Terra Vitae Vineyards Limited

Seddon Vineyard - the start of bud burst in the Chardonnay in early September 2019

Annual Report

For the year ended 30 June 2019

Terra Vitae Vineyards Limited

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For the year ended 30 June 2019

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Chairman's Report 2019

Terra Vitae Vineyards Limited

On behalf of your Board of Directors I have pleasure in presenting the Annual Report for the year ended June 30 2019.

Financial Results

We have separated out the operating performance from the fair value adjustments in the Income Statement. This year the total gross income from grape sales was $6,532,669 (2018 grape sales were $8,495,468) and after expenses the operating loss was $610,733, (2018 profit $1,428,591). After deducting valuation movements and redevelopment expenses, the 2019 net loss before tax was $850,503 (2018 profit $1,395,193).

However, your Board has resolved, and is in a position to declare a fully imputed dividend of 0.7 cents per share ($280,000) payable on 9 December 2019 with a record date of 25 November 2019.

This has been a very disappointing year financially for the company. We reported to the market on May 17, 2019 and said;

The Board of Terra Vitae advises that, subject to final pricing including extra payments for reserve grade wines, we will fall short of our budgeted harvest value for the year ended June 30 2019 by 16%.This result is largely due to cold wet conditions during flowering in Marlborough in December, followed by incredibly hot dry conditions over the summer period, which resulted in lower volumes of approximately 17% against budgeted tonnage. This will impact on the profit result for the year.

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:

	2019	2018	2017
Profit/(Loss) Before Tax	$ (850,503)	$1,395,193	$ 303,228
Depreciation	$1,692,214	$1,888,541	$1,796,544
Interest	$1,104,371	$1,258,081	$1,485,634
EBITDA*	**$1,946,082**	**$4,541,815**	**$3,585,406**

*EBITDA is a term that does not have a standardised meaning prescribed by generally accepted accounting practice, and therefore may not be comparable to similar information published by other entities.

The 2018 -2019 year has not been a good one for Terra Vitae Vineyards Ltd, with the vineyards producing 17% below the budgeted target. Our crop value was 16% below target which was a result of the cold wet conditions at flowering followed by the incredible hot dry weather during January and February. The winemakers told us that that there were some excellent wines produced from the grapes across both regions which should result in us receiving some additional price premiums based on wine quality for the 2019 vintage.

Overall the company produced a total of 3,256 tonnes as against last year's 4,441 tonnes and the chart below shows each vineyards production in dollars and tonnes and compares those figures with 2018.

Vineyard	Yield 2019	Yield 2018	Crop Value 2019	Crop Value 2018
Seddon / Higgins Rd	2155	2836	$4,116,845	$5,212,931
Taylors Pass	707	1071	$1,368,579	$2,019,376
Keltern	322	443	$703,415	$919,716
Twyford Gravels (currently replanting)	72	91	$343,830	$343,445
Totals	3256	4441	$6,532,669	$8,495,468

The wet season caused some powdery mildew disease pressure; however the vineyards coped well through good management practices and having updated spraying machines, enabling a regular spray program. The viticulture team, along with their advisors, were on top of the disease and kept it under control. There was some increase in disease pressure in the Seddon vineyard. Regular monitoring and control of disease levels is essential to minimise the disease, as badly affected grapes will be rejected by the wineries at harvest time.

Grapevine Trunk disease

This world-wide destructive disease is present in vineyards (including ours) in New Zealand. Villa Maria's viticulturists have taken a very active response to the issue, with Sauvignon Blanc vines being more susceptible.

In our initial assessment we have found that some of the vines in our original plantings do have the disease. The disease starts in the "head "of the vine and moves down the trunk towards the roots over a number of years. The proactive response is to cut the trunk off before the disease works its way down into the grafted rootstock. We have begun the process of cutting the trunks off above the graft in small blocks where the disease is present and have found that only about 10% of the vines have had the disease progress into the rootstock, which means a replant is needed for just those plants. The remaining vines recover quickly sending out canes which have a light crop the following year and full crop two years later, at a fraction of the cost of a replant. This programme will be staged over several years until we have retrunked or replaced all affected vines.

Water Storage Dams

For the last three years I have been talking about the company assessing the business case to lessen the risk to our vines in Marlborough by building storage ponds to hold water which we can use to irrigate when the river drops below the allowable level for us to use to irrigate. Each summer there are thunderstorms in the mountains in the upper reaches of the Awatere River, which make the river very dirty, while at the same time we will have not had a drop of rain on our vineyards. We are unable to use the Awatere river water when it is muddy, as it is destructive to our pumps and the sediment blocks our drippers which supply the water to the vines.

I am pleased to report that the 150,000 cubic metre water storage dam at Seddon was completed and commissioned in February and during the winter it was filled to its maximum capacity. The final tasks are complete, including putting a fence around the top of the walls to stop any animals falling into the pond. It is now ready for operation for this season. All watering of the vines will be done out of the pond with the refilling process happening in conjunction with the draw off. This will mean that when the river water is cut off due to low flows, or alternatively the water is too dirty to irrigate, the watering process of the vines will continue uninterrupted.

The 40,000 cubic metre water storage dam at Taylors Pass has been completed and the troublesome leaking water mains have been replaced, ensuring full and consistent irrigation of the entire vineyard. As I write this it is in its final stage of commissioning with water now being pumped into it in preparation for this year's irrigation season. The dams will make a huge difference to managing the vineyards through the dry summers, and the yields the vineyards produce.

