TERRA VITAE VINEYARDS LIMITED

Keltern Vineyard

Twyford Gravels Vineyard

Taylors Pass Vineyard

Seddon Vineyard

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007

TERRA VITAE VINEYARDS LIMITED
(Incorporated in New Zealand)

ANNUAL REPORT
for the year ended 30 June 2007

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TERRA VITAE VINEYARDS LIMITED

DIRECTORY

Date of Incorporation	10 August 1993
Date of Change of Name	1 July 2006
Former Name	Seddon Vineyards of Marlborough Limited
Nature of Business	Vineyard
Registered Office	10 Birman Close Bucklands Beach Auckland
Directors	D Ferraby G Fistonich A Pearson A Couch M Brajkovich
Auditors	CST Nexia Audit Manukau City Auckland
Solicitors	Minter Ellison Rudd Watts
Bankers	Bank of New Zealand

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 2007.

Principal Activity

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

Results	**2007** $	**2006** $
Net operating surplus for the year	2,050,591	2,350,146
Total Equity of the Company	43,919,127	15,571,609
Total Assets of the Company	44,616,264	16,336,098

Auditors

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

Interested Parties

All transactions conducted by the Company with Villa Maria Estate Limited, a company of which Mr. G Fistonich is a current director, are interested transactions. Details of these are given in Note 18 to the financial statements.

Directors' remuneration

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

D Ferraby	$20,000
G Fistonich	$10,000
A Pearson	$10,000
A Couch	$10,000
M Brajkovich	$10,000

Directors Loans

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

Directors' Indemnity and Insurance

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

Directors' Shareholding

The Directors current shareholdings in the Company are as follows:

D Ferraby	25,000
G Fistonich	503,240
A Pearson	61,000
M Brajkovich	26,000

Significant Events

Following a special meeting of Shareholders held on Friday 30th June 2006 in Auckland, Seddon Vineyards of Marlborough Limited amalgamated with Terra Vitae Vineyards Limited effective 1 July 2006. Seddon Vineyards of Marlborough Limited is the amalgamated entity and changed its name to Terra Vitae Vineyards Limited on the same date.

The accounting treatment of the amalgamation is given in Note 2 to the financial statements.

Changes in Fixed Assets of the Company

The impact of the amalgamation on 1 July 2006 with Terra Vitae Vineyards Limited, as detailed above, included the addition of fixed assets of $14,900,232.

Following the amalgamation, there was an increase in the value of fixed assets of $943,123 following a revaluation performed by Logan Stone Limited, an associate of the New Zealand Institute of Valuers as at 30 June 2007. A positive change of $1,193,570 was also recorded in the valuation of vines. During the year the Company invested $230,120 in fixed assets of the Company.

The Directors are of the view that there are no significant differences between the values in land as they appear in the balance sheet and the market values thereof.

Share Capital

As a result of the amalgamation of Seddon Vineyards of Marlborough Limited and Terra Vitae Vineyards Limited on 1 July 2006, the share capital of the Company increased during the year as detailed in Note 15 to the financial statements.

Signed on behalf of the Board by:

D. FERRABY **DIRECTOR**	**A. PEARSON** **DIRECTOR**
16 October 2007 **Date**	**16 October 2007** **Date**

TERRA VITAE VINEYARDS LIMITED

CHAIRMAN'S REPORT

On behalf of your Board, I am delighted to report that, in spite of a dramatically challenging year in Marlborough, the company has produced an operating profit of $1,290,040 and a pre-tax profit of $2,447,146, which includes an uplift in the vine revaluation of $1,193,570. As a result, the Board has declared a fully imputed dividend of 1.6 cents per share. This will be paid on 12th December 2007, with a record date of 5th December 2007 (5:00pm). This is the same as last year's final dividend and is close to the prospectus forecast.

The Financial Statements have been formatted to comply with our statutory obligations, with the comparative figures for 2006 only including figures for Seddon Vineyards of Marlborough Limited. More relevant data is shown in Appendix 1, with a comparison between the 2007 results and the combined results of the two companies for 2006.

The Vineyards

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

	Yield	Crop Value
Seddon	621	$1,467,873
Taylors Pass	591	$1,354,039
Keltern	454	$829,380
Twyford Gravels	148	$307,604
Totals	**1814**	**$3,958,896**

A severe late frost in Marlborough on the 9th November 2006 caused considerable damage, mainly in the Awatere Valley. Some vineyards which had not had frost damage in their 12 year life, suffered in varying degrees with a number losing their complete crop. Both Terra Vitae vineyards were affected by the frost and the cold spring. Taylors Pass had a reduced harvest as against budget by approximately 25%. The two Hawkes Bay vineyards however, had a very good season with excellent yields producing good fruit. The top grafting of merlot to pinot gris has been successful resulting in a better than expected yield in the first year of production. The replacement vines at the Seddon Vineyard are developing well and are on track to reach full production as planned by 2009.

