

**SEDDON VINEYARDS OF
MARLBOROUGH LIMITED**

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006**

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

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SEDDON VINEYARDS OF MARLBOROUGH LIMITED

Directory

Date of Incorporation	10 August 1993
Nature of Business	Vineyard
Registered Office	10 Birman Close Buckland's Beach Auckland
Directors	I Montgomerie D Ferraby A Pearson
Auditors	CST Nexia Audit
Solicitors	Minter Ellison Rudd Watts
Bankers	Bank of New Zealand

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

In accordance with the Companies Act 1993 the directors take pleasure in presenting the annual report including the attached financial statements of the company for the year ended 30 June 2006.

Activities

During the year the Company has continued to grow grapes for the wine industry.

Results	2006	2005
Net Operating surplus/(loss) for the year	\$2,461,915	(\$71,316)
Total Equity of the Company	\$15,571,609	\$10,110,765
Total Assets of the Company	\$16,336,099	\$10,765,811

Auditors

In accordance with section 196(1) of the Companies Act 1993 the auditors, CST Nexia continue in office.

Interested Parties

All transactions conducted by the Company with Villa Maria Estate Limited, a company of which Mr I Montgomerie was a director until 11 April 2006, are interested transactions. Details of these are given in Note 17 of the financial statements.

Directors' Remuneration

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

D Ferraby	\$8,000
I Montgomerie	\$4,000
A Pearson	\$4,000

Directors Loans

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

Directors' Indemnity and Insurance

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

SEDDON VINEYARDS OF MARLBOROUGH LIMITED
REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Directors' Shareholding

The Directors current shareholdings in the Company are as follows:

I Montgomerie	7,000
A Pearson	7,000
D Ferraby	5,000

For, and on behalf of the Board

16 October 2006

Date: _____



Director: _____



Director: _____

SEDDON VINEYARDS OF MARLBOROUGH LIMITED
CHAIRMAN'S REPORT

Financial

On behalf of your Board I am pleased to report a strong result for Seddon Vineyards for the year ended June 30. On Operating Revenue of \$1,330,111 the company achieved an operating surplus of \$435,722 and a net pre-tax profit of \$2,461,915, which includes the increase in the value of the vines of \$2,026,193 as per the valuation conducted as at 31 December 2005.

An interim dividend of 4.154 cents per share was paid in June 2006 based on the shareholding at that date. A final dividend of 1.6 cents per share was declared on 18 August 2006 and will be paid on 11th December 2006 based on the share register as at 5:00pm on Tuesday 5th December 2006.

Whilst Terra Vitae Vineyards Limited's result does not form part of this Annual Report, I felt it appropriate to summarise that company's result here and have also included details of the performance and position of that company at the back of the report.

On Operating Revenue of \$2,637,129 the company achieved an operating surplus of \$718,039 and a net pre-tax profit of \$515,769 after including the decrease in the value of the vines of \$202,270 as per the valuation conducted as at 31 December 2005.

The Merger

Following two years of research and consultation by the two respective boards, Seddon Vineyards and Terra Vitae Vineyards amalgamated on 30 June this year. There was huge shareholder support for the merger and an overwhelming vote in favour of it at the special meeting held on 30 June 2006.

I am pleased to report that your new Board has met twice and is already looking at strategic options to grow the value of your company. At this point I would like to thank the immediate past board members for the huge contribution they made to Terra Vitae Vineyards and Seddon Vineyards. Thank you Ian Montgomerie, Graham Beattie, Avon Carpenter and David Jenkin, your valuable governance has been a large part of the success of the two companies.

The Vineyards

A summary of the performance of the four vineyards is below:

	Yield	Crop Value
Seddon	558	\$1,325,986
Taylor's Pass	767	\$1,781,389
Keltern	287	\$ 520,127
Twyford Gravels	120	\$ 284,438
Totals	1732	\$3,911,940

The four vineyards have an ongoing programme of continual maintenance and a top grafting programme to introduce better paying and yielding varieties has commenced. Seddon has completed its replanting programme and can fully crop from 2009.

