

05

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## ~CHAIRMAN'S REPORT

The Board of Directors present their Annual Report including the financial statements of the Group for the year ended 30 June 2005 and the auditor's report thereon.

The Group reports a profit after tax of \$2.583 million for the year ended 30 June 2005 on operating revenues of \$57.954 million. Despite the continued strength of the New Zealand dollar, the Group achieved 81% revenue growth over the previous year's revenues of \$32.054 million. The profit result includes \$0.299 million of equity accounted earnings from Oyster Bay Marlborough Vineyards Limited, our 32.58% owned associate company.

Operating revenue growth reflects the continued strong demand globally for our Super-Premium Oyster Bay and Delegat's wine brands. The Group has achieved excellent increases in market share and has also expanded distribution channels in the U.S. and Australian markets.

The success of our much publicised partial takeover offer to secure a 50.1% shareholding in Oyster Bay Marlborough Vineyards Limited was advised to the market on 9 August 2005. The Group is preparing for its second stage of capital raising – an equity issue, that is timed for the second quarter of this financial year.

The Directors continue to pursue growth opportunities which create value and ensure the appropriate funding structure is in place to support maximised shareholder value.

On behalf of the Board I take this opportunity to thank all staff for their individual contributions over the past year and their ongoing commitment to achieving the planned outcomes for the Group in the year ahead.



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Robert Wilton, Chairman

## ~BOARD OF DIRECTORS

The following are particulars of general disclosures of interest by Directors of Delegat's Group Limited holding office at 30 June 2005, pursuant to section 140(2) of the Companies Act 1993. Where applicable, the disclosures also include other directorships held. Details of directors' shareholding and indemnities are set out in the other Disclosures on page 23. Directors' remuneration and other benefits are also set out in the other Disclosures on page 23.

The following are the Directors of Delegat's Group Limited:

### **Director Jim Delegat**

Mr Delegat is the Managing Director of Delegat's. He has been involved in the New Zealand wine industry all his working life and is thoroughly experienced in every aspect of the business. For 12 years, until 1996, he served on the Board of the Wine Institute of New Zealand. Mr Delegat is one of only a handful of second generation family wine producers in the country. He has committed Delegat's to furthering its successful formula of advanced viticulture, leading winemaking technology and modern brand marketing. Mr Delegat is a member of the Institute of Directors.

### **Director Robert Wilton, M.Com (Hons), ACA**

Mr Wilton is the non-executive Chairman of Delegat's Group Limited with specific responsibilities for the financial management of the company. He is also a Senior Lecturer and past Head of Department, Department of Accounting and Finance within The University of Auckland Business School and is a member of the Institute of Chartered Accountants of New Zealand and the Institute of Directors. Mr Wilton brings to the Board considerable experience in business, particularly through Merchant and Investment Banking and is a past Chairman of the New Zealand Venture Capital Association.

### **Director Rosemari Delegat**

Ms Delegat is an Executive Director of Delegat's. Since the 1980's she has led the company's drive into export markets and continues to play an important role in export marketing and the representation of the company at international wine trade exhibitions. Rosemari represents Delegat's on all export committees attached to the Wine Institute of New Zealand and from 1987-1990 was the inaugural Chairperson of a special United Kingdom exporting group. Rosemari is a member of the Institute of Directors.

### **Director John Maasland, MA (Law) (Cambridge)**

Mr Maasland brings to the board considerable expertise in business gained from a career that included Executive and Directorship roles at ICI, Morrison PIM Holdings and Wilson & Horton Limited. He is currently Chairman of Carter Holt Harvey Limited and the New Zealand Radio Network. He is also a Director of APN News and Media Limited, Macquarie Goodman New Zealand Limited, Woosh Wireless Limited, Gould Holdings Limited and the Auckland Regional Chamber of Commerce. His involvement in the community sector includes being a Trustee and Chairman of the Royal New Zealand Ballet and Chairman of the South Auckland Health Foundation.

## ~DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position, financial performance and cashflows for the Company as at 30 June 2005.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard assets of the Company.

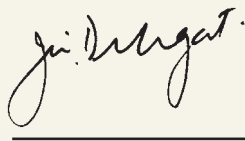
The Directors have pleasure in presenting the following financial statements for the year ended 30 June 2005.

The Board of Directors of the Company authorised these financial statements for issue on 29 August 2005.

For, and on behalf of, the Board.



Robert Wilton, Chairman



Jim Delegat, Director

29 August 2005

## ~FINANCIAL STATEMENTS

### Delegat's Group Limited and Subsidiaries

#### Statement of Financial Performance

For the Year Ended 30 June 2005

	Notes	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Operating revenue		57,954	32,054	1,375	3,335
Non operating revenue		93	2,560	-	-
<b>Revenue</b>	1	<b>58,047</b>	<b>34,614</b>	<b>1,375</b>	<b>3,335</b>
Share of retained surplus of associate company	17	299	399	-	-
<b>Operating Surplus before Income Tax</b>	2	<b>3,531</b>	<b>917</b>	<b>-</b>	<b>-</b>
Income tax (expense)/credit	12	(948)	533	(3)	-
<b>Net Surplus/(Deficit) for the year</b>		<b>2,583</b>	<b>1,450</b>	<b>(3)</b>	<b>-</b>

### Delegat's Group Limited and Subsidiaries

#### Statement of Movements in Equity

For the Year Ended 30 June 2005

Net Surplus/(Deficit) for the year	2,583	1,450	(3)	-
Total recognised revenue and expenses for the year	2,583	1,450	(3)	-
Equity at the beginning of the year	25,407	23,957	9,121	9,121
<b>Equity at the end of the year</b>	<b>27,990</b>	<b>25,407</b>	<b>9,118</b>	<b>9,121</b>

Delegat's Group Limited and Subsidiaries  
Statement of Financial Position  
As at 30 June 2005

