



DELEGAT'S GROUP LIMITED

CHAIRMAN'S ADDRESS

It gives me great pleasure to stand before you today to report once again that the Group has recorded a record year and achieved all its financial objectives for the 12 month period ended 30 June 2008. This is the third report of the Group as a publicly listed entity and is the first full year result reported under NZIFRS - the New Zealand equivalents of International Reporting Standards. To enable comparability, the results for the previous year have been restated to the new accounting standards.

Total cases sold were 1.449 m generating total sales of \$165.3m. This compares to 1,237m cases and \$134.8m revenue for the previous year, an increase of 17% and 23% respectively, a performance that continues to demonstrate the strength of the Oyster Bay and Delegat's brands both here and internationally and quality and integrity of the Group's business model.

The Group's earnings before interest, taxes, depreciation and amortisations (EBITDA) was \$55.4m against \$38m for the 2007 year, an increase of 46%.

Profit after tax (available to shareholders) was \$19.1m, an increase of \$8.3m or 77% over the previous year. This represents earnings per share of 19.1 cents compared to 10.8 cents for the 2007 year – an increase of 77%.

The balance sheet continues to be managed to best reflect the strengths of the business. The Group's working capital properly reflects the growth of the business through inventory levels and trade receivables. Current assets representing those inventory levels and trade receivables of \$153.2m have increased by \$40.2 million, while current liabilities of \$35m have decreased by \$24m reflecting the significant positive cash flows from operations and the re-phasing of our bank facilities. The Group's working capital ratio has improved from 1.91 to 4.37.

The Equity to Assets ratio at 39.2% is marginally lower than the 41.6% recorded at the end of the 2007 year.

I said these results are NZIFRS compliant and are able to be compared with 2007. However, NZIFRS does have some significant accounting effects – particularly (and for us) the valuation of biological assets (the vines), the carrying value of inventory along with the end of year valuation of our risk management financial derivative instruments, plus the accompanying deferred tax effects.

Accordingly the cash flow statements, an important component of the Financial Statements package have now taken on an even more important role – as these are not affected by accounting treatments. The cash flow from operations at \$8.3m for the year under review is \$7.9m higher than the previous year.

By any measure the success of the company's performance is reflected in all of these numbers, which are both significant and noteworthy. Importantly, they reflect the successful execution of the strategies the Group has adopted to build its business globally. Central to our strategies are the four key success factors of Brands, Grape Supply, a Distribution Network and Winemaking Capability – each

of which are integral to achieving the milestones the company sets itself and which enables us to lead New Zealand wine category growth internationally.

Your Board meets regularly, as does the Audit and Compliance Committee chaired by Mr John Maasland. All members demonstrate behaviours focusing on good governance and I take this opportunity to thank them for the contribution they make.

As a global company, awareness of the various regulatory environments is essential. Where necessary the use of professional advisors to ensure compliance is obtained.

Delegat's is regarded as a growth company and given the ongoing funding requirements to support this growth, your Directors approved a dividend of 6 cents per share (representing 31% of the after tax profit) which was paid on 24 October to Shareholders on record at 10 October 2008.

The company view the employee share ownership plan an important tool to attract and retain world class talent and to enable them to benefit, not only from salary, but also from the benefits which accrue to shareholders. The company currently has on issue 350,000 shares in the hands of seven individual staff members.

The board wishes to place on record its appreciation for the commitment and dedication shown by all staff, whether they be in New Zealand, Australia, Canada, United Kingdom or the United States of America, and for the outstanding results that have been achieved.

The Future

Notwithstanding the uncertainty of world financial markets the super premium wine segment has shown not only resilience, but continued growth. We firmly believe the group will continue to benefit from the category leading position we have with the Oyster Bay brand in the global markets. Given the year to date results, your Board is confident that the year end results for 2009 will be in accord with analyst forecast of \$24.7 million.

Investment opportunities to increase shareholder wealth are beginning to emerge and your Board is dedicated to continue pursuing the objective to create wealth and to reward its loyal shareholders over the medium to long term.

At the conclusion of the meeting your Board invites you mix with your fellow shareholders, some of our senior staff and, of course, Board members and to enjoy a tasting of the company's fine wines.

R L Wilton
Chairman
Delegat's Group Limited

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