

## DELEGAT GROUP LIMITED

### Results for announcement to the market

Reporting Period	6 months to 31 December 2016
Previous Reporting Period	6 months to 31 December 2015

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$136,374	+2%
Operating Profit from ordinary activities after tax (Operating NPAT)	\$24,693	+17%
Operating Profit from ordinary activities before interest, tax and depreciation (Operating EBITDA)	\$48,519	+19%
Reported Profit from ordinary activities after tax attributable to shareholders (Reported NPAT)	\$19,141	-11%
Net profit attributable to shareholders	\$19,141	-11%

Audit	The financial statements attached to this report have not been audited.
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Comments	Refer to the Executive Chairman's Report appended. The financial statements for the 6 months to 31 December 2015 have been restated following the adoption of "Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture" on 1 July 2016.
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Interim Dividend	Cents per share	Cents per share (imputed)
	Not Applicable	Not Applicable

#### Net Tangible Assets per share

	Current Year	Previous corresponding year
Net Tangible Assets per share	\$2.82	\$2.52

27 February 2017

Results Announcement – Six Months to December 2016

# Executive Chairman's Interim Report 2017

**Delegat achieved record global case sales and Operating NPAT in the first half of the 2017 financial year.**

JIM DELEGAT  
Executive Chairman

On behalf of the Board of Directors of Delegat Group Limited, I am pleased to present its operating and financial results for the six months ended 31 December 2016.

## Performance Highlights

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- Record Global Case Sales of 1,446,000.
- Record Operating NPAT of \$24.7 million.
- Capital investment of \$21.9 million in growth assets including vineyard development and the Hawke's Bay and Marlborough Wineries.
- Oyster Bay received the 'Hot Brand' award from New York's highly regarded Impact Magazine for a seventh consecutive year.
- Barossa Valley Estate Shiraz 2014 and Grenache Shiraz Mourvedre 2014 were both awarded 90 Points by James Halliday, Australia's leading wine writer.
- Delegat Crownthorpe Terraces Chardonnay 2015 received a Gold Medal at the New Zealand International Wine Show 2016.

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

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

## Operating Performance

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A record Operating NPAT of \$24.7 million was generated compared to \$21.1 million for the same period the previous year. Operating EBIT of \$41.4 million is \$7.6 million higher than for the same period the previous year.

### Operating Performance

NZ\$ millions	Dec 2016 Actual	Dec 2015 Actual	% Change vs 2015
Total Operating Revenue <sup>1</sup>	135.8	128.6	6%
<b>Operating Gross Profit<sup>2</sup></b>	<b>76.7</b>	<b>72.0</b>	<b>6%</b>
Operating Gross Margin	56%	56%	
Operating Expenses <sup>3</sup>	(35.3)	(38.2)	8%
<b>Operating EBIT<sup>4</sup></b>	<b>41.4</b>	<b>33.8</b>	<b>22%</b>
Operating EBIT % of Revenue	30%	26%	
Interest and Tax	(16.7)	(12.7)	-31%
<b>Operating NPAT<sup>4</sup></b>	<b>24.7</b>	<b>21.1</b>	<b>17%</b>
Operating NPAT % of Revenue	18%	16%	
<b>Operating EBITDA<sup>4</sup></b>	<b>48.5</b>	<b>40.8</b>	<b>19%</b>
Operating EBITDA % of Revenue	36%	32%	

#### 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 adjustment included in note 1.
3. Operating Expenses are before fair value movements on derivative instruments (if losses) and share-based payments.
4. Operating EBIT, EBITDA and NPAT are before any fair value adjustments.

Delegat achieved Operating Revenue of \$135.8 million on global case sales of 1,446,000 in the six month period. Revenue is up \$7.2 million on the same period last year due to a 14% increase in global case sales, partially offset by the unfavourable impact of foreign exchange rate changes.