Share Trading

The company continues to use the `www.unlisted.co.nz' site to list and trade its shares. During the year the board had a presentation from NZX for listing on that market. However at this stage the board is happy with the cost effectiveness and liquidity provided by the "Unlisted" market. There has been active trading on the market over the past three months, at an average price of 66 cents.

Directors

Last month (September) Andrew Couch resigned as a director to pursue other interests. Andrew made a significant contribution to the company as a director and we thank Andrew and wish him well. The Board has decided to operate with four directors in the meantime.

The Market

Demand continues to be strong for grapes, especially those of good quality and of popular varieties. Overseas demand for NZ wine drives this, especially for Sauvignon Blanc and increasingly for Pinot Noir and Pinot Gris. This is likely to continue to be tempered by a volatile $NZ and increasing world production.

Higgins Road property

Having carefully considered and rejected a number of land and vineyard purchase proposals over the previous year, the opportunity to purchase the outstanding neighbouring property to Seddon Vineyards, arose in late May. Your Board, along with considerable input from various professionals, spent considerable time and effort in evaluating the prospect of buying and developing the property. At the special general meeting on 24th July, 90% of voting shareholders voted in favour of the company buying the property adjacent to our existing Seddon Vineyards and developing a 140ha vineyard (19ha was already planted in Sauvignon Blanc and Pinot Noir).

Conclusion

A major part of our business is the operation of the Management and Supply Agreement we have with Villa Maria. They are extremely supportive and professional in their role as vineyard managers. I wish to thank George Fistonich and his team, along with our independent advisor Mark Allen, and our four vineyard managers for the excellent way in which they have managed the vineyards during the last 12 months. Thank you to my fellow directors for your support and governance. It has been a busy year following the merger and all the work that was entailed by the evaluation of the Higgins Road purchase.

Special thanks also to Alan O'Sullivan our Secretary/Manager for all the work he has done in an extremely professional manner. It has been an exceptionally busy year following the merger, with all the accounting work now being done `in house' as well as the huge extra workload created by the Higgins Road purchase.

Finally, thank you to you the shareholders, for all your support and I hope I get the opportunity to catch up with many of you at our AGM or at our field day, which is set for 8th March 2008 in Marlborough.

Joe Ferraby
Chairman
Terra Vitae Vineyards Ltd

TERRA VITAE VINEYARDS LIMITED

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, CST Nexia Audit, have audited the annual financial statements and their report appears on pages 8 and 9.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability and integrity of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. Appropriate systems of internal control have been employed to ensure that all transactions are executed in accordance with authority and are correctly processed and accounted for in the financial records. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the statement of financial performance is drawn up so as to give a true and fair view of the profit of the Company for the financial year ended 30 June 2007;
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2007; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Signed on behalf of the Board by:

D. FERRABY)

) **DIRECTORS**

A. PEARSON)

16 October 2007
DATE

CST NEXIA
CHARTERED ACCOUNTANTS

Audit Report

To the Shareholders of Terra Vitae Vineyards Limited

We have audited the financial statements on pages 10 to 28. The financial statements provide information about the past financial performance of Terra Vitae Vineyards Limited and its financial position as at 30 June 2007. 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 Terra Vitae Vineyards Limited as at 30 June 2007 and of the results of operations and cash flows for the year ended 30 June 2007.

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 Terra Vitae Vineyards 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.

audit and assurance services CST NEXIA AUDIT visit us at www.cstnexia.co.nz
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CST NEXIA AUDIT is an independent member of Nexia International Ltd
NEXIA INTERNATIONAL

CST NEXIA
CHARTERED ACCOUNTANTS

Audit Report (continued)

Our firm has assisted with the formatting of the financial statements of Terra Vitae Vineyards Limited to which our audit relates, working from draft financial statements prepared by the company and which we have audited. We have had no involvement in the compilation of those records or entries they contain. Except in this regard, and other than in our capacity as auditors, we have no interest in or relationship with Terra Vitae Vineyards Limited.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by Terra Vitae Vineyards Limited as far as appears from our examination of those records; and
- the financial statements on pages 10 to 28
  - comply with generally accepted accounting practice; and
  - give a true and fair view of the financial position of Terra Vitae Vineyards Limited as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 16 October 2007 and our unqualified opinion is expressed as at that date.