Share Trading

The company continues to have its shares listed and traded through "Unlisted" which is a very accessible and economical unregistered securities trading facility. We continue to get favourable comments from shareholders about the trading site.

Independent Advice

The board continues to use Mark Allen as our independent consultant for the four vineyards. His contribution is of high value to your board and company, and we thank Mark for this input.

Villa Maria Staff

Our thanks to our dedicated Vineyard Managers and also to Alastair Mailing and Emma Taylor and all the Villa staff who advise our team and managers. Thank you also George Fistonich for your contribution and congratulations to you for another year of accolades both personally and with the Villa label.

The New Zealand and International Wine Market

The demand for Sauvignon Blanc is still growing and is by far the mainstay of New Zealand wine exports. Pinot Noir is the next most popular variety, followed by Pinot Gris. The international demand for Pinot Gris is outstripping the available supply, reinforcing our recent decision to top graft the Keltern Merlot with Pinot Gris late last year. We are looking forward to a small initial crop of the Pinot Gris in 2007.

Conclusion

Finally, thank you to our shareholders for your support, especially as we worked through the merger process. We look forward to seeing you at our Annual Meeting on 21 November and/or at the field days planned for the Hawkes Bay on 3 March 2007.

A special thank you to my fellow directors for your support and diligence during the last twelve months and as we worked through the merger process. Thank you also Alan O'Sullivan, our Secretary/Manager for all the extra effort you have put in, in the last 12 months in co-coordinating the merger process and working through the huge process in putting together the two companies. The smooth transition is a result of your expertise.



Joe Ferraby
Chairman,
Seddon Vineyards of Marlborough Limited

Audit Report

To the Shareholders of Seddon Vineyards of Marlborough Limited

We have audited the financial statements on pages 9 to 22. The financial statements provide information about the past financial performance of Seddon Vineyards of Marlborough Limited and its financial position as at 30 June 2006. This information is stated in accordance with the accounting policies set out on pages 14 to 15.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of Seddon Vineyards of Marlborough Limited as at 30 June 2006 and of the results of operations and cash flows for the year ended 30 June 2006.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Board of Directors and report our opinion to you.

Basis of Opinion

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

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to Seddon Vineyards of Marlborough Limited's circumstances, consistently applied and adequately disclosed.

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

Other than in our capacity as auditors, we have no interest in or relationship with Seddon Vineyards of Marlborough Limited.

Audit Report (continued)

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by Seddon Vineyards of Marlborough Limited as far as appears from our examination of those records; and
- the financial statements on pages 9 to 22
 - comply with generally accepted accounting practice; and
 - give a true and fair view of the financial position of Seddon Vineyards of Marlborough Limited as at 30 June 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 16 October 2006 and our unqualified opinion is expressed as at that date.

CST Nexia Audit
CST Nexia Audit
Chartered Accountants
Manukau City

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
Operating Revenue	18	1,330,111	1,163,177
Operating Expenses	21	894,389	1,033,085
Operating Surplus Before Revaluation		<u>435,722</u>	<u>130,092</u>
Revaluation of Vines	5	2,026,193	(201,408)
Operating Surplus/(Deficit) Before Income Tax		<u>2,461,915</u>	<u>(71,316)</u>
Income Tax Expense	10	111,770	56,949
Operating Surplus/(Deficit) After Income Tax		<u><u>2,350,146</u></u>	<u><u>(128,265)</u></u>

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
Equity as at beginning of year		<u>10,110,765</u>	<u>9,600,494</u>
Net Surplus/(Deficit) for the Year		2,350,146	(128,266)
Increase/(decrease) in revaluation reserve	3	3,437,010	919,937
Total Recognised Revenues and Expenses		<u>5,787,156</u>	<u>791,671</u>
Less Distribution to Owners - Ordinary		(326,312)	(281,400)
- Supplementary		(1,435)	(1,135)
Foreign Investor Tax Credit		1,435	1,135
Equity as at 30 June 2006		<u><u>15,571,609</u></u>	<u><u>10,110,765</u></u>