	Notes	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Equity</b>					
Share capital	3	6,029	6,029	6,029	6,029
Reserves	4	750	750	750	750
Retained earnings	5	21,211	18,628	2,339	2,342
<b>Total Equity</b>		<b>27,990</b>	<b>25,407</b>	<b>9,118</b>	<b>9,121</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Payables and accruals	6	15,933	11,858	664	2,877
Borrowings	7	16,757	1,237	-	-
Income tax payable		-	-	40	-
Development contracts	11	-	1	-	-
		<b>32,690</b>	<b>13,096</b>	<b>704</b>	<b>2,877</b>
<b>Non-Current Liabilities</b>					
Deferred tax liability	13	528	-	-	-
Borrowings	7	15,981	26,622	-	-
Capital notes	7	35,000	40	35,000	40
		<b>51,509</b>	<b>26,662</b>	<b>35,000</b>	<b>40</b>
<b>Total Liabilities</b>		<b>84,199</b>	<b>39,758</b>	<b>35,704</b>	<b>2,917</b>
<b>Total Equity and Liabilities</b>		<b>112,189</b>	<b>65,165</b>	<b>44,822</b>	<b>12,038</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and bank balances		1,749	594	-	-
Accounts receivable	8	16,109	10,929	13	-
Income tax receivable		329	170	-	-
Inventories	9	39,497	29,942	-	-
		<b>57,684</b>	<b>41,635</b>	<b>13</b>	<b>-</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	10	48,914	17,735	-	-
Deferred tax asset	13	-	126	37	-
Investment in associate	17	5,586	5,668	-	-
Investment in external party		5	1	-	-
Investments in subsidiaries	18	-	-	2,282	2,282
Intercompany amounts receivable		-	-	42,490	9,756
		<b>54,505</b>	<b>23,530</b>	<b>44,809</b>	<b>12,038</b>
<b>Total Assets</b>		<b>112,189</b>	<b>65,165</b>	<b>44,822</b>	<b>12,038</b>

For and on behalf of the Board who authorised the issue of the financial statements on 29 August 2005



Robert Wilton, Director



Jim Delegat, Director

Delegat's Group Limited and Subsidiaries  
Statement of Cash Flows  
For the Year Ended 30 June 2005

	Notes	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Operating Activities</b>					
<b>Cash was Provided from</b>					
Receipts from customers		56,633	32,392	-	-
Interest received		72	8	1	-
Income tax received		-	232	-	-
Net GST (paid)/ received		(901)	962	(339)	22
		<b>55,804</b>	<b>33,594</b>	<b>(338)</b>	<b>22</b>
<b>Cash was Applied to</b>					
Payments to suppliers and employees		40,532	26,752	23	-
Payments to grape growers		15,208	10,705	-	-
Interest paid		2,988	1,580	2,727	-
Income tax paid		435	-	-	-
		<b>59,163</b>	<b>39,037</b>	<b>2,750</b>	<b>-</b>
<b>Net Cash (Outflows)/Inflows from Operating Activities</b>	22	<b>(3,359)</b>	<b>(5,443)</b>	<b>(3,088)</b>	<b>22</b>
<b>Investing Activities</b>					
<b>Cash was Provided from</b>					
Proceeds from sale of property, plant and equipment		243	8,129	-	-
Dividends received		381	-	-	-
		<b>624</b>	<b>8,129</b>	<b>-</b>	<b>-</b>
<b>Cash was Applied to</b>					
Purchase of property, plant and equipment		16,124	2,270	-	-
Vineyard development purchases		12,245	9,268	-	-
Capitalised interest paid		889	483	-	-
		<b>29,258</b>	<b>12,021</b>	<b>-</b>	<b>-</b>
<b>Net Cash (Outflows)/Inflows from Investing Activities</b>		<b>(28,634)</b>	<b>(3,892)</b>	<b>-</b>	<b>-</b>
<b>Financing Activities</b>					
<b>Cash was Provided from</b>					
Proceeds from borrowings		30,066	5,907	-	-
Proceeds from Capital notes		34,960	40	34,960	40
Vineyard development receipts		3,847	7,815	-	-
		<b>68,873</b>	<b>13,762</b>	<b>34,960</b>	<b>40</b>
<b>Cash was Applied to</b>					
Capitalised lease payments		4,844	2,744	-	-
Finance lease principal repayments		816	677	-	-
Capital notes issue costs		2,541	789	-	-
Repayment of borrowings		26,439	-	-	-
Borrowing facility fees		1,063	-	-	-
Related party funding		-	-	31,872	62
		<b>35,703</b>	<b>4,210</b>	<b>31,872</b>	<b>62</b>
<b>Net Cash Inflows/(Outflows) from Financing Activities</b>		<b>33,170</b>	<b>9,552</b>	<b>3,088</b>	<b>(22)</b>
<b>Net Increase in Cash Held</b>					
Cash at beginning of year		594	376	-	-
Effect of exchange rate change on foreign currency balance		(22)	1	-	-
<b>Cash at End of Year</b>		<b>1,749</b>	<b>594</b>	<b>-</b>	<b>-</b>

**Delegat's Group Limited and Subsidiaries**  
**Statement of Accounting Policies**  
**For the Year Ended 30 June 2005**

**Reporting Entity**

The financial statements of Delegat's Group Limited ("the Company") for the year ended 30 June 2005 were authorised for issue in accordance with a resolution of the Directors on 29 August 2005.

Delegat's Group Limited is registered under the Companies Act 1993 and has certain debt securities listed on the New Zealand Exchange. Delegat's Group Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements for the "Parent" are for Delegat's Group Limited as a separate legal entity.

**Measurement Base**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets as specified below.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

**Accounting Policies**

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

**Group Financial Statements**

The consolidated financial statements comprise the financial statements of Delegat's Group Limited and its subsidiaries as at 30 June each year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intercompany balances and transactions including unrealised profits arising from intra-group transactions have been eliminated in full.

The Group's investment in its associate (Oyster Bay Marlborough Vineyards Limited) is accounted for under the equity method of accounting in the consolidated financial statements. The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies. The investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated financial performance reflects the Group's share of the results of operations of the associate.

**Revenue**

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of the business.

**Income Tax**

The tax expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules.

The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

**Goods and Services Tax (GST)**

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

**Foreign Currencies**

**Transactions**

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction, except when forward currency contracts have been taken out to cover short-term forward currency commitments. Where short-term forward currency contracts have been taken out, the transaction is translated at the rate contained in the contract to the extent that the transaction is hedged.

