73,652
Changes in equity for the year ended 30 June 2011							
<i>Other comprehensive income</i>							
- Net profit for the year	-	-	-	2,462	2,462	-	2,462
Total comprehensive income for the year	-	-	-	2,462	2,462	-	2,462
<i>Equity Transactions</i>							
- Issued share capital	1,298	-	-	-	1,298	-	1,298
- Dividends paid to shareholders	-	-	28	(8,045)	(8,017)	-	(8,017)
- Share-based payments	-	-	97	-	97	-	97
Balance at 30 June 2011	48,779	-	526	20,187	69,492	-	69,492

For the year ended 30 June 2010 - Parent

	Share Capital	Foreign Currency Translation Reserve	Share-based Payment Reserve ¹	Retained Earnings	Total	Non- Controlling Interests	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2009	47,481	-	311	70	47,862	-	47,862
Changes in equity for the year ended 30 June 2010							
<i>Other comprehensive income</i>							
- Net profit for the year	-	-	-	33,736	33,736	-	33,736
Total comprehensive income for the year	-	-	-	33,736	33,736	-	33,736
<i>Equity Transactions</i>							
- Dividends paid to shareholders	-	-	15	(8,036)	(8,021)	-	(8,021)
- Share-based payments ¹	-	-	75	-	75	-	75
Balance at 30 June 2010	47,481	-	401	25,770	73,652	-	73,652

¹The opening balance of the Parent's Share-based Payment Reserve has been restated due to a change in accounting policy (refer to the Statement of Accounting Policies).

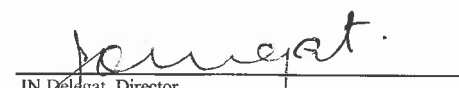
Delegat's Group Limited and Subsidiaries
Statement of Financial Position
As at 30 June 2011

	Notes	GROUP		PARENT	
		2011 \$000	2010 \$000	2011 \$000	2010 ¹ \$000
Equity					
Share capital	6	48,779	47,481	48,779	47,481
Foreign currency translation reserve	6c	(2,628)	(1,792)	-	-
Share-based payment reserve	6c	526	401	526	401
Retained earnings		120,979	84,479	20,187	25,770
Shareholders' equity		167,656	130,569	69,492	73,652
Non-controlling interests		-	21,825	-	-
Total Equity		167,656	152,394	69,492	73,652
Liabilities					
Current Liabilities					
Trade payables and accruals	9	27,798	29,461	215	223
Derivative financial instruments	10	4,674	3,356	-	-
Interest-bearing loans and borrowings	11	-	10,810	-	-
Income tax payable		2,764	1,770	70	391
		35,236	45,397	285	614
Non-Current Liabilities					
Deferred tax liability	16	21,950	18,718	-	-
Interest-bearing loans and borrowings	11	124,600	124,000	-	-
		146,550	142,718	-	-
Total Liabilities		181,786	188,115	285	614
Total Equity and Liabilities		349,442	340,509	69,777	74,266
Assets					
Current Assets					
Cash and cash equivalents		3,285	5,660	12	3
Trade and other receivables	12	41,953	40,890	21	85
Derivative financial instruments	10	1,608	1,429	-	-
Income tax receivable		2	-	-	-
Inventories	13	69,479	73,197	-	-
		116,327	121,176	33	88
Non-Current Assets					
Property, plant and equipment	14	185,953	175,255	-	-
Biological assets	15	47,020	43,912	-	-
Deferred tax asset	16	142	166	5	6
Investment in subsidiaries	19	-	-	2,731	2,634
Intercompany amounts receivable	21	-	-	67,008	71,538
		233,115	219,333	69,744	74,178
Total Assets		349,442	340,509	69,777	74,266

¹ The opening balance of the Parent's Share-based payment reserve and Investment in subsidiaries has been restated due to a change in accounting policy (refer to the Statement of Accounting Policies).

For, and on behalf of, the Board who authorised the issue of the financial statements on 25 August 2011.


 RL Wilton, Director


 JN Delegat, Director

Delegat's Group Limited and Subsidiaries
Statement of Cash Flows
For the Year Ended 30 June 2011

	Note	GROUP		PARENT	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Operating Activities					
Cash was provided from					
Receipts from customers		232,516	229,921	-	-
Interest received		85	95	1	9
Income tax received		58	18	-	-
Net GST (paid)/received		(1,015)	(1,891)	-	3
		231,644	228,143	1	12
Cash was applied to					
Payments to suppliers and employees		159,260	152,045	1,765	1,937
Payments to grape growers		15,736	16,000	-	-
Interest paid		8,233	7,431	-	-
Income tax paid		9,859	4,425	1,398	180
		193,088	179,901	3,163	2,117
Net Cash Inflows/(Outflows) from Operating Activities	24	38,556	48,242	(3,162)	(2,105)
Investing Activities					
Cash was provided from					
Proceeds from sale of property, plant and equipment		38	16	-	-
Dividends received		30	28	28	31,293
		68	44	28	31,293
Cash was applied to					
Purchase of property, plant and equipment		10,250	19,957	-	-
Vineyard development purchases		2,463	6,450	-	-
Purchase of biological assets		548	878	-	-
Capitalised interest paid		724	831	-	-
Capitalised lease payments		-	676	-	-
Purchase of non-controlling interest		8,495	-	-	-
		22,480	28,792	-	-
Net Cash (Outflows)/Inflows from Investing Activities		(22,412)	(28,748)	28	31,293
Financing Activities					
Cash was provided from					
Proceeds from issue of shares		-	-	1,311	-
Proceeds from borrowings		44,540	33,148	-	-
		44,540	33,148	1,311	-
Cash was applied to					
Dividends paid to shareholders		8,043	8,483	8,043	8,033
Repayment of borrowings		54,450	41,808	-	-
Share issue costs		13	-	13	-
Borrowing facility fees		300	822	-	-
Advances and loans to subsidiaries		-	-	(9,888)	21,155
		62,806	51,113	(1,832)	29,188
Net Cash (Outflows)/Inflows from Financing Activities		(18,266)	(17,965)	3,143	(29,188)
Net (Decrease)/Increase in Cash Held		(2,122)	1,529	9	-
Cash and cash equivalents at beginning of the year		5,660	4,332	3	3
Effect of exchange rate changes on foreign currency balances		(253)	(201)	-	-
Cash and Cash Equivalents at End of the Year		3,285	5,660	12	3

The accompanying notes form part of these financial statements

Delegat's Group Limited and Subsidiaries

Statement of Accounting Policies

For the Year Ended 30 June 2011

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 2011 were authorised for issue in accordance with a resolution of the Directors on 25 August 2011.

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

The only change in accounting policy during the year has been the adoption of the amendments to NZ IFRS 2 'Group Cash-settled Share-based Payment Transactions' which became effective on 1 July 2010. This amendment provided additional guidance in relation to the accounting treatment for share-based payment awards in the Parent financial statements. The amendment has no effect on the Group financial statements. Refer to note 8: Share-based Payments for details of the effect of the change in the Parent financial statements.