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
Equity			
Paid up Capital	2	2,800,000	2,800,000
Asset Revaluation Reserve	3	8,021,736	4,584,726
Retained Earnings	4	4,749,873	2,726,039
Total Equity		<u>15,571,609</u>	<u>10,110,765</u>
<i>Represented by:</i>			
Current Assets			
Bank of New Zealand Current Account			8,968
Bank of New Zealand Deposit Account		149	28,028
Accounts Receivable	17	897,248	767,652
Deferred Vintage Costs		59,587	11,792
Prepayments	8	6,993	38,282
		<u>963,978</u>	<u>854,722</u>
Non Current Assets			
Vines	5	6,097,397	3,960,000
Fixed Assets	6	9,274,624	5,950,989
Investments	7	100	100
		<u>15,372,121</u>	<u>9,911,089</u>
Total Assets		<u>16,336,099</u>	<u>10,765,811</u>
Current Liabilities			
Bank of New Zealand Current Account		751	
Accruals		34,995	55,096
Income Tax Payable	12	109,197	55,450
Goods and Services Taxation		127,473	109,485
Accounts Payable		32,074	35,015
Bank of New Zealand Loan	15	460,000	400,000
		<u>764,490</u>	<u>655,046</u>
Net Assets		<u>15,571,609</u>	<u>10,110,765</u>

For and on Behalf of the Board

Date

16 October 2006

Director



Director



SEDDON VINEYARDS OF MARLBOROUGH LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Cash was provided from:		
Cash Received from Customers	1,199,941	1,733,398
Taxes refunded	-	-
	<u>1,199,941</u>	<u>1,733,398</u>
Cash was disbursed to:		
Payments to suppliers	(755,821)	(855,965)
Taxes paid	(58,023)	(94,195)
Interest	(32,041)	(48,888)
	<u>(845,885)</u>	<u>(999,047)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>354,056</u>	<u>734,351</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Cash was provided from:		
Interest received	574	1,866
Cash was disbursed to:		
Purchase of fixed assets	(125,917)	(187,627)
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>(125,343)</u>	<u>(185,761)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash was provided from:		
Net proceeds/(repayment) of borrowings	60,000	(280,000)
Cash was applied to:		
Dividend Payment	(326,312)	(281,400)
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>(266,312)</u>	<u>(561,400)</u>
NET INCREASE/(DECREASE) IN CASH HELD	<u>(37,599)</u>	<u>(12,810)</u>
Add Opening Cash Brought Forward	36,996	49,806
CLOSING CASH CARRIED FORWARD	<u>- 603</u>	<u>36,996</u>
REPRESENTED BY:		
Call Account	-	8,968
Current Account	- 751	
Deposit Account	149	28,028
	<u>- 602</u>	<u>36,996</u>

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
RECONCILIATION OF NET SURPLUS AFTER TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Reported Net Operating Surplus/(Deficit) After Income Tax	2,350,146	(128,266)
Deduct Non Operating Income		
Interest Income	(574)	(1,866)
Revaluation of Vines	(2,026,193)	201,408
Add Non-Cash Items		
Depreciation	128,088	223,523
Add/(Deduct) Movements in Working Capital		
Accounts Receivable	(129,596)	572,087
Accounts Payable	(2,941)	(50,786)
Taxation Payable	53,747	(37,246)
Net Goods and Services Taxation	17,988	(90,773)
Accruals	(20,101)	20,806
Deferred Vintage Costs	(47,795)	24,841
Prepayments	31,289	622
	<u>354,056</u>	<u>734,351</u>

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Statement of Accounting Policies

These Financial Statements of Seddon Vineyards of Marlborough Limited have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

Measurement Base

The general accounting policies recognised as appropriate for the measurement and reporting of results, cashflows and financial position, under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements.

