Terra Vitae Vineyards Limited

One of the Sauvignon Blanc blocks at Seddon Vineyard
containing our oldest vines at 29 years next vintage

Annual Report

For the year ended 30 June 2023

Terra Vitae Vineyards Limited

Financial Statements

For the year ended 30 June 2023

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Chairman's Report 2023

Terra Vitae Vineyards Limited

On behalf of the Board of Directors of Terra Vitae Vineyards Limited, I am pleased to present the Annual Report for the year ended 30th June 2023.

In my post- harvest announcement to you dated 13th April 2023, I spoke of the excellent result achieved in a very challenging season weather wise in both provinces.

"The Board of Terra Vitae are pleased to advise that a harvest of 5219 tonnes was achieved for the 2023 vintage. This is the second highest harvest in the company's history, in what has been a very challenging season for our vineyard teams in both regions. The flooding in the Hawke's Bay region hit many vineyards hard, however both our Keltern and Twyford Gravels vineyards escaped damage. Our viticulture team, through their good management and dedication, managed the high disease pressure well and achieved a total crop higher than in 2022. The 2023 harvest from the Middlemiss vineyard continued to exceed budget, with a yield of 540 tonnes. The high harvest tonnage, together with an uplift in some grape prices for 2023, will have a material positive effect on the final profit result for the year ending June 30."

The industry is so susceptible to weather and the 2022/2023 season was another season which produced some challenges, right through to harvest in both provinces. Those challenges included frosts, a higher rainfall than normal, cloudy weather during flowering and Cyclone Gabrielle'. The managers on all four vineyards did a great job stepping up the spray programs for botrytis and powdery mildew which started to appear early January.

The chart below shows each vineyard's production in tonnes and dollars for the past three seasons. (Note: an additional 7 tonnes was added to the 2023 harvest following our internal audit)

	Yield 2023	Yield 2022	Yield 2021	Crop Value 2023	Crop Value 2022	Crop Value 2021
Seddon/Middlemiss	3493	3951	2125	$8,329,776	$8,952,269	$4,267,893
Taylors Pass	1093	1057	674	$2,622,980	$2,446,203	$1,395,895
Keltern	485	453	276	$1,077,703	$939,479	$617,380
Twyford Gravels	155	172	137	$378,674	$376,037	$366,207
Totals	**5226**	**5633**	**3212**	**$12,409,133**	**$12,713,988**	**$6,647,375**

Operating Performance/Financial Results

This has been another good result, despite the weather challenges thrown at us. The profit before tax of $2,308,785 is after allowing $451,505 for additional impairment relating to the replanting of 9.19ha at the Seddon and Taylors Pass vineyards.

In the Income Statement we have separated out the operating performance from the fair value adjustments in the Income Statement. This year the total gross income from 5,226 tonnes of grape sales was $12,409,133 (2022 grape sales from 5,633 tonnes was $12,713,988) and after expenses, the operating profit was $2,305,945 (2022 $3,227,445). After adjusting for fair valuation movements, the net profit before tax was $2,308,785 (2022 $4,037,775)

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.

	2023	2022	2021
Profit/ (loss) before tax	$ 2,308,785	$ 4,037,775	$ (748,729)
Depreciation	$ 2,277,833	$ 2,655,865	$ 2,189,355
Interest	$ 1,423,191	$ 1,292,117	$ 1,211,419
EBITDA	**$6,009,809**	**$ 7,985,757**	**$ 2,652,045**

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

NZIFRS Fair Value Adjustments

The fair value adjustments relate to the positive movement in the value of the Swap agreements that Terra Vitae have in place with Rabobank. In the year ended 2023 a small gain was made of $2,840. In the prior year the impact of large increases in interest rates during the year resulted in a $810,330 gain in the value of these Swap agreements. As these Swap agreements come closer to maturity or as market interest rates reduce, the value of the Swap agreements will reduce and will be reported as a negative valuation movement. This is likely to occur in the 2024 financial year but should be noted that it has no impact on cash flow.

Dividend

Your Board has resolved to declare a fully imputed dividend of 1.5 cents per share ($600,000), payable on 15th December 2023.

Share trades

The company continues to list its shares on the USX Market. There were 1,466,520 shares traded in the twelve months to 30 June 2023 on that platform, with the price ranging from 50 cents to 70 cents. This compares to net assets of 166.02 cents per share (last year it was 158.95 cents per share).

We encourage all shareholders to monitor the trading platform where all Terra Vitae company announcements are posted. The site can be found at www.usx.co.nz

NZ Winegrowers Statistics

Terra Vitae is a member of New Zealand Winegrowers Inc, whose mission is *"to create enduring value for our members"* and its purpose is *"To protect and enhance the reputation of New Zealand wine. To support the sustainable diversified value growth of New Zealand wine."*

Some interesting statistics from NZ Winegrowers 2023 report, which have changed in the last year are;

- The number of wineries has decreased by 5 to 739
- The number of growers has decreased by 25 to 681
- The total producing hectares of vines has increased by 556ha to 41860ha.
- Sauvignon Blanc continues to dominate grape production in New Zealand, with 78% of the total.
- The total value of export wine has increased 23% in the past year, from $1.953b to $2.405b.

Vine Health and Replanting Plan

In my 2019 chairman's report I explained the problems that we were experiencing with the world-wide issue of trunk disease. It is a particular issue in Marlborough, and we continue in the process of identifying how advanced it is block by block across our two Marlborough vineyards. Sauvignon Blanc is quite susceptible to trunk disease; hence we are putting a lot of effort into containing it and establishing the most appropriate action for each block. The two main ways to deal with it are to sample test for its presence in the main trunk, and if present, cut the trunk above the graft. The following year, two canes are trained to the wire, with the vine producing a light crop a year later. The vine is back into a full crop in year 2 or 3. If the disease has passed further down the trunk and into the graft, then the whole of the vine needs to be removed, along with the posts, irrigation lines and wires, which is more expensive and takes an additional year to get back into full production. We continually monitor the health of our vines and where changes occur, we will modify our retrunking and replanting programmes as required.

Along with the reduced income from the blocks out of production, there is also the capital cost of reinstating the irrigation lines and posts and wire structures. We currently have an eight-year programme ahead of us in the Marlborough vineyards, replanting on average 13ha per year of blocks whose returns per ha have continued to decline each season. The capital cost of the replanting will average $1,000,000 pa. Once fully producing, most replanted blocks have the potential to double their current dollar return for the company.