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies (continued)
For the Year Ended 30 June 2011

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 2011. 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 7, NZ IAS 1, and NZ IAS 34	1 July 2011	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:	
	Amendments to NZ IFRS 7: Financial Instruments: Disclosures		The amendments to this standard emphasise the interaction between quantitative and qualitative disclosures to enable users to link related disclosures and form an overall picture of the nature and extent of risks arising from financial instruments. They also clarify further disclosure is required where the carrying amount of financial assets does not represent the maximum exposure to credit risk and require for all financial assets disclosure of the financial effect of collateral held as security and of other credit enhancements.	The maximum exposure to credit risk is already disclosed in note 12 'Trade and Other Receivables'. Generally the Group does not have any collateral over trade and other receivable balances. The amendments may require the Group to disclose the accruals relating to trade and other receivable balances that do not already qualify for offset under NZ IAS 32: Financial Instruments: Presentation.
	Amendments to NZ IAS 1: Presentation of financial statements		The amendments to NZ IAS 1 clarify that an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.	The Group already discloses in the statement of changes in equity an analysis of other comprehensive income by item and therefore the amendment will not require any additional disclosures.
	Amendments to NZ IAS 34: Interim Financial Reporting		The amendments to NZ IAS 34 clarify guidance illustrating how to apply the disclosure principles in NZ IAS 34 and require additional disclosures for interim reporting regarding; i) changes in business and economic circumstances that affect the fair value of the entity's financial assets and liabilities, whether those assets are recognised at fair value or amortised cost; ii) transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments; and iii) changes in the classification of financial assets as a result of a change in the purpose or use of those assets.	These amendments may effect the disclosures required to be included in the interim financial report for the half-year ending 31 December 2011. Where there has been significant changes in the business or economic circumstances that effect the fair value of the entity's financial assets and financial liabilities, transfers between levels of the fair value hierarchy or changes in the classification of financial assets in this period, from the previous annual reporting period, these will be required to be disclosed.
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 IFRS 7	Amendments to NZ IFRS 7: Financial Instruments: Disclosures - Transfers of Financial Assets	1 July 2011	The amendments to NZ IFRS 7 enhance the disclosure requirements for the transfer of financial assets. For transferred financial assets that are derecognised in their entirety but where the entity has a continuing involvement in them, the amendments require disclosure of information that enables users of the financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. For transferred financial assets that are not derecognised in their entirety, the amendments require disclosure of information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities.	The Group does not currently; i) transfer the contractual rights to receive cash flows of financial assets; or ii) retain the contractual rights to receive cash flows of financial assets, but assume contractual obligations to pay these cash flows to one or more recipients in an arrangement. Therefore the amendments to NZ IFRS 7 will not require any additional disclosures in the Group financial statements.
NZ IAS 1	Amendments to NZ IAS 1: Presentation of financial statements: Presentation of Items of Other Comprehensive Income	1 July 2012	The amendments to NZ IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit and loss in the future if certain conditions are met from those that would never be reclassified to profit and loss.	The Group will be required to update the Statement of Other Comprehensive Income to separate the items of other comprehensive income between these two categories.
NZ IAS 12	Amendments to NZ IAS 12: Income Taxes - Deferred Tax: Recovery of Underlying Assets	1 July 2012	The amendments to this standard include; i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in NZ IAS 40: Investment Property should be determined on the basis that its carrying amount will be recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale; and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in NZ IAS 16, should always be measured on a sale basis.	The Group has no investment property measured using the fair value model, no non-depreciable assets which are measured using the revaluation model in NZ IAS 16, and the amendments do not apply to biological assets which are revalued to fair value under NZ IAS 41: Agriculture. Therefore the amendments to NZ IAS 12 will have no financial impact on the Group financial statements.

* For fiscal periods beginning on or after.

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies (continued)
For the Year Ended 30 June 2011

<i>Reference</i>	<i>Title</i>	<i>Group Application Date *</i>	<i>Summary</i>	<i>Impact on Group</i>
NZ IAS 26	Amendments to NZ IAS 26: Accounting and Reporting by Retirement Benefit Plans	1 July 2012	These amendments to NZ IAS 26 remove a number of the New Zealand specific requirements and align the terminology in the standard with that in IAS 26: Accounting and Reporting by Retirement Benefit Plans.	The Group makes regular contributions to various defined contribution pension plans. We have reviewed the New Zealand specific sections that have been deleted from NZ IAS 26 and do not consider that these amendments will impact the Group's treatment of these contributions. The Group does not make any contributions to defined benefit superannuation plans.
NZ IFRS 9 (2009)	Financial Instruments	1 July 2013	This standard was the first of several standards that aim to replace NZ IAS 39: Financial Instruments: Recognition and Measurement. This standard relates to financial assets - their classification and measurement. 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 at fair value - or if the business model accounting supports it - cost, adjusted for transaction costs and subsequently measured at amortised cost.	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.
NZ IFRS 9 (2010)	Financial Instruments	1 July 2013	In November 2010, the requirements for classifying and measuring financial liabilities were added to NZ IFRS 9. In these amendments the existing requirements for the classification of financial liabilities and the ability to use the fair value option from NZ IAS 39 have been retained. However, where the fair value option is used for financial liabilities the change in fair value is required to be accounted for as follows: - the change attributable to the entity's own credit risk is to be presented in Other Comprehensive Income; - The remaining change is presented in the Statement of Financial Performance; and - If this approach creates or enlarges an accounting mismatch in the Statement of Financial Performance, the effect of changes in the entity's credit risk are also presented in the Statement of Financial Performance.	Financial liabilities of the Group are measured at amortised cost with the exception of financial liabilities for foreign currency forward exchange contracts and options or interest rate swaps which are held at fair value. The classification and measurement of these will remain the same under NZ IFRS 9. However for those financial liabilities held at fair value the Group will be required to separate the fair value movement that relates to changes in the Group's credit risk and record this through Other Comprehensive Income rather than through the Statement of Financial Performance where the remaining change in value will be recorded.
NZ IFRS 10	NZ IFRS 10: Consolidated Financial Statements	1 July 2013	This new standard replaces all of the guidance on control and consolidation in NZ IAS 27: Consolidated and Separate Financial Statements. NZ IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control, including special purpose entities. The revised definition focuses on the need to have both power and variable returns over the entity before control is present. The standard includes extensive application guidance that address the different ways in which a reporting entity might control another entity.	The new standard does not change how entities within a Group are consolidated, only whether entities are required to be consolidated, based on the revised definition of control. The Group considers that the Group will continue to control its existing subsidiaries under the new standard, due to having voting rights which entitle the Group to variable returns from them, and there are no other entities which will meet the revised definition of control for the Group. Therefore it is not anticipated that the new standard will have an impact on the Group.
NZ IFRS 11	NZ IFRS 11: Joint Arrangements	1 July 2013	This new standard replaces NZ IAS 31: Interests in Joint Ventures. The key changes in the new standard are reducing the types of joint arrangements to two, joint operations and joint ventures, removing the existing choice of using the proportionate consolidation method, making equity accounting mandatory for all participants in joint ventures and a revised definition of joint control.	The Group does not have any entities in which control of the entity is contractually shared with other parties. Therefore it is not anticipated that the new standard will have an impact on the Group.
NZ IFRS 12	NZ IFRS 12: Disclosure of Interests in Other Entities	1 July 2013	This new standard sets out the required disclosures for entities reporting under NZ IFRS 10 and NZ IFRS 11 and replaces the disclosure requirements currently found in NZ IAS 28: Investments in Associates. It also requires entities to disclose information that helps users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates and joint arrangements.	Having reviewed the new standard and the current disclosures around the Group's interests in subsidiary entities we do not anticipate that the new standard will require significant additional disclosures.
NZ IFRS 13	NZ IFRS 13: Fair Value Measurement	1 July 2013	This new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The new standard does not introduce new requirements to measure assets or liabilities at fair value.	The Group currently only measures biological assets and produce under NZ IAS 41: Agriculture and certain financial assets and liabilities (e.g. derivative financial instruments) at fair value. The new standard will provide guidance for the calculation of the fair value of these assets and liabilities. To date the Group has not completed a formal assessment of whether the new standard will affect the fair value of the assets measured at fair value under the existing guidance. There will likely be additional disclosures required following the implementation of the new standard of the methods used to determine fair value of these assets.

