



Delegat Group Limited Interim Report 2020

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Contents

2 Executive Chairman's Report

5 Statement of Financial
Performance

5 Statement of Other
Comprehensive Income

6 Statement of Changes in Equity

8 Statement of Financial Position

9 Statement of Cash Flows

11 Notes to the Financial
Statements

19 Directory

Executive Chairman's Report

On behalf of the Board of Directors of Delegat Group Limited, I am pleased to present its operating and financial results for the six months ended 31 December 2019.

The Group presents its financial statements in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

To provide further insight into the Group's underlying operational performance, the Group has also included in this report an Operating Performance Report. This Operating Performance Report excludes the impact of fair value adjustments required under NZ IFRS for grapes and derivative instruments. As a fully integrated winemaking and sales operation, Operating Profit includes the fair value adjustment in respect of grapes when packaged wine is sold rather than on harvest of the grapes, and the fair value adjustment on derivative instruments when these foreign exchange contracts and interest rate swaps are realised.

The Group has included a reconciliation of Operating Profit to Reported Profit which eliminates from each line in the Statement of Financial Performance the impact of these fair value adjustments.

Operating Performance¹

A record Operating NPAT of \$34.4 million was generated compared to \$31.4 million for the same period the previous year. Operating EBIT of \$53.5 million is \$3.5 million higher than for the same period the previous year (refer to table 1).

Delegat achieved Operating Revenue of \$156.7 million on global case sales of 1,733,000 in the six month period. Revenue is up \$13.7 million on the same period last year due to the 10% increase in global case sales and the favourable impact of foreign exchange rate changes.

The Group's case sales performance and foreign currency rates achieved are detailed in table 2.

1. Operating Performance is a non-GAAP measure and as such does not have a standardised meaning prescribed by GAAP. It may therefore not be comparable to non-GAAP measures presented by other entities.

Operating Gross Profit is up 5% on the same period last year. This is due to the increased case sales and favourable impact of foreign exchange rate changes, which have offset the unfavourable impact on Cost of Goods Sold from the lower yielding 2019 vintage. Operating expenses (before NZ IFRS adjustments) at \$29.1 million are \$0.8 million higher compared to the same period the previous year. This is due to the impact of a weaker New Zealand currency on the translation of off-shore expenditure and an increase in people-related costs.

Operating Performance

Table 1

	Dec 2019 Actual	Dec 2018 Actual Restated*	% change vs 2018
NZ\$ millions			
Operating Revenue ¹	156.7	143.0	10%
Operating Gross Profit²	82.6	78.3	5%
Operating Gross Margin	53%	55%	
Operating Expenses ³	(29.1)	(28.3)	-3%
Operating EBIT⁴	53.5	50.0	7%
Operating EBIT % of Revenue	34%	35%	
Interest and Tax	(19.1)	(18.6)	-3%
Operating NPAT⁴	34.4	31.4	10%
Operating NPAT % of Revenue	22%	22%	
Operating EBITDA⁴	64.2	60.1	7%
Operating EBITDA % of Revenue	41%	42%	

Notes:

1. Operating Revenue is before fair value movements on derivative instruments (if gains).
2. Operating Gross Profit is before the net fair value movements on biological produce (harvest adjustment) and the NZ IFRS adjustments excluded in Note 1.
3. Operating Expenses are before fair value movements on derivative instruments (if losses).
4. Operating EBIT, EBITDA and NPAT are before any fair value adjustments.

* The financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated following the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to Note 1 of the financial statements.

NZ IFRS Fair Value Adjustments

In accordance with NZ IFRS, the Group is required to account for certain of their assets at 'fair value' rather than 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 two significant items at the half-year reporting date, as detailed in table 3.

- **Harvest Provision Release (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 Provision. This Harvest Provision is then released through Cost of Sales when inventory

Case Sales and Foreign Currency

Table 2

	Dec 2019 Actual	Dec 2018 Actual	% change vs 2018
Case Sales (000s)			
UK, Ireland and Europe	601	469	28%
North America (USA and Canada)	722	640	13%
Australia, NZ and Asia Pacific	410	467	-12%
Total Cases	1,733	1,576	10%
Foreign Currency Rates			
GB£	0.5054	0.5138	2%
AU\$	0.9393	0.9301	-1%
US\$	0.6519	0.6787	4%
CA\$	0.8651	0.8789	2%

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. This adjustment has resulted in a write-down of \$8.7 million for the period (December 2018: write-down of \$9.8 million);

- **Derivative Instruments** held to hedge the Group's foreign currency and interest rate exposure. The mark-to-market movement of these instruments at balance date resulted in a fair value write-up of \$2.4 million (December 2018: write-up of \$1.3 million).