**Delegat's Group Limited and Subsidiaries**  
**Statement of Accounting Policies**  
**For the Year Ended 30 June 2005**

Monetary assets and liabilities arising from trading transactions are translated at rates as at balance date. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

**Foreign Operations**

At balance date foreign monetary assets and liabilities, including those of integrated foreign operations, are translated at the rate as at balance date and exchange variations arising from these translations are recognised in the Statement of Financial Performance.

**Accounts Receivable**

Accounts receivable are carried at their estimated realisable value.

**Inventories**

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. Production expenses are assigned to finished goods on a weighted average cost basis and include direct materials, direct labour and an appropriate proportion of variable and fixed manufacturing overhead expenses.

**Development Contracts**

Development contracts work in progress is stated at the net of amounts invoiced to customers and costs incurred. Costs include all expenses directly related to specific contracts and an allocation of overhead expenses where applicable.

The surplus on a development contract is recognised when it can be estimated reliably. The percentage of completion method is used to determine the appropriate amount to recognise in a given period. The full amount of an anticipated loss, including that relating to future work on the contract, is recognised as soon as it is foreseen.

**Property, Plant and Equipment**

Property, plant and equipment are included at cost or valuation less the depreciation to date.

Under the transitional provisions of FRS-3, Accounting for Property, Plant and Equipment, the Group is permitted to account for certain items based on their gross carrying amounts as at 1 October 1991 (the date from which SSAP-28, Accounting for Fixed Assets, the predecessor to FRS-3, Accounting for Property, Plant and Equipment, applied) where those items were carried at a valuation at that date and have not been subsequently revalued in accordance with SSAP-28. Otherwise, the gross carrying amount of fixed assets is cost.

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.

**Depreciation**

Depreciation of property, plant and equipment, other than land, is charged on a straight line basis so as to write off the cost of the assets to their expected residual value over their estimated useful lives. The estimated useful lives are as follows:

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

Depreciation on vineyard development commences when the vineyard is considered to be in commercial production.

**Leased Assets**

**Finance Leases**

Assets under finance leases are recognised as non-current assets in the Statement of Financial Position. Leased assets are recognised initially at the lower of the present value of the minimum lease payments or their fair value. A corresponding liability is established and each lease payment allocated between the liability and finance cost. Leased assets are depreciated on the same basis as equivalent property, plant and equipment.

**Delegat's Group Limited and Subsidiaries**  
**Statement of Accounting Policies**  
**For the Year Ended 30 June 2005**

***Operating Leases***

Leases that are not finance leases are classified as operating leases.

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 in the periods the amounts are payable.

**Investments**

Investments in subsidiaries are stated at cost in the Statement of Financial Position of the Company, whilst investments in associates are accounted for using the equity method.

**Financial Instruments**

Financial instruments recognised in the Statement of Financial Position includes cash and bank balances, investments, receivables, trade creditors and borrowings. These instruments are carried at their estimated fair value. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group enters into foreign currency forward exchange contracts to hedge trading transactions, including anticipated transactions, denominated in foreign currencies. Gains and losses on contracts which hedge specific short-term foreign currency denominated transactions are recognised as a component of the related transaction in the period in which the transaction is completed. Where the hedge of an anticipated transaction is terminated early, but the anticipated transaction is still expected to occur, the gain or loss that arose prior to termination of the hedge continues to be deferred and is recognised as a component of the transaction when it is completed. If the trading transaction is no longer expected to occur, the gain or loss on the terminated hedge is recognised in the Statement of Financial Performance immediately.

**Changes in Accounting Policies**

There have been no changes in accounting policies. Certain items have been reclassified in comparatives to agree with the current year presentation.

Delegat's Group Limited and Subsidiaries  
Notes to the Financial Statements  
For the Year Ended 30 June 2005

	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>1 Revenue</b>				
<b>Operating Revenue</b>				
Sales	57,574	31,762	-	-
Other income	380	292	1,375	3,335
	<b>57,954</b>	<b>32,054</b>	<b>1,375</b>	<b>3,335</b>
<b>Non Operating Revenue</b>				
Gain on disposal of property and improvements	-	2,560	-	-
Surplus on development contracts	93	-	-	-
	<b>93</b>	<b>2,560</b>	<b>-</b>	<b>-</b>
	<b>58,047</b>	<b>34,614</b>	<b>1,375</b>	<b>3,335</b>

**2 Operating Surplus before Income Tax**

Operating surplus before taxation includes the following:

Audit fees to Ernst & Young	50	45	50	-
Audit fees for UK auditors	-	14	-	-
Fees for other services provided by the auditors	95	31	55	-
Amortisation of capitalised leases	676	199	-	-
Capital Note issue costs	1	3,085	1	3,085
Fees for Capital Note issue services provided by the auditors	-	250	-	250
Depreciation				
Land and vineyard development	82	14	-	-
Buildings	108	108	-	-
Plant and equipment	1,530	1,268	-	-
Directors' fees	111	95	111	-
Interest expense on borrowings	3,321	1,415	3,304	-
Interest expense on finance leases	98	85	-	-
Interest income	76	8	2	-
Gain on disposal of property, plant and equipment	66	49	-	-
Net loss/(gain) on foreign currency transactions	323	(148)	-	-
Rental expense on operating leases: capitalised portion	2,809	1,887	-	-
expensed portion	3,298	1,129	-	-

**3 Share Capital**

Issued and paid up capital	6,029	6,029	6,029	6,029
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There were 3,000,000 (2004: 3,000,000) fully paid ordinary shares on issue at balance date.