* For fiscal periods beginning on or after.

Delegat's Group Limited and Subsidiaries

Statement of Accounting Policies (continued)

For the Year Ended 30 June 2011

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.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent and the Group as at 30 June 2011 and 30 June 2010.

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 statement of financial performance 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 2011

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 net 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. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

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 uncollectable amounts. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable 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 are not subject to depreciation.

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies (continued)
For the Year Ended 30 June 2011

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.

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 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.

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies (continued)
For the Year Ended 30 June 2011

Financial Instruments (continued)

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 statement of financial performance 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

The only change in accounting policy during the year has been the adoption of the amendments to NZ IFRS 2 'Group Cash-settled Share-based Payment Transactions' which became effective on 1 July 2010.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements
For the Year Ended 30 June 2011

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. 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 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, Corporate Financial Planning Analyst 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 \$200,000, the Group's policy is to ensure the foreign currency exposure is covered in full. Any capital expenditure between \$100,000 and \$200,000 is to be covered at the discretion of the TMC, based on such factors as timing for payment and expected volatility of currency markets. It is the Group's policy that in no instances is trading for speculative purposes permitted.

At 30 June 2011, 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 2011 Reported</i>		<i>Impact on 2010 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%	211	211	316	316
NZD/USD -5%	(222)	(222)	(505)	(505)
NZD/GBP +5%	415	415	451	451
NZD/GBP -5%	(471)	(471)	(1,134)	(1,134)
NZD/AUD +5%	1,486	1,486	1,959	1,959
NZD/AUD -5%	(1,952)	(1,952)	(2,309)	(2,309)
NZD/CAD +5%	(67)	(67)	72	72
NZD/CAD -5%	60	60	(68)	(68)
NZD/EUR +5%	54	54	64	64
NZD/EUR -5%	(64)	(64)	(88)	(88)
NZD/SGD +5%	(6)	(6)	-	-
NZD/SGD -5%	6	6	-	-
NZD/HKD +5%	(3)	(3)	-	-
NZD/HKD -5%	3	3	-	-
<i>Parent</i>				
NZD/USD +5%	(9)	(9)	-	-
NZD/USD -5%	10	10	-	-
NZD/GBP +5%	(6)	(6)	(6)	(6)
NZD/GBP -5%	6	6	6	6
NZD/AUD +5%	(6)	(6)	(6)	(6)
NZD/AUD -5%	7	7	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.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

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, 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 2011 Reported</i>		<i>Impact on 2010 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 (2010: 2.00% Increase - 200 basis points)	2,744	2,744	2,257	2,257
0.25% Decrease - 25 basis points (2010: 0.25% Decrease - 25 basis points)	242	242	226	226

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 0.65% to 0.95%. 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 of 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).

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.

<i>Facility Type</i>	<i>Facility Limit</i>	<i>Drawn At Balance Sheet Date</i>		<i>< 1 year 1 to 2 years > 2 years</i>		
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<i>30 June 2011</i>						
Working capital and Seasonal facility	40,000	40,000		1,372	1,372	40,117
Term facility	130,000	84,900		3,114	3,114	91,393
Derivative financial instruments	N/A	N/A		32,375	6,285	2,143
Trade payables and accruals	N/A	23,900		23,900	-	-
Financial guarantee contracts	N/A	N/A		599	-	-
<i>As at 30 June 2011</i>	<u>170,000</u>	<u>148,800</u>		<u>61,360</u>	<u>10,771</u>	<u>133,653</u>

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.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

1. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

A General Security Agreement exists in favour of Westpac Banking Corporation 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
30 June 2010					
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 ¹	18,000	7,000	7,152	-	-
Working capital facility ¹	5,000	3,810	3,891	-	-
Derivative financial instruments	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	-	-
As at 30 June 2010	193,000	161,577	106,881	9,882	127,877

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

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 \$72,000,000 (2010: \$67,000,000) 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. The Group has a Seasonal facility available of \$23,000,000, which can be drawn down between 1 July and 31 December each year to assist in the working capital requirements around grape harvest. This replaces the Seasonal facility of \$10,000,000 which existed at 30 June 2010.

Summary of Financial Instruments Held

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

	GROUP		PARENT	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
Financial Assets				
Loans and receivables at amortised cost	44,194	45,954	41,533	41,588
Financial assets at fair value through profit and loss	1,608	1,429	-	-
	45,802	47,383	41,533	41,588
Financial Liabilities				
Financial liabilities at amortised cost	148,006	160,516	215	223
Financial liabilities at fair value through profit or loss	4,674	3,356	-	-
	152,680	163,872	215	223

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.

Fair Value of Financial Instruments

The fair value of financial instruments is presented in the previous 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 2011

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$000	\$000	\$000	\$000
Financial Assets				
Foreign currency forward exchange option contracts	-	1,290	-	1,290
Foreign currency forward exchange contracts	-	318	-	318
	-	1,608	-	1,608
Financial Liabilities				
Interest rate swap contracts	-	4,674	-	4,674
	-	4,674	-	4,674

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.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

1. Financial Risk Management Objectives and Policies (continued)

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.

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.

For the purpose of impairment testing the Delegat's and OBMVL operating segment's assets were previously required to be treated as separate cash-generating units (CGU's). This resulted in the impairment of OBMVL's assets of \$9,930,000 in the year ending 30 June 2010. Following the takeover of OBMVL and amalgamation of OBMVL into Delegat's during the year the operating results of OBMVL are no longer reviewed separately by the Chief Operating Decision Maker (CODM) and the separate Delegat's and OBMVL operating segments have been combined into the Delegat's operating segment. Accordingly the Group considers that the vineyard assets previously owned by OBMVL now form part of the single Delegat's CGU. The recoverable amount of the single Delegat's CGU has been calculated and this was determined to be greater than the total carrying value of the single Delegat's CGU's assets and therefore the impairment losses recognised in the prior year of \$9,930,000 are required to be reversed.

The carrying value of the single Delegat's CGU was determined using the value in use method by taking the present value of expected net cash flows from the vineyards and discounting them to present value using a pre-tax market determined discount rate of 9.3% (2010: 9.3%).

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.

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.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

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, 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 Company considers there is no significant variations in revenues throughout the year.

Following the takeover of Oyster Bay Marlborough Vineyards Limited (OBMVL) and OBMVL's amalgamation into Delegat's during the year the operating results of OBMVL are no longer reviewed separately by the Chief Operating Decision Maker (CODM) from the operating results of Delegat's. Both companies were party to vineyard leases and interests in freehold land upon which the Group undertakes growing operations. Accordingly from this reporting period Delegat's and OBMVL have been combined into one operating segment called Delegat's. The segmental information for the prior period has been restated.

