Terra Vitae Vineyards Limited

The Marlborough hand harvest team picking Seddon Single Vineyard Pinot Gris

Machine Harvesting Syrah at Twyford Gravels

Annual Report

For the year ended 30 June 2017

Terra Vitae Vineyards Limited

Financial Statements

For the year ended 30 June 2017

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CHAIRMAN'S REPORT 2017

Terra Vitae Vineyards Ltd

On behalf of your Board of Directors I have pleasure in presenting the Annual Report of Terra Vitae Vineyards Ltd for the year ended June 30, 2017.

In my post-harvest letter to you dated June 20, 2017, I wrote about the huge challenge we had with the weather in the 2016/17 season with a cool wet spring and summer affecting flowering during early December. This resulted in less than average fruit sets across all varieties and then as harvest started in Hawke's Bay, cyclones Donna and then Cook destroyed up to 30% in some of the region's vineyards of what were very promising crops. In Marlborough as the harvest was about to begin we had heavy rain on and off throughout harvest, making it extremely difficult to get crops up to the brix levels required and then to pick the grapes when it wasn't pouring with rain. Our crops in Marlborough were up 7% on budget and in Hawke's Bay down 13%. On May 8 we posted the following announcement on the Unlisted Market.

Terra Vitae is pleased to advise that the targeted harvested tonnage was met for 2017. This was one of the most difficult vintages in our history, with record rainfall in both regions during the critical ripening period. Our vineyard managers have, through careful planning and management of the crop, enabled us to achieve this pleasing result. Although pricing discussions have not yet been completed, we are confident that our annual profit will be in line with budget

The total harvest was 4,141 tonnes with the total production being 105% of budget, and resulted in gross sales of $ 7,686,501. A breakdown of the harvest by vineyard is provided on the following page.

FINANCIAL RESULTS

Recent changes to the International Financial Reporting Standards have had a dramatic effect on our reported profitability, with grape vines having to be treated the same as property, plant and equipment for depreciation purposes from the start 2017 financial year which we are reporting on. This does not impact on the cash flow of the company nor the setting of dividends, however it is reflected in the net profit reported in the Income Statement. For clarity we have separated out the operating performance from the fair value adjustments, depreciation expenses and one off development expenses in the Income Statement. Your Board believes that reporting profit before income tax, interest and depreciation (EBITDA) provides a good comparison from year to year. The performance on that basis for the past three years is detailed below:

	2017	**2016**	**2015**
Profit Before Tax	$ 303,228	$1,751,406	$1,013,710
Depreciation	$1,796,544	$2,084,715	$ 610,553
Interest	$1,485,634	$1,592,011	$1,624,075
EBITDA	**$3,585,406**	**$5,428,132**	**$3,248,338**

The total gross income from grape sales was $7,686,501 and after expenses the operating profit was $520,562 (2016 $1,899,709) After accounting for valuation adjustments, impairments, redevelopment and depreciation expenses, the 2017 net profit before tax was $303,228 (2016 $1,751,406).

Your Board has resolved to declare a dividend of 1.5 cents per share of $600,000 (the same as last year) payable on 15 December 2017 with a record date of 30 November 2017. The remaining amount will be used to continue with the capital upgrade projects, including the Twyford replant program, providing water storage at Seddon Vineyards and hold a buffer in the accounts for working capital.

The wine makers tell us, that in spite of what can only be described as an incredibly challenging harvest, there are going to be excellent wines produced from the grapes across both regions, which result in us receiving additional price premiums based on grape quality. Following New Zealand's record 2014 crop of 445,000 tonnes, the crop tonnage in 2017 was 396,000 tonnes.

Terra Vitae's average yield per ha. compares favourably with the industry average, as shown below in the yield per ha. statistics from the past two years:

Yield per ha.	2017	2016
Industry	10.7	12.0
TVV	11.2	12.7

The results in our individual vineyards are illustrated in the chart below. It was an excellent performance in our large Higgins Road/Seddon vineyard given the poor flowering and dreadful weather at harvest with Taylors Pass, Keltern, and Twyford being dramatically affected by the poor flowering and challenging weather at harvest. As planned for the last three years, the replanting program at Twyford Gravels is well underway with 6 ha having already been replanted.

Overall we produced a total of 4141 tonnes as against last year's 4693 tonnes. The chart below shows each vineyards production in tonnes and dollars and compares those figures with last years.

Vineyard	Yield 2017	Yield 2016	Crop Value 2017	Crop Value 2016
Seddon	928	1074	$1,734,142	$2,162,219
Higgins Road	2008	2081	$3,509,235	$3,750,935
Taylors Pass	819	1108	$1,551,211	2,043,644
Keltern	319	347	$680,197	$744,970
Twyford Gravels (Currently replanting)	67	83	$211,716	$220,639
Totals	**4141**	**4693**	**7,686,501**	**$8,922,407**

Terra Vitae has adopted a long term view to maximising the returns from its vineyards, concentrating on sustainable yields of good quality grapes and the long term health of the vines. This is supported by the average tonnes per hectare data provided. We will continue to strive to achieve the highest return for shareholders every year, but as happened this year, various factors out of our control will have an impact in any given season.

This coming season we are embarking on a comparative study in a small area at the Keltern and Seddon vineyards. The trial is to look at alternative management techniques for the under vine strip in the vineyards, which has historically been controlled using herbicide applications. The yield and economic results of using cultivation in place of weed spraying will be evaluated as will less use of potent insecticides on our vines for Mealy bug control.

Risk management plays an important part of your Boards long term planning and for the last two or three years I have indicated in my annual reports to you that we have been considering the importance of providing water storage at our two Marlborough vineyards. Our due diligence concluded that the best solution for our largest vineyard was to build a storage pond on the vineyard. Planning is well advanced with tenders about to be let for construction of a 150,000 cubic meter storage pond. The vineyard will be irrigated from the pond which will have the important advantage of always having clean water to irrigate when the river is dirty from summer storms in the mountains. These storms occur during the important summer season and cause us not to be able to irrigate for up to 10 days at a time due to the sediment levels in the water. This is a major issue as it can be raining with thunderstorms at the top the valley and hot, dry and windy on the vineyards! It will also mean that we can continue to irrigate the vineyards when in a dry season the supply of water for irrigation directly from the river is cut off due to low flows in the river, which may among other things, affect fish life.

At our two North Island vineyards water is also a major issue with a Ngaruroro Water Conservation Order proposed for the Ngaruroro and Clive rivers in Hawke's Bay. This has the potential to seriously affect both the Keltern and Twyford vineyards, Terra Vitae through Villa Maria has joined with the viticultural and horticultural industry in Hawke's Bay in submitting to the hearings that the rivers, with continued good management can continue to provide water for the area to produce crops of huge economic value to the region and at the same time preserve the natural environment for both wildlife and human enjoyment. As I write this report water has become a huge election issue and as a pastoralist and businessman I am hoping that common sense prevails and that we all work through the issues of water with balance, and both economic and common sense.

The replacement program of plant and machinery and the continued upgrade of irrigation and infrastructure in the vineyards continues along with the completion phase of the replanting of the Twyford Gravels vineyard following the desecration of the vines by the leafroll virus.

This year instead of having a vineyard field day we held a very successful degustation dinner at the Villa Maria winery in Auckland. The Board decided that due to the falling numbers attending the annual field days they would be held every second year and a degustation dinner or similar event would be held in the alternate years. We had a good number of shareholders attend the first dinner who enjoyed a very informative presentation on the vineyards and an update of the year to date. This coming year's event will be a field day in Hawke's Bay with visits to both the Keltern and Twyford Gravels vineyards followed by lunch at the Te Awa Winery.

AWARDS

A small sample of some of the awards achieved over the last year which includes wine produced from your vineyards is listed below.

