
Delegat Group Limited
Interim Report 2023

— EST 1947 —

DELEGAT



***YEARS OF VISIONARY
WINEMAKING***

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Chair's Report 2023

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 2022.

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 financial 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 financial 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 Performance

An Operating NPAT of \$40.2 million was generated compared to \$39.5 million for the same period in the previous year. Operating EBIT of \$62.2 million is \$2.6 million higher than the same period last year (refer to table 1).

Operating Performance¹

Table 1

NZ\$ millions	Dec 2022	Dec 2021	% change vs 2021
Operating Revenue ¹	198.8	178.7	11%
Operating Gross Profit²	95.6	86.8	10%
Operating Gross Margin	48%	49%	
Operating Expenses ³	(33.4)	(27.2)	-23%
Operating EBIT⁴	62.2	59.6	4%
Operating EBIT % of Revenue	31%	33%	
Interest and Tax	(22.0)	(20.1)	-9%
Operating NPAT⁴	40.2	39.5	2%
Operating NPAT % of Revenue	20%	22%	
Operating EBITDA⁴	74.2	71.0	5%
Operating EBITDA % of Revenue	37%	40%	

Notes:

1. Operating Revenue is before fair value movements on derivative financial 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 financial instruments (if losses).
4. Operating EBIT, EBITDA and NPAT are before any fair value adjustments.

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.

Delegat achieved Operating Revenue of \$198.8 million on record global case sales of 1,970,000 in the six month period. Revenue is up \$20.1 million on the same period last year primarily due to the favourable impact of a 4% increase in global case sales, price increases implemented in the United Kingdom, Ireland and New Zealand, and a favourable impact of foreign exchange.

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

Operating Gross Profit is up 10% on the same period last year. Operating expenses (before NZ IFRS adjustments) at \$33.4 million are \$6.2 million higher compared to the same period in the previous year, primarily associated with the unfavourable impact of exchange on overseas in-market costs, the resumption of normal sales and marketing activities post Covid-19 disruptions, headcount increases and software as a service implementation costs for the Group's new Enterprise Reporting System.

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 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 has resulted in an adjustment of \$9.6 million for the period (December 2021: adjustment of \$7.1 million);
- Derivative financial 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 \$10.4 million (December 2021: write-up of \$3.2 million).

Case Sales and Foreign Currency

Table 2

	Dec 2022	Dec 2021	% change vs 2021
Case Sales (000s)			
UK, Ireland and Europe	559	626	-11%
North America (USA and Canada)	1,028	874	18%
Australia, NZ and Asia Pacific	383	393	-3%
Total Cases	1,970	1,893	4%
Foreign Currency Rates			
GB£	0.5200	0.5062	-3%
AU\$	0.9300	0.9472	2%
US\$	0.6301	0.6888	9%
CA\$	0.8311	0.8746	5%

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 2022 is reconciled to Operating Profit as detailed in table 4.

Cash Flow

The Group generated Cash Flows from Operations of \$35.3 million in the current half-year, which is an increase of \$15.1 million on the same period last year. The increase is due to strong cash collections from customers, which has more than offset higher payments to suppliers. A total of \$31.7 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 \$20.2 million to shareholders in dividends. Net proceeds from borrowings of \$62.4 million were drawn down during the six month period.

The Group has a \$373 million syndicated Senior debt facility, having secured an additional \$40 million facility in July 2022 to finance the purchase of the previously leased Dashwood vineyard, located in Marlborough's Awatere Valley. The Group is well positioned to fund its current operations as well as future capital investment in both New Zealand and Australia. The Group's net debt at 31 December 2022 amounted to \$305.8 million, an increase of \$38.8 million compared with the last half year and well within the Group's long term bank debt facilities. The increase in net debt is entirely attributed to the new facility for the vineyard purchase.

Impact of Fair Value Adjustments

Table 3

NZ\$ millions	Dec 2022	Dec 2021	% change vs 2021
Operating NPAT	40.2	39.5	2%
Operating NPAT % of Revenue	20%	22%	
NZ IFRS Fair Value Items			
Biological Produce (Grapes) ¹	(9.6)	(7.1)	35%
Derivative Financial Instruments	10.4	3.2	n/m ²
Total Fair Value Items	0.8	(3.9)	n/m ²
Taxation of NZ IFRS fair value items	(0.3)	1.1	n/m ²
Fair Value Items after Tax	0.5	(2.8)	n/m²
Reported NPAT	40.7	36.7	11%

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.