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.

Year ended 30 June 2011	<i>Delegat's Wine Estate Ltd¹⁰</i>	<i>Oyster Bay Wines Australia Pty Ltd</i>	<i>Delegat's Wine Estate (UK) Ltd</i>	<i>Oyster Bay Wines USA, Inc.</i>	<i>Other Segments</i>	<i>Eliminations and Adjustments⁹</i>	<i>Year Ended 30 June 2011</i>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating income							
External sales ⁶	36,372	86,199	75,779	31,427	-	-	229,777
Internal sales	164,487	-	-	-	-	(164,487)	-
Total segment revenues¹	200,859	86,199	75,779	31,427	-	(164,487)	229,777
Interest revenue	48	60	4	-	3,529	(3,528)	113
Fair value adjustments							
Biological assets increase	2,526	-	-	-	-	-	2,526
Operating expenses							
Interest expense ²	12,851	-	-	2	2	(3,528)	9,327
Depreciation and amortisation ³	11,407	122	52	59	60	-	11,700
Reversal of impairment charges	(9,930)	-	-	-	-	-	(9,930)
Income tax expense ⁴	10,366	556	739	510	1,179	806	14,156
Segment profit/(loss)	30,193	1,400	1,950	745	2,648	(4,997)	31,939
Assets							
Segment assets ⁵	323,131	17,264	11,766	6,826	70,658	(80,203)	349,442
Capital expenditure ⁷	13,427	177	-	12	27	-	13,643
Segment liabilities	234,732	11,493	6,526	5,490	776	(77,231)	181,786

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

3. Segmental Reporting (continued)

Year ended 30 June 2010	Delegat's Wine	Oyster Bay	Delegat's Wine	Oyster Bay	Other Segments	Eliminations and Adjustments ⁹	Year Ended 30 June 2010
	Estate Ltd ¹⁰	Wines Australia Pty Ltd	Estate (UK) Ltd	Wines USA, Inc.			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating income							
External sales ⁸	31,555	71,757	90,719	25,689	-	-	219,720
Internal sales	155,176	-	-	-	-	(155,176)	-
Total segment revenues¹	186,731	71,757	90,719	25,689	-	(155,176)	219,720
Interest revenue	195	35	-	-	3,545	(3,528)	247
Fair value adjustments							
Biological assets decrease	(6,494)	-	-	-	-	-	(6,494)
Operating expenses							
Interest expense ²	10,920	2	4	2	4	(3,528)	7,404
Depreciation and amortisation ³	10,065	76	56	63	29	-	10,289
Impairment charges	9,930	-	-	-	-	-	9,930
Goodwill impairment	-	-	-	-	-	1,039	1,039
Income tax expense ⁴	3,922	515	939	317	1,328	843	7,864
Segment profit/(loss)	(14,781)	1,096	2,375	724	33,951	(30,084)	(6,719)
Assets							
Segment assets ⁵	311,192	14,526	17,118	7,053	74,951	(84,331)	340,509
Capital expenditure ⁷	28,460	666	2	55	228	-	29,411
Segment liabilities	243,859	10,346	8,890	6,282	1,417	(82,679)	188,115

- Intersegment revenues are eliminated on consolidation. Intercompany profit margins are also eliminated.
- Interest expense is net of any interest capitalised to long-term assets. During the year \$724,000 was capitalised to long-term assets (2010: \$831,000).
- Depreciation and amortisation expenses presented above are gross of \$10,733,000 (2010: \$8,751,000), which have been included within inventory.
- 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.
- 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.
- During the 2011 financial year Oyster Bay Wines Australia Pty Limited had a single customer which comprised 10% or more of Group sales amounting to \$32,840,000.
- 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.
- 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.
- The elimination and adjustments of segment profit, assets and liabilities relate to intercompany transactions and balances which are eliminated on consolidation.
- OBMVL was previously reported as a separate operating segment. Following the purchase of the non-controlling interest in OBMVL and the subsequent amalgamation of OBMVL into Delegat's on 31 May 2011, this operating segment has been combined into the Delegat's operating segment. The comparatives for the Delegat's operating segment for the year ended 30 June 2010 have been restated to include OBMVL.

4. Other Revenue

	Notes	GROUP		PARENT	
		2011	2010	2011	2010
		\$000	\$000	\$000	\$000
Wine equalisation tax rebate		683	621	-	-
Interest revenue		113	247	3,529	3,544
Rental income and other income		68	3	-	-
Dividend income		7	19	4	31,281
Bulk wine sale		1,654	174	-	-
Insurance recoveries		382	-	-	-
Unrealised foreign exchange gain		204	1,520	6	-
Management fee recharges		-	-	1,831	1,757
		3,111	2,584	5,370	36,582

5. Expenses

		GROUP		PARENT	
		2011	2010	2011	2010
		\$000	\$000	\$000	\$000
(a) Marketing and Promotion Expenses					
Domestic brand marketing and selling expenses		6,012	2,688	-	-
International brand support and trade marketing		62,432	66,362	-	-
		68,444	69,050	-	-
(b) Corporate Governance Expenses					
Directors' fees		345	390	260	260
Accounting and tax consultancy	23	170	183	33	46
Audit fees	23	176	163	131	116
Shareholder communications		133	167	121	132
Stock exchange and registry fees		98	87	60	60
		922	990	605	614
(c) Administration expenses					
Administration expenses		10,497	9,103	1,226	1,144
Provision for doubtful debts		(28)	1,588	-	-
Unrealised foreign exchange loss		-	-	-	31
Fair value loss on derivative instruments		1,139	3,677	-	-
		11,608	14,368	1,226	1,175

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

5. Expenses (continued)

	GROUP		PARENT	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
(d) Finance Costs				
Finance charges on banking facilities ¹	9,313	7,385	-	-
Other	14	19	-	-
	9,327	7,404	-	-

¹Deducted from the finance charges on banking facilities are interest costs incurred and capitalised of \$724,000 (2010: \$831,000). Capitalisation of interest ceases upon the asset (in identifiable stages) being ready for productive use.

(e) Depreciation and Amortisation

Amortisation of capitalised leases	1,648	1,707	-	-
Vineyard development	1,891	1,711	-	-
Buildings	656	746	-	-
Plant and equipment	7,505	6,125	-	-
	11,700	10,289	-	-

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 \$10,733,000 (2010: \$8,751,000) 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.

(f) Employee Benefits Expense

Wages and salaries	27,633	23,758	800	800
Defined contribution pension plans	704	573	-	-
Share-based payments expense	97	75	-	-
Termination benefits paid	289	80	-	-
	28,723	24,486	800	800

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. During the year \$5,685,000 (2010: \$5,761,000) of employee benefits were included within inventory. These costs are included within inventory until the stock to which the expenditure relates is sold.