Awards

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

Brand	Variety	Vineyard	Vintage	Competition/Source	Award	Award Year
VM Single Vineyard	Sauvignon Blanc	Taylors Pass	2018	Decanter World Wine Awards, UK	Gold	2019
VM Single Vineyard	Sauvignon Blanc	Taylors Pass	2018	Decanter World Wine Awards, UK	Best in Show	2019
VM Single Vineyard	Sauvignon Blanc	Taylors Pass	2018	Decanter World Wine Awards, UK	Platinum	2019
VM Single Vineyard	Chardonnay	Keltern	2017	International Wine Challenge	Gold	2019
VM Single Vineyard	Chardonnay	Keltern	2017	International Wine Challenge	Champion HB Wine	2019
VM Single Vineyard	Chardonnay	Keltern	2017	International Wine Challenge	Champion NZ Chardonnay	2019
VM Single Vineyard	Chardonnay	Keltern	2017	International Wine Challenge	Champion NZ White	2019
VM Single Vineyard	Pinot Noir	Taylors Pass	2015	Royal Easter Show Wine Awards	Gold	2019
VM Single Vineyard	Pinot Noir	Seddon	2014	Royal Easter Show Wine Awards	Gold	2019
VM Single Vineyard	Chardonnay	Taylors Pass	2017	Royal Easter Show Wine Awards	Gold	2019
VM Single Vineyard	Pinot Gris	Seddon	2018	Royal Easter Show Wine Awards	Gold	2019
VM Single Vineyard	Chardonnay	Keltern	2017	NZ Wine of the Year	Gold	2018
VM Single Vineyard	Pinot Gris	Seddon	2017	NZ Wine of the Year	Gold	2018
VM Single Vineyard	Pinot Noir	Seddon	2015	Marlborough Wine Show	Trophy / Gold	2018
VM Single Vineyard	Chardonnay	Taylors Pass	2016	Marlborough Wine Show	Trophy / Gold	2018
VM Single Vineyard	Chardonnay	Keltern	2017	Hawkes Bay A&P Wine Awards	Trophy / Gold	2018
VM Single Vineyard	Chardonnay	Keltern	2017	NZ International Wine Show	Gold	2018
VM Single Vineyard	Pinot Noir	Taylors Pass	2016	NZ International Wine Show	Gold	2018
VM Single Vineyard	Pinot Noir	Seddon	2017	NZ International Wine Show	Gold	2018
VM Single Vineyard	Chardonnay	Keltern	2016	Six Nations Wine Challenge	Double Gold	2018
VM Single Vineyard	Pinot Noir	Seddon	2014	New World Wine Awards	Gold	2018

Share Trading

The company continues to list its shares on the Unlisted Market. There were 1,931,935 shares traded in the twelve months to 30 June 2019, with the price ranging from 43 cents to 55 cents. This compares to Net Assets of 82.3 cents (last year 90.2 cents).

Industry Statistics

On reading the New Zealand Winegrowers Report recently, I noted some continuing growth figures in our industry which are worth highlighting here. They show how much the industry has changed over the past ten years:

Year	2019	2010	Change
Number of Wineries	716	672	+7%
Number of Growers	692	1128	-39%
Producing Area (ha)	38,680	33,200	+17%
Average yield (tonnes per ha)	10.7	8.0	+34%
Tonnes Crushed	413,000	266,000	+55%
Export Value ($NZ billion)	$1.83m	$1.04m	+76%

The New Zealand Winegrowers Report 2019 also reported on some of the Key Performance Indicators for Wine Sales for the year ended 30 June 2019. These statistics indicate stability in established markets and continued growth in the industry as a whole and highlight the reliance on Sauvignon Blanc as a variety.

Industry Sales	$	Change vs 2018
Sales to USA	$557m	+7%
Sales to AUS	$368m	0%
Sales to UK	$447m	+16%
Sales to Canada	$130m	+2%
Sales to Netherlands	$39m	-44%
Sales to China	$39m	+5%
Total Value of Exports	$1.825b	+7%
Domestic Sales Volume	50.6mL	-6%
Sauvignon Blanc (Export volume share)	86%	0%

A New Opportunity

I have spoken over the past ten years that your Board always keeps a watch out for any opportunity that might arise to increase the size of the vineyard holdings. We have reviewed several opportunities over the years, and none have not met our minimum requirements as a suitable addition to our vineyard portfolio. A few months ago an opportunity arose when a neighbour of our Seddon Vineyard approached me with an offer for us to have a long term lease with the first right of purchase if the land was to be sold in the future. The land runs one paddock wide down the right hand side of the entrance into the Seddon vineyard road off Marama Road, all the way to the office and sheds and then two paddocks wide at that point. It is approximately 60 hectares of plantable area, subject to survey, and will be on a separate title. Extensive modelling and budgeting has been done over the last few months to test its profitability. Our modelling has also been tested by your Board, our advisors and by our Bankers, Rabobank, in considering our application for the development funding required.

It offers economy of scale where it can be run by the existing management, use existing machinery and existing water rights and storage from the new water storage dam. There is much efficiency that will be gained with the rows running parallel to the present Seddon Vineyards rows with the new area being about 15 metres from our existing sheds. The proposal is to take up the lease next autumn, develop the area over the following few months and plant approximately 40 ha. of sauvignon blanc and 20 ha pinot noir this time next year. Villa Maria has confirmed that the additional area will be included in our Grape Supply Contract. Planning will be carried out over the summer months for hedge and fence removals, a small amount of drainage and levelling, irrigation pipe planning and frost mapping for wind machine placement. As I write this report, we are still in the negotiation phase and if we have an acceptable outcome, we will notify all shareholders by placing an announcement on the market through Unlisted.

Directors and AGM

This year Andrew Pearson retired by rotation as a director and indicated he was willing to stand again. As there were no other nominations received by the due date, Andrew is duly re-elected as per the constitution.