2. n/m means not meaningful.

Impact of Cyclone Gabrielle

Delegat is fortunate to have not incurred significant damage from Cyclone Gabrielle, the storm which caused widespread damage across the Hawke's Bay region in February 2023. The winery and vineyards, while incurring some surface flooding, have not been significantly affected. More importantly, our employees and their families in the region are safe and our priority remains supporting their recovery efforts. The Board would like to acknowledge the Hawke's Bay team for their collective resilience, team spirit and positivity.

Looking Forward

The Group is on target to achieve global case sales for the full year of 3,649,000 cases, up 9% on last year. Based on the prevailing exchange rates, the Group forecasts the 2023 Operating Profit guidance in the range of \$59 million to \$62 million.



GRAEME LORD
CHAIR

Reconciliation of Reporting to Operating Performance

Table 4

NZ\$ millions	Dec 2022			Dec 2021		
	Operating	Fair Value Adjustment	Reported	Operating	Fair Value Adjustment	Reported
Revenue	198.8	10.4	209.2	178.7	3.2	181.9
Cost of Sales	(103.2)	(9.6)	(112.8)	(91.9)	(7.1)	(99.0)
Gross Profit	95.6	0.8	96.4	86.8	(3.9)	82.9
Operating Expenses	(33.4)	-	(33.4)	(27.2)	-	(27.2)
EBIT¹	62.2	0.8	63.0	59.6	(3.9)	55.7
Interest and Tax	(22.0)	(0.3)	(22.3)	(20.1)	1.1	(19.0)
NPAT²	40.2	0.5	40.7	39.5	(2.8)	36.7
EBIT ¹	62.2	0.8	63.0	59.6	(3.9)	55.7
Depreciation and amortisation	12.0	-	12.0	11.4	-	11.4
EBITDA³	74.2	0.8	75.0	71.0	(3.9)	67.1

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.

Statement of Financial Performance

	Unaudited Dec 2022 6 Months \$000	Audited June 2022 12 Months \$000	Unaudited Dec 2021 6 Months \$000
Revenue	209,158	325,566	181,884
Profit before finance costs	62,965	95,566	55,741
Finance costs	6,959	9,412	5,123
Profit before income tax	56,006	86,154	50,618
Income tax expense	15,278	23,140	13,881
Profit for the Period attributable to Shareholders of the Parent Company	40,728	63,014	36,737
Earnings Per Share			
– Basic and fully diluted earnings per share (cents per share)	40.27	62.31	36.33

Statement of Other Comprehensive Income

	Unaudited Dec 2022 6 Months \$000	Audited June 2022 12 Months \$000	Unaudited Dec 2021 6 Months \$000
Profit after income tax	40,728	63,014	36,737
<i>Other comprehensive income that may subsequently be classified to the profit and loss:</i>			
– Translation of foreign subsidiaries	(2,400)	3,552	99
– Net gain/(loss) on hedge of a net investment	1,122	(984)	341
– Income tax relating to components of other comprehensive income	(314)	275	(96)
Total comprehensive income for the period, net of tax	39,136	65,857	37,081
Comprehensive income attributable to Shareholders of the Parent Company	39,136	65,857	37,081

Statement of Changes in Equity

FOR THE PERIOD ENDED 31 DECEMBER 2022 (UNAUDITED)

	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
Audited balance at 30 June 2022	49,815	(797)	450,448	499,466
Changes in equity for the period ended 31 December 2022				
<i>Other comprehensive income</i>				
– Translation of foreign subsidiaries	–	(2,400)	–	(2,400)
– Net gain on hedge of a net investment	–	1,122	–	1,122
– Income tax relating to components of other comprehensive income	–	(314)	–	(314)
Total other comprehensive income	–	(1,592)	–	(1,592)
– Net profit for the period	–	–	40,728	40,728
Total comprehensive income for the period	–	(1,592)	40,728	39,136
<i>Equity Transactions</i>				
– Dividends paid to shareholders	–	–	(20,243)	(20,243)
Unaudited balance at 31 December 2022	49,815	(2,389)	470,933	518,359

FOR THE YEAR ENDED 30 JUNE 2022 (AUDITED)