All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

**4 Reserves**

**Property Revaluation Reserve**

Balance at the end of the year	750	750	750	750
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**5 Retained Earnings**

Balance at the beginning of the year	18,628	17,178	2,342	2,342
Net Surplus/(Deficit) after income tax	2,583	1,450	(3)	-
Balance at the end of the year	<b>21,211</b>	<b>18,628</b>	<b>2,339</b>	<b>2,342</b>

Delegat's Group Limited and Subsidiaries  
Notes to the Financial Statements  
For the Year Ended 30 June 2005

	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>6 Payables and Accruals</b>				
Trade creditors	11,927	5,561	3	213
Amounts payable to associates	192	43	-	-
Employee entitlements	918	476	123	-
Goods and Services Tax	-	588	-	326
Accrued expenses	2,896	5,190	538	2,338
	<b>15,933</b>	<b>11,858</b>	<b>664</b>	<b>2,877</b>

Accounts payable and accruals include amounts denominated in foreign currencies, including NZ\$ 245,000 (2004: NZ\$ 232,000) denominated in Canadian dollars, NZ\$ 144,000 (2004: NZ\$ 87,000) denominated in Australian dollars, NZ\$ 888,000 (2004: NZ\$ 284,000) denominated in Great British pounds and NZ\$ 94,000 (2004: NZ\$ 30,000) denominated in United States dollars.

**7 Borrowings**

**Borrowings Due Within 12 Months**

Secured bank loans	15,466	522	-	-
Finance leases	1,291	715	-	-
	<b>16,757</b>	<b>1,237</b>	<b>-</b>	<b>-</b>

**Non-Current Borrowings**

Secured bank loans	14,600	25,917	-	-
Unsecured capital notes	35,000	40	35,000	40
Finance leases	1,381	705	-	-
	<b>50,981</b>	<b>26,662</b>	<b>35,000</b>	<b>40</b>

**Principal Repayment Schedule**

**Finance lease obligations**

Later than one, not later than two years	1,070	452	-	-
Later than two, not later than five years	311	253	-	-
	<b>1,381</b>	<b>705</b>	<b>-</b>	<b>-</b>

**Other Non-Current Borrowings**

Later than one, not later than two years	-	522	-	-
Later than two, not later than three years	35,000	522	35,000	-
Later than three, not later than five years	14,600	24,913	-	40
	<b>49,600</b>	<b>25,957</b>	<b>35,000</b>	<b>40</b>

**Weighted Average Interest Rates on Borrowings**

Secured bank loans	7.85%	6.88%	-	-
Fixed rate unsecured capital notes	9.75%	9.75%	9.75%	9.75%
Finance leases	7.70%	7.30%	-	-

The bank facilities are secured by way of a first debenture over the assets of the Group. Mortgage securities are also held over land. Finance leases are secured over the assets to which they relate.

Prior to 30 June 2004 Delegat's Wine Estate Limited (a subsidiary company) secured a Senior Debt Facility of up to NZ\$ 80 million with Westpac Banking Corporation dependent on the successful completion of a Capital Notes Issue of NZ\$ 35 million. The Capital Notes Issue was completed on 23 July 2004 and the debt facilities are now in place. The Senior Debt Facility is secured by way of a General Security Agreement over the Group's present and future assets.

Delegat's Group Limited and Subsidiaries  
Notes to the Financial Statements  
For the Year Ended 30 June 2005

	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>8 Accounts Receivable</b>				
Trade receivables	10,825	9,019	-	-
Amounts due from associates	331	34	-	-
Prepayments and sundry receivables	627	372	-	-
Non trade receivables	4,013	1,504	-	-
Goods and services tax	313	-	13	-
	<b>16,109</b>	<b>10,929</b>	<b>13</b>	<b>-</b>

Accounts receivable include amounts denominated in foreign currencies, including NZ\$ 95,000 (2004: NZ\$ 54,000) denominated in Hong Kong dollars, NZ\$ 110,000 (2004 NZ\$ nil) denominated in Singapore dollars, NZ\$ 1,260,000 (2004: NZ\$ 791,000) denominated in Canadian dollars, NZ\$ 2,380,000 (2004: NZ\$ 1,074,000) denominated in Australian dollars, NZ\$ 199,000 (2004 NZ\$ nil) denominated in Euros, NZ\$ 3,660,000 (2004: NZ\$ 3,814,000) denominated in Great British pounds and NZ\$ 785,000 (2004: NZ\$ 352,000) denominated in United States dollars. The Great British pounds receivable is hedged to the extent of NZ\$ 1,266,000, whilst the United States dollars receivable are fully hedged.

**9 Inventories**

Current vintage	30,018	23,844	-	-
Aged wine	7,141	4,532	-	-
Growing costs relating to next harvest	2,338	1,566	-	-
	<b>39,497</b>	<b>29,942</b>	<b>-</b>	<b>-</b>

**10 Property, Plant and Equipment**

	GROUP 2005 \$000			GROUP 2004 \$000		
	Cost or Valuation	Accumulated Depreciation	Book Value	Cost or Valuation	Accumulated Depreciation	Book Value
<b>Freehold Land</b>						
At cost	882	-	882	181	-	181
<b>Vineyard and Land Improvement</b>						
At cost	4,125	(121)	4,004	778	(39)	739
<b>Buildings</b>						
At cost	2,875	(952)	1,923	2,872	(855)	2,017
At valuation	564	(209)	355	564	(198)	366
	<b>3,439</b>	<b>(1,161)</b>	<b>2,278</b>	<b>3,436</b>	<b>(1,053)</b>	<b>2,383</b>
<b>Plant and Equipment</b>						
At cost	9,144	(4,565)	4,579	7,866	(3,851)	4,015
At valuation	1,042	(1,042)	-	1,042	(1,042)	-
Finance lease assets	3,460	(788)	2,672	2,298	(878)	1,420
	<b>13,646</b>	<b>(6,395)</b>	<b>7,251</b>	<b>11,206</b>	<b>(5,771)</b>	<b>5,435</b>
<b>Capital Work in Progress</b>						
At cost	24,126	-	24,126	2,792	-	2,792
<b>Capitalised vineyard leases</b>						
At cost	11,248	(875)	10,373	6,404	(199)	6,205
	<b>57,466</b>	<b>(8,552)</b>	<b>48,914</b>	<b>24,797</b>	<b>(7,062)</b>	<b>17,735</b>

Finance costs that are directly attributable to the cost of an asset are included in the initial cost. Total finance costs capitalised during the year to 30 June 2005 amounted to NZ\$ 1,180,000 (2004: NZ\$ 483,000). Capital work in progress includes the construction of a winery in Marlborough amounting to NZ\$ 19,972,000 (2004 NZ\$ 1,871,000).

