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DELEGAT

DELEGAT GROUP LIMITED  
INTERIM REPORT 2024



# C O N T E N T S

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## CHAIRMAN'S REPORT 2024

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 2023.

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.<sup>1</sup>

### OPERATING PERFORMANCE

An Operating NPAT of \$37.8 million was generated compared to \$40.2 million for the same period in the previous year. Operating EBIT of \$62.0 million is \$0.2 million lower than the same period last year (refer to table 1).

TABLE 1 OPERATING PERFORMANCE<sup>1</sup>

NZ\$ millions	Dec 2023	Dec 2022	% change vs 2022
Operating Revenue <sup>1</sup>	198.6	198.8	0%
<b>Operating Gross Profit<sup>2</sup></b>	<b>96.1</b>	<b>95.6</b>	<b>1%</b>
Operating Gross Margin	48%	48%	
Operating Expenses <sup>3</sup>	(34.1)	(33.4)	-2%
<b>Operating EBIT<sup>4</sup></b>	<b>62.0</b>	<b>62.2</b>	<b>0%</b>
Operating EBIT % of Revenue	31%	31%	
Interest and Tax	(24.2)	(22.0)	-10%
<b>Operating NPAT<sup>4</sup></b>	<b>37.8</b>	<b>40.2</b>	<b>-6%</b>
Operating NPAT % of Revenue	19%	20%	
<b>Operating EBITDA<sup>4</sup></b>	<b>74.8</b>	<b>74.2</b>	<b>1%</b>
Operating EBITDA % of Revenue	38%	37%	

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) and any other one-off non-operating items.
4. Operating EBIT, EBITDA and NPAT are before any fair value adjustments and any other one-off non-operating items.

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 PERFORMANCE CONTINUED

Delegat achieved Operating Revenue of \$198.6 million on global case sales of 1,924,000 in the six month period. With supply chains stabilising, distributors and retailers have reduced inventory holdings resulting in lower replenishment orders for the year to date. As a result, revenue is down \$0.2 million on the same period last year primarily due to the impact of a 2% decrease in global case sales, offset by favourable foreign exchange movements .

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

Operating Gross Profit is up 1% on the same period last year. Operating expenses (before NZ IFRS adjustments) at \$34.1 million are \$0.7 million higher compared to the same period in the previous year. This is due to increased people-related costs and the unfavourable impact of foreign exchange on offshore in-market costs.

TABLE 2 **CASE SALES AND FOREIGN CURRENCY**

	Dec 2023	Dec 2022	% change vs 2022
<b>Case Sales (000s)</b>			
UK, Ireland and Europe	579	559	4%
North America (USA and Canada)	959	1,028	-7%
Australia, NZ and Asia Pacific	386	383	1%
<b>Total Cases</b>	<b>1,924</b>	<b>1,970</b>	<b>-2%</b>
<b>Foreign Currency Rates</b>			
GB£	0.5046	0.5200	3%
AU\$	0.9185	0.9300	1%
US\$	0.6137	0.6301	3%
CA\$	0.8203	0.8311	1%

## 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 \$10.5 million for the period (31 December 2022: adjustment of \$9.6 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 \$4.5 million (31 December 2022: write-up of \$10.4 million).

TABLE 3 IMPACT OF FAIR VALUE ADJUSTMENTS

NZ\$ millions	Dec 2023	Dec 2022	% change vs 2022
<b>Operating NPAT</b>	<b>37.8</b>	<b>40.2</b>	<b>-6%</b>
Operating NPAT % of Revenue	19%	20%	
<b>NZ IFRS Fair Value Items</b>			
Biological Produce (Grapes) <sup>1</sup>	(10.5)	(9.6)	9%
Derivative financial Instruments	4.5	10.4	-57%
<b>Total Fair Value Items</b>	<b>(6.0)</b>	<b>0.8</b>	<b>n/m<sup>2</sup></b>
Taxation of NZ IFRS fair value items	1.6	(0.3)	n/m <sup>2</sup>
<b>Fair Value Items after Tax</b>	<b>(4.4)</b>	<b>0.5</b>	<b>n/m<sup>2</sup></b>
<b>Reported NPAT</b>	<b>33.4</b>	<b>40.7</b>	<b>-18%</b>

Notes:

1. Biological Produce (Grapes) is the difference between market value paid for grapes and 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.

## 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 2023 is reconciled to Operating Profit as detailed in table 4.

### CASH FLOW

The Group generated Cash Flows from Operations of \$35.8 million in the current half-year, which is an increase of \$0.5 million on the same period last year. The increase is due to lower income tax payments for the FY23 tax returns due to deductibility of vineyard development expenditure, offset by lower collections from customers. A total of \$46.2 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 \$32.0 million were drawn down during the six month period.