With some of the blocks coming up for replanting earlier than originally planned, we will be accelerating the depreciation on the vines and structures requiring replacement over the eight-year period. This will vary from year to year but will be weighted more heavily to the 2024 and 2025 years, where additional depreciation of $1,280,000 and $650,000 respectively is projected. While this will impact on reported profit, it will not impact cash flow, nor the setting of dividends. Fortunately, we have the Middlemiss block coming into full production to help counter the impact of the replanting programme.

Water storage dams

These have been a great investment for the company and are performing well, giving us the confidence to have adequate supply of water throughout the season. NIWA predictions are that it is going to be a hot, dry, and windy summer. If so, they will be very valuable in keeping the fruit in good condition through adequate watering. Production per hectare drops dramatically if they do not have the required regular water.

Field day Report

This year on February 11th we held a field day in Hawke's Bay, which was very well attended. We toured the Keltern and Twyford Gravels vineyards and this was followed by a leisurely lunch and a selection of great wines at the Villa Maria Gimblett Gravels winery. Two days later Cyclone Garielle arrived in Hawke's Bay!

We are considering holding a degustation dinner in Auckland in the middle of next year and will provide further details early next year. The next field day in planned for Marlborough in early 2025.

Acknowledgement and Thanks

Thank you to Deane Caughey for the work you do overseeing the running of our two vineyards in Marlborough, and Paul Robinson for your supervision of our Hawke's Bay vineyards.

Thank you, Mark Allen, for your important viticultural advice across the four vineyards, and also thanks to our managers Cameron Price, Matt Duggan and Ian Buck. Ian has moved to a role with Indevin which includes having an overview of Taylors Pass.

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

Finally thank you from me to our Board members Greg Tomlinson, Milan Brajkovich, and our new Board member Mark Allen. Greg is a valuable contributor with his wide experience and knowledge of business and of the wine industry including trends in the world markets. Milan and Mark contribute with their well proven expertise of viticulture.

Our AGM is to be held at the Waipuna Hotel and Conference Centre on Wednesday 6th December 2023, starting at 1.30pm. I look forward to meeting many of you there. Following the AGM, we will be serving afternoon tea and Villa Maria will have a range of Villa Maria wines for tasting.

Joe Ferraby

Chairman

Terra Vitae Vineyards Limited

Directors' Report & Responsibility Statement

The Board of Directors have pleasure in presenting the annual report of Terra Vitae Vineyards Limited, incorporating the financial statements and the independent auditors' report, for the year ended 30 June 2023.

Principal Activity

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

Results	**2023**	**2022**
	$	**$**
Profit/(Loss) for the year	1,661,508	2,903,519
Total Equity of the Company	66,408,428	63,579,817
Total Assets of the Company	100,514,750	99,132,995

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 and Indevin Limited of which Gregory Tomlinson is chairman, are interested transactions. Details of these are given in Note 26 to the financial statements.

Directors' remuneration

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

David Ferraby	$50,746
Mark Allen	$14,745
Andrew Pearson	$7,940
Milan Brajkovich	$22,537
	$95,968

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
M Brajkovich	26,000 shares

Terra Vitae Vineyards Limited

Directors' Report Continued

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 2023 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 7 to 35 for issue on 5 October 2023

For and on behalf of the Board.

D Ferraby	G Tomlinson
Director	Director
Thursday, 5 October 2023	Thursday, 5 October 2023

Terra Vitae Vineyards Limited
Income Statement
For the year ended 30 June 2023

	Notes	**2023** $	2022 $
Revenue from Contracts with Customers			
Sale of Grapes	7a	12,409,133	12,713,988
Services rendered-Harvesting		150,880	123,371
		12,560,013	12,837,359
Production Costs	8	5,460,851	4,676,450
Depreciation on Bearer Plants	8	975,267	1,481,929
Impairment of Bearer Plants and Land Development	12	451,505	-
Depreciation on Land Development and Plant	8	828,770	760,532
Total Cost of Sales		7,716,393	6,918,911
Gross profit		4,843,620	5,918,448
Other Income			
Sundry income	7b	78,908	18,781
Interest		566	10
Dividends		1,772	2,045
Total Other Income		81,246	20,836
Operating Expenses			
Administrative costs	8	349,230	292,279
Depreciation on Other Assets	8	473,796	413,404
Finance costs	8	1,423,191	1,292,117
Other expenses	8	372,704	367,045
Loss on disposal of fixed assets		-	346,994
Total operating expenses		2,618,921	2,711,839
Total Expenses		2,618,921	2,711,839
Profit/(Loss) from Operations		2,305,945	3,227,445
Valuation movements			
Fair value of Swap Agreements	17	2,840	810,330
		2,840	810,330
Profit/(Loss) before income tax		2,308,785	4,037,775
Income tax (expense)/credit	9	(647,277)	(1,134,256)
Profit/(Loss) for the year		1,661,508	2,903,519
Profit/(Loss) for the year is attributable to:			
Ordinary equity holders of the company		1,661,508	2,903,519
Basic and diluted earnings/(loss) per share	28	0.04	0.07

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 2023

	Notes	**2023** $	2022 $
Profit/(Loss) for the year		1,661,508	2,903,519
Other comprehensive income			
*Revaluation of land, land developments, buildings and other assets	20	1,979,588	25,431,090
Income tax relating to revaluation	16	(12,485)	(893,505)
Other comprehensive income/(loss) for the year, net of tax		1,967,103	24,537,585
Total comprehensive income/(loss) for the year, net of tax		3,628,611	27,441,104
Attributable to:			
Ordinary equity holders of the company		3,628,611	27,441,104

* - represents the net movement in revaluation reserve to the extent it does not reverse a previous revaluation loss.

