



Oyster Bay

MARLBOROUGH

Vineyards Limited

ANNUAL REPORT 2006



Front cover: Harvesting 2006 Sauvignon Blanc from Wairau River Vineyard.
Inside cover: Oyster Bay Wairau River Vineyard.

Oyster Bay

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ANNUAL REPORT 2006

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CHAIRMAN'S REPORT FOR YEAR ENDING 30 JUNE 2006

Operational Performance

It gives me much pleasure to report a profit after tax for the year ending 30 June 2006 of \$920,000.

As already reported, Oyster Bay's harvest totalled 4,689 tonnes, giving total revenue of \$10,668,000, a 49% increase on the \$7,152,000 achieved from 3,303 tonnes in the previous year.

Operating expenses were \$6,691,000, a 27% increase over last year's \$5,287,000, while interest costs, at \$1,755,000 represented an increase of \$671,000 on last year. These increases reflect that the vineyards are now fully developed and in production and that no costs are eligible to be capitalised.

This resulted in an underlying operating profit before non-recurring costs and tax of \$2,224,000, compared with \$797,000 in the previous year, an increase of 179%. Put another way a 42% increase in yield, together with a price increase of over 5%, lead to an increase of 179% in the company's underlying operational surplus.

When adjusted for non-recurring costs, as discussed below, the Company recorded a pre-tax surplus of \$1,389,000 and an after tax surplus of \$920,000.

Non-recurring Costs

The accounts record as having been expensed a total of \$835,000 of costs incurred in connection with last year's contested takeover offers and the complaints made by Peter Yealands Investments Limited ("PYIL") to the NZX, one of which PYIL has required be reviewed by NZX Discipline (which at the date of this report is still on-going).

In regards to the costs of the Target Company Statements prepared for each offer, those incurred for the offers made by Delegat's, totaling \$295,000 plus GST, have been recovered from Delegat's. The \$295,000 plus GST of costs incurred for the offers made by PYIL have been invoiced but not yet recovered.

PYIL and Mr Rankin have lodged compensation claims against Oyster Bay seeking to recover \$325,000 of costs incurred by them. Oyster Bay is vigorously defending these claims and counterclaiming against PYIL for a total of \$600,000 plus GST (which includes the \$295,000 plus GST still outstanding for the Target Company Statements). These claims will be resolved by way of the proceedings before the High Court.

As to these claims and counterclaims, we would observe simply that once a takeover contest is in play, considerable costs are triggered as each of the contestants seeks to advance the merits of its proposals to shareholders, and to discredit the merits of the other. The independent Directors of the target Company have a responsibility to seek recovery of costs incurred from the takeover protagonists. This recovery process is being pursued.

The Takeovers Panel, PYIL and Mr Rankin had already lodged claims against Oyster Bay seeking to recover \$215,000 of costs incurred in the context of the various High Court hearings of the issues. Oyster Bay defended this claim and from a High Court judgment issued on 4 August 2006, it appears that Oyster Bay's liability is about \$50,000, however there remains considerable uncertainty regarding this amount.

The NZX Discipline review of NZX Regulation's decision that Oyster Bay is not required to disclose its detailed pricing schedule to the market is to be heard on 29 August 2006. NZX Discipline will determine the award of costs amongst the parties.

Depending on the final outcome on the costs and compensation claims, the Company may have had to spend something between 6 and 15 cents a share in dealing with the legal issues which arose during the course of the contest.

Dividend

Despite the impact made on our earnings from the takeover costs, the Directors have resolved that a dividend of 10 cents a share for the year ended 30 June 2006 be declared. The record date for the dividend will be 1 November 2006 and the dividend will be paid on 15 November 2006.

Outlook

Last year, when commenting on the turmoil which the takeover contest had created, I observed that fortunately the grapes were unaware of this. As it transpires, despite some vagaries in the weather towards the end of 2005, we enjoyed one of the best harvest years Marlborough has seen.

In consequence we have seen the Company performing well operationally, and we have an insight into earnings levels. The task before Directors is to clear away the residue from the takeover contest as rapidly as possible, and to settle the Company into a stable operating framework with continuing emphasis on optimising operational performance.



W J Falconer CNZM, LL.B
CHAIRMAN

BOARD OF DIRECTORS

The Board of Directors oversees the development and operations of Oyster Bay Marlborough Vineyards Limited. The Board of Directors comprises a balance of commercial experience and viticulture expertise. The constitution provides for a maximum of five Directors and requires that at least two Directors must be ordinarily resident in New Zealand.

The following are the Directors of Oyster Bay Marlborough Vineyards Limited.

Chairman of Directors

William Falconer, CNZM LL.B

Bill Falconer is Chairman of Hellaby Holdings Limited, Kiwifruit International Limited (in Liq) and the New Zealand Meat Industry Association. He is also a Director of Tower Limited, the New Zealand Symphony Orchestra and Westfield Trust (NZ) Limited.

Director

The Hon. Ruth Richardson, LL.B (Hons)

After her time as an architect of major reforms to the New Zealand economy as Minister of Finance from 1990-1993, Ruth Richardson established her own strategic and economic policy advice consultancy helping many countries undertake reform initiatives. She now has considerable involvement in the local and international business community being the Chairman of Jade Software Corporation, i-cap mezzanine partners Limited, i-cap equity partners Limited, the Kula Fund and a Director of Synlait Limited and LECG Corporation.

Director

Ross Keenan B.Com FCIT

Current appointments include Chair of NZX listed companies Allied Work Force Group Limited, Cabletalk Group Limited and Southern Travel Holdings Limited. He is also Deputy Chair of the three Auckland District Health Boards and a Director of Ngai Tahu Holdings Corporation, Oceania Attractions Limited and Watercare Services Limited.

Director

Jim Delegat

Jim Delegat is the Managing Director of Delegat's Group Limited. He has been involved in the New Zealand wine industry all his working life and is thoroughly experienced in every aspect of the business. Jim is one of only a handful of second generation family wine producers in the country. Active in industry affairs, Jim is currently an Alternate Director of both the Wine Institute of New Zealand and New Zealand Winegrowers, having previously served on the board of the Wine Institute of New Zealand for more than 12 years.

