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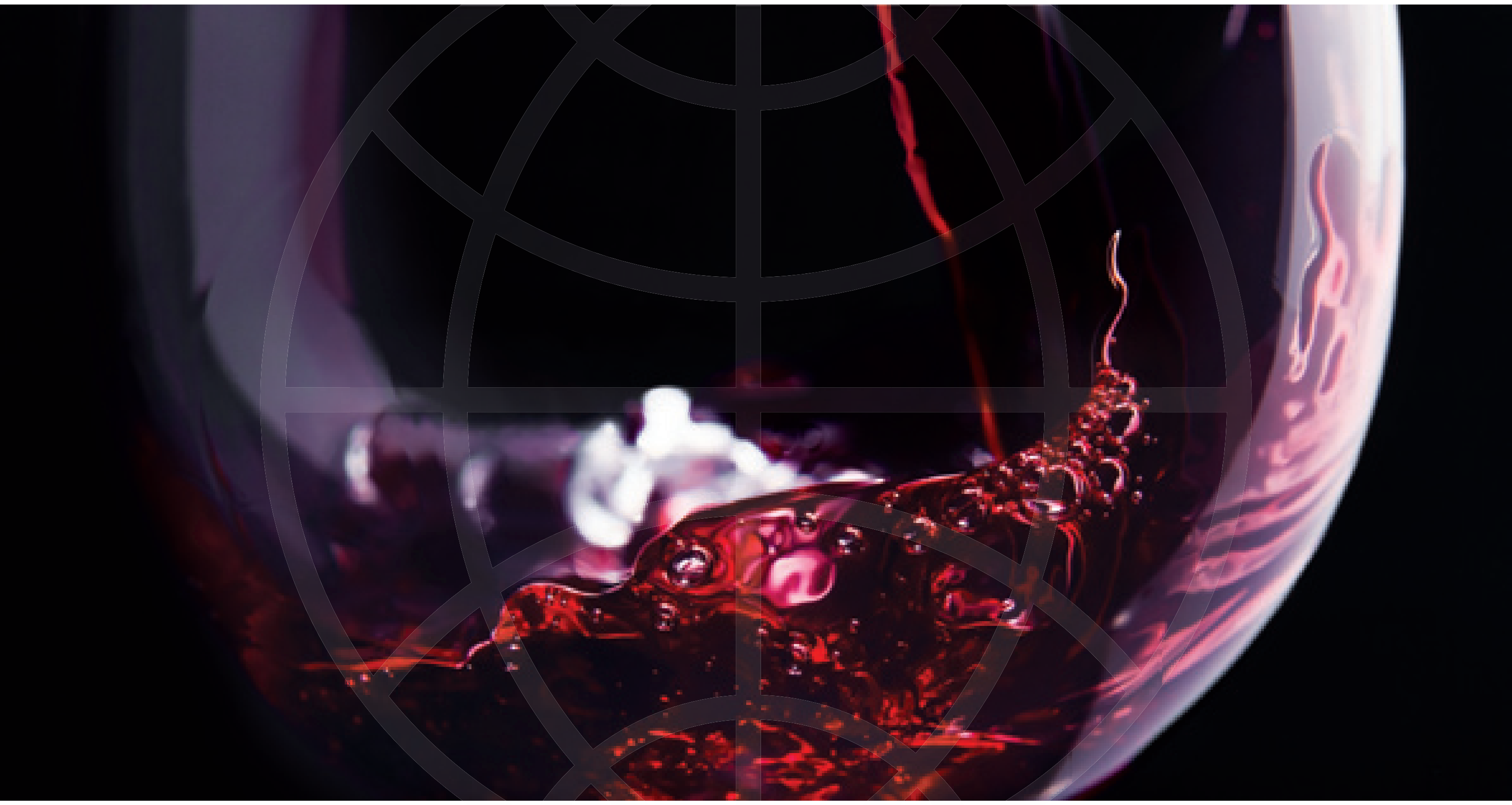
DELEGAT

BUILDING A LEADING GLOBAL SUPER PREMIUM WINE COMPANY



DELEGAT GROUP LIMITED ANNUAL REPORT 2014

WELCOME TO THE BAROSSA VALLEY, ONE OF THE WORLD'S MOST CELEBRATED WINE REGIONS.

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The Barossa Valley Estate winery, in the heart of the Barossa Valley.

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Delegat Group Limited

ACHIEVED RECORD GLOBAL CASE SALES OF 2,031,000.

ACHIEVED SALES REVENUE OF $222.5 MILLION.

ACHIEVED RECORD OPERATING NPAT OF $31.4 MILLION.

RECORD HARVEST OF 35,127 TONNES.

OYSTER BAY WAS NAMED ONE OF THE WORLD'S MOST ADMIRED WINE BRANDS BY DRINKS INTERNATIONAL MAGAZINE.

OYSTER BAY PINOT NOIR 2013 WAS AWARDED A GOLD MEDAL AND 91 POINTS AT THE SAN FRANCISCO INTERNATIONAL WINE COMPETITION 2014.

THE NORTH AMERICA REGION BECAME THE GROUP'S LARGEST BY SALES VOLUME FOR THE FIRST TIME.

FINANCIAL HIGHLIGHTS 2014

Delegat Group Limited and Subsidiaries

YEAR ENDED 30 JUNE	2008	2009	2010	2011	2012	2013	2014
Case Sales (000's)	1,449	1,738	1,950	1,969	1,850	1,946	2,031
Sales Revenue ($m)	162.5	216.6	219.7	229.8	215.1	222.0	222.5
Average Case Price Realisation	$112	$125	$113	$117	$116	$114	$110
OPERATING PERFORMANCE							
Operating EBITDA[1,2] ($m)	36.7	60.3	50.0	55.5	54.9	56.9	64.0
Operating EBIT[3,4] ($m)	25.5	48.4	39.7	43.8	43.5	44.7	52.3
Operating EBIT % of Sales Revenue	16%	22%	18%	19%	20%	20%	24%
Operating NPAT[5,6] ($m)	9.9	26.4	21.7	23.9	25.6	26.3	31.4
Operating NPAT % of Sales Revenue	6%	12%	10%	10%	12%	12%	14%
REPORTED PERFORMANCE							
EBITDA[1] ($m)	55.3	65.0	29.6	57.1	54.8	77.5	79.6
EBIT[3] ($m)	44.1	53.1	19.3	45.4	43.3	65.3	67.9
EBIT % of Sales Revenue	27%	25%	9%	20%	20%	29%	31%
NPAT[5] ($m)	19.1	30.0	0.2	32.7	25.5	41.2	42.6
NPAT % of Sales Revenue	12%	14%	0%	14%	12%	19%	19%
EPS[8]	19.1c	30.0c	.02c	32.6c	25.3c	40.8c	42.1c
Net Assets[7] ($m)	144.9	168.9	152.4	167.7	185.1	217.4	249.1
Total Assets ($m)	369.5	365.1	340.5	349.4	340.6	420.8	476.5

1 EBITDA means earnings before interest, tax, depreciation and amortisation.
2 Operating EBITDA means EBITDA before NZ IFRS fair value adjustments, impairment charges and other non-cash accounting adjustments.
3 EBIT means earnings before interest and tax.
4 Operating EBIT means EBIT before NZ IFRS fair value adjustments, impairment charges and other non-cash accounting adjustments.
5 NPAT means net profit after tax attributable to ordinary Shareholders.
6 Operating NPAT means NPAT before the after tax and non-controlling interests of NZ IFRS fair value adjustments, impairment charges and other non-cash accounting adjustments.
7 Net Assets means total assets less total liabilities.
8 EPS means earnings per share and is calculated on NPAT for the year divided by the weighted average number of ordinary shares on issue. 50,000 shares issued in relation to the Employee Share Ownership Plan are subject to restrictions and are excluded from the weighted average number of shares on issue. The weighted average number of shares on issue for 2008-2010 were 100,000,000, 100,306,000 in 2011, 100,630,000 in 2012, 100,930,000 in 2013 and 101,080,000 in 2014.

Notice of Meeting

The Annual Meeting of Shareholders will be held at 2pm on Tuesday 2 December 2014 in the Kawau Room, Viaduct Events Centre, 161 Halsey Street, Viaduct Basin, Auckland. This Annual Report is dated 29 August 2014 and is signed on behalf of the Board by;

JIM DELEGAT
Executive Chairman

GRAEME LORD
Managing Director

EXECUTIVE CHAIRMAN'S REPORT

A year of record performance on our journey to building a leading global Super Premium wine company.

JIM DELEGAT Executive Chairman

On behalf of the Board of Directors of Delegat Group Limited, I am pleased to present its operating and financial results for the year ended 30 June 2014.

The Group presents its financial statements in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The Directors continue to be of the view that the results reported under NZ IFRS do not provide adequate insight into the Group's underlying operational performance, primarily due to a number of fair value adjustments on which it is required to report.

Operating Performance

NZ$ millions	2014 Actual	2013 Actual	% change vs 2013
Sales Revenue	**222.5**	**222.0**	**0%**
Total Operating Revenue[1]	224.6	223.1	1%
Operating Gross Profit[2]	**135.7**	**125.8**	**8%**
Operating Gross Margin	61%	57%	
Operating Expenses[3]	(83.4)	(81.1)	-3%
Operating EBIT[4]	**52.3**	**44.7**	**17%**
Operating EBIT % of Sales	24%	20%	
Interest and Tax	(20.9)	(18.4)	-13%
Operating NPAT[4]	**31.4**	**26.3**	**19%**
Operating NPAT % of Sales	14%	12%	
Operating EBITDA[4]	**64.0**	**56.9**	**12%**
Operating EBITDA % of Sales	29%	26%	

Notes:
[1] Total Operating Revenue is before fair value movements on biological assets and derivative instruments (if gains).
[2] Operating Gross Profit is before the net fair value movements on agricultural produce 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.
[4] Operating EBIT, EBITDA and NPAT are Biological Produce.

To allow a better understanding of the operating performance, the Group has published an Operating Performance report and reconciliation of Operating Profit to Reported Profit. This reconciliation eliminates all fair value adjustments from each line in the Statement of Financial Performance.

Operating Performance

A record operating NPAT of $31.4 million was generated compared to $26.3 million last year. Operating EBIT of $52.3 million is $7.6 million higher than last year. Operating expenses (before NZ IFRS adjustments) at $83.4 million are $2.3 million higher compared to last year.

In-market case price realisations are being maintained in each of the major markets.

Delegat achieved Sales Revenue of $222.5 million on global case sales of 2,031,000 in the year. Sales Revenue is up $0.5 million on last year, due to global case sales being 4% higher, which offset the ongoing impact of adverse foreign exchange rate changes. The adverse foreign exchange rate changes have resulted in case price realisation of $110, compared with $114 achieved in 2013.

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

Case Sales, Case Price Realisation and Foreign Currency

Case Sales (000's)	2014 Actual	2013 Actual	% change vs 2013
UK, Ireland and Europe	594	604	-2%
North America (USA and Canada)	769	670	15%
Australia, NZ and Asia Pacific	668	672	-1%
Total Cases	**2,031**	**1,946**	**4%**
Case Price Realisation ($)[1]	**110**	**114**	**-4%**

[1] Case Price Realisation is sensitive to: foreign currency, country and product mix.

Foreign Currency Rates	2014 Actual	2013 Actual	% change vs 2013
GB£	0.5068	0.4996	-1%
AU$	0.8623	0.7858	-10%
US$	0.8331	0.8004	-4%
CA$	0.8881	0.8216	-8%

NZ IFRS Fair Value Adjustments

In accordance with NZ IFRS, the Group is required to account for certain of its assets at fair value rather than at historic cost. All movements in these fair values are reflected in and impact the Statement of Financial Performance. The Group records adjustments in respect of three significant items at year-end:

- Biological Assets (Vines) – The Group's vineyards have been revalued at the reporting date, resulting in a higher value attributable to Biological Assets of $4.4 million in 2014 (2013: $2.9 million).
- Biological Produce (Grapes) – Inventory is valued at market value, rather than costs incurred, at harvest. Any fair value adjustment is excluded from Operating Performance for the year, by creating a Harvest Adjustment. This Harvest Adjustment is then released through Cost of Sales when inventory is sold in subsequent years. This represents the reversal of prior periods' fair value adjustments in respect of biological produce as finished wine is sold in subsequent years. In 2014, the market value of the company grapes exceeded the costs incurred by $17.6 million. This difference was primarily due to the increased yields for the 2014 vintage (up 19% year-on-year). This write-up, less the impact of prior years' vintages being sold has resulted in a net write-up of $8.5 million for the year (2013: $14.2 million).

Impact of 'Fair Value' Adjustments

NZ$ millions	2014 Actual	2013 Actual	% change vs 2013
Operating NPAT	**31.4**	26.3	19%
Operating NPAT % of Sales	14%	12%	
NZ IFRS Fair Value Items			
Biological Assets (Vines)	4.4	2.9	50%
Biological Produce (Grapes)[1]	8.5	14.2	-40%
Derivative Instruments	2.7	3.5	-23%
Other[2]	(0.0)	(0.0)	57%
Total Fair Value Items	15.6	20.6	-24%
Less: Tax	(4.4)	(5.7)	23%
Fair Value Items after Tax	**11.2**	14.9	-25%
Reported NPAT	**42.6**	41.2	3%

Notes:
[1] Biological Produce is the reversal of fair value adjustments in respect of biological produce sold as finished wine in subsequent years.
[2] Other Fair Value Items includes accounting for share-based payments.

- Derivative Instruments held to hedge the Group's foreign currency and interest rate exposure. The market-to-market movement of these instruments at balance date resulted in a fair value write-up of $2.7 million (2013: $3.5 million).

These, together with minor adjustments in respect of share-based payments, net of taxation, amount to a write-up of $11.2 million.

Reconciliation of Reporting to Operating Performance

Accounting for all fair value adjustments under NZ IFRS, the Group's reported audited financial performance for the year ended 30 June 2014 is reconciled to operating profit which is detailed below:

Reconciliation of Reporting to Operating Performance	2014 Actual			2013 Actual		
	Operating	Fair Value Adjustment	Reported	Operating	Fair Value Adjustment	Reported
Sales Revenue	**222.5**	**–**	**222.5**	222.0	–	222.0
Total Operating Revenue	224.6	7.1	231.7	223.1	6.4	229.5
Cost of Sales	(88.9)	8.5	(80.4)	(97.3)	14.2	(83.1)
Gross Profit	**135.7**	**15.6**	**151.3**	125.8	20.6	146.4
Operating Expenses	(83.4)	–	(83.4)	(81.1)	–	(81.1)
EBIT[1]	**52.3**	**15.6**	**67.9**	44.7	20.6	65.3
Interest and Tax	(20.9)	(4.4)	(25.3)	(18.4)	(5.7)	(24.1)
NPAT[2]	**31.4**	**11.2**	**42.6**	26.3	14.9	41.2
EBIT[1]	52.3	15.6	67.9	44.7	20.6	65.3
Depreciation and Amortisation	(11.7)	–	(11.7)	(12.2)	–	(12.2)
EBITDA[3]	**64.0**	**15.6**	**79.6**	56.9	20.6	77.5

Notes:
[1] EBIT means earnings before interest and tax.
[2] NPAT means net profit after tax.
[3] EBITDA means earnings before interest, tax, depreciation and amortisation.

Cash Flow

The Group generated Cash Flows from Operations of $20.8 million in the current year, which is a decrease of $18.5 million on the previous year, primarily due to the investment for the higher 2014 harvest inventory and other working capital items. A total of $31.9 million was invested in additional property, plant and equipment during the year, including the acquisition of bare land vineyards in the Barossa Valley, which will provide earnings growth into the years ahead. The Group distributed $10.1 million to Shareholders in dividends. Additional borrowings of $22.8 million were drawn down to fund the increased capital investment during the year.

The Group has Net Debt of $153.7 million, compared to $134.9 million in 2013 – an increase of 14%.

Dividends

The Directors consider that the underlying operational performance and strong cash flows fully justify the maintenance of dividends. Accordingly, the Directors are pleased to advise they have approved a fully imputed dividend payout of 11.0 cents per share. The dividend will be paid on 10 October 2014 to Shareholders on record at 26 September 2014.

The record results achieved in 2014 are testament to the strength of the Group's business model.

JIM DELEGAT Executive Chairman

Investing for Growth

The record results achieved in 2014 are testament to the strength of the Group's business model. Delegat Group is well positioned to pursue its strategic goal of building a leading global Super Premium wine company.

Over the past two years, the Group has invested $107 million in capital expenditure and the acquisition of Barossa Valley Estate. The Group plans to invest a further $86 million in capital expenditure over the coming year to support future sales growth and to achieve sustainable competitive advantage in terms of both quality and supply. The capital expenditure plan includes building a 10,000 tonne capacity Hawke's Bay winery, expansion of the Marlborough winery, and new vineyard development in Marlborough, Hawke's Bay and the Barossa Valley. The Group's intention is to fund this capital expenditure using a combination of retained earnings and debt.

The Board is confident that the investment in growth will deliver strong returns for Shareholders and expects to achieve sales growth of 9% to achieve record sales of 2,205,000 cases in the 2015 year.

Our Great Wine People

The Board would like to take this opportunity to acknowledge our Great Wine People around the world. Our multinational team has once again worked powerfully together to achieve new performance records on our journey towards building a leading global Super Premium wine company.

JIM DELEGAT
Executive Chairman


BAROSSA VALLEY ESTATE
BAROSSA
VALLEY
ESTATE
SHIRAZ | 2012
BAROSSA VALLEY

WE WILL TAKE THE BAROSSA VALLEY TO THE WORLD AS NEVER BEFORE AND CREATE ONE OF THE WORLD'S GREAT SUPER PREMIUM WINE BRANDS.

The launch of Barossa Valley Estate is a significant milestone on our journey to building a leading Super Premium wine company. Barossa Valley Estate evocatively represents one of the world's most celebrated wine regions. Its powerful identity and standout range of elegant red wines are made to appeal to aspirational wine lovers seeking a modern expression of the wines that made the Barossa great: Shiraz, Cabernet Sauvignon and Grenache Shiraz Mourvèdre.

Barossa Valley Estate winery, Seppeltsfield Road, Barossa Valley.

MANAGING DIRECTOR'S REPORT

We have built the foundations for a leading global Super Premium wine business. Delegat Group plans to grow sales by 52% over the next five years.

GRAEME LORD Managing Director

As outlined in the Executive Chairman's report, the Group achieved record case sales of 2,031,000 cases and record Operating Net Profit After Tax of $31.4 million in the year to 30 June 2014. These record results were achieved despite ongoing exchange rate headwinds.

Last year's Annual Report outlined the evolution of the Group's business strategy to build a leading global Super Premium wine company. During the year under review, the Group has taken some important steps on this growth strategy. Highlights include investing $31 million in capital expenditure to support growth, finalising plans for the new Hawke's Bay winery and developing the brand strategy for Barossa Valley Estate. The Group also made the decision to rename operating subsidiaries as 'Delegat' in order to create a cohesive global corporate identity with relevance beyond the New Zealand category.