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

## Case Sales and Foreign Currency

<b>Case Sales (000's)</b>	<b>Dec 2016 Actual</b>	<b>Dec 2015 Actual</b>	<b>% Change vs 2015</b>
UK, Ireland and Europe	449	384	17%
North America (USA and Canada)	518	476	9%
Australia, NZ and Asia Pacific	479	407	18%
<b>Total Cases</b>	<b>1,446</b>	<b>1,267</b>	<b>14%</b>

  

<b>Foreign Currency Rates</b>	<b>Dec 2016 Actual</b>	<b>Dec 2015 Actual</b>	<b>% Change vs 2015</b>
GB£	0.5396	0.4451	-21%
AU\$	0.9428	0.9224	-2%
US\$	0.7132	0.6503	-10%
CA\$	0.9438	0.8759	-8%

Operating Gross Margin is up 6% on the same period last year and is impacted by lower cost of goods per case arising from the higher yielding 2016 vintage. Operating Expenses at \$35.3 million are \$2.9 million lower than the same period last year. This is due to the impact of a stronger New Zealand currency on the translation of off-shore expenditure.

## NZ IFRS Fair Value adjustments

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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:

- 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. The adjustment provides a write-down of \$8.3 million (December 2015: \$4.8 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 \$0.6 million (December 2015: \$5.4 million).

These together with minor adjustments in respect of share-based payments, net of taxation, amount to a write-down of \$5.6 million (December 2015: write-up of \$0.4 million).

## IMPACT OF 'FAIR VALUE' ADJUSTMENTS

NZ\$ millions	Dec 2016	Dec 2015	% Change
	Actual	Actual	vs 2015
<b>Operating NPAT</b>	<b>24.7</b>	<b>21.1</b>	<b>17%</b>
Operating NPAT % of Revenue	18%	16%	
Biological Produce (Grapes) <sup>1</sup>	(8.3)	(4.8)	-73%
Derivative Instruments	0.6	5.4	-89%
<b>Total Fair Value Items</b>	<b>(7.7)</b>	<b>0.6</b>	<b>n/m<sup>2</sup></b>
Less: Tax	2.1	(0.2)	n/m <sup>2</sup>
<b>Fair Value Items after Tax</b>	<b>(5.6)</b>	<b>0.4</b>	<b>n/m<sup>2</sup></b>
<b>Reported NPAT</b>	<b>19.1</b>	<b>21.5</b>	<b>-11%</b>

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.

## 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 2016 is reconciled to Operating Profit as follows:

### RECONCILIATION OF REPORTING TO OPERATING PERFORMANCE

NZ\$ millions	Six months ended 31 December 2016			Six months ended 31 December 2015		
	Operating	Fair Value Adjustment	Reported	Operating	Fair Value Adjustment	Reported
Operating Revenue	135.8	0.6	136.4	128.6	5.4	134.0
Cost of Sales	(59.1)	(8.3)	(67.4)	(56.6)	(4.8)	(61.4)
<b>Gross Profit</b>	<b>76.7</b>	<b>(7.7)</b>	<b>69.0</b>	<b>72.0</b>	<b>0.6</b>	<b>72.6</b>
Operating Expenses	(35.3)	-	(35.3)	(38.2)	-	(38.2)
<b>EBIT<sup>1</sup></b>	<b>41.4</b>	<b>(7.7)</b>	<b>33.7</b>	<b>33.8</b>	<b>0.6</b>	<b>34.4</b>
Interest and Tax	(16.7)	2.1	(14.6)	(12.7)	(0.2)	(12.9)
<b>NPAT<sup>2</sup></b>	<b>24.7</b>	<b>(5.6)</b>	<b>19.1</b>	<b>21.1</b>	<b>0.4</b>	<b>21.5</b>
EBIT	41.4	(7.7)	33.7	33.8	0.6	34.4
Depreciation and Amortisation	7.1	-	7.1	7.0	-	7.0
<b>EBITDA<sup>3</sup></b>	<b>48.5</b>	<b>(7.7)</b>	<b>40.8</b>	<b>40.8</b>	<b>0.6</b>	<b>41.4</b>