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 2023 amounted to \$352.3 million, an increase of \$46.5 million compared with the last half-year and well within the Group's long-term bank debt facilities of \$420 million.

TABLE 4 RECONCILIATION OF REPORTING TO OPERATING PERFORMANCE

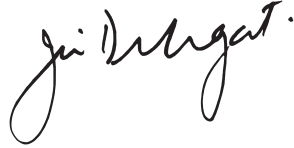
NZ\$ millions	December 2023			December 2022		
	Operating	Fair Value Adjustment	Reported	Operating	Fair Value Adjustment	Reported
Revenue	198.6	4.5	203.1	198.8	10.4	209.2
Cost of Sales	(102.5)	(10.5)	(113.0)	(103.2)	(9.6)	(112.8)
<b>Gross Profit</b>	<b>96.1</b>	<b>(6.0)</b>	<b>90.1</b>	95.6	0.8	96.4
Operating Expenses	(34.1)	-	(34.1)	(33.4)	-	(33.4)
<b>EBIT<sup>1</sup></b>	<b>62.0</b>	<b>(6.0)</b>	<b>56.0</b>	62.2	0.8	63.0
Interest and Tax	(24.2)	1.6	(22.6)	(22.0)	(0.3)	(22.3)
<b>NPAT<sup>2</sup></b>	<b>37.8</b>	<b>(4.4)</b>	<b>33.4</b>	40.2	0.5	40.7
EBIT <sup>1</sup>	62.0	(6.0)	56.0	62.2	0.8	63.0
Depreciation and amortisation	12.8	-	12.8	12.0	-	12.0
<b>EBITDA<sup>3</sup></b>	<b>74.8</b>	<b>(6.0)</b>	<b>68.8</b>	74.2	0.8	75.0

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.

## LOOKING FORWARD

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The Group maintains its 2024 Operating Profit guidance in the range of \$57.0 million to \$61.0 million.



JIM DELEGAT  
CHAIRMAN

**STATEMENT OF FINANCIAL PERFORMANCE**

	Unaudited Dec 2023 6 Months \$000	Audited June 2023 12 Months \$000	Unaudited Dec 2022 6 Months \$000
Revenue	203,080	381,442	209,158
Profit before finance costs	55,970	104,477	62,965
Finance costs	9,608	14,726	6,959
Profit before income tax	46,362	89,751	56,006
Income tax expense	12,915	24,926	15,278
Profit for the Period attributable to Shareholders of the Parent Company	33,447	64,825	40,728
Earnings Per Share			
- Basic and fully diluted earnings per share (cents per share)	33.07	64.10	40.27



**STATEMENT OF OTHER COMPREHENSIVE INCOME**

	Unaudited Dec 2023 6 Months \$000	Audited June 2023 12 Months \$000	Unaudited Dec 2022 6 Months \$000
Profit after income tax	33,447	64,825	40,728
<i>Other comprehensive income that may subsequently be classified to the profit and loss:</i>			
- Translation of foreign subsidiaries	(2,006)	311	(2,400)
- Net gain on hedge of a net investment	303	572	1,122
- Income tax relating to components of other comprehensive income	(85)	(160)	(314)
<b>Total comprehensive income for the period, net of tax</b>	<b>31,659</b>	<b>65,548</b>	<b>39,136</b>
Comprehensive income attributable to Shareholders of the Parent Company	31,659	65,548	39,136

**STATEMENT OF CHANGES IN EQUITY**

## FOR THE PERIOD ENDED 31 DECEMBER 2023 (UNAUDITED)

	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
Audited balance at 30 June 2023	49,815	(74)	495,030	544,771
<b>Changes in equity for the period ended 31 December 2023</b>				
<i>Other comprehensive income</i>				
- Translation of foreign subsidiaries	-	(2,006)	-	(2,006)
- Net gain on hedge of a net investment	-	303	-	303
- Income tax relating to components of other comprehensive income	-	(85)	-	(85)
Total other comprehensive income	-	(1,788)	-	(1,788)
- Net profit for the period	-	-	33,447	33,447
Total comprehensive income for the period	-	(1,788)	33,447	31,659
<i>Equity Transactions</i>				
- Dividends paid to shareholders	-	-	(20,242)	(20,242)
<b>Unaudited balance at 31 December 2023</b>	<b>49,815</b>	<b>(1,862)</b>	<b>508,235</b>	<b>556,188</b>