New Zealand Wine Industry Review

The New Zealand wine industry remains an international success story; it is recognised as a leading producer of elegant, cool climate wines. New Zealand wine exports grew 9% to a record $1.33 billion. A significant portion of industry growth came from North America, with the United States and Canada growing 12% and 9% respectively.[1]

The 2014 New Zealand industry harvest was a record 445,000 tonnes which was 29% ahead of the prior year. This record industry harvest was primarily driven by an excellent growing season which resulted in higher than normal yields for Marlborough Sauvignon Blanc. Quality orientated growers and companies, including Delegat, were careful to manage vineyards to moderate yields in order to deliver high quality. The inventory from the 2014 vintage will support growth in industry exports over the coming year.

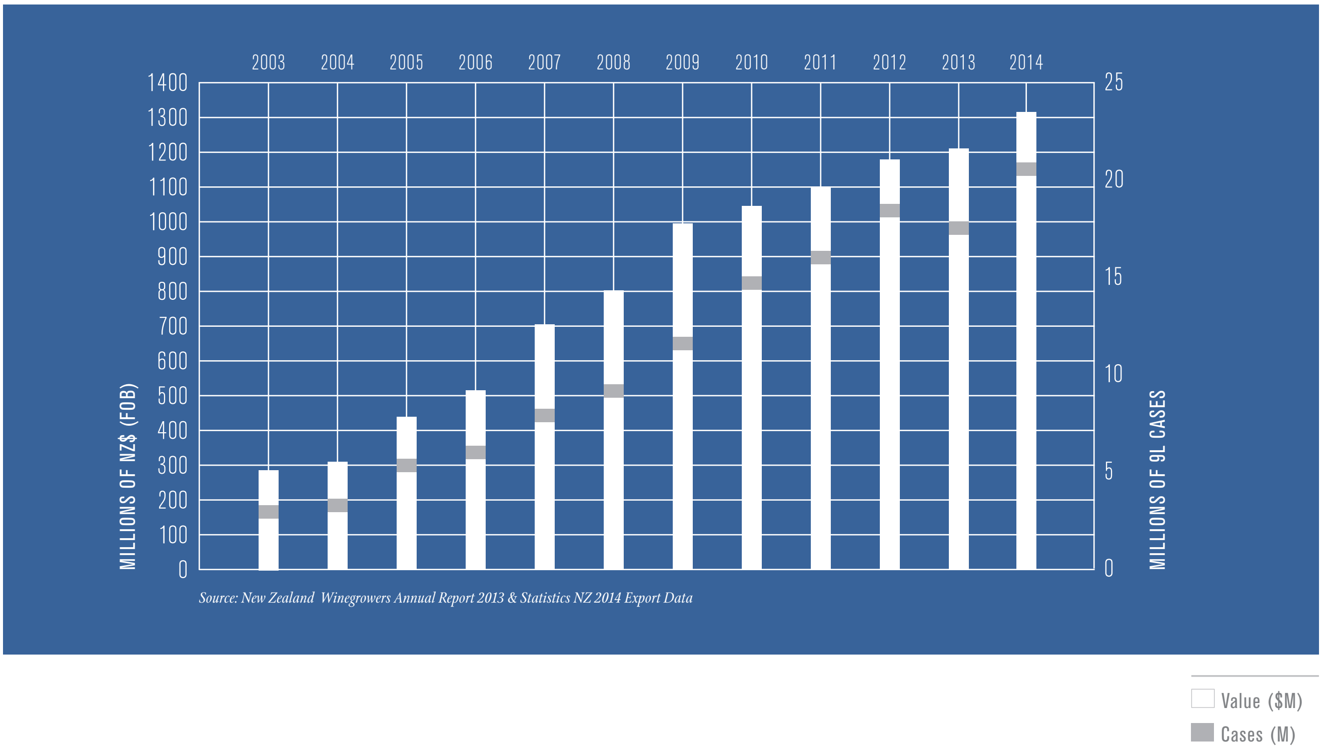
[1] New Zealand Winegrowers – June 2014 MAT.

Global Sales Performance

The Group achieved record global sales of 2,031,000 cases in the year: 4% higher than the previous year. The Group's sales are well diversified by market with 38% in North America, 33% in the Australia, New Zealand and Asia Pacific region, and 29% in Europe including the United Kingdom. Adverse foreign exchange rates resulted in case price realisation of $110, compared with the $114 achieved in 2013.

The Group has continued to invest in the development of its own in-market distribution channels to drive long-term growth. The Group's Sales and Marketing team now comprises 158 people, of whom 139 are based offshore in Australia, the United Kingdom, the United States, Canada, Singapore, Hong Kong, Ireland and Japan.

NZ Wine Exports by Value and Volume 2003 – 2014



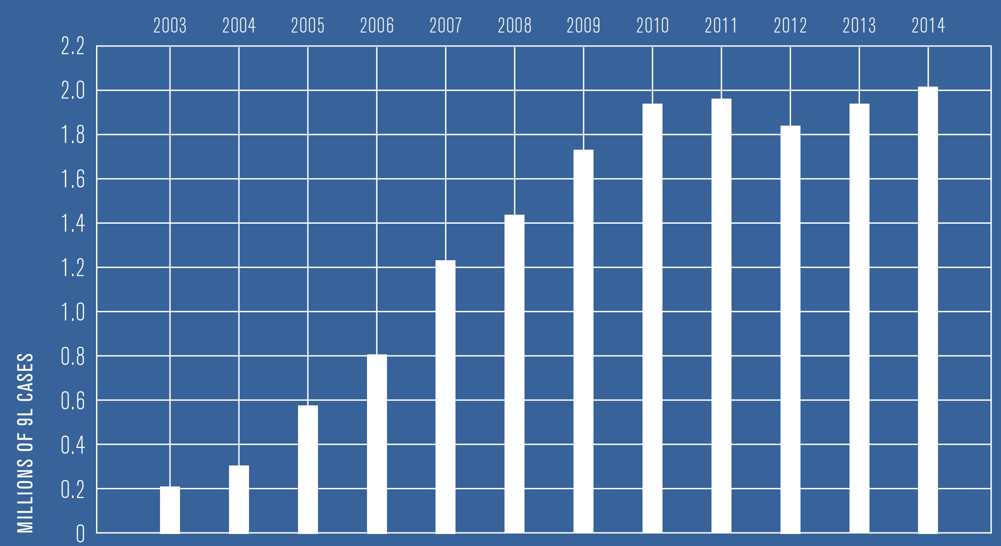
Australia, New Zealand and Asia Pacific

The Australia, New Zealand and Asia Pacific region is a combination of established and emerging markets. Overall sales in the region declined by 1% to 668,000 cases. This result was ahead of the 621,000 forecast in last year's Annual Report as sales in Australia were more resilient than expected, despite challenging trading and economic conditions during the year.

In Australia, the Group has established a category-leading brand presence. Oyster Bay Sauvignon Blanc is the number one selling bottled wine by volume and value.[2] Oyster Bay has also achieved category leadership in the Chardonnay, Pinot Noir and Merlot categories over $10.[3] New Zealand is an established market for the Group and the Oyster Bay brand continues to achieve standout market performance as a Super Premium category leader across all varietals.

The Group achieved record sales volumes in other markets in the region, including Hong Kong and Singapore. During the year, distributors were appointed in Japan, Cambodia and Thailand; this positions the Group well for growth in these markets.

Delegat's Global Case Sales 2003 – 2014



Source: DWE Global Sales Report

[2] Aztec, MAT to 8 June 2014.
[3] Aztec, MAT to 8 June 2014, $10+.


MARLBOROUGH
Sauvignon Blanc
2013
Oyster Bay
NEW ZEALAND

WE WILL DEFINE OURSELVES IN THE GLOBAL SUPER PREMIUM WINE CATEGORY THROUGH BRANDS THAT ARE SYNONYMOUS WITH THE GREAT WINE REGIONS OF THE WORLD.

The Delegat winery in Marlborough, one of the world's great wine regions.

United Kingdom, Ireland and Europe

The Group's sales volumes in the region declined by 2% to 594,000 cases. This result was 3% ahead of forecast after price increases were implemented in the second half of 2013.

In the United Kingdom, Oyster Bay has maintained its Super Premium category leadership position. Oyster Bay Sauvignon Blanc, Chardonnay and Merlot are the top selling wines above £8 in their respective categories.[4] Oyster Bay Pinot Noir is the top selling Pinot Noir above £9.[5] During the year, Oyster Bay became the number one selling sparkling wine brand above £10 by value.[6]

In Ireland, Oyster Bay continues to lead the New Zealand category[7] and is the number one Super Premium New Zealand Sauvignon Blanc, Chardonnay, Pinot Noir and Merlot.[8] The significant duty increases imposed by the Irish Government during the year are expected to constrain future growth in this market.

North America

The Group continued to achieve strong growth in North America, increasing sales volumes by 15% to 769,000 cases. The region became the Group's largest by sales volume for the first time in 2014.

In the United States, the Oyster Bay brand continued its strong growth as consumers are increasingly embracing elegant, cool climate wine styles. The Group's success is underpinned by its well-established in-market sales team working effectively with state distributors. Oyster Bay is the leading Sauvignon Blanc over US$10 in key markets including New York[9], Miami and Southern California.[10] Strong sales growth was achieved with Oyster Bay Sauvignon Blanc, arising from both increased distribution and greater rate of sale per point of distribution. Oyster Bay Chardonnay and Pinot Noir are earlier in their respective growth curves and represent significant long-term expansion opportunities.

In Canada, sales continue to grow in all provinces. Oyster Bay Chardonnay is the top selling Chardonnay above CA$15 in Canada.[11] Pinot Grigio has become a category leader over CA$15 in both British Columbia and Alberta.[12]

[4] Nielsen United Kingdom, MAT to 21 June 2014, £8+.
[5] Nielsen United Kingdom, MAT to 21 June 2014, £9+.
[6] Nielsen United Kingdom, MAT to 21 June 2014, exclusive of Champagne, £10+.
[7] Nielsen Scan Track Republic of Ireland, MAT to 29 December 2013.
[8] Nielsen Scan Track Republic of Ireland, MAT to 29 December 2013.
[9] USA Trade Pulse – New York, MAT July 2014.
[10] Nielsen Premium Wine Scan, 19 July 2014.
[11] Canada SORT Scan Data, MAT July 2014.
[12] Canada SORT Scan Data, MAT July 2014.

Brands and Communications

The Group is focused on establishing Oyster Bay and Barossa Valley Estate as two of the world's great Super Premium wine brands.

A significant focus in the year in review has been on the development and launch of the Barossa Valley Estate brand and range of Super Premium wines. The launch of Barossa Valley Estate to key markets around the world subsequent to year-end marks a significant step on our journey to building one of the world's leading Super Premium wine companies. The Barossa Valley Estate brand is highly complementary to the Group's well defined Super Premium business model, presenting a valuable growth opportunity in a new Super Premium segment of the market. Supported by category and consumer research, packaging and marketing communications development was undertaken to develop a standout range of elegant red wines to appeal to a growing number of aspirational wine lovers seeking an authentic regional expression from the Barossa Valley.

The Group is focused on establishing Oyster Bay and Barossa Valley Estate as two of the world's great Super Premium wine brands.

GRAEME LORD Managing Director

The Oyster Bay brand has created a strong connection in the hearts and minds of aspirational wine consumers in the major wine markets of the world. For the third year running, Oyster Bay was named '*One of the World's Most Admired Wine Brands*' by Drinks International magazine and, in addition, received the '*Hot Brand*' award for the fourth consecutive year from New York's Impact Magazine. In the major markets of the world, the Group has continued its focus on developing consumer awareness and brand connection across the Oyster Bay range of cool climate varietals. Marketing programmes have been tailored to each market to encourage consumer trial at the point of purchase and to grow the rate of sale across all channels of distribution.

Major Awards and Accolades

The Group's wines continue to receive major awards and accolades from the world's leading wine commentators and competitions:

- Oyster Bay Sparkling Cuvée Brut was awarded a Gold Medal at the Hong Kong International Wine & Spirits Competition 2013.
- Oyster Bay Merlot 2013 received a Gold Medal at The Dallas Morning News & TexSom Wine Competition 2014.
- Oyster Bay Pinot Noir 2013 was awarded a Gold Medal and 91 points at the San Francisco International Wine Competition 2014.
- Oyster Bay Sauvignon Blanc 2013 was awarded Premium White Wine of the Year for the seventh time at the Australian Liquor Industry Awards 2013. In addition, it also received a Double Gold and Class Champion at the Houston Wine Competition 2014.

2014 Harvest

The Group's 2014 harvest was 35,127 tonnes. The New Zealand harvest was 34,123 tonnes, which was 18% higher than the prior year's vintage. The Australian harvest for Barossa Valley Estate amounted to 1,004 tonnes in the first vintage since acquisition in June 2013. The 2014 vintage delivered excellent quality in all regions and has provided the Group with appropriate inventories to achieve future sales growth in line with the projections detailed in the Group Outlook.

Sustainability

Recognition and respect for the environment are reflected in the strong leadership role the Group plays in the practice and promotion of sustainable wine growing and wine production. As a leader in the New Zealand wine industry and as a founding member of Sustainable Winegrowing New Zealand (SWNZ) since 2002, the Group takes its responsibilities to respect and protect the environment very seriously. The Group's New Zealand vineyards and wineries are 100% accredited by the independently audited SWNZ Sustainability Programme.

The Group continues its commitment to its very own 'Global Sustainability Initiative', designed to provide a coordinated approach to sustainable practices across its entire business, including the international markets in which it operates.

Group Outlook

The Group's strategic goal is to build a leading global Super Premium wine company. The Group will build global brands from world leading regions, focusing on the wine styles for which those regions are internationally renowned. The Group will own a significant proportion of vineyards on the best sites, work closely with our grower partners and invest in purpose-built wineries dedicated to Super Premium wine production. The Group will build enduring, mutually rewarding relationships with customers and target Super Premium category leadership in key global markets.

Oyster Bay is an established leader within the Super Premium Sauvignon Blanc, Chardonnay, Pinot Noir and Merlot categories. There are significant global growth opportunities with these varietals, together with Pinot Gris and sparkling wine. Barossa Valley Estate provides the Group with an opportunity to build a leading Super Premium Shiraz, Cabernet Sauvignon and Grenache Shiraz Mourvèdre brand globally.

The Group is planning to grow sales from 2,031,000 cases to 3,094,000 cases over the next five years, which represents growth of 52% over the period. This planned growth will be primarily driven by continuing to drive sales growth in North America and through development of the Barossa Valley Estate brand.

In the Australia, New Zealand and Asia Pacific region, sales volume is projected to grow by 44% to 964,000 cases by 2019. Growth in Asia and from Barossa Valley Estate underpins projected growth in the region. Since year-end the Group has established an in-market sales subsidiary in Japan. The Delegat Japan team will work alongside the appointed distributor to establish and grow the Group's brands in the market. Also, in the 2015, year the Group will establish an in-market sales operation in China.

Sales volume in the United Kingdom, Ireland and Europe region is expected to grow by 18% to 703,000 cases over the next five years. The resumption of growth in the sales plan for the region is driven by targeted distribution growth and the development of new markets in continental Europe.

Case Sales, Case Price Realisation and Foreign Currency

Case Sales (000's)	2014 Actual	2015 Forecast	2016 Projection	2017 Projection	2018 Projection	2019 Projection
UK, Ireland and Europe	594	630	635	652	666	703
North America (USA and Canada)	769	888	1,018	1,146	1,271	1,427
Australia, NZ and Asia Pacific	668	687	731	785	859	964
	2,031	**2,205**	**2,384**	**2,583**	**2,796**	**3,094**
Oyster Bay[1]	2,023	2,164	2,292	2,446	2,599	2,834
Barossa Valley Estate	8	41	92	137	197	260
	2,031	**2,205**	**2,384**	**2,583**	**2,796**	**3,094**
Case Price Realisation ($)[2]	**110**	**109**	**112**	**116**	**120**	**124**

Foreign Currency[3]	2014 Actual	2015 Forecast	2016 Projection	2017 Projection	2018 Projection	2019 Projection
GB£	0.5068	0.5035	0.4932	0.4932	0.4932	0.4932
AU$	0.8623	0.9377	0.9238	0.9238	0.9238	0.9238
US$	0.8331	0.8284	0.8000	0.8000	0.8000	0.8000
CA$	0.8881	0.9239	0.8928	0.8928	0.8928	0.8928

Notes:

1. Includes Delegat brand in New Zealand.
2. Case Price Realisation is sensitive to Foreign Currency, Country and Product Mix.
3. Exchange Rates are based on NZIER Consensus Forecasts as at May 2014.

North America is the largest Super Premium wine market in the world and will be the key growth region for the Group over the next five years, with strong growth projected to continue in both the United States and Canada. The Group plans to increase sales volume in the region by 86% to 1,427,000 cases by 2019. Achieving this plan will provide in-market distribution scale benefits and sustainable earnings growth.

Our People

The Group's strategic goal is to build a leading global Super Premium wine company. To achieve this goal we must build one of the highest performing organisations in the global wine industry. This is a challenge that our teams throughout our company accept with relish. Our people aim high, work hard, focus on attention to detail and support each other in high performing teams. I wish to personally thank each of our Great Wine People for their commitment to our business and the results they have collectively achieved.

GRAEME LORD Managing Director


Sparkling Cuvée
BRUT
Oyster Bay
NEW ZEALAND

2014 WAS A YEAR OF RECORD PERFORMANCE; RECORD HARVEST, RECORD CASE SALES AND RECORD OPERATING NPAT.

BOARD OF DIRECTORS

The Board of Delegat Group Limited is responsible for the strategic direction of the Group and ensuring the Group is properly managed to protect and enhance Shareholders' interests.

Some of the key responsibilities of the Board include:

- Adopting the strategic plans of the Group, set by the Executive Chairman and Managing Director in conjunction with the Group's senior management team;
- Monitoring the Group's operational and financial performance; and
- Ensuring the Group develops effective policies and procedures concerning disclosure of important information to the market and Shareholders.

The Board has adopted what it believes are appropriate corporate governance policies and procedures, which it regularly reviews to ensure that the Group's responsibilities and obligations are met. The principal corporate governance policies concern:

- The appointment and retirement of Directors;
- The composition and performance of the Board;
- The balance between executive and independent Directors;
- Directors' access to independent professional advice; and
- The constitution and operation of Board Committees, comprising Directors and, in some cases representatives of the Group's senior management team. The Board has formally constituted an Audit and Compliance Committee and a Remuneration Committee.