Delegat's Group Limited and Subsidiaries  
Notes to the Financial Statements  
For the Year Ended 30 June 2005

	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>11 Development Contracts</b>				
Development contract costs incurred and recognised	4,141	3,987	-	-
Recognised surplus on contracts	93	-	-	-
Gross amount of development work in progress	4,234	3,987	-	-
Progress claims, retentions and allowances	(4,234)	(3,988)	-	-
Development work in progress	-	(1)	-	-

**12 Income Tax**

Surplus before income tax	3,531	917	-	-
<b>Permanent differences</b>				
Non assessable gain on land	-	(2,560)	-	-
Associates surplus	(299)	(399)	-	-
Expenditure not deductible for tax	273	221	10	-
Surplus subject to tax	3,505	(1,821)	10	-
Tax @ 33%	1,157	(601)	3	-
(Over)/underestimation in prior year	(176)	30	-	-
Additional tax on foreign income due to different tax rates	(33)	38	-	-
Income tax recognised in Statement of Financial Performance	948	(533)	3	-

**Comprising:**

Estimated current period tax assessment	294	63	40	-
Deferred income tax liability/(benefit)	654	(596)	(37)	-
	948	(533)	3	-

**13 Deferred Tax Asset / (Liability)**

Balance at beginning of year	126	(470)	-	-
On surplus for year	(654)	596	37	-
	(528)	126	37	-

**14 Imputation Credit Account**

Balance at beginning of year	579	835	-	-
Tax payments, net of refunds	403	(256)	-	-
	982	579	-	-

Imputation credits disclosed above are available to the shareholders of the Parent company subject to certain transactions taking place in compliance with laws and regulations.

**15 Commitments**

**Operating Leases**

Lease commitments under non-cancellable operating leases:

Within one year	7,840	7,158	-	-
One to two years	7,434	6,708	-	-
Two to five years	21,197	18,291	-	-
Beyond five years	26,699	21,163	-	-
	63,170	53,320	-	-

**Delegat's Group Limited and Subsidiaries**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2005**

**Capital Commitments**

The estimated capital expenditure contracted for at 30 June 2005 but not provided for is NZ\$ 34,613,000 (2004: NZ\$ 4,155,000).

**16 Contingent Liabilities**

At 30 June 2005 the Group had no contingent liabilities (2004: nil).

**17 Investment in Associate**

Significant associates comprise:

<b>Name:</b>	<b>% Owned</b>	<b>Principal Activity</b>	<b>Country of Incorporation</b>
Oyster Bay Marlborough Vineyards Limited	32.58	Vineyard owner	New Zealand

The Company has a balance date of 30 June. Oyster Bay Marlborough Vineyards Limited's share price at 30 June 2005 was NZ\$ 3.20 (2004: NZ\$ 2.66).

	<b>GROUP</b>		<b>PARENT</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Result of associate</b>				
Share of surplus before income tax	<b>387</b>	543	-	-
Share of income tax	<b>(88)</b>	(144)	-	-
	<b>299</b>	399	-	-
<b>Interest in associate</b>				
Shares at cost	<b>5,688</b>	5,688	-	-
Accumulated share of result of associate	<b>279</b>	(20)	-	-
Distributions received	<b>(381)</b>	-	-	-
	<b>5,586</b>	5,668	-	-

**18 Investment in Subsidiaries**

Significant subsidiaries comprise:

<b>Name:</b>	<b>Principal Activity</b>	<b>Country of Incorporation</b>
Delegat's Wine Estate Limited	Winemaking, Sales and Distribution	New Zealand
Delegat's Wine Estate UK Limited	Sales and Distribution	United Kingdom
Oyster Bay Wines Australia Pty Limited	Sales and Distribution	Australia
Oyster Bay Wines (USA) Limited	Brand Marketing	New Zealand

All subsidiary entities have a balance date of 30 June and are 100 percent owned.

**19 Related Parties**

The Group maintains an interests register in which members of the Board record all parties and transactions in which they have a potential or actual self-interest. During the year the Company undertook transactions with Directors as detailed below.

Directors hold the following number of shares in Delegat's Group Limited:

	<b>2005</b>	<b>2004</b>
Jim Delegat	1,500,000	1,500,000
Rosemari Delegat and Robert Wilton	1,500,000	1,500,000

Directors hold the following number of shares in Oyster Bay Marlborough Vineyards Limited, an Associate Company:

Jim Delegat	5,000	5,000
Rosemari Delegat	5,000	5,000
Robert Wilton	10,000	10,000
Robert Wilton, Sheila Wilton, & Nola Dangen	5,000	5,000
John Maasland	5,000	5,000

**Delegat's Group Limited and Subsidiaries**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2005**

Jim Delegat, Rosemari Delegat, Robert Wilton, Robert Wilton, Sheila Wilton & Nola Dangen and John Maasland have all accepted the Delegat's Wine Estate Limited partial takeover offer for Oyster Bay Marlborough Vineyards Limited dated 7 July 2005.

**Other Related Parties**

Delegat's Wine Estate Limited provides accounting and administrative services to Oyster Bay Marlborough Vineyards Limited, an Associate Company, under a Vineyard Management and Administration Agreement. Delegat's Wine Estate Limited earned NZ\$ 238,000 (2004 NZ\$ 234,000) for these services. The Company is reimbursed any costs incurred on behalf of Oyster Bay Marlborough Vineyards Limited in performing services required by the management plan. At balance date \$nil (2004 nil) remains outstanding between the companies for management fees.

Amounts due to (NZ\$ 192,000) and amounts due from (NZ\$ 331,000) Oyster Bay Marlborough Vineyards Limited represent labour charges, vineyard equipment hire and material costs incurred by both parties during the normal course of operations.

Delegat's Wine Estate Limited entered into Fixed Price Vineyard Development Agreements with Oyster Bay Marlborough Vineyards Limited. Two of these agreements were completed by 30 June 2003 with the remaining Fixed Price Vineyard Development Agreement concluded during the year ended 30 June 2005.