1. Specific Accounting Policies

The following particular accounting policies, which materially affect the measurement of financial performance and position, have been adopted.

(a) Vines

Vines (which are self-generating and regenerating assets), are measured at net market value as determined annually by an independent valuer.

The net increment in net market value of vines recognised as revenue is determined as:

- (i) the difference between the total net market values of vines recognised as at the beginning of the financial year and the total net market values of vines as at the reporting date, \$5,986,193 (2005 \$3,960,000); less
- (ii) costs incurred during the year to acquire and plant vines \$111,204 (2005 \$161,408).

Costs incurred in maintaining or enhancing vines are recognised as expenses when incurred. Therefore, these costs are not included in the determination of the net increment in net market values.

The net market value of grapes picked during the year recognised as revenue is determined as:

- (i) net market value of grapes immediately after picking \$1,325,986 (2005 \$1,155,353); less
- (ii) costs of machine harvesting \$3,748 (2005 \$7,776).

(b) Income Tax

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method. Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

(c) Receivables

Receivables are stated at estimated realisable value.

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Statement of Accounting Policies Cont.

(d) Fixed Assets

The Company has six classes of fixed assets:

- Freehold Land
- Freehold Buildings
- Land Development
- Motor Vehicles
- Plant
- Office Equipment

All fixed assets are initially recorded at cost. Land, land development and buildings are subsequently revalued on an annual basis. Valuations are at net current value as determined by an independent valuer. Any revaluation surplus arising on the revaluation of a class of fixed asset is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the class of fixed assets would be recognised in the Statement of Financial Performance in the period it arose. Revaluation surpluses, which reverse previous revaluation deficits recognised in the Statement of Financial Performance, would be recognised as revenue in the Statement of Financial Performance.

When a fixed asset is disposed of, the gain or loss recognised in the Statement of Financial Performance is calculated as the difference between the sale price and the carrying value of the fixed asset.

Depreciation is provided for on a straight line basis on all assets other than freehold land at rates calculated to allocate the assets cost or valuation less estimated residual value, over their estimated useful lives.

The major depreciation periods are as follows:

Freehold Buildings	25 - 33 years
Land Development	33 years
Motor Vehicles	3 - 10 years
Plant	4 - 13 years

The depreciation rates for land development has been changed from 8 - 16 years to the rate shown above as from 1 July 2005 to better reflect the useful life of each asset.

(e) Deferred Vintage Costs

This represents costs paid before balance date for the following years vintage.

(f) Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand and deposits held at call accounts with banks, net of bank overdrafts.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the prior year.

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2 Paid in Capital	2006	2005
	\$	\$
2,800,000 Ordinary shares	2,800,000	2,800,000
3 Asset Revaluation Reserve	2006	2005
	\$	\$
Balance at beginning of year	4,584,726	3,664,789
Revaluation during the year	3,437,010	919,937
Balance at end of the year	<u>8,021,736</u>	<u>4,584,726</u>
4 Retained Earnings	2006	2005
	\$	\$
Opening Retained Earnings	2,726,039	3,135,705
Less Dividend Paid	(326,312)	(281,400)
Net Surplus this year	<u>2,350,146</u>	<u>(128,266)</u>
Closing Retained Earnings	<u>4,749,873</u>	<u>2,726,039</u>
5 Revaluation of Vines	2006	2005
	\$	\$
Valuation of vines at start of year	3,960,000	4,000,000
Value of Vine Purchases	111,204	161,408
Vines book value prior to valuation	4,071,204	4,161,408
Valuation of vines	<u>6,097,397</u>	<u>3,960,000</u>
Increment/(decrement) in net market value of vines	<u>2,026,193</u>	<u>(201,408)</u>