CST Nexia Audit

CST Nexia Audit
Chartered Accountants
Manukau City

TERRA VITAE VINEYARDS LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2007

	NOTES	Post amalgamation 2007	Pre amalgamation 2006
Operating revenue		4,034,600	1,325,986
Other income			
Interest		15,580	574
Dividend		160	-
Other income		2,640	3,551
Total revenue		4,052,980	1,330,111
Labour and contractor costs		(1,253,635)	(331,964)
Administration expenses		(139,549)	(97,681)
Repairs and maintenance		(83,905)	(62,465)
Director fees		(60,000)	(16,000)
Management fees		(75,000)	(20,000)
Auditors remuneration		(11,487)	(5,000)
Gain (loss) on sale of fixed assets		19,765	(30,014)
Harvesting costs		(75,869)	(3,748)
Grape Growers levy		(29,676)	(9,894)
Depreciation	9	(466,698)	(128,088)
Other operating expenses	6	(580,886)	(157,493)
Total operating expenses		(2,756,940)	(862,347)
Operating profit before revaluation		1,296,040	467,764
Revaluation of vines	7	1,193,570	2,026,193
Profit before finance costs and taxation		2,489,610	2,493,957
Interest expense		(42,464)	(32,041)
Profit before taxation		2,447,146	2,461,916
Income tax expense	8	(396,555)	(111,770)
Net profit for the year		2,050,591	2,350,146
Basic and diluted earnings per share (NZ$)	5	0.05	0.84

The above statement should be read in conjunction with the Notes to the Financial Statements

TERRA VITAE VINEYARDS LIMITED

STATEMENT OF MOVEMENTS IN EQUITY
for the year ended 30 June 2007

	Share capital (note 15)	Asset revaluation reserve	Retained earnings	Total
Balance at 30 June 2005	**2,800,000**	**4,584,726**	**2,726,039**	**10,110,765**
Dividends paid	-	-	(326,312)	(326,312)
Total recognised revenues and expenses	-	3,437,010 *	2,350,146 **	5,787,156
Balance at 30 June 2006	**2,800,000**	**8,021,736**	**4,749,873**	**15,571,609**
Issue of shares	26,000,000	-	-	26,000,000
Dividends paid (note 15)	-	-	(646,196)	(646,196)
Total recognised revenues and expenses	-	943,123 *	2,050,591 **	2,993,714
Balance at 30 June 2007	**28,800,000**	**8,964,859**	**6,154,268**	**43,919,127**

* represents increase in revaluation reserve

** represents net profit for the year

The above statement should be read in conjunction with the Notes to the Financial Statements

TERRA VITAE VINEYARDS LIMITED

STATEMENT OF FINANCIAL POSITION
at 30 June 2007

ASSETS	NOTES	Post amalgamation 2007	Pre amalgamation 2006
Non-current assets			
Fixed assets	9	24,853,683	9,274,624
Vines	7	16,308,918	6,097,397
Intangible assets	2	335,567	-
Other investments	3	100	100
		41,498,268	**15,372,121**
Current assets			
Current tax asset	8	8,435	-
Other receivables and prepayments	14	10,571	6,993
Deferred Vintage Costs		21,255	59,587
Amounts due from related party	18	2,710,671	897,248
Bank and cash balances		367,064	149
		3,117,996	**963,977**
TOTAL ASSETS		**44,616,264**	**16,336,098**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	28,800,000	2,800,000
Asset revaluation reserve	15	8,964,859	8,021,736
Retained earnings	15	6,154,268	4,749,873
Total equity		**43,919,127**	**15,571,609**
Current liabilities			
Trade payables		76,324	19,431
Other payables and accrued expenses	12	116,556	34,996
Current tax liabilities	8	-	109,197
Goods and Services Taxation		404,001	127,473
Bank loans	11	-	460,000
Bank overdrafts		-	751
Amounts due to related parties	18	100,256	12,641
		697,137	**764,489**
Total liabilities		**697,137**	**764,489**
TOTAL EQUITY AND LIABILITIES		**44,616,264**	**16,336,098**

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 7. The financial statements on pages 10 to 28 were approved by the Board of Directors on 16th October 2007 and were signed on its behalf by:

D. FERRABY)
) **DIRECTORS**
A. PEARSON)

The above statement should be read in conjunction with the Notes to the Financial Statements