Director

Robert Wilton, M.Com (Hons), ACA

Robert Wilton is the non-executive Chairman of Delegat's Group Limited with specific responsibilities for the financial management of the Company. He is a Senior Lecturer and past Head of Department, Department of Accounting and Finance within the School of Business and Economics at the University of Auckland, a member of the Institute of Chartered Accountants of New Zealand and Institute of Directors. Mr Wilton brings to the Board considerable experience in business, particularly through Merchant and Investment Banking and is a past Chairman of the New Zealand Venture Capital Association.

Alternate Director for Jim Delegat and Robert Wilton

Rose Delegat

Rose Delegat is Executive Director of Delegat's Group Limited. Following a successful career in the Human Resources field, Rose was responsible for initiating the Group's drive into export markets in the 1980's and was the inaugural Chairperson (1987-1990) of the special United Kingdom exporting group, part of the Wine Institute of New Zealand. Rose continues to perform a strategic role in export marketing. She is a member of the Institute of Directors.

CORPORATE GOVERNANCE

As a vineyard operator, Oyster Bay is a single purpose company, with a contract-driven business model. Both operational and administrative management is undertaken by its majority shareholder, Delegat's Wine Estate Limited, who in turn have a long-term contractual entitlement to purchase the grapes. The Board, comprising three independent Directors and two Directors who are also on the Board of Delegat's, is nonetheless conscious of the requirement for the Company to manifest best practice in terms of its corporate governance, not least because of the need to ensure transparent and arms length relationships between Delegat's as manager, grape purchaser and majority shareholder.

The principal functions of the Board include:

- Approval of the annual budget and accounts;
- Setting the corporate strategies, for example, for the purchase of additional land and vineyards;
- Monitoring financial and operational performance;
- Monitoring compliance with the Company's statutory and contractual obligations;
- Ensuring the Company's risks are properly anticipated and managed by the manager.

The Board has only one Committee, the Audit Committee, comprising the Hon Ruth Richardson as Chair, Ross Keenan and Robert Wilton. This operates under a formal charter which identifies the matters entrusted to the Committee, and defines the relations between the Company and its auditors (currently PricewaterhouseCoopers, who are not Delegat's auditors), as well as matters of audit independence and rotation. The Committee does not act on behalf of the Board unless specifically mandated to do so.

To date Oyster Bay has not had any executive staff and there has therefore been no requirement for a remuneration and appointments committee. Board appointments are handled by the full Board, but subject to the approval of shareholders by way of ordinary resolution (other than in relation to casual appointments).

The Independent Directors, William Falconer, Ross Keenan and the Hon Ruth Richardson undertake the annual grape price negotiations with Delegat's and provide the Directors' certification to NZX as to the fairness of the outcome for the Company and shareholders other than Delegat's.

All other governance issues, such as compliance with statutory and contractual commitments, disclosure obligations as a listed entity, relations with shareholders and the media, are undertaken by the full Board.

As Delegat's is a related party of Oyster Bay, all matters involving the contracts between Delegat's and Oyster Bay, or transactions between them are treated as related party transactions in terms of the Listing Rules of NZAX, and are matters on which Delegat's are precluded from voting.

Meetings attended:

Full Board	William Falconer	4
	Jim Delegat	2
	Ross Keenan	4
	Ruth Richardson	4
	Robert Wilton	4
	Rose Delegat (an Alternate)	2
Audit Committee	Ruth Richardson	3
	Ross Keenan	3
	Robert Wilton	3

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position, financial performance and cash flows for the Company as at 30 June 2006.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard assets of the Company.

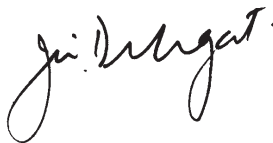
The Directors have pleasure in presenting the following financial statements for the year ended 30 June 2006.

The Board of Directors of the Company authorised these financial statements for issue on 15 August 2006.

For, and on behalf of, the Board.



W J Falconer
CHAIRMAN



J N Delegat
DIRECTOR

15 August 2006

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30 June 2006

	Notes	2006 \$000	2005 \$000
Operating Revenue			
Grape Sales		10,668	7,152
Interest Received		2	16
		10,670	7,168
Operating Expenses			
Operating Expenses		(6,691)	(5,287)
Operating Surplus before Interest, Non-Recurring Costs and Income Tax			
Interest Expense		(1,755)	(1,084)
Operating Surplus before Non-Recurring Costs and Income Tax			
Gain on Sale of Land	10	–	393
NZX Discipline Expenses	3	(141)	–
Takeover and Complaint Related Expenses	3	(694)	–
Operating Surplus before Income Tax			
Income Tax	8	(469)	(271)
Operating Surplus after Income Tax			
		920	919

STATEMENT OF MOVEMENTS IN EQUITY

For the Year Ended 30 June 2006


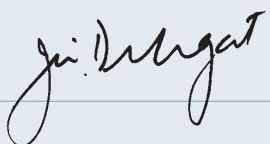
	Notes	2006 \$000	2005 \$000
Equity at Beginning of Year		17,564	17,815
Operating Surplus after Income Tax		920	919
Distribution to Owners		–	(1,170)
Equity at End of Year			
		18,484	17,564

STATEMENT OF FINANCIAL POSITION

As at 30 June 2006

	Notes	2006 \$000	2005 \$000
Equity			
Share Capital	4	18,000	18,000
Retained Earnings	5	484	(436)
Total Equity		18,484	17,564
Liabilities			
Non-Current Liabilities			
Deferred Tax Liability	7	1,182	713
Borrowings	13	18,000	18,000
Total Non-Current Liabilities		19,182	18,713
Current Liabilities			
Payables and Accruals	9	495	789
Amounts Owed to Related Parties	15	95	332
Total Current Liabilities		590	1,121
Total Liabilities		19,772	19,834
Total Equity and Liabilities		38,256	37,398
Assets			
Non-Current Assets			
Property, Plant & Equipment	10	33,974	34,801
Total Non-Current Assets		33,974	34,801
Current Assets			
Cash and Bank Balances		2,639	1,287
Accounts Receivable	12	416	119
Amounts Owed from Related Parties	15	88	192
Inventories - Raw Materials		9	26
Growing Costs Relating to the Next Harvest		1,130	973
Total Current Assets		4,282	2,597
Total Assets		38,256	37,398

For, and on behalf of the Board who authorised the issue of financial statements on 15 August 2006.