Notes

1 EBIT means earnings before interest and tax.

2 NPAT means net profit after tax.

3 EBITDA means earnings before interest, tax, depreciation and amortisation.

## Cash Flow

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The Group generated Cash Flows from Operations of \$24.9 million in the current half-year, which is an increase of \$9.8 million on the same period last year. This increase is primarily due to higher receipts from customers due to the higher cases sales. A total of \$23.0 million was invested in additional property, plant and equipment during the period, including vineyard development in New Zealand and the Barossa Valley, and development of the Hawke's Bay and Marlborough wineries, which will provide earnings growth into the years ahead. The Group distributed \$12.1 million to shareholders in dividends. Additional borrowings of \$10.3 million were drawn down to fund the increased capital investment during the six months.

The Group has Net Debt of \$292.0 million, compared to \$282.7 million at 30 June 2016 – an increase of 3% and well within the Group's long term bank debt facilities.

## Looking Forward

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The results achieved in the six months to December 2016 are testament to the strength of the Group's business model. Delegat Group is well positioned to pursue its strategic goal to build a leading global Super Premium wine company. The Group is on target to achieve global case sales for the full year of 2,632,000, up 9% on last year. The Group continues to face risks in the form of exchange rate volatility, which makes it difficult to forecast financial performance. Based on the prevailing exchange rates, the Group forecasts a 2017 operating profit result in line with last year's record performance.



**JIM DELEGAT**  
Executive Chairman

**Delegat Group Limited and Subsidiaries**  
**Statement of Financial Performance**  
**For the Six Months Ended 31 December 2016**

	Unaudited Dec 2016 6 Months \$000	Audited June 2016 12 Months \$000 Restated*	Unaudited Dec 2015 6 Months \$000 Restated*
Revenue	136,374	247,331	133,944
<b>Profit before finance costs</b>	<b>33,691</b>	<b>76,845</b>	<b>34,421</b>
Finance costs	6,862	9,656	4,419
<b>Profit before income tax</b>	<b>26,829</b>	<b>67,189</b>	<b>30,002</b>
Income tax expense	7,688	19,076	8,469
<b>Profit for the Period attributable to Shareholders of the Parent Company</b>	<b>19,141</b>	<b>48,113</b>	<b>21,533</b>
<b>Earnings Per Share</b>			
- Basic earnings per share (cents per share)	18.93	47.58	21.30
- Fully diluted earnings per share (cents per share)	18.93	47.58	21.29

*\* The financial statements for the year ended 30 June 2016 and 31 December 2015 have been restated following the adoption of Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture on 1 July 2016. Refer to Statement of Accounting Policies.*

*The accompanying notes form part of these financial statements*

**Delegat Group Limited and Subsidiaries**  
**Statement of Other Comprehensive Income**  
**For the Six Months Ended 31 December 2016**

	Unaudited Dec 2016 6 Months \$000	Audited June 2016 12 Months \$000 Restated*	Unaudited Dec 2015 6 Months \$000 Restated*
Profit after income tax	19,141	48,113	21,533
<i>Other comprehensive income that may subsequently be classified to the profit and loss:</i>			
- Translation of foreign subsidiaries	(1,415)	(2,483)	(1,014)
- Net gain on hedge of a net investment	162	-	-
- Income tax relating to components of other comprehensive income	(45)	-	-
<b>Total comprehensive income for the period, net of tax</b>	<b>17,843</b>	<b>45,630</b>	<b>20,519</b>
Comprehensive income attributable to Shareholders of the Parent Company	17,843	45,630	20,519

*\* The financial statements for the year ended 30 June 2016 and 31 December 2015 have been restated following the adoption of Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture on 1 July 2016. Refer to Statement of Accounting Policies.*

*The accompanying notes form part of these financial statements*

**Delegat Group Limited and Subsidiaries**  
**Statement of Changes in Equity**  
**For the Six Months Ended 31 December 2016**