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 2023

	Notes	**2023** $	2022 $
Current assets			
Cash and cash equivalents	10	49,314	78,313
Prepayments and other receivables	11	70,364	21,831
Goods & Services Tax		68,115	49,444
Related party receivables	26e	8,802,005	8,799,063
Fair value of derivative financial instruments	17	469,336	248,831
Total current assets		9,459,134	9,197,482
Non-current assets			
Property, plant and equipment	12	84,972,424	83,677,763
Right of use assets	13	5,785,333	5,742,833
Fair value of derivative financial instruments	17	294,164	511,830
Other financial assets	14	3,695	3,087
Total non-current assets		91,055,616	89,935,513
Total assets		100,514,750	99,132,995
Current liabilities			
Interest bearing liabilities	18	502,662	183,709
Lease liabilities	13	105,491	124,708
Current tax payable	9	108,587	1,223,916
Trade and other payables	15	333,353	340,758
Related party payables	26e	321,824	111,735
Total current liabilities		1,371,917	1,984,826
Non-current liabilities			
Interest bearing liabilities	18	23,908,994	24,301,312
Lease liabilities	13	3,404,119	3,509,610
Deferred tax liability	16	5,421,292	5,757,430
Total non-current liabilities		32,734,405	33,568,352
Total liabilities		34,106,322	35,553,178
Net assets		66,408,428	63,579,817
Equity			
Share capital	19a	28,800,000	28,800,000
Accumulated losses		(1,684,099)	(2,545,607)
Asset revaluation reserve	20	39,292,527	37,325,424
Total equity		66,408,428	63,579,817

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 2023

	Notes	Share capital $	Asset revaluation reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2021		**28,800,000**	**12,787,839**	**(5,049,126)**	**36,538,713**
Profit for the period		-	-	2,903,519	2,903,519
Other comprehensive Income		-	24,537,585	-	24,537,585
Total comprehensive Income for the year		-	24,537,585	2,903,519	27,441,104
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	2,722	2,722
Dividends paid	21	-	-	(402,722)	(402,722)
Balance as at 30 June 2022		**28,800,000**	**37,325,424**	**(2,545,607)**	**63,579,817**
Balance as at 1 July 2022		**28,800,000**	**37,325,424**	**(2,545,607)**	**63,579,817**
Profit for the period		-	-	1,661,508	1,661,508
Other comprehensive income		-	1,967,103	-	1,967,103
Total comprehensive income for the year		-	1,967,103	1,661,508	3,628,611
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	5,353	5,353
Dividends paid	21	-	-	(805,353)	(805,353)
Balance as at 30 June 2023		**28,800,000**	**39,292,527**	**(1,684,099)**	**66,408,428**

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 2023

	Notes	**2023**	2022
		$	$
Operating Activities			
Cash was provided from:			
Receipts from customers		12,554,096	8,624,163
Interest received		566	10
Dividends received		1,772	2,045
Other income received		78,908	18,781
Cash was disbursed to:			
Payments to suppliers		(6,043,513)	(5,303,416)
Interest paid		(1,273,045)	(1,136,529)
Lease interest paid		(150,146)	(155,588)
Income taxes paid		(2,112,653)	(38,296)
Net cashflows from operating activities	23	3,055,985	2,011,169
Investing activities			
Cash was applied to:			
Purchase of property, plant and equipment		(2,086,911)	(663,931)
Net cashflow from investing activities		(2,086,911)	(663,931)
Financing activities			
Cash was provided from:			
Increase/(repayment) of bank borrowings		(73,365)	(1,119,112)
Cash was applied to:			
Lease liabilities repaid		(124,708)	(112,180)
Payment of Dividend		(800,000)	(400,000)
Net cashflows from financing activities		(998,073)	(1,631,292)
Net increase/(decrease) in cash and cash equivalents		(28,999)	(284,053)
Cash and cash equivalents at beginning of year		78,313	362,367
Cash and cash equivalents at end of the year	10	49,314	78,313

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

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 5 October 2023. 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 Generally Accepted Accounting Practice in New Zealand (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 also 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 and derivative financial instruments, 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.

(b) Segment reporting

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2 Summary of Significant Accounting Policies (continued)

(d) Revenue recognition

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

(i) Sale of grapes

The 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 customer's acceptance of the grapes. Delivery occurs when the grapes are passed onto the delivery vehicle in the vineyard. Payment is received for the grapes in instalments between January and September 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.

(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.

2 Summary of Significant Accounting Policies (continued)

(h) Leases
At the inception of a contract, the company assesses whether a contract contains a lease. A contract is 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 company applies a single recognition and measurement approach for all leases, except for leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right of Use Assets Policy
The company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets related to land, land developments and buildings are subsequently shown at fair value, based on annual valuations by external valuers, less subsequent depreciation. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the right-of-use asset and the net amount is restated to the revalued amount of the asset. All other right-of-use assets are stated at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

(ii) Lease Liability
At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the company uses the interest rate implicit in the lease when that is readily determinable. If the implicit interest rate is not readily determinable the company uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the interest and reduced by the amount of lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

Right-of-use asset depreciation and lease liability interest that are directly attributable to bringing new vineyards to working condition for their intended use are capitalised up until the time the vineyards become commercially productive.

(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 and other receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for expected credit losses. 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 instalment date for payment under this agreement is 30 September each year.

The company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Expected credit losses are measured by assessing trade receivables based on the days past due and assessed against historical credit loss rates, adjusted for any material expected changes to the future risk. Collectability of trade receivables is reviewed on an ongoing basis. Trade receivable balances which are known to be uncollectible are written off where the company has no reasonable expectation of recovering the balance. During the 2023 financial year, no allowance has been made for doubtful debts and no amounts have been written off, as the company has no evidence that any amounts owed to it will be uncollectible.

2 Summary of Significant Accounting Policies (continued)

(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.

(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.

(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 accumulated depreciation or accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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 lease liabilities and unwinding of discount on provisions.

(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. Vines purchases subsequent to 1 July 2015 are initially measured at cost and depreciated over their expected remaining useful life. The useful lives of bearer plants are reviewed annually and their carrying value considered for impairment. They are subsequently measured at cost less accumulated depreciation and accumulated impairment costs.

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

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

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

2 Summary of Significant Accounting Policies (continued)

(u) Derivative financial instruments
The company uses derivative financial instruments in the form of interest rates swaps as one mechanism to economically hedge some of its risks associated with changes in interest rates. These financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured to fair value at balance date. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

3 New Standards and Interpretations

Certain new Standards, Interpretations and Amendments to existing standards have been published that are mandatory for later periods and which the Company has not early adopted. The key items include:

•Classification of Liabilities as Current or Non-current (Amendments to NZ IAS 1) – To clarify the classification of debt and other liabilities with an uncertain settlement date in the statement of financial position, including the settlement of debt by converting to equity – mandatory for annual periods beginning on or after 1 January 2023.
•Disclosure of Accounting Policies (Amendments to NZ IAS 1 and IFRS Practice Statement 2) - Entities are now required to disclose their 'material' accounting policies instead of 'significant' accounting policies. The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and that accounting policy information may be material because of its nature, even if the related amounts are immaterial – mandatory for annual periods beginning on or after 1 January 2023. The amendments are applied prospectively with earlier application permitted.