Brand	Variety	Vineyard	Vintage	Competition/Source	Award	Award Year
VM Single Vineyard	Pinot Noir	Seddon	2013	Marlborough Wine Show	Trophy/Gold	2016
VM Single Vineyard	Pinot Noir	Seddon	2014	Marlborough Wine Show	Gold	2016
VM Single Vineyard	Pinot Gris	Seddon	2016	Royal Easter Show Wine Awards	Gold	2017
				Winestate Magazine Australia	5/5 Stars	2017
VM Single Vineyard	Pinot Noir	Taylors Pass	2013	Six Nations Wine Challenge	Gold	2016
				Marlborough Wine Show	Gold	2016
VM Single Vineyard	Chardonnay	Taylors Pass	2013	New Zealand International Wine Show	Gold	2016
VM Single Vineyard	Pinot Noir	Taylors Pass	2014	Winestate Magazine Australia	5/5 Stars	2017
				Air New Zealand Wine Awards	Gold	2016
VM Single Vineyard	Chardonnay	Taylors Pass	2014	Sydney International Wine Competition	Blue Gold	2016
			2014	Air New Zealand Wine Awards	Pure Elite Gold	2016
VM Single Vineyard	Chardonnay	Taylors Pass	2015	Royal Easter Show Wine Awards	Gold	2017
VM Single Vineyard	Sauv Blanc	Taylors Pass	2016	Sunset Magazine's International Wine Competition	Gold	2017
VM Reserve	Merlot	Twyford Gravels	2014	Decanter World Wine Awards, UK	Trophy	2017
				Six Nations Wine Challenge	Double Gold	2017
VM Reserve	Chardonnay	Taylors Pass	2015	Royal Easter Show Wine Awards	Gold	2017
				Winestate Magazine	5 Stars	2017
VM Reserve	Syrah	Twyford Gravels	2014	NZ International Wine Show	Trophy	2016
				Cuisine Magazine	5 Stars	
VM Single Vineyard	Chardonnay	Keltern	2015	Bragato Wine Awards	Pure Gold	2016
				Air NZ Wine Awards	Gold	2016
				NZ International Wine Show	Gold	2016
				Winestate Magazine	5 Stars	2016
VM Single Vineyard	Chardonnay	Keltern	2016	Cuisine Magazine	5 Stars	2017
				Winestate Magazine	5 Stars	2017

SHARE TRADING

The company continues to list its shares on the Unlisted Market. There were 4,166,200 shares traded in the twelve months to 30 June 2017 with the price ranging from 41 cents to 52 cents during this period. The new requirements of the International Financial Reporting Standards have impacted on the measurement of NTA per share with the restated value as at 30 June 2016 being 84.7 cents. This has increased to 87.4 cents at 30 June 2017.

DIRECTORS AND AGM

This year Sir George Fistonich retired by rotation and indicated that he was willing to stand again. As there were no other nominations received by the due date Sir George was duly re-elected as per the constitution. Fabian Yukich was appointed as Sir George's alternate, to attend meetings on his behalf in his absence. Sir George frequently travels internationally in his ambassadorial role for Villa Maria.

Our AGM is set to be held at the Villa Maria Winery in Auckland on November 27 at 2.30pm and I look forward to meeting with many of you there. Following the AGM we will be serving afternoon tea and Villa Maria will have a tasting of a range of wines, including wines from the Terra Vitae vineyards.

Finally I want to thank the Villa Maria viticulture team led by Ollie Powrie assisted by Stuart Dudley in Marlborough and Jonathan Hamlet in Hawke's Bay for the excellent way in which they manage our vineyards to top industry standards. Thank you to our vineyard managers Kevin Searles, Ian Buck, Hamish McGhie (Keltern Assistant Manager) and Cameron Price for the very professional way in which they and their vineyard teams work to consistently produce above industry average results on the vineyards and along with our viticulture advisor Mark Allen, they combine to be a very hardworking capable team. It is with regret that I announce that Garrie Armstrong left his role of managing Seddon Vineyard for Terra Vitae on 30 June 2017 and moved to a role of developing a new vineyard in the Wairau Valley. After a vigorous process of replacing him from the open market, Kevin Searles, our previous assistant manager at Seddon Vineyards, was the successful candidate and took up the role on 1 July 2017. We welcome Kevin to the manager's role and look forward to working with him in the future.

Finally thank you Sir George, Andrew and Milan for the strong governance and professional way in which you direct the company. Your board meets regularly in person and by teleconferencing to govern the company on your behalf and always works in the best interest of your company. I also want to record the Boards thanks to our Company Secretary Alan, who works tirelessly for the smooth operation of the business in the best interest of you the shareholders and supports me patiently in my role as your Chairman.

Joe Ferraby
Chairman

Terra Vitae Vineyards Limited

Directors' Report & Responsibility Statement

The Board of Directors have pleasure in presenting the annual report of Terra Vitae Vineyards Limited, incorporating the financial statements and the independent auditors' report, for the year ended 30 June 2017.

Principal Activity

The principal activity of the Company continued to be the growing of grapes for the wine industry.

Results	**2017**	**2016 Restated**
	$	**$**
Profit for the year	218,067	1,257,225
Total Equity of the Company	34,938,039	33,883,971
Total Assets of the Company	61,737,307	62,358,139

Auditors

The directors are proposing that RSM Hayes Audit be appointed as auditors for the ensuing year.

Related Parties

All transactions conducted by the Company with Villa Maria Estate Limited, Vineyard Plants Limited and Vine Test Lab Limited, companies of which Sir George Fistonich is a current director, are interested transactions. All transactions conducted by the Company with Farmlands Cooperative Limited of which David Ferraby is a current director, are interested transactions. Details of these are given in Note 24 to the financial statements.

Directors' remuneration

During the year the Company paid the following directors' fees as approved by the shareholders:

David Ferraby	$36,000
Sir George Fistonich	$18,000
Andrew Pearson	$18,000
Milan Brajkovich	$18,000
	$90,000

Directors' Loans

There were no loans by the Company to the directors during the year.

Directors' Indemnity and Insurance

The Company has arranged policies of Directors Liability Insurance to ensure that generally, directors will incur no monetary loss as a result of actions taken against them as directors.

Directors' Shareholding

The directors' current shareholdings in the Company are as follows:

D Ferraby	30,000	shares
G Fistonich	503,240	shares
A Pearson	61,000	shares
M Brajkovich	26,000	shares

Terra Vitae Vineyards Limited

Directors' Report Continued

Significant Events

No significant events occurred during the year under review.

Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements present fairly, in all material respects, the statement of financial position as at 30 June 2017 and the income statement, statements of other comprehensive income, changes in equity and cash flows for the Company for the year then ended.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied (subject to the change in accounting policy detailed in note 27) to the periods 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 Markets Conduct Act 2013 and the Companies Act 1993.

The Directors consider that they have taken adequate steps to safeguard assets of the Company. The financial statements have been prepared on a going concern basis. Subject to note 4(iii) nothing has come to the attention of the directors to indicate that the Company will not remain a going concern in the foreseeable future.

The Board of Directors of the Company authorised these financial statements presented on pages 7 to 34 for issue on 28 September 2017

For and on behalf of the Board.

D Ferraby Director	A Pearson Director
Thursday, 28 September 2017	Thursday, 28 September 2017

Terra Vitae Vineyards Limited
Income Statement
For the year ended 30 June 2017

	Notes	**2017** $	2016 Restated $
Revenue			
Sale of Grapes		7,686,501	8,922,407
Interest		4,907	688
Dividends		-	488
Services rendered-Harvesting Income		168,948	167,397
		7,860,356	9,090,980
Production Costs	8	3,632,898	3,210,230
Depreciation on Bearer Plants	8	1,098,620	1,486,909
Depreciation on Land Development and Plant	8	598,761	534,500
Total Cost of Sales		5,330,279	5,231,639
Gross profit		2,530,077	3,859,341
Other Income			
Sundry income	7	58,974	61,910
Gain/(loss) on sale of fixed assets		(7,500)	99,648
Total Other Income		51,474	161,558
Operating Expenses			
Administrative costs	8	212,732	225,674
Depreciation on Other Assets	8,12	99,163	63,306
Finance costs	8	1,485,634	1,592,011
Other expenses	8	263,460	240,199
Total operating expenses		2,060,989	2,121,190
Profit from Operations		520,562	1,899,709
Plus valuation adjustments, impairments and development costs			
Fair value movement in other property, plant and equipment	8	(37,864)	(23,954)
Redevelopment expenses	8	(109,681)	(124,349)
Impairment of Bearer Plants	8	(69,789)	-
		(217,334)	(148,303)
Profit before income tax		303,228	1,751,406
Income tax (expense)/credit	9	(85,161)	(494,181)
Profit for the year		218,067	1,257,225
Profit for the year is attributable to:			
Ordinary equity holders of the company		218,067	1,257,225
Basic and diluted earnings per share	26	0.01	0.03

The above Income Statement should be read in conjunction with the accompanying notes.

