

DELEGAT'S GROUP LIMITED

Results for announcement to the market

Reporting Period	6 months to 31 December 2010
Previous Reporting Period	6 months to 31 December 2009

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$137,014	2%
Profit from ordinary activities after tax attributable to shareholders	\$15,853	14%
Net profit attributable to shareholders	\$15,853	14%

Audit	The financial statements attached to this report have not been audited.
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Comments	Refer to the Chairman's Report appended.
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Interim Dividend	Cents per share	Cents per share (imputed)
	Not Applicable	Not Applicable

Net Tangible Assets per share

	Current Year	Previous corresponding year
Net Tangible Assets per share	\$1.50	\$1.71



DELEGAT'S GROUP LIMITED

CHAIRMAN'S REPORT

Delegat's Group Limited (Delegat's) presents its unaudited operating and financial results for the six months ended 31 December 2010.

Performance Highlights

- Achieved global sales of 1,126,000 cases.
- Achieved record six-month sales revenue of \$131.7 million.
- Increased case price realisation to \$116.93.
- Achieved record operating NPAT of \$17.1 million.
- Generated Cash from Operations of \$17.5 million.

The Directors are pleased to report that the Group continues to perform very well, despite trading conditions that have remained challenging across all our markets. The operating net profit after tax for the six months is \$17.1 million, compared with \$15.7 million over the same period in the previous year. The non-cash accounting adjustments reduced the reported net profit after tax to \$15.9 million.

FINANCIAL PERFORMANCE

NZ\$ millions	Dec 2010 Actual	Dec 2009 Actual	% Δ vs 2009
Sales Revenue	131.7	128.9	2%
Operating NPAT	17.1	15.7	9%
Operating NPAT % of Sales	13%	12%	
<u>Non-cash Adjustments</u>			
Fair Value Items after Tax & Minorities	(1.2)	(1.9)	-34%
Reported NPAT	15.9	13.8	14%
Reported NPAT % of Sales	12%	11%	

Operating performance

Consistent with the last reported results the Directors publish the Operating Performance report to provide a better understanding of the operational performance that underlies the reported financial performance. The supplementary report at 31 December 2010 eliminates the non-cash fair value accounting adjustments.

OPERATING PERFORMANCE

NZ\$ millions	Notes	Dec 2010 Actual	Dec 2009 Actual	% Δ vs 2009
Sales Revenue		131.7	128.9	2%
Total Operating Revenue	1	132.5	129.0	3%
Operating Gross Profit	2	76.3	74.4	3%
Operating Gross Margin		58%	58%	
Operating Expenses	3	(46.3)	(47.9)	3%
Operating EBIT	4	30.0	26.5	13%
Operating EBIT % of Sales		23%	21%	
Interest, Tax, Minorities		(12.9)	(10.8)	-19%
Operating NPAT	4	17.1	15.7	9%
Operating NPAT % of Sales		13%	12%	
Operating EBITDA	4	35.7	31.5	13%
Operating EBITDA % of Sales		27%	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, OBV's 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.

Delegat's achieved record Sales Revenue of \$131.7 million on global case sales of 1,126,000 in the six month period. Sales Revenue was up \$2.8 million on the same period last year, while global case sales were 1% lower. This has resulted in an increased case price realisation at \$116.93, compared with \$113.54 achieved in 2009, brought about by a positive change in price, country and product mix.

CASE SALES, CASE PRICE REALISATION AND FOREIGN CURRENCY

Case Sales (000's)	Dec 2010 Actual	Dec 2009 Actual	% Δ vs 2009	
UK, Ireland & Europe	521	602	-13%	
Nth America (USA, Canada)	204	164	24%	
Australia, NZ & Asia Pac	401	369	9%	
Total Cases	1,126	1,136	-1%	
Case Price Realisation (\$)	1	116.9	113.5	3%

1. Case Price Realisation is sensitive to:
 - Foreign currency
 - Country and product mix

Foreign Currency Rates	Dec 2010 Actual	Dec 2009 Actual	% Δ vs 2009
£	0.4599	0.4266	-8%
A\$	0.7673	0.7983	4%
US\$	0.7253	0.7127	-2%
C\$	0.7503	0.7356	-2%

The Group's Operating Expenses, before NZ IFRS adjustments, is \$46.3 million compared with \$47.9 million over the same period in the previous year.

Operating EBIT of \$30.0 million is \$3.5 million greater than the same period in the prior year, while Operating EBITDA is \$4.2 million ahead of the same period the previous year at \$35.7 million.