W J Falconer
DIRECTOR

J N Delekat
DIRECTOR

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2006

	2006 \$000	2005 \$000
Operating Activities		
Cash was Provided from		
Receipts from Customers	10,668	7,152
Interest Received	–	16
	10,668	7,168
Cash was Applied to		
Payments to Suppliers	(5,803)	(4,584)
Interest Paid	(1,755)	(1,084)
Net GST (Paid)/Refunded	(530)	544
	(8,088)	(5,124)
Payments for NZX Discipline Expenses	(119)	–
Payments for Takeover and Complaint Related Expenses	(902)	–
	(9,109)	(5,124)
Net Cash Inflows from Operating Activities	1,559	2,044
Investing Activities		
Cash was Provided from		
Proceeds from Sale of Land & Vineyard	–	603
Proceeds from Sale of Plant & Equipment	–	37
	–	640
Cash was Applied to		
Purchase of Property, Plant & Equipment	(207)	(1,752)
Capitalised Interest	–	(468)
	(207)	(2,220)
Net Cash Outflows from Investing Activities	(207)	(1,580)
Financing Activities		
Cash was Provided from		
Proceeds from Borrowings	6,914	5,900
	6,914	5,900
Cash was Applied to		
Repayments of Borrowings	(6,914)	(5,900)
Distribution to Owners	–	(1,170)
	(6,914)	(7,070)
Net Cash Outflows from Financing Activities	–	(1,170)
Net Increase/(Decrease) in Cash Held	1,352	(706)
Cash at Beginning of Year	1,287	1,993
Cash at End of Year	2,639	1,287

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2006

	2006 \$000	2005 \$000
Reconciliation with Operating Surplus		
Reported Surplus after Tax	920	919
Gain on Sale of Land	–	(393)
Items not Involving Cash Flows		
Amortisation Expense	23	12
Deferred Taxation Expense Movement	469	271
Depreciation Expense	949	720
	1,441	1,003
Impact of Changes in Working Capital Items		
Payables and Accruals	(531)	787
Accounts Receivable	(193)	(36)
Inventories - Raw Materials	17	(9)
Growing Costs Relating to Next Harvest	(157)	(218)
	(864)	524
Items Classified as Investing Activities		
Working Capital Movements related to Purchase of Property, Plant & Equipment	62	(9)
	62	(9)
Net Cash Inflows from Operating Activities	1,559	2,044

STATEMENT OF ACCOUNTING POLICIES

For the Year Ended 30 June 2006

The financial statements are for the reporting entity Oyster Bay Marlborough Vineyards Limited, an issuer in terms of the Securities Act 1978. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of certain assets as identified in specific accounting policies below.

Revenue

Revenue includes grape sales and other revenues received and receivable in the ordinary course of business.

Income Tax

The tax expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules.

The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred taxation under the liability method.

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

Goods and Services Tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated net of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

Foreign Currencies

Transactions denominated in a foreign currency are recorded at the exchange rate in effect at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the surplus for the year.

Property, Plant and Equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Development costs for new vineyards include direct materials, direct labour, operating lease and financing costs that are directly attributable to the project and an allocation of overhead costs. Capitalisation of costs continue until the vineyard is considered to be in commercial production, ordinarily a period of three years after the planting of vines.

Accounts Receivable

Accounts receivable are stated at estimated realisable value after providing against debts where collection is doubtful.

Inventories

Inventories are stated at the lower of cost or net realisable value determined on a first-in first-out basis.

Growing Costs

Harvesting of the grape crop is ordinarily performed in late March/ early April. Costs incurred in growing the grapes for each harvest are recognised in the period of the harvest. Costs incurred subsequent to the current year's harvest, for growing grapes for the next harvest are capitalised on the Statement of Financial Position and expensed in that period when the harvest occurs.

Depreciation

Depreciation of property, plant and equipment, other than land, is charged on a straight line basis so as to write off the cost of the fixed assets to their expected residual value over their estimated useful lives. The estimated useful lives are as follows:

Buildings	_____	5-30 years
Motor Vehicles	_____	6-10 years
Plant and Equipment	_____	2-10 years
Vineyards	_____	15-30 years

Depreciation on vineyard development commences when the vineyard is considered to be in commercial production.

Leased Assets

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease costs that are directly attributable to bringing a new vineyard to working condition for its intended use are included in the cost of the vineyard up until the time the vineyard becomes commercially productive. The accumulated amount is then amortised over the remaining life of the lease.

All other operating lease payments are recognised in the periods the amounts are payable.

Financial Instruments

Financial instruments carried on the Statement of Financial Position include cash and bank balances, investments, receivables, trade creditors and borrowings. These instruments are carried at their estimated fair value. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments that are designated as hedges of specific items are recognised on the same basis as the underlying hedged item. Financial instruments that do not constitute hedges are stated at market value and any resultant gain or loss is recognised in the Statement of Financial Performance.

STATEMENT OF ACCOUNTING POLICIES

For the Year Ended 30 June 2006

Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

- (a) Cash is considered to be cash on hand and current accounts in banks, net of overdrafts.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property plant and equipment and of investments. Investments include securities not falling within the definition of cash.
- (c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- (d) Operating activities include all transactions and other events that are not investing or financing activities.

Changes in Accounting Policies

There have been no changes in accounting policies. Certain items have been reclassified in comparatives to agree with current year presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

1. Segmental Analysis

No segmental analysis of results has been prepared as the Company operates in only one industry being the production of grapes in New Zealand. All results for the year are from operating activities and are reported in New Zealand dollars. There have been no activities discontinued during the year.

	2006	2005
	\$000	\$000

2. Operating Surplus Before Income Tax

Operating surplus before income tax includes:

Depreciation of Property, Plant & Equipment

Vineyard Development	634	509
Buildings	50	33
Plant and Equipment	212	128
Motor Vehicles	53	50
	<hr/>	<hr/>
	949	720
Amortisation	23	12
Total Depreciation and Amortisation	<hr/>	<hr/>
	972	732

Rental Expense on Operating Leases	526	357
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Interest Expense	1,755	1,084
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Governance Expenses

Directors' Fees	68	57
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Auditors' Fees

Audit Fees	22	20
Fees for Other Services Provided by the Auditors	25	9

3. NZX Discipline, Takeover and Complaint Related Expenses

NZX Discipline Expenses	141	–
Takeover and Complaint Related Expenses	694	–
	<hr/>	<hr/>
	835	–

During the year the Company has incurred \$141,000 in preparing submissions for and responding to the review sought by Peter Yealands Investment Limited ("PYIL") of the decision by NZX Regulation that the 2004 grape price information was not materially different from market price and consequently did not breach the continuous disclosure regime as alleged by PYIL. The review of the NZX Regulation decision has been set down for hearing on 29 August 2006.