## FOR THE YEAR ENDED 30 JUNE 2023 (AUDITED)

	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
<b>Changes in equity for the year ended 30 June 2023</b>				
<i>Other comprehensive income</i>				
- Translation of foreign subsidiaries	-	311	-	311
- Net gain on hedge of a net investment	-	572	-	572
- Income tax relating to components of other comprehensive income	-	(160)	-	(160)
Total other comprehensive income	-	723	-	723
- Net profit for the year	-	-	64,825	64,825
Total comprehensive income for the year	-	723	64,825	65,548
<i>Equity Transactions</i>				
- Dividends paid to shareholders	-	-	(20,243)	(20,243)
<b>Audited balance at 30 June 2023</b>	<b>49,815</b>	<b>(74)</b>	<b>495,030</b>	<b>544,771</b>

**STATEMENT OF CHANGES IN EQUITY CONTINUED**

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
<b>Changes in equity for the period ended 31 December 2022</b>				
<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)
<b>Unaudited balance at 31 December 2022</b>	<b>49,815</b>	<b>(2,389)</b>	<b>470,933</b>	<b>518,359</b>

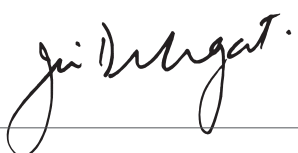
**STATEMENT OF FINANCIAL POSITION**

	Unaudited Dec 2023 \$000	Audited June 2023 \$000	Unaudited Dec 2022 \$000
<b>Equity</b>			
Share capital	49,815	49,815	49,815
Foreign currency translation reserve	(1,862)	(74)	(2,389)
Retained earnings	508,235	495,030	470,933
<b>Total Equity</b>	<b>556,188</b>	<b>544,771</b>	<b>518,359</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade payables and accruals	43,478	52,211	40,568
Derivative financial instruments	-	4,009	1,178
Income tax payable	10,699	1,955	-
Lease liability	4,939	5,231	5,022
	59,116	63,406	46,768
<b>Non-Current Liabilities</b>			
Deferred tax liability	41,763	40,785	42,219
Derivative financial instruments	-	9	75
Interest-bearing loans and borrowings (secured)	357,553	326,008	313,904
Lease liability	91,010	88,328	88,652
	490,326	455,130	444,850
<b>Total Liabilities</b>	<b>549,442</b>	<b>518,536</b>	<b>491,618</b>
<b>Total Equity and Liabilities</b>	<b>1,105,630</b>	<b>1,063,307</b>	<b>1,009,977</b>

**STATEMENT OF FINANCIAL POSITION CONTINUED**

	Unaudited Dec 2023 \$000	Audited June 2023 \$000	Unaudited Dec 2022 \$000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5,296	6,610	8,134
Trade and other receivables	86,024	62,478	64,773
Derivative financial instruments	5,538	2,605	4,809
Income tax receivable	-	-	1,931
Inventories	151,187	209,755	139,956
Biological work in progress	56,457	14,710	51,605
	304,502	296,158	271,208
<b>Non-Current Assets</b>			
Property, plant and equipment	720,661	686,002	657,248
Right-of-use assets	73,553	71,457	71,885
Intangible assets	6,416	6,721	6,814
Derivative financial instruments	498	2,969	2,822
	801,128	767,149	738,769
<b>Total Assets</b>	<b>1,105,630</b>	<b>1,063,307</b>	<b>1,009,977</b>

For, and on behalf of, the Board who authorised the issue of the financial statements on 23 February 2024.



**JN Delegat**  
Chairman



**SD Carden**  
Managing Director

**STATEMENT OF CASH FLOWS**

	Unaudited Dec 2023 6 Months \$000	Audited June 2023 12 Months \$000	Unaudited Dec 2022 6 Months \$000
<b>Operating Activities</b>			
Cash was provided from			
Receipts from customers	174,888	367,963	191,053
Net GST received	2,776	-	688
	177,664	367,963	191,741
Cash was applied to			
Payments to suppliers and employees	130,263	274,245	138,564
Net GST paid	-	1,596	-
Net interest paid	8,389	10,516	3,090
Net income tax paid	3,258	21,890	14,828
	141,910	308,247	156,482
<b>Net Cash Inflows from Operating Activities</b>	<b>35,754</b>	<b>59,716</b>	<b>35,259</b>
<b>Investing Activities</b>			
Cash was provided from			
Proceeds from sale of property, plant and equipment	46	202	2
Dividends received	1	46	17
	47	248	19
Cash was applied to			
Purchase of property, plant and equipment	43,351	62,857	30,366
Purchase of intangible assets	35	332	485
Capitalised interest paid	2,784	3,054	843
	46,170	66,243	31,694
<b>Net Cash Outflows from Investing Activities</b>	<b>(46,123)</b>	<b>(65,995)</b>	<b>(31,675)</b>