(g) Lease Payments and Other Occupancy Expenses

Vineyard related lease payments	10,001	9,875	-	-
Other lease payments	9,776	9,297	80	80
	19,777	19,172	80	80

The figures above represent the total lease payments and other occupancy expenses for the year. During the year lease costs of \$nil (2010: \$676,000) 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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Balance at beginning of year	47,481	47,481	47,481	47,481
Shares issued during the year	1,417	-	1,417	-
Shares held as treasury stock	(106)	-	(106)	-
Share issue costs	(13)	-	(13)	-
Balance at the end of the year	48,779	47,481	48,779	47,481

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	100,500	100,350	100,500	100,350
Issued under Delegat's Group Limited Employee Share Ownership Plan	-	150	-	150
Issued to purchase non-controlling interest	630	-	630	-
Balance at the end of the year	101,130	100,500	101,130	100,500

There are 101,130,000 (2010: 100,500,000) 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.

b) Movements in Treasury Shares

	GROUP AND PARENT			
	2011		2010	
	Shares Held 000's	Nominal Value \$000	Shares Held 000's	Nominal Value \$000
Balance at the beginning of the year	-	-	-	-
Issued under Delegat's Group Limited Employee Share Ownership Plan	50	106	-	-
Balance at the end of the year	50	106	-	-

On 28 February 2011, and in accordance with the provisions of the Delegat's Group Limited Employee Share Ownership Plan, the Parent acquired 50,000 fully paid shares as a result of an employee leaving the Group's employment and as per the Share Scheme rules, the Parent has acquired the shares from the employee at their original issue price.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

6. Share Capital (continued)

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 \$836,000 upon the translation of foreign subsidiaries (2010: \$1,365,000 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 \$8,045,000 (2010: \$8,036,000) equating to 8.0 cents per share (2010: 8.0 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.

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 of 350,000 options were issued under this arrangement in September 2008, and a further 150,000 options in March 2010. On 28 February 2011, 50,000 of these options were cancelled following an employee leaving the employment of the Group.

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 employees, however the employees have agreed that the dividends are 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. On 28 February 2011, 50,000 of the options were cancelled following an employee leaving the employment of the Group. In accordance with the Scheme rules the shares were reacquired from the employee at their original issue price.

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 2011 an expense of \$97,000 (2010: \$75,000) has been recorded. This includes the expensing of the remaining fair value of the options which were cancelled during the year.

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

	PARENT	
	2011	2010
	<i>Number of Shares (000)</i>	
Outstanding at the beginning of the year	500	350
Granted during the year	-	150
Cancelled during the year	(50)	-
Outstanding at the end of the year	450	500
Weighted average of remaining contractual life	1.72 years	2.68 years
Weighted average of option fair value at grant date	\$0.67 per share	\$0.68 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>	
	2011	2010
Exercise price	N/A	\$2.00
Dividend yield	N/A	6.28%
Expected volatility	N/A	35%
Risk free interest rate	N/A	5.09%
Expected life of the options	N/A	Four years

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

8. Share-Based Payments (continued)

During the year, as disclosed in the Statement of Accounting Policies, we have adopted the amendment to NZ IFRS 2, 'Group Cash-settled Share-based Payment Transactions'. The amendment provided additional guidance in relation to the accounting policy in the Parent financial statements where the Parent is settling share-based payment transactions on behalf of its subsidiaries. The amendment requires the Parent to account for these share-based transactions as equity-settled if they will be satisfied in the entity's own equity instruments. The amendment has no effect on the Group financial statements.

The new accounting policy results in a gross-up in the financial statements of the Parent, in share-based payment reserves and investment in subsidiaries, and we have restated our prior year comparatives to apply the policy as if it had always existed. Specifically the change in accounting policy has resulted in the following changes to prior year comparatives in the Parent financial statements.

In the Parent's Statement of Changes in Equity for the year ended 30 June 2010 the opening balance of the share-based payment reserve at 1 July 2009 has been increased by \$277,000 to \$311,000 (previously \$34,000). We have also included an additional movement in the Parent share-based payment reserve in the prior year of \$75,000. In total the change in accounting policy has increased the closing balance of the Parent's share-based payment reserves at 30 June 2010 by \$352,000 to \$401,000 (previously \$49,000).

In the Parent's Statement of Financial Position as at 30 June 2010 share-based payment reserves have increased by the \$352,000 to \$401,000 (previously \$49,000) and investments in subsidiaries have increased by a corresponding \$352,000 to \$2,634,000 (previously \$2,282,000). Accordingly in note 19: Investment in Subsidiaries the balance of the Parent's Investments in Subsidiaries at 30 June 2010 has been restated to equal \$2,634,000 (previously \$2,282,000).

There were no other changes to the comparatives of the Parent financial statements in relation to this change.

9. Trade Payables and Accruals

	GROUP		PARENT	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Trade payables	10,284	11,977	-	8
Employee entitlements and leave benefits	3,898	2,694	-	-
Goods and services tax	494	1,061	-	-
Accrued expenses	13,122	13,729	215	215
	27,798	29,461	215	223

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

10. Derivative Financial Instruments

Derivative financial instruments are used by the Group in the normal course of business in order to reduce the risk of fluctuations in interest and foreign exchange rates. All movements in the fair value of derivative financial instruments are recognised in the 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 RATE		GROUP	
	2011	2010	2011 \$000	2010 \$000
i) Forward Exchange Contracts				
<i>Selling Currency/Buying NZD</i>				
Sell AUD, maturity 0-5 months	0.7539	0.8000	6,634	35,428
Sell USD, maturity 0-5 months	0.7869	0.6957	1,466	6,154
Sell GBP	-	0.4614	-	8,489
Sell CAD, maturity 0-1 months	0.7345	0.7160	306	4,193
Sell SGD	-	0.9479	-	245
Sell EUR, maturity 0-5 months	0.5345	0.5167	519	2,830

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 \$319,000 (2010: \$966,000 asset).

	AVERAGE CONTRACTED RATE		GROUP	
	2011	2010	2011 \$000	2010 \$000
ii) Forward Currency Options				
<i>Selling Currency / Buying NZD</i>				
Sell USD, maturity 0-5 months	0.7767	0.7060	3,868	3,541
Sell GBP, maturity 0-8 months	0.4853	0.4769	9,790	7,339
Sell AUD, maturity 0-18 months	0.7701	0.7863	24,160	9,029
Sell EUR maturity 0-12 months	0.5100	0.5800	588	345
Sell CAD, maturity 0-8 months	0.7700	-	1,949	-

The fair value of foreign currency options existing at balance sheet date is an asset of \$1,289,000 (2010: \$463,000 asset) 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.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

10. Derivative Financial Instruments (continued)

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 \$72,000,000 (2010: \$60,000,000) of Group indebtedness through four separate cap rate agreements, which range in maturity from two to five years. The interest rate swap is capped at 5.26% for \$7,000,000, 5.74% for \$15,000,000, 5.84% for \$25,000,000 and 6.37% for \$25,000,000 (2010: 6.08% for \$45,000,000 and 5.74% for \$15,000,000) plus bank margin. The total fair value of these contracts at balance sheet date is a liability of \$4,674,000 (2010: \$3,180,000 liability).

ii) Interest Rate Swaps in Subsidiary Company

As at 30 June 2010 interest rate swap contracts were in place that covered \$7,000,000 or 65% of principal outstanding within subsidiary company Oyster Bay. The maturity date for the open interest rate swap contracts was 28 June 2014 and these had a fair value of \$176,000 liability at 30 June 2010. Following the purchase of the non-controlling interest in Oyster Bay during the 2011 year these interest rate swap contracts were transferred to Delegat's Wine Estate Limited and are included above.