The adjustments, net of taxation, amount to a write-down of \$4.5 million (December 2018: write-down of \$6.1 million).

Impact of Fair Value Adjustments

Table 3

	Dec 2019 Actual	Dec 2018 Actual Restated*	% change vs 2018
NZ\$ millions			
Operating NPAT	34.4	31.4	10%
Operating NPAT % of Revenue	22%	22%	
NZ IFRS Fair Value Items			
Biological Produce (Grapes) ¹	(8.7)	(9.8)	11%
Derivative Instruments	2.4	1.3	85%
Total Fair Value Items	(6.3)	(8.5)	26%
Less: Tax	1.8	2.4	-25%
Fair Value Items after Tax	(4.5)	(6.1)	26%
Reported NPAT	29.9	25.3	18%

Notes:

1. Biological Produce (Grapes) is the difference between market value paid for grapes versus the cost to grow grapes. The Harvest Provision is reversed and only recognised when the finished wine is sold.

* The financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated following the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to Note 1 of the financial statements.

Reconciliation of Reporting to Operating Performance

Accounting for all fair value adjustments under NZ IFRS, the Group's reported unaudited financial performance for the six months ended 31 December 2019 is reconciled to Operating Profit as detailed in table 4.

Cash Flow

The Group generated record Cash Flows from Operations of \$35.5 million in the current half-year, which is an increase of \$12.3 million or 53% on the same period last year. This increase is due to strong cash collections from customers

Reconciliation of Reporting to Operating Performance

Table 4

NZ\$ millions	2019 Actual			2018 Actual Restated*		
	Operating	Fair Value Adjustment	Reported	Operating	Fair Value Adjustment	Reported
Revenue	156.7	2.4	159.1	143.0	1.3	144.3
Cost of Sales	(74.1)	(8.7)	(82.8)	(64.7)	(9.8)	(74.5)
Gross Profit	82.6	(6.3)	76.3	78.3	(8.5)	69.8
Operating Expenses	(29.1)	-	(29.1)	(28.3)	-	(28.3)
EBIT ¹	53.5	(6.3)	47.2	50.0	(8.5)	41.5
Interest and Tax	(19.1)	1.8	(17.3)	(18.6)	2.4	(16.2)
NPAT ²	34.4	(4.5)	29.9	31.4	(6.1)	25.3
EBIT ¹	53.5	(6.3)	47.2	50.0	(8.5)	41.5
Depreciation	10.7	-	10.7	10.1	-	10.1
EBITDA ³	64.2	(6.3)	57.9	60.1	(8.5)	51.6

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.

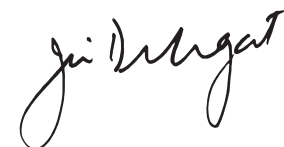
* The financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated following the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to Note 1 of the financial statements.

and lower net interest paid. A total of \$12.7 million was paid for additional property, plant and equipment during the period, including vineyard developments in New Zealand, and development of the Hawke's Bay and Marlborough wineries, which will provide earnings growth into the years ahead. The Group distributed \$17.2 million to shareholders in dividends.

The Group having secured a \$330.0 million syndicated senior debt facility in 2019 is well positioned to fund both its current operations as well as future capital investment in both New Zealand and Australia. The Group's Net Debt at 31 December 2019 amounted to \$267.8 million, lower by \$23.7 million compared with the last half-year and well within the Group's long-term bank debt facilities.

Looking Forward

The Group is on target to achieve global case sales for the full year of 3,240,000, up 8% on last year. Based on the prevailing exchange rates, the Group forecasts a 2020 Operating Profit result in line with market consensus of \$52.4 million.



JIM DELEGAT
EXECUTIVE CHAIRMAN

Statement of Financial Performance

	Unaudited Dec 2019 6 Months \$000	Audited June 2019 12 Months \$000 Restated*	Unaudited Dec 2018 6 Months \$000 Restated*
Revenue	159,076	277,974	144,339
Profit before finance costs	47,224	77,555	41,496
Finance costs	5,675	12,374	6,282
Profit before income tax	41,549	65,181	35,214
Income tax expense	11,695	18,386	9,944
Profit for the Period attributable to Shareholders of the Parent Company	29,854	46,795	25,270
Earnings Per Share			
- Basic and fully diluted earnings per share (cents per share)	29.52	46.27	24.99