The directors have completed an initial assessment of the new standards and do not expect the adoption of these standards to have a material financial impact on the financial statements of the Company but may affect disclosure.

They will work through a full analysis of each standard and will provide further information on the expected impact of adoption of these standards in future reports ahead of their effective dates. The Company does not expect to adopt these standards before their effective date.

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.

4 Critical Accounting Estimates and Judgements

(i) Valuation of land and buildings
Land owned and Leased by the Company (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 owned land, land development and buildings at 30 June 2023 is $68,359,953 (2022: $66,269,954). The increase in their carrying value, net of impairment losses or reversals, for the year ended 30 June 2023 is $2,089,999 (2022: increase of $23,093,548). (Refer to note 12.) The fair value of leased land at 30 June 2023 is $5,780,476 (2022: $5,711,049). The increase in its carrying value, net of impairment losses or reversals, for the year ended 30 June 2023 is $69,427. (2022: $1,596,004).

(ii) Estimation of useful lives of assets
Land owned and Leased by the Company (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 increase of $1,660,027 (2022: increase of 23,662,447) on owned land, land development and buildings resulted in a value at 30 June 2023 of $68,359,953 (2022: $66,269,954). The increase in their carrying value, net of impairment losses or reversals, for the year ended 30 June 2023 is $2,089,999 (2022: increase of $23,093,548). (Refer to note 12.) The fair value increase of $319,562 (2022: increase of $1,768,643) on leased land resulted in a value at 30 June 2023 of $5,780,476 (2022: $5,711,049). The increase in its carrying value, net of impairment losses or reversals, for the year ended 30 June 2023 is $69,427. (2022: $1,596,004) (Refer to note 13).

(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.

(iv) Leases
The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if the option is reasonably certain to be exercised. When the company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. The company considers all facts and circumstances, including its past practice and any costs that will be incurred to change the asset if an option to extend is not taken, in assessing the lease term. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. In relation to the company's lease of the land in relation to the Middlemiss vineyard, and extension option at the end of the initial term of the lease has not been considered reasonably certain, as detailed in note 13.

To determine the value of the lease liability, the future lease payments are discounted using the interest rate implicit in the lease or, if not available, the company's incremental borrowing rate is used. The company's incremental borrowing rate is the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The company revises the discount rate used if there is a change in the assessed lease term.

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 its 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 2023, of the total borrowings of $24,411,656, $6,497,517 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
Of the $17,914,139 of borrowings at variable rates, $17,700,000 is economically hedged by interest rate swaps. Effectively, the company therefore has only $214,139 of borrowings where the net interest payable (after taking the effect of interest rate swaps into account) is at a variable rate (2022: $123,311), accordingly no reasonable change in floating rates would have a significant impact on interest costs. However, the fair value of interest rate swaps is required to be recognised, and varies depending on market interest rates. The company has estimated the sensitivity of the fair value of interest rate swaps based on reasonably possible changes in interest rates as noted below.

	Impact on 2023 reported	
Change	**Post tax profit**	**Equity**
1% increase	361,386	361,386
1% decrease	(361,386)	(361,386)

(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 managed by the payment plan, which includes advance and deferred payments from January to September each year. In relation to other financial assets, 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:

	2023	**2022**
Counter party		
Villa Maria Estate Limited	$ 8,802,005	$ 8,799,063

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

5 Financial Risk Management (continued)

(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.

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 2023				
Trade payables	$ 655,177	$ -	$ -	$ -
Bank borrowings	$ 2,066,076	$ 1,848,099	$ 26,715,000	
Interest rate swap payments	$ 71,895	$ 123,200	$ 184,631	

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2022				
Trade payables	$ 452,493	$ -	$ -	$ -
Bank borrowings	$ 1,527,743	$ 1,821,826	$ 27,528,336	
Interest rate swap payments	$ 1,365	$ 73,264	$ 308,400	

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 $23,714,139 (2022: $24,107,020) with a fair value of $22,757,062 (2022: $23,221,137). 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	**2023**	2022
	$	$
Grape Sales		
Marlborough	10,952,756	11,398,472
Hawke's Bay	1,456,377	1,315,516
Total grape sales	12,409,133	12,713,988
Harvesting Income		
Marborough	150,880	123,371
Total Harvesting Income	150,880	123,371
7b Sundry Income		
Grazing Income	26,550	17,381
Rental Income	14,560	1,400
Supplier Rebates	37,798	0
Total sundry income	78,908	18,781

8 Expenses

Cost of sales		
Fertilizer	347,958	353,634
Frost Control	161,058	44,799
Pesticides	526,315	352,479
Herbicides	105,674	55,313
Irrigation Running	112,236	82,551
Labour & Contractor Costs	3,160,553	2,745,082
Machinery Running	190,407	176,819
Pellenc Tractor Maintenance	55,674	76,874
Harvesting Costs	166,733	171,173
Rates	109,552	105,288
Repairs & Maintenance	340,030	291,648
Vine Replacement Costs	1,000	2,652
Short Term Lease Expenses	23,200	23,200
Other Vineyard Expenses	160,461	194,938
	5,460,851	4,676,450
Operating Expenses		
Administrative Costs		
Remuneration of auditors		
RSM Hayes Audit: audit of financial statements	42,386	39,693
RSM Hayes Audit: audit of share register	1,000	1,000
Bank Fees	2,266	1,044
Management Consulting	30,138	27,976
Administrative Services	85,509	67,429
Share Register Charges	36,469	36,346
Company Secretarial	50,004	50,004
Insurance	47,604	45,958
Travel Expenses	15,887	3,522
Shareholder Meeting Expenses	20,168	1,263
Other Administrative Costs	17,799	18,044
	349,230	292,279
Depreciation		
Bearer Plants	975,267	1,481,929
Land Development	376,580	334,439
Plant	452,190	426,093
Land Development and Plant	828,770	760,532
Buildings	59,009	50,852
Motor Vehicles	137,726	115,061
Buildings Office Equipment and Motor Vehicles	196,735	165,913
Total PPE Depreciation	2,000,772	2,408,374