A further \$694,000 has been incurred by the Company to 30 June 2006 in regards to various complaints made by PYIL and Mr David Rankin to the Takeovers Panel, NZX and the High Court. The Company considers \$305,000 of these costs are recoverable from PYIL, however as it is likely mediation or Court action will be required to reach final determination the Company has not recorded these costs as a receivable at balance date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

	2006 \$000	2005 \$000
4. Share Capital		
Ordinary Shares	18,000	18,000
	18,000	18,000

At 30 June 2006 there are 9,000,000 issued and fully paid ordinary shares. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

5. Retained Earnings

Balance at Beginning of Year	(436)	(185)
Operating Surplus after Income Tax	920	919
Distribution to Owners	–	(1,170)
Balance at End of Year	484	(436)

6. Imputation Balances

At 30 June 2006 the balance in the Company's imputation credit account (representing the maximum amount of tax credits available to be attached to future dividends paid by the Company) amounted to \$nil (2005 \$nil).

7. Deferred Tax Liability

Balance at Beginning of Year	713	442
On Surplus for Year	469	271
Balance at End of Year	1,182	713

8. Income Tax

Surplus before Tax	1,389	1,190
Permanent Differences	1	(393)
Surplus Subject to Tax	1,390	797
Income Tax Charge at 33%	459	263
Underestimation in prior year	10	8
	469	271
Comprising		
Deferred Income Tax Liability	469	271
	469	271

The Company estimates that the tax effect of its losses is \$2,469,000 (2005 \$2,629,000) which consistent with prior years has been recognised and offset against deferred tax liability and are available to be carried forward to be utilised against future assessable income. The ability to carry forward losses for tax purposes is subject to the shareholder continuity rules.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

	2006 \$000	2005 \$000
9. Payables and Accruals		
Current		
Trade Creditors	343	172
GST	–	466
Accrued Expenses	152	151
	495	789

10. Property, Plant & Equipment

	2006			2005		
	Cost \$000	Accumulated Depreciation \$000	Book Value \$000	Cost \$000	Accumulated Depreciation \$000	Book Value \$000
Land - Fault Lake	1,971	–	1,971	1,971	–	1,971
Land - Oyster Bay	6,338	–	6,338	6,338	–	6,338
Vineyard Improvements						
- Oyster Bay	9,657	(2,115)	7,542	9,558	(1,754)	7,804
- Fault Lake	8,370	(427)	7,943	8,336	(209)	8,127
- Wairau River	7,561	(157)	7,404	7,535	(16)	7,519
Buildings	1,237	(155)	1,082	1,237	(106)	1,131
Plant & Equipment	2,402	(876)	1,526	2,339	(645)	1,694
Motor Vehicles	512	(356)	156	512	(306)	206
Capital Work in Progress	12	–	12	11	–	11
	38,060	(4,086)	33,974	37,837	(3,036)	34,801

As at 30 June 2006 depreciation and amortisation expenses of \$290,000 (2005 \$222,000) have been included in the growing costs for next year's harvest.

The Company is restricted in its ability to subdivide, lease, sell or otherwise part with possession or control of the Land except in relation to a sale or lease to Deleat's Wine Estate Limited ("Deleat's") under a Long Term Co-Operation Agreement.

During the year ended 30 June 2002, the Company purchased, leased and commenced the development of the Fault Lake and Wairau River Vineyards. As stated in the accounting policies, finance costs that are directly attributable to the cost of an asset are included in the initial cost. The finance costs capitalised during the year to 30 June 2006 amounted to \$nil (2005 \$468,000).

Under NZ FRS the Company records land and vineyard improvements at historic cost less depreciation as in the above table. As this appeared to understate the value of these assets, the Company has, since 2004 secured independent valuations of the land and vineyard improvements on the Oyster Bay, Fault Lake, and Wairau River vineyards based on an Income Valuation Approach, and as at 4 July 2005 these were assessed at a combined value of \$51,515,000. This valuation was determined by independent registered valuers, Logan Stone Limited, in accordance with the New Zealand Institute of Valuers Standard Number 3 – Valuation for Financial Statements and Practice Standard Number 3 – The Valuation of Rural Properties.

In November 2005, the Company also secured an open market valuation, which assumed that the contractual restrictions on the Company's ability to sell the vineyards did not exist, which assessed the value of the vineyards at \$83,183,000. This valuation was determined by independent registered valuers, Logan Stone Limited, in accordance with the New Zealand Institute of Valuers Standard Number 3 – Valuation for Financial Statements, International Valuation Applications 1 – Valuation for Financial Reporting and Practice Standard Number 3 – The Valuation of Rural Properties.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

As disclosed in Note 19 to the Financial Statements, Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards, the Company has the option of either valuing its land and vineyard assets at historic cost, or at fair value. In either event, there is no requirement for the assets to be revalued after the initial valuation has been declared. Because of the unique nature of Oyster Bay, whereby its land and vineyard assets cannot be sold without Delegat's consent, and then only to a person willing to take assignment of the long-term grape purchase agreement whereby all of the company's annual grape harvest is sold to Delegat's, the Company is working through a process to determine the appropriate methodology to adopt for reporting under NZ IFRS.

The next valuation to be commissioned by the Company will be used for purposes of transitioning to NZ IFRS.

Under the Long Term Co-Operation Agreement the Company granted an option to acquire by sale, lease (or other method) 8 hectares of land owned by Oyster Bay for the purpose of constructing grape processing facilities. In November 2004, the Company sold approximately 5.1 hectares of land to Delegat's pursuant to this option. This resulted in a gain on sale amounting to \$393,000. The Company and Delegat's have subsequently entered into a deed of variation varying the option to approximately 2.9 hectares to reflect this acquisition.