Statement of Other Comprehensive Income

	Unaudited Dec 2019 6 Months \$000	Audited June 2019 12 Months \$000 Restated*	Unaudited Dec 2018 6 Months \$000 Restated*
Profit after income tax	29,854	46,795	25,270
<i>Other comprehensive income that may subsequently be classified to the profit and loss:</i>			
- Translation of foreign subsidiaries	(157)	(1,807)	(1,698)
- Net gain on hedge of a net investment	169	1,283	1,154
- Income tax relating to components of other comprehensive income	(47)	(359)	(323)
Total comprehensive income for the period, net of tax	29,819	45,912	24,403
Comprehensive income attributable to Shareholders of the Parent Company	29,819	45,912	24,403

* The financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated following the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to Note 1 of the financial statements. The accompanying notes form part of these financial statements

Statement of Changes in Equity

FOR THE PERIOD ENDED 31 DECEMBER 2019 (UNAUDITED)

	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
Audited balance at 30 June 2019	49,815	(3,581)	310,462	356,696
Changes in equity for the period ended 31 December 2019				
<i>Other comprehensive income</i>				
– Translation of foreign subsidiaries	–	(157)	–	(157)
– Net gain on hedge of a net investment	–	169	–	169
– Income tax relating to components of other comprehensive income	–	(47)	–	(47)
Total other comprehensive income	–	(35)	–	(35)
– Net profit for the period	–	–	29,854	29,854
Total comprehensive income for the period	–	(35)	29,854	29,819
<i>Equity Transactions</i>				
– Dividends paid to shareholders	–	–	(17,215)	(17,215)
Unaudited balance at 31 December 2019	49,815	(3,616)	323,101	369,300

FOR THE YEAR ENDED 30 JUNE 2019 (AUDITED) / *RESTATED

	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
Audited balance at 30 June 2018	49,815	(2,698)	278,844	325,961
Changes in equity for the year ended 30 June 2019				
<i>Other comprehensive income</i>				
– Translation of foreign subsidiaries	–	(1,807)	–	(1,807)
– Net gain on hedge of a net investment	–	1,283	–	1,283
– Income tax relating to components of other comprehensive income	–	(359)	–	(359)
Total other comprehensive income	–	(883)	–	(883)
– Net profit for the year	–	–	46,795	46,795
Total comprehensive income for the year	–	(883)	46,795	45,912
<i>Equity Transactions</i>				
– Dividends paid to shareholders	–	–	(15,177)	(15,177)
Audited balance at 30 June 2019	49,815	(3,581)	310,462	356,696

* The financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated following the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to Note 1 of the financial statements. The accompanying notes form part of these financial statements

Statement of Changes in Equity continued

FOR THE PERIOD ENDED 31 DECEMBER 2018 (UNAUDITED) / *RESTATED

	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
Audited balance at 30 June 2018	49,815	(2,698)	278,844	325,961
Changes in equity for the period ended 31 December 2018				
<i>Other comprehensive income</i>				
– Translation of foreign subsidiaries	–	(1,698)	–	(1,698)
– Net gain on hedge of a net investment	–	1,154	–	1,154
– Income tax relating to components of other comprehensive income	–	(323)	–	(323)
Total other comprehensive income	–	(867)	–	(867)
– Net profit for the period	–	–	25,270	25,270
Total comprehensive income for the period	–	(867)	25,270	24,403
<i>Equity Transactions</i>				
– Dividends paid to shareholders	–	–	(15,177)	(15,177)
Unaudited balance at 31 December 2018	49,815	(3,565)	288,937	335,187

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Statement of Financial Position

	Unaudited Dec 2019 \$000	Audited June 2019 \$000 Restated*	Unaudited Dec 2018 \$000 Restated*	Audited June 2018 \$000 Restated*
Equity				
Share capital	49,815	49,815	49,815	49,815
Foreign currency translation reserve	(3,616)	(3,581)	(3,565)	(2,698)
Retained earnings	323,101	310,462	288,937	278,844
Total Equity	369,300	356,696	335,187	325,961
Liabilities				
Current Liabilities				
Trade payables and accruals	26,300	32,311	27,069	32,883
Derivative financial instruments	3,103	2,960	2,076	3,020
Income tax payable	980	6,445	1,069	6,485
Lease liability	4,589	4,458	4,099	3,823
	34,972	46,174	34,313	46,211
Non-Current Liabilities				
Deferred tax liability	33,948	28,688	31,094	27,064
Derivative financial instruments	4,782	6,321	4,288	3,711
Interest-bearing loans and borrowings (secured)	275,771	275,989	298,528	285,754
Lease liability	80,299	81,971	84,502	85,086
	394,800	392,969	418,412	401,615
Total Liabilities	429,772	439,143	452,725	447,826
Total Equity and Liabilities	799,072	795,839	787,912	773,787