8 Expenses (Continued)	**2023**	2022
	$	$
Right of Use Assets		
Middlemiss Land	250,135	172,639
Tractors	26,926	74,852
	277,061	247,491
Total depreciation	2,277,833	2,655,865
Finance Costs		
Bank Interest	1,273,045	1,136,529
Interest on Lease Liabilities	150,146	155,588
Interest Paid	1,423,191	1,292,117
Other Expenses		
Grape Growers Levy	102,375	104,890
Directors Fees	95,968	90,000
Legal Expenses	4,342	13,703
Vineyard Management Fee	170,019	158,452
	372,704	367,045
Valuation Adjustments and Redevelopment Costs		
Fair Value Adjustments		
Fair value movement in Interest Rate Swap Agreement	(2,840)	(810,330)
	(2,840)	(810,330)

9 Income Tax	**2023**	2022
	$	$
(a) Income tax (credit)/expense		
Current Tax		
Current tax on profits for the year	995,901	1,262,224
Deferred tax		
Origination and reversal of temporary differences	(348,624)	(127,968)
	647,277	1,134,256
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	2,308,785	4,037,775
Tax at the New Zealand tax rate of 28%	646,460	1,130,577
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Permanent differences	817	3,679
Income tax (credit)/expense	647,277	1,134,256
Included under Current Liabilities		
Income tax receivable/(payable) at beginning of year	(1,223,916)	16,754
Income Tax Expense in respect of current period	(995,901)	(1,262,224)
Net Income Tax Paid/(Refunded)	2,111,230	21,554
Income tax receivable/(payable) at year end	(108,587)	(1,223,916)
The weighted average applicable tax rate was 28%		
(c) Imputation credit account		
Balance at beginning of year	557,558	674,797
Prior period adjustment	-	7
Tax payments/(refunds)	2,105,079	34,909
Credits attached to interest & dividends received	297	105
Imputation credits attached to dividends received	387	573
Imputation credits attached to dividends paid	(305,757)	(152,833)
Tax payable at year end	-	-
Amount of Imputation credits available for use in subsequent years	2,357,564	557,558

10 Cash and Cash Equivalents

Bank balances	49,314	78,313
Total cash and cash equivalents	49,314	78,313

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

11 Prepayments and Other Receivables

Prepayments	61,639	16,081
Other Receivables	8,725	5,750
Total prepayments and other receivables	70,364	21,831

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2023

12 Property, Plant and Equipment

	Land $ (valuation)	Land development $ (valuation)	Buildings $ (valuation)	Plant and Office Equipment $	Motor vehicles $	Bearer Plants (Vines)	Total $
At 1 July 2021							
Cost/Valuation	32,984,188	10,413,276	1,591,500	5,609,407	901,893	22,347,542	73,847,806
Accumulated depreciation	-	(1,531,058)	(281,500)	(2,873,610)	(487,299)	(6,562,586)	(11,736,053)
Carrying amount	32,984,188	8,882,218	1,310,000	2,735,797	414,594	15,784,956	62,111,753
Year ended 30 June 2022							
Opening carrying amount	32,984,188	8,882,218	1,310,000	2,735,797	414,594	15,784,956	62,111,753
Additions	-	99,080	5,869	231,759	145,825	181,398	663,931
Disposals (net)	-	(288,557)	-	(63,437)	-	-	(351,994)
Revaluation Increases/(decreases)	22,240,000	1,242,464	179,983	-	-	-	23,662,447
Depreciation	-	(334,439)	(50,852)	(426,093)	(115,061)	(1,481,929)	(2,408,374)
Closing carrying amount	55,224,188	9,600,766	1,445,000	2,478,026	445,358	14,484,425	83,677,763
At 1 July 2022							
Cost/Valuation	55,224,188	11,402,073	1,777,352	5,696,163	1,036,168	21,450,063	96,586,007
Accumulated depreciation	-	(1,801,307)	(332,352)	(3,218,137)	(590,810)	(6,965,638)	(12,908,244)
Carrying amount	55,224,188	9,600,766	1,445,000	2,478,026	445,358	14,484,425	83,677,763
Year ended 30 June 2023							
Opening carrying amount	55,224,188	9,600,766	1,445,000	2,478,026	445,358	14,484,425	83,677,763
Additions	-	979,178	-	555,345	153,906	398,482	2,086,911
Disposals (net)	-	-	-	-	-	-	-
Reclassification *	-	-	-	-	-	-	-
Impairments	-	(113,616)	-	-	-	(337,889)	(451,505)
Revaluation Increases/(decreases)	1,935,000	(593,983)	319,010	-	-	-	1,660,027
Depreciation	-	(376,580)	(59,010)	(452,189)	(137,726)	(975,267)	(2,000,772)
Closing carrying amount	57,159,188	9,495,765	1,705,000	2,581,182	461,538	13,569,751	84,972,424
At 30 June 2023							
Cost/Valuation	57,159,188	11,645,104	2,096,362	6,251,508	1,190,075	21,232,688	99,574,925
Accumulated depreciation	-	(2,149,339)	(391,362)	(3,670,326)	(728,537)	(7,662,937)	(14,602,501)
Carrying amount	57,159,188	9,495,765	1,705,000	2,581,182	461,538	13,569,751	84,972,424

The fair value of bearer plants assessed by Logan Stone at 30 June 2023 was $31,539,000 (2022: $29,228,000)

12 Property, Plant and Equipment (continued)

If items of property plant and equipment that are revalued were stated on the historical cost basis, the amounts would be as follows:

	2023	2022
	$	$
Cost	33,115,535	32,278,520
Accumulated depreciation	(2,019,673)	(1,621,350)
Carrying amount	31,095,862	30,657,169

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 $2,090,000 in the carrying value of the land, buildings and land developments as at 30 June 2023. The revaluation increase, net of applicable deferred taxes was allocated partly to the asset revaluation reserve. 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 2023.

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.

Logan Stone state in their valuation that "The cyclone event has increased the possibility that the estimated value may differ from the price that could be obtained in a transaction of the same asset taking place at the same time under the same terms and within the same market environment. The valuation therefore considers that at date of valuation the assessment reflects the most recent market trends prior to the cyclone event and has been adjusted to reflect remediation work required to each property."

In assessing the value of bearer plants and improvements at 30 June 2023, the valuer has taken full account of the impact of the long term replanting plan for 2024 and considered a portion the impact of the plan for 2025.

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	
	2023	2022
Hawke's Bay Soil Types		
Medium Silts	**58000-80000**	57000-80000
Gravels	**80000-120000**	85000-115000
Marlborough Soil Types		
Medium Silts	**135000-160000**	135000-155000

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 grapes 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 2023, the company had a total of 409 hectares of vines in production. During the year ended 30 June 2023 the Company harvested 5226 tonnes of grapes (2022: 5633). 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 $12,409,133 (2022: $12,713,988). 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 2023. 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.