Terra Vitae Vineyards Limited
Statement of Other Comprehensive Income
For the year ended 30 June 2017

	Notes	**2017** $	2016 Restated $
Profit for the year		218,067	1,257,225
Other comprehensive income			
*Revaluation of land, land developments, buildings and other assets	18	1,455,834	1,916,206
Income tax relating to revaluation	15	(19,833)	(80,697)
Other comprehensive income for the year, net of tax		1,436,001	1,835,509
Total comprehensive income for the year, net of tax		1,654,068	3,092,734
Attributable to:			
Ordinary equity holders of the company		1,654,068	3,092,734

* - represents the net increase (decrease) in the revaluation reserve

The above Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

Terra Vitae Vineyards Limited
Statement of Financial Position
As at 30 June 2017

	Notes	**2017** $	2016 Restated $	2015 Restated $
Current assets				
Cash and cash equivalents	10	6,052	2,268	1,228
Prepayments and other receivables	11	157,804	82,557	179,723
Related party receivables	24e	4,546,806	5,335,741	4,844,865
Current tax receivable	9	-	13,235	6,640
Total current assets		4,710,662	5,433,801	5,032,456
Non-current assets				
Property, plant and equipment	12	57,022,847	56,920,540	55,785,562
Other financial assets	13	3,798	3,798	2,023
Total non-current assets		57,026,645	56,924,338	55,787,585
Total assets		61,737,307	62,358,139	60,820,041
Current liabilities				
Interest bearing liabilities	16	249,592	243,419	200,016
Current tax payable	9	59,151	-	-
Trade and other payables	14	369,562	217,182	353,218
Related party payables	24e	85,288	87,210	84,739
Total current liabilities		763,593	547,811	637,973
Non-current liabilities				
Interest bearing liabilities	16	20,271,328	22,003,507	23,642,859
Deferred tax liability	15	5,764,347	5,922,850	5,347,972
Total non-current liabilities		26,035,675	27,926,357	28,990,831
Total liabilities		26,799,268	28,474,168	29,628,804
Net assets		34,938,039	33,883,971	31,191,237
Equity				
Share capital	17a	28,800,000	28,800,000	28,800,000
Retained earnings		(3,458,778)	(3,076,845)	(3,934,070)
Asset revaluation reserve	18	9,596,817	8,160,816	6,325,307
Total equity		34,938,039	33,883,971	31,191,237

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Terra Vitae Vineyards Limited
Statement of Changes in Equity
For the year ended 30 June 2017

	Notes	Share capital $	Asset revaluation reserve $	Retained earnings $	Total $
Balance as previously reported at 1 July 2015		**28,800,000**	**7,873,536**	**(5,482,299)**	**31,191,237**
Transitional Adjustment to Bearer Plants	27		(1,548,229)	1,548,229	-
Restated balances at 1 July 2015		28,800,000	6,325,307	(3,934,070)	31,191,237
Profit for the year ended 30 June 2016 as restated		-	-	1,257,225	1,257,225
Other comprehensive income		-	1,835,509	-	1,835,509
Total comprehensive income for the year restated		-	1,835,509	1,257,225	3,092,734
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	6,514	6,514
Dividends paid	19	-	-	(406,514)	(406,514)
Restated balances at 30 June 2016		28,800,000	8,160,816	(3,076,845)	33,883,971
Balance as at 1 July 2016		**28,800,000**	**8,160,816**	**(3,076,845)**	**33,883,971**
Profit for the period		-	-	218,067	218,067
Other comprehensive income		-	1,436,001	-	1,436,001
Total comprehensive income for the year		-	1,436,001	218,067	1,654,068
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	9,914	9,914
Dividends paid	19	-	-	(609,914)	(609,914)
Balance as at 30 June 2017		**28,800,000**	**9,596,817**	**(3,458,778)**	**34,938,039**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Terra Vitae Vineyards Limited
Statement of Cash Flows
For the year ended 30 June 2017

	Notes	**2017** $	2016 $
Operating Activities			
Cash was provided from:			
Receipts from customers		8,609,660	8,598,928
Interest received		4,907	688
Dividends received		-	488
Other income received		58,974	61,910
Income tax refunded		215	215
Cash was disbursed to:			
Payments to suppliers		(3,999,155)	(3,712,499)
Interest paid		(1,485,634)	(1,592,011)
Income taxes paid		(191,326)	(6,810)
Net cashflows from operating activities	21	2,997,641	3,350,909
Investing activities			
Cash was provided from:			
Sale of property, plant and equipment		17,000	259,391
Cash was applied to:			
Purchase of property, plant and equipment		(676,809)	(446,028)
Net cashflow from investing activities		(659,809)	(186,637)
Financing activities			
Cash was applied to:			
Repayment of bank borrowings		(1,482,587)	(2,384,351)
Repayment of finance leases		(251,461)	(378,882)
Payment of Dividend		(600,000)	(400,000)
Net cashflows from financing activities		(2,334,048)	(3,163,233)
Net increase in cash and cash equivalents		3,784	1,040
Cash and cash equivalents at beginning of year		2,268	1,228
Cash and cash equivalents at end of the year	10	6,052	2,268

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2017

1 General Information

Terra Vitae Vineyards Limited grows grapes for sale to wine producers. The company is a limited liability company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993. The address of its registered office and principal place of business is 10 Birman Close, Half Moon Bay, Auckland, New Zealand. The company is a profit oriented entity. The Company is a FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013.

These financial statements were authorised for issue by the Board of Directors on 28 September 2017. The entity's owners do not have the power to amend the financial statements after issue.

2 Summary of Significant Accounting Policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other financial reporting standards as applicable to profit oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

Entity reporting

The financial statements are for Terra Vitae Vineyards Limited as a separate legal entity.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of bearer plants and some classes of property, plant & equipment, which are stated at fair value.

Accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Change in accounting policies

As detailed in note 27, the company has changed its accounting policy in respect of its vines (bearer plants). All other policies adopted are consistent with the prior year.

(b) Segment reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM). The CODM, being the Board of Directors, are responsible for the allocation of resources to operating segments and assessing their performance.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. All values are rounded to the nearest dollar unless otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2 Summary of Significant Accounting Policies (continued)

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services, net of Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

(i) Sale of grapes

The primary source of revenue for the company is from the sales of grapes harvested. Revenue is recognised when the significant risks and rewards of ownership have passed to the customer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the customer at the time of delivery of the grapes.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Income tax

The income tax expense comprises both current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. Deferred tax is recognised in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxation authority.

(f) Goods and Services Tax (GST)

The Income Statement has been prepared so that all components are stated exclusive 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. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority is classified as part of the operating cash flows.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. For the statement of cash flows presentation purposes, cash and cash equivalents also include bank overdrafts.

(h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependant on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the reduction of the liability.

2 Summary of Significant Accounting Policies (continued)

Leases of plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and interest charges. The corresponding lease payments, net of finance charges, are included in interest bearing liabilities. The interest is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

(i) Impairment of non-financial assets
Assets with finite useful lives are subject to depreciation and amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The value in use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(j) Trade & other receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. Trade receivables are due for settlement as per the terms of the Vineyard Management and Grape Purchase Agreement with Villa Maria Estate Ltd. The last date for payment under this agreement is 31 October each year. Collectability of trade receivables is reviewed on an ongoing basis.

An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Other receivables are recognised at amortised cost, less any provision for impairments.

(k) Investments and other financial assets
(i) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance date. These are classified as non-current. The company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (notes j and g).