	Unaudited Dec 2019 \$000	Audited June 2019 \$000 Restated*	Unaudited Dec 2018 \$000 Restated*	Audited June 2018 \$000 Restated*
Assets				
Current Assets				
Cash and cash equivalents	7,968	5,647	6,994	4,264
Trade and other receivables	52,613	39,984	52,717	42,612
Derivative financial instruments	2,098	1,088	949	-
Inventories	142,888	157,880	139,597	147,431
	205,567	204,599	200,257	194,307
Non-Current Assets				
Property, plant and equipment	529,127	525,183	519,620	510,528
Right-of-use assets	59,452	61,107	63,522	64,289
Intangible assets	4,926	4,950	4,513	4,663
	593,505	591,240	587,655	579,480
Total Assets	799,072	795,839	787,912	773,787

For, and on behalf of, the Board who authorised the issue of the financial statements on 24 February 2020.



JN Deleat, Executive Chairman



JA Freeman, Managing Director

* The financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated following the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to Note 1 of the financial statements.
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Statement of Cash Flows

	Unaudited Dec 2019 6 Months \$000	Audited June 2019 12 Months \$000 Restated*	Unaudited Dec 2018 6 Months \$000 Restated*
Operating Activities			
Cash was provided from			
Receipts from customers	147,049	279,963	136,996
Net GST received	1,142	–	274
	148,191	279,963	137,270
Cash was applied to			
Payments to suppliers and employees	96,549	190,374	96,327
Net GST paid	–	413	–
Net interest paid	4,227	12,497	6,117
Net income tax paid	11,945	17,114	11,613
	112,721	220,398	114,057
Net Cash Inflows from Operating Activities	35,470	59,565	23,213
Investing Activities			
Cash was provided from			
Proceeds from sale of property, plant and equipment	24	178	80
Dividends received	1	4	4
	25	182	84
Cash was applied to			
Purchase of property, plant and equipment	11,537	30,393	17,196
Purchase of intangible assets	464	490	494
Capitalised interest paid	733	1,851	883
	12,734	32,734	18,573
Net Cash Outflows from Investing Activities	(12,709)	(32,552)	(18,489)

	Unaudited Dec 2019 6 Months \$000	Audited June 2019 12 Months \$000 Restated*	Unaudited Dec 2018 6 Months \$000 Restated*
Financing Activities			
Cash was provided from			
Proceeds from borrowings	8,270	295,642	25,375
	8,270	295,642	25,375
Cash was applied to			
Dividends paid to shareholders	17,202	15,169	15,165
Borrowing facility fees	989	–	–
Repayment of borrowings	8,293	301,949	10,250
Repayment of lease liability	2,263	4,144	1,933
	28,747	321,262	27,348
Net Cash Outflows from Financing Activities	(20,477)	(25,620)	(1,973)
Net increase in Cash Held	2,284	1,393	2,751
Cash and cash equivalents at beginning of the year	5,647	4,264	4,264
Effect of exchange rate changes on foreign currency balances	37	(10)	(21)
Cash and Cash Equivalents at End of the Period	7,968	5,647	6,994

* The financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated following the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to Note 1 of the financial statements. The accompanying notes form part of these financial statements

Statement of Cash Flows continued

	Unaudited Dec 2019 6 Months \$000	Audited June 2019 12 Months \$000 Restated*	Unaudited Dec 2018 6 Months \$000 Restated*
Reconciliation of Profit for the Period with Cash Flows from Operating Activities:			
Reported profit after tax	29,854	46,795	25,270
Add/(deduct) items not involving cash flows			
Depreciation expense	10,689	20,469	10,144
Other non-cash items	(6)	(2,281)	(1,369)
Net (gain)/loss on disposal of assets	(73)	95	45
Movement in derivative financial instruments	(2,406)	1,462	(1,316)
Movement in deferred tax liability	5,260	1,624	4,030
	13,464	21,369	11,534
Movement in working capital balances are as follows:			
Trade payables and accruals	(6,011)	(572)	(5,814)
Trade and other receivables	(12,629)	2,628	(10,105)
Inventories	14,992	(10,449)	7,834
Income tax	(5,465)	(40)	(5,416)
Add items classified as investing and financing activities			
Capital purchases included within trade payables and inventories	276	(166)	(90)
Borrowing facility fees	989	-	-
	(7,848)	(8,599)	(13,591)
Net Cash Inflows from Operating Activities	35,470	59,565	23,213