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.

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	
		2011	2010	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current Debt Obligations							
Secured term loan (subsidiary)	-	-	5.26%	-	7,000	-	-
Working capital facility (subsidiary)	-	-	4.25%	-	3,810	-	-
				-	10,810	-	-
Non-Current Debt Obligations							
Working Capital and Seasonal facility	31 Jul 2013	3.43%	-	39,960	-	-	-
Term facility	31 Jul 2015	5.36%	3.65%	84,640	59,000	-	-
Working Capital facility	-	-	4.18%	-	30,000	-	-
Capital Note facility	-	-	3.94%	-	35,000	-	-
				124,600	124,000	-	-

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 and Seasonal facility, and the Term 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 and Seasonal facility is \$63,000,000 (2010: \$nil) and the Term facility is \$130,000,000 (2010: \$95,000,000). At balance sheet date \$45,100,000 (2010: \$36,000,000) is available for further drawdown on these facilities. As part of the Working Capital and Seasonal facility the Group has a Seasonal facility available of \$23,000,000, which can be drawn between 1 July and 31 December each year to assist in the working capital requirements surrounding grape harvest. This replaces the Seasonal facility of \$10,000,000 which existed at 30 June 2010.

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 Working Capital facility of \$30,000,000 and Capital Note facility of \$35,000,000 at 30 June 2010 were repaid during the current year and were incorporated in the new Working Capital and Seasonal facility, and Term facility above.

ii) Secured Term Loan

At 30 June 2010 the Secured Term Loan of \$7,000,000 represented debt facilities in place at subsidiary company Oyster Bay. Following the purchase by the Group of the non-controlling interest in Oyster Bay during the year this facility has been repaid.

iii) Other Facilities

Delegat's also has available an overdraft limit of \$100,000 (2010: \$100,000). Interest charged on this facility is the prime lending rate plus 1.0% margin. At 30 June 2011 the prime lending rate is 8.45% (2010: 8.75%). No amount is drawn against this facility at balance sheet date.

At 30 June 2010 subsidiary company Oyster Bay had a \$5,000,000 Working Capital facility and \$1,000,000 overdraft facility. Following the purchase by the Group of the non-controlling interest in Oyster Bay during the year this facility has been repaid.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

12. Trade and Other Receivables

	GROUP		PARENT	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Trade receivables	37,654	35,798	-	-
Prepayments and sundry receivables	3,255	3,710	20	84
Non-trade receivables	-	786	-	-
Goods and services tax	1,044	596	1	1
	41,953	40,890	21	85

As at 30 June 2011 the ageing of trade receivables, net of provisions (as detailed below), is as follows:

	<i>Total</i>	<i>Current</i>	<i>< 30 days</i>	<i>31 to 60 days</i>	<i>61 to 90 days</i>	<i>> 90 days</i>
		\$000	\$000	\$000	\$000	\$000
				PDNI	PDNI	PDNI
30 June 2011	37,654	37,525	88	8	-	33
30 June 2010	35,798	33,706	2,023	15	-	54

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.

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 2011, trade receivables at a nominal value of \$2,073,000 (2010: \$2,101,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2011			2010		
	<i>Individually Impaired</i>	<i>Collectively Impaired</i>	<i>Total</i>	<i>Individually Impaired</i>	<i>Collectively Impaired</i>	<i>Total</i>
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at the start of the year	2,101	-	2,101	963	-	963
Written off during the year	-	-	-	(450)	-	(450)
Recovered during the year	(36)	-	(36)	(100)	-	(100)
Charged during the year	8	-	8	1,688	-	1,688
Balance at the end of the year	2,073	-	2,073	2,101	-	2,101

13. Inventories

	GROUP		PARENT	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current vintage	47,791	42,456	-	-
Aged wine	16,269	25,680	-	-
Growing costs relating to next harvest	3,489	4,572	-	-
Winery ingredients, packaging materials and other	1,930	489	-	-
	69,479	73,197	-	-

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 \$3,083,000 (2010: \$5,250,000 loss) was recorded during the year and included within cost of sales.

Included within cost of sales is a total of \$107,179,000 (2010: \$106,996,000) 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 2011

14. Property, Plant and Equipment

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

Year ended 30 June 2011	Freehold Land and Land	Vineyard	Buildings	Plant and Equipment	Capitalised Vineyard Lease	Capital Work in Progress	Total
	Improvements	Improvements		\$000	Payments	\$000	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Net book value at 1 July 2010	44,617	20,747	27,139	57,119	6,028	19,605	175,255
Additions	1,731	8,714	72	10,127	-	(7,966)	12,678
Disposals	-	(70)	(25)	(64)	-	-	(159)
Foreign currency translation	-	-	-	(51)	-	-	(51)
Reversal of impairment charge ¹	4,581	5,349	-	-	-	-	9,930
Depreciation charge	-	(1,891)	(656)	(7,505)	(1,648)	-	(11,700)
Net book value at 30 June 2011	50,929	32,849	26,530	59,626	4,380	11,639	185,953
At cost	50,936	42,054	31,215	93,828	15,035	11,639	244,707
Accumulated depreciation, amortisation and impairment	(7)	(9,205)	(4,685)	(34,202)	(10,655)	-	(58,754)
Net book value at 30 June 2011	50,929	32,849	26,530	59,626	4,380	11,639	185,953

¹ The reversal of impairment charge reverses the impairment charge that was recognised in the previous year. For further detail refer to Note 2.

Year ended 30 June 2010	Freehold Land and Land	Vineyard	Buildings	Plant and Equipment	Capitalised Vineyard Lease	Capital Work in Progress	Total
	Improvements	Improvements		\$000	Payments	\$000	
	\$000	\$000	\$000	\$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 ²	(4,581)	(5,349)	-	-	-	-	(9,930)
Depreciation charge	-	(1,711)	(746)	(6,125)	(1,707)	-	(10,289)
Net book value at 30 June 2010	44,617	20,747	27,139	57,119	6,028	19,605	175,255
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)
Net book value at 30 June 2010	44,617	20,747	27,139	57,119	6,028	19,605	175,255

² The impairment charge recognised in the year ended 30 June 2010 was allocated firstly to land to reduce its value to fair value less costs to sell and the balance to vineyard improvements. No impairment was allocated to buildings and plant and equipment as the Directors considered there was no impairment of these assets. For further detail refer to Note 2.

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 (2010: \$nil). At year end the net book value of \$nil (2010: \$nil) is represented by assets of \$7,000 (2010: \$7,000) and accumulated depreciation of \$7,000 (2010: \$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.

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 7.33%.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

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 2011 the Group has grape vines planted on 912 productive hectares of land (2010: 875 productive hectares). During the year the Group harvested a total of 25,469 tonnes of grapes (2010: 21,965 tonnes). Of this amount a total of 11,860 tonnes (2010: 11,169 tonnes) were purchased from independent third party growers. The fair value of agricultural produce from the Group's owned and leased vineyards at the point of harvest was \$18,818,000 (2010: \$15,484,000).