Operating NPAT is \$17.1 million compared with \$15.7 million over the same period in the previous year.

NZ IFRS Fair Value adjustments

In accordance with NZ IFRS the Group is required to account for certain of their assets at fair value rather than their historic cost. All movements in fair value are recorded in the Statement of Financial Performance and the Group records adjustments in respect of three significant items at the half year reporting date:-

- Biological Assets (Vines) have been written up by \$4.4 million representing the value of grapes that are growing on the vines before harvest. Associated with the grapes growing on the vine are the cumulative growing costs of \$6.3 million, which have been recognised at the reporting date, resulting in a net loss of \$1.9 million;
- Harvest Provision Release (Grapes) is the reversal of prior periods' fair value adjustments in respect of biological produce as finished wine is sold in subsequent years.
- Derivative Instruments held to hedge the Group's foreign currency and interest rate exposure are recorded at fair value, resulting in a loss of \$1.2 million in 2010, compared with \$0.6 million in the prior year.

In addition the Group makes some minor adjustments in respect of share based payments.

In aggregate, and after deducting taxation and minority interests, the impact of fair value adjustments in the period to 31 December 2010 amounted to a negative \$1.2 million.

IMPACT OF 'FAIR VALUE' ADJUSTMENTS

NZ\$ millions	Notes	Dec 2010 Actual	Dec 2009 Actual	% Δ vs 2009
Operating NPAT		17.1	15.7	9%
Operating NPAT % of Sales		13%	12%	
<u>NZ IFRS Fair Value Items</u>				
Biological Assets (Vines)		(1.9)	0.4	-621%
Harvest Provision Release (Grapes)	1	0.5	(3.7)	113%
Derivative Instruments		(1.2)	(0.6)	-86%
Other Fair Value Items	2	(0.0)	(0.1)	16%
Total Fair Value Items		(2.6)	(4.0)	34%
Less: Tax & Minorities		1.4	2.1	-34%
Fair Value Items after Tax & Minorities		(1.2)	(1.9)	34%
NPAT after NZ IFRS Fair Value Items		15.9	13.8	14%

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.

Reported Accounting Performance

Accounting for all fair value adjustments under NZ IFRS the Group's reported unaudited financial performance for the six months ended 31 December 2010 is as follows:-

- Earnings before Interest and Tax is \$27.3 million;
- Earnings before Interest, Tax, Depreciation and Amortisation is \$33.1 million; and
- Net Profit after Tax is \$15.9 million.

Acquisition of Oyster Bay Marlborough Vineyards (OBMVL)

The successful acquisition of OBMVL was completed on 21 December 2010.

Looking forward

The Directors continue to hold the view that the business environment will remain challenging – highlighted by the uncertain and slow recovery in the major markets in which the Group operates and the sustained weakness in key export market currencies.

The industry supply imbalance remains and the Group believes it will result in grape prices staying near current levels for the next two to three years with further declines in vineyard asset prices likely.

Despite these challenges the Group remains confident that its sales performance for the full year will be ahead of forecast. The performance highlights demonstrate the success of the Group's market specific strategy to pursue value growth and growth markets. The result has been an increase in case price realisation, which is underpinned by the company's Super Premium brands positioning. The recent adverse weather conditions experienced in the Northern Hemisphere and Australia have led us to marginally reduce our full year case sales announced to the annual meeting.

The Group expects that it will achieve full year forecasted operating NPAT within the consensus range of \$20.5 - \$25.5 million.

Robert Wilton
Chairman
Delegat's Group Limited

Delegat's Group Limited and Subsidiaries
Statement of Financial Performance
For the Six Months Ended 31 December 2010

	Group		
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>Dec 2010</i>	<i>June 2010</i>	<i>Dec 2009</i>
	<i>6 Months</i>	<i>12 Months</i>	<i>6 Months</i>
	\$000	\$000	\$000
Sales	131,671	219,720	128,859
Fair value movement on biological assets	4,436	(6,494)	5,715
Other revenue	907	2,584	347
Revenue	137,014	215,810	134,921
Cost of sales	62,133	111,050	63,716
Gross profit	74,881	104,760	71,205
Marketing and promotion expenses	40,375	69,050	40,220
Corporate governance expenses	535	990	496
Administration expenses	6,192	14,368	7,318
Finance costs	4,640	7,404	3,375
Production management expenses	365	834	466
Total expenses	52,107	92,646	51,875
Profit before impairment charges	22,774	12,114	19,330
Impairment charges	-	9,930	-
Goodwill impairment	-	1,039	-
Profit before income tax	22,774	1,145	19,330
Income tax expense	7,707	7,864	5,782
Profit/(loss) after income tax	15,067	(6,719)	13,548
Loss attributable to non-controlling interests	786	6,896	299
Profit for the period attributable to Shareholders of the Parent Company	15,853	177	13,847
Earnings Per Share			
- Basic earnings per share (cents per share)	15.85	0.18	13.85
- Fully diluted earnings per share (cents per share)	15.85	0.18	13.80