	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
Audited balance at 30 June 2021	49,815	(3,640)	407,675	453,850
Changes in equity for the year ended 30 June 2022				
<i>Other comprehensive income</i>				
– Translation of foreign subsidiaries	–	3,552	–	3,552
– Net loss on hedge of a net investment	–	(984)	–	(984)
– Income tax relating to components of other comprehensive income	–	275	–	275
Total other comprehensive income	–	2,843	–	2,843
– Net profit for the year	–	–	63,014	63,014
Total comprehensive income for the year	–	2,843	63,014	65,857
<i>Equity Transactions</i>				
– Dividends paid to shareholders	–	–	(20,241)	(20,241)
Audited balance at 30 June 2022	49,815	(797)	450,448	499,466

Statement of Changes in Equity continued

FOR THE PERIOD ENDED 31 DECEMBER 2021 (UNAUDITED)

	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
Audited balance at 30 June 2021	49,815	(3,640)	407,675	453,850
Changes in equity for the period ended 31 December 2021				
<i>Other comprehensive income</i>				
– Translation of foreign subsidiaries	–	99	–	99
– Net gain on hedge of a net investment	–	341	–	341
– Income tax relating to components of other comprehensive income	–	(96)	–	(96)
Total other comprehensive income	–	344	–	344
– Net profit for the period	–	–	36,737	36,737
Total comprehensive income for the period	–	344	36,737	37,081
<i>Equity Transactions</i>				
– Dividends paid to shareholders	–	–	(20,241)	(20,241)
Unaudited balance at 31 December 2021	49,815	(3,296)	424,171	470,690

Statement of Financial Position

	Unaudited Dec 2022 \$000	Audited June 2022 \$000	Unaudited Dec 2021 \$000
Equity			
Share capital	49,815	49,815	49,815
Foreign currency translation reserve	(2,389)	(797)	(3,296)
Retained earnings	470,933	450,448	424,171
Total Equity	518,359	499,466	470,690
Liabilities			
Current Liabilities			
Trade payables and accruals	40,568	41,436	28,249
Derivative financial instruments	1,178	8,096	1,698
Income tax payable	–	6,596	2,336
Lease liability	5,022	44,775	4,927
	46,768	100,903	37,210
Non-Current Liabilities			
Deferred tax liability	42,219	33,000	35,200
Derivative financial instruments	75	653	104
Interest-bearing loans and borrowings (secured)	313,904	253,777	271,502
Lease liability	88,652	79,548	93,832
	444,850	366,978	400,638
Total Liabilities	491,618	467,881	437,848
Total Equity and Liabilities	1,009,977	967,347	908,538

Statement of Financial Position continued

	Unaudited Dec 2022 \$000	Audited June 2022 \$000	Unaudited Dec 2021 \$000
Assets			
Current Assets			
Cash and cash equivalents	8,134	5,117	4,477
Trade and other receivables	64,773	54,129	74,304
Derivative financial instruments	4,809	1,959	73
Income tax receivable	1,931	–	–
Inventories	139,956	182,983	115,244
Biological work in progress	51,605	13,704	49,044
	271,208	257,892	243,142
Non-Current Assets			
Property, plant and equipment	657,248	603,118	586,835
Right-of-use assets	71,885	96,478	71,120
Intangible assets	6,814	7,065	6,725
Derivative financial instruments	2,822	2,794	716
	738,769	709,455	665,396
Total Assets	1,009,977	967,347	908,538

For, and on behalf of, the Board who authorised the issue of the financial statements on 24 February 2023.



GS Lord
Chair



SD Carden
Managing Director

Statement of Cash Flows

	Unaudited Dec 2022 6 Months \$000	Audited June 2022 12 Months \$000	Unaudited Dec 2021 6 Months \$000
Operating Activities			
Cash was provided from			
Receipts from customers	191,053	315,306	150,290
Net GST received	688	–	1,681
	191,741	315,306	151,971
Cash was applied to			
Payments to suppliers and employees	138,564	216,453	110,418
Net GST paid	–	1,329	–
Net interest paid	3,090	8,713	4,989
Net income tax paid	14,828	23,168	16,323
	156,482	249,663	131,730
Net Cash Inflows from Operating Activities	35,259	65,643	20,241
Investing Activities			
Cash was provided from			
Proceeds from sale of property, plant and equipment	2	72	53
Dividends received	17	1	1
	19	73	54
Cash was applied to			
Purchase of property, plant and equipment	30,366	36,462	14,955
Purchase of intangible assets	485	311	301
Capitalised interest paid	843	1,308	745
	31,694	38,081	16,001
Net Cash Outflows from Investing Activities	(31,675)	(38,008)	(15,947)