Grape vines are measured at fair value less estimated point of sale costs at balance sheet date as determined by Logan Stone - an accredited and independent third party valuer. For vineyard operations which have a forecasted future market value in excess of \$6,000,000 (2010: \$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:

	<u>2011</u>	<u>2010</u>
i) Average remaining life of grape vines ^(a)	Variable	Variable
ii) Average yield per hectare of mature vineyards ^(b)	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 ^(c)	9.3%	9.3%
iv) Annual rate of inflation to cost and revenue inputs ^(d)	0.8% to 2.0%	0.8% to 2.0%
v) Vineyard maintenance costs ^(e)	\$8,400 to \$10,700 per hectare	\$8,000 to \$11,800 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 \$1,600 to \$2,600 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 adjusted for the anticipated movements in lease costs as a result of the rent reviews.

Replacement plantings required are expensed as incurred. During the year the Group had incurred \$31,000 (2010: \$706,000) associated with the replanting of vines. These expenses are included as repairs and maintenance.

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

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

	<u>GROUP</u>	
	<u>2011</u>	<u>2010</u>
	\$000	\$000
Carrying value at the start of the year	43,912	49,178
Purchases of biological assets	965	1,497
Disposal of biological assets	(383)	(269)
Changes in fair value less estimated point of sale costs	2,526	(6,494)
Carrying value at the end of the year	47,020	43,912

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 2011

16. Income Tax Expense

	GROUP		PARENT	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
a) Numerical Reconciliation between aggregate tax expense in the statement of financial performance and tax expense calculated per the statutory income tax rate				
Accounting profit before tax	46,095	1,145	3,539	34,793
At the Group's statutory income tax rate of 30% (2010: 30%)	13,828	344	1,062	10,438
Tax Impact of following items:				
Adjustments in respect of income tax of prior years	(40)	(18)	3	-
Entertainment	84	69	1	4
Legal fees	24	75	-	-
Non-deductible interest and other items	1,006	113	12	(5)
Tax on foreign income due to different tax rates	75	45	-	-
Dividends from 100% wholly owned subsidiary	-	-	-	(9,380)
Share-based payments	29	23	-	-
Impairment charges - land and goodwill	(1,374)	1,685	-	-
Removal of tax depreciation on buildings	(148)	6,546	-	-
Change in tax rate on deferred tax balances	(93)	(1,018)	(1)	-
Loss of tax losses of OBMVL due to breach of continuity	765	-	-	-
Income tax expense for the year	14,156	7,864	1,077	1,057

b) The major components of income tax expense are:

Estimated current period tax assessment	10,940	8,523	1,073	1,057
Adjustments in respect of income tax of prior years	(40)	(18)	3	-
Movements in the deferred income tax liability	3,256	(641)	1	-
Income tax expense for the year	14,156	7,864	1,077	1,057

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

i) Deferred tax liabilities				
Capitalised interest	2,043	1,946	-	-
Capitalised leases	1,317	1,971	-	-
Accelerated depreciation of long-term assets	10,973	8,206	-	-
Excess of fair value of biological assets over tax values	9,578	10,097	-	-
Fair value adjustments on biological produce	730	1,117	-	-
Gross deferred tax liabilities	24,641	23,337	-	-

ii) Deferred tax assets

Provisions	548	633	5	6
Stock profit and intercompany eliminations	94	805	-	-
Allowance for doubtful debts	146	156	-	-
Carried forward tax losses	-	1,012	-	-
Financial derivative instruments	859	490	-	-
Fair value adjustments on biological produce	1,186	1,689	-	-
Gross deferred tax assets	2,833	4,785	5	6

Net deferred tax liability/(asset)	21,808	18,552	(5)	(6)
Balance at beginning of year	18,552	19,193	(6)	(6)
On surplus for year	3,256	(641)	1	-
Balance at the end of the year	21,808	18,552	(5)	(6)

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

In May 2010 the Government announced changes to the corporate tax rate from 30% to 28% and the removal of the ability for companies to claim depreciation on 'buildings' that have an estimated life of 50 years or more, from the 2011/12 income tax year.

As a result at 30 June 2010 the Group recognised a reduction in the net deferred tax liability of \$1,018,000 due to the changes to the corporate tax rate, based on the Group's estimates of the temporary differences anticipated to reverse after the commencement of the 2011/12 income tax year. The removal of tax depreciation on buildings required the Group to adjust the tax carrying value of the buildings. This change resulted in an increase in the deferred tax liability of \$6,546,000. These adjustments were recognised in the Statement of Financial Performance in the prior year.

These changes did not become effective for the Group until the commencement of the 2011/12 income tax year and therefore the Group was required to recalculate the adjustments as at 30 June 2011. This has resulted in a small decrease in the net deferred tax liability for the change in corporate tax rates of \$93,000 and a reduction in the additional deferred tax liability for the removal of tax depreciation on buildings of \$148,000. These adjustments have been recognised in the Statement of Financial Performance in the current year.

17. Imputation Credit Account

	PARENT	
	2011 \$000	2010 \$000
Balance at beginning of year	13,531	15,065
Tax payments	7,855	2,402
Fully imputed dividend paid	(3,430)	(3,936)
Loss of credits - change of continuity	(5,397)	-
Balance at the end of the year	12,559	13,531

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

Through direct shareholding in the Parent	7,701	13,512
Through indirect interests in subsidiaries	4,858	19
	12,559	13,531

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

18. Commitments

a) Operating Leases

	GROUP		PARENT	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Lease commitments under non-cancellable operating leases.				
Within one year	17,984	18,167	80	80
One to two years	13,313	13,146	60	80
Two to five years	9,475	15,831	-	60
Beyond five years	30,151	33,862	-	-
	70,923	81,006	140	220

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 2011 but not provided for is \$916,000 (2010: \$1,002,000).

19. Investment in Subsidiaries

	PARENT	
	2011 \$000	2010 ¹ \$000
The Parent's direct or ultimate investment in subsidiaries comprises shares at cost and share-based payment awards settled by the Parent on behalf of the subsidiaries:		
Investments	2,731	2,634

¹ The Parent opening balances have been restated due to a change in accounting policies (refer to note 8 for details of the change).

Investments in controlled entities are detailed in Note 21.

20. Intangible Assets

	GROUP	
	2011 \$000	2010 \$000
a) Goodwill on consolidation		
Goodwill at start of year	-	1,039
Goodwill impairment	-	(1,039)
Balance at the end of the year	-	-

The goodwill on consolidation related to the operations of OBMVL and was fully impaired in the prior year.

b) Other Intangible Assets

The Group does not report any other intangible assets.

21. Related Parties

a) Investment in Subsidiaries

Name of Entity	Principal Activity	Parent Company	Country of Incorporation	Ownership Interest %	
				2011	2010
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 Ltd	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

All subsidiaries have a balance sheet date of 30 June.

	PARENT	
	2011 \$000	2010 \$000
At balance sheet date the Parent has the following balances that are due from/(to) subsidiary companies:		
Delegat's Wine Estate Limited	66,578	71,292
Delegat's Wine Estate (UK) Limited	118	122
Oyster Bay Wines Australia Pty Limited	125	124
Oyster Bay Wines USA, Inc.	187	-
	67,008	71,538

The Parent successfully completed a capital raise in 2006. These funds were advanced to Delegat's, 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.

During the year Delegat's acquired the remaining 49.9% of the shares in Oyster Bay Marlborough Vineyards Limited that it did not already own and the company was amalgamated into Delegat's on 31 May 2011 (refer to note 27).