Our AGM is set to be held at the Villa Maria Winery in Auckland on November 21 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. Next year's Field Day will be held at the Marlborough vineyards on Saturday February 22. You will receive notice of this by mail before Christmas to give you time to make travel arrangements.

Finally I want to thank the Villa Maria viticulture team lead by Ollie Powrie, Stuart Dudley and Jonathan Hamlet along with our managers, Ian Buck, Kevin Searles and Cameron Price for the work they do in managing the vineyards to such a high industry standard and the outstanding fruit they produce off the vineyards year after year. I especially want to thank Mark Allen, not only for the advisory work he does as our viticulture advisor in the four vineyards, but also for taking on the job of project managing the whole process of the designing and building of the two dams and all the redesign of the irrigation pipes to and from the dam at the Seddon and Taylors Pass vineyard. Mark has now agreed that if the negotiations are successful, he will project manage the design and development of the new Middlemiss Block which will become part of the Seddon Vineyard. Thank you Mark.

Thank you also Alan O'Sullivan, our company secretary, who puts a huge effort into keeping the whole business running smoothly from paying our creditors, accounting, producing and monitoring the budgets, banking relationships, shareholder queries, doing secretarial duties and greatly assisting me in my tasks. Alan is a key part of the team.

Finally thank you to my fellow Board members for the professional way in which they contribute to the governance of your company. Thank you Sir George, Andrew and Milan for the part you play in governing the company and the guidance you give to me.

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 2019.

Principal Activity

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

Results	**2019**	**2018**
	$	**$**
(Loss)/ Profit for the year	(632,286)	1,004,398
Total Equity of the Company	32,935,343	36,067,835
Total Assets of the Company	60,240,875	62,661,523

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 Robinsons Construction Limited of which David Ferraby is a Director and with Farmlands Cooperative Limited of which David Ferraby was a director during the year under review, 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
F Yukich	-	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 2019 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 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 8 to 39 for issue on 30 September 2019

For and on behalf of the Board.

D Ferraby
Director

Monday, 30 September 2019

A Pearson
Director

Monday, 30 September 2019

Terra Vitae Vineyards Limited
Income Statement
For the year ended 30 June 2019

	Notes	**2019**	2018
		$	$
Revenue from Contractors with Customers			
Sale of Grapes	7a	6,532,669	8,495,468
Services rendered-Harvesting		220,826	160,398
		6,753,495	8,655,866
Production Costs	8	3,909,497	3,531,548
Depreciation on Bearer Plants	8	1,010,598	1,190,452
Depreciation on Land Development and Plant	8	579,180	598,985
Total Cost of Sales		5,499,275	5,320,985
Gross profit		1,254,220	3,334,881
Other Income			
Sundry income	7b	34,787	53,524
Interest		412	1,807
Dividends		657	597
Total Other Income		35,856	55,928
Operating Expenses			
Administrative costs	8	246,038	233,943
Depreciation on Other Assets	8	102,436	99,104
Finance costs	8	1,104,371	1,258,081
Other expenses	8	301,735	293,207
Loss on sale of fixed assets		146,229	77,883
Total operating expenses		1,900,809	1,962,218
(Loss)/ Profit from Operations		(610,733)	1,428,591
Valuation adjustments, impairments and development costs			
Fair value movement in other property, plant and equipment	8	(239,770)	(27,370)
Redevelopment expenses	8	-	(6,028)
		(239,770)	(33,398)
(Loss)/ Profit before income tax		(850,503)	1,395,193
Income tax credit/ (expense)	9	218,217	(390,795)
(Loss)/ Profit for the year		(632,286)	1,004,398
(Loss)/ Profit for the year is attributable to:			
Ordinary equity holders of the company		(632,286)	1,004,398
Basic and diluted (loss)/ earnings per share	26	(0.02)	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 2019

	Notes	2019 $	2018 $
(Loss)/ Profit for the year		(632,286)	1,004,398
Other comprehensive income			
*Revaluation of land, land developments, buildings and other assets	18	(1,874,469)	809,164
Income tax relating to revaluation	15	(25,737)	(83,766)
Other comprehensive (loss)/ income for the year, net of tax		(1,900,206)	725,398
Total comprehensive (loss)/ income for the year, net of tax		(2,532,492)	1,729,796
Attributable to:			
Ordinary equity holders of the company		(2,532,492)	1,729,796

* - represents the net movement in revaluation reserve to the extent it does not reverse

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 2019

	Notes	**2019** $	2018 $
Current assets			
Cash and cash equivalents	10	83,644	8,716
Prepayments and other receivables	11	266,383	107,871
Related party receivables	24e	3,924,833	5,091,952
Current tax receivable	9	81,244	-
Total current assets		4,356,104	5,208,539
Non-current assets			
Property, plant and equipment	12	55,880,973	57,449,186
Other financial assets	13	3,798	3,798
Total non-current assets		55,884,771	57,452,984
Total assets		60,240,875	62,661,523
Current liabilities			
Interest bearing liabilities	16	199,261	449,732
Current tax payable	9	-	529,388
Trade and other payables	14	552,582	358,012
Related party payables	24e	117,776	82,352
Total current liabilities		869,619	1,419,484
Non-current liabilities			
Interest bearing liabilities	16	21,216,329	19,637,802
Deferred tax liability	15	5,219,584	5,536,402
Total non-current liabilities		26,435,913	25,174,204
Total liabilities		27,305,532	26,593,688
Net assets		32,935,343	36,067,835
Equity			
Share capital	17a	28,800,000	28,800,000
Accumulated losses		(4,286,666)	(3,054,380)
Asset revaluation reserve	18	8,422,009	10,322,215
Total equity		32,935,343	36,067,835