(ii) Available for sale financial assets
Available for sale financial assets are non derivatives that are either designated in this category or not classified in any other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of investments are recognised on trade date or the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company has accounted for its available for sale financial assets at cost because there is no quoted market price available, and the range of reasonable fair value estimates using valuation techniques is significant and the probabilities of the various estimates cannot be reasonably assessed.

(l) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

2 Summary of Significant Accounting Policies (continued)

(m) Property, plant and equipment

Land, land developments and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings and land developments. The valuations are undertaken more frequently if there is a material change in the fair value, relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, land developments and buildings are credited to an asset revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the Income Statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Income Statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Freehold buildings	25 - 33 years
Land developments	33 years
Motor vehicles	3 - 10 years
Plant	2 - 20 years
Vines (Bearer Plants)	1 - 27 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the entity.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Income Statement. When revalued assets are sold, it is company policy to transfer the amounts included in the asset revaluation reserve in respect of those assets to retained earnings.

(n) Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Borrowing costs

Borrowing costs for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Once the asset is brought into productive use, capitalisation of the borrowing costs ceases. All other borrowing costs are expensed when incurred, including; interest on bank overdraft, interest on short term and long-term borrowings, interest on finance leases and unwinding of discount on provisions.

The Company did not capitalise any borrowing costs in the current year.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Due to their short term nature, they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 20 days after the end of the month of recognition.

(q) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

2 Summary of Significant Accounting Policies (continued)

(r) Bearer Plants
Grape vines
Grape vines were initially measured at their deemed cost based on the previously assessed fair value at 1 July 2015, and are depreciated over their expected remaining useful life. The useful lives of bearer plants are reviewed annually and their carrying value considered for impairment by reference to a valuation by an independent valuer.

(s) Contributed equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Earnings per share
(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3 New Standards and Interpretations

Standards not yet in effect
The company has reviewed all new standards and interpretations and amendments in issue and not yet adopted and does not expect these standards to have any material impact on the financial statements of the Company, except for the revision to accounting standards noted below.

NZ IFRS 15 *Revenue from Contracts with Customers* is expected to be effective for periods commencing on or after 1 January 2018. NZ IFRS 15 introduces a new model for the recognition of revenue, and contains more detailed requirements than the previous standard. The company is yet to assess the impact of the new standard.

NZ IFRS 16 – *Accounting for Leases* will require lessees to recognise a lease liability reflecting future lease payments and a 'right-of use asset' for virtually all lease contracts – there is no distinction between operating and finance leases for lessees. Under NZ IFRS 16 a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for periods beginning on or after 1 January 2019. The company is yet to assess the impact of the new standard, however as a minimum the lease commitments disclosed in Note 23 will require recognition as a lease liability and corresponding rights of use of the asset.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and profit within the next financial year are discussed below.

(i) Valuation of land and buildings
Land (including land development) and buildings are measured at fair value as determined by an independent valuer. The independent valuer uses valuation techniques which are inherently subjective and involve estimation. The fair value of land, land development and buildings at 30 June 2017 is $35,989,997 (2016: $34,797,995). The increase in their fair value, net of impairment losses or reversals, for the year ended 30 June 2017 is $1,192,001 (2016: increase of $1,683,975). (Refer to note 12.)

4 Critical Accounting Estimates and Judgements (continued)

(ii) Estimation of useful lives of assets
The estimation of the useful lives of assets (including grape vines) has been based on historical experience and current asset replacement plans. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

(iii) Going concern
During the current period, the Company's Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future.

The Directors have taken into account a number of factors in forming this view including the following:

1. The Company was established to grow premium grapes under a long term contractual arrangement with Villa Maria. This agreement is current with rights of renewal up until 2115.

2. The Vineyard Management and Grape Purchase Agreement requires Villa Maria to purchase all grapes grown on the Company's vineyards at market prices (subject to minimum quality specifications). The Company therefore expects to sell all its grapes harvested in the foreseeable future to Villa Maria.

3. The vineyards are in two regions at four locations providing some diversity and protection against the effects of climatic and geological events.

4. The company is trading profitably and expects to continue to do so.

5 Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (price risk, cash flow and fair value interest rate risk), credit risk, liquidity risk and agricultural risk.

Risk management is carried out by the Board of Directors. The Board identifies and evaluates financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, investment of excess liquidity and agricultural risk.

(a) Market risk

(i) Foreign exchange risk

The Company has no direct currency risk. No assets or liabilities are held in foreign currency and the Company's purchases and sales are in New Zealand dollars.

(ii) Price risk

The Company sells the vast majority of it's grape harvest under a Vineyard Management and Grape Purchase Agreement with Villa Maria Estate Limited. The price paid for the grapes is based on the average price paid for each variety by similar sized companies in each region. These prices are verified with the Company's Independent Consultant and other industry sources. Various quality factors are also taken into account in assessing the final price paid. As the selling price is set on an annual basis, the Company is exposed to movement in the price paid, however no financial instruments are held that are exposed to this risk at balance sheet date.

(iii) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's long term borrowings from Rabobank have both a variable and fixed interest rate portion. At 30 June 2017, of the total borrowings of $19,370,144, $19,370,000 was held under fixed rate agreements of varying periods of time. None of those borrowings had interest rates fixed for more than 3 years.

Sensitivity Analysis

As the company has only $4,397 of borrowings at variable rates, no change in floating rates would have a significant impact on profit or equity.

(b) Credit risk

Credit risk is managed on a regular basis. Credit risk arises from outstanding receivables from debtors. As part of the company's financial risk policy, the company closely monitors compliance with the defined payment plan set out in the Grape Supply Agreement and other trading terms set with other customers. Credit risk is therefore not significant. The company does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

The Company has only one significant debtor at the reporting date:

	2017	2016
Counter party		
Villa Maria Estate Limited	$ 4,546,806	$ 5,335,741

The outstanding balance at the time of authorising the financial statements was within the trading terms. The balance is not considered impaired.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2017

5 Financial Risk Management (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Interest payable has been calculated at balance date rates, assuming bank borrowings at balance date are held to maturity.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2017				
Trade payables	$ 454,850	$ -	$ -	$ -
Bank borrowings	$ 1,246,662	$ 1,111,158	$ 3,341,557	$ 20,977,518
Obligations Under Finance Leases	$ 204,707	$ 643,636	$ 302,434	

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2016				
Trade payables	$ 304,395	$ -	$ -	$ -
Bank borrowings	$ 1,489,268	$ 1,356,746	$22,573,081	$ -
Obligations Under Finance Leases	$ 243,419	$ 699,324	$ 451,452	$ -

Payments due in less than one year are expected to be met within existing facility limits. Management intend to renew or replace the existing bank debt facility upon expiry.

(d) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Refer to the accounting policies for fair value estimation methods.

The carrying value of cash and cash equivalents, trade receivables and trade payables are assumed to approximate their fair values due to the short term nature of these financial instruments.

The carrying value of bank borrowings at balance date was $19,370,144 (2016 $20,852,731) with a fair value of $19,741,075 (2016: $21,588,383). The fair values of balances with fixed interest rates have been estimated with reference to market rates for instruments with the same or similar terms that could have been taken out at balance date. Balances with floating rates are assumed to approximate their fair value. This estimate is a level 2 estimate in accordance with NZ IFRS 13: Fair Value Measurement.

(e) Financial risk management strategies related to agricultural activity.
The Company is exposed to financial risks in respect of agricultural activities. The agricultural activities of the Company primarily consist of the ownership of vineyards to produce grapes that are then sold to Villa Maria Estate Limited for the production of wine. The primary risk borne by the Company is caused by the length of time between when the cash is expended on the purchase or planting and maintenance of grape vines and on harvesting grapes and the ultimate realisation of proceeds from the sale of the grapes. The realisation of proceeds from the sale of grapes is however governed by the Vineyard Management and Grape Purchase Agreement that stipulates the exact time that the money is expected to be received. The Company also takes reasonable measures to ensure that the current year's harvest is not affected by disease, drought, frost, or other factors that may have a negative effect upon yield and quality. These measures include consultation with experts in viticulture, frost protection measures, and ensuring that each vineyard is managed according to the Vineyard Management and Grape Purchase Agreement.