	2023	2022
Hawke's Bay		
	$ / per hectare	$ / per hectare
Red Varieties	**25000-60000**	26000-59000
White Varieties	**17000-40000**	17000-40000
Marlborough		
Sauvignon Blanc (young vines)	**30000-150000**	105000-120000
Pinot Noir	**51000-68000**	35000-63000
Other White Varieties	**57000-100000**	65000-95000

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. Where vines are newly planted, the values at the lower end of the above table will reflect their non-productive status at the date of valuation.

A long term replanting plan was developed at the end of 2023 and approved by the board following a review of all vineyard blocks. Areas of the Seddon and Taylors Pass vineyards were identified in the plan for replanting due to their current and projected falling yields. The long term replanting plan has been developed to replace these blocks over the following seven years, with Sauvignon Blanc grapes being the favoured variety as it provides the highest return. The plan will be reviewed annually, taking into account the health and return from each block and variety supply and demand factors. The depreciation on the vines and improvements will be adjusted in 2024 to take into account any change to their remaining useful lives.

Impairments of $113,616 on improvements and $337,889 on vines was recognised at 30/6/23 representing the remaining book value of the 9.19 hectares being replanted in 2023. The fair value assessed for bearer plants at all vineyards was higher than the carrying value and no additional impairment was required at 30 June 2023.

13 Leases

Leases held by the company include a long-term land lease in relation the the Middlemiss vineyard, which allows the company to access prime viticultural land in Marlborough. Other leases are for equipment used in the day to day operations of vineyards operated by the Company.

a) Right of use assets	Land	Equipment	Total
Net book value at 1 July 2021	4,115,045	106,637	4,221,682
Additions		-	-
Revaluations	1,768,643	-	1,768,643
Disposals (net)	-	-	-
Depreciation	(172,639)	(74,853)	(247,492)
Net book value at 30 June 2022	5,711,049	31,784	5,742,833
Cost	6,063,145	223,774	6,286,919
Accumulated depreciation	(352,096)	(191,990)	(544,086)
Net book value at 30 June 2022	5,711,049	31,784	5,742,833
Net book value at 1 July 2022	5,711,049	31,784	5,742,833
Additions		-	-
Revaluations	319,562	-	319,562
Disposals (net)	-	-	-
Depreciation	(250,135)	(26,927)	(277,062)
Net book value at 30 June 2023	5,780,476	4,857	5,785,333
Cost	6,382,707	63,981	6,446,688
Accumulated depreciation	(602,231)	(59,124)	(661,355)
Net book value at 30 June 2023	5,780,476	4,857	5,785,333

b) Lease liabilities	**2023**	**2022**
	$	**$**
Balance at 1 July	3,634,318	3,746,498
Interest expense	150,146	155,588
Capital repayments	(274,854)	(267,768)
Additions	-	-
Disposals	-	-
Balance at 30 June	3,509,610	3,634,318
Current lease liability	105,491	124,708
Non-current lease liability	3,404,119	3,509,610
	3,509,610	3,634,318

c) Other disclosures

The company had total cash outflows for leases of $298,054 which includes $23,200 in relation to low value and short term leases which are expensed on a straight line basis over the duration of the lease.

Extension options only exist on the Middlemiss vineyard land lease, and none have been included in the determination of the lease liability as the company does not consider it is reasonably certain that these will be taken up at the end of the initial 25 year term. The total term of lease extensions not taken up is 25 years, which represents $6,136,174 of payments at current rates. Middlemiss lease also contains market rent review clauses, which will impact future lease payments. The lease liability does not include any adjustment for future market rent reviews.

The table below analyses the liquidity profile of the Company's lease liabilities into relevant maturity groupings based on the remaining lease period at the reporting date to the contractual maturity date based on current and in substance fixed lease payments.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 30 June 2023				
Lease liabilities	250,810	245,447	736,341	4,131,690
At 30 June 2022				
Lease liabilities	270,466	249,469	736,341	4,377,137

14 Other Financial Assets

	2023 $	2022 $
Shares in Ravensdown Fertiliser	675	675
Shares in Farmlands Co-operative	3,020	2,412
	3,695	3,087

The above shares have been measured at fair value.

15 Trade and Other Payables

	2023 $	2022 $
Trade payables	129,987	240,353
Accrued expenses	203,366	100,405
	333,353	340,758

16 Deferred Tax

The balance comprises temporary differences attributable to:

	Plant & equipment $	Other $	Vines $	Land development $	Buildings $	Total $
Balance at 1 July 2021	(76,347)	(103,841)	(3,633,587)	(954,521)	(223,597)	(4,991,893)
Amounts charged to income statement	6,294	(187,032)	328,740	(29,703)	9,669	127,968
Amounts charged to equity	-	(495,220)	-	(347,890)	(50,395)	(893,505)
Balance at 30 June 2022	(70,053)	(786,093)	(3,304,847)	(1,332,113)	(264,324)	(5,757,430)
Balance at 1 July 2022	(70,053)	(786,093)	(3,304,847)	(1,332,113)	(264,324)	(5,757,430)
Amounts charged to income statement	17,672	42,901	287,367	(11,562)	12,245	348,623
Amounts charged to equity	-	(89,477)	-	166,315	(89,323)	(12,485)
Balance at 30 June 2023	(52,381)	(832,669)	(3,017,480)	(1,177,360)	(341,402)	(5,421,292)

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.

17 Derivative Financial Instruments

	2023 $	2022 $
Fair value of interest rates swaps - current	(469,336)	(248,831)
Fair value of interest rates swaps - term	(294,164)	(511,830)
Total value of derivative financial instruments	(763,500)	(760,661)

The company has entered into interest rate swap agreements under which the company settles the net difference between interest at variable rates (based on BKBM reference rate) and interest at fixed rates (average 2.43%) on a notional principal amount. Effectively, $17,700,000 (2022: $10,200,000) of variable rate debt facilities are economically hedged under this arrangement through two agreements of $3,000,000 each, which mature in February 2024 and 2025, one of $3,500,000 which matures in December 2025, one of $700,000 which matures in November 2024, one of $3,500,000 which matures in December 2023 and one of $4,000,000 which matures in March 2025. A forward arrangement has been entered into effective December 2023 for $3,500,000, maturing in December 2026.