	Unaudited Dec 2019 6 Months \$000	Audited June 2019 12 Months \$000 Restated*	Unaudited Dec 2018 6 Months \$000 Restated*
Reconciliation of movement in Net Debt:			
Opening balance at beginning of the year	270,342	281,490	281,490
Per statement of cash flows:			
- (Repayments)/proceeds from borrowings	(23)	(6,307)	15,125
- Net increase in cash held	(2,284)	(1,393)	(2,751)
Foreign exchange movement	(391)	(2,690)	(2,407)
Other non-cash movements	159	(758)	77
Closing balance at end of the Period	267,803	270,342	291,534

* The financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated following the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to Note 1 of the financial statements. The accompanying notes form part of these financial statements

Notes to the Financial Statements

1. General Information

Reporting Entity

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

The financial statements for the Group for the six months ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 24 February 2020.

Basis of Preparation

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), the requirements of the Financial Markets Conduct Act 2013, and NZ IAS 34: Interim Financial Reporting. Accounting policies applied in these interim 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 interim financial statements are presented in New Zealand Dollars, rounded to the nearest thousand. They are prepared on a historical cost basis except for derivative financial instruments and biological produce which have been measured at fair value.

The preparation of the interim financial statements in conformity with NZ IAS 34 requires the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Financial Instruments

The Group holds interest rate swaps at fair value through the statement of financial performance. In estimating the fair value of the interest rate swaps the Group uses level 2 inputs of the fair value measurement hierarchy. The Group's interest rate swaps fall into level 2 of the fair value measurement hierarchy because their fair value is determined 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). 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.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to the published financial statements for the year ended 30 June 2019 for a complete listing of the Group accounting policies.

On 1 July 2019, the Group adopted NZ IFRS 16: Leases, applying the fully retrospective transition provision. NZ IFRS 16 is the new standard on the recognition, measurement, presentation and disclosure of leases and supersedes NZ IAS 17: Leases. NZ IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under NZ IAS 17. A liability has been recognised to pay rentals with a corresponding right-of-use asset, with interest and depreciation recognised separately. The Group has adopted the low value asset exemption in respect of its barrel leases, which continue to be expensed on a straight line basis over the lease terms. Adoption of NZ IFRS 16 results in higher combined depreciation and interest expense than the previously recognised operating expense in the early years of lease terms. The difference over the full life of each lease will be nil and there is no impact on cash flows. In accordance with the requirements of NZ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated. The effect on the Group's financial statements of the adoption of NZ IFRS 16 has been demonstrated in the following tables:

Notes to the Financial Statements continued

Impact on the Statement of Financial Performance

	30 JUNE 2019			31 DECEMBER 2018		
	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Unaudited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000
Revenue	277,974	–	277,974	144,339	–	144,339
Profit before finance costs	77,983	(428)	77,555	41,365	131	41,496
Finance costs	12,025	349	12,374	6,100	182	6,282
Profit before income tax	65,958	(777)	65,181	35,265	(51)	35,214
Income tax expense	18,598	(212)	18,386	9,955	(11)	9,944
Profit for the Period attributable to Shareholders of the Parent Company	47,360	(565)	46,795	25,310	(40)	25,270
Earnings Per Share						
– Basic and fully diluted earnings per share (cents per share)	46.83	(0.56)	46.27	25.03	(0.04)	24.99

Impact on the Statement of Other Comprehensive Income

	30 JUNE 2019			31 DECEMBER 2018		
	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Unaudited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000
Profit after income tax	47,360	(565)	46,795	25,310	(40)	25,270
<i>Other comprehensive income that may subsequently be classified to the profit and loss:</i>						
– Translation of foreign subsidiaries	(1,812)	5	(1,807)	(1,703)	5	(1,698)
– Net gain on hedge of a net investment	1,283	–	1,283	1,154	–	1,154
– Income tax relating to components of other comprehensive income	(359)	–	(359)	(323)	–	(323)
Total comprehensive income for the period, net of tax	46,472	(560)	45,912	24,438	(35)	24,403
Comprehensive income attributable to Shareholders of the Parent Company	46,472	(560)	45,912	24,438	(35)	24,403