6 Segment Information

The company operates in one industry segment being the cultivation of vineyards and the harvest of grapes. The company operates in one geographic segment, being New Zealand.

Management have determined the operating segments based on the reports reviewed by the Board that are used to make decisions.

The Company manages three vineyards in the Marlborough region and two vineyards in the Hawkes Bay region, both in New Zealand. The five vineyards have the same economic, procurement and cultivation methods and the same end customer and are considered a single segment as defined by NZ IFRS 8. The segment result is equivalent to the financial information as presented.

7 Other income

	2017	2016
	$	$
Sundry Income		
Grazing Income	15,452	13,550
Rental Income	30,444	22,153
Contracting Income	13,078	26,207
Total sundry income	58,974	61,910

8 Expenses

Cost of sales		
Fertilizer	182,579	167,833
Frost Control	29,444	50,532
Pesticides	237,870	215,770
Herbicides	18,700	20,756
Irrigation Running	78,109	79,597
Labour & Contractor Costs	2,196,323	1,898,814
Machinery Running	83,730	86,674
Pellenc Tractor Maintenance	54,010	26,148
Harvesting Costs	124,376	132,462
Rates	69,407	65,016
Repairs & Maintenance	286,490	199,492
Vine Removal Costs	263	3,674
Operating Lease Expenses	138,660	116,320
Other Vineyard Expenses	132,937	147,142
	3,632,898	3,210,230

Additional notes on income & expenses

Harvesting Income - is the value of harvesting work performed by the company for the use of the Seddon and Taylors Pass Harvesters on non-company vineyards.

Frost Control - includes costs of running frost fighting pumps and equipment including frost fans, diesel pots and the hire of helicopters.

Irrigation Running - includes repairs & maintenance to the irrigation system and power charges.

Labour & Contractor Costs - Includes the cost of employing both permanent and seasonal labour on the company vineyards.

Machinery Running - includes the fuel cost of running vineyard machinery and hireage of vineyard machinery.

Harvesting Costs - includes both the cost of employing contract harvesters during peak times and hand harvesting costs for reserve quality grapes.

Repairs & Maintenance - Includes the maintenance of machinery, trellising, vineyard tracks and buildings.

Other Vineyard Expenses - the major costs included are Bird Control, FBT and ACC levies, Plant & Soil Analysis, Communications, Motor Vehicle expenses and Power (other than irrigation).

Operating Expenses	**2017**	2016
	$	$
Administrative Costs		
Remuneration of auditors		
RSM Hayes Audit: audit of financial statements:	21,200	20,000
RSM Hayes Audit: audit of share register:	1,000	1,000
Bank Fees	612	1,464
Management Consulting	5,009	8,447
Administrative Services	40,152	62,817
Share Register Charges	22,567	18,438
Company Secretarial	50,000	30,000
Insurance	42,620	41,564
Travel Expenses	4,842	7,463
Shareholder Meeting Expenses	14,523	13,633
Other Administrative Costs	10,207	20,848
	212,732	225,674
Depreciation		
Land Development	210,902	207,073
Buildings	42,780	41,807
Plant	387,860	327,428
Office Equipment	1,493	1,314
Motor Vehicles	54,890	20,186
Bearer Plants Depreciation	1,098,620	1,486,909
	1,796,544	2,084,715
Finance Costs		
Interest Paid	1,485,634	1,592,011
Other Expenses		
Grape Growers Levy	52,421	60,027
Directors Fees	90,000	60,000
Legal Expenses	4,325	3,813
Vineyard Management Fee	116,714	116,359
	263,460	240,199

Valuation Adjustments and Redevelopment Costs

Redevelopment Expenses		
Twyford Gravels - Preliminary redevelopment works (non-capital)	7,306	4,710
Twyford Gravels - Carrying value of Bearer Plants removed	102,375	12,614
Taylors Pass - Disposal of Irrigation System	-	107,025
	109,681	124,349
Fair Value Movement in other property, plant & equipment		
Twyford Gravels-Non-Biological Assets	37,864	23,954
	37,864	23,954
Impairment of Bearer Plants		
Twyford Gravels	69,789	-
	69,789	-

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9 Income Tax

	2017	2016
	$	$
(a) Income tax (credit)/expense		
Current Tax		
Current tax on profits for the year	263,497	753,924
Adjustments in respect of prior years	-	-
Deferred tax		
Origination and reversal of temporary differences	(178,337)	(259,745)
Recognition of deferred tax asset on previously unrecognised tax losses (see note 16)	-	-
	85,161	494,180
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	303,228	1,751,406
Tax at the New Zealand tax rate of 28%	84,904	490,394
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Fair value changes in Property, Plant & Equipment		
Recognition of deferred tax asset on previously unrecognised tax losses (see note 16)	-	-
Permanent differences	257	3,787
Income tax (credit)/expense	85,161	494,181
Included under Current Assets		
Income tax receivable/(payable) at beginning of year	13,235	6,640
Income Tax Expense in respect of current period	(263,497)	-
Net Income Tax Paid/(Refunded)	191,111	6,595
Income tax receivable/(payable) at year end	(59,151)	13,235
The weighted average applicable tax rate was 28%		
(c) Imputation credit account		
Balance at beginning of year	56,384	211,637
Tax payments/(refunds)	179,830	(6,508)
Credits attached to interest & dividends received	1,368	171
Imputation credits attached to dividends received	0	125
Imputation credits attached to dividends paid	(223,421)	(149,041)
Amount of Imputation credits available for use in subsequent years	14,161	56,384

10 Cash and Cash Equivalents

Bank balances	6,052	2,268
Total cash and cash equivalents	6,052	2,268

At present, funds are generally applied to the company's "All in One Facility" with Rabobank in order to minimise interest expenditure.

11 Prepayments and Other Receivables

GST Receivable	49,645	37,302
Prepayments	63,978	35,798
Other Receivables	44,181	9,457
Total prepayments and other receivables	157,804	82,557

12 Property, Plant and Equipment

	Land	Land development	Buildings	Plant and Office Equipment	Motor vehicles	Bearer Plants (Vines)	Total
	$	$	$	$	$		$
	(valuation)	(valuation)	(valuation)				
At 1 July 2015							
Cost/Valuation	25,637,000	6,945,790	1,268,094	4,221,596	584,315	20,950,000	59,606,795
Accumulated depreciation	-	(632,099)	(104,765)	(2,528,860)	(555,509)		(3,821,233)
Carrying amount	25,637,000	6,313,691	1,163,329	1,692,736	28,806	20,950,000	55,785,562
Year ended 30 June 2016							
Opening carrying amount	25,637,000	6,313,691	1,163,329	1,692,736	28,806	20,950,000	55,785,562
Additions	-	29,266	6,072	1,381,825	64,756		1,481,919
Disposals (net)				(154,340)	(5,402)		(159,742)
Revaluation							
Increases/(decreases)	1,628,000	180,114	89,405	-	-		1,897,519
Depreciation	-	(207,073)	(41,807)	(328,742)	(20,186)	(1,486,909)	(2,084,717)
Closing carrying amount	27,265,000	6,315,998	1,216,999	2,591,479	67,974	19,463,091	56,920,541
At 1 July 2016							
Cost/Valuation	27,265,000	7,009,139	1,323,545	4,595,777	312,225	20,950,000	61,455,686
Accumulated depreciation	-	(693,141)	(106,547)	(2,004,298)	(244,250)	(1,486,909)	(4,535,145)
Carrying amount	27,265,000	6,315,998	1,216,998	2,591,479	67,975	19,463,090	56,920,540
Year ended 30 June 2017							
Opening carrying amount	27,265,000	6,315,998	1,216,998	2,591,479	67,975	19,463,090	56,920,540
Additions	-	20,916	6,797	320,395	259,883	69,555	677,545
Disposals (net)				(24,500)	-	(102,375)	(126,875)
Revaluation							
Increases/(decreases)	1,385,000	18,986	13,984	-	-	(69,789)	1,348,181
Impairments						-	-
Depreciation	-	(210,902)	(42,780)	(389,352)	(54,890)	(1,098,620)	(1,796,544)
Closing carrying amount	28,650,000	6,144,998	1,194,999	2,498,022	272,968	18,261,861	57,022,847
At 30 June 2017							
Cost/Valuation	28,650,000	6,921,416	1,312,305	4,867,173	572,107	20,672,452	62,995,452
Accumulated depreciation	-	(776,418)	(117,306)	(2,369,151)	(299,139)	(2,410,590)	(5,972,605)
Carrying amount	28,650,000	6,144,998	1,194,999	2,498,022	272,968	18,261,861	57,022,847