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18 Interest Bearing Liabilities

	2023	2022
Current	**$**	$
Secured		
Bank borrowings	502,662	183,709
Non-current		
Secured		
Bank borrowings	23,908,994	24,301,312
Total interest bearing borrowings	24,411,656	24,485,021

The carrying amount of the above borrowing approximates its fair value. The facility was renegotiated during the year. The secured term loan has a total facility amount of $26,960,000 (2022: $26,960,000) of which at the reporting date, $3,245,861 was available for further drawdown (2022: $3,036,689). The secured term loan facility with Rabobank matures in December 2025. A reduction in the facility is required under the facility agreement if certain financial performance measures are exceeded. As a result a reduction in the facility of $800,000 is required within the next 12 months.

	2023	2022
	$	$
The weighted average interest rate on interest bearing borrowings outstanding at 30 June 2023 was:	6.14%	4.62%

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 and an assignment by way of security over the Middlemiss land lease.

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

19 Contributed Equity

	2023	2022
	$	$
(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.

19 Contributed Equity continued)

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 2023 and 2022 were as follows:

	2023	2022
	$	$
Total borrowings	28,576,452	28,571,832
Less cash and cash equivalents	49,314	78,313
Net debt	28,527,138	28,493,519
Total equity	66,408,428	63,579,817
Total capital	94,935,566	92,073,336
Gearing ratio	30%	31%

As part of the loan agreement with Rabobank entered into in 2007 and last revised on 23 May 2023, the Company is required to maintain a Debt Service Cover Ratio of 1.2 times and a Loan to Security Ratio no greater than 50% at all times. "Debt Service Cover Ratio" means in respect of a specified period, the ratio of EBITDA to Total Finance Costs. "Loan to Security Ratio" means Total Loan Limits with the Bank divided by Bank Security value (last Bank approved registered valuation).

	2023
Debt Service Cover Ratio	**$**
Net Profit Before Tax	2,308,785
Depreciation	2,000,772
Interest	1,273,045
EBITDA	5,582,602
Interest Cost	1,273,045
Lease Principal (excl residual)	308,705
Total Finance Costs	1,581,750
Actual Ratio	3.53
Covenant Minimum	1.20
Loan to Security Ratio	
Total Bank Facility	26,960,000
Total Facility	26,960,000
Security Value	97,016,000
Actual Ratio	27.79%
Covenant Maximum	50.00%

All covenants were met for the year ended 30 June 2023.

20 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.

21 Dividends

		2023	2022
Ordinary shares		**$**	$
Dividend paid during the year ended 30 June 2023		800,000	400,000
Supplementary Dividend paid during the year ended 30 June 2023		5,353	2,722
Total Dividend paid per Statement of Changes in Equity		805,353	402,722
	Per share	0.020	0.010

On 21 September 2022 the directors declared a fully imputed dividend of 2.0 cent per share and a supplementary dividend for overseas shareholders of 0.35296 cents per share to be paid on 9 December 2022.

22 Financial Instruments by Category

30 June 2023

Assets as per Statement of Financial Position	Fair value through profit or loss	At Amortised cost
	$	**$**
Trade and other receivables	-	8,802,005
Cash and cash equivalents	-	49,314
Fair value of interest rate swaps	-	763,500
Other financial assets	3,695	3,695
	3,695	9,618,514

Liabilities as per Statement of Financial Position	Financial liabilities at amortised cost
	$
Borrowings	24,411,656
Trade and other payables	655,186
Lease Liabilities	3,509,610
	28,576,452

30 June 2022

Assets as per Statement of Financial Position	Fair value through profit or loss	At Amortised cost
	$	**$**
Trade and other receivables	-	8,799,063
Cash and cash equivalents	-	78,313
Fair value of interest rate swaps	-	760,661
Other financial assets	3,087	3,087
	3,087	9,641,124

Liabilities as per Statement of Financial Position	Financial liabilities at amortised cost
	$
Borrowings	24,485,021
Trade and other payables	452,493
Lease Liabilities	3,634,318
	28,571,832

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

	2023	2022
	$	$
Profit/(loss) after income taxation	**1,661,508**	**2,903,519**
Add non cash items:		
Depreciation	2,277,833	2,655,865
Non-operating items		
Movement in fair value of property, plant and equipment	451,505	0
Movement in fair value of derivatives	(2,840)	(810,330)
Disposal of plant	0	351,994
	2,726,498	**2,197,529**
Working capital movements		
Change in goods and services taxation	(18,671)	1,759
Increase (decrease) in accounts payable	202,077	4,180
(Increase) decrease in prepayments & other receivables	(48,533)	(1,072)
(Increase)/decrease in taxes receivable/payable	(1,115,329)	1,240,668
Increase (decrease) in deferred tax liability	(348,623)	(127,968)
(Increase) decrease in amounts due from related parties	(2,942)	(4,207,446)
	(1,332,021)	**(3,089,879)**
Net cash flow from operating activities	**3,055,985**	**2,011,169**

24 Contingencies

As at 30 June 2023 the Company had no contingent liabilities or contingent assets (2022:Nil).

25 Capital and Operating Commitments

As at 30 June 2023 the total capital expenditure contracted for but not provided for was $107,352 (2022:$NIL) for vines purchased for the 2023 replanting. In addition, a further $535,890 is budgeted for the 9.19ha being replanted in 2023.

26 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: David Ferraby, Andrew Pearson (ceased 6/12/2022), Sir George Fistonich (ceased 28/3/2023), Milan Brajkovich, Fabian Yukich (alternate to Sir George Fistonich ceased 28/3/2023), Gregory Tomlinson and Mark Allen (appointed 9/12/2022).

(b) Key management personnel compensation
Key management personnel compensation for the year ended 30 June 2023 and the year ended 30 June 2022 is set out below. The key management personnel for Terra Vitae are all the directors of the company.

	2023	2022
	$	$
Short term benefits (Directors' Fees)	95,968	90,000
Total	**95,968**	**90,000**

(c) Other transactions with key management personnel or entities related to them
Fabian Yukich is a Director and shareholder of Planina Advisory Limited

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

	2023	2022
	$	$
Sales of grapes		
Villa Maria Estate Limited	12,409,133	12,713,988
Sales of Services		
Villa Maria Estate Limited	163,805	163,805
Purchases of services		
Villa Maria Estate Limited	170,019	158,452
Reimbursement of expenses at cost		
Villa Maria Estate Limited	1,427,168	1,460,332
Purchase of Advisory Services		
Planina Advisory Limited	19,202	18,053
Purchase of vines		
Indevin Limited	673,586	-

(e) Outstanding balances

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

	2023	2022
	$	$
Receivables		
Villa Maria Estate Limited	8,802,005	8,799,063
Payables		
Villa Maria Estate Limited	321,824	111,735

26 Related Party Transactions (continued)

Relationships with related parties

Gregory Tomlinson, a director of Terra Vitae Vineyards Limited is chairman 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.