The Board currently comprises six Directors, four of whom are non-executive (Robert Wilton, Rose Delegat, Alan Jackson, Jane Freeman); four of whom are non-independent (Jim Delegat, Rose Delegat, Robert Wilton, Graeme Lord); and two of whom are independent (Alan Jackson, Jane Freeman), as defined in the NZX Listing Rules.

The Board of Delegat Group Limited meets formally a minimum of six times during the financial year and regularly holds additional meetings to deal with specific matters faced by the Group.

Jakov (Jim) Delegat
Executive Chairman

Jim Delegat is the Executive Chairman of Delegat Group Limited. He is responsible for providing strategic direction and monitoring performance to ensure successful delivery of Board approved business plans. He has been involved in the New Zealand wine industry all his working life and is thoroughly experienced in every aspect of the business. Jim is one of only a handful of second generation family wine producers in the country. Active in industry affairs, Jim is currently an alternate Director of both the Wine Institute of New Zealand and New Zealand Winegrowers, having previously served on the Board of the Wine Institute of New Zealand for more than 13 years. He is a member of the Institute of Directors.

Graeme Lord
Managing Director

Graeme Lord is the Managing Director of Delegat Group Limited. Graeme is responsible for developing growth plans, building a high performing organisation and executing business plans. He originally joined the Group in 1999 and for the six years prior to 2014 was General Manager, Global Sales and Marketing. Before joining Delegat Group Limited he worked as a consultant with The Boston Consulting Group. He is a member of the Institute of Directors.

Rosemari (Rose) Delegat
Non-Executive Director

Rose Delegat is Non-Executive Director of Delegat Group Limited. The Group continues to benefit from Rose's experience and the expertise that she has given the company for more than 25 years. She was responsible for initiating the Group's drive into export markets in the 1980s and was the inaugural Chairperson (1987 – 1990) of the special United Kingdom Exporting Group, part of the Wine Institute of New Zealand. Rose continues to perform a strategic role in export marketing. She is a member of the Institute of Directors.

Robert (Bob) Wilton
Non-Executive Director

Bob Wilton is Non-Executive Director of Delegat Group Limited with specific responsibilities for the financial management of the Group. He is a Senior Lecturer and past Head of Department, Department of Accounting and Finance at the University of Auckland Business School, a member of the New Zealand Institute of Chartered Accountants and the Institute of Directors. Bob 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.

Dr Alan Jackson
Non-Executive Independent Director

Alan Jackson was, until 2009, Chairman Australasia, Senior Vice President and Director of The Boston Consulting Group. He has been an International Management Consultant since 1987 with The Boston Consulting Group and has proven experience at the most senior levels of international and government business. Alan has worked across a range of industries internationally, including consumer goods companies, supermarkets and retailers, in addition to industrial and resource companies. Alan headed The Boston Consulting Group's Consumer Goods and Retail practice in Australasia and Asia Pacific. Alan is a Fellow of the Institution of Professional Engineers and a member of the Australian Institute of Directors. He is Chairman of Thorough Vision Pty Limited, a Director of Fletcher Building Limited, Fletcher Industries Limited and Aurora Vineyard Limited, and a trustee of The Icehouse, Auckland.

Jane Freeman
Non-Executive Independent Director

Jane Freeman is a Non-Executive Independent Director of Delegat Group Limited and is prominent in the field of customer-driven technology. She has held senior marketing and management positions at Telecom, BankDirect, Clear Communications Limited and ASB Bank Limited. Jane is currently a Director of ASB Bank Limited, Foodstuffs North Island Limited and Kiwi Income Property Trust.

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 Group as at 30 June 2014.

The Directors consider that the financial statements of the Group 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 Group 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 Group.

The Directors have pleasure in presenting the following financial statements for the year ended 30 June 2014.

The Board of Directors of the Group authorised these financial statements for issue on 29 August 2014.

For, and on behalf of, the Board.

JIM DELEGAT
Executive Chairman

GRAEME LORD
Managing Director

29 August 2014

Statement of Financial Performance

		GROUP		PARENT	
	Notes	2014 $000	2013 $000	2014 $000	2013 $000
Sales		222,502	222,041	–	–
Fair value movement on biological assets	15	4,419	2,947	–	–
Other revenue	4	4,839	4,672	6,615	33,930
Revenue		231,760	229,660	6,615	33,930
Cost of sales		80,366	83,125	–	–
Gross profit		151,394	146,535	6,615	33,930
Selling, marketing and promotion expenses	5a	71,117	68,995	–	–
Corporate governance expenses	5b	859	829	669	654
Administration expenses	5c	11,488	11,341	4,227	1,085
Finance costs	5d	8,446	7,090	–	–
Total expenses		91,910	88,255	4,896	1,739
Profit before income tax		59,484	58,280	1,719	32,191
Income tax expense	17	16,887	17,064	494	1,087
Profit for the Year attributable to Shareholders of the Parent Company		42,597	41,216	1,225	31,104
Earnings Per Share					
– Basic earnings per share (cents per share)	26	42.14	40.84		
– Fully diluted earnings per share (cents per share)	26	42.12	40.76		

The accompanying notes form part of these financial statements

Statement of Other Comprehensive Income

		GROUP		PARENT	
	Note	2014 $000	2013 $000	2014 $000	2013 $000
Profit after income tax		**42,597**	41,216	**1,225**	31,104
Other comprehensive income that may subsequently be classified to the profit and loss:					
– Translation of foreign subsidiaries	6b	**(1,097)**	(442)	**–**	–
– Income tax relating to components of other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the year, net of tax		41,500	40,774	1,225	31,104
Comprehensive income attributable to Shareholders of the Parent Company		**41,500**	40,774	**1,225**	31,104

The accompanying notes form part of these financial statements

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014 – GROUP

	Share Capital $000	Foreign Currency Translation Reserve $000	Share-based Payment Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 30 June 2013	49,412	(3,067)	601	170,446	**217,392**
Changes in equity for the year ended 30 June 2014					
Other comprehensive income					
– Translation of foreign subsidiaries	–	(1,097)	–	–	**(1,097)**
Total other comprehensive income	–	(1,097)	–	–	**(1,097)**
– Net profit for the year	–	–	–	42,597	**42,597**
Total comprehensive income for the year	–	(1,097)	–	42,597	**41,500**
Equity Transactions					
– Shares issued	300	–	(51)	–	**249**
– Dividends paid to shareholders	–	–	19	(10,116)	**(10,097)**
– Share-based payments expense	–	–	16	–	**16**
Balance at 30 June 2014	49,712	(4,164)	585	202,927	**249,060**

FOR THE YEAR ENDED 30 JUNE 2013 – GROUP

	Share Capital $000	Foreign Currency Translation Reserve $000	Share-based Payment Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 30 June 2012	48,779	(2,625)	636	138,339	**185,129**
Changes in equity for the year ended 30 June 2013					
Other comprehensive income					
– Translation of foreign subsidiaries	–	(442)	–	–	**(442)**
Total other comprehensive income	–	(442)	–	–	**(442)**
– Net profit for the year	–	–	–	41,216	**41,216**
Total comprehensive income for the year	–	(442)	–	41,216	**40,774**
Equity Transactions					
– Shares issued	633	–	(88)	–	**545**
– Dividends paid to shareholders	–	–	18	(9,109)	**(9,091)**
– Share-based payments expense	–	–	35	–	**35**
Balance at 30 June 2013	49,412	(3,067)	601	170,446	**217,392**

The accompanying notes form part of these financial statements

Statement of Changes in Equity *continued*

FOR THE YEAR ENDED 30 JUNE 2014 – PARENT

	Share Capital $000	Foreign Currency Translation Reserve $000	Share-based Payment Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 30 June 2013	49,412	–	601	36,705	**86,718**
Changes in equity for the year ended 30 June 2014					
Other comprehensive income					
– Net profit for the year	–	–	–	1,225	**1,225**
Total comprehensive income for the year	–	–	–	1,225	**1,225**
Equity Transactions					
– Shares issued	300	–	(51)	–	**249**
– Dividends paid to shareholders	–	–	19	(10,116)	**(10,097)**
– Share-based payments	–	–	16	–	**16**
Balance at 30 June 2014	49,712	–	585	27,814	**78,111**

FOR THE YEAR ENDED 30 JUNE 2013 – PARENT

	Share Capital $000	Foreign Currency Translation Reserve $000	Share-based Payment Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 30 June 2012	48,779	–	636	14,710	**64,125**
Changes in equity for the year ended 30 June 2013					
Other comprehensive income					
– Net profit for the year	–	–	–	31,104	**31,104**
Total comprehensive income for the year	–	–	–	31,104	**31,104**
Equity Transactions					
– Shares issued	633	–	(88)	–	**545**
– Dividends paid to shareholders	–	–	18	(9,109)	**(9,091)**
– Share-based payments	–	–	35	–	**35**
Balance at 30 June 2013	49,412	–	601	36,705	**86,718**

The accompanying notes form part of these financial statements

Statement of Financial Position

		GROUP		PARENT	
	Notes	2014 $000	2013 $000	2014 $000	2013 $000
Equity					
Share capital	6	49,712	49,412	49,712	49,412
Foreign currency translation reserve	6b	(4,164)	(3,067)	–	–
Share-based payment reserve	6b	585	601	585	601
Retained earnings		202,927	170,446	27,814	36,705
Total Equity		249,060	217,392	78,111	86,718
Liabilities					
Current Liabilities					
Trade payables and accruals	9	33,512	33,745	348	206
Derivative financial instruments	10	563	1,133	–	–
Income tax payable		2,431	2,484	–	282
		36,506	37,362	348	488
Non-Current Liabilities					
Deferred tax liability	17	33,005	27,458	–	–
Derivative financial instruments	10	–	1,185	–	–
Interest-bearing loans and borrowings	11	157,958	137,450	–	–
		190,963	166,093	–	–
Total Liabilities		227,469	203,455	348	488
Total Equity and Liabilities		476,529	420,847	78,459	87,206

The accompanying notes form part of these financial statements

Statement of Financial Position *continued*

	Notes	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Assets					
Current Assets					
Cash and cash equivalents		4,218	2,570	5	5
Trade and other receivables	12	44,698	37,093	197	29
Derivative financial instruments	10	1,561	1,279	–	–
Income tax receivable		508	28	8,248	–
Inventories	13	112,560	87,336	–	–
		163,545	128,306	8,450	34
Non-Current Assets					
Property, plant and equipment	14	246,547	233,401	–	–
Biological assets	15	64,112	58,907	–	–
Intangible assets	16	1,294	–	–	–
Derivative financial instruments	10	675	–	–	–
Deferred tax asset	17	356	233	9	5
Investment in subsidiaries	20	–	–	2,857	2,842
Intercompany amounts receivable	21	–	–	67,143	84,325
		312,984	292,541	70,009	87,172
Total Assets		476,529	420,847	78,459	87,206

For, and on behalf of, the Board who authorised the issue of the financial statements on 29 August 2014.

JN Delegat, Director

GS Lord, Director

The accompanying notes form part of these financial statements

Statement of Cash Flows

	Note	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Operating Activities					
Cash was provided from					
Receipts from customers		217,470	222,783	–	–
Interest received		40	47	16	19
Income tax received		53	41	–	–
Net GST received/(paid)		199	(500)	(21)	3
		217,762	222,371	(5)	22
Cash was applied to					
Payments to suppliers and employees		158,300	149,995	4,705	1,586
Payments to grape growers		18,345	14,056	–	–
Interest paid		8,271	6,981	–	–
Income tax paid		12,058	12,092	9,028	1,117
		196,974	183,124	13,733	2,703
Net Cash Inflows/(Outflows) from Operating Activities	24	20,788	39,247	(13,738)	(2,681)
Investing Activities					
Cash was provided from					
Proceeds from sale of property, plant and equipment		957	167	–	–
Dividends received		21	18	–	28,402
		978	185	–	28,402
Cash was applied to					
Purchase of property, plant and equipment		28,025	38,641	–	–
Purchase of biological assets		894	6,001	–	–
Purchase of intangible assets		1,180	–	–	–
Capitalised interest paid		873	272	–	–
Capitalised lease payments		135	130	–	–
Acquisition of subsidiaries		1,810	28,678	–	–
		32,917	73,722	–	–
Net Cash (Outflows)/Inflows from Investing Activities		(31,939)	(73,537)	–	28,402

The accompanying notes form part of these financial statements

Statement of Cash Flows *continued*

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Financing Activities				
Cash was provided from				
Proceeds from issue of shares	249	545	249	545
Proceeds from borrowings	22,840	48,213	–	–
Advances and loans to subsidiaries	–	–	23,605	(17,169)
	23,089	48,758	23,854	(16,624)
Cash was applied to				
Dividends paid to shareholders	10,116	9,104	10,116	9,104
Repayment of borrowings	–	6,436	–	–
Borrowing facility fees	–	60	–	–
	10,116	15,600	10,116	9,104
Net Cash Inflows/(Outflows) from Financing Activities	12,973	33,158	13,738	(25,728)
Net Increase/(Decrease) in Cash Held	1,822	(1,132)	–	(7)
Cash and cash equivalents at beginning of the year	2,570	3,725	5	12
Effect of exchange rate changes on foreign currency balances	(174)	(23)	–	–
Cash and Cash Equivalents at End of the Year	4,218	2,570	5	5

The accompanying notes form part of these financial statements

Statement of Accounting Policies

Reporting Entity

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

The financial statements comprise the statement of financial performance, statement of other comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and accounting policies, as well as the notes to the financial statements. The financial statements for the Group and the Parent for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 29 August 2014.

Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. For the purposes of complying with NZ GAAP the entity is a for-profit entity. As an issuer, the Group is considered a Tier One entity. These financial statements are presented in New Zealand Dollars, rounded to the nearest thousand. They are prepared on a historical cost basis except for derivative financial instruments, biological assets and produce which have been measured at fair value.

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Statement of Compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards (NZ IFRS), as applicable to the Group as a profit-oriented entity. The financial statements comply with International Financial Reporting Standards (IFRS).

New Accounting Standards and Interpretations

There have been no changes in accounting policy during the current year.

Statement of Accounting Policies *continued*

Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Group for the annual reporting period ending 30 June 2014. These are outlined in the following table:

Reference	Title	Group Application Date*	Summary	Impact on Group
NZ IAS 32	Amendments to NZ IAS 32: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 July 2014	The amendments to NZ IAS 32 clarify the guidance in relation to the offset of financial assets and liabilities. The additional guidance in these amendments specifies that to have a legally enforceable right of set-off, it must not be contingent on a future event, and must be enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy, of the entity and all of the counterparties. The guidance also requires the consideration of whether the right of set-off would still be available in each jurisdiction in the event of bankruptcy or insolvency.	The Group will be required to review where it currently offsets financial assets and financial liabilities to ensure it continues to be in accordance with the revised guidance in all jurisdictions.
NZ IFRS 9 (2009)	NZ IFRS 9: Financial Instruments	1 July 2017**	This standard was the first of several standards that aim to replace NZ IAS 39: Financial Instruments: Recognition and Measurement. This standard relates to financial assets – their classification and measurement. The revised standard requires that financial assets be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially recognised at fair value – or if the business model accounting supports it – cost, adjusted for transaction costs and subsequently measured at amortised cost. Financial assets can only be classified as amortised cost if (a) the contractual cashflows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cashflows.	Financial assets of the Group are measured at amortised cost with the exception of foreign currency forward exchange contracts which are held at fair value. The accounting and measurement of these financial assets is consistent with the revised standard.
NZ IFRS 9 (2010)	NZ IFRS 9: Financial Instruments	1 July 2017**	In November 2010, the requirements for classifying and measuring financial liabilities were added to NZ IFRS 9. In these amendments the existing requirements for the classification of financial liabilities and the ability to use the fair value option from NZ IAS 39 have been retained. However, where the fair value option is used for financial liabilities the change in fair value is required to be accounted for as follows: – the change attributable to the entity's own credit risk is to be presented in Other Comprehensive Income; – the remaining change is presented in the Statement of Financial Performance; and – If this approach creates or enlarges an accounting mismatch in the Statement of Financial Performance, the effect of changes in the entity's credit risk are also presented in the Statement of Financial Performance.	Financial liabilities of the Group are measured at amortised cost with the exception of financial liabilities for foreign currency forward exchange contracts and options or interest rate swaps which are held at fair value. The classification and measurement of these will remain the same under NZ IFRS 9. However for those financial liabilities held at fair value the Group will be required to separate the fair value movement that relates to changes in the Group's credit risk and record this through Other Comprehensive Income rather than through the Statement of Financial Performance where the remaining change in value will be recorded.

For fiscal periods beginning on or after

At the date of publication the International Accounting Standards Board (IASB) had announced a tentative decision to establish a new effective date for IFRS 9, being for periods beginning on or after 1 January 2018. Once the new effective date has been issued by the IASB, it is likely that the New Zealand Accounting Standards Board will amend the effective date for NZ IFRS 9 to align with IFRS 9.

Statement of Accounting Policies *continued*

Reference	Title	Group Application Date*	Summary	Impact on Group
NZ IFRS 9 (2013)	NZ IFRS 9: Financial Instruments	1 July 2017**	NZ IFRS 9 (2013) is a revised version of NZ IFRS 9. The revised standard incorporates three primary changes: – New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures; – Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of NZ IFRS 9 at the same time; and – The mandatory effective date moved to 1 January 2017.**	The Group does not currently apply hedge accounting so the changes are expected to have limited impact on the Group.
IFRS 9	IFRS 9: Financial Instruments	1 July 2018**	The International Accounting Standards Board (IASB) issued the completed version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, early adoption is permitted.	IFRS 9 consolidates the changes discussed above under NZ IFRS 9 (2009), NZ IFRS 9 (2010) and NZ IFRS 9 (2013). The impact of these changes on the Group are discussed above.
NZ IFRS 15	NZ IFRS 15: Revenue from Contracts with Customers	1 July 2017**	NZ IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. NZ IFRS 15 supersedes NZ IAS 18 Revenue. The core principle of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. An entity will recognise revenue in accordance with that core principle by applying the following steps: a) Step 1: Identify the contract(s) with a customer; b) Step 2: Identify the performance obligations in the contract; c) Step 3: Determine the transaction price; d) Step 4: Allocate the transaction price to the performance obligations within the contract; e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	The Group is currently assessing the impacts of the changes in NZ IFRS 15 on its accounting policy for the recognition of revenue.