Notes to the Financial Statements continued

Impact on the Statement of Financial Position

	30 JUNE 2019			31 DECEMBER 2018			30 JUNE 2018		
	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Unaudited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000
Equity									
Share capital	49,815	-	49,815	49,815	-	49,815	49,815	-	49,815
Foreign currency translation reserve	(3,586)	5	(3,581)	(3,570)	5	(3,565)	(2,698)	-	(2,698)
Retained earnings	328,255	(17,793)	310,462	306,205	(17,268)	288,937	296,072	(17,228)	278,844
Total Equity	374,484	(17,788)	356,696	352,450	(17,263)	335,187	343,189	(17,228)	325,961
Liabilities									
Current Liabilities									
Trade payables and accruals	32,344	(33)	32,311	27,116	(47)	27,069	32,941	(58)	32,883
Derivative financial instruments	2,960	-	2,960	2,076	-	2,076	3,020	-	3,020
Income tax payable	6,445	-	6,445	1,069	-	1,069	6,485	-	6,485
Lease liability	-	4,458	4,458	-	4,099	4,099	-	3,823	3,823
	41,749	4,425	46,174	30,261	4,052	34,313	42,446	3,765	46,211
Non-Current Liabilities									
Deferred tax liability	35,588	(6,900)	28,688	37,792	(6,698)	31,094	33,754	(6,690)	27,064
Derivative financial instruments	6,321	-	6,321	4,288	-	4,288	3,711	-	3,711
Interest-bearing loans and borrowings (secured)	275,989	-	275,989	298,528	-	298,528	285,754	-	285,754
Lease liability	-	81,971	81,971	-	84,502	84,502	-	85,086	85,086
	317,898	75,071	392,969	340,608	77,804	418,412	323,219	78,396	401,615
Total Liabilities	359,647	79,496	439,143	370,869	81,856	452,725	365,665	82,161	447,826
Total Equity and Liabilities	734,131	61,708	795,839	723,319	64,593	787,912	708,854	64,933	773,787

Notes to the Financial Statements continued

Impact on the Statement of Financial Position continued

	30 JUNE 2019			31 DECEMBER 2018			30 JUNE 2018		
	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Unaudited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000
Assets									
Current Assets									
Cash and cash equivalents	5,647	-	5,647	6,994	-	6,994	4,264	-	4,264
Trade and other receivables	40,014	(30)	39,984	52,732	(15)	52,717	42,635	(23)	42,612
Derivative financial instruments	1,088	-	1,088	949	-	949	-	-	-
Inventories	157,858	22	157,880	139,149	448	139,597	147,431	-	147,431
	204,607	(8)	204,599	199,824	433	200,257	194,330	(23)	194,307
Non-Current Assets									
Property, plant and equipment	524,574	609	525,183	518,982	638	519,620	509,861	667	510,528
Right-of-use assets	-	61,107	61,107	-	63,522	63,522	-	64,289	64,289
Intangible assets	4,950	-	4,950	4,513	-	4,513	4,663	-	4,663
	529,524	61,716	591,240	523,495	64,160	587,655	514,524	64,956	579,480
Total Assets	734,131	61,708	795,839	723,319	64,593	787,912	708,854	64,933	773,787

Notes to the Financial Statements continued

Impact on the Statement of Cash Flows

	30 JUNE 2019			31 DECEMBER 2018		
	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Unaudited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000
Operating Activities						
Cash was provided from						
Receipts from customers	279,963	–	279,963	136,996	–	136,996
Net GST received	–	–	–	274	–	274
	279,963	–	279,963	137,270	–	137,270
Cash was applied to						
Payments to suppliers and employees	194,875	(4,501)	190,374	98,449	(2,122)	96,327
Net GST paid	413	–	413	–	–	–
Net interest paid	12,140	357	12,497	5,928	189	6,117
Net income tax paid	17,114	–	17,114	11,613	–	11,613
	224,542	(4,144)	220,398	115,990	(1,933)	114,057
Net Cash Inflows from Operating Activities	55,421	4,144	59,565	21,280	1,933	23,213
Investing Activities						
Cash was provided from						
Proceeds from sale of property, plant and equipment	178	–	178	80	–	80
Dividends received	4	–	4	4	–	4
	182	–	182	84	–	84
Cash was applied to						
Purchase of property, plant and equipment	30,393	–	30,393	17,196	–	17,196
Purchase of intangible assets	490	–	490	494	–	494
Capitalised interest paid	1,851	–	1,851	883	–	883
	32,734	–	32,734	18,573	–	18,573
Net Cash Outflows from Investing Activities	(32,552)	–	(32,552)	(18,489)	–	(18,489)