Andrew Pearson, a director of Terra Vitae Vineyards Limited up until 6 December 2022, is also a director of Somsmith Nominees Limited which holds (in a non-beneficial custodial holding) 39,684 shares in Terra Vitae Vineyards Limited.

Fabian Yukich, a director of Terra Vitae Vineyards Limited up until 28 March 2023, is also a director of Planina Advisory Limited, which provides advisory services to Terra Vitae Vineyards Limited.

Mark Allen, a director of Terra Vitae Vineyards Limited from 6 December 2022, is also a director of Mark Allen Advisory Services Limited, which provides advisory services to 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. Outstanding balances are repayable in cash.

27 Events Occurring After The Reporting Date

On 20 September 2023, the directors declared a fully imputed dividend of 1.5 cent per share and a supplementary dividend for overseas shareholders of 0.264706 cents per share to be paid on 15th December 2023.

28 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.

	2023	2022
	$	$
Profit/(loss) attributable to equity holders of the Company - in dollars	1,661,508	2,903,519
Weighted average number of ordinary shares in issue	40,000,000	40,000,000
Basic earnings per share - in dollars	0.04	0.07

(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.

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Independent Auditor's Report

To the shareholders of Terra Vitae Vineyards Limited

Opinion

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

- the statement of financial position as at 30 June 2023;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the financial statements on pages 7 to 32 present fairly, in all material respects, the financial position of the company as at 30 June 2023, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)(New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 for the current period. These matters were 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 these matters.

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 developments and buildings are carried at fair value based on independent valuation and are the most significant asset on your balance sheet. Land development excludes vines (bearer plants) 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. Valuations are inherently a subjective exercise and particularly in a specialised area in relation to vineyards. The valuations are very sensitive to changes in the underlying variables and therefore the estimations may have a material impact on the asset value recorded in your financial statements. 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.	Due to the very specialised nature of the valuation, we engaged our own independent registered valuer to consider and challenge the appropriateness of certain key variables in the valuations used, including the relevance and accuracy of market data used for comparison to the properties and assessment of the overall valuation methodology. Other procedures in relation to the valuation of land, land development and buildings and leased land used in the financial statements 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; ▪ 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; and ▪ Ensuring all appropriate items of property plant and equipment, and leased assets are revalued and correctly recorded in the financial statements in accordance with the requirements of NZ IAS 16. 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.*

Accounting for bearer plants (vines)

Why we considered this to be a key audit matter	How our audit addressed this key audit matter
Bearer plants are significant asset within the balance sheet. While they are carried under the cost model, there are estimates made of the remaining useful life of individual blocks. Inaccuracies in this estimate could cause a significant misstatement in the recorded value, particularly where operational vine replacement, retrunking or removal plans mean that previous assumptions are no longer valid. In late 2023 a long term replanting plan was prepared and approved by the board for future years which has impacted the useful lives of bearer plants and led to some assets needing to be impaired and increased depreciation. The useful life assessment directly impacts the valuation of these assets and is a key audit matter due to the changing assumptions relative to the replanting pan and the implications on the value of the assets to the company.	The procedures undertaken in relation to the accounting for vine used in the financial statements included: ▪ Obtaining the long term replanting plan and reviewing the depreciation rates for each section of vines against management plans for replanting and renewal to ensure the rates were confirmed the vineyards set for replanting in 2024 were appropriately impaired; ▪ Any changes made to the replanting plan, retrunking or climate impact events that have occurred are considered for any potential impairment at a vineyard level; ▪ Ensure that the current carrying value of vines in total was not in excess of the market valuation provided as part of your annual property valuation report; and ▪ Ensure all vines assessed for impairment and any changes in useful life are correctly calculated and recorded in the financial statements. We also evaluated the related disclosures in Note 12 and policy and judgements in note 4 within the financial statements in relation to the requirements of both NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 36 *Impairment of assets.*

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 6, as well as the Shareholders' Information and Directory on pages 37 and 38 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Responsibilities of the directors for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic 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 its 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 Colin Henderson.

RSM

RSM Hayes Audit
Auckland

6 October 2023

Terra Vitae Vineyards Limited
Shareholders' Information
For the year ended 30 June 2023

Ten Largest Shareholders as at 30 June 2023

Holder	Shares Held	% of Shares
Villa Maria Estate Limited	8,756,361	21.89%
Custodial Services Limited	3,149,956	7.87%
Manatu Limited	600,000	1.50%
Peter Rae Industries Limited	567,500	1.42%
Sir George Vjeceslav Fistonich	503,240	1.26%
Ellerslie Land Holdings Limited	396,100	0.99%
MGS Fund Limited	325,000	0.81%
Graeme Leslie Tee, Joanne Maree Steens & Alfred Phillip Dreifuss	304,710	0.76%
Hatch Mansfield Agencies Limited	275,760	0.69%
Walter Brent Sheather & Sheather Trustees (HTS) Ltd	266,750	0.67%
Total for top 10 Shareholders	15,145,377	37.86%

Shareholding Breakdown

Holding Range	Holders	Shares Held	% of Shares
< 25,000	218	2,172,624	5.43%
25,000 - 49,999	495	13,602,450	34.01%
50,000 - 99,999	108	6,658,593	16.65%
100,000 - 999,999	24	5,660,016	14.15%
> 1,000,000	2	11,906,317	29.77%
Totals	847	40,000,000	100.00%

Terra Vitae Vineyards Limited
Directory
For the year ended 30 June 2023

Board of Directors
David Ferraby (Chairman)
Milan Brajkovich
Gregory Tomlinson
Mark Allen

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

Allen Vineyard Advisory
PO Box 17094
Omokoroa 3154

Bankers

Rabobank New Zealand Limited
Level 23
157 Lambton Quay
Wellington 6011

ASB Bank Limited
East Auckland Commercial
Level 2, 381 Gt South Road
Greenlane, Auckland

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
PwC Tower
Level 22, 15 Customs Street West
Auckland 1010

Radich Law
76 High Street
Blenheim 7201