11. Commitments

	2006 \$000	2005 \$000
The following amounts have been committed to by the Company, but not recognised in the financial statements:		
Operating Leases		
Non cancellable operating lease commitments:		
Within one year	544	559
One to two years	539	544
Two to five years	1,611	1,613
Beyond five years	11,377	11,914
	14,071	14,630
Capital Expenditure		
Amounts committed to capital expenditure	–	–
	–	–

12. Accounts Receivable

Current		
Trade Receivables	8	15
Prepayments	12	10
GST	64	–
Takeover Costs Recoverable	332	94
	416	119

During the year the Company incurred \$590,000 for costs in relation to the target company statements prepared for each partial takeover offer by Delegat's and PYIL. At balance date Delegat's had paid in full the costs incurred by the Company in respect to the Delegat's offers amounting to \$295,000 (plus GST). No payment has been received from PYIL for the costs incurred by the Company in respect to the PYIL offers amounting to \$295,000 (plus GST) which the Company considers to have been properly incurred and recoverable in accordance with Rule 49(2) of the Takeovers Code.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

13. Borrowings

	2006 \$000	2005 \$000
Non-Current		
Secured Term Loan	18,000	18,000
	18,000	18,000
Principal Repayment Schedule		
Later than one, not later than two years	1,200	–
Later than two, not later than three years	16,800	1,200
Later than three, not later than five years	–	16,800
Weighted Average Effective Interest Rates on Borrowings		
Secured Term Loan	8.15%	7.50%

The Company's borrowings are secured by a first mortgage over the Oyster Bay Vineyard and the freehold portion of the Fault Lake Vineyard, a registered debenture over the assets of the Company and a Deed of Assignment over the Vineyard Management and Administration Agreement, Fixed Price Development Agreement and Grape Purchase Agreements relating to Oyster Bay Vineyard, Fault Lake Vineyard and Wairua River Vineyard.

The secured term loan facility with Westpac Banking Corporate matures on 1 July 2008. The interest rate on the term borrowings was fixed at 7.5 percent until 31 December 2005. At balance date the interest rate is 8.9 percent.

14. Financial Instruments

Credit Risk

The Company incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business. The Company has a credit policy which restricts the exposure to individual trade receivables and the Board of Directors does review its exposure to trade receivables. The Company deals with Delegat's Wine Estate Limited in the normal course of business, as outlined in the Related Parties disclosures, and the Board believes the credit risk is satisfactory. The Company does not have any other significant concentrations of credit risk. Amounts owed by trade receivables are unsecured.

The Company does not require any collateral or security to support transactions with financial institutions. The counterparties used for banking and finance activities are financial institutions with high credit ratings.

Fair Values

The estimated fair values of the financial assets and liabilities (consisting of cash at bank, receivables and trade creditors and term borrowings) are equivalent to their carrying values.

Currency Risk

The Company has no transactions subject to foreign currency exchange rate changes.

Interest Rate Risk

The Company has a policy of utilising short term interest rate periods to manage its working capital requirements. The Company incurs interest rate risk from borrowings from financial institutions in the normal course of its business.

The interest rate on the term borrowings is floating at 8.9 percent at 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

15. Related Party Information

General

Delegat's Wine Estate Limited is the major shareholder of Oyster Bay Marlborough Vineyards Limited. Delegat's Wine Estate Limited is 100 percent owned by Delegat's Group Limited.

Related Party Transactions and Balances

Delegat's Wine Estate Limited ("Delegat's") provided accounting and administrative services to the Company during the year, under a Vineyard Management and Administration Agreement. The Company reimburses any costs incurred by Delegat's in performing services required by the management plan. The Company incurred \$248,000 (2005 \$238,000) for these services of which \$nil (2005 \$nil) remains outstanding between the companies at balance date.

At 30 June 2006 amounts due to Delegat's of \$95,000 (2005 \$332,000) and amounts due from Delegat's of \$88,000 (2005 \$192,000) represent labour charges and material costs incurred by both parties during the normal course of operations. During the year \$179,000 was charged to the Company by Delegat's and \$176,000 was charged to Delegat's by the Company for vineyard equipment costs.

The Company has entered into Grape Purchase Agreements with Delegat's which requires Delegat's to purchase, at market value, all grapes produced by Oyster Bay. The Company received \$10,668,000 (2005 \$7,152,000) from Delegat's for the 2006 grape harvest, of which none was outstanding at 30 June 2006 (2005 \$nil). The annual grape purchase by Delegat's is a material transaction with a related party for the purpose of the NZAX Listing Rules. The NZAX Listing Rules requires the Company to obtain the approval of shareholders by ordinary resolution or a waiver from that requirement from the NZX. A waiver has been applied for and granted by the NZX since listing on the NZAX in November 2003 in respect of the 2006 grape harvest.

On 7 January 2006, Delegat's made a partial takeover offer seeking to purchase 25.98 percent of the shares in Oyster Bay that Delegat's did not already hold or control, to give Delegat's a total shareholding in Oyster Bay of 50.1 percent. This partial takeover offer was completed on 28 February 2006.

No amounts owed by related parties have been written off or forgiven during the year.

16. Contingent Assets

During the year the Company incurred \$694,000 in respect of takeover and complaint related expenses. The Company considers \$305,000 of these expenses, in relation to takeover panel hearings and complaints to NZX by PYIL, to be recoverable from PYIL. The Company considers it is likely mediation or court action will be required to reach a final determination on recovery of these costs and no amount has been recognised in the financial statements (2005 \$nil).

17. Contingent Liabilities

At 30 June 2006 the Company has received claims arising from the takeover process and subsequent NZX Discipline and High Court proceedings. The Company disputes the liability and the amounts claimed and considers that it is likely mediation or court action will be required to reach a final determination. Given the uncertainty concerning the Company's liability in regard to the claims and any required payment, no amount has been recognised in the financial statements. Claims amounting to \$325,000 have been received by the Company at balance date (2005 \$nil).