	<b>For the period ended 31 December 2016 (Unaudited)</b>				
	Share Capital	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000	\$000
Audited balance at 30 June 2016	49,815	(3,697)	585	233,286	279,989
<b>Changes in equity for the period ended 31 December 2016</b>					
<i>Other comprehensive income</i>					
- Translation of foreign subsidiaries	-	(1,415)	-	-	(1,415)
- Net gain on hedge of a net investment	-	162	-	-	162
- Income tax relating to components of other comprehensive income	-	(45)	-	-	(45)
Total other comprehensive income	-	(1,298)	-	-	(1,298)
- Net profit for the period	-	-	-	19,141	19,141
Total comprehensive income for the period	-	(1,298)	-	19,141	17,843
<i>Equity Transactions</i>					
- Dividends paid to shareholders	-	-	-	(12,141)	(12,141)
<b>Unaudited balance at 31 December 2016</b>	<b>49,815</b>	<b>(4,995)</b>	<b>585</b>	<b>240,286</b>	<b>285,691</b>

	<b>For the year ended 30 June 2016 (Audited) / Restated*</b>				
	Share Capital	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000	\$000
Audited balance at 30 June 2015	49,712	(1,214)	596	196,302	245,396
<b>Changes in equity for the year ended 30 June 2016</b>					
<i>Other comprehensive income</i>					
- Translation of foreign subsidiaries	-	(2,483)	-	-	(2,483)
Total other comprehensive income	-	(2,483)	-	-	(2,483)
- Net profit for the year	-	-	-	48,113	48,113
Total comprehensive income for the year	-	(2,483)	-	48,113	45,630
<i>Equity Transactions</i>					
- Shares issued	103	-	(21)	-	82
- Dividends paid to shareholders	-	-	5	(11,129)	(11,124)
- Share-based payments expense	-	-	5	-	5
<b>Audited balance at 30 June 2016</b>	<b>49,815</b>	<b>(3,697)</b>	<b>585</b>	<b>233,286</b>	<b>279,989</b>

	<b>For the period ended 31 December 2015 (Unaudited) / Restated*</b>				
	Share Capital	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000	\$000
Audited balance at 30 June 2015	49,712	(1,214)	596	196,302	245,396
<b>Changes in equity for the period ended 31 December 2015</b>					
<i>Other comprehensive income</i>					
- Translation of foreign subsidiaries	-	(1,014)	-	-	(1,014)
Total other comprehensive income	-	(1,014)	-	-	(1,014)
- Net profit for the period	-	-	-	21,533	21,533
Total comprehensive income for the period	-	(1,014)	-	21,533	20,519
<i>Equity Transactions</i>					
- Dividends paid to shareholders	-	-	5	(11,129)	(11,124)
- Share-based payments expense	-	-	3	-	3
<b>Unaudited balance at 31 December 2015</b>	<b>49,712</b>	<b>(2,228)</b>	<b>604</b>	<b>206,706</b>	<b>254,794</b>

\* The financial statements for the year ended 30 June 2016 and 31 December 2015 have been restated following the adoption of Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture on 1 July 2016. Refer to Statement of Accounting Policies.