The fair value of bearer plants assessed by Logan Stone at 30 June 2017 was $26,085,000 (2016: $22,690,000)

The carrying value of leased assets at balance date is $1,429,540 (2016: $1,617,234) and is included within Plant and Equipment

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12 Property, Plant and Equipment (continued)

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017 $	2016 $
Cost	20,887,184	20,880,387
Accumulated depreciation	(275,242)	(233,158)
Carrying amount	20,611,942	20,647,229

All land owned by the company is pledged as security to Rabobank New Zealand Limited. In the event of a sale of all or part of any vineyard, under the Vineyard Management and Grape Purchase Agreement with Villa Maria Estate Limited, Villa Maria has first right of refusal to purchase. Where this right is not taken up, any Third Party will be bound by all the obligations of the company under the agreement insofar as they relate to the sale of the land. Further, such Third Party must be acceptable to Villa Maria, (acceptance not to be unreasonably withheld).

There has been an increase of $1,192,001 in the fair value of the land, buildings and land developments as at 30 June 2017. The revaluation increase is net of applicable deferred taxes was allocated partly to asset revaluation reserve and also the income statement. The valuation was independently performed by Logan Stone Limited, (a PIQA approved valuation practise of the New Zealand Institute of Valuers) under the principle of highest and best use. Logan Stone has confirmed that the valuation can be relied upon for the purpose of these financial statements at 30 June 2017.

Highest and best use is that use that is practically feasible, legally permissible and supported by market demand. It is that particular property use that indicates the highest likely competitive price for the real estate at a particular time. Determination of the property's current highest and best use is a necessary precursor of market value assessment.

Fair value is the amount for which the assets could have been exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arms length terms for land, buildings and vineyards comparable in size, location and varietal mix to those held by the Company.

In determining fair value, the following range of comparable sales prices for each subject property are derived from location and productive based measures.

	$ / per hectare of land	
	2017	**2016**
Hawke's Bay		
Medium Silts	**47000-50000**	47000-50000
Gravels	**80000-85000**	80000-85000
Marlborough		
Medium Silts	**55000-75000**	50000-70000

All of the Company's items of property plant and equipment that are revalued are considered to be a level 3 fair value estimate under NZ IFRS 13.

In line with prior years, the directors have not applied any adjustment to the market values, included in the valuation report, for the existing supply contract with Villa Maria Estate Limited.

The company grows and harvests grapes. Harvesting of vines is from March to May each year. The vineyards are situated in Hawke's Bay and Marlborough.

12 Property, Plant and Equipment (continued)

Bearer plants and agricultural produce

The company grows and harvests grapes. Harvesting of vines is from March to May each year. The vineyards are situated in Hawke's Bay and Marlborough.

As at 30 June 2017, the company had a total of 370 hectares of vines. During the year ended 30 June 2017 the Company harvested 4141 tonnes of grapes (2016: 4,693). The fair value of the vines are determined at each balance date. All grapes have been harvested and sold by balance date and therefore have nil value at year end. During the year the company sold grapes to Villa Maria Estate Limited at fair value of $7,615,641 (2016 $8,892,902) and $70,860 to an independent winery (2016 $29,506). The amount shown under "Related party receivables" relate to the amount outstanding at balance date in respect of the sales to Villa Maria Estate Limited.

Assessment for impairment

The company's vines were independently valued by Logan Stone Registered Valuers as at 30 June 2017. Market valuations were completed based on a comparative sales approach less estimated point of sale costs, adjusted to reflect the locations, planting age and variety of the vines. The valuation was performed in accordance with the International Valuation Standard framework.

Fair value is determined by direct reference to recent market transactions on arm's length terms for vineyards comparable in size, location and varietal mix to those held by the Company. The fair value of land and other vineyard infrastructure is deducted from the fair value of the vineyards, to determine the fair value of the grape vines.

Assumed value ranges for the subject vineyards are shown below.

	2017	2016
Hawkes Bay		
	$ / per hectare	$ / per hectare
Red Varieties	**48000-72000**	50000-76000
White Varieties	**25000-38000**	32000-36000
Marlborough		
Sauvignon Blanc	**70000-104000**	70000-88000
Pinot Noir	**75000-95000**	75000-85000
Other White Varieties	**45000-76000**	45000-55000

The above ranges are based on market analysis which considers the production yields and quality of grapes produced. The higher the production levels and higher the quality of grapes produced, the higher the value.

The carrying value was higher than the fair value assessed for Twyford Gravels bearer plants, and an impairment of $69,789 was required at 30 June 2017.

13 Other Financial Assets

	2017	**2016**
	$	$
Shares in Farmlands Co-operative	1,623	2,175
Shares in Ravensdown Fertiliser	2,175	1,623
	3,798	3,798

The above shares have been measured at cost.

14 Trade and Other Payables

	2017	2016
	$	$
Trade payables	303,465	162,432
Accrued expenses	66,097	54,750
	369,562	217,182

15 Deferred Tax

The balance comprises temporary differences attributable to:

	Plant & equipment	**Other**	**Vines**	**Land development**	**Buildings**	**Tax Losses**	**Total**
	$	$	$	$	$	$	$
Balance at 1 July 2015	47,299	5,600	(5,426,851)	(658,850)	(190,196)	875,025	(5,347,973)
Amounts charged to income statement	(123,733)	167	376,938	(1,894)	8,267	(753,925)	(494,180)
Amounts charged to equity				(55,664)	(25,033)		(80,697)
Balance at 30 June 2016	(76,434)	5,767	(5,049,913)	(716,408)	(206,962)	121,100	(5,922,850)
Balance at 1 July 2016	(76,434)	5,767	(5,049,913)	(716,408)	(206,962)	121,100	(5,922,850)
Amounts charged to income statement	(8,343)	557	309,441	(10,835)	8,616	(121,100)	178,336
Amounts charged to equity				(15,918)	(3,915)		(19,833)
Balance at 30 June 2017	(84,777)	6,324	(4,740,472)	(743,161)	(202,261)	-	(5,764,347)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company.

16 Interest Bearing Liabilities

	2017	2016
Current	**$**	$
Secured		
Bank borrowings	-	-
Obligations under finance leases	249,592	243,419
	249,592	243,419
Non-current		
Secured		
Bank borrowings	19,370,144	20,852,731
Obligations under finance leases	901,184	1,150,776
	20,271,328	22,003,507
Total interest bearing borrowings	20,520,920	22,246,925

The carrying amount of the above borrowing approximates its fair value. The secured term loan has a total facility amount of $23,900,000 (2016: $24,500,000) of which at the reporting date, $4,529,856 was available for further drawdown (2016: $3,647,269). The secured term loan facility with Rabobank matures in 2023.

The weighted average interest rate on interest bearing borrowings outstanding at 30 June 2017 was:	7.07%	7.19%

Assets pledged as security
The bank loans and overdraft are secured by a registered first ranking mortgage in favour of Rabobank New Zealand Limited over the following properties;

- Keltern Vineyard Property
- Twyford Gravels Vineyard Property
- Taylors Pass Vineyard Property
- Seddon Vineyards Property
- Higgins Road Vineyard Property

Also securing the above bank loans is a general first ranking security agreement over all the assets and undertakings of Terra Vitae Vineyards Limited.

During the current and prior year, there were no defaults nor breaches of any of the loans.

Finance leases	**2017**	2016
	$	$
Minimum lease payments are due under finance leases as follows:		
No later than one year	307,725	315,300
Later than 1 year and no later than 5 years	960,665	1,265,845
Less: Future finance charges included in payments due	(117,614)	(186,950)
Present value of finance lease liabilities	1,150,776	1,394,195
The present value of finance lease liabilities is due for payment as follows:		
No later than one year	249,592	243,419
Later than 1 year and no later than 5 years	901,184	1,150,776
	1,150,776	**1,394,195**

Lease liabilities are secured over the assets to which they relate.