For fiscal periods beginning on or after

***** At the date of publication the International Accounting Standards Board (IASB) had announced a tentative decision to establish a new effective date for IFRS 9, being for periods beginning on or after 1 January 2018. Once the new effective date has been issued by the IASB, it is likely that the New Zealand Accounting Standards Board will amend the effective date for NZ IFRS 9 to align with IFRS 9.***

Statement of Accounting Policies *continued*

Reference	Title	Group Application Date*	Summary	Impact on Group
NZ IAS 16 and NZ IAS 41	Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture	1 July 2016	On 30 June 2014, the International Accounting Standards Board (IASB) issued Agriculture: Bearer Plants (Amendments to NZ IAS 16 and NZ IAS 41) which changed the accounting requirements for biological assets that meet the definition of bearer plants (e.g. vines). Bearer plants will now be within the scope of NZ IAS 16 and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g. grapes) will remain within the scope of NZ IAS 41.	The Group has significant bearer plant (e.g. vines) assets that following the implementation of this change will fall within the scope of NZ IAS 16 rather than NZ IAS 41. Under NZ IAS 41 the Group's biological assets have been valued at fair value. Under NZ IAS 16 the Group will have the choice whether they value these assets using the cost model or the revaluation model. Under the revaluation model the vines would have to be continue to be regularly valued and recorded at their fair value. If the Group adopts the cost model under NZ IAS 16 their fair value at the date of adoption of the change would become their deemed cost. On adoption of either model the vines would need to be depreciated over their remaining estimated useful life. The Group is currently considering the effect of these amendments and the model under NZ IAS 16 which it will adopt.

** For fiscal periods beginning on or after*

Statement of Accounting Policies *continued*

The specific accounting policies that materially affect the measurement of the statement of financial performance, statement of other comprehensive income, statement of changes in equity, statement of financial position and statement of cash flows are set out below.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent and the Group as at 30 June 2014 and 30 June 2013.

Subsidiaries are those entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its investment in the entity, and has the ability to affect those returns through its power over the entity. Specifically, the Group controls an entity if and only if the Group has:

– Power over the entity (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

– Exposure, or rights, to variable returns from its involvement with the entity, and;

– The ability to use its power over the investee to affect its returns.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. The effects of intercompany transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiary companies held by the Parent are accounted for at cost in the Parent financial statements. The acquisition of subsidiaries is accounted for using the acquisition method of accounting as noted below.

Business Combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price at the date of the exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly within equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of financial performance, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to the present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a segment based on the Group's accounting policy in the determination of operating segments.

Statement of Accounting Policies *continued*

Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. When the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised on goodwill are not subsequently reversed.

Segment Reporting

An operating segment is a reportable segment if the operating segment engages in business activities in which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker and for which discrete financial information is available.

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria have been applied to each individual classification of revenue:

i) Sale of Goods

The primary source of revenue earned by the Group is through providing wine to third party retailers and distributors. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of goods to the customer.

ii) Interest Revenue

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

iii) Dividends

Revenue is recognised when the right to receive payment is established.

iv) Fair Value of Grape Vines

Changes in the fair value less estimated point of sale costs of grape vines are recognised in the statement of financial performance in the year they arise.

Income Tax

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

Statement of Accounting Policies *continued*

Income Tax (continued)

The carrying amount of deferred income tax assets is reviewed each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of financial performance.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and Services Tax (GST)

The statement of financial performance, statement of other comprehensive income, statement of changes in equity and statement of cash flows have been prepared so that all components are stated net of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Foreign Currencies

i) Functional and Presentation Currency

Both the functional currency and presentation currency of the Group is the New Zealand Dollar. Each subsidiary company in the Group determines its own functional currency and uses that functional currency for its individual financial statements. Subsidiary companies with a different functional currency than that of the Group are translated through converting all reported assets and liabilities at the closing rate at the date of the balance sheet, while income and expenses are translated at exchange rates at the dates of the transactions. Any resulting exchange differences are recognised as a separate component of equity.

ii) Transactions and Balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities in the statement of financial position.

Accounts Receivable

Trade receivables generally have 30 to 90 day terms, and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectable amounts. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

Statement of Accounting Policies *continued*

Inventories

i) Finished Goods

Inventories are valued at the lower of cost or net realisable value. Costs of finished goods sold are assigned on a weighted average cost basis. Included within the cost of inventory is the fair value of the grapes (agricultural produce) at the time the grapes are harvested. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

ii) Growing Costs where the Group maintains a Beneficial Ownership in Vine Stock

Harvesting of the grape crop is ordinarily performed in late March or early April. Costs incurred in growing the grapes, including any applicable harvest costs, are initially allocated into the cost of inventory as part of the total costs to acquire and grow the agricultural produce. At the point of harvest, a fair value adjustment is made so that the cost per tonne is adjusted to fair value in accordance with NZ IAS 41: Agriculture and NZ IFRS 13: Fair Value Measurement. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. Any difference between cost and fair value is included within the statement of financial performance as cost of sales. At the point of harvest, management labour and vineyard lease costs have been separately identified from the pool of growing costs and do not form part of the difference between cost and fair value. These costs are expensed to the statement of financial performance as cost of sales.

iii) Growing Costs where the Group is not the Beneficial Owner of Vine Stock

The Group is party to long-term vineyard operating lease contracts where the Group is able to access, harvest and grow agricultural produce, however does not maintain the beneficial ownership in the underlying biological asset. Vineyard costs that are incurred subsequent to harvest up to balance sheet date do not qualify as agricultural produce or biological assets under NZ IAS 41: Agriculture and are accounted under NZ IAS 2: Inventories, as inventories. Where growing costs are incurred and the Group is not the beneficial owner of the biological assets, growing costs are reported at the lower of cost and net realisable value in accordance with NZ IAS 2: Inventories.

At the point of harvest, the harvest of grapes qualify as agricultural produce under NZ IAS 41: Agriculture and are recorded at fair value at that date. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. Any difference between cost and fair value is included within the statement of financial performance as cost of sales. At the point of harvest, management labour and vineyard lease costs have been separately identified from the pool of growing costs and do not form part of the difference between cost and fair value. These costs are expensed to the statement of financial performance as cost of sales.

Land and Land Improvements

Land and Land Improvement assets are measured at cost and are not subject to depreciation.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. The cost of self-constructed assets includes the cost of all materials used in the construction, direct labour on the project, operating lease and financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised when the asset is ready for productive use. In respect of vineyard improvements and capitalised vineyard leases, capitalisation of costs continue until the vineyards are ready for productive use, which is when the vineyard has produced approximately 60% of expected yield at full production, ordinarily a period of three years after the planting of vines.

Statement of Accounting Policies *continued*

Depreciation

Depreciation of property, plant and equipment, other than land which has an indefinite economic life and hence not depreciated, is charged on a straight-line basis so as to write off the assets to their expected residual value over their estimated useful lives. The estimated useful lives are as follows:

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

Depreciation on vineyard improvements commences when the vineyard is considered to be in commercial production, which is when the vineyard has produced approximately 60% of the expected yield at full production, ordinarily a period of three years after the planting of vines. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at the end of each financial year.

Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use. For the purposes of assessing impairment, assets are valued at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Biological Assets (Grape Vines) and Produce (Grapes)

Grape vines are measured at their fair value. The fair value of vineyards, including land, grape vines and other vineyard infrastructure, is determined by an independent valuer, using the present value of expected net cash flows from the vineyards, discounted using a pre-tax market determined rate. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards to determine the fair value of grape vines. Changes in fair value, less estimated point of sale costs of grape vines, are recognised in the statement of financial performance in the year in which they arise.

Grapes are measured at fair value at the time of harvest. The fair value of grapes is determined by reference to market prices for grapes for that local area at the time of harvest. The fair value becomes the basis of cost when accounting for inventories.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of the intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Leased Assets

The determination of whether an arrangement is or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent upon the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of financial

Statement of Accounting Policies *continued*

Leased Assets (continued)

performance. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term. Operating lease costs that are directly attributable to bringing new vineyards to working condition for their intended use are capitalised up until the time the vineyards become commercially productive. The accumulated amount is then amortised over the remaining lease term. All other operating lease payments are recognised as an expense in the periods the amounts are payable.

Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements, are deducted from equity. No gain or loss is recognised in the statement of financial performance on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial Instruments

Financial instruments recognised in the statement of financial position include trade receivables, intercompany receivables, trade payables, intercompany payables, borrowings and derivative financial instruments. Each of these financial instruments is classed into one of the following categories:

i) Trade and Other Payables

Trade and other payables are initially recognised at fair value and then carried at amortised cost, and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

ii) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and then carried at amortised cost, and due to their short-term nature, they are not discounted. The amounts are unsecured and are usually received within 30 to 90 days from initial recognition.

iii) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

iv) Derivative Financial Instruments

The Group uses derivative financial instruments such as forward currency contracts and options to economically hedge its risks associated with foreign currency fluctuations and interest rate swaps to manage interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured to fair value at balance date. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of financial performance. The fair value of forward exchange contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

v) Intercompany Payables and Receivables

Intercompany payables and receivables are initially recognised at fair value and then carried at amortised cost, and due to their short-term nature, they are not discounted.

Statement of Accounting Policies *continued*

Borrowing Costs

Borrowing costs are expensed as incurred except when they are directly attributable to the acquisition or construction of a qualifying asset. When this is the case, they are capitalised as part of that asset. Once the asset is put into productive use, capitalisation of the borrowing costs ceases.

Provisions and Employee Leave Benefits

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present value of the obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in respect of the employee's services up to the reporting date. They are measured as the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and is measured at the rates paid or payable.

Post-employment Benefits

The Group makes regular contributions to various defined contribution pension plans. Included within the statement of financial performance are amounts paid and payable by the Group into these pension plans, net of any related tax rebates. The Group does not make available or make contributions to any defined benefit superannuation plans.

Share-based Payment Transactions

The Group provides benefits to selected employees in the form of share-based payments, whereby the Group makes available interest-free loan facilities for those employees to subscribe for shares at a fixed price for a specified time period. The Group's recourse over the loan is limited to the lesser of the market value of the shares and the outstanding loan balance. Provisions of the loan agreement allow any potential upside of the shares to accrue to the employee while the downside risk is limited as the Directors have the ability to cancel or alter the underlying loan agreement. In substance these arrangements represent equity-settled share-based payments and are accounted for as noted below.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined through the use of an option pricing model on grant date. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than those conditions which are linked to market conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of financial performance is the product of the fair value of the award at grant date and the best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met and the expired portion of the option.

Statement of Accounting Policies *continued*

Share-based Payment Transactions (continued)

The charge to the statement of financial performance for the period is the cumulative amount as noted above, less amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than what were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of the equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and the new award are treated as if they were a modification to the original award, as described in the previous paragraph.

The dilutive effects, if any, of any outstanding options are reflected as additional share dilution in the computation of diluted earnings per share.

Earnings per Share

Basic earnings per share is calculated as Group profit after income tax attributable to ordinary shareholders of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares on issue.

Diluted earnings per share is calculated as Group profit after income tax attributable to ordinary shareholders of the Parent adjusted for:

– costs of servicing equity (other than dividends) and preference share dividends;

– the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;

– other non-discretionary changes in revenues and expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

Changes in Accounting Policies

There have been no changes in accounting policy during the current year.

Notes to the Financial Statements

1. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise bank loans and overdrafts, trade payables and accruals. The main purpose of these financial liabilities is to raise funding for the Group's ongoing operations. The Group also has financial assets such as trade and other receivables and cash which arise directly from its operations.

The Group are counterparties to derivative financial instruments principally being foreign currency forward exchange contracts and options and interest rate swaps. The purpose of entering into foreign currency forward exchange contracts and options is to manage currency risk primarily arising from foreign denominated trade receivables. Interest rate swaps are entered into with the aim of mitigating interest rate risk to movements on floating rate debt facilities.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. Each of the main operational risks are reviewed by the Treasury Management Committee (TMC) and their recommendations are provided to the Board of Directors. The composition of the TMC includes the Managing Director (or Alternate), Chief Financial Officer, Corporate Financial Planning Analyst and Independent Treasury Advisors. The Board reviews and agrees policies for managing each of these risks as summarised below. Board approval is required for any movement outside policy.

Foreign Currency Risk

The net assets employed through subsidiary companies based overseas exposes the Group to foreign currency risk as a result of changes in the GBP/NZD, AUD/NZD, USD/NZD, EUR/NZD, CAD/NZD, SGD/NZD and JPY/NZD exchange rates. The Group also has foreign currency risk resulting from sales of product in a currency which is other than that of the New Zealand Dollar. Profits from each export region are repatriated and reported in New Zealand Dollars and the Group is exposed to changes in foreign exchange rates.

To minimise foreign currency risk the Group enters into forward exchange contracts and options for foreign denominated sales at levels which are considered to be highly probable. The Group attempts to maintain foreign currency cover of between 75% to 100% of highly probable sales in one to three months, 50% to 75% for highly probable sales in four to six months, 25% to 50% for highly probable sales in seven to 12 months, 0% to 50% for sales between 13 to 18 months and 0% to 25% for sales thereafter. The Group has the option of increasing foreign exchange cover to 100% for any time period upon approval by the Board of Directors.

When the Group is exposed to foreign currency risk as a result of being contractually committed to purchase capital items from an overseas supplier and such expenditure is expected to exceed $200,000, the Group's policy is to ensure the foreign currency exposure is covered in full. Any capital expenditure between $100,000 and $200,000 is to be covered at the discretion of the TMC, based on such factors as timing for payment and expected volatility of currency markets. It is the Group's policy that in no instances is trading for speculative purposes permitted.

Notes to the Financial Statements *continued*

1. Financial Risk Management Objectives and Policies (continued)

At 30 June 2014, had the New Zealand Dollar moved as illustrated in the following table with all other variables held constant, post-tax profit and equity would have been affected as follows:

	IMPACT ON 2014 REPORTED		IMPACT ON 2013 REPORTED	
GROUP	Post-Tax Profits $000	Equity $000	Post-Tax Profits $000	Equity $000
NZD/USD +5%	233	233	225	225
NZD/USD -5%	(297)	(297)	(526)	(526)
NZD/GBP +5%	661	661	689	689
NZD/GBP -5%	(1,025)	(1,025)	(1,162)	(1,162)
NZD/AUD +5%	219	219	1,217	1,217
NZD/AUD -5%	(111)	(111)	(1,300)	(1,300)
NZD/CAD +5%	103	103	59	59
NZD/CAD -5%	(114)	(114)	(122)	(122)
NZD/EUR +5%	33	33	147	147
NZD/EUR -5%	(37)	(37)	(157)	(157)
NZD/SGD +5%	–	–	10	10
NZD/SGD -5%	–	–	(11)	(11)
NZD/HKD +5%	(16)	(16)	2	2
NZD/HKD -5%	18	18	(2)	(2)
NZD/JPY +5%	(1)	(1)	2	2
NZD/JPY -5%	1	1	(2)	(2)
PARENT				
NZD/USD +5%	(13)	(13)	(11)	(11)
NZD/USD -5%	14	14	13	13
NZD/GBP +5%	(6)	(6)	(6)	(6)
NZD/GBP -5%	7	7	7	7
NZD/AUD +5%	(1,495)	(1,495)	(1,389)	(1,389)
NZD/AUD -5%	1,652	1,652	1,535	1,535
NZD/SGD +5%	(1)	(1)	(1)	(1)
NZD/SGD -5%	1	1	1	1

The above table calculates the impact of a change in foreign exchange rates on closing equity and post-tax profits of the Group, as a result of the Group being counterparty to transactions which are foreign currency denominated. Foreign currency denominated balances include trade and other receivables, trade payables and accruals, loans and borrowings, cash on hand and unsettled foreign exchange contracts that exist at balance sheet date. The net foreign currency exposure is determined in aggregate and the impact on post-tax profits determined as a result of a +/- 5% movement in foreign exchange rates.

The impact upon the Group's equity balance is derived through determining the impact on post-tax profits as noted above.

Notes to the Financial Statements *continued*

1. Financial Risk Management Objectives and Policies (continued)

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term debt obligations with interest payable based on floating rates of interest. Interest rate risk is monitored by the TMC on an ongoing basis. The recommendation by the TMC to enter into fixed or variable rate debt facilities and decisions to retire existing debt instruments is made after consideration of the economic indicators impacting upon the overnight cash rate, which influences the rates of interest charged by financial institutions. All funding facilities recommended by the TMC must be approved by the Board of Directors.

The Group manages interest rate risk through maintaining a mix of debt instruments having variable and fixed interest rates. The Group's policy is to maintain a level of fixed debt facilities between 40% to 100% of core debt for a period of one year, between 30% to 80% of projected core debt for periods of one to three years, and 15% to 60% of projected core debt facilities for three to five years. Board approval is required for any fixed rate cover that extends beyond five years.

The Group also manages interest rate risk through being counterparty to a series of interest rate swaps, in which the Group agrees to or has the option to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These are discussed in Note 10: Derivative Financial Instruments.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's post-tax profits and equity:

	IMPACT ON 2014 REPORTED		IMPACT ON 2013 REPORTED	
GROUP	Post-Tax Profits $000	Equity $000	Post-Tax Profits $000	Equity $000
2.00% Increase - 200 basis points (2013: 2.00% Increase - 200 basis points)	7,073	7,073	7,782	7,782
0.25% Decrease - 25 basis points (2013: 0.25% Decrease - 25 basis points)	(847)	(847)	(910)	(910)
PARENT				
2.00% Increase - 200 basis points (2013: 2.00% Increase - 200 basis points)	(431)	(431)	(522)	(522)
0.25% Decrease - 25 basis points (2013: 0.25% Decrease - 25 basis points)	43	43	65	65

The key assumptions which impact upon the values presented in the above table are the following:

– Cash and cash equivalents include deposits on call which are at floating interest rates. The estimated impact upon interest revenues from these sources is based upon amounts held on deposit remaining at consistent levels as reported at the balance sheet date. For foreign denominated deposits the impact on foreign exchange is based on the conversion rate existing at balance sheet date.

– Account balances that are trade receivables or trade payables are generally on 30 to 90 day terms and are non-interest bearing and are not subject to interest rate risk.

– The impact upon the fair value of the interest rate swaps is based upon the differential in rates between the Group paying a fixed rate of interest and receiving the floating New Zealand Bank Bill Rate (BKBM) multiplied by the nominal amount under the swap agreement up until maturity.

Notes to the Financial Statements *continued*

1. Financial Risk Management Objectives and Policies (continued)

– Interest payable on bank debt is based upon the BKBM plus a margin. The margin is dependent upon the Group achieving certain financial covenants and the margin ranges from 0.65% to 0.95%. The analysis assumes that the margin and principal is held constant at the same rate as at the balance sheet date with the sensitivity calculating the effect on interest expense of movements in the BKBM rate. The analysis excludes any future interest that would be capitalised as part of long-term assets.

– Included in the above table is the change in fair value of interest rate swaps which results from changes in the floating interest rate.

Credit Risk

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. The maximum exposure to the carrying amount of receivable balances is disclosed in Note 12. The Group does not have any significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that an unforeseen event or miscalculation in the required liquidity level may lead to the Group being unable to meet its day to day funding obligations. To minimise liquidity risk the Group's policy is to maintain committed funding facilities at a minimum of 105% of the projected peak debt level over the next 12 months (excluding the cash requirements for any business combinations).