There has been a positive change in valuation of \$2,026,193 to 30 June 2006. A valuation report was prepared by Logan Stone Limited, an associate of the New Zealand Institute of Valuers as at 31 December 2005. Total vines planted is 83.79 ha, which is on the land owned by the Company. According to the Vineyard Management and Grape Purchase Agreement with Villa Maria Estate Ltd, the grapes produced by the Company should be sold to Villa Maria Estate Limited

6a Fixed Assets

	Cost or Valuation 2006	Accumulated Depreciation 2006	Book Value 2006	Book Value 2005
Land	6,910,000	-	6,910,000	3,650,000
Land development	2,144,723	51,079	2,093,644	1,940,000
Buildings	182,000	5,460	176,540	200,000
Motor vehicles	361,368	324,764	36,604	78,776
Plant	230,207	172,554	57,653	80,951
Office Equipment	2,250	2,068	182	1,262
	<u>9,830,548</u>	<u>555,925</u>	<u>9,274,623</u>	<u>5,950,989</u>

There has been an increment of \$3,437,010 change in valuation of the land and building to 30 June 2006. A valuation report was prepared by Logan Stone Limited, an associate of the New Zealand Institute of Valuers as at 31 December 2005. Logan Stone has confirmed that this valuation can be relied upon for the purpose of these accounts at 30 June 2006.

In line with prior year policy, the Directors have taken up the market values as per the valuation report and have not applied any adjustment for the existing supply contract with Villa Maria Estate Limited.

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

6a Fixed Assets (continued)

The Vineyard Management and Grape Purchase Agreement between Villa Maria Estate Ltd and the Company gives Villa Maria Estate Ltd the first priority to purchase the land in the event of sale the land.

6b Depreciation	2006	2005
	\$	\$
Land	-	-
Land development	51,079	136,701
Buildings	5,460	8,268
Motor vehicles	42,172	49,449
Plant	28,297	28,115
Office Equipment	1,080	988
	<u>128,088</u>	<u>223,523</u>

7 Investments

Shares are held in the following company:

	2006	2005
- Ravensdown Fertiliser Limited	<u>100</u>	<u>100</u>

8 Prepayments

Made up as follows:

	2006	2005
- Vines Deposit	-	33,817
- Insurance	4,555	4,464
- Unlisted Listing Fee	2,438	-
	<u>6,993</u>	<u>38,281</u>

9 Taxation Losses

There are no taxation losses available to be carried forward as at balance date.

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

10 Income Tax Expense	2006	2005
	\$	\$
The income tax expense has been calculated as follows:		
Operating surplus (deficit) before taxation	2,461,915	(71,316)
Prima facie taxation @ 33%	812,432	(23,534)
Plus/Less taxation effect of permanent differences:		
Non assessable items	(692,987)	65,009
Taxation expense	<u>119,445</u>	<u>41,474</u>
Tax effect of timing differences recognised	<u>(7,675)</u>	<u>15,475</u>
Income Tax Expense for the year	<u>111,770</u>	<u>56,949</u>
Future income tax benefit	-	-
Tax effect of losses bought forward	-	-
Taxation charged to the Statement of Financial Performance	<u><u>111,770</u></u>	<u><u>56,949</u></u>

11 Deferred Taxation

The deferred tax balance which has been recognised in the financial statements is:

	2006	2005
	\$	\$
Opening Balance	15,475	5,343
Transfer to Statement of Financial Performance 2004 Adjusted	-	(5,260)
Transfer to Statement of Financial Performance 2005	-	15,392
Transfer to Statement of Financial Performance 2006	<u>(23,150)</u>	<u>-</u>
Closing Balance	<u><u>(7,675)</u></u>	<u><u>15,475</u></u>

The income tax effect of revaluations which have not been recognised but which could crystallise if the revalued assets were sold at their carrying amount is as follows:

Tax depreciation on cost price of assets subsequently revalued	1,366,123	1,057,449
Income tax effect at 33%	450,821	348,958

12 Income Tax Payable	2006	2005
	\$	\$
The income tax payable has been calculated as follows:		
Opening tax payable	55,450	92,695
Plus taxation for the year	111,770	56,949
Tax paid	<u>(58,023)</u>	<u>(94,195)</u>
Closing tax payable	<u><u>109,197</u></u>	<u><u>55,450</u></u>