TERRA VITAE VINEYARDS LIMITED

STATEMENT OF CASH FLOWS
for the year ended 30 June 2007

	NOTES	Post amalgamation 2007	Pre amalgamation 2006
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		3,962,662	1,199,941
Cash paid to suppliers		(1,870,254)	(755,821)
Interest paid		(28,462)	(32,041)
Income taxes paid		(401,893)	(58,023)
Net cash flow from operating activities	**19**	1,662,053	354,056
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		15,580	574
Proceeds from sale of fixed assets		35,500	-
Acquisition of vines	**7**	(21,134)	-
Acquisition of fixed assets	**9**	(218,137)	(125,917)
Net cash flow from investing activities		(188,191)	(125,343)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings	**11**	(460,000)	-
Proceeds from borrowings	**11**	-	60,000
Dividends paid	**15**	(646,196)	(326,312)
Net cash (used in) from financing activities		(1,106,196)	(266,312)
Net increase (decrease) in bank and cash balances		367,666	(37,599)
Bank and cash balances at beginning of year		(602)	36,997
Bank and cash balances at end of year		367,064	(602)
Net bank and cash balances comprise of:			
Bank and cash balances		367,064	149
Bank overdraft		-	(751)
		367,064	(602)

The above statement should be read in conjunction with the Notes to the Financial Statements

STATEMENT OF ACCOUNTING POLICIES

The financial statements of Terra Vitae Vineyards 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, cash flows 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 Company has already adopted the accounting treatment for vines as set out in New Zealand Equivalent to International Accounting Standard Number 41 ("NZ IAS 41): *Agriculture* due to there being no equivalent under the current NZ GAAP. As the Company does not carry any harvest grapes in its inventories, NZ IAS 41 relating to revaluation of agricultural produce at the point of harvest has no impact in the financial statements for the year ended 30 June 2007.

However the Company has complied with the requirement of NZ IAS 41 to measure biological assets, vines in this case, at their fair value less estimated point-of-sale costs at each balance sheet date. The fair values of the vines have been determined by an independent valuer, Logan Stone Limited. Please see note 7.

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; less

(ii) costs incurred during the year to acquire and plant vines.

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 the net market value of grapes immediately after picking.

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.

D. GOODWILL

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition and is the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. The goodwill is amortised over a period of 20 years.

STATEMENT OF ACCOUNTING POLICIES (CONT'D)

E. 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 rates 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.

F. DEFERRED VINTAGE COSTS

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

G. 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.

H. FUNCTIONAL CURRENCY

The functional currency for all figures presented in these financial statements is New Zealand Dollars.

I. COMPARATIVE FIGURES

The comparative figures for 2006 represent the audited figures of Seddon Vineyards of Marlborough Limited (pre-amalgamation). Certain comparative amounts have been reclassified to conform with the current year's presentation.

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.

2. BUSINESS COMBINATION

2007

On 1 July 2006 being the acquisition date, Seddon Vineyards of Marlborough Limited amalgamated with Terra Vitae Vineyards Limited to form Seddon Vineyards of Marlborough Limited. On the same date, Seddon Vineyards of Marlborough Limited changed its name to Terra Vitae Vineyards Limited.

The purchase method of accounting is used to account for the above amalgamation, with Seddon Vineyards of Marlborough Limited identified as the acquirer for accounting purposes. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed are measured initially at their fair values at 1 July 2006. The excess of the cost of acquisition over the fair value of the Company's identifiable net assets acquired is recognised as goodwill in the statement of financial position as promulgated by FRS 36: Accounting for Acquisitions Resulting In Combinations of Entities or Operations.

No operations have been disposed as a result of the amalgamation. The fair value of the assets and liabilities of Terra Vitae Vineyards Limited identified are as follows:

	2007
Purchase cost - consideration	26,000,000
Total value of securities issued	26,000,000
Fair values of assets acquired	
Cash	589,150
Trade and other receivables	1,832,707
Vines	8,999,377
Fixed assets	14,900,232
Bank overdraft	(3,063)
Trade and other payables	(229,510)
Income tax liability	(167,619)
Goods and services tax liability	(256,841)
	25,664,433
Goodwill	335,567

The goodwill recognised on the acquisition is attributed mainly to the synergies expected to be achieved from integrating the Company into the operations and has been recognised in the Statement of Financial Position under Non-Current Assets.

3. OTHER INVESTMENTS

	2007	2006
Unquoted shares at cost	100	100
	100	100

The investment is held in Ravensdown Fertiliser Limited, a company incorporated in New Zealand.

4. SEGMENT INFORMATION

The Company operates in one industry only, that being the growing of grapes for the wine industry. The Company operates and sells in New Zealand.

5. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of shares in issue during the year.