Delegat's Group Limited and Subsidiaries
Statement of Comprehensive Income
For the Six Months Ended 31 December 2010

Profit/(loss) after income tax	15,067	(6,719)	13,548
Other comprehensive income:			
- Translation of foreign subsidiaries	(545)	(1,365)	(1,225)
- Income tax relating to components of other comprehensive income	-	-	-
Total comprehensive income/(loss) for the period, net of tax	14,522	(8,084)	12,323
Comprehensive loss attributable to non-controlling interests	(786)	(6,896)	(299)
Comprehensive income/(loss) attributable to Shareholders of the Parent Company	15,308	(1,188)	12,622

Delegat's Group Limited and Subsidiaries
Statement of Changes in Equity
For the Six Months Ended 31 December 2010

For the six months ended 31 December 2010 (Unaudited)

	Share Capital \$000	Foreign Currency Translation Reserve \$000	Share-based Payment Reserve \$000	Retained Earnings \$000	Total \$000	Non- Controlling Interests \$000	Total Equity \$000
Audited balance at 30 June 2010	47,481	(1,792)	401	84,479	130,569	21,825	152,394
Changes in equity for the period ended 31 December 2010							
<i>Other comprehensive income</i>							
- Translation of foreign subsidiaries	-	(545)	-	-	(545)	-	(545)
Total other comprehensive income	-	(545)	-	-	(545)	-	(545)
- Net profit/(loss) for the period	-	-	-	15,853	15,853	(786)	15,067
Total comprehensive income/(loss) for the period	-	(545)	-	15,853	15,308	(786)	14,522
<i>Equity Transactions</i>							
- Dividends paid to shareholders	-	-	38	(8,045)	(8,007)	-	(8,007)
- Share-based payments expense	-	-	42	-	42	-	42
- Purchase of non-controlling interest	875	-	-	11,042	11,917	(19,637)	(7,720)
Unaudited balance at 31 December 2010	48,356	(2,337)	481	103,329	149,829	1,402	151,231

For the twelve months ended 30 June 2010 (Audited)

	Share Capital \$000	Foreign Currency Translation Reserve \$000	Share-based Payment Reserve \$000	Retained Earnings \$000	Total \$000	Non- Controlling Interests \$000	Total Equity \$000
Audited 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
Audited balance at 30 June 2010	47,481	(1,792)	401	84,479	130,569	21,825	152,394

For the six months ended 31 December 2009 (Unaudited)

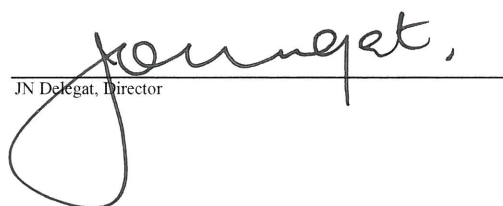
	Share Capital \$000	Foreign Currency Translation Reserve \$000	Share-based Payment Reserve \$000	Retained Earnings \$000	Total \$000	Non- Controlling Interests \$000	Total Equity \$000
Audited balance at 30 June 2009	47,481	(427)	311	92,338	139,703	29,171	168,874
Changes in equity for the period ended 31 December 2009							
<i>Other comprehensive income</i>							
- Translation of foreign subsidiaries	-	(1,225)	-	-	(1,225)	-	(1,225)
Total other comprehensive income	-	(1,225)	-	-	(1,225)	-	(1,225)
- Net profit/(loss) for the period	-	-	-	13,847	13,847	(299)	13,548
Total comprehensive income/(loss) for the period	-	(1,225)	-	13,847	12,622	(299)	12,323
<i>Equity Transactions</i>							
- Dividends paid to shareholders	-	-	28	(8,036)	(8,008)	-	(8,008)
- Dividends paid to non-controlling shareholders	-	-	-	-	-	(449)	(449)
- Share-based payments expense	-	-	35	-	35	-	35
Unaudited balance at 31 December 2009	47,481	(1,652)	374	98,149	144,352	28,423	172,775