The accompanying notes form part of these financial statements

**Delegat Group Limited and Subsidiaries**  
**Statement of Financial Position**  
**As at 31 December 2016**

	Unaudited Dec 2016 \$000	Audited June 2016 \$000 Restated*	Unaudited Dec 2015 \$000 Restated*	Audited June 2015 \$000 Restated*
<b>Equity</b>				
Share capital	49,815	49,815	49,712	49,712
Foreign currency translation reserve	(4,995)	(3,697)	(2,228)	(1,214)
Share-based payment reserve	585	585	604	596
Retained earnings	240,286	233,286	206,706	196,302
<b>Total Equity</b>	<b>285,691</b>	<b>279,989</b>	<b>254,794</b>	<b>245,396</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade payables and accruals	28,880	31,190	26,357	29,739
Derivative financial instruments	1,063	2,397	1,709	6,587
Interest-bearing loans and borrowings	15,000	-	-	-
Income tax payable	321	3,405	529	6,422
	45,264	36,992	28,595	42,748
<b>Non-Current Liabilities</b>				
Deferred tax liability	32,473	29,216	27,349	22,734
Derivative financial instruments	5,952	7,057	3,523	3,302
Interest-bearing loans and borrowings (secured)	282,510	287,148	258,761	206,768
	320,935	323,421	289,633	232,804
<b>Total Liabilities</b>	<b>366,199</b>	<b>360,413</b>	<b>318,228</b>	<b>275,552</b>
<b>Total Equity and Liabilities</b>	<b>651,890</b>	<b>640,402</b>	<b>573,022</b>	<b>520,948</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	5,472	4,425	7,255	4,782
Trade and other receivables	55,450	43,746	52,772	42,942
Derivative financial instruments	2,450	4,281	682	-
Income tax receivable	1,933	67	1,529	144
Inventories	114,840	130,610	104,677	112,888
	180,145	183,129	166,915	160,756
<b>Non-Current Assets</b>				
Property, plant and equipment	467,696	453,212	402,439	356,597
Intangible assets	3,578	3,692	3,157	3,066
Derivative financial instruments	-	-	22	-
Deferred tax asset	471	369	489	529
	471,745	457,273	406,107	360,192
<b>Total Assets</b>	<b>651,890</b>	<b>640,402</b>	<b>573,022</b>	<b>520,948</b>

For, and on behalf of, the Board who authorised the issue of the financial statements on 27 February 2017.



JN Delegat, Executive Chairman



GS Lord, Managing Director

\* The financial statements for the year ended 30 June 2016 and 31 December 2015 have been restated following the adoption of Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture on 1 July 2016. Refer to Statement of Accounting Policies.

The accompanying notes form part of these financial statements

**Delegat Group Limited and Subsidiaries**  
**Statement of Cash Flows**  
**For the Six Months Ended 31 December 2016**

	Unaudited Dec 2016 6 Months \$000	Audited June 2016 12 Months \$000	Unaudited Dec 2015 6 Months \$000
<b>Operating Activities</b>			
<b>Cash was provided from</b>			
Receipts from customers	127,429	241,354	123,564
Interest received	5	29	13
Income tax received	-	96	-
Net GST received/(paid)	1,326	(529)	(211)
	128,760	240,950	123,366
<b>Cash was applied to</b>			
Payments to suppliers and employees	79,527	150,538	85,629
Payments to grape growers	8,951	22,381	6,759
Interest paid	5,908	10,142	4,835
Income tax paid	9,518	15,438	11,081
	103,904	198,499	108,304
<b>Net Cash Inflows from Operating Activities</b>	3	24,856	42,451
<b>Investing Activities</b>			
<b>Cash was provided from</b>			
Proceeds from sale of property, plant and equipment	1,147	1,763	1,443
Dividends received	2	7	7
	1,149	1,770	1,450
<b>Cash was applied to</b>			
Purchase of property, plant and equipment	22,453	112,977	54,726
Purchase of intangible assets	-	226	226
Capitalised interest paid	589	4,010	2,334
Capitalised lease payments	-	44	32
	23,042	117,257	57,318
<b>Net Cash Outflows from Investing Activities</b>	(21,893)	(115,487)	(55,868)
<b>Financing Activities</b>			
<b>Cash was provided from</b>			
Proceeds from issue of shares	-	83	-
Proceeds from borrowings	37,982	97,046	54,644
	37,982	97,129	54,644
<b>Cash was applied to</b>			
Dividends paid to shareholders	12,129	11,124	11,122
Repayment of borrowings	27,694	12,889	-
	39,823	24,013	11,122
<b>Net Cash (Outflows)/Inflows from Financing Activities</b>	(1,841)	73,116	43,522
<b>Net Increase in Cash Held</b>			
Cash and cash equivalents at beginning of the year	1,122	80	2,716
Effect of exchange rate changes on foreign currency balances	4,425	4,782	4,782
	(75)	(437)	(243)
<b>Cash and Cash Equivalents at End of the Period</b>	5,472	4,425	7,255

*The accompanying notes form part of these financial statements*

**Delegat Group Limited and Subsidiaries**  
**Statement of Accounting Policies**  
**For the Six Months Ended 31 December 2016**

**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 2016 were authorised for issue in accordance with a resolution of the Directors on 27 February 2017.