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 2019

	Notes	Share capital $	Asset revaluation reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2017		**28,800,000**	**9,596,817**	**(3,458,778)**	**34,938,039**
Profit for the period		-	-	1,004,398	1,004,398
Other comprehensive income		-	725,398	-	725,398
Total comprehensive income for the year		-	725,398	1,004,398	1,729,796
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	4,897	4,897
Dividends paid	19	-	-	(604,897)	(604,897)
Balance as at 30 June 2018		**28,800,000**	**10,322,215**	**(3,054,380)**	**36,067,835**
Balance as at 1 July 2018		**28,800,000**	**10,322,215**	**(3,054,380)**	**36,067,835**
Loss for the period		-	-	(632,286)	(632,286)
Other comprehensive loss		-	(1,900,206)	-	(1,900,206)
Total comprehensive loss for the year		-	(1,900,206)	(632,286)	(2,532,492)
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	5,255	5,255
Dividends paid	19	-	-	(605,255)	(605,255)
Balance as at 30 June 2019		**28,800,000**	**8,422,009**	**(4,286,666)**	**32,935,343**

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 2019

	Notes	**2019**	2018
		$	$
Operating Activities			
Cash was provided from:			
Receipts from customers		7,921,136	8,144,426
Interest received		412	1,807
Dividends received		440	597
Other income received		34,787	53,524
Income tax refunded		-	4,846
Cash was disbursed to:			
Payments to suppliers		(4,386,308)	(4,068,693)
Interest paid		(1,104,371)	(1,258,081)
Income taxes paid		(734,753)	(231,407)
Net cashflows from operating activities	21	1,731,343	2,647,019
Investing activities			
Cash was provided from:			
Sale of property, plant and equipment		783	29,000
Cash was applied to:			
Purchase of property, plant and equipment		(2,385,253)	(1,639,969)
Net cashflow from investing activities		(2,384,470)	(1,610,969)
Financing activities			
Cash was provided from:			
Increase of bank borrowings		1,777,788	-
Cash was applied to:			
Repayment of bank borrowings		-	(183,794)
Repayment of finance leases		(449,732)	(249,592)
Payment of Dividend		(600,000)	(600,000)
Net cashflows from financing activities		728,056	(1,033,386)
Net increase in cash and cash equivalents		74,928	2,665
Cash and cash equivalents at beginning of year		8,716	6,052
Cash and cash equivalents at end of the year	10	83,644	8,716

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 2019

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 30 September 2019. 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 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

Other than changes in accounting policies as a result of adoption of NZ IFRS 15 and 9, there have been no other changes in accounting policies from 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.

2 Summary of Significant Accounting Policies (continued)

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.

(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 company derives revenue from the transfer of goods at a point in time. The primary source of revenue for the company is from the sale of grapes harvested. Revenue is recognised when the grapes are delivered to the customer and the company has no unfulfilled obligation that could affect the customers acceptance of the grapes. Delivery occurs when the grapes are passed onto the delivery vehicle in the vineyard. Additional consideration received for grapes that exceed certain agreed quality levels is recognised at the point the customer confirms the quality of the grapes. Payment is received for the grape in instalments between January and October of each vintage.

(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.

(iv) Services Rendered - Harvesting
The company derives revenue from providing harvesting services to Villa Maria at market rates at a point in time. Revenue is recognised when the harvesting work is completed.

(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.

2 Summary of Significant Accounting Policies (continued)

(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.

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

The Company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- measured at amortised cost

The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows.

2 Summary of Significant Accounting Policies (continued)

(i) Financial assets at fair value through profit or loss
Financial assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. The company's derivatives are recognised in this category. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non current.

(ii) Amortised cost
The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

These assets are subsequently measured at amortised cost using the effective interest method.

Initial recognition
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Impairment of financial assets
The company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The company applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. Given the low risk of default on other financial assets, other expected credit losses have been assessed to be immaterial.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet been identified.

(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.

(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.

2 Summary of Significant Accounting Policies (continued)

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.

(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.

2 Summary of Significant Accounting Policies (continued)

(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

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.

Adoption of new accounting standards

NZ IFRS 15 *Revenue from Contracts with Customers*
The company has adopted the requirement for NZ IFRS 15 in the year to 30 June 2019. NZ IFRS 15 introduces a new model for the recognition of revenue, and contains more detailed requirements than the previous standard. No material changes to measurement were required however revenue disaggregation under the new standard.

NZ IFRS 9 *Financial Instruments*
The company has adopted the requirements of NZ IFRS 9 in the year to 30 June 2019. NZ IFRS 9 replaces the provisions of NZ IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting.

In accordance with the transitional provisions in NZ IFRS 9 comparative information for the 2018 period have not been restated. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policies.

No material changes in recognition or measurement required upon adoption of NZ IFRS 9.

Standards not yet in effect
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 discounted value of the operating lease commitments disclosed in Note 23 will require recognition as a lease liability along with corresponding rights of use of the asset at 1 July 2019.

No material impact on total comprehensive (loss)/ income is expected upon adoption of NZ IFRS 16, however operating lease costs will be replaced by depreciation and finance charges.

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 2019 is $37,450,000 (2018: $37,125,691). The increase in their carrying value, net of impairment losses or reversals, for the year ended 30 June 2019 is $324,309 (2018: increase of $1,135,694). (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 generating positive operating cashflows 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 2019, of the total borrowings of $20,964,138, $19,950,000 was held under fixed rate agreements of varying periods of time. None of those borrowings had interest rates fixed for more than 5 years.