This agreement required Delegat's Wine Estate Limited to develop a total of 135 hectares; namely the Wairua River Vineyard in accordance with a development plan. Oyster Bay Marlborough Vineyards Limited has paid Delegat's Wine Estate Limited NZ\$ 4,234,000 (plus GST) by progress payments each month against certified completion of work for the previous month. As at 30 June 2005 there were no outstanding amounts owing.

Delegat's Wine Estate Limited has entered into Grape Purchase Agreements with Oyster Bay Marlborough Vineyards Limited requiring the purchase, of all grapes produced by Oyster Bay Marlborough Vineyards Limited. Delegat's Wine Estate Limited paid NZ\$ 7,152,000 (2004: NZ\$ 6,545,000) to Oyster Bay Marlborough Vineyards Limited for the 2005 grape harvest, of which none was outstanding at 30 June 2005 (2004 nil).

No amounts owed by related parties have been written off or forgiven during the year.

On 7 July 2005, Delegat's Wine Estate Limited made a partial takeover offer to purchase 25.98 percent of Oyster Bay Marlborough Vineyards Limited shares that Delegat's does not already hold or control, to give Delegat's Wine Estate Limited a total shareholding in Oyster Bay of 50.1 percent. On 9 August 2005, Delegat's filed a substantial security holder notice advising that it had acceptances which, together with shares held by it prior to the offer being launched, exceeded the 50.1 percent requirement.

**20 Financial Instruments**

The Group is subject to a number of financial risks which arise as a result of its operations. To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of various financial instruments. The policies approved, and financial instruments being utilised at balance date, are outlined below.

**Currency risk**

**Policies**

During the normal course of the business the Group exports products and inventory. As a result of these transactions exposures to fluctuations in foreign currency exchange rates arise. The currencies in which the Group primarily deals are the Great British pound, Canadian dollar, Australian dollar and United States dollar.

It is the Group's policy to hedge up to 50 percent of the trade receivables denominated in a foreign currency for a maximum period of twelve months forward. The Group uses foreign currency forward exchange contracts to manage these exposures.

**Unrecognised balances**

The notional or principal contract amounts of foreign exchange instruments outstanding at balance date are:

	<b>GROUP AND PARENT</b>	
	2005	2004
	\$000	\$000
Forward foreign exchange contracts to receive	3,684	5,166

The cash settlement requirements of the forward exchange contracts approximates the notional amounts shown above.

**Delegat's Group Limited and Subsidiaries**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2005**

**Interest rate risk**

**Policies**

It is the Group's policy to manage the underlying interest rate exposure according to economic conditions. Interest rate risk is reviewed by the Board on a regular basis.

**Repricing analysis**

Note 7 identifies the periods in which interest rates are subject to review on interest bearing financial liabilities, and provides the current weighted average interest rate of each item. Trade receivables, trade creditors, sundry receivables, cash at bank and creditors are not interest rate sensitive.

**Credit risk**

The Group incurs credit risk from transactions with trade receivables and financial institutions in the normal course of business.

The Group has a credit policy which restricts the exposure to individual trade receivables and the Board of Directors reviews exposure to trade receivables on a regular basis. The Group does not have any significant concentrations of credit risk. Trade receivables are unsecured.

The Group does not require any collateral or security to support transactions with financial institutions. The counterparties used for banking and finance activities are financial institutions with high credit ratings.

**Liquidity risk**

As defined by FRS-31, Disclosure of Information about Financial Instruments, liquidity risk is the risk that an entity will encounter difficulties in raising funds at short notice to meet commitments associated with financial instruments. The Board reviews liquidity risk on a regular basis and manages its bank facilities in close conjunction with the bank.

**Fair values**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Cash at bank, bank overdraft, receivables and trade creditors**

The carrying value of these items is equivalent to their fair value.

**Investments**

Listed investments are based on quoted market prices at balance date. It is not practical to estimate fair values of unlisted investments as there are no quoted market prices for those or similar investments.

**Foreign Currency Forward Exchange Contracts**

The fair value of these financial instruments is calculated using the close out rate at balance date provided by the Group's bankers.

**Borrowings**

The term loan interest is repriced monthly. The Directors are not of the opinion that there is any significant difference in the carrying value and fair value.

	GROUP 2005		GROUP 2004	
	Carrying Value \$000	Fair Value \$000	Carrying Value \$000	Fair Value \$000
<b>Current investments</b>				
Investment - Oyster Bay Marlborough Vineyards Limited (Associate)	5,586	9,384	5,668	7,800
<b>Liabilities</b>				
Current borrowings	15,466	15,466	522	522
Non-current borrowings	14,600	14,600	25,917	25,917
Unsecured capital note borrowings	35,000	34,039	40	40
Current finance lease borrowings	1,291	1,291	715	715
Non-current finance lease borrowings	1,381	1,381	705	705
<b>Unrecognised</b>				
Foreign exchange contracts	-	36	-	(4)

The fair value for the Unsecured capital note borrowings has been made with reference to the latest trade value of the Delegat's Group Limited note at 9 percent.

## 21 Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards

In December 2002, the New Zealand Accounting Standards Review Board determined that all New Zealand reporting entities will be required to adopt New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for reporting periods beginning on or after 1 January 2007, with the option of early adoption for periods beginning on or after 1 January 2005. The Company has made the decision not to early adopt NZ IFRS. It is the Company's intention to adopt from 1 July 2007. Accordingly, the adoption of NZ IFRS will be first reflected in the Company's interim report for the six-month period ended 31 December 2007.

In conjunction with its external advisors, the Company has commenced work to convert to NZ IFRS and is on schedule to complete the adoption of NZ IFRS within the required timeframes.

Entities complying with NZ IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the adoption of NZ IFRS to that comparative period. Most adjustments on transition to NZ IFRS will be made, retrospectively, against Retained Earnings.

### Key Changes

There are a number of areas that have been identified where accounting policy changes will be required. These areas are still subject to ongoing interpretation, and review by both the Company and the industry. Furthermore, NZ IFRS will continue to be reviewed, with new or amended Reporting Standards issued. Accordingly, the Company is unable to reliably quantify all impacts at this time. The impact of the partial takeover offer by Delegat's Wine Estate Limited of Oyster Bay Marlborough Vineyards Limited and the resultant impacts on the Group from an NZ IFRS perspective have not been assessed as yet, however will be assessed and reported on in future reporting periods.