**STATEMENT OF CASH FLOWS CONTINUED**

	Unaudited Dec 2023 6 Months \$000	Audited June 2023 12 Months \$000	Unaudited Dec 2022 6 Months \$000
<b>Financing Activities</b>			
Cash was provided from			
Proceeds from borrowings	52,154	85,716	77,097
	52,154	85,716	77,097
Cash was applied to			
Dividends paid to shareholders	20,225	20,231	20,216
Borrowing facility fees	-	128	72
Repayment of borrowings	20,137	12,467	14,725
Repayment of lease liability	2,615	45,053	42,476
	42,977	77,879	77,489
<b>Net Cash Inflows/(Outflows) from Financing Activities</b>	<b>9,177</b>	<b>7,837</b>	<b>(392)</b>
<b>Net (Decrease)/Increase in Cash Held</b>	<b>(1,192)</b>	<b>1,558</b>	<b>3,192</b>
Cash and cash equivalents at beginning of the year	6,610	5,117	5,117
Effect of exchange rate changes on foreign currency balances	(122)	(65)	(175)
<b>Cash and Cash Equivalents at End of the Period</b>	<b>5,296</b>	<b>6,610</b>	<b>8,134</b>

**STATEMENT OF CASH FLOWS CONTINUED**

	Unaudited Dec 2023 6 Months \$000	Audited June 2023 12 Months \$000	Unaudited Dec 2022 6 Months \$000
<b>Reconciliation of Profit for the Period with Cash Flows from Operating Activities:</b>			
Reported profit after tax	33,447	64,825	40,728
<b>Add/(deduct) items not involving cash flows</b>			
Depreciation and amortisation expense	12,794	23,611	11,990
Other non-cash items	(1,669)	676	(1,806)
Net loss on disposal of assets	60	67	97
Movement in derivative financial instruments	(4,480)	(5,552)	(10,374)
Movement in deferred tax liability	978	7,785	9,219
	<b>7,683</b>	<b>26,587</b>	<b>9,126</b>
<b>Movement in working capital balances are as follows:</b>			
Trade payables and accruals	(8,733)	10,775	(868)
Trade and other receivables	(23,546)	(8,349)	(10,644)
Inventories	58,568	(26,772)	43,027
Biological work in progress	(41,747)	(1,006)	(37,901)
Income tax payable/receivable	8,744	(4,641)	(8,527)
<b>Add items classified as investing and financing activities</b>			
Capital purchases included within trade payables and inventories	1,338	(1,703)	318
	<b>(5,376)</b>	<b>(31,696)</b>	<b>(14,595)</b>
<b>Net Cash Inflows from Operating Activities</b>	<b>35,754</b>	<b>59,716</b>	<b>35,259</b>
<b>Reconciliation of movement in Net Debt:</b>			
Opening balance at beginning of the year	319,398	248,660	248,660
Per statement of cash flows:			
– Proceeds from borrowings	32,017	73,249	62,372
– Borrowing facility fees	–	(128)	(72)
– Net decrease/(increase) in cash held	1,192	(1,558)	(3,192)
Foreign exchange movement	(500)	(1,088)	(2,129)
Other non-cash movements	150	263	131
<b>Closing balance at end of the Period</b>	<b>352,257</b>	<b>319,398</b>	<b>305,770</b>



## NOTES TO THE FINANCIAL STATEMENTS

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### 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 2023 were authorised for issue in accordance with a resolution of the Directors on 23 February 2024.