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

13 Imputation Credit Account	2006	2005
	\$	\$
Opening imputation account balance	104,748	150,289
Add: Resident withholding tax attached to interest received	112	364
Add: Income Tax Paid	58,023	92,695
Less: Imputation Credits attached to Dividends Paid	<u>(160,720)</u>	<u>(138,600)</u>
Closing imputation account balance	<u>2,163</u>	<u>104,748</u>

14 Financial Instruments

Concentration of Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and receivables.

The Company has a significant concentration of credit risk in respect of its grape sales contractual relationship with Villa Maria Estate Ltd. The Company does not require any collateral or security to support financial instruments, due to the quality of trade debtors and the financial institutions dealt with.

Fair Value

The carrying value of financial assets and liabilities is equivalent to their fair value.

15 BNZ Bank Loan	2006	2005
	\$	\$
Balance	230,000	300,000
Interest rate	9.30%	8.80%
Maturity	3 July 2006	29 July 2005
Balance	200,000	100,000
Interest rate	9.40%	8.85%
Maturity	3 July 2006	29 July 2005
Balance	30,000	
Interest rate	9.40%	
Maturity	5 July 2006	

The loans are secured by first mortgage held over properties situated at Marama Road, Awatere Valley (C/T 6B/195 and C/T 6B/172) and debenture over the Company assets and undertakings. The total available loan facility is \$1,800,000.

16 Commitments and Contingent Liabilities

The company has the following commitments for future capital expenditure

	2006	2005
	\$	\$
Vine Purchases	nil	78,908

There are no known contingent liabilities at balance date (2005: \$nil).

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

17 Related Party Transactions

Ian Montgomerie, a director of Seddon Vineyards of Marlborough Limited, was also a director of Villa Maria Estate Limited until 11 April 2006, a company with which Seddon Vineyards of Marlborough Limited has a Vineyard Management and Grape Purchase Agreement.

During the year the Company paid Villa Maria Estate Limited \$20,000 (2005 \$20,000) for management and administration services.

During the year Villa Maria Estate Limited paid the Company \$1,325,986 (2005 \$1,155,353) for sale of grapes under normal commercial terms. An amount of \$897,248 (2005 \$767,652) relating to these sales is outstanding at year end and is included in accounts receivable.

During the year the company paid Vineyards Plants Limited \$122,692 (2005 \$113,617) for purchase of vines. Vineyard Plants Limited is 50% owned by Villa Maria Estate Limited.

All related party transactions are at normal commercial terms.

The top 10 shareholders per number of shares are:	2006	2005
	\$	\$
Villa Maria Estate Limited	1,029,567	1,029,567
National Nominees Limited	46,500	29,000
George V Fistonich	38,248	36,200
Anne Louise Beattie*Graham Desmond Beattie	35,000	40,000
David Nicholas Coleman	26,000	16,000
Christopher J O'Connor	22,000	22,000
Alexander M Ford	21,000	21,000
Jill Grant	21,000	21,000
Nicholas G Miller	20,000	20,000
David G Iggulden & Neil A Taylor	19,000	19,000

18 Operating Revenue	2006	2005
	\$	\$
Revenue includes:		
Sales	1,325,986	1,155,353
Other Income	3,551	5,958
Interest	574	1,866
	<u>1,330,111</u>	<u>1,163,177</u>

19 Dividend	2006	2005
	\$	\$
Dividend Paid	<u>327,747</u>	<u>281,400</u>

20 Costs associated with the proposed merger

The costs incurred during the year relating to the proposed merger of Seddon Vineyards of Marlborough Ltd and Terra Vitae Vineyards Limited amount to \$51,738