#### 1. Accounting for Biological Assets

Under current accounting policy, the Company accounts for the costs incurred in growing the grapes for each harvest in the period of the harvest. Costs incurred subsequent to the current year's harvest, for growing grapes for the next harvest are capitalised on the Statement of Financial Position and expensed in that period when the harvest occurs.

Under NZ IFRS the Company will be required to account for biological assets (vines) and agricultural produce (grapes) at fair value. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is determined by reference to a price quoted in an active market. Any changes in value will be recognised through the Statement of Financial Performance.

#### 2. Income Tax

A "balance sheet" approach to tax-effect accounting is followed under NZ IFRS, replacing the current "statement of financial performance" approach. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.

Under NZ IFRS a deferred tax asset is recognised to the extent it is probable there will be a taxable profit against which a deductible temporary difference can be used. The benchmark for recording a deferred tax asset has lowered from 'virtual certainty' under New Zealand General Accepted Accounting Practice (NZ GAAP) to 'probable'. Probable is considered to mean 'more likely than not'. This change may result in changes in recognised tax for the Group when reported under NZ IFRS.

#### 3. Financial Instruments

Under NZ GAAP, any gains and losses on derivative instruments that are designated as hedges of specific items are accounted for on the same basis as the underlying hedged item. The net differential paid or received, in respect of that derivative, is recognised in the Statement of Financial Performance. The fair value of derivative instruments is disclosed in the Notes to the Financial Statements.

Under NZ IFRS there is a requirement to recognise the fair value of all derivative instruments in the Statement of Financial Position. If the instrument does not meet the requirements for hedge accounting then any market movements will be recognised in the Statement of Financial Performance. If a derivative instrument does qualify for hedge accounting then any mark to market movements will be recognised directly within the Statement of Movements in Equity, then released to the Statement of Financial Performance in accordance with the movements in the underlying hedged instrument.

Delegat's Group Limited and Subsidiaries  
Notes to the Financial Statements  
For the Year Ended 30 June 2005

	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>22 Reconciliation of Net Surplus for the Year with Net Cash Flows from Operating Activities</b>				
Reported surplus after tax	2,583	1,450	(3)	-
Surplus on disposal of assets	(66)	(2,610)	-	-
<b>Plus items not involving cash flows</b>				
Share of surplus of associate	(299)	(399)	-	-
Depreciation expense	1,720	1,390	-	-
Amortisation of capitalised leases	676	199	-	-
Movement in deferred taxation	654	(596)	(37)	-
	<b>5,268</b>	<b>(566)</b>	<b>(40)</b>	<b>-</b>
<b>Movement in operating balances are as follows:</b>				
Payables and accruals	4,075	7,534	(2,213)	2,877
Development contracts	(1)	(75)	-	-
Accounts receivable	(5,180)	(3,346)	(13)	-
Inventories	(9,555)	(11,034)	-	-
Income tax	(159)	295	40	-
	<b>(10,820)</b>	<b>(6,626)</b>	<b>(2,186)</b>	<b>2,877</b>
<i>Deduct items classified as investing and financing activities</i>				
Accounts receivable	2,486	1,581	-	-
Payables and accruals	(292)	3,503	-	-
Related party funding	-	-	(861)	480
Capital note issue costs	(1)	(3,335)	(1)	(3,335)
	<b>(8,627)</b>	<b>(4,877)</b>	<b>(3,048)</b>	<b>22</b>
<b>Net Cash Flow from Operating Activities</b>	<b>(3,359)</b>	<b>(5,443)</b>	<b>(3,088)</b>	<b>22</b>

**23 Segment Information**

**Industry Segments**

The Delegat's Group operates in the wine industry. The Group has offices, vineyards and a winery in New Zealand, and exports directly from New Zealand to Canada, the United States of America, Hong Kong, Fiji, United Arab Emirates, Singapore, and the Cook Islands. Subsidiary companies have offices in New Zealand, Australia, Great Britain and the United States of America. In accordance with SSAP-23, Financial Reporting for Segments, the Australian, Great British and United States operations are not classified as foreign geographical segments.

Delegat's Group Limited and Subsidiaries  
Notes to the Financial Statements  
For the Year Ended 30 June 2005

24 Prospective Financial Information

On 21 June 2004 Delegat's Group Limited issued a prospectus for the issue of Capital Notes. The information below is a comparison of the projected financial statements to the Group's actual results for the year ended 30 June 2005.

	GROUP	
	Actual \$000	Projection \$000
<b>Statement of Financial Performance</b>		
Operating Revenue	57,954	60,446
Share of Associate's Net Surplus	299	-
EBITDA	9,080	12,277
Depreciation and Amortisation	(2,396)	(2,370)
EBIT	6,684	9,907
Non-Operating Revenue	93	594
Capital Notes Issue Costs	(1)	-
Interest	(3,245)	(2,930)
Surplus Before Income Tax	3,531	7,571
Income Tax	(948)	(2,421)
Net Surplus	2,583	5,150

Delegat's Group Limited's surplus after tax of NZ\$ 2,583,000 for the year ended 30 June 2005 represents a 50 percent reduction on the projection contained within the Investment Statement and Prospectus dated 21 June 2004. The impact of the strong New Zealand dollar was foreshadowed by the directors in the December 2004 interim report. Export earnings represent 81 percent of total Group revenue and whilst the in-market price realisation and margins have been maintained, the conversion into New Zealand dollars has resulted in a reduction of revenue and profits for the year. Interest costs are higher than projection by NZ\$ 315,000 due to higher than forecast interest rates on the secured Marlborough winery project and working capital facilities.

In compliance with the Second Schedule to the Securities Regulations 1983, share of associates surpluses (Oyster Bay Marlborough Vineyards Limited) were excluded from the projections contained within the Investment Statement and Prospectus. However, the projected non-operating revenues includes dividends from Associates amounting to NZ\$ 381,000.