	Post amalgamation 2007	Pre amalgamation 2006
Net earnings attributable to shareholders	2,050,591	2,350,146
Weighted average number of shares in issue	40,000,000	2,800,000
Basic and diluted earnings per share (NZ$)	0.05	0.84

6. OTHER OPERATING EXPENSES

Pesticides	116,954	34,272
Pellenc Tractor	64,724	-
Fertilisers	61,762	21,778
Frost control	55,077	-
Irrigation running expenses	36,045	3,847
Herbicides	26,806	27,316
Other	219,518	70,280
	580,886	157,493

7. VINES

Valuation of vines at beginning of year	6,097,397	3,960,000
Value of vines purchased during year	21,134	111,204
Value of vines derecognised during the year	(2,560)	-
Value of vines purchased at amalgamation (note 2)	8,999,377	-
Vines carrying amount prior to valuation	15,115,348	4,071,204
Valuation of vines	16,308,918	6,097,397
Increment in net market value of vines	1,193,570	2,026,193

There has been a positive change in valuation of $1,193,570 (2006: $2,026,193). The vines were independently valued by Logan Stone Limited, an associate of the New Zealand Institute of Valuers as at 30 June 2007. Total vines planted is 224.53 ha(2006:83.79 ha), which is on land owned by the Company. According to the Vineyard Management and Grape Purchase Agreement with Villa Maria Estate Limited, the grapes produced by the Company should be sold to Villa Maria Estate Limited.

		Post amalgamation 2007	Pre amalgamation 2006
8.	**INCOME TAX**		
	Net surplus before taxation	2,447,146	2,461,916
	Prima facie taxation at 33%	807,558	812,432
	Permanent differences:		
	Vine revaluation	(393,878)	(668,644)
	Other permanent differences	(85,808)	(24,343)
	Tax effect of timing differences recognised	68,683	(7,675)
	Income tax expense for the year	396,555	111,770
	Included under current liabilities:		
	Payable in respect of period	396,555	111,770
	Payable in respect of previous period	109,197	55,450
	Payable in respect of Terra Vitae (pre-amalgamation)	167,619	-
		673,371	167,220
	Resident withholding tax paid	(3,098)	-
	Income tax paid	(678,708)	(58,023)
	Closing tax (receivable) payable	(8,435)	109,197
	Imputation Credit Account		
	These losses arose from the following financial periods:		
	Opening imputation account balance	2,163	104,748
	Less: Imputation credits lost on amalgamation	(2,163)	-
	Add: Resident withholding tax attached to interest received	3,098	112
	Add: Income Tax paid	678,708	58,023
	Less: Imputation credits attached to Dividends paid	(315,224)	(160,720)
	Closing imputation credit account	366,582	2,163

	Post amalgamation 2007	Pre amalgamation 2006
8. INCOME TAX (CONT'D)		
Deferred Taxation		
The deferred tax balance which has been recognised in the financial statements is:		
Opening balance	(7,675)	15,475
Transfer to Statement of Financial Performance 2006	-	(23,150)
Arising during the year	76,358	-
Transferred to income statement for year	68,683	(7,675)
Deferred tax asset not recognised in financial statements	(68,683)	7,675
Closing balance to Statement of Financial Position	0	-

9. FIXED ASSETS

	Land	Land development	Buildings	Plant	Office equipment	Motor vehicles	Total
COST/VALUATION							
At beginning of year	6,910,000	2,144,723	182,000	230,207	2,250	361,368	9,830,548
Acquisitions through business combination (note 2)	9,936,000	3,801,287	225,829	818,738	-	118,378	14,900,232
Other additions	2,747	13,036	-	52,443	1,911	148,000	218,137
Disposals	-	-	-	-	-	(115,392)	(115,392)
Revaluations	1,166,982	(561,497)	96,126	-	-	-	701,611
At end of year	**18,015,729**	**5,397,549**	**503,955**	**1,101,388**	**4,161**	**512,354**	**25,535,136**
ACCUMULATED DEPRECIATION							
At beginning of year	-	51,079	5,460	172,553	2,068	324,764	555,924
Charge for the year	-	171,217	13,756	218,932	1,099	61,694	466,698
Write back on revaluation	-	(222,296)	(19,216)	-	-	-	(241,512)
Eliminated on disposals	-	-	-	-	-	(99,657)	(99,657)
At end of year	**-**	**-**	**-**	**391,485**	**3,167**	**286,801**	**681,453**
CARRYING AMOUNTS							
At end of year	**18,015,729**	**5,397,549**	**503,955**	**709,903**	**994**	**225,553**	**24,853,683**
At beginning of year	6,910,000	2,093,644	176,540	57,654	182	36,604	9,274,624

The fair value of fixed assets recognised as a result of the business combination is based on market values. The market value of land and buildings is the estimated amount for which the item could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

There has been an increment of $943,123 in valuation of the land and buildings as at 30 June 2007. The valuation was independently performed by Logan Stone Limited, an associate of the New Zealand Institute of Valuers. Logan Stone has confirmed that the valuation can be relied upon for the purpose of these financial statements at 30 June 2007.