During the year PYIL complained to the NZX that by failing to provide certain detailed grape price information to shareholders, the Company was in breach of Listing Rule B1.1.1. While NZX Regulation considered information put forward by both PYIL and Oyster Bay and gave a written ruling that no breach had occurred, PYIL have subsequently applied to have the NZX Regulation ruling reviewed by NZX Discipline. An oral hearing is scheduled for 29 August 2006 and if NZX Discipline overturns the NZX decision, the Company may be exposed to a financial penalty.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

18. Events Occurring after Balance Date

During the year the Company was subject to complaints by the Takeover's Panel, PYIL and Mr Rankin who have lodged claims against the Company seeking to recover \$215,000 of costs incurred by them. The Company defended this claim and from a High Court judgement issued on 4 August 2006, it appears that the Company's liability is about \$50,000. Until all parties agree to the costs awarded by the Court no liability has been recognised in the financial statements at balance date.

19. Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards

In December 2002, the New Zealand Accounting Standards Review Board determined that all New Zealand reporting entities will be required to adopt New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for reporting periods beginning on or after 1 January 2007, with the option of early adoption for periods beginning on or after 1 January 2005.

The Company intends to implement NZ IFRS in its annual financial statements for the year ended 30 June 2008, with comparative balances to 30 June 2007. The year ended 30 June 2007 is the year of transition to NZ IFRS. The transition date will be 1 July 2006 when the Company will restate amounts reported under previous New Zealand accounting standards (NZ FRS) using NZ IFRS. This requires a restatement of opening balances as at 1 July 2006, with initial transitional adjustments recognised retrospectively and against retained earnings at that date.

In late 2005 the Company established a project team to plan for the transition to NZ IFRS and identify the impacts of its implementation. To date the project team has completed a high level review and identified a number of key accounting policies that will be required to move from NZ FRS to NZ IFRS. These are set out below.

1. Accounting for biological assets and agricultural produce

Under current accounting policy, the Company accounts for the costs incurred in growing the grapes for each harvest in the period of the harvest. Costs incurred subsequent to the current year's harvest, for growing grapes for the next harvest are capitalised on the Statement of Financial Position and expensed in that period when the harvest occurs.

Under NZ IFRS the Company will be required to account for biological assets (vines) and agricultural produce (grapes) at fair value. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm length transaction. Fair value is determined by reference to a price quoted in an active market. In the absence of an active market, fair value is referenced to recent market transactions, discounted cash flow models or in exceptional circumstances, cost.

The Company does not consider any adjustment required for agricultural produce will be material. There will be an initial impact on retained earnings on implementation of NZ IFRS as the Company expects the fair value of biological assets (vines) will exceed its historical cost. Until valuations determining the fair value of the vines are obtained the financial impact cannot be reliably estimated.

2. Fair Value as deemed Cost

Under NZ IFRS, the Company may elect to measure an item of property, plant and equipment, at the date of transition to NZ IFRS, at its;

- a historic cost;
- b fair value and use that value as its deemed cost going forward; or
- c fair value and review that value annually.

The Company has identified that the land at Fault Lake and Oyster Bay vineyards has a fair value significantly different to the historic cost recorded under current NZ FRS. The Company is working through the process of determining the appropriate methodology to adopt for reporting under NZ IFRS.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

3. Income Tax

A 'balance sheet' approach to tax effect accounting is followed under NZ IFRS, replacing the current 'statement of financial performance' approach. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. Under NZ IFRS a deferred tax asset is recognised to the extent it is probable there will be a taxable profit against which a deductible temporary difference can be used. The benchmark for recording a deferred tax asset has lowered from 'virtual certainty' under NZ FRS to 'probable'. Probable is considered to mean 'more likely than not'.

The impacts of the move to NZ IFRS on the deferred tax position are expected to be:

- a Under NZ IAS 41 biological assets must be re-valued to fair value at year-end. The tax base of the asset will remain as cost and therefore will be different from the accounting value. The deferred tax impact of this difference will be recognised in the Statement of Financial Performance.
- b Under NZ IAS 41 agriculture produce must be valued at fair value. The tax base of the asset will remain as cost and therefore will be different from the accounting value. The deferred tax impact of this difference will be recognised in the Statement of Financial Performance.

4. Financial Instruments

Under NZ FRS, any gains and losses on derivative instruments that are designated as hedges of specific items are accounted for on the same basis as the underlying hedged item. The net differential paid or received, in respect of that derivative, is recognised in the Statement of Financial Performance. The fair value of derivative instruments is disclosed in the Notes to the Financial Statements.

Under NZ IFRS there is a requirement to recognise the fair value of all derivative instruments in the Statement of Financial Position. If the instrument does not meet the requirements for hedge accounting then any market movements will be recognised in the Statement of Financial Performance. If a derivative instrument does not qualify for hedge accounting then any mark to market movements will be recognised directly within the Statement of Movements in Equity, then released to the Statement of Financial Performance in accordance with the movements in the underlying hedged instrument. As there are no currently held open derivative financial instruments covering 30 June 2007 there are no differences between NZ GAAP and NZ IFRS to be accounted for.

Further Impacts

The areas identified above should not be taken as an exhaustive list of all the differences between NZ FRS and NZ IFRS. The impacts discussed are based on management's current interpretation of the standards that have been released to date. There is potential for the significance of the impact to change when the Company prepares its first set of NZ IFRS financial statements due to changes in the standards, changes in the business or changes in management's interpretation of the standards.

The above differences from current accounting policy have not been fully quantified as at this stage the Company is unable to reliably quantify all the effects. On adoption of NZ IFRS the majority of the transitional adjustments required will be made, retrospectively against opening retained earnings.

As we progress towards 30 June 2008 the Company will continue to provide users of the financial statements with updated information about the likely impacts of NZ IFRS on the Company's earnings, cash flows and financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

20. Comparison of Actual Results to Explanatory Note

Oyster Bay Marlborough Vineyards Limited issued prospective information in an Explanatory Note on 27 September 2001 to support the acquisition, lease and development of the Fault Lake and Wairau River Vineyards. A comparison of the actual results with those projected in the Explanatory Note follows:

	Actual \$000	Projection \$000
Summary of Statement of Financial Performance		
For the Year Ended 30 June 2006		
Grape Sales	10,668	11,303
Interest Received	2	–
Operating Expenses	(5,742)	(4,913)
Depreciation	(949)	(1,398)
Operating Surplus before Interest Expense, Non-Recurring Costs and Income Tax	3,979	4,992
Interest Expense	(1,755)	(1,403)
Operating Surplus before Non-Recurring Costs Income Tax	2,224	3,589
NZX Discipline Expenses	(141)	–
Takeover and Complaint Related Expenses	(694)	–
Operating Surplus before Income Tax	1,389	3,589
Income Tax	(469)	(1,185)
Operating Surplus after Income Tax	920	2,404