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

21. Related Parties (continued)

b) Key Management Personnel

Details relating to key management personnel, including remuneration paid, are included within Note 22.

c) Related Parties by Virtue of Share Ownership

The following Directors hold the following number of Shares in the Parent.

	2011	2010
Jakov Delegat and Rosemari Delegat and Robert Wilton	33,928,571	33,928,571
Rosemari Delegat and Robert Wilton	32,928,571	32,928,571
Robert Wilton	1,000,000	1,000,000
John Maasland	3,490	-

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 (2010: \$100,000) was paid to Robert Wilton in his capacity as a Non-Executive Director. Rosamari Delegat received \$50,000 (2010: \$50,000) in her capacity as a Non-Executive Director during the year.

During the year a total of \$158,000 (2010: \$100,000) 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 \$69,000 (2010: \$115,000).

Please also 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 \$16,000 (2010: \$15,000) 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.

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 From	Sales To
Management fee recharges			
- Delegat's Wine Estate Limited	2011	-	1,379,000
	2010	-	1,503,000
Management fee recharges			
- Delegat's Wine Estate (UK) Limited	2011	-	117,000
	2010	-	127,000
- Oyster Bay Wines Australia Pty Limited	2011	-	124,000
	2010	-	127,000
- Oyster Bay Wines USA, Inc.	2011	-	211,000
Interest recharge on capital raise			
- Delegat's Wine Estate Limited	2011	-	3,528,000
	2010	-	3,528,000
Dividends received			
- Delegat's Wine Estate Limited	2011	-	-
	2010	-	30,150,000
- Oyster Bay Wines (USA) Limited	2011	-	-
	2010	-	1,115,000

f) Transactions with Delegat's Wine Estate Limited

The Parent successfully completed a capital raise in 2006. These funds were advanced to Delegat's, supported by an interest-bearing loan agreement and is repayable on demand.

During the year the Parent recognised \$3,528,000 (2010: \$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 \$1,379,000 (2010: \$1,503,000) 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 \$117,000 (2010: \$127,000). 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 \$124,000 (2010: \$127,000). 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.

i) Transactions with Oyster Bay Wines USA, Inc.

During the year the Parent had charged Oyster Bay Wines USA, Inc. management fees of \$211,000 (2010: \$nil). The Management fees are based on an allocation of actual cost incurred by the Parent on behalf of Oyster Bay Wines USA, Inc. and are expected to be settled within 30 days.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

22. 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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Short-term employee benefits	5,676	5,274	1,185	1,185
Post-employment benefits	87	91	-	-
Termination payments	50	29	-	-
Share-based payments expense	97	75	-	-
	5,910	5,469	1,185	1,185

23. 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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Audit of the financial statements	171	158	126	111
Other assurance related services	5	5	5	5
Tax compliance	127	162	23	44
	303	325	154	160

Included within administration costs are professional fees paid to Oyster Bay's auditor PricewaterhouseCoopers. Audit fees received by PricewaterhouseCoopers amounted to \$5,000 (2010: \$26,000). Oyster Bay also uses PricewaterhouseCoopers for taxation advice. During the year a total of \$5,000 (2010: \$5,000) was received by them in their capacity as advisors.

**24. Reconciliation of Profit for the Year with
Net Cash Flows from Operating Activities**

	GROUP		PARENT	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Reported profit after tax	32,722	177	2,462	33,736
Non-controlling interest share of loss	(783)	(6,896)	-	-
	31,939	(6,719)	2,462	33,736
Plus items not involving cash flows				
Fair value movement on biological assets	(2,526)	6,494	-	-
Amortisation of leases	1,648	1,707	-	-
Depreciation expense	10,052	8,582	-	-
Other non-cash items	(593)	(1,611)	(10)	15
Loss on disposal of assets	439	141	-	-
Impairment (reversal)/charges	(9,930)	9,930	-	-
Goodwill impairment	-	1,039	-	-
Movement in derivative financial instrument assets	1,139	3,677	-	-
Movement in deferred tax assets	24	(67)	1	-
Movement in deferred tax liabilities	3,232	(574)	-	-
	35,424	22,599	2,453	33,751
Movement in working capital balances are as follows:				
Trade payables and accruals	(1,663)	(3,321)	(8)	(151)
Trade and other receivables	(1,063)	8,448	64	5
Inventories	3,718	15,432	-	-
Income tax	992	3,904	(321)	870
	1,984	24,463	(265)	724
Deduct items classified as investing and financing activities				
Vineyard development receivables and facility fees	(348)	881	-	-
Capital purchases included within trade payables	899	299	-	-
Related party funding included within working capital	-	-	(5,350)	(36,580)
Expenses incurred in purchase of non-controlling interest	597	-	-	-
	3,132	25,643	(5,615)	(35,856)
Net Cash Inflows/(Outflows) from Operating Activities	38,556	48,242	(3,162)	(2,105)

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

25. Events Subsequent to Balance Sheet Date

On 25 August 2011, the Directors of the Parent declared a fully imputed dividend of \$8,086,000 (8.0 cents per Share) to be paid on 14 October 2011.

On 25 July 2011, Delegat's Wine Estate Limited completed the purchase of the land and vineyard improvements that comprise the Gimblett Road (23 hectares) and Highway 50 (21 hectares) vineyards for total consideration of \$3,000,000. These vineyards were previously leased by the Group.

26. Earnings Per Share

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

	2011	2010
a) Earnings Used in Calculating Earnings per Share		
Profit for the year - basic and fully diluted (\$000)	32,722	177
b) Weighted Average Number of Shares		
Weighted average number of shares - basic and fully diluted (000)	100,306	100,000
c) Reported Earnings Per Share on statement of financial performance (expressed as cents per share)		
- Basic and fully diluted earnings per share	32.62	0.18

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.

27. Purchase of Non-controlling Interest

During the year Delegat's Wine Estate Limited (Delegat's) purchased the 4,491,000 shares outstanding in Oyster Bay Marlborough Vineyards Limited (OBMVL) that it did not already own. Following these purchases Delegat's owned 100% of OBMVL and OBMVL was subsequently amalgamated into Delegat's on 31 May 2011.

As consideration for the purchase of these shares a total of 630,000 Delegat's Group Limited shares were issued and total cash consideration of \$7,909,000 paid. In accordance with NZ IAS 27: Consolidated and Separate Financial Statements (Amended 2008), the difference between the fair value of consideration paid and the adjustment to non-controlling interests has been recorded in equity.

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

We have audited the financial statements of Delegat's Group Limited and its subsidiaries on pages 1 to 30, which comprise the statement of financial position of Delegat's Group Limited and the group as at 30 June 2011, 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 & Young provides taxation services to the group. We have no other relationship with, or interest in Delegat's Group Limited or any of its subsidiaries.

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

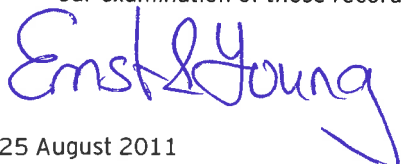
In our opinion, the financial statements on pages 1 to 30:

- ▶ 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 Delegat's Group Limited and the group as at 30 June 2011 and the financial performance and cashflows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by Delegat's Group Limited as far as appears from our examination of those records.



25 August 2011
Auckland