	30 JUNE 2019			31 DECEMBER 2018		
	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Unaudited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000
Financing Activities						
Cash was provided from						
Proceeds from borrowings	295,642	–	295,642	25,375	–	25,375
	295,642	–	295,642	25,375	–	25,375
Cash was applied to						
Dividends paid to shareholders	15,169	–	15,169	15,165	–	15,165
Repayment of borrowings	301,949	–	301,949	10,250	–	10,250
Repayment of lease liability	–	4,144	4,144	–	1,933	1,933
	317,118	4,144	321,262	25,415	1,933	27,348
Net Cash Outflows from Financing Activities	(21,476)	(4,144)	(25,620)	(40)	(1,933)	(1,973)
Net increase in Cash Held	1,393	–	1,393	2,751	–	2,751
Cash and cash equivalents at beginning of the year	4,264	–	4,264	4,264	–	4,264
Effect of exchange rate changes on foreign currency balances	(10)	–	(10)	(21)	–	(21)
Cash and Cash Equivalents at End of the Period	5,647	–	5,647	6,994	–	6,994

Notes to the Financial Statements continued

Impact on the Statement of Cash Flows continued

	30 JUNE 2019			31 DECEMBER 2018		
	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Unaudited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000
Reconciliation of Profit for the Period with Cash Flows from Operating Activities:						
Reported profit after tax	47,360	(565)	46,795	25,310	(40)	25,270
Add/(deduct) items not involving cash flows						
Depreciation expense	15,581	4,888	20,469	7,731	2,413	10,144
Other non-cash items	(2,302)	21	(2,281)	(1,382)	13	(1,369)
Net loss on disposal of assets	95	-	95	45	-	45
Movement in derivative financial instruments	1,462	-	1,462	(1,316)	-	(1,316)
Movement in deferred tax liability	1,834	(210)	1,624	4,038	(8)	4,030
	16,670	4,699	21,369	9,116	2,418	11,534
Movement in working capital balances are as follows:						
Trade payables and accruals	(597)	25	(572)	(5,825)	11	(5,814)
Trade and other receivables	2,621	7	2,628	(10,097)	(8)	(10,105)
Inventories	(10,427)	(22)	(10,449)	8,282	(448)	7,834
Income tax	(40)	-	(40)	(5,416)	-	(5,416)
Add items classified as investing and financing activities						
Capital purchases included within trade payables and inventories	(166)	-	(166)	(90)	-	(90)
	(8,609)	10	(8,599)	(13,146)	(445)	(13,591)
Net Cash Inflows from Operating Activities	55,421	4,144	59,565	21,280	1,933	23,213

	30 JUNE 2019			31 DECEMBER 2018		
	Audited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000	Unaudited Previously Reported \$000	Unaudited Adoption of NZ IFRS 16 \$000	Unaudited Restated \$000
Reconciliation of movement in Net Debt:						
Opening balance at beginning of the year	281,490	-	281,490	281,490	-	281,490
Per statement of cash flows:						
- (Repayments)/proceeds from borrowings	(6,307)	-	(6,307)	15,125	-	15,125
- Net increase in cash held	(1,393)	-	(1,393)	(2,751)	-	(2,751)
Foreign exchange movement	(2,690)	-	(2,690)	(2,407)	-	(2,407)
Other non-cash movements	(758)	-	(758)	77	-	77
Closing balance at end of the Period	270,342	-	270,342	291,534	-	291,534

Notes to the Financial Statements continued

2. 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 Limited (Delegat) 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 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. Delegat Australia Pty Limited, Delegat Europe Limited and Delegat USA, Inc. act as distributors and assist in the marketing of product in their respective geographic regions. Wines are sold all year round to all regions and the Group considers there is no significant variation in revenues throughout the year.

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 monitors 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.

For the 6 months ended 31 December 2019	Delegat Limited	Delegat Australia Pty Ltd	Delegat Europe Limited	Delegat USA, Inc.	Other Segments ¹⁰	Eliminations and Adjustments ¹¹	6 months ended 31 December 2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating income							
External sales ^{2,8}	33,281	38,285	53,777	71,009	3,346	(43,043)	156,655
Internal sales	140,307	-	-	-	2,500	(142,807)	-
Fair value gain on derivative financial instruments	2,407	-	-	-	-	-	2,407
Dividend revenue	2	-	-	-	8	-	10
Interest revenue	3	1	-	-	-	-	4
Total segment revenues¹	176,000	38,286	53,777	71,009	5,854	(185,850)	159,076
Operating expenses							
Interest expense ³	5,040	32	3	54	546	-	5,675
Depreciation ⁴	9,073	294	90	271	961	-	10,689
Income tax expense ⁵	10,057	339	461	366	54	418	11,695
Segment profit	24,963	778	1,959	1,000	78	1,076	29,854
Assets							
Segment assets ⁶	736,022	24,651	26,519	32,794	90,981	(111,895)	799,072
Capital expenditure ⁷	11,925	258	3	3	263	-	12,452
Segment liabilities	405,876	9,920	17,307	19,567	45,129	(68,027)	429,772

