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DELEGAT'S GROUP LIMITED INTERIM REPORT 2005

Chairman's Report to Shareholders

On behalf of the Directors, I am pleased to report a Group unaudited after tax profit for the six months period to 31 December 2005 of \$2.212 million compared with \$1.579 million for the same period the previous year – an increase of 40%. Revenue for the same period totalled \$37.969 million, an increase of \$9.60 million over the same period the previous year – an increase of 34%. The increases reflect the continuing strong demand for both Delegat's and Oyster Bay brands with global demand for Oyster Bay in each of the major target markets continuing to exceed expectations through the increasing support of the leading supermarkets, major multiple specialists and appointed distributors. The results for the six months were impacted by the continuing high value of the NZ\$ which the Group continues to monitor through a rigorous foreign exchange management program.

During the period under review, management were distracted by the need to defend successfully the unwanted takeover bid for 50.1% shareholding in Oyster Bay Marlborough Vineyards Limited.

The capital works program to build the first stage of Marlborough winery is on schedule to process grapes from the 2006 vintage.

The much awaited equity capital raise outlined at the time of the Capital Note Issue in 2004 is now planned for the end of the first quarter of the 2006 calendar year.

A handwritten signature in black ink, appearing to read 'Robert Wilton', with a large, stylized flourish underneath.

Robert Wilton
CHAIRMAN
27 February 2006

The unaudited financial statements for the six months to 31 December 2005 have been prepared in accordance with Financial Reporting Standard Number 24 and should be read in conjunction with the published financial statements for the year ended 30 June 2005.

Delegat's Group Limited and Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2005

	Unaudited Dec 2005 \$000	Audited Jun 2005 \$000	Unaudited Dec 2004 \$000
Equity			
Share Capital	6,029	6,029	6,029
Reserves	750	750	750
Retained Earnings	23,423	21,211	20,207
Total Equity	30,202	27,990	26,986
Liabilities			
Current Liabilities			
Payables and Accruals	11,044	15,933	11,650
Borrowings	35,000	16,757	574
Development Contracts	–	–	16
	46,044	32,690	12,240
Non-Current Liabilities			
Deferred Tax Liability	1,566	528	519
Borrowings	20,809	15,981	6,614
Capital Notes	35,000	35,000	35,000
	57,375	51,509	42,133
Total Liabilities	103,419	84,199	54,373
Total Equity and Liabilities	133,621	112,189	81,359
Assets			
Current Assets			
Cash and Bank Balances	382	1,749	2,022
Accounts Receivable	23,542	16,109	21,107
Income Tax Receivable	183	329	42
Inventories	35,187	39,497	29,173
	59,294	57,684	52,344
Non-Current Assets			
Property, Plant and Equipment	69,038	48,914	23,767
Investment in Associate	5,284	5,586	5,243
Investment in External Party	5	5	5
	74,327	54,505	29,015
Total Assets	133,621	112,189	81,359

Delegat's Group Limited and Subsidiaries
Statement of Movements in Equity
For the six months ended 31 December 2005

	Unaudited Dec 2005 6 Months \$000	Audited Jun 2005 12 Months \$000	Unaudited Dec 2004 6 Months \$000
Net Surplus for the Period	2,212	2,583	1,579
Recognised Revenue and Expenses for the Period	2,212	2,583	1,579
Equity at the Beginning of the Period	27,990	25,407	25,407
Equity at the End of the Period	30,202	27,990	26,986

Delegat's Group Limited and Subsidiaries
Consolidated Statement of Financial Performance
For the six months ended 31 December 2005

Operating Revenue	37,833	57,954	28,202
Non-Operating Revenue	136	93	167
Revenue	37,969	58,047	28,369
Share of Retained (Deficit) / Surplus of Associate Company	(302)	299	(43)
Operating Surplus Before Income Tax	3,399	3,531	2,353
Income Tax (Expense)	(1,187)	(948)	(774)
Net Surplus for the Period	2,212	2,583	1,579

Delegat's Group Limited and Subsidiaries
Consolidated Statement of Cash Flows
For the six months ended 31 December 2005

	Unaudited Dec 2005 6 Months \$000	Audited Jun 2005 12 Months \$000	Unaudited Dec 2004 6 Months \$000
Operating Activities			
Total Operating Receipts	34,038	55,804	24,996
Total Operating Payments	(36,529)	(59,163)	(27,689)
Net Cash Outflows from Operating Activities	(2,491)	(3,359)	(2,693)
Investing Activities			
Total Investing Receipts	–	624	3
Total Investing Payments	(22,053)	(29,258)	(9,942)
Net Cash Outflows from Investing Activities	(22,053)	(28,634)	(9,939)
Financing Activities			
Total Financing Receipts	36,858	68,873	17,822
Total Financing Payments	(13,671)	(35,703)	(3,747)
Net Cash Inflows from Financing Activities	23,187	33,170	14,075
Net (Decrease) / Increase in Cash Held	(1,357)	1,177	1,443
Cash at Beginning of Period	1,749	594	594
Effect of Exchange Rate Change on Foreign Currency Balance	(10)	(22)	(15)
Cash at End of Period	382	1,749	2,022
Reconciliation of Net Surplus for the Period with Net Cash Flows from Operating Activities			
Reported Surplus After Income Tax	2,212	2,583	1,579
Items not Involving Cash Flows	3,324	2,685	1,969
Impact of Changes in Working Capital Items	(7,866)	(10,820)	(6,241)
Items Classified as Investing or Financing Activities	(161)	2,193	–
Net Cash Flow from Operating Activities	(2,491)	(3,359)	(2,693)

Notes to the Financial Statements

For The Six Months Ended 31 December 2005

The financial statements are for the reporting entity Delegat's Group Limited, an issuer in terms of the Securities Act 1978. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993 and should be read in conjunction with the published financial statements for the year ended 30 June 2005.

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 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 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.

Changes in Accounting Policies

There have been no changes in accounting policy since 30 June 2005.

Events Subsequent to Balance Date

On 9 January 2006, 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 17 January 2006, Delegat’s filed a substantial security holder notice advising that it had acceptances which, together with the shares held by it prior to the offer being launched, exceeded the 50.1 percent requirement.

Delegat’s offer was NZ\$ 6.00 per share. Under the Takeovers Code, the offer remained open until the scheduled closing date of Wednesday 8 February 2006. At the conclusion of the offer period, acceptances in excess of those required to reach the target percentage will be scaled back accordingly. This partial offer was declared unconditional on 22 February 2006.

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