Statement of Cash Flows continued

	Unaudited Dec 2022 6 Months \$000	Audited June 2022 12 Months \$000	Unaudited Dec 2021 6 Months \$000
Financing Activities			
Cash was provided from			
Proceeds from borrowings	77,097	312,688	27,483
	77,097	312,688	27,483
Cash was applied to			
Dividends paid to shareholders	20,216	20,226	20,225
Borrowing facility fees	72	965	965
Repayment of borrowings	14,725	318,494	12,660
Repayment of lease liability	42,476	5,133	2,500
	77,489	344,818	36,350
Net Cash Outflows from Financing Activities	(392)	(32,130)	(8,867)
Net increase/(decrease) in Cash Held	3,192	(4,495)	(4,573)
Cash and cash equivalents at beginning of the year	5,117	8,943	8,943
Effect of exchange rate changes on foreign currency balances	(175)	669	107
Cash and Cash Equivalents at End of the Period	8,134	5,117	4,477

Statement of Cash Flows continued

	Unaudited Dec 2022 6 Months \$000	Audited June 2022 12 Months \$000	Unaudited Dec 2021 6 Months \$000
Reconciliation of Profit for the Period with Cash Flows from Operating Activities:			
Reported profit after tax	40,728	63,014	36,737
Add/(deduct) items not involving cash flows			
Depreciation expense	11,990	23,443	11,434
Other non-cash items	(1,806)	3,240	400
Net loss/(gain) on disposal of assets	97	(16)	2
Movement in derivative financial instruments	(10,374)	(202)	(3,185)
Movement in deferred tax liability	9,219	1,350	3,550
	9,126	27,815	12,201
Movement in working capital balances are as follows:			
Trade payables and accruals	(868)	12,538	(649)
Trade and other receivables	(10,644)	(10,132)	(30,307)
Inventories	43,027	(23,001)	44,738
Biological work in progress	(37,901)	(1,624)	(36,964)
Income tax payable/receivable	(8,527)	(1,639)	(5,899)
Add items classified as investing and financing activities			
Capital purchases included within trade payables and inventories	318	(1,328)	384
	(14,595)	(25,186)	(28,697)
Net Cash Inflows from Operating Activities	35,259	65,643	20,241
Reconciliation of movement in Net Debt:			
Opening balance at beginning of the year	248,660	249,058	249,058
Per statement of cash flows:			
– Proceeds from borrowings	62,372	(5,806)	14,823
– Borrowing facility fees	(72)	(965)	(965)
– Net (increase)/decrease in cash held	(3,192)	4,495	4,573
Foreign exchange movement	(2,129)	1,392	(826)
Other non-cash movements	131	486	362
Closing balance at end of the Period	305,770	248,660	267,025

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 2022 were authorised for issue in accordance with a resolution of the Directors on 24 February 2023.

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.

Derivative Financial Instruments

The Group uses derivative financial instruments such as forward currency contracts and options to economically hedge its risk associated with foreign currency and interest rate swaps to manage interest rate risk. Such 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. In estimating the fair value of the derivative financial instruments the Group uses level 2 inputs of the fair value measurement hierarchy. The Group's derivative financial instruments 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. Refer to the published financial statements for the year ended 30 June 2022 for a complete listing of the Group accounting policies.