Notes to the Financial Statements continued

2. Segmental Reporting continued

For the 6 months ended 31 December 2018 Restated*	Delegat Limited	Delegat Australia Pty Ltd	Delegat Europe Limited	Delegat USA, Inc.	Other Segments ¹⁰	Eliminations and Adjustments ¹¹	6 months ended 31 December 2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating income							
External sales ^{2,9}	32,666	45,551	43,201	58,395	2,123	(38,930)	143,006
Internal sales	128,491	-	-	-	3,941	(132,432)	-
Fair value gain on derivative financial instruments	1,316	-	-	-	-	-	1,316
Dividend revenue	4	-	-	-	7	-	11
Interest revenue	3	2	-	-	1,480	(1,479)	6
Total segment revenues ¹	162,480	45,553	43,201	58,395	7,551	(172,841)	144,339
Operating expenses							
Interest expense ³	7,012	37	5	48	659	(1,479)	6,282
Depreciation ⁴	8,595	309	96	206	938	-	10,144
Income tax expense ⁵	8,239	421	374	306	527	77	9,944
Segment profit	20,324	966	1,569	861	1,350	200	25,270
Assets							
Segment assets ⁶	731,814	27,574	24,047	29,570	101,962	(127,055)	787,912
Capital expenditure ⁷	17,790	12	2	64	755	-	18,623
Segment liabilities	446,749	14,094	18,366	18,193	38,611	(83,288)	452,725

- Intersegment revenues are eliminated on consolidation. Intercompany profit margins are also eliminated.
- External sales revenue includes various payments to customers for volume discounts, rebates and other promotional support. For volume discounts, rebates and other promotional support not invoiced at 30 June 2019 the Group recognised accruals of \$22,712,000 (30 June 2018: \$23,137,000). During the six months ended 31 December 2019 \$614,000 of these accruals have been released (December 2018: \$2,641,000).
- Interest expense is net of any interest capitalised to long-term assets and inventory. During the period \$733,000 (December 2018: \$883,000) was capitalised to long-term assets. During the period \$2,732,000 (December 2018 Restated*: \$2,742,000) was capitalised to inventory.
- Depreciation expense presented above is gross of \$8,988,000 (December 2018 Restated: \$8,580,000), which has been included within inventory.
- Segment income tax expense does not include the deferred tax impacts of temporary differences arising from intercompany stock margin eliminations or fair value adjustments resulting from the purchase of subsidiary companies as these are managed on a group level.
- Segment assets include the value of investments and loan balances for subsidiaries which reside in Delegat Limited however do not include the effects of stock margin eliminations for stock on hand in subsidiaries.
- 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.
- For the six months ended 31 December 2019 Delegat USA, Inc. had a single customer which comprised 10% or more of Group sales amounting to \$34,523,000.
- For the six months ended 31 December 2018 Delegat Australia Pty Limited had a single customer which comprised 10% or more of Group sales amounting to \$18,491,000, and Delegat USA, Inc. had a single customer which comprised 10% or more of Group sales amounting to \$30,689,000.
- Other segments' assets include non-current assets of Barossa Valley Estate Pty Limited of \$47,579,000 (December 2018: \$48,017,000) which are located in Australia.
- The eliminations and adjustments of segment profit, assets and liabilities relate to intercompany transactions and balances which are eliminated on consolidation.

* The financial statements for the periods ended 30 June 2019 and 31 December 2018 have been restated following the adoption of NZ IFRS 16: Leases on 1 July 2019. Refer to Note 1 of the financial statements.

Notes to the Financial Statements continued

3. Expenses

Expenses by function have been categorised as follows:

	Unaudited Dec 2019 6 Months \$000	Audited June 2019 12 Months \$000 Restated*	Unaudited Dec 2018 6 Months \$000 Restated*
Cost of sales	82,817	143,828	74,489
Selling, marketing and promotion expenses	21,787	40,770	21,709
Corporate governance expenses	450	867	418
Administration expenses	6,489	13,492	6,006
Unrealised foreign exchange losses	309	-	221
Fair value loss on financial derivative instruments	-	1,462	-

4. Acquisition and Disposal of Assets

During the six months ended 31 December 2019 the Group incurred total capital expenditure of \$12,452,000 (31 December 2018: \$18,623,000). During the six months ended 31 December 2019 the Group disposed of property, plant and equipment with a net book value of \$13,000 (31 December 2018: \$125,000).

5. Capital Commitments

The estimated capital expenditure contracted for at 31 December 2019 but not provided for is \$14,061,000 (31 December 2018: \$17,224,000).

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