Sensitivity Analysis
As the company has only $1,014,138 of borrowings at variable rates (2018: $96,350), no reasonable 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:

	2019	2018
Counter party		
Villa Maria Estate Limited	$ 3,924,833	$ 5,091,952

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.

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 2019				
Trade payables	$ 670,358	$ -	$ -	$ -
Bank borrowings	$ 1,171,102	$ 1,186,310	$23,784,001	$ -
Obligations Under Finance Leases	$ 199,261	$ 252,191	$ -	
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 30 June 2018				
Trade payables	$ 440,364	$ -	$ -	$ -
Bank borrowings	$ 1,101,759	$ 1,088,083	$ 3,229,403	$ 19,689,992
Obligations Under Finance Leases	$ 449,732	$ 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 $20,964,138 (2018: $19,186,350) with a fair value of $21,773,030 (2018: $19,608,593). 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 Hawke's 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.

7a Revenue from Contracts with Customers

	2019	2018
	$	$
Grape Sales		
Marlborough	5,485,424	7,232,307
Hawke's Bay	1,047,245	1,263,161
Total grape sales	6,532,669	8,495,468

7b Sundry Income

Grazing Income	11,501	20,370
Rental Income	23,286	22,800
Contracting Income	-	10,354
Total sundry income	34,787	53,524

8 Expenses

Cost of sales		
Fertilizer	183,834	176,426
Frost Control	69,897	48,173
Pesticides	296,978	252,294
Herbicides	23,702	23,579
Irrigation Running	72,725	54,975
Labour & Contractor Costs	2,215,957	2,087,617
Machinery Running	119,081	112,770
Pellenc Tractor Maintenance	107,640	83,400
Harvesting Costs	147,554	124,458
Rates	84,706	67,319
Repairs & Maintenance	291,929	212,875
Vine Removal Costs	9,208	19
Operating Lease Expenses	143,632	142,851
Other Vineyard Expenses	142,654	144,792
	3,909,497	3,531,548

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).

8 Expenses (Continued)

Operating Expenses	**2019**	2018
	$	$
Administrative Costs		
Remuneration of auditors		
RSM Hayes Audit: audit of financial statements:	25,047	23,000
RSM Hayes Audit: audit of share register:	1,000	1,000
Bank Fees	870	1,222
Management Consulting	9,053	5,143
Administrative Services	45,453	36,461
Share Register Charges	29,150	33,125
Company Secretarial	50,000	50,000
Insurance	43,073	41,065
Travel Expenses	6,843	6,672
Shareholder Meeting Expenses	12,650	16,687
Other Administrative Costs	22,899	19,568
	246,038	233,943
Depreciation		
Bearer Plants	1,010,598	1,190,452
Land Development	210,366	236,864
Plant	368,814	362,121
Land Development and Plant	579,180	598,985
Buildings	43,568	43,448
Office Equipment	179	179
Motor Vehicles	58,689	55,477
Buildings Office Equipment and Motor Vehicles	102,436	99,104
	1,692,214	1,888,541
Finance Costs		
Interest Paid	1,104,371	1,258,081
Other Expenses		
Grape Growers Levy	48,989	57,344
Directors Fees	90,000	90,000
Legal Expenses	14,183	27,165
Vineyard Management Fee	148,563	118,698
	301,735	293,207

Valuation Adjustments and Redevelopment Costs

Redevelopment Expenses		
Twyford Gravels - Preliminary redevelopment works (non-capital)	-	6,028
	-	6,028

Fair Value Movement in other property, plant & equipment

Twyford Gravels	9,000	27,370
Taylors Pass	230,770	-
	239,770	27,370

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2019

9 Income Tax

	2019	2018
	$	$
(a) Income tax (credit)/expense		
Current Tax		
Current tax on profits for the year	124,338	702,505
Adjustments in respect of prior years	24,399	-
Deferred tax		
Origination and reversal of temporary differences	(366,954)	(311,710)
	(218,217)	390,795
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	(850,503)	1,395,193
Tax at the New Zealand tax rate of 28%	(238,141)	390,654
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Prior period adjustment		
Fair value changes in Property, Plant & Equipment	18,727	
Permanent differences	1,197	141
Adjustment for change in tax rate from 33% to 30%	-	-
Income tax (credit)/expense	(218,217)	390,795
Included under Current Liabilities		
Income tax receivable/(payable) at beginning of year	(529,388)	(59,151)
Income Tax Expense in respect of current period	(124,338)	(702,505)
Net Income Tax Paid/(Refunded)	734,970	232,268
Income tax receivable/(payable) at year end	81,244	(529,388)
The weighted average applicable tax rate was 28%		
(c) Imputation credit account		
Balance at beginning of year	12,986	14,161
Tax payments/(refunds)	729,388	226,560
Credits attached to interest & dividends received	143	535
Imputation credits attached to dividends received	184	167
Imputation credits attached to dividends paid	(228,080)	(228,437)
Amount of Imputation credits available for use in subsequent years	514,621	12,986

10 Cash and Cash Equivalents

Bank balances	83,644	8,716
Total cash and cash equivalents	83,644	8,716

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

11 Prepayments and Other Receivables

GST Receivable	86,704	62,694
Prepayments	169,726	34,702
Other Receivables	9,953	10,475
Total prepayments and other receivables	266,383	107,871

Terra Vitae Vineyards Limited
Notes to the financial statements
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12 Property, Plant and Equipment