#### 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 2023 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 2023	Delegat Limited	Delegat Australia Pty Ltd	Delegat Europe Limited	Delegat USA, Inc.	Other Segments <sup>10</sup>	Eliminations and Adjustments <sup>11</sup>	6 months ended 31 December 2023
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Operating income</b>							
External sales <sup>2,8</sup>	39,578	34,671	61,413	110,823	4,171	(52,429)	198,227
Internal sales	178,094	–	–	–	3,192	(181,286)	–
Unrealised foreign exchange gain/(loss)	(1,793)	–	42	–	2	2,076	327
Fair value gain on derivative financial instruments	4,480	–	–	–	–	–	4,480
Dividend revenue	1	–	–	–	21	–	22
Interest revenue	15	4	2	–	3	–	24
<b>Total segment revenues<sup>1</sup></b>	<b>220,375</b>	<b>34,675</b>	<b>61,457</b>	<b>110,823</b>	<b>7,389</b>	<b>(231,639)</b>	<b>203,080</b>
<b>Operating expenses</b>							
Interest expense <sup>3</sup>	8,488	19	14	10	1,077	–	9,608
Depreciation and amortisation <sup>4</sup>	11,319	284	79	278	834	–	12,794
Income tax expense <sup>5</sup>	10,453	205	465	429	139	1,224	12,915
<b>Segment profit</b>	<b>26,695</b>	<b>467</b>	<b>1,393</b>	<b>1,357</b>	<b>388</b>	<b>3,147</b>	<b>33,447</b>
<b>Assets</b>							
Segment assets <sup>6</sup>	1,033,118	15,798	53,688	37,221	111,794	(145,989)	1,105,630
Capital expenditure <sup>7</sup>	44,602	2	17	8	185	–	44,814
<b>Segment liabilities</b>	<b>542,067</b>	<b>9,364</b>	<b>38,494</b>	<b>12,502</b>	<b>42,413</b>	<b>(95,398)</b>	<b>549,442</b>

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED****2. SEGMENTAL REPORTING (CONTINUED)**

For the 6 months ended 31 December 2022	Delegat Limited	Delegat Australia Pty Ltd	Delegat Europe Limited	Delegat USA, Inc.	Other Segments <sup>10</sup>	Eliminations and Adjustments <sup>11</sup>	6 months ended 31 December 2022
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Operating income</b>							
External sales <sup>2,9</sup>	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 gain/(loss)	(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
<b>Total segment revenues<sup>1</sup></b>	<b>238,628</b>	<b>32,994</b>	<b>53,991</b>	<b>122,124</b>	<b>91,700</b>	<b>(330,279)</b>	<b>209,158</b>
<b>Operating expenses</b>							
Interest expense <sup>3</sup>	6,143	21	5	23	767	-	6,959
Depreciation and amortisation <sup>4</sup>	10,372	310	73	277	958	-	11,990
Income tax expense <sup>5</sup>	14,018	195	322	1,343	58	(658)	15,278
<b>Segment profit/(loss)</b>	<b>35,924</b>	<b>445</b>	<b>1,365</b>	<b>4,649</b>	<b>86,094</b>	<b>(87,749)</b>	<b>40,728</b>
<b>Assets</b>							
Segment assets <sup>6</sup>	945,353	15,997	52,177	31,385	131,442	(166,377)	1,009,977
Capital expenditure <sup>7</sup>	31,126	3	-	33	256	-	31,418
<b>Segment liabilities</b>	<b>507,161</b>	<b>10,579</b>	<b>37,795</b>	<b>5,748</b>	<b>43,015</b>	<b>(112,680)</b>	<b>491,618</b>

- 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 2023 the Group recognised accruals of \$25,719,000 (30 June 2022: \$21,458,000). During the six months ended 31 December 2023 \$195,000 of additional expense has been incurred (31 December 2022: charge of \$382,000).
- Interest expense is net of any interest capitalised to long-term assets and inventory. During the period \$2,784,000 (31 December 2022: \$843,000) was capitalised to long-term assets. During the period \$2,400,000 (31 December 2022: \$2,285,000) was capitalised to inventory.
- Depreciation expense presented above is gross of \$10,670,000 (31 December 2022: \$10,138,000), 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 2023 Delegat USA, Inc. had a single customer which comprised 10% or more of Group sales amounting to \$53,823,000.
- 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.
- Other segments' assets include non-current assets of Barossa Valley Estate Pty Limited of \$45,280,000 (31 December 2022: \$45,865,000) 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 2023 6 Months \$000	Audited June 2023 12 Months \$000	Unaudited Dec 2022 6 Months \$000
Cost of sales	113,016	211,634	112,749
Selling, marketing and promotion expenses	24,735	45,837	23,350
Corporate governance expenses	750	1,405	684
Administration expenses	8,609	18,089	9,410

### 4. ACQUISITION AND DISPOSAL OF ASSETS

During the six months ended 31 December 2023 the Group incurred total capital expenditure of \$44,816,000 (31 December 2022: \$31,418,000). During the six months ended 31 December 2023 the Group disposed of property, plant and equipment with a net book value of \$107,000 (31 December 2022: \$252,000).

### 5. CAPITAL COMMITMENTS

The estimated capital expenditure contracted for at 31 December 2023 but not provided for is \$32,753,000 (31 December 2022: \$44,421,000).

## DIRECTORY

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Rosemari Suzan Delegat  
Steven David Carden  
Alan Trevor Jackson  
Gordon Neil MacLeod  
Phillipa Margaret Muir

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