The harvest for the 2006 season totalled 4,689 tonnes at a weighted average price of \$2,275 per tonne. This is a 42 percent increase on last season's harvest but is 12 percent lower than the Projection. Operating costs are \$829,000 higher due to the replanting of the final hectares of vineyard with phylloxera resistant rootstock vines, frost protection costs incurred that were not included in the Projection and higher labour and administration charges. The completion of the phylloxera replanting program was originally scheduled for 2002 in the Projection. Depreciation is \$449,000 lower than the Projection due to reduced capital expenditure outlays coupled with the timing associated with the assets being used in the production of assessable income. Interest expense is \$352,000 higher than the Projection due to higher interest rates being incurred and higher working capital and facility borrowings. Income tax is \$716,000 lower than Projection on the corresponding reduction in operating surplus.

Summary of Statement of Financial Position

As at 30 June 2006

Share Capital	18,000	18,000
Retained Earnings	484	966
Total Equity	18,484	18,966
Non-Current Assets	33,974	35,285
Current Assets	4,282	1,178
Total Assets	38,256	36,463
Current Liabilities	590	1,947
Non-Current Liabilities	19,182	15,550
Net Assets	18,484	18,966

Summary of Statement of Cash Flows

For the Year Ended 30 June 2006

Operating Activities	1,559
Investing Activities	(207)
Net Increase in Cash and Bank Balances	1,352

AUDITOR'S REPORT

To the Shareholders of Oyster Bay Marlborough Vineyards Limited



PricewaterhouseCoopers
 PricewaterhouseCoopers Tower
 188 Quay Street
 Private Bag 92162
 Auckland, New Zealand
 DX CP24073
 Telephone +64 9 355 8000
 Facsimile +64 9 355 8001

We have audited the financial statements on pages 7 to 21. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 30 June 2006 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 11 and 12.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company as at 30 June 2006 and its financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company other than in our capacity as auditors and tax advisers.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 7 to 21:
 - (i) comply with generally accepted accounting practice in New Zealand; and
 - (ii) give a true and fair view of the financial position of the Company as at 30 June 2006 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 15 August 2006 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'. The signature is written in a cursive, flowing style.

Chartered Accountants
 AUCKLAND

INDEPENDENT VITICULTURAL CONSULTANT'S REPORT



3 August 2006

The Chairman of Directors
Oyster Bay Marlborough Vineyards Limited
PO Box 91 681
Auckland Mail Centre
AUCKLAND

Dear Sir,

Annual Review: Oyster Bay Marlborough Vineyards Limited.

In my role as the Independent Viticulturist to Oyster Bay Marlborough Vineyards, I provide you with an annual review of the development and performance of the vineyards owned by the Company in the period ending 30 June 2006.

Vineyard Performance

All three vineyards continue to be managed to a high commercial standard with a professional approach rarely experienced in other large vineyard operations.

In consideration of both overall yield and fruit quality, this was the best year in the history of Oyster Bay Marlborough Vineyards. For the 2006 harvest the three vineyards generated a total yield of 4,689 tonnes, about 42% higher than the total production in 2005. Predominantly, Sauvignon Blanc contributed to this increase with increased production from the mature vines and from the increased age of the recent plantings. The Chardonnay yields improved slightly compared to 2005 and the increase in Pinot Noir yields reflected the increased age of the Fault Lake plantings.

The overall revenue increased by about 49% compared to 2005 reflecting the increased yields, a higher average price per tonne, and the harvest quality of the fruit meeting the requirements specified by Delegates.

Vineyard Development

The vineyard development has been completed. The overall standard of the vineyard and its infrastructure is high compared to industry benchmarks.

The re-establishment of the replanted areas where previously "own-roots" vines were planted is progressing well. These blocks have the potential to contribute significant yields from this coming season.

Summary

The overall yield and fruit quality was consistent with the performance of similar vineyards within the region. This was the biggest harvest for the vineyard in its history.

In my opinion, Delegates continue to manage the vineyards of Oyster Bay Marlborough to a high standard.

Yours sincerely
Vine to Wine to Market Ltd

A handwritten signature in black ink, appearing to read 'David Jordan', written in a cursive style.

DAVID JORDAN (PhD, BHortSci)
VITICULTURIST

SHAREHOLDERS' INFORMATION

Twenty Largest Shareholders as at 15 August 2006

Holder	Shares Held	% of Shares
Delegat's Wine Estate Limited	4,509,000	50.10
Peter Yealands Investment Limited	433,816	4.82
David Hugo Rankin	325,361	3.62
Forbar Custodians Limited	116,000	1.29
Warren Fraser Sanderson & Elizabeth Ann Sanderson	100,000	1.11
John Ross Elliott & Toni Elliott	69,798	0.78
David Herlihy Russell & Marie Anne Russell	69,798	0.78
Ashfield Farm Limited	65,000	0.72
Michael Walter Daniel & Elizabeth Beatty Benjamin & Michael Murray Benjamin	57,725	0.64
Kelley Ford Shippey & Donna Lynn Simpson	50,000	0.56
William John Hogg	45,927	0.51
William John Falconer	45,369	0.50
Tetsuya Holdings Limited	41,879	0.47
GT Nominees Limited	34,899	0.39
ASB Nominees Limited	33,439	0.37
First NZ Capital Custodians Limited	32,994	0.37
Stokesay Holdings Limited	30,711	0.34
Terence Kevin McAlister & David Peter Shillson & Madeleine Isobel McAlister	30,470	0.34
Shirley Ruth Startup	30,000	0.33
Geoffrey Stewart Wilkinson	27,000	0.30
Total for Top 20	6,149,186	68.34

Distribution of Ordinary Shares

Holder	Holders	Shares Held	% of Shares
1 - 5,000	606	2,009,390	22.33
5,001 - 10,000	71	525,776	5.84
10,001 - 100,000	37	1,080,657	12.01
100,001 plus	4	5,384,177	59.82
Total	718	9,000,000	100.00

Substantial Security Holders

According to notices given to the Company under the Securities Market Act 1988, as at 15 August 2006, the substantial security holders in the Company are:

Substantial Security Holders	Shares Held	% of Shares
Delegat's Wine Estate Limited	4,509,000	50.10

SHAREHOLDERS' INFORMATION

Interest Register

The Company maintains an interest register in which members of the Board record all parties and transactions in which they may have a potential or actual self interest.