The below table presents all contractual payments which the Group is legally obliged to make and includes all future interest payments on interest-bearing facilities. The interest cost has been estimated by maintaining the current principal balance and interest rates that exist at balance sheet date. The table also includes the New Zealand Dollar equivalent for the foreign currency amounts, which are to be delivered to fulfil obligations under foreign currency contracts. The table below excludes amounts required to fund operating lease commitments as these are disclosed in Note 19.

Facility Type 30 June 2014	Facility Limit $000	Drawn At Balance Sheet Date $000	< 1 year $000	1 to 2 years $000	> 2 years $000
Working Capital and Seasonal facility	63,000	63,000	2,844	2,844	63,242
Term facility	130,000	95,068	3,931	95,402	–
Derivative financial instruments	N/A	N/A	49,800	725	(914)
Trade payables and accruals	N/A	33,069	33,069	–	–
Financial guarantee contracts	N/A	N/A	927	–	–
As at 30 June 2014	193,000	191,137	90,571	98,971	62,328

Included in the table above are financial guarantees which are valued at their highest possible amount that can be called at balance date. For each individual guarantee if the obligation at balance date is lower than the maximum amount callable under the guarantee then the lower value has been included. The guarantees can be called and in favour of the beneficiary if certain acts of non-performance occur. The Directors consider the likelihood of each financial guarantee being called remote.

Notes to the Financial Statements *continued*

1. Financial Risk Management Objectives and Policies (continued)

Facility Type 30 June 2013	Facility Limit $000	Drawn At Balance Sheet Date $000	< 1 year $000	1 to 2 years $000	> 2 years $000
Working Capital and Seasonal facility	40,000	40,000	1,381	1,381	42,879
Term facility	130,000	97,644	3,542	3,542	101,487
Derivative financial instruments	N/A	N/A	65,356	2,498	175
Trade payables and accruals	N/A	33,096	33,096	–	–
Financial guarantee contracts	N/A	N/A	1,124	–	–
As at 30 June 2013	170,000	170,740	104,499	7,421	144,541

All of the above facilities have a floating rate of interest which is tied to the New Zealand BKBM plus margin. At balance sheet date the Group has interest rate swap or option contracts that cover $95,413,000 (2013: $53,000,000) of the principal balance drawn at balance sheet date. Refer to Note 10.

The Group maintains credit facilities at a level sufficient to fund the Group's working capital during the period between cash expenditure and cash inflow.

Summary of Financial Instruments Held

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Financial Assets				
Loans and receivables at amortised cost	48,043	38,386	72,958	70,590
Financial assets at fair value through profit and loss	2,236	1,279	–	–
	50,279	39,665	72,958	70,590
Financial Liabilities				
Financial liabilities at amortised cost	187,337	166,874	348	206
Financial liabilities at fair value through profit or loss	563	2,318	–	–
	187,900	169,192	348	206

The Group and Parent do not have any financial assets or liabilities that are classified as held for trading, available for sale or classified as held to maturity.

Notes to the Financial Statements *continued*

1. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments

The fair value of financial instruments is presented in the previous table. For financial instruments measured at fair value further disclosure is required that allocates the fair values into a measurement hierarchy. The following principles have been applied in classifying these instruments:

Level 1 – the fair value is calculated using quoted prices in active markets;

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

30 June 2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial Assets				
Foreign currency forward exchange option contracts	–	665	–	665
Foreign currency forward exchange contracts	–	896	–	896
Interest rate swap contracts	–	675	–	675
	–	2,236	–	2,236
Financial Liabilities				
Interest rate swap contracts	–	563	–	563
	–	563	–	563

The fair value of financial instruments held at balance date that are not traded on an active market include foreign currency forward exchange contracts and options and net settled interest rate swap contracts. The fair values are derived through valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs come from observable market data the instrument is included in Level 2 of the hierarchy.

30 June 2013	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial Assets				
Foreign currency forward exchange option contracts	–	1,111	–	1,111
Foreign currency forward exchange contracts	–	168	–	168
	–	1,279	–	1,279
Financial Liabilities				
Interest rate swap contracts	–	2,318	–	2,318
	–	2,318	–	2,318

Notes to the Financial Statements *continued*

1. Financial Risk Management Objectives and Policies (continued)

Financial Risk Associated to Biological Assets

The Group is exposed to financial risks in respect of agricultural activities. The agricultural activities of the Group consist of the management of vineyards to produce grapes for use in the production of wine. The primary risk borne by the Group is caused by the length of time between when cash is expended on the purchase or planting and maintenance of grape vines and on harvesting grapes and the ultimate realisation of proceeds from the sale of finished product (wine). The Group takes reasonable measures to ensure that the current year's harvest is not affected by disease, drought, frost, or other factors that may have a negative effect upon yield and quality. These measures include consultation with experts in viticulture, frost protection measures, and ensuring that each vineyard is managed according to a specifically developed Vineyard Management Calendar.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders of the business. The ultimate aim is to maintain a capital structure which provides flexibility to enable future growth of the Group whilst ensuring the lowest cost of capital is available to the Group.

Management review the capital structure of the Group as a result of changes in market conditions which impact upon interest and foreign exchange rates and may adjust the capital structure to take advantage of these changes. Management have no current plans to issue further shares on the market but is intent on growing the business which will require future funding.

The Group is subject to a series of bank covenants over its Senior Debt facilities. These are discussed in Note 11.

2. Significant Accounting Judgements, Estimates and Assumptions

In applying the Group's accounting policies, management continually evaluates the judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact upon the Group. All judgements, estimates and assumptions made are believed to be reasonable based upon the most current set of circumstances available to management. The actual results may differ from the judgements, estimates and assumptions used. The significant judgements, estimates and assumptions made by management in the preparation of these financial statements are the following:

Fair Value of Agricultural Assets

The fair value of grape vines is determined by an independent valuer. Two methodologies were used in determining the carrying value of these assets and the methodology applied is dependent upon the size and availability of an open market of similar assets. The significant assumptions used are detailed in Note 15. The two methodologies are described below:

i) Where there is market information for the sale of comparable vineyard assets in active markets

Where there is market information for the sale of comparable vineyard assets in active markets (level 3 inputs of the fair value measurement hierarchy) the underlying agricultural assets are valued based upon the price that would be received to sell an asset or paid to transfer a liability, under current market conditions, in an orderly transaction between market participants at the measurement date. The Directors consider that there is market information for the sale of comparable vineyard assets in active markets for vineyards that have an estimated market value under $9 million (2013: $9 million) and under 50 productive hectares. This threshold is reviewed annually based on market information.

ii) Where there is no market information available for the sale of comparable vineyard assets in active markets

There is no market information for the sale of vineyard assets in an active market for the size and scale of some of the Group's vineyards and the fair value of biological assets has been measured through the use of a discounted net cash flow model (level 3 inputs of the fair value measurement hierarchy). Market value of vineyards of smaller scale had been considered in the determination of fair value, however it was found that measurement inconsistency would result as the underlying assets are fundamentally different in nature. Refer to Note 15 on individually significant assumptions used in the discounted net cash flow model.

Notes to the Financial Statements *continued*

2. Significant Accounting Judgements, Estimates and Assumptions (continued)

Fair Value of Grapes at the Point of Harvest

The fair value of grapes at the point of harvest is determined by reference to market prices for each variety of grape grown in the local area at the time of harvest. The Directors' assessment of the fair value at the point of harvest is determined after reviewing the market price paid to independent grape growers.

Fair Value of Grapes at the Point of Harvest

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Determination of Lease Accounting

The Group has entered into long-term vineyard leases which allow the Group to control the growing and harvesting of the grapes used in the production of finished product. After taking into consideration the terms and conditions within the lease, it is believed that the lessor retains the significant risks and rewards of ownership and the leases are accordingly classified as operating leases.

Impairment of Property, Plant and Equipment and Intangible Assets other than Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment and industry challenges, management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

For the purpose of impairment testing the Delegat's Wine Estate Limited (Delegat's) operating segment is treated as a single cash-generating unit (CGU). The recoverable amount of the Delegat's CGU has been calculated and this was determined to be greater than the total carrying value of the Delegat's CGU's assets. Therefore no impairment is required to be recognised.

The carrying value of the single Delegat's CGU was determined using the value in use method by taking the present value of expected net cash flows from the vineyards and discounting them to present value using a pre-tax market determined discount rate of 9.3% (2013: 9.3%).

Allowance for Impairment Losses on Trade Receivables

Where trade receivable balances are outstanding beyond their normal trading terms, the likelihood of the recovery of these trade receivables is assessed by management. The Group reviews the standing of each trade receivable balance to determine if the recording of an impairment loss is required.

Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience as well as lease terms. The condition of the assets are assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. During the current year the Group has increased the estimated remaining useful lives of certain winery assets (tanks, pipework and presses) based on the condition of the assets and information from the suppliers of these assets. The change is applied prospectively and has decreased the depreciation charge on these assets by approximately $2,008,000 in the current year, of which approximately $1,100,000 has been released as cost of sales in the statement of financial performance. There will be a similar decrease in future years but it is not practicable to quanitfy the effect of this change as existing winery assets reach the end of their useful lives and new winery assets are acquired.

The significant depreciation terms and classes of equipment are noted in the Statement of Accounting Policies. The depreciation charges are included in Note 5.

Derivative Financial Instruments

The Group has derivative financial instruments which are classified as level 2, as they have inputs other than observable quoted prices. In calculating the mark-to-market values, management has considered the forward rates.

Notes to the Financial Statements *continued*

3. Segmental Reporting

The Group reviews its operational performance based upon the management and the geographic areas in which their customers are based. Financial information which is available to management in order to assess segment performance and investment opportunities is presented on the same basis. In accordance with NZ IFRS 8: Operating Segments this forms the basis of presentation for Segment Reporting and is the format adopted below:

– Delegat's is party to vineyard leases and has interests in freehold land and winery infrastructure which allows the company to grow, harvest and make finished wine to be marketed, distributed and sold into the Super-Premium wine markets. Delegat's sells and markets its product through a combination of subsidiary companies based overseas or to customers and distributors directly in the New Zealand, Canadian, Asian and Pacific Island markets. Oyster Bay Wines Australia Pty Limited, Delegat's Wine Estate (UK) Limited and Oyster Bay Wines USA, Inc. act as distributors and assist in the marketing of product in their respective geographic regions. Wines are sold all year round to all regions and the Company considers there is no significant variations in revenues throughout the year.

The Group implements appropriate transfer pricing regimes within the operating segments on an arm's length basis in a manner similar to transactions with third parties.

Management monitor the operating results of its business units separately for the purpose of making resource allocations and performance assessments. Segment performance is evaluated based on operating profit or loss, which may be measured differently from operating profit or loss in the consolidated financial statements as segment reporting is based upon internal management reports. The main differences are a result of some deferred tax balances being recognised upon consolidation not being allocated to individual subsidiaries. Also intercompany stock margin eliminations are managed on a group basis and are not allocated to operating segments.

Year ended 30 June 2014	Delegat's Wine Estate Ltd $000	Oyster Bay Wines Australia Pty Ltd $000	Delegat's Wine Estate (UK) Ltd $000	Oyster Bay Wines USA, Inc. $000	Other Segments[10] $000	Eliminations and Adjustments[9] $000	Year Ended 30 June 2014 $000
Operating income							
External sales[6]	47,235	62,937	57,869	51,593	2,868	–	**222,502**
Internal sales	146,626	–	–	–	495	(147,121)	**–**
Total segment revenues[1]	193,861	62,937	57,869	51,593	3,363	(147,121)	**222,502**
Interest revenue	9	14	–	–	4,681	(4,664)	**40**
Fair value adjustments							
Biological assets increase/(decrease)	4,625	–	–	–	(206)	–	**4,419**
Operating expenses							
Interest expense[2]	11,808	–	–	–	1,302	(4,664)	**8,446**
Depreciation and amortisation[3]	10,621	145	16	67	895	–	**11,744**
Income tax expense[4]	15,410	421	444	727	(75)	(40)	**16,887**
Segment profit/(loss)	39,348	977	1,529	1,116	(270)	(103)	**42,597**
Assets							
Segment assets[5]	415,999	12,079	15,318	12,672	109,532	(89,071)	**476,529**
Capital expenditure[7]	24,684	24	5	252	6,080	–	**31,045**
Segment liabilities	256,638	4,269	9,563	8,553	33,936	(85,490)	**227,469**

Notes to the Financial Statements *continued*

3. Segmental Reporting (continued)

Year ended 30 June 2013	Delegat's Wine Estate Ltd $000	Oyster Bay Wines Australia Pty Ltd $000	Delegat's Wine Estate (UK) Ltd $000	Oyster Bay Wines USA, Inc. $000	Other Segments[10] $000	Eliminations and Adjustments[9] $000	Year Ended 30 June 2013 $000
Operating income							
External sales[8]	48,986	72,502	53,952	44,654	1,947	–	222,041
Internal sales	143,938	–	–	–	–	(143,938)	–
Total segment revenues[1]	192,924	72,502	53,952	44,654	1,947	(143,938)	222,041
Interest revenue	18	11	–	–	3,577	(3,558)	48
Fair value adjustments							
Biological assets increase	2,947	–	–	–	–	–	2,947
Operating expenses							
Interest expense[2]	10,612	–	–	–	36	(3,558)	7,090
Depreciation and amortisation[3]	11,924	145	15	43	65	–	12,192
Income tax expense[4]	14,379	484	449	698	1,157	(103)	17,064
Segment profit/(loss)	36,480	1,124	1,482	1,088	29,691	(28,649)	41,216
Assets							
Segment assets[5]	362,693	14,506	8,320	9,226	119,015	(92,913)	420,847
Capital expenditure[7]	50,522	266	17	17	17,024	–	67,846
Segment liabilities	242,919	6,956	4,053	5,789	33,187	(89,449)	203,455

[1] Intersegment revenues are eliminated on consolidation. Intercompany profit margins are also eliminated.

[2] Interest expense is net of any interest capitalised to long-term assets. During the year $873,000 was capitalised to long-term assets (2013: $272,000).

[3] Depreciation and amortisation expenses presented above are gross of $10,163,000 (2013: $11,029,000), which have been included within inventory.

[4] Segment income tax expense does not include the deferred tax impacts of temporary differences arising from intercompany stock margin eliminations or fair value adjustments resulting from the purchase of subsidiary companies as these are managed on a group level.

[5] 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.

[6] During the 2014 financial year Oyster Bay Wines Australia Pty Limited had a single customer which comprised 10% or more of Group sales amounting to $27,992,000 and Oyster Bay Wines USA, Inc. had a single customer which comprised 10% or more of Group sales amounting to $22,447,000.

[7] Capital expenditure consists of additions of property, plant and equipment inclusive of capitalised interest. Capital expenditure is included within each of the reported segment assets noted above.

[8] During the 2013 financial year Oyster Bay Wines Australia Pty Limited had a single customer which comprised 10% or more of Group sales amounting to $26,683,000.

[9] The elimination and adjustments of segment profit, assets and liabilities relate to intercompany transactions and balances which are eliminated on consolidation.

[10] Other segments' assets include non-current assets of Barossa Valley Estate Pty Limited of $21,787,000 which are located in Australia.

Notes to the Financial Statements *continued*

4. Other Revenue

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Wine equalisation tax rebate	519	601	–	-
Interest revenue	40	48	4,680	3,577
Rental income and other income	321	254	–	-
Dividend income	16	1	4	28,384
Bulk wine sale	1,231	-	–	-
Insurance recoveries	–	35	–	-
Fair value gain on derivative financial instruments	2,712	3,546	–	-
Unrealised foreign exchange gain	–	187	–	231
Management fee recharges	–	-	1,931	1,738
	4,839	4,672	6,615	33,930

5. Expenses

		GROUP		PARENT	
	Notes	2014 $000	2013 $000	2014 $000	2013 $000
(a) Selling, Marketing and Promotion Expenses					
Domestic selling and brand marketing expenses		8,708	8,272	–	-
International selling, brand and trade marketing expenses		62,409	60,723	–	-
		71,117	68,995	–	-
(b) Corporate Governance Expenses					
Directors' fees		274	325	254	300
Accounting and tax consultancy	23	169	122	59	25
Audit fees	23	200	188	140	137
Shareholder communications		148	128	148	126
Stock exchange and registry fees		68	66	68	66
		859	829	669	654
(c) Administration expenses					
Administration expenses		10,909	9,446	1,262	1,085
Acquisition costs of new subsidiary		–	1,895	–	-
Unrealised foreign exchange loss		579	-	2,965	-
		11,488	11,341	4,227	1,085

Notes to the Financial Statements *continued*

5. Expenses (continued)

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
(d) Finance Costs				
Finance charges on banking facilities[1]	8,438	7,071	–	–
Other	8	19	–	–
	8,446	7,090	–	–

[1] Deducted from the finance charges on banking facilities are interest costs incurred and capitalised of $873,000 (2013: $272,000). Capitalisation of interest ceases upon the asset (in identifiable stages) being ready for productive use.

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
(e) Depreciation and Amortisation				
Amortisation of capitalised leases	421	597	–	–
Vineyard development	2,043	1,982	–	–
Buildings	1,037	706	–	–
Plant and equipment	8,243	8,907	–	–
	11,744	12,192	–	–

The figures presented above represent the gross depreciation and amortisation charge for the year. Depreciation and amortisation is recorded in the business function to which the asset relates. Depreciation incurred on assets directly associated with winemaking and viticulture of $10,163,000 (2013: $11,029,000) is included within the cost of inventories and expensed as a cost of sales when product is sold.

Depreciation on vineyard development commences when the vineyard is considered to be in commercial production, which is generally when the vineyard has produced approximately 60% of the expected yield at full production.

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
(f) Employee Benefits Expense				
Wages and salaries	32,113	29,329	953	800
Defined contribution pension plans	1,069	874	4	–
Share-based payments expense	15	35	–	–
Termination benefits paid	120	147	–	–
	33,317	30,385	957	800

The figures above represent the gross employee benefits expense for the year. Included within inventory is remuneration paid to employees directly associated with winemaking, bottling and packaging. During the year $6,705,000 (2013: $5,431,000) of employee benefits were included within inventory. These costs are included within inventory until the stock to which the expenditure relates is sold.

Notes to the Financial Statements *continued*

5. Expenses (continued)

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
(g) Lease Payments and Other Occupancy Expenses				
Vineyard related lease payments	6,691	6,859	–	–
Other lease payments	8,486	10,470	67	71
	15,177	17,329	67	71

The figures above represent the total lease payments and other occupancy expenses for the year. During the year lease costs of $135,000 (2013: $130,000) have been capitalised to property, plant and equipment in respect of vineyards that are in development and are not considered to be in commercial production, which is generally when the vineyard has produced approximately 60% of the expected yield at full production.