**Basis of Preparation**

The interim consolidated financial statements of the Group are for the six months ended 31 December 2016 and have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) 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, other applicable Financial Reporting Standards (NZ IFRS) and NZ IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (February 2017) 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.

**Hedge of Net Investment in Foreign Operation**

For hedges of a net investment in a foreign operation, the effective portion of the gain or loss on the hedging instrument is recognised in the statement of other comprehensive income and accumulated in the foreign currency translation reserve, while any ineffective portion is recognised immediately in the statement of financial performance. On disposal of the foreign operation, the cumulative amount of any such gains or losses accumulated within equity are transferred to the statement of financial performance.

Included in interest-bearing loans and borrowings at 31 December 2016 is a borrowing of A\$29,350,000 which during the period has been designated as a hedge of the net investment in Barossa Valley Estate Pty Limited (BVE). This borrowing is being used to hedge the Group's exposure to the AUD foreign exchange risk on this investment. Gains or losses on the retranslation of this borrowing are transferred to the statement of other comprehensive income to offset any gains or losses on translation of the net investment in BVE. There is no ineffectiveness in the period ended 31 December 2016.

**Delegat Group Limited and Subsidiaries**  
**Statement of Accounting Policies (continued)**  
**For the Six Months Ended 31 December 2016**

**Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the adoption of Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture on 1 July 2016 (see below). Refer to the published financial statements for the year ended 30 June 2016 for a complete listing of the Group accounting policies.

On 1 July 2016, the Group adopted Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture. Following implementation of these amendments, the Group's bearer plants (vines) fall within the scope of NZ IAS 16 rather than NZ IAS 41. Under NZ IAS 16, the Group has the ability to choose between the cost model and the revaluation model for subsequent measurement and there is a requirement to depreciate the bearer plants over their estimated useful lives. 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 2016 and 31 December 2015 have been restated and in accordance with NZ IAS 34 a statement of financial position as at the beginning of the preceding period has been presented.

Under NZ IAS 16, the Group has chosen to adopt the cost model to value their bearer plants and has applied the fully retrospective transition provisions. This means that all fair value increments previously recognised have been reversed and the Group's bearer plants depreciated from their original planting dates. The estimated useful life of the Group's bearer plants is 50 years. As shown in the table below, this has decreased the value of the Group's bearer plants which are now included in property, plant and equipment and decreased the Group's deferred tax liability, with a corresponding decrease in equity.

Under NZ IAS 41, at the half year reporting date the Group previously recognised a fair value increment on the Group's bearer plants, representing the value of the agricultural produce (grapes) attached to the bearer plants at this date, and accordingly expensed the growing costs incurred during the period. Following the adoption of the amendments above, the fair value of the agricultural produce (grapes) at the half year reporting date is determined separately from the value of the bearer plants and included within inventory. The Group considers the growing costs incurred for the period to be the best indicator of the fair value of agricultural produce at the half year reporting date.