	Land	Land development	Buildings	Plant and Office Equipment	Motor vehicles	Bearer Plants (Vines)	Total
	$	$	$	$	$		$
	(valuation)	(valuation/cost)	(valuation)				
At 1 July 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	272,967	18,261,861	57,022,847
Year ended 30 June 2018							
Opening carrying amount	28,650,000	6,144,998	1,194,999	2,498,022	272,967	18,261,861	57,022,847
Additions	-	660,625	54,262	785,963	31,746	107,373	1,639,969
Disposals (net)	-	(80,675)	-	-	-	(26,208)	(106,883)
Revaluation Increases/(decreases)	510,000	272,609	(814)	-	-	-	781,794
Depreciation	-	(236,864)	(43,448)	(362,300)	(55,477)	(1,190,452)	(1,888,541)
Closing carrying amount	29,160,000	6,760,693	1,204,998	2,921,685	249,237	17,152,574	57,449,186
At 1 July 2018							
Cost/Valuation	29,160,000	7,595,721	1,344,241	5,632,672	531,354	20,487,847	64,751,835
Accumulated depreciation	-	(835,028)	(139,243)	(2,710,987)	(282,118)	(3,335,272)	(7,302,648)
Carrying amount	29,160,000	6,760,693	1,204,998	2,921,685	249,236	17,152,574	57,449,186
Year ended 30 June 2019							
Opening carrying amount	29,160,000	6,760,693	1,204,998	2,921,685	249,236	17,152,574	57,449,186
Additions	1,547,685	478,357	31,464	182,637	39,572	105,538	2,385,253
Disposals (net)	-	(45,905)	-		-	(101,108)	(147,013)
Reclassification	1,260,587	(579,706)		(680,881)			-
Revaluation Increases/(decreases)	(2,033,272)	(198,073)	117,106	-	-	-	(2,114,239)
Depreciation	-	(210,366)	(43,568)	(368,993)	(58,689)	(1,010,598)	(1,692,214)
Closing carrying amount	29,935,000	6,205,000	1,310,000	2,054,448	230,119	16,146,406	55,880,973
At 30 June 2019							
Cost/Valuation	29,935,000	7,228,259	1,492,380	5,130,616	567,304	20,472,057	64,825,616
Accumulated depreciation	-	(1,023,259)	(182,380)	(3,076,168)	(337,185)	(4,325,651)	(8,944,643)
Carrying amount	29,935,000	6,205,000	1,310,000	2,054,448	230,119	16,146,406	55,880,973

The fair value of bearer plants assessed by Logan Stone at 30 June 2019 was $26,015,000 (2018: $26,390,000)

The carrying value of assets held under finance leases at balance date is $661,780 (2018: 1,248,440) and is included within Plant and Equipment

12 Property, Plant and Equipment (continued)

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

	2019	2018
	$	$
Cost	23,781,181	20,941,446
Accumulated depreciation	(359,316)	(316,179)
Carrying amount	23,421,865	20,625,267

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 $342,309 in the carrying value of the land, buildings and land developments as at 30 June 2019. 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 practice 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 2019.

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	
	2019	**2018**
Hawke's Bay		
Medium Silts	**47000-52000**	47000-50000
Gravels	**80000-90000**	80000-85000
Marlborough		
Medium Silts	**55000-80000**	55000-78000

All of the Company's properties 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

As at 30 June 2019, the company had a total of 355 hectares of vines. During the year ended 30 June 2019 the Company harvested 3256 tonnes of grapes (2018: 4441). 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 $6,532,669 (2018: $8,495,468). 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 2019. 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.

	2019	2018
Hawke's Bay		
	$ / per hectare	$ / per hectare
Red Varieties	**48000-72000**	48000-72000
White Varieties	**25000-38000**	25000-38000
Marlborough		
Sauvignon Blanc	**70000-104000**	70000-104000
Pinot Noir	**75000-95000**	75000-95000
Other White Varieties	**45000-76000**	45000-76000

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 fair value assessed for bearer plants at all vineyards was higher than the carrying value and no impairment was required at 30 June 2019.

13 Other Financial Assets

	2019	**2018**
	$	$
Shares in Farmlands Co-operative	1,623	1,623
Shares in Ravensdown Fertiliser	2,175	2,175
	3,798	3,798

The above shares have been measured at fair value.

14 Trade and Other Payables

	2019	2018
	$	$
Trade payables	406,426	272,153
Retentions Held on Dam Projects	78,160	-
Accrued expenses	67,996	85,859
	552,582	358,012

15 Deferred Tax

The balance comprises temporary differences attributable to:

	Plant & equipment	**Other**	**Vines**	**Land development**	**Buildings**	**Total**
	$	$	$	$	$	$
Balance at 1 July 2017	(84,777)	6,324	(4,740,472)	(743,161)	(202,261)	(5,764,347)
Amounts charged to income statement	725	179	298,062	3,894	8,851	311,711
Amounts charged to equity				(83,994)	228	(83,766)
Balance at 30 June 2018	(84,052)	6,503	(4,442,410)	(823,261)	(193,182)	(5,536,402)
Balance at 1 July 2018	(84,052)	6,503	(4,442,410)	(823,261)	(193,182)	(5,536,402)
Amounts charged to income statement	13,803	889	270,664	89,510	(32,311)	342,555
Amounts charged to equity				(32,789)	7,052	(25,737)
Balance at 30 June 2019	(70,249)	7,392	(4,171,746)	(766,540)	(218,441)	(5,219,584)

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

	2019	2018
Current	**$**	$
Secured		
Bank borrowings	-	-
Obligations under finance leases	199,261	449,732
	199,261	449,732
Non-current		
Secured		
Bank borrowings	20,964,138	19,186,350
Obligations under finance leases	252,191	451,452
	21,216,329	19,637,802
Total interest bearing borrowings	21,415,590	20,087,534

The carrying amount of the above borrowing approximates its fair value. The secured term loan has a total facility amount of $23,500,000 (2018: $23,900,000) of which at the reporting date, $2,535,862 was available for further drawdown (2018: $4,713,650). The secured term loan facility with Rabobank matures in December 2023.