6. Share Capital

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Balance at the beginning of the year	49,412	48,779	49,412	48,779
Shares issued during the year	300	633	300	633
Balance at the end of the year	49,712	49,412	49,712	49,412

a) Movement in the Number of Ordinary Shares on Issue	Shares Held		Shares Held	
	000's	000's	000's	000's
Balance at the beginning of the year	101,130	101,130	101,130	101,130
Balance at the end of the year	101,130	101,130	101,130	101,130

There are 101,130,000 (2013: 101,130,000) fully paid ordinary shares on issue at balance sheet date. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up. Shares issued in New Zealand do not have a par value.

In March 2014 150,000 shares (September 2012: 300,000 shares) previously issued under the Delegat Group Limited Employee Share Ownership Plan vested and the employees' outstanding loan balances were repaid.

Notes to the Financial Statements *continued*

6. Share Capital (continued)

b) Nature and Purpose of Reserves

i) Share-based Payments Reserve

The employee equity reserve is used to record the value of share-based payments provided to employees as part of their remuneration. Refer to Note 8 for more information.

ii) Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. During the year equity decreased by $1,097,000 upon the translation of foreign subsidiaries (2013: $442,000 decrease).

7. Dividends Paid and Proposed

a) Recognised Amounts

Dividends that were declared and paid on ordinary shares during the year amounted to $10,116,000 (2013: $9,109,000) equating to 10.0 cents per share (2013: 9.0 cents per share).

b) Unrecognised Amounts

After the balance sheet date, dividends of 11.0 cents per share were approved by the Board of Directors. These amounts are not recognised in these financial statements as the declaration date was subsequent to year-end.

8. Share-based Payments

The Parent has an employee share ownership plan, known as the Delegat's Group Limited Employee Share Ownership Plan (Share Scheme). Share options are granted to selected senior executives and the Share Scheme is designed to align participant's interests with those of shareholders by increasing the value of the Parent's Shares. The shares issued to the employees carry the same voting rights as other issued ordinary shares.

The options outstanding at 30 June 2014 under this arrangement are as follows:

– 50,000 options were issued in May 2012 with an exercise price of $2.07 each, exercisable upon meeting the conditions below in May 2016.

Under the Share Scheme, Delegat's, a wholly owned subsidiary of the Parent, provided a loan facility to the subscribers for an amount equal to the issue price. The employee acquired both legal and beneficial ownership in the shares from the date of issue. The shares are subject to restrictions for a period of 48 months after the date of issue, which restricts the employee from selling, offering for sale, agreeing to sell, transferring, granting any interest in the shares, or otherwise encumbering the shares without the prior approval of the Board of Directors of the Parent.

Dividends paid on these shares are for the benefit of employees, however the employees have agreed that the dividends are paid directly to Delegat's to reduce the employee's loan balance with Delegat's.

In the event an employee leaves the full-time employment of the Group (or one of its subsidiary companies) before the fourth anniversary date of the allotment of the Scheme Shares, the Parent will acquire the shares from the employee at either the original issue price, or an appropriate price determined by the Parent ensuring the employee's obligation in relation to the debt is satisfied. Any dividends which have been paid in the period and have been used to reduce the loan balance, and any payments made by the employee to reduce the loan balance, will be repaid to the employee. An employee can settle the loan early in full, however, they will not be able to trade the shares until the end of the restriction period. If the employee leaves prior to this date and the loan has been paid in full, the Parent will be required to repay the employee the payments received to date.

Notes to the Financial Statements *continued*

8. Share-based Payments (continued)

As the conditions of the Share Scheme give the employee the right, but not necessarily the obligation, to subscribe to shares in the Parent the arrangement is considered an in-substance share option plan, and are accounted for under NZ IFRS 2: Share-based Payments. During the year ending 30 June 2014 an expense of $16,000 (2013: $35,000) has been recorded.

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

	PARENT	
	2014	2013
	Number of Shares (000's)	
Outstanding at the beginning of the year	200	500
Vested during the year	(150)	(300)
Outstanding at the end of the year	50	200
Weighted average of remaining contractual life	1.83 years	1.21 years
Weighted average of option fair value at grant date	$0.44 per share	$0.41 per share

The fair value of the options at grant date was determined using the Black-Scholes option pricing model, taking into account the terms and conditions under which the options were granted. The weighted average share price for the options that vested during the year was $3.95 per share.

9. Trade Payables and Accruals

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Trade payables	13,252	12,258	80	2
Employee entitlements and leave benefits	3,690	3,672	53	-
Goods and services tax	443	649	–	-
Accrued expenses	16,127	17,166	215	204
	33,512	33,745	348	206

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

Notes to the Financial Statements *continued*

10. Derivative Financial Instruments

Derivative financial instruments are used by the Group in the normal course of business in order to reduce the risk of fluctuations in interest and foreign exchange rates. All movements in the fair value of derivative financial instruments are recognised in the statement of financial performance in the period they occur.

The Group has the following derivative financial instruments outstanding at the balance sheet date.

a) Foreign Currency Forward Exchange Contracts and Options

i) Forward Exchange Contracts	AVERAGE CONTRACTED RATE		GROUP	
Selling Currency/Buying NZD	2014	2013	2014 $000	2013 $000
Sell AUD, maturity 0-10 months	0.8826	0.8043	7,369	16,198
Sell USD, maturity 0-8 months	0.8146	0.7966	3,566	3,958
Sell GBP, maturity 0-13 months	0.4997	0.5218	11,519	7,670
Sell CAD, maturity 0-12 months	0.9096	0.8280	5,227	3,443
Sell SGD	–	1.0222	–	196
Sell EUR, maturity 0-5 months	0.6013	0.6228	689	2,330
Sell HKD	–	6.2627	–	216
Sell JPY, maturity 0-2 months	85.8500	-	3	-
Buying Currency/Selling NZD				
Buy HKD, maturity 0-1 months	6.7017	-	14	-
Buy EUR, maturity 0-1 months	0.6221	0.6000	156	197
Buy USD	–	0.8000	–	256
Buy AUD, maturity 0-1 months	0.9374	-	11,201	–

The fair value of forward exchange contracts is determined by comparing the market rates for contracts with the same nominal amount, exercise price and length of time to maturity.

Notes to the Financial Statements *continued*

10. Derivative Financial Instruments (continued)

ii) Forward Currency Options

Selling Currency/Buying NZD	AVERAGE CONTRACTED RATE 2014	2013	GROUP 2014 $000	2013 $000
Sell USD, maturity 0-6 months	**0.7805**	0.8174	**2,428**	3,306
Sell GBP, maturity 0-12 months	**0.4953**	0.5220	**15,145**	12,940
Sell AUD, maturity 0-6 months	**0.9600**	0.7821	**6,250**	15,667
Sell EUR	–	0.6300	–	159
Sell CAD	–	0.8312	–	1,083

NZ IAS 39: Financial Instruments: Recognition and Measurement requires that derivative financial instruments are classified as held for trading for measurement purposes unless they are accounted for as hedges. Under NZ IAS 1: Presentation of Financial Statements, assets and liabilities under the held for trading classification would generally be classified as current in the statement of financial position. However if the intent is not to actually trade the derivative financial instruments with maturities greater than one year but to hold them until maturity, then the derivative financial instruments are more appropriately classified as non-current. The amounts that are classified as non-current reflect the amounts that will not be settled in the next 12 months.

The classification of forward exchange contracts and forward currency options between current and non-current is based on whether the contracts will settled in the next 12 months. The fair value of open contracts existing at balance sheet date are classified as follows:

	2014		2013	
	Assets $000	Liabilities $000	Assets $000	Liabilities $000
Current:				
Forward Exchange Contracts	896	–	168	–
Foreign Currency Options	665	–	1,111	–
	1,561	–	1,279	–
Non-current:				
Foreign currency options	–	–	–	–
	–	–	–	–

Notes to the Financial Statements *continued*

10. Derivative Financial Instruments (continued)

b) Interest Rate Swaps

In order to protect against risks relating to increases in interest rates, the Group has entered into interest rate swap contracts under which the Group receives interest at variable rates and has agreed to pay interest at fixed rates for varying terms of principal and time durations.

At balance sheet date interest rate contracts are in place that cover a total $82,500,000 (2013: $53,000,000) of current New Zealand dollar denominated Group debt through six separate cap rate agreements, which range in maturity from one to five years. The interest rate swap is capped at 5.84% for $25,000,000, 5.96% for $25,000,000, 3.31% for $7,500,000, 3.29% for $7,500,000, 3.48% for $7,500,000, and 3.99% for $10,000,000 (2013: 5.26% for $3,000,000, 5.84% for $25,000,000 and 5.96% for $25,000,000) plus bank margin. At balance sheet date interest rate contracts are in place that cover a total A$12,000,000 (2013: A$nil) of current Australian dollar denominated Group debt through 5 separate cap rate agreements, which range in maturity from four to five years. The interest rate swap is capped at 3.87% for A$2,000,000, 3.75% for A$2,000,000, 3.69% for A$2,000,000, 3.65% for A$4,000,000 and 3.60% for A$2,000,000.

At balance sheet date the Group has a further 4 separate cap rate agreements, which apply from various future dates to cover future Group indebtedness. These range in maturity from five to six years. The interest rate is capped at 4.18% for $10,000,000 from December 2014, 3.95% for $7,500,000 from December 2014, 3.70% for $7,500,000 from December 2015, and 3.99% for $7,500,000 from December 2015 (2013: 3.31% for $7,500,000 from September 2013, 3.29% for $7,500,000 from September 2013, 3.48% for $7,500,000 from September 2013, 3.99% for $10,000,000 from December 2013, 4.18% for $10,000,000 from December 2014, 3.95% for $7,500,000 from December 2014, 3.70% for $7,500,000 from December 2015, and 3.99% for $7,500,000 from December 2015), plus bank margin.

The total fair value of these contracts at balance sheet date is a asset of $112,000 (2013: $2,318,000 liability).

The Parent and Group have elected not to apply hedge accounting and accordingly the instruments have been classified as fair value through profit and loss.

The classification between current and non-current is based on whether the contracts or portion of contracts will be settled within the next 12 months. The total fair value of these contracts at balance sheet date are classified as follows:

	2014		2013	
	Assets $000	Liabilities $000	Assets $000	Liabilities $000
Current:				
Interest Rate Swaps	–	563	–	1,133
	–	563	–	1,133
Non-current:				
Interest Rate Swaps	675	–	–	1,185
	675	–	–	1,185

Notes to the Financial Statements *continued*

11. Interest-bearing Loans and Borrowings

a) Debt Facilities Existing at Balance Sheet Date

At the balance sheet date the following debt facilities have been drawn upon by the Group.

				GROUP		PARENT	
	Maturity	Effective Interest Rate 2014	2013	2014 $000	2013 $000	2014 $000	2013 $000
Non–Current Debt Obligations							
Term facility	31 Jul 2015	4.47%	4.55%	**56,888**	71,418	**–**	–
Term facility (AUD)	31 Jul 2015	4.04%	4.55%	**38,111**	26,094	**–**	–
Working Capital and Seasonal facility	31 Jul 2016	6.29%	5.44%	**62,959**	39,938	**–**	–
				157,958	137,450	**–**	–

The carrying amount of the Group's non-current borrowings are the fair values at balance sheet date. Fees paid on the establishment of the loan facilities are included in their carrying value.

b) Terms and Conditions of Debt Facilities

i) Senior Debt Facilities

The Working Capital and Seasonal facility, and the Term facility collectively make up the Senior Debt Facilities of Delegat's, which provide funding for the assets of the Group. The maximum limit of the Working Capital and Seasonal facility is $63,000,000 (2013: $63,000,000) and the Term facility is $130,000,000 (2013: $130,000,000). At balance sheet date $34,932,000 (2013: $32,356,000) is available for further drawdown on these facilities.

The Term facility (AUD) is part of the Term facility and is denominated in Australian dollars (A$). The amount drawn down in foreign currency at the balance sheet date was A$35,416,000 (2013: A$22,015,000).

The Senior Debt Facilities are from the Group's bankers Westpac and are on a negative pledge basis, the Group agrees that it will not create or permit security over any of its assets, to any other party, without first obtaining Westpac's written consent.

Interest on these facilities is based on the BKBM plus margin. The facility agreement requires that certain banking covenants be met and requires the Group to maintain or better specified EBITDA and fixed charges coverage ratios, and maintain or better a minimum adjusted equity balance. The Group must also maintain or better a specified total tangible asset backing. At year-end, and at all points during the year, the covenants of the Senior Debt Facilities have been met.

ii) Other Facilities

Delegat's also has available an overdraft limit of $100,000 (2013: $100,000). Interest charged on this facility is at the commercial lending rate (2013: prime lending rate plus 1% margin). At 30 June 2014 the commercial lending rate is 5.85% (2013: prime lending rate 8.45%). No amount is drawn against this facility at balance sheet date.

Notes to the Financial Statements *continued*

12. Trade and Other Receivables

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Trade receivables	40,187	32,501	–	–
Prepayments and sundry receivables	3,464	3,033	175	28
Non-trade receivables	174	282	–	–
Goods and services tax	873	1,277	22	1
	44,698	37,093	197	29

As at 30 June 2014 the ageing of trade receivables, net of provisions (as detailed below), is as follows:

	Total $000	Current $000	< 30 days $000	31 to 60 days $000	61 to 90 days $000	> 90 days $000
				PDNI	PDNI	PDNI
30 June 2014	40,187	37,272	2,846	42	24	3
30 June 2013	32,501	30,133	2,368	–	–	–

All amounts recognised as trade receivables are unsecured and the maximum credit risk is equivalent to the carrying values noted directly above. Trade receivables are non-interest bearing and generally settled on 30 to 90 day terms. Due to their short-term nature trade receivables are not discounted and the above values approximate their fair value. There are amounts which are past due (PDNI) however the Group does not consider these to be impaired as the ultimate collection is reasonably assured.

At the end of each month the Group assesses the recoverability of debtor balances and makes provisions for specific debtors where the ultimate collection of balances owed are considered to be unlikely. The table below presents the movements in the provision for doubtful debtors. At 30 June 2014, trade receivables at a nominal value of $nil (2013: $1,532,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2014			2013		
	Individually Impaired $000	Collectively Impaired $000	Total $000	Individually Impaired $000	Collectively Impaired $000	Total $000
Balance at the start of the year	1,532	–	1,532	1,552	–	1,552
Written-off during the year	(1,320)	–	(1,320)	(20)	–	(20)
Recovered during the year	(212)	–	(212)	–	–	–
Balance at the end of the year	–	–	–	1,532	–	1,532

Notes to the Financial Statements *continued*

13. Inventories

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Current vintage	**74,670**	62,870	**–**	–
Aged wine	**31,148**	19,178	**–**	–
Growing costs relating to next harvest	**3,721**	3,046	**–**	–
Winery ingredients, packaging materials and other	**3,021**	2,242	**–**	–
	112,560	87,336	**–**	–

Prior to harvest, the cost of agricultural activities are included in inventory. Upon harvest, the Group is required to value agricultural produce at fair value in line with NZ IAS 41: Agriculture. A fair value gain of $17,588,000 (2013: $13,081,000 gain) was recorded during the year and included within cost of sales.

Included within cost of sales is a total of $97,954,000 (2013: $96,206,000) which represents costs expended in grape growing (inclusive of leased costs), procurement, delivery and materials.

14. Property, Plant and Equipment

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

Year ended 30 June 2014	Freehold Land and Land Improvements $000	Vineyard Improvements $000	Buildings $000	Plant and Equipment $000	Capitalised Vineyard Lease Payments $000	Capital Work in Progress $000	Total $000
Net book value at 1 July 2013	72,175	34,258	33,559	65,090	3,122	25,197	**233,401**
Additions / Transfers	7,041	3,755	8,461	8,318	98	726	**28,399**
Disposals	–	(420)	(345)	(777)	–	–	**(1,542)**
Foreign currency translation	(259)	(131)	(727)	(850)	–	–	**(1,967)**
Depreciation charge	–	(2,043)	(1,037)	(8,243)	(421)	–	**(11,744)**
Net book value at 30 June 2014	78,957	35,419	39,911	63,538	2,799	25,923	**246,547**
At cost	78,964	50,249	47,033	119,804	15,393	25,923	**337,366**
Accumulated depreciation, amortisation and impairment	(7)	(14,830)	(7,122)	(56,266)	(12,594)	–	**(90,819)**
Net book value at 30 June 2014	78,957	35,419	39,911	63,538	2,799	25,923	**246,547**

Notes to the Financial Statements *continued*

14. Property, Plant and Equipment (continued)

Year ended 30 June 2013	Freehold Land and Land Improvements $000	Vineyard Improvements $000	Buildings $000	Plant and Equipment $000	Capitalised Vineyard Lease Payments $000	Capital Work in Progress $000	Total $000
Net book value at 1 July 2012	53,734	32,298	25,696	57,098	3,589	13,557	**185,972**
Additions / Transfers	16,238	2,254	963	9,496	130	11,640	**40,721**
Acquisitions through business combinations	2,203	1,688	7,606	7,551	-	-	**19,048**
Disposals	-	-	-	(83)	-	-	**(83)**
Foreign currency translation	-	-	-	(65)	-	-	**(65)**
Depreciation charge	-	(1,982)	(706)	(8,907)	(597)	-	**(12,192)**
Net book value at 30 June 2013	72,175	34,258	33,559	65,090	3,122	25,197	**233,401**
At cost	72,182	47,046	39,647	113,656	15,295	25,197	**313,023**
Accumulated depreciation, amortisation and impairment	(7)	(12,788)	(6,088)	(48,566)	(12,173)	-	**(79,622)**
Net book value at 30 June 2013	72,175	34,258	33,559	65,090	3,122	25,197	**233,401**

The Parent holds one class of long-term asset being plant and equipment. During the year there were no additions or disposals to plant and equipment. Depreciation for the year amounted to $nil (2013: $nil). At year end the net book value of $nil (2013: $nil) is represented by assets of $7,000 (2013: $7,000) and accumulated depreciation of $7,000 (2013: $7,000).

b) Other Items

During the year no assets were transferred and classified as assets available for sale. The weighted average interest rate on interest capitalised during the year was 7.02%.

15. Biological Assets

Biological assets consist of grape vines. Grapes, which are agricultural produce, are grown for use in the procurement of wine, as part of normal operations with the majority of vineyards located in New Zealand. The Group also has several vineyards in the Barossa Valley, Australia. At 30 June 2014 the Group has grape vines planted on 1,074 productive hectares of land (2013: 994 productive hectares) in New Zealand and 43 productive hectares in Australia. During the year the Group harvested a total of 34,123 tonnes of grapes (2013: 28,884 tonnes) in New Zealand. Of this amount a total of 10,883 tonnes (2013: 9,196 tonnes) were purchased from independent third party growers. The Group harvested 1,004 tonnes of grapes in Australia (2013: nil). Of this amount a total of 784 tonnes were purchased from independent third party growers (2013: nil). The fair value of agricultural produce from the Group's owned and leased vineyards at the point of harvest was $40,134,000 (2013: $33,637,000).