	Unaudited June 2016 \$000 Increase / (Decrease)	Unaudited Dec 2015 \$000 Increase / (Decrease)	Unaudited June 2015 \$000 Increase / (Decrease)
<b>Financial statement line:</b>			
<i>Statement of Financial Performance</i>			
Revenue	(7,043)	(6,331)	
Cost of sales	1,128	(9,637)	
Income tax expense	(2,294)	934	
<i>Earnings per share</i>			
- Basic earnings per share (cents per share)	(5.81)	2.34	
- Fully diluted earnings per share (cents per share)	(5.81)	2.34	
<i>Statement of Financial Position</i>			
Equity	(33,896)	(25,647)	(28,019)
Current tax liability	3	194	-
Deferred tax liability	(13,627)	(10,619)	(11,426)
Inventory	-	10,194	-
Property, plant and equipment	(47,632)	(46,349)	(39,461)
Deferred tax asset	112	83	16

**Delegat Group Limited and Subsidiaries**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2016**

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

	Delegat Limited	Delegat Australia Pty Limited	Delegat Europe Limited	Delegat USA, Inc.	Other Segments	Eliminations and Adjustments <sup>9</sup>	6 months ended 31 December 2016
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>For the 6 months ended 31 December 2016</b>							
<b>Operating income</b>							
External sales <sup>6</sup>	33,760	46,346	39,075	41,887	2,261	(26,955)	<b>136,374</b>
Internal sales	110,398	-	-	-	5,555	(115,953)	-
Total segment revenues <sup>1</sup>	144,158	46,346	39,075	41,887	7,816	(142,908)	<b>136,374</b>
Interest revenue	1	2	-	1	2,637	(2,636)	<b>5</b>
<b>Operating expenses</b>							
Interest expense <sup>2</sup>	8,713	-	-	-	785	(2,636)	<b>6,862</b>
Depreciation and amortisation <sup>3</sup>	6,369	67	8	33	640	-	<b>7,117</b>
Income tax expense/(credit) <sup>4</sup>	5,772	352	196	418	1,120	(170)	<b>7,688</b>
<b>Segment profit/(loss)</b>	14,530	809	780	629	2,828	(435)	<b>19,141</b>
<b>Assets</b>							
Segment assets <sup>5,10</sup>	594,243	27,501	18,874	21,523	124,191	(134,442)	<b>651,890</b>
Capital expenditure <sup>8</sup>	20,049	7	104	26	2,639	-	<b>22,825</b>
Segment liabilities	379,176	16,999	10,715	13,402	37,239	(91,332)	<b>366,199</b>

**Delegat Group Limited and Subsidiaries**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2016**

**1 Segment Reporting (continued)**

	Delegat Limited	Delegat Australia Pty Limited	Delegat Europe Limited	Delegat USA, Inc.	Other Segments	Eliminations and Adjustments <sup>9</sup>	6 months ended 31 December 2015
<b>For the 6 months ended 31 December 2015 - Restated*</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Operating income</b>							
External sales <sup>7</sup>	31,622	40,690	42,941	40,590	1,374	(23,273)	<b>133,944</b>
Internal sales	106,509	-	-	-	6,461	(112,970)	-
<b>Total segment revenues<sup>1</sup></b>	<b>138,131</b>	<b>40,690</b>	<b>42,941</b>	<b>40,590</b>	<b>7,835</b>	<b>(136,243)</b>	<b>133,944</b>
Interest revenue	8	4	-	-	2,805	(2,804)	<b>13</b>
<b>Operating expenses</b>							
Interest expense <sup>2</sup>	6,373	-	-	-	850	(2,804)	<b>4,419</b>
Depreciation and amortisation <sup>3</sup>	6,309	68	6	36	571	-	<b>6,990</b>
Income tax expense/(credit) <sup>4</sup>	7,549	309	226	425	204	(244)	<b>8,469</b>
<b>Segment profit/(loss)</b>	<b>19,462</b>	<b>487</b>	<b>1,179</b>	<b>590</b>	<b>440</b>	<b>(625)</b>	<b>21,533</b>
<b>Assets</b>							
Segment assets <sup>5,10</sup>	506,816	24,134	15,498	11,133	121,830	(106,389)	<b>573,022</b>
Capital expenditure <sup>8</sup>	47,017	5	1	12	8,877	-	<b>55,912</b>
Segment liabilities	330,045	14,842	6,750	4,281	63,012	(100,702)	<b>318,228</b>