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 2022	Delegat Limited	Delegat Australia Pty Ltd	Delegat Europe Limited	Delegat USA, Inc.	Other Segments ¹⁰	Eliminations and Adjustments ¹¹	6 months ended 31 December 2022
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating income							
External sales ^{2,8}	38,164	32,991	54,237	122,124	3,118	(52,514)	198,120
Internal sales	190,527	–	–	–	2,515	(193,042)	–
Unrealised foreign exchange (losses)/gains	(482)	–	(246)	–	1	1,335	608
Fair value gain on derivative financial instruments	10,374	–	–	–	–	–	10,374
Dividend revenue	17	–	–	–	86,058	(86,058)	17
Interest revenue	28	3	–	–	8	–	39
Total segment revenues¹	238,628	32,994	53,991	122,124	91,700	(330,279)	209,158
Operating expenses							
Interest expense ³	6,143	21	5	23	767	–	6,959
Depreciation ⁴	10,372	310	73	277	958	–	11,990
Income tax expense ⁵	14,018	195	322	1,343	58	(658)	15,278
Segment profit/(loss)	35,924	445	1,365	4,649	86,094	(87,749)	40,728
Assets							
Segment assets ⁶	945,353	15,997	52,177	31,385	131,442	(166,377)	1,009,977
Capital expenditure ⁷	31,126	3	–	33	256	–	31,418
Segment liabilities	507,161	10,579	37,795	5,748	43,015	(112,680)	491,618

Notes to the Financial Statements continued

2. Segmental Reporting (continued)

For the 6 months ended 31 December 2021	Delegat Limited	Delegat Australia Pty Ltd	Delegat Europe Limited	Delegat USA, Inc.	Other Segments ¹⁰	Eliminations and Adjustments ¹¹	6 months ended 31 December 2021
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating income							
External sales ^{2,9}	40,920	33,841	58,427	86,858	3,632	(45,709)	177,969
Internal sales	180,735	–	–	–	3,381	(184,116)	–
Unrealised foreign exchange gains/(losses)	865	–	144	–	–	(299)	710
Fair value gain on derivative financial instruments	3,184	–	–	–	–	–	3,184
Dividend revenue	1	–	–	–	1,059	(1,042)	18
Interest revenue	–	–	–	–	3	–	3
Total segment revenues¹	225,705	33,841	58,571	86,858	8,075	(231,166)	181,884
Operating expenses							
Interest expense ³	4,689	16	5	31	382	–	5,123
Depreciation ⁴	9,935	285	69	243	902	–	11,434
Income tax expense ⁵	15,410	301	499	525	(27)	(2,827)	13,881
Segment profit/(loss)	39,496	698	2,125	1,615	1,115	(8,312)	36,737
Assets							
Segment assets ⁶	859,594	17,684	42,961	27,540	77,267	(116,508)	908,538
Capital expenditure ⁷	15,384	–	–	6	221	–	15,611
Segment liabilities	397,330	11,930	30,177	8,665	55,187	(65,441)	437,848

- 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 2022 the Group recognised accruals of \$21,458,000 (30 June 2021: \$18,105,000). During the six months ended 31 December 2022 \$382,000 of additional expense has been incurred (December 2021: release of \$188,000).
- Interest expense is net of any interest capitalised to long-term assets and inventory. During the period \$843,000 (December 2021: \$745,000) was capitalised to long-term assets. During the period \$2,285,000 (December 2021: \$2,614,000) was capitalised to inventory.
- Depreciation expense presented above is gross of \$10,138,000 (December 2021: \$9,624,000), 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 2022 Delegat USA, Inc. had a single customer which comprised 10% or more of Group sales amounting to \$53,487,000.
- For the six months ended 31 December 2021 Delegat USA, Inc. had a single customer which comprised 10% or more of Group sales amounting to \$40,114,000.
- Other segments' assets include non-current assets of Barossa Valley Estate Pty Limited of \$45,865,000 (December 2021: \$46,583,000) 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.

Notes to the Financial Statements continued

3. Expenses

Expenses by function have been categorised as follows:

	Unaudited Dec 2022 6 Months \$000	Audited June 2022 12 Months \$000	Unaudited Dec 2021 6 Months \$000
Cost of sales	112,749	174,602	98,996
Selling, marketing and promotion expenses	23,350	38,239	19,123
Corporate governance expenses	684	1,040	436
Administration expenses	9,410	16,119	7,588

4. Acquisition and Disposal of Assets

During the six months ended 31 December 2022 the Group incurred total capital expenditure of \$31,418,000 (31 December 2021: \$15,611,000). During the six months ended 31 December 2022 the Group disposed of property, plant and equipment with a net book value of \$252,000 (31 December 2021: \$55,000).

5. Capital Commitments

The estimated capital expenditure contracted for at 31 December 2022 but not provided for is \$44,421,000 (31 December 2021: \$28,941,000).

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