Grape vines on the Group's New Zealand vineyards are measured at fair value at balance sheet date as determined by Logan Stone in New Zealand and Gaetjens Pickett Valuers in Australia – accredited and independent third party valuers.

Notes to the Financial Statements *continued*

15. Biological Assets (continued)

Where there is market information for the sale of comparable vineyard assets in active markets (level 3 inputs of the fair value measurement hierarchy) the vineyards are valued based upon the price that would be received to sell an asset or transfer a liability, under current market conditions, in an orderly transaction between market participants at the measurement date. Market information from the sale of comparable vineyard assets in the same region and planted in the same varieties are used to determine a value per hectare of land. This is then applied to value the Group's vineyards and adjusted for any other known differences between the properties. In Marlborough the market information for the value per hectare of land ranges from \$25,000 to \$90,000 per hectare and Hawke's Bay from \$35,000 to \$100,000 per hectare. An increase/decrease in the market information for the value per hectare of land would result in an increase/decrease in the fair value of biological assets.

For vineyard operations which have a forecasted future market value in excess of \$9,000,000 (2013: \$9,000,000) or when the vineyard has in excess of 50 productive hectares, the fair value is based upon a discounted net cash flow model (level 3 unobservable inputs of the fair value measurement hierarchy) because the Directors do not consider there is market information for the sale of vineyard assets of this size from an active market. The net present values determined for each vineyard from the model are first allocated to the non-biological assets with the value of the biological assets being the residual balance. All of the Group's interest in biological assets have been valued using this methodology. Inherent within this model are a number of assumptions that significantly impact upon the reported fair value and these are noted below.

The fair value of vines on leased land where the Group does not have the beneficial ownership in the vine asset, is not reported below, as the risks and rewards incidental to owning the vines do not transfer to the Group. The Group is however party to leases of land on which vine stock is owned by the Group. The fair value of these assets are reported, as the risk and rewards incidental to ownership are retained by the Group.

The discounted net cash flow model used to derive the fair value of large vineyards incorporates the following significant assumptions:

	2014	2013
i) Average remaining life of grape vines[a]	Variable	Variable
ii) Average yield per hectare of mature vineyards[b]	8.0 to 14.0 tonnes per hectare	8.0 to 13.2 tonnes per hectare
iii) Pre-tax discount rate which cash flows are discounted[c]	8.3% to 9.1%	8.8% to 9.5%
iv) Annual rate of inflation to cost and revenue inputs[d]	0.0% to 1.0%	0.8% to 2.0%
v) Vineyard maintenance costs[e]	\$7,700 to \$9,200 per hectare	\$8,000 to \$8,600 per hectare

[a] The average remaining life of grape vines is assumed to continue in perpetuity as vines not producing at commercial levels are replaced each year.

[b] The average yield is dependent upon the variety of grape grown, as well as the underlying health and age of the vine stock.

[c] The discount rates used are based upon the long-term pre-tax discount rate within the sector and sub-regions within the Hawke's Bay and Marlborough. The rates used are consistent with the Group's long-term cost of capital.

[d] Grape prices are reviewed annually after taking into consideration various market factors, as well as reviewing the district average pricing report for grapes of similar quality and variety. Prices for grapes range from \$1,500 to \$2,900 per tonne, depending on the varietal sold. Subsequent years' grape prices per tonne are then indexed for inflation.

[e] Vineyard maintenance costs exclude capital expenditure, management fees and lease costs for leased vineyards. These are separately included within the discounted net cash flow model. The Independent Valuer has estimated the total running cost on a per hectare basis, which is variable depending on vineyard management, size and scale of the vineyard being assessed. For leased vineyards the actual annual lease cost is used with future lease costs adjusted for the anticipated movements in lease costs as a result of the rent reviews.

Notes to the Financial Statements *continued*

15. Biological Assets (continued)

Assuming all other unobservable inputs are held constant, the following changes in these assumptions will cause an increase in the fair value of the biological assets, (i) an increase in average yields, (ii) reduction in the discount rate, (iii) increase in the grape prices used in the first year of the models and inflation rates applied to future grape prices, and (iv) a reduction in vineyard maintenance costs and vice versa. There is a degree of interrelationship between some of the assumptions (i.e. an increase in average yields can impact the grape price assumptions) however the assumptions can equally also move independently to offset any favourable/ unfavourable movement in the other assumptions.

Replacement plantings required are expensed as incurred. During the year the Group had incurred $41,000 (2013: $29,000) associated with the replanting of vines. These expenses are included as repairs and maintenance.

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

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

	GROUP	
	2014 $000	2013 $000
Carrying value at the start of the year	58,907	47,883
Purchases of biological assets	1,352	6,625
Acquisition through business combination	–	1,452
Disposal of biological assets	(430)	–
Changes in fair value less estimated point of sale costs	4,419	2,947
Foreign currency translation	(136)	–
Carrying value at the end of the year	64,112	58,907

Changes in fair value result from vineyards attaining full maturity and vines reaching the maximum expected yield per hectare.

16. Intangible Assets

	GROUP	
	2014 $000	2013 $000
Water rights with indefinite useful life	1,294	-

During the year Barossa Valley Estate Pty Limited (BVE) has acquired water rights which have been valued at cost. The water rights consist of shares in Barossa Infrastructure Limited (BIL) and associated infrastructure levies. These water rights grant BVE the right to a fixed number of units of water per share and were purchased by BVE to support their vineyard activities. BVE continues to have the right to use the water over an indefinite period and therefore the water rights are considered to have an indefinite useful life.

Notes to the Financial Statements *continued*

17. Income Tax Expense

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
a) Numerical Reconciliation between aggregate tax expense in the statement of financial performance and tax expense calculated per the statutory income tax rate				
Accounting profit before tax	59,484	58,280	1,719	32,191
At the Group's statutory income tax rate of 28% (2013: 28%)	16,656	16,318	481	9,013
Tax Impact of following items:				
Adjustments in respect of income tax of prior years	(51)	(46)	–	5
Entertainment	91	85	–	–
Legal fees and acquisition costs	88	576	–	–
Non-assessable income	(11)	(7)	–	(7,947)
Non-deductible interest and other items	34	2	13	16
Tax on foreign income due to different tax rates	77	128	–	–
Share-based payments expense	3	8	–	–
Income tax expense for the year	16,887	17,064	494	1,087
b) The major components of income tax expense are:				
Estimated current period tax assessment	12,086	11,866	498	1,082
Adjustments in respect of income tax of prior years	(591)	(107)	–	5
Movements in the deferred income tax liability	5,392	5,305	(4)	–
Income tax expense for the year	16,887	17,064	494	1,087
c) Deferred income tax at balance sheet date relates to the following:				
i) Deferred tax liabilities				
Capitalised interest	2,158	1,976	–	–
Capitalised leases	755	873	–	–
Accelerated depreciation of long-term assets	11,368	10,549	–	–
Excess of fair value of biological assets over tax values	12,016	10,783	–	–
Financial derivative instruments	468	–	–	–
Fair value adjustments on biological produce	6,959	4,294	–	–
Gross deferred tax liabilities	33,724	28,475	–	–

Notes to the Financial Statements *continued*

17. Income Tax Expense (continued)

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
ii) Deferred tax assets				
Provisions	651	630	9	5
Stock profit and intercompany eliminations	282	241	–	–
Financial derivative instruments	–	291	–	–
Fair value adjustments on biological produce	142	88	–	–
Gross deferred tax assets	1,075	1,250	9	5
Net deferred tax liability/(asset)	32,649	27,225	(9)	(5)
Balance at beginning of year	27,225	21,971	(5)	(5)
On surplus for year	5,392	5,305	(4)	–
Acquisition through business combination	–	(59)	–	–
Foreign currency translation	32	8	–	–
Balance at the end of the year	32,649	27,225	(9)	(5)

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

18. Imputation Credit Account

	PARENT	
	2014 $000	2013 $000
Balance at the beginning of the year	23,500	17,087
Tax payments	12,304	10,147
Fully imputed dividend paid	(3,752)	(3,734)
Balance at the end of the year	32,052	23,500
At balance sheet date the imputation credits available to the shareholders of the Parent were:		
Through direct shareholding in the Parent	15,635	15,537
Through indirect interests in subsidiaries	16,417	7,963
	32,052	23,500

Notes to the Financial Statements *continued*

19. Commitments

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
a) Operating Leases				
Lease commitments under non–cancellable operating leases.				
Within one year	12,448	14,345	48	51
One to two years	8,887	10,255	–	–
Two to five years	13,078	14,801	–	–
Beyond five years	24,742	26,107	–	–
	59,155	65,508	48	51

Operating lease commitments include long-term land leases, which allow the Group to access prime viticultural land in the Marlborough and Hawke's Bay areas. The leases provide the Group the right of first refusal in the event that the land is put up for sale. Vineyard leases generally comprise an initial term of ten years with following rights of renewal which vary depending on the vineyard. Leases are reviewed every five years and if required the market rate of rent is adjusted in relation to the market value of the underlying land plus a guaranteed rate of return as determined by the five year government bond rate. Other operating lease commitments include short-term car, barrel and equipment leases.

b) Capital Commitments

The estimated capital expenditure contracted for at 30 June 2014 but not provided for is $14,026,000 (2013: $6,227,000).

20. Investment in Subsidiaries

	PARENT	
	2014 $000	2013 $000
The Parent's direct or ultimate investment in subsidiaries comprises shares at cost and Share-based Payment awards settled by the Parent on behalf of the subsidiaries:		
Investments	2,857	2,842

Investments in controlled entities are detailed in Note 21.

Notes to the Financial Statements *continued*

21. Related Parties

a) Investment in Subsidiaries

Name of Entity	Principal Activity	Parent Company	Country of Incorporation	Ownership Interest % 2014	Ownership Interest % 2013
Delegat's Wine Estate Limited	Winemaking, Sales and Distribution	Delegat Group Limited	New Zealand	100.00	100.00
Oyster Bay Wines (Canada) Limited	Brand Marketing	Delegat Group Limited	Canada	100.00	100.00
Oyster Bay Wines Australia Pty Limited	Sales and Distribution	Delegat Group Limited	Australia	100.00	100.00
Oyster Bay Wines (USA) Limited	Brand Marketing	Delegat Group Limited	New Zealand	100.00	100.00
Oyster Bay Wines USA, Inc.	Sales and Distribution	Delegat Group Limited	United States of America	100.00	100.00
Delegat's Wine Estate (UK) Limited	Sales and Distribution	Delegat's Wine Estate Limited	United Kingdom	100.00	100.00
Delegat (Singapore) Pte. Limited	Sales and Distribution	Delegat Group Limited	Singapore	100.00	100.00
Barossa Valley Estate Pty Limited	Winemaking, Sales and Distribution	Delegat's Wine Estate Limited	Australia	100.00	100.00
Delegat Japan G.K.	Brand Marketing	Delegat Group Limited	Japan	100.00	N/A

All subsidiaries have a balance sheet date of 30 June.

	PARENT 2014 $000	PARENT 2013 $000
At balance sheet date the Parent has the following balances that are due from/(to) subsidiary companies:		
Delegat's Wine Estate Limited	**35,331**	54,771
Delegat's Wine Estate (UK) Limited	**133**	125
Oyster Bay Wines Australia Pty Limited	**132**	117
Oyster Bay Wines USA, Inc.	**268**	241
Delegat (Singapore) Pte. Limited	**15**	14
Barossa Valley Estate Pty Limited	**31,256**	29,057
Oyster Bay Wines (Canada) Limited	**8**	–
	67,143	84,325

The Parent receives working capital funding support from Delegat's, the main operating subsidiary within the Group.

Notes to the Financial Statements *continued*

21. Related Parties (continued)

b) Key Management Personnel

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

c) Related Parties by Virtue of Share Ownership

The following Directors hold the following number of Shares in the Parent	2014	2013
Jakov Delegat and Rosamari Delegat and Robert Wilton	66,857,142	66,857,142
Robert Wilton	1,000,000	1,000,000
Graeme Lord	50,000	100,000

The individuals above are considered related parties as a result of their shareholding or by virtue of being considered a member of key management. During the year a total of $92,000 (2013: $100,000) was paid to Robert Wilton in his capacity as a non-executive Director. Rosemari Delegat received $50,000 (2013: $50,000) in her capacity as a non-executive Director during the year.

During the year a total of $100,000 (2013: $100,000) was paid to Robert Wilton in his capacity as an independent consultant, under normal terms and conditions.

Please also refer to the Disclosure of Directors' Interests at the back of this report.

d) Transactions with Related Parties who have Significant Influence over Subsidiary Companies

During the period Oyster Bay Wines Australia Pty Limited paid a total of $17,000 (2013: $19,000) to Yaroona Pty Limited. The payments made to Yaroona Pty Limited were made in Peter Taylor's capacity as an Independent Consultant and were under normal commercial terms and conditions. Peter Taylor was considered to be a related party by virtue of his ability to significantly influence the financial and operating policies of a subsidiary company.

During the period Barossa Valley Estate Pty Limited paid a total of $178,000 to Range Road Estate Pty Limited. The payments made to Range Road Estate Pty Limited were made in Alan Hoey's capacity as an Independent Consultant and under normal terms and conditions. Alan Hoey was considered to be a related party by virtue of his ability to significantly influence the financial and operating policies of a subsidiary company.

Notes to the Financial Statements *continued*

21. Related Parties (continued)

e) Transactions with Related Parties under Common Control

The following table provides the total amount of transactions that were made between the Parent company and subsidiaries for the relevant financial year.

			DELEGAT GROUP	
			Purchases From	Sales To
Management fee recharges	– Delegat's Wine Estate Limited	*2014*	–	1,383,000
		2013	–	1,241,000
	– Delegat's Wine Estate (UK) Limited	*2014*	–	133,000
		2013	–	125,000
	– Oyster Bay Wines Australia Pty Limited	*2014*	–	132,000
		2013	–	117,000
	– Oyster Bay Wines USA, Inc.	*2014*	–	268,000
		2013	–	241,000
	– Delegat (Singapore) Pte. Limited	*2014*	–	15,000
		2013	–	14,000
Interest recharges	– Delegat's Wine Estate Limited	*2014*	–	3,528,000
		2013	–	3,528,000
	– Barossa Valley Estate Pty Limited	*2014*	–	1,137,000
		2013	–	30,000
Dividends received	– Delegat's Wine Estate Limited	*2013*	–	28,384,000

f) Transactions with Delegat's Wine Estate Limited

The Parent successfully completed a capital raise in 2006. These funds were advanced to Delegat's, supported by an interest-bearing loan agreement and is repayable on demand. During the year the Parent recognised $3,528,000 (2013: $3,528,000) of interest revenue from Delegat's. Interest is charged at a fixed rate of 8.50%.

The Parent receives working capital funding support from Delegat's and interest is settled when the need for working capital is required by the Parent. The Parent will not demand repayment of the amounts owed from Delegat's in the next 12 months.

During the year the Parent had also charged Delegat's management fees of $1,383,000 (2013: $1,241,000) and these remain payable at the balance sheet date. Management fees are based upon a proportion of actual costs incurred by the Parent on behalf of Delegat's and are expected to be settled within 30 days.

g) Transactions with Delegat's Wine Estate (UK) Limited

During the year the Parent had charged Delegat's Wine Estate (UK) Limited management fees of $133,000 (2013: $125,000). The Management fees are based on an allocation of actual cost incurred by the Parent on behalf of Delegat's Wine Estate (UK) Limited and are expected to be settled within 30 days.

h) Transactions with Oyster Bay Wines Australia Pty Limited

During the year the Parent had charged Oyster Bay Wines Australia Pty Limited management fees of $132,000 (2013: $117,000). The Management fees are based on an allocation of actual cost incurred by the Parent on behalf of Oyster Bay Wines Australia Pty Limited and are expected to be settled within 30 days.

Notes to the Financial Statements *continued*

21. Related Parties (continued)

i) Transactions with Oyster Bay Wines USA, Inc.

During the year the Parent had charged Oyster Bay Wines USA, Inc. management fees of $268,000 (2013: $241,000). The Management fees are based on an allocation of actual cost incurred by the Parent on behalf of Oyster Bay Wines USA, Inc. and are expected to be settled within 30 days.

j) Transactions with Barossa Valley Estate Pty Limited

During 2013 the Parent advanced Barossa Valley Estate Pty Limited $29,057,000, supported by an interest bearing loan agreement, and which is repayable on demand. During the year the Parent recognised $1,137,000 (2013: $30,000) of interest revenue from Barossa Valley Estate Pty Limited. Interest is charged based on the interest rate payable on the Westpac Term Facility (AUD).

k) Transactions with Delegat (Singapore) Pte. Limited

During the year the Parent had charged Delegat (Singapore) Pte. Limited management fees of $15,000 (2013: $14,000). The Management fees are based on an allocation of actual cost incurred by the Parent on behalf of Delegat (Singapore) Pte. Limited and are expected to be settled within 30 days.

22. Key Management Personnel

Compensation of Key Management Personnel

Included in the definition of related parties are Key Management Personnel having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly, including any Director. Management have assessed the composition of the Key Management and their compensation for the year ended 30 June is presented below:

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Short–term employee benefits	6,357	5,824	1,347	1,210
Post–employment benefits (including defined contribution pension plan)	203	135	4	–
Share-based payments expense	16	35	–	–
	6,576	5,994	1,351	1,210

23. Auditor's Remuneration

The auditor of Delegat Group Limited is Ernst & Young. Amounts received, or due and receivable, by Ernst & Young are as follows:

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Audit of the financial statements	200	188	140	137
Other assurance related services	2	–	2	–
Tax compliance	129	135	12	25
	331	323	154	162

Notes to the Financial Statements *continued*

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Reported profit after tax	42,597	41,216	1,225	31,104
Plus items not involving cash flows				
Fair value movement on biological assets	(4,419)	(2,947)	–	–
Amortisation of leases	421	597	–	–
Depreciation expense	11,323	11,595	–	–
Other non–cash items	(1,254)	(236)	2,960	(235)
Loss/(gain) on disposal of assets	646	(95)	–	–
Movement in derivative financial instruments	(2,712)	(3,546)	–	–
Movement in deferred tax assets	(123)	(91)	–	–
Movement in deferred tax liabilities	5,547	5,345	–	–
	52,026	51,838	4,185	30,869
Movement in working capital balances are as follows:				
Trade payables and accruals	(233)	4,639	142	(125)
Trade and other receivables	(7,605)	(273)	(168)	53
Inventories	(25,224)	(22,543)	–	–
Income tax	(533)	(296)	(8,530)	(29)
	(33,595)	(18,473)	(8,556)	(101)
Deduct items classified as investing and financing activities				
Capital purchases included within trade payables and inventories	546	5,798	–	–
Related party funding included within working capital	–	–	(9,367)	(33,449)
Acquisition costs	1,811	84	–	–
	(31,238)	(12,591)	(17,923)	(33,550)
Net Cash Inflows/(Outflows) from Operating Activities	20,788	39,247	(13,738)	(2,681)

Notes to the Financial Statements *continued*

25. Events Subsequent to Balance Sheet Date

On 29 August 2014, the Directors of the Parent declared a fully imputed dividend of $11,124,000 (11.0 cents per Share) to be paid on 10 October 2014.