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.

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

10. COMMITMENTS AND CONTINGENT LIABILITIES

There are no known commitments for future capital commitments at balance date (2006: $nil).

There are no known contingent liabilities at balance date (2006: $nil).

	Post amalgamation 2007	Pre amalgamation 2006
11. BANK LOANS		
Balance	-	230,000
Interest rate	-	9.30%
Maturity	-	3 July 2006
Balance	-	200,000
Interest rate	-	9.40%
Maturity	-	3 July 2006
Balance	-	30,000
Interest rate	-	9.40%
Maturity	-	5 July 2006

The loans were 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 was $1,800,000.

12. OTHER PAYABLES AND ACCRUED EXPENSES

	Post amalgamation 2007	Pre amalgamation 2006
Sundry payables and accrued expenses	25,556	21,823
Director fees	49,000	12,000
Machinery annual charges	42,000	-
Employee related accruals	-	1,173
	116,556	34,996

13. FINANCIAL INSTRUMENTS

Exposure to credit and liquidity risks arises in the normal course of the Company's business.

Concentration of credit risk

The Company's exposure to credit risk is mainly influenced by its customer base and the financial institutions employed. Consequently, 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 Limited, its sole customer. 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.

Liquidity risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

Fair value

The carrying value of financial assets and liabilities approximate their fair value.

14. OTHER RECEIVABLES AND PREPAYMENTS

	Post amalgamation 2007	Pre amalgamation 2006
Directors' fees	3,667	-
Insurance	4,466	4,555
Unlisted listing fee	2,438	2,438
	10,571	6,993

	Post amalgamation 2007	Pre amalgamation 2006

15. SHARE CAPITAL

Issued and fully paid

	2007	2006
At beginning of year	2,800,000	2,800,000
Issue of 26,000,000 shares (note 2)	26,000,000	-
	28,800,000	2,800,000

At 30 June 2007, share capital comprised 40,000,000 ordinary shares (2006: 2,800,000)

The top 10 shareholders per number of shares are:

Shareholder	2007	2006
Villa Maria Estate Limited	8,756,361	1,029,567
National Nominees Limited	1,277,500	46,500
T.E.A. Custodians Limited	676,000	-
George V Fistonich	503,240	38,248
Hatch Mansfield Agencies Limited	227,760	-
Anne Louise Beattie & Graham Desmond Beattie	227,000	35,000
Murray Hamilton Blyth & Beverly Campbell Blyth	169,000	-
Custodial Services Limited Account 3	161,000	-
David Nicholas Coleman	156,000	26,000
Custodial Services Limited Account 2	155,421	-
	12,309,282	1,175,315

Ordinary shares

The ordinary shares, which have no par value:

i) have rights to receive dividends as declared from time to time;

ii) are entitled to one vote per share at meetings of the Company; and

iii) rank equally with regard to the Company's residual assets.

Revaluation reserve

The revaluation reserve relates to the revaluation of fixed assets at 30 June 2007 by an independent valuer, Logan Stone Limited.

Retained earnings

This comprises the cumulative results of the Company net of taxation. As at 30 June 2007, the dividends payable in any given year were capped at 75% of the net profits arising in that year, when prudent to do so.

Dividends

The dividends declared and paid by the Company for the year ended 30 June 2007 amounted to $646,196 (2006: $326,312).

16. POST BALANCE DATE EVENTS

At a special meeting of shareholders held on 24 July 2007, the shareholders voted in favour of the purchase of a property in Marlborough at a total purchase price of $25.2 million. Under the contract, of the 184.74 ha on the property, the Company has the option to plant up to 30ha this year with the settlement date scheduled for January 2008.

The Company has since entered into a financing arrangement with Rabo Bank for the full purchase price of the property.

On 16 October 2007 the Directors declared a dividend of 1.6 cents per share fully imputed (2.388 cents gross) from the post amalgamation profits of the Company. The total amount of dividend will be $640,000 and is payable on 12 December 2007.