Delegat's Group Limited and Subsidiaries
Statement of Financial Position
As at 31 December 2010

	Group		
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>Dec 2010</i>	<i>June 2010</i>	<i>Dec 2009</i>
	<i>6 Months</i>	<i>12 Months</i>	<i>6 Months</i>
	\$000	\$000	\$000
Equity			
Share capital	48,356	47,481	47,481
Foreign currency translation reserve	(2,337)	(1,792)	(1,652)
Share-based payment reserve	481	401	374
Retained earnings	103,329	84,479	98,149
Shareholders' equity	<u>149,829</u>	<u>130,569</u>	<u>144,352</u>
Non-controlling interests	1,402	21,825	28,423
Total Equity	<u>151,231</u>	<u>152,394</u>	<u>172,775</u>
Liabilities			
Current Liabilities			
Trade payables and accruals	30,448	29,461	27,554
Derivative financial instrument:	3,850	3,356	7
Interest-bearing loans and borrowings (secured)	15,840	10,810	76,106
Income tax payable	2,366	1,770	3,079
	<u>52,504</u>	<u>45,397</u>	<u>106,746</u>
Non-Current Liabilities			
Deferred tax liability	19,899	18,718	18,988
Interest-bearing loans and borrowings (secured)	128,537	124,000	80,769
	<u>148,436</u>	<u>142,718</u>	<u>99,757</u>
Total Liabilities	<u>200,940</u>	<u>188,115</u>	<u>206,503</u>
Total Equity and Liabilities	<u>352,171</u>	<u>340,509</u>	<u>379,278</u>
Assets			
Current Assets			
Cash and cash equivalents	7,451	5,660	7,568
Trade and other receivables	58,043	40,890	64,803
Derivative financial instrument:	773	1,429	1,124
Inventories	59,671	73,197	69,004
	<u>125,938</u>	<u>121,176</u>	<u>142,499</u>
Non-Current Assets			
Property, plant and equipment	177,044	175,255	179,550
Biological assets	48,895	43,912	56,082
Deferred tax asset	294	166	108
Intangible assets	-	-	1,039
	<u>226,233</u>	<u>219,333</u>	<u>236,779</u>
Total Assets	<u>352,171</u>	<u>340,509</u>	<u>379,278</u>

For and on behalf of, the Board who authorised the issue of the financial statements on 23 February 2011


 RL Wilton, Director


 JN Delegat, Director

The accompanying notes form part of these financial statements

Delegat's Group Limited and Subsidiaries
Statement of Cash Flows
For the Six Months Ended 31 December 2010

	Group		
	<i>Unaudited</i> <i>Dec 2010</i> <i>6 Months</i> \$000	<i>Audited</i> <i>June 2010</i> <i>12 Months</i> \$000	<i>Unaudited</i> <i>Dec 2009</i> <i>6 Months</i> \$000
Operating Activities			
Cash was provided from			
Receipts from customers	116,778	229,921	117,764
Interest received	44	95	27
Income tax received	-	18	18
	116,822	230,034	117,809
Cash was applied to			
Payments to suppliers and employees	83,728	152,045	85,641
Payments to grape growers	4,592	16,000	7,118
Interest paid	4,243	7,431	3,467
Income tax paid	5,979	4,425	711
Net GST paid	743	1,891	3,041
	99,285	181,792	99,978
Net Cash Inflows from Operating Activities	17,537	48,242	17,831
Investing Activities			
Cash was provided from			
Proceeds from sale of property, plant and equipment	18	16	-
Dividends received	38	28	28
	56	44	28
Cash was applied to			
Purchase of property, plant and equipment	5,839	19,957	8,918
Vineyard development purchases	2,897	6,450	8,466
Purchase of biological assets	483	878	521
Capitalised interest paid	466	831	501
Capitalised lease payments	-	676	454
Purchase of non-controlling interest	8,042	-	-
	17,727	28,792	18,860
Net Cash Outflows from Investing Activities	(17,671)	(28,748)	(18,832)
Financing Activities			
Cash was provided from			
Proceeds from borrowings	17,401	33,148	13,405
	17,401	33,148	13,405
Cash was applied to			
Dividends paid to shareholders	8,041	8,483	8,480
Repayment of borrowings	7,371	41,808	-
Borrowing facility fees	-	822	490
	15,412	51,113	8,970
Net Cash Inflows/(Outflows) from Financing Activities	1,989	(17,965)	4,435
Net Increase in Cash Held			
Cash and cash equivalents at beginning of the year	5,660	4,332	4,332
Effect of exchange rate change on foreign currency balances	(64)	(201)	(198)
Cash and cash equivalents at end of the period	7,451	5,660	7,568

Delegat's Group Limited and Subsidiaries
Statement of Accounting Policies
For the Six Months Ended 31 December 2010

Reporting Entity

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

The financial statements for the Group for the six months ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 23 February 2011.