	2019	2018
	$	$
The weighted average interest rate on interest bearing borrowings outstanding at 30 June 2019 was:	5.35%	5.48%

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	**2019**	2018
	$	$
Minimum lease payments are due under finance leases as follows:		
No later than one year	218,997	483,785
Later than 1 year and no later than 5 years	255,339	474,336
Less: Future finance charges included in payments due	(22,884)	(56,937)
Present value of finance lease liabilities	451,452	901,184
The present value of finance lease liabilities is due for payment as follows:		
No later than one year	199,261	449,732
Later than 1 year and no later than 5 years	252,191	451,452
	451,452	**901,184**

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

17 Contributed Equity

	2019	2018
	$	$
(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 2019 and 2018 were as follows:

	2019	2018
	$	$
Total borrowings	22,085,953	20,527,898
Less cash and cash equivalents	83,644	8,716
Net debt	22,002,309	20,519,182
Total equity	32,935,343	36,067,835
Total capital	54,937,652	56,587,017
Gearing ratio	40%	36%

As part of the loan agreement with Rabobank entered into in 2007 and last revised on 1 May 2018, 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.

	2019	2018
	$	$
Total Tangible assets (using latest bank valuation 30/6/19)	70,109,469	71,898,949
Total Liabilities	(27,305,532)	(26,593,688)
Add Back Deferred Tax Liability	5,219,584	5,536,402
Total Quasi Equity	48,023,521	50,841,663
Quasi Equity Ratio	68%	71%
Net Profit before tax per Income Statement	(850,503)	1,395,193
Adjust for valuation adjustments	239,770	27,370
Adjust for impairments	-	-
Add back Net Interest Expense	1,103,959	1,256,274
Add back depreciation	1,692,214	1,888,541
Add back redevelopment expenses and loss/(gain) on sale of assets	146,229	83,911
EBITDA	2,331,669	4,651,289
Net Interest Expense	1,103,959	1,256,274
Finance Lease Principal Payments (excluding residual values)	200,974	
Total Finance Costs	1,304,933	1,256,274
Debt Service Cover Ratio	1.79	3.70

All covenants were met for the year ended 30 June 2019 with the exception of the Capital Expenditure limit, which was exceeded. This breach has been subsequently waived by Rabobank.

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

	2019	2018
Ordinary shares	**$**	$
Dividend paid during the year ended 30 June 2019	600,000	600,000
Supplementary Dividend paid during the year ended 30 June 2019	5,255	4,897
Total Dividend paid per Statement of Changes in Equity	605,255	604,897
Per share	0.015	0.015

On 17 August 2018 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 7 December 2018.

20 Financial Instruments by Category

30 June 2019

Assets as per Statement of Financial Position	Fair value through profit or loss	At Amortised cost
	$	**$**
Trade and other receivables	-	3,934,786
Cash and cash equivalents	-	83,644
Other financial assets	3,798	-
	3,798	4,018,430

Liabilities as per Statement of Financial Position	Financial liabilities at amortised cost
	$
Borrowings	21,415,590
Trade and other payables	670,363
	22,085,953

30 June 2018

Assets as per Statement of Financial Position	Available for sale	Loans and receivables
	$	**$**
Trade and other receivables	-	5,102,427
Cash and cash equivalents	-	8,716
Other financial assets	3,798	-
	3,798	5,111,143

Liabilities as per Statement of Financial Position	Other financial liabilities at amortised cost
	$
Borrowings	20,087,534
Trade and other payables	440,364
	20,527,898

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

	2019	2018
	$	$
Profit/(loss) after income taxation	**(632,286)**	**1,004,398**
Add non cash items:		
Depreciation	1,692,214	1,888,541
Other adjustments		
Movement in fair value of property, plant and equipment	239,770	27,370
Disposal of plant	146,229	77,883
	2,078,213	**1,993,794**
Change in goods and services taxation	(24,010)	(13,049)
Increase (decrease) in accounts payable	229,996	(14,486)
(Increase) decrease in prepayments & other receivables	(134,502)	62,982
(Increase)/decrease in taxes receivable/payable	(610,632)	470,237
Increase (decrease) in deferred tax liability	(342,555)	(311,711)
(Increase) decrease in amounts due from related parties	1,167,119	(545,146)
	285,416	**(351,173)**
Net cash flow from operating activities	**1,731,343**	**2,647,019**

22 Contingencies

As at 30 June 2019 the Company had no contingent liabilities or contingent assets (2018:Nil).

23 Commitments

(a) Capital commitments

As at 30 June 2019 the total capital expenditure contracted for but not provided for was $988,089 (2018:$622,291).

(b) Lease commitments : Company as lessee

Operating leases
Operating lease commitments comprise a short-term land lease of 8 ha at the Keltern Vineyard and vehicle leases. The land lease expires in May 2020 and a further extension is currently under negotiation. Seven tractors are leased under seven year operating leases with Custom Fleet NZ. These leases expire in 2021, 2022 and 2023.

	2019	2018
	$	$
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	145,976	138,632
Later than one year but not later than five years	234,565	340,694
Later than five years	-	4,191
	380,541	483,517

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, Fabian Yukich (alternate to Sir George Fistonich)

(b) Key management and personnel and compensation
Key management personnel compensation for the year ended 30 June 2019 and the year ended 30 June 2018 is set out below. The key management personnel for Terra Vitae are all the directors of the company.

	2019	2018
	$	$
Short term benefits (Directors' Fees)	90,000	90,000
Total	**90,000**	**90,000**

(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 other than those detailed below.