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

21 Operating Expenses	Note	2006 \$	2005 \$
Production Expenses			
Labour & Contracting Costs		331,964	418,199
Bird Control		662	3,576
Communications		4,255	4,167
Depreciation		128,088	223,523
Fertilisers & Soil Management		22,752	10,711
Fungicides & Pesticides		34,272	22,559
Helicopter Hire & Other General		21,911	12,638
Harvesting Expenses		3,748	7,776
Herbicides		27,316	24,002
Pruning & Training Materials		6,536	3,951
Rates, Lease & Govt Fees		15,459	14,826
Repairs and Maintenance		62,465	66,382
Other Production Expenses		29,331	30,909
Total Production Expenses		688,759	843,218
Administration Expenses			
Audit Fees - Prior year		-	-
Audit Fees - current year		5,000	5,000
Company Secretary		12,213	14,865
Directors Fees		16,000	16,553
Gain/Loss on Sale of Fixed Assets		30,014	28,997
Insurance		6,297	6,343
Interest Expense		32,041	48,888
Management Fee VME		20,000	20,000
Travel		1,090	0
NZGGC Levies		9,894	8,199
Merger Expenses	20	51,738	28,263
Other Administration Expenses		21,344	12,759
Total Administration Expenses		205,630	189,867
Total Operating Expenses		894,389	1,033,085

22 Post Balance Date Events

At a special meeting of Shareholders held on Friday 30th June in Auckland, the shareholders voted in favour of the Amalgamation Proposal, "that Seddon Vineyards of Marlborough Limited amalgamate with Terra Vitae Vineyards Limited". Seddon Vineyards of Marlborough Limited is the Amalgamated entity and has changed its name to Terra Vitae Vineyards Limited on 1 July 2006.

Detailed terms of the amalgamation are covered by the Amalgamation Proposal, Prospectus & Investment Statement dated 1 June 2006.

On 18th August 2006 the Directors declared a dividend of 1.6 cents per share fully imputed (2.388 cents gross) from the pre-amalgamation profits of both Terra Vitae and Seddon. The total amount of dividend will be \$640,000.00 and is payable on 11 December 2006.

SEDDON VINEYARDS OF MARLBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

23 Impact of Adopting New Zealand Equivalents to IFRS

In December 2003, the New Zealand Accounting Standards Review Board determined that all New Zealand reporting entities will be required to adopt New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for reporting periods beginning on or after 1 January 2007, with the option of early adoption for periods beginning on or after 1 January 2005.

Terra Vitae Vineyards Limited, the amalgamated company does not intend to early adopt NZ IFRS. Therefore, the first full set of NZ IFRS financial statements will be for the year ended 30 June 2008, with comparative balances to 30 June 2007. The transition date will be 1 July 2006 when the opening balance sheet under NZ IFRS will have to be prepared. The year ended 30 June 2007 is the year of transition to NZ IFRS.

There are a number of areas identified where accounting policy changes will be required by Terra Vitae Vineyards Limited, the amalgamated company. These areas are still subject to ongoing interpretation and review by Terra Vitae Vineyards Limited, the amalgamated company and the industry. Furthermore, NZ IFRS will continue to be reviewed, with new or amended reporting standards issued.

The companies Seddon Vineyards of Marlborough Limited and Terra Vitae Vineyards Limited have already adopted the accounting treatment for vines as set out in Financial Standard NZ IAS 41. As both companies do not carry any harvest grapes in their inventories, Financial Reporting Standard NZ IAS 41 relating to harvested inventory revaluation has no impact in the financial statements for the year ended 30 June 2006.