During the year the Company undertook transactions with Directors as detailed below:

	2006 \$000	2005 \$000
Directors were paid Directors' Fees as follows:		
Mr WJ Falconer	25	25
Mr RB Keenan	20	8
Hon RM Richardson	23	18

Directors hold the following number of shares in Oyster Bay Marlborough Vineyards Limited:

	2006	2005
Mr JN Delegat	3,490	5,000
Ms RS Delegat	3,490	5,000
Mr WJ Falconer	45,369	65,000
Mr RB Keenan	3,839	5,500
Hon RM Richardson	6,108	8,750
Mr RL Wilton	6,980	10,000
Mr RL Wilton, Mrs S Wilton and Mrs N Dangen	3,490	5,000

Mr JN Delegat, Ms RS Delegat, Mr WJ Falconer, Mr RB Keenan, Hon RM Richardson, Mr RL Wilton, Mr RL Wilton, Mrs S Wilton and Mrs N Dangen all accepted the Delegat's Wine Estate partial share offer of \$6 per share dated 7 January 2006 and accordingly their shareholdings were reduced on 28 February 2006.

Mr RL Wilton and Mr JN Delegat, both Directors, and Ms RS Delegat, an Alternate Director, are Directors of Delegat's Group Limited and Delegat's Wine Estate Limited.

Directors' and Officers Insurance Liability

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

Use of Company Information

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

Employee Remuneration

The Company has no employees as all work undertaken on the vineyard is carried out by Delegat's Wine Estate Limited under contract.

Donations

The Company made no donations during the year.

SHAREHOLDERS' INFORMATION

NZAX Waivers

Grape Price Waiver

On 8 May 2006 NZX Regulation granted Oyster Bay a waiver from Rule B4.1 in respect of the outcome of the grape price negotiation under the purchase agreements in relation to future grape harvests up to the end of the term of the grape price agreements on the basis that the processes set out in the Purchase Agreements (which were summarised in the prospectus and disclosure document) are followed except that:

- Oyster Bay and Delegat's may agree the actual prices paid for brix levels per grape variety after 31 January; and
- Delegat's may make the part payments of the grape price by reference to the actual grape prices achieved for the previous year's harvest, until such time as the actual prices have been agreed and the actual brix levels and actual weight of each grape variety are known.

The waiver was granted on the following conditions:

- An independent appropriately qualified person appointed by Oyster Bay's independent Directors and approved by NZX provides a report to NZX Regulation stating that the negotiated grape prices are fair to minority shareholders of Oyster Bay within 10 working days of reaching agreement. For the avoidance of doubt NZX Regulation may make a determination that a person is not independent and appropriately qualified;
- The independent Directors of Oyster Bay provide certification to NZX Regulation that the negotiation was undertaken on an arm's length basis and the price and terms of the agreement are commercial and fair to minority shareholders within 10 working days of reaching agreement;
- The independent Directors certify that any delay in reaching agreement on the grape prices on or before 31 January was done because as at 31 January the independent Directors considered that such a delay was in the best interest of Oyster Bay within 10 working days of reaching agreement; and
- Oyster Bay reports to NZX Regulation at the expiry of each five year period from the date of granting of this waiver. At this point NZX Regulation will consider whether to review or revoke the waiver (NZX Regulation reserves full discretion in that regard).

The above conditions have been satisfied.

Constitution Waiver

Oyster Bay's shareholders adopted a new constitution at the 2004 annual meeting on 26 November 2004. Under the NZAX Listing Rules certain provisions were required to be included in the constitution. Oyster Bay applied for and was granted by NZX Regulation waivers from the requirements in Rule A3.1.1 of the NZAX Listing Rules that:

- Rules 7.3.4(ba), 7.3.5 and 7.3.6 of Appendix 1 be incorporated either by reference or contained within the constitution of Oyster Bay;
- Rule 7.5 of Appendix 1 (relating to issues and buybacks of securities affecting control) be incorporated or contained within the constitution of Oyster Bay, to the extent that any shareholder approval will require a special resolution instead of an ordinary resolution; and
- Rule 7.6.6 of Appendix 1 (relating to acquisition or redemption of equity securities) be incorporated or contained within the constitution of Oyster Bay, to the extent that any shareholder approval will require a special resolution rather than an ordinary resolution.

The waivers were granted on the following conditions:

- there was clear disclosure in the notice of meeting in respect of the 2004 annual meeting both that the constitution will not comply with the NZAX Listing Rules and of the effects of the clauses in the constitution that do not comply with the NZAX Listing Rules;
- there is ongoing disclosure of the waiver in Oyster Bay's annual reports; and
- Oyster Bay's shareholders approve the constitution containing the clauses in the constitution that do not comply with the NZAX Listing Rules.

The above conditions have been satisfied.

DIRECTORY

Board of Directors

William Falconer (Chairman)

Jim Delegat

Robert Wilton

Ross Keenan

Hon. Ruth Richardson

Rose Delegat (*Alternate Director for Jim Delegat and Robert Wilton*)

Registered Office

Level 1, 16 Viaduct Harbour Avenue

Maritime Square, Auckland.

Management Office

PO Box 91 681, Auckland Mail Centre, Auckland 1010

Telephone: 64 9 359 7300

Facsimile: 64 9 359 7359

Email: info@obmvl.co.nz

Website: www.obmvl.co.nz

Independent Viticultural Consultant

Vine to Wine To Market Limited

7 Ewen Alison Avenue, Devonport, Auckland

PO Box 32 170, Auckland 0624

Bankers

Westpac Banking Corporation

318 Lambton Quay, Wellington

PO Box 691, Wellington 6011

Auditors

PricewaterhouseCoopers

188 Quay Street, Auckland

Private Bag 92 162, Auckland 1010

Share Registrar

Link Market Services

P O Box 384, Ashburton 7700

Solicitors

Kensington Swan

18 Viaduct Harbour Avenue

Private Bag 92 101, Auckland 1010

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