17. 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 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 Company will restate amounts reported under previous New Zealand accounting standards ("NZ GAAP") using NZ IFRS. This requires a restatement of opening balances as at 1 July 2006, with initial transitional adjustments recognised retrospectively and against retained earnings at that date. The current year will be the year of transition to NZ IFRS.

The review to date has identified a number of key accounting policies that will be required to change from NZ GAAP to NZ IFRS which are set out below:

1. Fair Value as Deemed Cost
Under NZ IFRS the Company may elect to measure an item of property, plant and equipment at the date of transition to NZ IFRS at its;
a) historical cost;
b) fair value and use that value as its deemed cost going forward; or
c) fair value and review that value annually.

The decision as to which option to take has not yet been made.

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

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

3. Intangible Assets
Under NZ IFRS goodwill will be subject to an annual impairment test, rather than a standard annual amortisation. An assessment needs to be made as to whether there will be a need to bring any other intangible assets into the Statement of Financial Position.

18. RELATED PARTY TRANSACTIONS

The Company in the ordinary course of business enters into various purchase and service transactions with related parties. These transactions are under terms that are no less favourable than those arranged with third parties. The Company has a related party relationship with its directors.

	Post amalgamation 2007	Pre amalgamation 2006
Amounts due to related parties		
BC Limited	9,791	-
Villa Maria Estate Limited	90,465	12,641
	100,256	12,641
Amounts due from related party		
Villa Maria Estate Limited	2,710,671	897,248

George Fistonich, a director of Terra Vitae Vineyards Limited, is also a director of Villa Maria Estate Limited, a company with which Terra Vitae Vineyards Limited has a Vineyard Management and Purchase Agreement.

During the year the Company paid Villa Maria Estate Limited $75,000 (2006: $20,000) for management and administration services.

During the year Villa Maria Estate Limited paid the Company $4,034,600 (2006:$1,325,986) for sale of grapes under normal commercial terms. The amount shown under "Amounts due from related party" relate to the amount outstanding at balance date in respect of these sales.

During the year the Company also paid BC Limited $52,443 for accounting services. Alan O'Sullivan is a principal of BC Limited, a company which provided accounting services to Terra Vitae Vineyards Limited. Alan is the Company Secretary and holds 1,000 shares in Terra Vitae Vineyards Limited.

During the year the Company paid Vineyards Plants Limited $15,003 (2006: $122,692) for purchase of vines. Vineyard Plants Limited is also 50% owned by Villa Maria Estate Limited.

19. RECONCILIATION OF NET SURPLUS AFTER TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Post amalgamation 2007	Seddon only 2006
Reported net surplus for the year	2,050,591	2,350,146
Adjustments for:		
Depreciation	466,698	128,088
Revaluation of vines	(1,193,570)	(2,026,193)
Interest income	(15,580)	(574)
	1,308,139	451,467
Change in amounts due from related parties	(1,813,423)	(129,596)
Working capital on amalgamation	1,747,618	-
Change in deferred vintage costs	38,332	(47,795)
Change in trade payables, other payables and amounts due to related parties	226,068	(23,042)
Change in current tax liabilities	(117,632)	53,747
Change in goods and services taxation	276,528	17,987
Change in other receivables and prepayments	(3,578)	31,288
Net cash from operating activities	1,662,052	354,056

20. ACTUAL VERSUS PROJECTED STATEMENT OF FINANCIAL PERFORMANCE

	Actual 2007	Projected (unaudited) 2007	Variance
Operating revenue	4,034,600	4,060,385	(25,785)
Other income			-
Interest income	15,580	10,000	5,580
Dividend income	160	-	160
Other income	2,640	5,280	(2,640)
			-
Total revenue	4,052,980	4,075,665	(22,685)
			-
Operating expenses	(2,776,705)	(2,621,838)	(154,867)
Operating profit before interest and taxation	1,276,275	1,453,827	(177,552)
Gain (loss) on sale of fixed assets	19,765	-	19,765
Interest expense	(42,464)	-	(42,464)
Operating profit before revaluation	1,253,576	1,453,827	(200,251)
Revaluation of vines	1,193,570	-	1,193,570
			-
Operating profit before taxation	2,447,146	1,453,827	993,319
Income tax expense	(396,555)	(479,763)	83,208
Profit for period	2,050,591	974,064	1,076,527
Basic and diluted earnings per share (NZ$)	0.05		

The projected column reflects the estimates made in the unaudited prospectus

Notes

1. The revaluation of vines recognised as income is materially different from the projection mainly as a result of the revaluation of vines conducted at 30 June 2007, which amounted to $1,193,570. At the time of preparing the prospectus, it was impractical to project the figure. The carrying amount of the vines consequently increased by $1,296, 418 which has been disclosed in Note 21.