17 Contributed Equity

	2017	2016
	$	$
(a) Authorised share capital		
Share capital at the beginning of the year	28,800,000	28,800,000
Issue of shares	-	-
Share capital at the end of the year	28,800,000	28,800,000
(b) Movements in number of shares	**Number**	Number
Opening balance of ordinary shares issued	40,000,000	40,000,000
Issues of ordinary shares during the year	-	-
Closing balance of ordinary shares issued	40,000,000	40,000,000

(c) Ordinary shares
Ordinary shares carry one vote per share and entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. The shares have no par value and all shares are fully paid.

(d) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total external borrowings (including ‘borrowings’ and ‘trade and other payables’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt. The gearing ratios at 30 June 2017 and 2016 were as follows:

	2017	2016
	$	$
Total borrowings	20,520,921	22,246,926
Less cash and cash equivalents	6,052	2,268
Net debt	20,514,869	22,244,658
Total equity	34,938,039	36,210,876
Total capital	55,452,908	58,455,534
Gearing ratio	37%	38%

As part of the loan agreement with Rabobank entered into in 2007 and last revised on 14 December 2016, the Company is required to maintain a minimum Quasi Equity of $30,000,000, where Quasi Equity = Total tangible assets - total liabilities (excluding Deferred Tax Liability). Tangible assets are defined as the tangible book value of assets plus the difference between the book value and the latest bank valuation for security purposes. In addition, the Company is required to maintain a minimum Quasi Equity ratio of 50% and a Debt Service Cover Ratio of not less than 1.2.

	2017	2016
		Restated
	$	$
Total Tangible assets (using latest bank valuation 30/6/17)	69,560,446	65,585,050
Total Liabilities	(26,799,268)	(29,374,174)
Add Back Deferred Tax Liability	5,764,347	6,822,853
Total Quasi Equity	48,525,525	43,033,729
Quasi Equity Ratio	70%	66%
Net Profit before tax per Income Statement	303,228	1,751,406
Adjust for valuation adjustments	37,864	23,954
Adjust for impairments	69,789	-
Add back Net Interest Expense	1,480,727	1,591,323
Add back depreciation	1,796,544	2,084,716
Add back redevelopment expenses and loss/(gain) on sale of assets	117,181	24,701
EBITDA	3,805,333	5,476,100
Debt Service Cover Ratio	2.57	3.44

All covenants were met for the year ended 30 June 2017.

18 Reserves

Revaluation reserve
The revaluation reserve is used to record increments and decrements on the revaluation of land, buildings and land developments to the extent that they offset each other.

19 Dividends

		2017	2016
Ordinary shares		**$**	$
Dividend paid during the year ended 30 June 2017		600,000	400,000
Supplementary Dividend paid during the year ended 30 June 2017		9,914	6,514
Total Dividend paid per Statement of Changes in Equity		609,914	406,514
	Per share	0.015	0.010

On 27 September 2016 the directors declared a fully imputed dividend of 1.5 cent per share and a supplementary dividend for overseas shareholders of 0.2647 cents per share to be paid on 15 December 2016.

20 Financial Instruments by Category

30 June 2017

Assets as per Statement of Financial Position	Available for sale	Loans and receivables
		$
Trade and other receivables	-	4,590,987
Cash and cash equivalents	-	6,052
Other financial assets	3,798	-
	3,798	4,597,039

Liabilities as per Statement of Financial Position	Other financial liabilities at amortised cost
	$
Borrowings	20,520,921
Trade and other payables	454,851
	20,975,772

30 June 2016

Assets as per Statement of Financial Position	Available for sale	Loans and receivables
		$
Trade and other receivables	-	6,145,559
Cash and cash equivalents	-	2,268
Other financial assets	3,798	-
	3,798	6,147,827

Liabilities as per Statement of Financial Position	Other financial liabilities at amortised cost
	$
Borrowings	22,246,926
Trade and other payables	304,392
	22,551,318

21 Reconciliation of net operating surplus after taxation with cash flows from operating activities

	2017	2016 Restated
	$	$
Profit/(loss) after income taxation	**218,067**	**1,257,225**
Add non cash items:		
Depreciation	1,796,544	2,084,715
Other adjustments		
Movement in fair value of property, plant and equipment	37,864	23,954
Disposal of plant	7,500	(99,648)
Twyford Gravels redevelopment expenses (refer note 8)	7,306	4,710
Taylors Pass redevelopment expenses (refer note 8)	-	107,025
Twyford Gravels bearer plants written off (refer note 8)	102,375	12,614
Twyford Gravels impairment of Bearer Plants (refer note 8)	69,789	-
	2,021,378	**2,133,370**
Change in goods and services taxation	(12,343)	19,226
Increase (decrease) in accounts payable	150,458	(133,560)
(Increase) decrease in prepayments & other receivables	(62,904)	77,940
(Increase)/decrease in taxes receivable/payable	72,386	(6,595)
Increase (decrease) in deferred tax liability	(178,336)	494,179
(Increase) decrease in amounts due from related parties	788,935	(490,876)
	758,196	**(39,686)**
Net cash flow from operating activities	**2,997,641**	**3,350,909**

22 Contingencies

As at 30 June 2017 the Company had no contingent liabilities or contingent assets (2016:Nil).

23 Commitments

(a) Capital commitments

As at 30 June 2017 the total capital expenditure contracted for but not provided for was $nil (2016:$nil).

(b) Lease commitments : Company as lessee

Operating leases

Operating lease commitments comprise a long-term land lease of 8 ha at the Keltern Vineyard and vehicle leases. The land lease is for a period of 21 years and expires in 2019. The Ground Rental is reviewed every 5 years with the next review due during the 2019 financial year. Three tractors are leased under seven year operating leases with Custom Fleet NZ. These leases expire in 2021, 2022 and 2023.

	2017	2016
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows and are based on lease payments current at each balance date:		
Within one year	142,851	126,087
Later than one year but not later than five years	499,796	466,379
Later than five years	27,191	71,978
	669,838	664,444

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2017

24 Related Party Transactions

(a) Directors
The names of persons who were directors of the company at any time during the financial year are as follows: Milan Brajkovich, David Ferraby, Sir George Fistonich, Andrew Pearson.

(b) Key management and personnel and compensation
Key management personnel compensation for the year ended 30 June 2017 and the year ended 30 June 2016 is set out below. The key management personnel for Terra Vitae are all the directors of the company.

	2017	2016
	$	$
Short term benefits (Directors' Fees)	90,000	60,000
Total	**90,000**	60,000

(c) Other transactions with key management personnel or entities related to them
There were no other transactions with key management personnel or entities related to them.

(d) Transactions with related parties
The following transactions occurred with related parties:

	2017	2016
	$	$
Sales of grapes		
Villa Maria Estate Limited	7,615,641	8,892,902
Purchases of services		
Villa Maria Estate Limited	116,714	116,359
Purchase of vines		
Vineyards Plants Limited	51,864	11,259
Purchases of virus testing services		
Vine Test Lab Limited	567	4,314
Purchases of farm supplies		
Farmlands Cooperative Limited (and its subsidiaries)	95,797	104,045

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2017	2016
	$	$
Receivables		
Villa Maria Estate Limited	4,546,806	5,335,741
Payables		
Villa Maria Estate Limited	82,435	82,840
Vine Test Lab Limited	567	1,794
Farmlands Cooperative Limited (and its subsidiaries)	2,286	2,576
	85,288	87,210

24 Related Party Transactions (continued)

Relationships with related parties

Sir George Fistonich, a director of Terra Vitae Vineyards Limited, is also a director and beneficial owner of Villa Maria Estate Limited, a company with which Terra Vitae Vineyards Limited has a Vineyard Management and Grape Purchase Agreement. Villa Maria Estate Limited holds 8,756,361 shares in Terra Vitae Vineyards Limited. Milan Brajkovich, a director of Terra Vitae Vineyards Limited is married to the Chairperson of Villa Maria Estate Limited.