Income tax is NZ\$ 1,473,000 lower than projection reflecting the lower operating result in the year.

**Statement of Financial Position**

Bank and Cash	1,749	78
Other Current Assets	55,935	60,780
Non-Current Assets	54,505	52,857
Total Assets	112,189	113,715
Current Liabilities	32,690	14,890
Borrowings	14,600	30,230
Capital Notes	35,000	35,000
Other Non-Current Liabilities	1,909	3,285
Total Liabilities	84,199	83,405
Equity	27,990	30,310
Total Equity and Liabilities	112,189	113,715

Other current assets are NZ\$ 4,845,000 lower than the projection due to lower inventory holdings. Current liabilities include NZ\$ 15,466,000 for the first tranche of the Marlborough winery facility repayable on completion of the equity raise, which was included in the projection as long term borrowings. Other non-current liabilities are NZ\$ 1,376,000 lower than projection due to finance lease obligations on barrels being reclassified as current based on agreement terms and lower deferred taxation liabilities due to higher Group losses being carried forward.

Delegat's Group Limited and Subsidiaries  
Notes to the Financial Statements  
For the Year Ended 30 June 2005

	GROUP	
	Actual \$000	Projection \$000
<b>Statement of Cash Flows</b>		
Net cash inflows from Operating Activities (excluding Current Vintage)	17,829	17,544
Net cash outflows related to Current Years Vintage	(21,188)	(28,764)
Net cash outflows from operating activities	(3,359)	(11,220)
Net cash outflows from investing activities	(28,634)	(27,365)
Net cash inflows from financing activities	33,170	38,588
Net increase in cash held	1,177	3
Cash at beginning of year	594	72
Effect of Exchange Rate Fluctuations on Cash Held in Foreign Currencies	(22)	3
Cash at End of Year	1,749	78

**25 Events Subsequent to Balance Date**

On 7 July 2005, Delegat's Wine Estate Limited ("Delegat's") made a partial takeover offer seeking to purchase 1,576,500 shares representing 25.98 percent of the shares of Oyster Bay Marlborough Vineyards Limited ("Oyster Bay") not already held or controlled by Delegat's. When combined with Delegat's existing holding of 2,932,500 shares (representing 32.58 percent of the issued ordinary share capital of Oyster Bay), the acquisition of shares under the offer results in Delegat's then holding 50.1 percent of the total issued ordinary share capital of Oyster Bay.

On 9 August 2005, Delegat's filed a substantial security holder notice advising that it had acceptances which, together with shares held by it prior to the offer being launched, exceeded the 50.1 percent requirement.

Delegat's offer is NZ\$ 4.00 per share. Under the Takeovers Code, the offer must remain open until the scheduled closing date of Monday 19 September 2005. At the conclusion of the offer period, acceptances in excess of those required to reach the target percentage will be scaled back accordingly.

**Delegat's Group Limited and Subsidiaries**  
**Other Disclosures**  
**For the Year Ended 30 June 2005**

**Interests Register**

The Company maintains an interests register. Details of all entries in the register are outlined in Note 19, Related Parties.

**Insurance of Officers and Directors**

The Company maintains Directors and Officers liability insurance.

**Remuneration of Directors**

Directors received the following fees and remuneration from Delegat's Group Limited in the year to 30 June 2005.

	Group \$
Jim Delegat*	595,000
Rosemari Delegat*	364,000
Robert Wilton	100,000
John Maasland	11,000

\* Remuneration includes salary and benefits and excludes any specific fees for directorship.

**Remuneration of Employees**

The number of employees, who are not Directors, whose remuneration and benefits exceeded \$100,000 in the financial year was:

\$100,001 - \$110,000	2
\$110,001 - \$120,000	1
\$120,001 - \$130,000	2
\$130,001 - \$140,000	1
\$140,001 - \$150,000	1
\$190,001 - \$200,000	2
\$220,001 - \$230,000	1
\$240,001 - \$250,000	1
\$260,001 - \$270,000	1
\$280,001 - \$290,000	1

**Donations**

The Group made no donations during the year.

**Shareholders' Information**

As at 29 August 2005

Holder	Shares Held	% of Shares
Jakov Nikola Delegat	1,500,000	50.00
Rosemari Suzan Delegat and Robert Lawrence Wilton	1,500,000	50.00

# AUDITOR'S REPORT



To the Shareholders of Delegat's Group Limited

We have audited the financial statements on page 6 to 22. The Financial statements provide information about the past financial performance of the Company and Group and their financial position as at 30 June 2005. This information is stated in accordance with the accounting policies set out on pages 9 to 11.

## Directors' Responsibilities

The Directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the Company and Group as at 30 June 2005 and of their financial performance and cash flows for the year ended on that date.

## Auditor's Responsibilities

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

## Basis of Opinion

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

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

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

Ernst & Young provided taxation advice and due diligence services to the Company during the year.

## Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 6 to 22:
  - i. comply with generally accepted accounting practice in New Zealand; and
  - ii. give a true and fair view of the financial position of the Company and Group as at 30 June 2005 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 29 August 2005 and our unqualified opinion is expressed as at that date.

A stylized, handwritten signature of 'Ernst &amp; Young' in a cursive script.

Chartered Accountants  
Auckland, New Zealand

~NOTES



Delegat's Awatere Valley Vineyard, Marlborough



## ~DIRECTORY

### **Directors**

Robert Lawrence Wilton (Chairman, Independent Director)

Jakov Nikola Delegat (Managing Director)

Rosemari Suzan Delegat (Executive Director)

John Maasland (Independent Director)

### **Registered Office**

Level 1, 16 Viaduct Harbour Avenue

Maritime Square

P O Box 91681

Auckland

### **Banker**

Westpac Banking Corporation

318 Lambton Quay

P O Box 691

Wellington

### **Solicitor**

Jones Young

Level 14, ASB Bank Centre

135 Albert Street

P O Box 189, Shortland Street

Auckland

### **Auditor**

Ernst & Young

41 Shortland Street

P O Box 2146

Auckland

### **Share Registrar**

Computershare Investor Services Limited

159 Hurstmere Road, Takapuna

Private Bag 92119

Auckland