All other balances in the Statement above have been assessed to be in line with the projections.

21. ACTUAL VERSUS PROJECTED STATEMENT OF FINANCIAL POSITION

	Post amalgamation 30 June 2007	Projected (unaudited) 30 June 2007	Variance
ASSETS			
Non-current assets			
Fixed assets	24,853,683	24,032,762	820,921
Vines	16,308,918	15,012,500	1,296,418
Intangible assets	335,567	-	335,567
Other investments	100	100	-
	41,498,268	**39,045,362**	**2,452,906**
Current assets			
Current tax asset	8,435	-	8,435
Other receivables and prepayments	10,571	15,000	(4,429)
Deferred Vintage Costs	21,255	32,000	(10,745)
Amounts due from related party	2,710,671	2,740,760	(30,089)
Bank and cash balances	367,064	320,098	46,966
	3,117,996	**3,107,858**	**10,138**
TOTAL ASSETS	**44,616,264**	**42,153,220**	**2,463,044**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28,800,000	12,300,000	16,500,000
Asset revaluation reserve	8,964,859	18,170,950	(9,206,091)
Retained earnings	6,154,268	11,062,270	(4,908,002)
Total equity	**43,919,127**	**41,533,220**	**2,385,907**
Current liabilities			
Trade payables	76,324	105,000	(28,676)
Other payables and accrued expenses	116,556	135,000	(18,444)
Current tax liabilities	-	-	-
Goods and Services Taxation	404,001	380,000	24,001
Bank loans	-	-	-
Bank overdrafts	-	-	-
Amounts due to related parties	100,256	-	100,256
	697,137	**620,000**	**77,137**
Total liabilities	**697,137**	**620,000**	**77,137**
TOTAL EQUITY AND LIABILITIES	**44,616,264**	**42,153,220**	**2,463,044**

The projected column reflects the estimates made in the unaudited prospectus

Notes

1. Subsequent to the preparation of the 1 June 2006 prospectus, the Directors were advised that the purchase method of accounting was to be applied in accounting for the amalgamation in accordance with Financial Reporting Standard Number 36. The purchase method has been applied in preparing the statutory accounts resulting in the variances noted in the classification of the equity accounts. The only impact of applying the purchase method is the recognition of goodwill of $335,567 arising on amalgamation. Refer to Note 2 for the details.

2. The increase in vines has been explained in Note 20 to the financial statements.

APPENDIX 1

COMBINED STATEMENT OF FINANCIAL PERFORMANCE - FOR INFORMATION PURPOSES ONLY

	NOTES	Post amalgamation 2007	Combined 2006	Seddon only 2006
Operating revenue		4,034,600	3,932,408	1,325,986
Other income				
Interest income		15,580	26,001	574
Dividend income		160	-	-
Other income		2,640	8,831	3,551
Total revenue		4,052,980	3,967,240	1,330,111
Labour and contractor costs		(1,253,635)	(1,130,407)	(331,964)
Administration expenses		(139,549)	(310,246)	(97,681)
Repairs and maintenance		(83,905)	(177,891)	(62,465)
Director fees		(60,000)	(48,833)	(16,000)
Management fees		(75,000)	(80,000)	(20,000)
Auditors remuneration		(11,487)	(12,500)	(5,000)
Gain (loss) on sale of fixed assets		19,765	(19,179)	(30,014)
Harvesting costs		(75,869)	(4,108)	(3,748)
Grape Growers levy		(29,676)	(30,387)	(9,894)
Depreciation	9	(466,698)	(477,588)	(128,088)
Other operating expenses	6	(580,886)	(490,029)	(157,493)
Total operating expenses		(2,756,940)	(2,781,168)	(862,347)
Operating profit before revaluation		1,296,040	1,186,072	467,764
Revaluation of vines	7	1,193,570	1,823,923	2,026,193
Profit before finance costs and taxation		2,489,610	3,009,995	2,493,957
Interest expense		(42,464)	(32,310)	(32,041)
Profit before taxation		2,447,146	2,977,685	2,461,916
Income tax expense	8	(396,555)	(293,591)	(111,770)
Profit for period		2,050,591	2,684,094	2,350,146
Basic and diluted earnings per share (NZ$)	5	0.05	0.22	0.84

The 2006 combined results add the results of the old Terra Vitae Vineyards Limited and Seddon Vineyards of Marlborough Limited prior to the amalgamation. The Seddon only column for 2006 represent the results for Seddon Vineyards of Marlborough Limited only.