On 1 July 2014, Delegat's completed the purchase of land in the Awatere Valley, Marlborough for total consideration of $1,980,000.

26. Earnings Per Share

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

	GROUP	
	2014 $000	2013 $000
a) Earnings Used in Calculating Earnings per Share		
Profit for the year – basic and fully diluted ($000)	**42,597**	41,216
b) Weighted Average Number of Shares		
Weighted average number of shares – basic (000's)	**101,080**	100,930
Weighted average number of shares – fully diluted (000's)	**101,130**	101,130
c) Reported Earnings Per Share on Statement of Financial Performance (expressed as cents per share)		
– Basic earnings per share	**42.14**	40.84
– Fully diluted earnings per share	**42.12**	40.76

The Shares issued under the Delegat's Group Limited Employee Share Ownership Plan, as disclosed in Note 6, are excluded from the weighted average number of shares on issue for the purpose of the basic earnings per share calculation because at the balance sheet date all conditions in relation to these shares have not been met. They are included in the weighted average number of shares on issue for the purpose of the fully diluted earnings per share calculation.

Independent Auditor's Report

EY
Building a better working world

Chartered Accountants

To the Shareholders of Delegat Group Limited

Report on the Financial Statements

We have audited the financial statements of Delegat Group Limited and its subsidiaries on pages 30 to 82 which comprise the statement of financial position of Delegat Group Limited and the group as at 30 June 2014, and the statement of financial performance, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Ernst & Young provides taxation services to the group. We have no other relationship with, or interest in Delegat Group Limited or any of its subsidiaries.

Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Opinion

In our opinion, the financial statements on pages 30 to 82:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Delegat Group Limited and the group as at 30 June 2014 and the financial performance and cash flows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young

29 August 2014
Auckland

A member firm of Ernst & Young Global Limited

Corporate Governance

This statement provides an outline of the main corporate governance policies and practices that the Company had in place during the past financial year.

The Board is committed to conducting the Company's business ethically and in accordance with high standards of corporate governance. The Board reviews the Company's policies, practices and other arrangements governing and guiding the conduct of the Company.

The Board believes that the Company's policies and practices have complied in all substantial respects with corporate governance best practice in New Zealand, including the Corporate Governance Best Practice Code attached as Appendix 16 to the NZSX Listing Rules.

Role of the Board

The Board is responsible for the proper direction and control of the Company's activities and acknowledges the need for the highest standard of corporate governance. This responsibility includes such areas of stewardship as the identification and control of the Group's business risks, the integrity of management systems and reporting to shareholders.

The primary objective of the Board is to build long-term shareholder value, with due regard to other stakeholder interests. It does this by adopting the strategic plans, objectives and policies that have been set for the Company by the Executive Chairman and Managing Director, together with senior executives. It is the responsibility of the Managing Director to deliver effective execution of the strategic plans and manage the daily affairs of the Company. The Managing Director reports regularly to the Board on critical issues being faced by the Company, as well as the progress being made against the strategic plans.

The Board of Delegat Group Limited meets formally a minimum of six times during the financial year and regularly holds additional meetings to deal with specific matters faced by the Group.

Another responsibility of the Board is evaluating the performance of the Managing Director, as well as reviewing the procedures that are in place for appointing and monitoring the performance of senior executives.

Composition of the Board

The composition of the Board is determined using the following principles:

- the Board may, in accordance with the Constitution, comprise up to nine Directors; and
- the Board should comprise Directors with a mix of qualifications, skills and experience appropriate to the Company's existing operations and strategic direction.

The NZSX Listing Rules and the Company's constitution require one third of the Directors to retire from office at the Annual Meeting of Shareholders each year. Retiring Directors are eligible for re-election. As at the end of the financial year, the Board had four non-executive Directors, and two executive Directors. Details of the Directors as at the date of this report, including their qualifications and experience, are set out on pages 27 and 28.

Director Independence

The Board has adopted the definition of independence set out in the NZSX Listing Rules.

The Company considers that, at the balance date, two of its non-executive Directors were independent. The Company notes that it has the minimum number of independent directors as required by the NZSX Listing Rules.

Director Nomination

The responsibility for Board succession planning, including identifying suitable candidates for recruitment to the Board, is undertaken by the Board, drawing on advice from independent consultants as appropriate. Nominated candidates are assessed against a number of criteria which include background, professional skills and experience and their availability to commit themselves to the role.

Board Performance Evaluation

All non-executive Directors are expected to participate in performance reviews, particularly prior to the re-election of a non-executive Director to the Board. The findings of the performance review process are used to identify, assess and enhance Directors' competencies and to define characteristics or skills which should be sought in future Board candidates. The Board undertakes a bi-annual formal performance evaluation of the Board and its members.

Corporate Governance *continued*

Conflicts of Interest

In order to ensure that any 'interests' of a Director in a particular matter to be considered by the Board are known by each Director, the Company has developed protocols, consistent with obligations imposed by the New Zealand Companies Act 1993, to require each Director to disclose any relationships, duties or interests held that may give rise to a potential conflict.

Remuneration – Non-executive Directors

Remuneration levels are set at competitive levels to attract and retain appropriately qualified and experienced Directors. The Company's policy is to pay all of its Directors in cash.

The fees of the non-executive Directors are set within the aggregate amount determined in accordance with the NZSX Listing Rules, and at levels that reflect the responsibilities and time commitments provided by those Directors to the Company in discharging their duties. The NZSX Listing Rules require that the Company approve the total aggregate amount payable to all Directors as Directors' fees. Currently, the total maximum aggregate amount of fees payable to the Directors is $300,000 per annum. The criteria for reviewing non-executive Director remuneration includes obtaining advice from external consultants as appropriate, information on Board arrangements for other corporations of similar size and complexity, and the review of current and expected workloads of non-executive Directors (including as a member or Chairman, of the Board Committees). The Board will continue to review its remuneration strategies in relation to non-executive Directors from time to time, in line with general industry practice. Full details of the remuneration paid to non-executive Directors are set out on page 87.

Remuneration – Executive Chairman, Managing Director and Senior Executives

The criteria for reviewing the remuneration for senior executives includes, as appropriate, advice obtained from external consultants, participation in independent surveys, specific market comparison of individual roles, and level of achievement against business and personal objectives.

Diversity

The current proportion of female Directors and Key Management Personnel within the Group as at 30 June 2014 is set out in the table below.

	% Female (Number)		% Male (Number)	
	2014	2013	2014	2013
Board of Directors	33% (2)	40% (2)	67% (4)	60% (3)
Key Management Personnel	5% (1)	6% (1)	95% (18)	94% (15)

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense, provided the costs are reasonable and the advice is specific. Prior approval from the Executive Chairman is required, which will not be unreasonably withheld.

Committees of the Board

The Board has established two working committees, an Audit and Compliance Committee and Remuneration Committee. The committees have their own charters setting out the objectives, composition, and responsibilities of the committees. The Board will periodically review the charters.

Audit and Compliance Committee

The Audit and Compliance Committee comprises three non-executive Directors: Dr Alan Jackson (Chairman), Jane Freeman and Robert Wilton.

The Board is of the opinion that sufficient financial expertise and knowledge of the industry in which the Company operates is possessed by the members of the Audit and Compliance Committee. Details of the qualifications of the Audit and Compliance Committee members are set out on pages 27 and 28. The primary objective of the Audit and Compliance Committee is to assist the Board of Directors in fulfilling its responsibilities relating to annual reporting, tax planning and compliance, and risk management practices.

Corporate Governance *continued*

Remuneration Committee

The Remuneration Committee comprises three non-executive Directors:

Jane Freeman (Chairperson), Dr Alan Jackson and Robert Wilton.

The Remuneration Committee meets at least twice a year and more frequently if required. The Remuneration Committee's role is to provide advice and make recommendations to the Board on remuneration policy for employees, remuneration for the Executive Chairman, Managing Director and senior management, performance-based components of remuneration, and remuneration for Non-executive Directors.

Members of management may attend meetings of the committees at the invitation of the Committee Chairperson.

Managing Risks

The Board has identified a number of risks in the Company's operations that are commonly faced by other entities in the industry in which the Company operates. The Board and management of the Company believe they have taken all necessary steps to manage and mitigate those risks.

Internal Controls and Framework

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated and is further developing an internal control framework that can be described as follows:

- Financial reporting – There is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and it is intended that revised forecasts for the year will be prepared regularly. The consolidated entity reports to shareholders half-yearly. Procedures are also in place to ensure that price-sensitive information is reported to the NZSX in accordance with continuous disclosure requirements.
- Operating unit controls – Financial controls and procedures, including information systems controls, are in operation throughout the consolidated entity.
- Investment appraisal – The consolidated entity has clear guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures.

External Auditor

The Board has adopted a policy in relation to the provision of non-audit services by the Company's external auditor in order to ensure the independence of the external auditor, which is based on the principle that work that may detract from the external auditor's independence and impartiality (or that may be perceived as doing so) should not be carried out by the external auditor.

The Audit and Compliance Committee monitors the nature and extent of other services provided by the external auditor, and the ratio of audit fees to non-audit fees, to ensure that those services are complementary to the external audit and compatible with maintaining external audit independence. The Company will invite the external auditor to attend the Annual Meeting of Shareholders and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Insurance

The Company carries insurance which the Board considers is sufficient for the size and nature of the Company's business.

Continuous Disclosure and Communication with Shareholders

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the NZSX Listing Rules.

The Company's website contains copies of our historic annual reports and financial statements. The Board encourages full participation of shareholders at the Annual Meeting of Shareholders in order to promote a high level of accountability and discussion of the Company's strategy and goals.

Other Disclosures

Disclosure of Interests by Directors

In accordance with section 140(2) of the Companies Act 1993, the Directors have made general disclosure of their relevant interests for entry into the Group's Interest Register.

Directors have declared interests in the following transactions with subsidiary companies during the financial year:

- Oyster Bay Wines Australia Pty Limited paid fees to Yaroona Pty Limited, a company in which a Director of Oyster Bay Wines Australia Pty Limited has an interest;
- Delegat (Singapore) Pte. Limited paid fees to Camelot Trust Pte. Limited, a company in which a Director of Delegat (Singapore) Pte. Limited has an interest;
- Barossa Valley Estate Pty Limited paid consultancy fees to Range Road Estate Pty Limited, a company in which a Director of Barossa Valley Estate Pty Limited, has an interest, for consultancy services supplied during the year; and
- Delegat's Wine Estate Limited paid consultancy fees to RL Wilton for consultancy services supplied during the course of the year.

The details of these transactions are given in Note 21 to the financial statements, "Related Parties".

At 30 June 2014 and 29 August 2014 the following Directors, or entities related to them, had interests in the following company shares.

	ORDINARY SHARES	
Delegat Group Limited	Beneficial	Non-Beneficial
JN Delegat [1]	–	66,857,142
RS Delegat [1]	–	66,857,142
RL Wilton [1]	1,000,000	66,857,142
GS Lord	50,000	–

[1] JN Delegat, RS Delegat and RL Wilton hold non-beneficially 66,857,142 shares in their capacity as trustees of the Delegat's Shares Protection Trust.

Share Dealings by Directors

During the year GS Lord sold 50,000 shares previously issued under the Delegat's Group Limited Employee Share Ownership Plan which vested in March 2014.

Remuneration of Directors

Directors received the following fees and remuneration from Delegat Group Limited:

	2014 $000	2013 $000
Non-Executive Directors		
RL Wilton[1]	92	100
JH Maasland	–	60
JL Freeman	53	50
RS Delegat	52	52
AW Jackson	60	40
Executive Directors[2]		
JN Delegat	904	923
GS Lord[3]	752	N/A

[1] Robert Lawrence Wilton was paid $100,000 (2013: $100,000) for consulting services provided to Delegat's Wine Estate Limited, in addition to Directors fees.

[2] Executive Directors remuneration includes salary and benefits received in their capacity as employees. Executive Directors do not receive Directors fees.

[3] Graeme Stuart Lord was appointed as Managing Director from 1 May 2014.

Other Disclosures *continued*

Directors' and Officers' Insurance Liability

As permitted by the New Zealand Companies Act 1993, the Company has arranged a policy of Directors' and Officers' liability insurance which insures those persons indemnified to certain liabilities and costs.

Use of Company Information

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been made available to them.

Stock Exchange Listings

The Company's Shares are listed on the New Zealand Stock Exchange.

20 Largest Shareholders as at 29 August 2014

Holder	Shares Held	% of Shares
Jakov Nikola Delegat, Rosamari Suzan Delegat & Robert Lawrence Wilton	66,857,142	66.11
TEA Custodians Limited – NZCSD [1]	7,670,776	7.59
Kevin Glen Douglas & Michelle McKenney Douglas	4,984,078	4.93
James Douglas & Jean Ann Douglas	2,328,356	2.30
Kevin Douglas & Michelle Douglas	2,326,295	2.30
Superlife Trustee Nominees Limited	1,279,898	1.27
Robert Lawrence Wilton	1,000,000	0.99
Custodial Services Limited	711,961	0.70
Accident Compensation Corporation – NZCSD [1]	553,616	0.55
JP Morgan Chase Bank – NZCSD [1]	379,732	0.38
Mint Nominees Limited – NZCSD [1]	239,817	0.24
Rainer Huebner & Shanti Huebner	225,000	0.22
Citibank Nominees (New Zealand) Limited – NZCSD [1]	222,349	0.22
Warren Fraser Sanderson & Elizabeth Ann Sanderson	200,000	0.20
Custodial Services Limited	189,124	0.19
William John Bishop & Helen Mark Bishop & Michael David Toomey	181,050	0.18
Custodial Services Limited	179,179	0.18
New Zealand Anglican Church Pension Board Incorporated	175,000	0.17
Weijun Zhang & Yuhua Yang	160,000	0.16
Custodial Services Limited	156,237	0.15
Total for Top 20	**90,019,610**	**89.03**

[1] Shareholdings held in New Zealand Central Securities Depository Limited (NZCSD). Total holding at 29 August 2014 in NZCSD were 9,537,343.

Other Disclosures *continued*

Distribution of Ordinary Shares

Holder	Holders	Shares Held	% of Shares
1 – 5,000	1,553	3,819,909	3.78
5,001 – 10,000	321	2,504,153	2.48
10,001 – 100,000	206	4,521,470	4.47
100,001 plus	22	90,284,660	89.27
Total	**2,102**	**101,130,192**	**100.00**

Geographic Distribution

Holder	Holders	Shares Held	% of Shares
New Zealand	2,052	91,194,061	90.17
United States of America	7	9,747,875	9.64
Australia	28	148,203	0.15
Other Overseas	15	40,053	0.04
Total	**2,102**	**101,130,192**	**100.00**

Substantial Security Holders

According to notices given to the Company under the Securities Market Act 1988, as at 29 August 2014, the substantial security holders in the Company are:

Substantial Security Holders	Relevant Interest	% of Shares	Date of Notice
Jakov Nikola Delegat, Rosamari Suzan Delegat & Robert Lawrence Wilton	66,857,142	66.11	21 December 2011
Douglas Irrevocable Descendants Trust; Douglas Family Trust; K&M Douglas Trust	9,067,636	8.97	27 July 2012

Other Disclosures *continued*

Employee Remuneration

Section 211(1)(g) of the New Zealand Companies Act 1993 requires disclosure of remuneration and other benefits, including redundancy and other payments made on termination of employment, in excess of $100,000 per year, paid by the Company or any of its subsidiaries worldwide to any employees who are not Directors of the Company.

From $	*To* $	**TOTAL**
100,000	110,000	21
110,001	120,000	15
120,001	130,000	11
130,001	140,000	5
140,001	150,000	5
150,001	160,000	8
160,001	170,000	5
170,001	180,000	3
180,001	190,000	4
190,001	200,000	2
200,001	210,000	3
220,001	230,000	2
230,001	240,000	2
240,001	250,000	3
250,001	260,000	3
280,001	290,000	1
290,001	300,000	1
320,001	330,000	1
330,001	340,000	1
340,001	350,000	1
360,001	370,000	1
460,001	470,000	1
750,001	760,000	1
900,001	910,000	1
		101

Subsidiary Company Directors

Section 211(1)(2) of the New Zealand Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors and particulars of entries in the interest registers made during the year ended 30 June 2014.

Apart from Oyster Bay Wines Australia Pty Limited, Delegat (Singapore) Pte. Limited and Barossa Valley Estate Pty Limited, which are required to have a local resident as a Director of the Company, no wholly owned subsidiary has any employee appointed as a Director of Delegat Group Limited or its subsidiaries who receives, or retains any remuneration or other benefits, as a Director. Except where shown below, no other Director of any subsidiary Company within the Group receives Director's fees or other benefits as a Director.

Other Disclosures *continued*

Subsidiary Company Directors (continued)

The following persons respectively held office as Directors of subsidiary companies at the end of the year or in the case of those persons with the letter (R) after their name ceased to hold office during the year. Alternate Directors are indicated by the letter (A) after their name.

Delegat's Wine Estate Limited

JN Delegat, RS Delegat, RL Wilton, GS Lord

Delegat's Wine Estate (UK) Limited

JN Delegat, RS Delegat, RL Wilton, GS Lord

Oyster Bay Wines Australia Pty Limited

JN Delegat, RS Delegat, RL Wilton, PJ Taylor, GS Lord

Oyster Bay Wines USA Inc.

JN Delegat

Oyster Bay Wines (USA) Limited

JN Delegat, RS Delegat, RL Wilton

Oyster Bay Wines (Canada) Limited

JN Delegat, RS Delegat, RL Wilton, GS Lord

Delegat (Singapore) Pte. Limited

JN Delegat, RS Delegat, RL Wilton, A Chew Peck Hwa, GS Lord

Marlborough-Gold Wines Limited

JN Delegat, RS Delegat, RL Wilton

Oyster Bay Wines New Zealand Limited

JN Delegat

Barossa Valley Estate Pty Limited

JN Delegat, RL Wilton, A Hoey

Delegat Japan G.K.

J Dorff

Donations

During the year the Parent made donations of $nil and the subsidiaries made donations amounting to $1,000.

New Zealand Exchange Waivers

Delegat Group Limited has not obtained any waivers from the NZSX in the financial year ended 30 June 2014.

Directory

Directors

Robert Lawrence Wilton
Jakov Nikola Delegat
Rosemari Suzan Delegat
Jane Lesley Freeman
Alan William Jackson
Graeme Stuart Lord

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