TERRA VITAE VINEYARDS LIMITED

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
Operating Revenue	2,637,129	2,798,608
Operating Expenses	1,919,090	2,238,694
Operating Surplus Before Revaluation	<u>718,039</u>	<u>559,914</u>
Revaluation of Vines	(202,270)	8,278,013
Operating Surplus/(Deficit) Before Income Tax	<u>515,769</u>	<u>8,837,927</u>
Income Tax Expense	181,821	-
Operating Surplus/(Deficit) After Income Tax	<u><u>333,948</u></u>	<u><u>8,837,927</u></u>

TERRA VITAE VINEYARDS LIMITED

**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
Equity as at beginning of year	<u>24,018,637</u>	<u>7,762,430</u>
Net Surplus/(Deficit) for the Year	333,948	8,837,927
Increase/(decrease) in revaluation reserve	1,786,848	8,273,280
Total Recognised Revenues and Expenses	<u>2,120,796</u>	<u>17,111,207</u>
Less Distribution to Owners - Ordinary	(475,000)	(855,000)
- Supplementary	-	-
Foreign Investor Tax Credit	-	-
Equity as at 30 June 2006	<u><u>25,664,433</u></u>	<u><u>24,018,637</u></u>

TERRA VITAE VINEYARDS LIMITED**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
Equity		
Paid up Capital	9,500,000	9,500,000
Asset Revaluation Reserve	10,060,128	8,273,280
Retained Earnings	6,104,305	6,245,357
Total Equity	<u>25,664,433</u>	<u>24,018,637</u>
<i>Represented by:</i>		
Current Assets		
Bank of New Zealand Current Account	6,944	7,798
Bank of New Zealand Deposit Account	582,206	63,455
Taxation Balance		4,401
Accounts Receivable	1,738,845	1,895,648
Deferred Vintage Costs	84,883	11,181
Prepayments	8,979	5,170
	<u>2,421,857</u>	<u>1,987,653</u>
Non Current Assets		
Vines	8,999,377	9,093,000
Fixed Assets	14,900,232	13,371,015
Investments	-	-
	<u>23,899,609</u>	<u>22,464,015</u>
Total Assets	<u>26,321,466</u>	<u>24,451,668</u>
Current Liabilities		
Bank of New Zealand Current Account	3,063	2,618
Accruals	22,778	77,910
Income Tax Payable	167,619	-
Goods and Services Taxation	256,841	290,466
Accounts Payable	206,732	62,037
Bank of New Zealand Loan	-	-
	<u>657,032</u>	<u>433,031</u>
Net Assets	<u>25,664,433</u>	<u>24,018,637</u>

TERRA VITAE VINEYARDS LIMITED**INCOME AND EXPENSE ANALYSIS
FOR THE YEAR ENDED 30 JUNE 2006**

Operating Revenue	2006	2005
	\$	\$
Revenue includes:		
Sales	2,585,953	2,782,902
Other Income	25,749	7,310
Interest	25,427	8,396
	<u>2,637,129</u>	<u>2,798,608</u>
Operating Expenses	2006	2005
	\$	\$
Production Expenses		
Labour & Contracting Costs	798,442	789,033
Bird Control	5,670	2,799
Communications	9,953	8,124
Depreciation	349,500	692,787
Fertilisers & Soil Management	20,603	80,094
Fungicides & Pesticides	101,841	110,534
Helicopter Hire & Other General	51,872	31,652
Harvesting Expenses	360	112
Herbicides	19,203	16,584
Pruning & Training Materials	4,742	3,771
Rates, Lease & Govt Fees	37,304	33,793
Repairs and Maintenance	159,051	134,419
Other Production Expenses	52,906	15,511
Total Production Expenses	<u>1,611,446</u>	<u>1,919,213</u>
Administration Expenses		
Audit Fees - Prior year		
Audit Fees - current year	7,500	7,500
Company Secretary	12,089	19,772
Directors Fees	32,833	35,000
Gain/Loss on Sale of Fixed Assets	(10,835)	-
Insurance	15,197	18,575
Interest Expense	269	18,792
Management Fee VME	60,000	60,000
Travel	1,559	1,986
NZGGC Levies	20,493	20,475
Merger Expenses	117,126	56,526
Other Administration Expenses	51,413	80,855
Total Administration Expenses	<u>307,645</u>	<u>319,481</u>
Total Operating Expenses	<u>1,919,090</u>	<u>2,238,694</u>