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

	2019	2018
	$	$
Sales of grapes		
Villa Maria Estate Limited	6,532,669	8,495,468
Sales of Services		
Villa Maria Estate Limited	298,967	170,752
Purchases of services		
Villa Maria Estate Limited	148,563	118,698
Purchase of vines		
Vineyards Plants Limited	47,277	45,914
Purchases of virus testing services		
Vine Test Lab Limited	3,763	646
Purchases of farm supplies		
Farmlands Cooperative Limited (and its subsidiaries)	113,072	92,032
Purchases of building services		
Robinson Construction Limited	26,315	-

(e) Outstanding balances

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

	2019	2018
	$	$
Receivables		
Villa Maria Estate Limited	3,924,833	5,091,952
Payables		
Villa Maria Estate Limited	86,629	81,815
Vine Test Lab Limited	250	-
Robinsons Construction Limited	26,315	-
Farmlands Cooperative Limited (and its subsidiaries)	4,582	537
	117,776	82,352

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 a Director 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 was a Director and Shareholder during the year under review. The company also purchased building services from Robinson Construction Limited, a company which David Ferraby is a Director.

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) 65,684 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 30 September the directors declared a fully imputed dividend of 0.7 cent per share and a supplementary dividend for overseas shareholders of 0.123529 cents per share to be paid on 9 December 2019.

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.

	2019 **$**	2018 $
Profit/(loss) attributable to equity holders of the Company - in dollars	(632,286)	1,004,398
Weighted average number of ordinary shares in issue	40,000,000	40,000,000
Basic earnings per share - in dollars	(0.02)	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.

Independent Auditor's Report

To the shareholders of Terra Vitae Vineyards Limited

RSM Hayes Audit

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Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

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Opinion

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

- the statement of financial position as at 30 June 2019;
- 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 8 to 34 present fairly, in all material respects, the financial position of the company as at 30 June 2019, 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.

We have performed an assurance engagement on the Register of Shareholders of Terra Vitae Vineyards Limited. The provision of this service has not impaired our independence as auditor of Terra Vitae Vineyards Limited. Except in this regard, and other than in our capacity as auditor, the firm has no other relationship with, or interests in, Terra Vitae Vineyards Limited.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. The key audit matter identified on the next page was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of land, land development and buildings

Why we considered this to be a key audit matter	How our audit addressed this key audit matter
As disclosed in note 12 of the financial statements, land, land development and buildings are measured using the revaluation model with the properties revalued annually. Land development excludes bearer plants (vines) which are separately recorded and not revalued. The valuation of these property assets is subjective as it is dependent on a wide range of factors including the nature of the property, soil type and geographic location. Management have engaged an independent valuer, to estimate the fair value at balance date. The valuers have determined a value for each property taking into account current market conditions and recent sales within each area. The valuation was performed using a "comparative sales" approach and includes assessment of the relative comparability of certain key features, such as location, soil quality and type and number of buildings. This estimate of fair value is then allocated to each of the properties into separate components of land, buildings, land development and vines. While any valuation gain on a component allocated to vines is not recognised, the amount related is considered relative to the carrying value of the vines as part of the consideration for impairment The valuation of these assets is a key audit matter due to the subjectivity of certain assumptions and the relative value of these assets to the company's balance sheet.	Our procedures in relation to the valuation of land, land development and buildings included: • Considering the valuer's qualifications expertise and objectivity, and whether the scope of their engagement was appropriate for the purpose of the company's financial reporting. • We engaged an external valuation expert to assist us in assessing the appropriateness of key assumptions in the valuation, especially the methodology and range of comparable market data used by the company's valuer. • We discussed the approach taken and key judgements made with the company's valuer. • Reviewing title deeds to ensure Terra Vitae Vineyards Limited owned all freehold properties subject to valuation. • Confirming the gain/(loss) on valuation resulting from the valuation estimate was correctly recorded. We also evaluated the related disclosures within the financial statements in relation to the requirements of both NZ IAS 16 *Property, Plant and Equipment* and NZ IFRS 13 *Fair Value Measurement.*

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Report and Directors' Report & Responsibility Statement on pages 1 to 7, and the Shareholders' Information and Directory on pages 38 and 39 (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://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

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

30 September 2019

Terra Vitae Vineyards Limited
Shareholders' Information
For the year ended 30 June 2019

Ten Largest Shareholders as at 30 June 2019

Holder	**Shares Held**	**% of Shares**
Villa Maria Estate Limited	8,756,361	21.89%
Peter Rae Industries Limited	835,000	2.09%
Sir George Vjeceslav Fistonich	503,240	1.26%
Sky Hill Limited	449,900	1.12%
Custodial Services Limited	389,300	0.97%
Lynne Marie Marx-Sheather, Walter Brent Sheather, Patricia Vera Sheather, Simon Middleton Palmer	363,500	0.91%
Custodial Services Limited	338,421	0.85%
Custodial Services Limited	323,700	0.81%
Hatch Mansfield Agencies Limited	275,760	0.69%
Manatu Limited	266,735	0.67%
Total for top 10 Shareholders	12,501,917	31.25%

Shareholding Breakdown

Holding Range	**Holders**	**Shares Held**	**% of Shares**
< 25,000	202	1,958,934	4.90%
25,000 - 49,999	549	14,975,483	37.44%
50,000 - 99,999	111	6,666,850	16.67%
100,000 - 999,999	35	7,642,372	19.11%
> 1,000,000	1	8,756,361	21.89%
Totals	898	40,000,000	100.00%

Terra Vitae Vineyards Limited
Directory
For the year ended 30 June 2019

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

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 10, Zurich House
21 Queen 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

Radich Law
21 Bells Road
Blenheim 7240