During the year, the Company purchased vines from Vineyards Plants Limited, a company which is owned 100% by Villa Maria Estate Limited. Sir George Fistonich is also a director of Vineyard Plants Limited.

During the year, the Company commissioned virus testing services from Vine Test Lab Limited, a company which is owned 100% by Sir George Fistonich. Sir George Fistonich is also a Director of Vine Test Lab Limited.

During the year, the Company purchased vineyard supplies from Farmlands Cooperative Limited (and its subsidiaries), a company of which David Ferraby is a Director and Shareholder.

Andrew Pearson, a director of Terra Vitae Vineyards Limited, is also a director of Somsmith Nominees Limited which holds (in a non-beneficial custodial holding) 39,684 shares in Terra Vitae Vineyards Limited.

(f) Terms and conditions
All transactions were made on normal industry commercial terms and conditions and at market rates.

Outstanding balances are unsecured, except that Farmlands Co-operative Society Limited (and its subsidiaries) hold retention of title clauses over products supplied to Terra Vitae Vineyards Limited in the normal cause of business. Outstanding balances are repayable in cash.

25 Events Occurring After The Reporting Date

On 23 August 2017 the directors declared a fully imputed dividend of 1.5 cent per share and a supplementary dividend for overseas shareholders of 0.264705 cents per share to be paid on 15 December 2017.

26 Earnings Per Share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

Profit/(loss) attributable to equity holders of the Company - in dollars	218,067	1,257,225
Weighted average number of ordinary shares in issue	40,000,000	40,000,000
Basic earnings per share - in dollars	0.01	0.03

(ii) Diluted earnings per share
Diluted earnings per share is equal to basic earnings per share as above as there are no dilutive instruments issued by the Company.

27 Change in accounting policies: Accounting for bearer plants (vines)

The company previously accounted for its vines as biological assets under NZ IAS 41 *Agriculture* . In the current year the company adopted mandatory Amendments to NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 41 *Agriculture* . Under these amendments, the company's vines (considered to be bearer plants) now fall within the scope of NZ IAS 16 rather than NZ IAS 41.

The financial performance and position previously presented for the year ended 30 June 2016 has been restated, as has the statement of financial position as at 30 June 2015.

Under NZ IAS 16, the company has chosen to adopt the cost model to subsequently account for the vines. Additionally, the company has elected to utilise the previously determined fair value at 30 June 2015 as the deemed cost of the vines as at 1 July 2015. In addition, the vines must be depreciated over an estimate of their useful lives.

This means that the 2016 fair value gains previously recognised have been reversed and the company's vines depreciated from 1 July 2015. The estimated useful life of the company's vines has been estimated based on the planting date, and a default assumption of a 35 year economic life. (The assumption is considered relative to the planting date and known vine replacement plans on an annual basis.)

In terms of the results reported, there has been a decrease in the reported profit and retained earnings as a result of the depreciation charge and due to fair value gains no longer being recognised in relation to the vines. There is also a minor change to the previously reported redevelopment costs in the prior period in relation to vines written off. Tax expenditure (deferred tax) decreases as a consequence.

Overall, this results in a decrease in the reported value of the company's vines, which are also now reported within property, plant and equipment. There has been a consequential decrease in the company's deferred tax liability.

In addition, in applying the deemed cost exemption upon adoption of the bearer plant amendments to NZ IAS 16, the company determined that a previously recognised component of the revaluation reserve related to a legacy GAAP revaluation of the vines. This amount has been reclassified to retained earnings as the vines are now recorded at cost.

The following tables summarise the impact of the change in policies adopted:

Impact on financial position as at 1 July 2015	As previously reported	Impact of restatement	**As restated**
Line items restated			
Property, plant and equipment	34,835,562	20,950,000	55,785,562
Biological assets	20,950,000	(20,950,000)	-
Retained earnings	(5,482,299)	1,548,229	(3,934,070)
Revaluation reserves	7,873,536	(1,548,229)	6,325,307
Impact on total net assets/equity at 1 July 2015	**31,191,237**	-	**31,191,237**

27 Change in accounting policies: Accounting for bearer plants (vines) cont

Impact financial position as at 30 June 2016	As previously reported	Impact of restatement	**As restated**
Lines items restated:			
Property, plant and equipment	37,457,451	19,463,089	56,920,540
Biological assets	22,690,000	(22,690,000)	-
Deferred tax liabilities	6,822,853	(900,003)	5,922,850
Retained earnings	(2,298,168)	(778,677)	(3,076,845)
Revaluation reserves	9,709,044	(1,548,229)	8,160,815
Impact on total net assets/equity at 30 June 2016	**36,210,876**	**(2,326,906)**	**33,883,971**

Impact on the results for the year to 30 June 2016	As previously reported	Impact of restatement	**As restated**
Lines items restated:			
Depreciation on bearer plants	-	(1,486,909)	(1,486,909)
Fair value gain on biological assets	1,727,385	(1,727,385)	-
Carrying value of Bearer Plants removed	-	(12,615)	(12,615)
Income tax expense (Deferred taxation)	(1,394,183)	900,003	(494,180)
Impact on profit for the year to 30 June 2016	**3,584,131**	**(2,326,906)**	**1,257,225**

Impact on earnings per share reported for 30 June 2016	As previously reported	Impact of restatement	**As restated**
Basic and Diluted	0.09	(0.06)	0.03

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Independent Auditor's Report

To the shareholders of Terra Vitae Vineyards Limited

Opinion

We have audited the financial statements of Terra Vitae Vineyards Limited, which comprise:

- the statement of financial position as at 30 June 2017;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the financial statements on pages 7 to 34 present fairly, in all material respects, the financial position of the company as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the company.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Report, Directors' Report & Responsibility Statement on pages 1 to 6, and the Shareholders' Information and Directory on pages 37 to 38 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the company, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible on behalf of the company for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at: https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page6.aspx

Who we report to

This report is made solely to Terra Vitae Vineyards Limited's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jason Stinchcombe.

RSM

RSM Hayes Audit
Auckland

28 September 2017

Terra Vitae Vineyards Limited
Shareholders' Information
For the year ended 30 June 2017

Ten Largest Shareholders as at 30 June 2017

Holder	Shares Held	% of Shares
Villa Maria Estate Limited	8,756,361	21.89%
HSBC Nominees (New Zealand) Ltd	799,000	2.00%
Custodial Services Limited	625,800	1.56%
Peter Rae Industries Limited	600,000	1.50%
Sir George Vjeceslav Fistonich	503,240	1.26%
Custodial Services Limited	413,621	1.03%
Sheather Family Account	318,500	0.80%
Hatch Mansfield Agencies Limited	275,760	0.69%
Goodwin Family Account	250,000	0.63%
Custodial Services Limited	232,000	0.58%
Total for top 10 Shareholders	12,774,282	31.94%

Shareholding Breakdown

Holding Range	Holders	Shares Held	% of Shares
< 25,000	180	1,644,519	4.11%
25,000 - 49,999	579	15,777,983	39.44%
50,000 - 99,999	114	6,773,950	16.93%
100,000 - 999,999	32	7,047,187	17.62%
> 1,000,000	1	8,756,361	21.89%
Totals	906	40,000,000	100.00%

Terra Vitae Vineyards Limited
Directory
For the year ended 30 June 2017

Board of Directors
David Ferraby (Chairman)
Sir George Fistonich
Andrew Pearson
Milan Brajkovich

Registered Office and Principal place of Business
10 Birman Close
Half Moon Bay
Auckland 2012

Web Site: www.terravitae.co.nz
email: info@terravitae.co.nz

Independent Viticulture Consultant
Mark Allen
Allen Vineyard Advisory
PO Box 5123
Springlands
Blenheim

Bankers
Rabobank
Level 6, Rabobank Tower
2 Commerce Street
Auckland 1010

Auditors
RSM Hayes Audit
PO Box 9588
Newmarket, Auckland 1149

Share Register
BC Limited
PO Box 54124
The Marina
Auckland 2144

Solicitors
Minter Ellison Rudd Watts
Lumley Centre
88 Shortland Street
Auckland 1010