Basis of Preparation

The interim consolidated financial statements of the Group are for the six months ended 31 December 2010 and have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. Accounting policies applied in these interim financial statements comply with New Zealand equivalents to International Financial Reporting Standards, other applicable Financial Reporting Standards (NZ IFRS) and NZ IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (February 2011) as applicable to the Group as a profit-oriented entity.

The interim 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 interim financial statements in conformity with NZ IAS 34 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.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year. Refer to the published financial statements for the year ended 30 June 2010 for a complete listing of the Group accounting policies.

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

Following the takeover of Oyster Bay Marlborough Vineyards Limited (Oyster Bay) the operating results of Oyster Bay are no longer reviewed separately by the chief operating decision maker (CODM) from the operating results of Delegat's Wine Estate Limited. Both companies are party to vineyard leases and interests in freehold land upon which the Group undertakes growing operations. Accordingly from this reporting period Delegat's Wine Estate Limited and Oyster Bay Marlborough Vineyards Limited have been combined into one operating segment called Delegat's Wine Estate. 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.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements
For the Six Months Ended 31 December 2010

1 Segment Reporting continued

6 months ended 31 December 2010

	Delegat's Wine Estate ¹⁰	Oyster Bay Wines Australia Pty Ltd	Delegat's Wine Estate (UK) Ltd	Oyster Bay Wines USA, Inc.	Other Segments	Eliminations and Adjustments	31 December 2010 Consolidated
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating income							
External sales ⁷	19,414	50,505	48,000	13,752	-	-	131,671
Internal sales	98,002	-	-	-	-	(98,002)	-
Total segment revenues ¹	117,416	50,505	48,000	13,752	-	(98,002)	131,671
Interest revenue	43	28	-	-	1,779	(1,778)	72
Fair value adjustments							
Biological assets increase	4,436	-	-	-	-	-	4,436
Operating expenses							
Interest expense ²	6,417	-	-	1	-	(1,778)	4,640
Depreciation and amortisation ³	5,577	62	26	31	30	-	5,726
Income tax expense/(credit) ⁴	6,198	300	513	239	597	(140)	7,707
Segment profit	11,352	839	1,316	310	1,322	(72)	15,067
Assets							
Segment assets ⁵	311,153	32,631	18,483	4,883	68,445	(83,424)	352,171
Capital expenditure ⁶	8,073	34	-	1	23	-	8,131
Segment liabilities	241,745	27,308	9,671	3,897	740	(82,421)	200,940

6 months ended 31 December 2009

	Delegat's Wine Estate ¹⁰	Oyster Bay Wines Australia Pty Ltd	Delegat's Wine Estate (UK) Ltd	Oyster Bay Wines USA, Inc.	Other Segments	Eliminations and Adjustments	31 December 2009 Consolidated
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating income							
External sales ⁸	18,116	41,556	58,841	10,346	-	-	128,859
Internal sales	94,710	-	-	-	-	(94,710)	-
Total segment revenues ¹	112,826	41,556	58,841	10,346	-	(94,710)	128,859
Interest revenue	155	8	-	-	1,787	(1,778)	172
Fair value adjustments							
Biological assets increase	5,715	-	-	-	-	-	5,715
Operating expenses							
Interest expense ²	5,149	-	3	-	1	(1,778)	3,375
Depreciation and amortisation ³	4,845	41	29	25	15	-	4,955
Income tax expense ⁴	3,747	286	650	38	629	432	5,782
Segment profit	8,859	636	1,641	67	32,755	(30,410)	13,548
Assets							
Segment assets ⁵	350,442	25,749	38,004	4,300	73,567	(112,784)	379,278
Capital expenditure ⁶	17,891	10	2	24	15	-	17,942
Segment liabilities	259,453	22,007	30,371	4,198	1,226	(110,752)	206,503