- Intersegment revenues are eliminated on consolidation. Intercompany profit margins are also eliminated.
- Interest expense is net of any interest capitalised to long-term assets. During the period \$589,000 (December 2015: \$2,334,000) was capitalised to long-term assets.
- Depreciation and amortisation expenses presented above are gross of \$6,519,000 (December 2015: \$5,550,000) 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 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.
- For the six months ended 31 December 2016 Delegat Australia Pty Limited had a single customer which comprised 10% or more of Group sales amounting to \$21,352,000.
- For the six months ended 31 December 2015 Delegat Australia Pty Limited had a single customer which comprised 10% or more of Group sales amounting to \$16,823,000 and Delegat USA, Inc. had a single customer which comprised 10% or more of group sales amounting to \$14,811,000.
- 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.
- The eliminations and adjustments of segment profit, assets and liabilities relate to intercompany transactions and balances which are eliminated on consolidation.
- Other segments' assets include non-current assets of Barossa Valley Estate Pty Limited of \$44,413,000 (December 2015: \$38,069,000) which are located in Australia.

**2 Expenses**

	Unaudited Dec 2016 6 Months \$000	Audited June 2016 12 Months \$000 Restated*	Unaudited Dec 2015 6 Months \$000 Restated*
<b>Expenses by function have been categorised as follows:</b>			
Cost of sales	67,341	105,094	61,300
Selling, marketing and promotion expenses	30,003	54,569	29,916
Corporate governance expenses	417	906	393
Administration expenses	4,922	9,917	7,914

\* The financial statements for the year ended 30 June 2016 and 31 December 2015 have been restated following the adoption of Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture on 1 July 2016. Refer to Statement of Accounting Policies.

**Delegat Group Limited and Subsidiaries**  
**Notes to the Financial Statements (continued)**  
**For the Six Months Ended 31 December 2016**

**3 Reconciliation of Profit for the Period with Net Cash Inflows from Operating Activities**

	Unaudited Dec 2016 6 Months \$000	Audited June 2016 12 Months \$000 Restated*	Unaudited Dec 2015 6 Months \$000 Restated*
<b>Reported profit after tax</b>	19,141	48,113	21,533
<b>Add/(deduct) items not involving cash flows</b>			
Amortisation of leases	107	251	138
Depreciation expense	7,010	12,403	6,852
Other non-cash items	(707)	(3,114)	(1,629)
(Gain)/Loss on disposal of assets	(225)	(547)	(449)
Movement in derivative financial instruments	(608)	(4,716)	(5,361)
Movement in deferred tax assets	(102)	160	40
Movement in deferred tax liabilities	3,257	6,482	4,615
	27,873	59,032	25,739
<b>Movement in working capital balances are as follows:</b>			
Trade payables and accruals	(2,310)	1,451	(3,382)
Trade and other receivables	(11,704)	(804)	(9,830)
Inventories	15,770	(17,722)	8,211
Income tax	(4,950)	(2,940)	(7,278)
	(3,194)	(20,015)	(12,279)
<b>Add items classified as investing and financing activities</b>			
Capital purchases included within trade payables and inventories	177	3,434	1,602
	(3,017)	(16,581)	(10,677)
<b>Net Cash Inflows from Operating Activities</b>	24,856	42,451	15,062

**4 Acquisition and Disposal of Assets**

During the six months ended 31 December 2016 the Group incurred total capital expenditure of \$22,825,000 (31 December 2015: \$55,912,000). There were no significant asset disposals in the six month period ended 31 December 2016.

**5 Capital Commitments**

The estimated capital expenditure contracted for at 31 December 2016 but not provided for is \$10,730,000 (31 December 2015: \$44,518,000).

\* The financial statements for the year ended 30 June 2016 and 31 December 2015 have been restated following the adoption of Amendments to NZ IAS 16: Property, Plant and Equipment and NZ IAS 41: Agriculture on 1 July 2016. Refer to Statement of Accounting Policies.