- Inter-segment revenues are eliminated on consolidation. Intercompany profit margins are also eliminated.
- Interest expense is net of any capitalised interest to long-term assets. During the period \$466,000 was capitalised to long-term assets (December 2009: \$501,000).
- For the six months ended 31 December 2010 depreciation and amortisation expenses incurred includes \$4,546,000 (December 2009: \$4,218,000) which has been included within inventory.
- Segment income tax expense does not include the deferred tax impacts of temporary differences arising from intercompany stock margin eliminations 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 as these are managed on a Group basis.
- Capital expenditure consists of additions of property, plant and equipment, inclusive of capitalised interest. During the six months ended 31 December 2010 \$466,000 of interest was capitalised (six months ended 31 December 2009: \$501,000).
- For the six months ended 31 December 2010 Oyster Bay Wines Australia Pty Limited had a single customer which comprised 10% or more of Group sales amounting to \$15,400,000.
- For the six months ended 31 December 2009 Delegat's Wine Estate (UK) Limited had a single customer which comprised 10% or more of Group sales amounting to \$18,255,000.
- The elimination and adjustments of segment profit, assets and liabilities relate to intercompany transactions and balances which are eliminated on consolidation.
- Oyster Bay Marlborough Vineyards Limited (Oyster Bay) was previously reported as a separate operating segment. Following the purchase of the non-controlling interest in Oyster Bay in December 2010 this company has been amalgamated into the Delegat's Wine Estate (Delegat's) operating segment. The comparatives for Delegat's for the half year ended 31 December 2009 have been restated to include Oyster Bay.

Delegat's Group Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the Six Months Ended 31 December 2010

2 Reconciliation of Profit for the Period with Net Cash Flows from Operating Activities

	Group		
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>Dec 2010</i>	<i>June 2010</i>	<i>Dec 2009</i>
	<i>6 Months</i>	<i>12 Months</i>	<i>6 Months</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Reported profit after tax	15,853	177	13,847
Non-controlling interest share of loss	(786)	(6,896)	(299)
	15,067	(6,719)	13,548
Plus items not involving cash flows			
Fair value movement on biological assets	(4,436)	6,494	(5,715)
Amortisation of leases	892	1,707	840
Depreciation expense	4,834	8,582	4,115
Other non-cash items	(539)	(1,611)	682
Loss on disposal of assets	38	141	6
Impairment charges	-	9,930	-
Goodwill impairment	-	1,039	-
Movement in derivative financial instrument assets	1,150	3,677	632
Movement in deferred tax assets	(128)	(67)	(9)
Movement in deferred tax liabilities	1,181	(574)	(304)
	18,059	22,599	13,795
Movement in operating balances are as follows:			
Trade payables and accruals	987	(3,321)	(5,228)
Trade and other receivables	(17,153)	8,448	(15,465)
Inventories	13,526	15,432	19,625
Income tax	596	3,904	5,213
	(2,044)	24,463	4,145
Deduct items classified as investing and financing activities			
Vineyard development receivables and facility fees	(153)	881	548
Capital purchases included within trade payables	1,675	299	(657)
	(522)	25,643	4,036
Net Cash Inflows from Operating Activities	17,537	48,242	17,831

3 Acquisition and Disposal of Assets

During the six months ended 31 December 2010 the Group incurred total capital expenditure of \$8,131,000 (six months ended 31 December 2009: \$17,942,000). There were no significant asset disposals in the six month period ended 31 December 2010.

4 Capital Commitments

The estimated capital expenditure contracted for at 31 December 2010 but not provided for is \$200,000 (31 December 2009: \$2,415,000).

5 Purchase of Non-controlling Interest

On 21 December 2010 Delegat's Wine Estate Limited (Delegat's) purchased 3,756,707 of the shares outstanding in Oyster Bay Marlborough Vineyard Limited (Oyster Bay). Following this purchase Delegat's owned 96.7% of Oyster Bay.

As consideration for each of their shares purchased the remaining Oyster Bay shareholders were given the option of either one Delegat's Group Limited share, or cash consideration of \$2.08. For the purchase of these shares a total of 423,930 Delegat's Group Limited shares were issued and total cash consideration of \$6,932,000 paid. In accordance with NZ IAS 27 the difference between the fair value of consideration paid and the adjustment to non-controlling interests has been recorded in equity.

6 Events subsequent to Balance Sheet Date

On 7 February 2011 Delegat's Wine Estate Limited (Delegat's) completed the purchase of the remaining outstanding shares (3.3%) in Oyster Bay Marlborough Vineyard Limited (Oyster Bay). Delegat's now owns 100% of Oyster Bay shares.

The remaining shares of Oyster Bay were acquired based on the terms outlined above (see note 5). For the purchase of the remaining shares a total of 206,262 Delegat's Group Limited shares were issued and total cash consideration of \$196,000 paid.