

# Terra Vitae Vineyards Limited



Photo Credit: Kevin Searles

Middlemiss Vineyard Development, Seddon - with the  
Higgins Road Vineyard in the background-September 2021

## Annual Report

For the year ended 30 June 2021

**Terra Vitae Vineyards Limited**  
**Financial Statements**  
**For the year ended 30 June 2021**

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# Chairman's Report 2021

## Terra Vitae Vineyards Limited

On behalf of your Board of Directors I have pleasure in presenting the Annual Report of Terra Vitae Vineyards Ltd for the year ended June 30, 2021.

Vintage 2021 was an extremely difficult growing year which included a huge frost in Marlborough in September causing a lot of damage to vineyards throughout the province. Our two vineyards luckily had very minimal damage due to our frost machines and two helicopters being brought into help at Seddon Vineyard. Following this, the major problem of the season occurred in late November and December when we had a lot of unseasonal dull, cloudy and rainy weather. This is the important flowering period for the vines. It is not bees that pollinate the vines, they need warm dry windy weather to pollinate the flowers which we certainly did not have! Following this cool wet period, from January through until late April we had an extremely dry period. We were able to water the vines but the extremely dry conditions mean that the roots reaching out into the middle of the rows were not watered for that incredibly long period without rain. The red varieties in Marlborough were the most affected by the very poor weather at flowering, resulting in a very light crop of grapes from them.

In our-post harvest announcement we advised;

*The Board of Terra Vineyards Ltd advise that the vineyard production tonnage across all four vineyards was below budget. It was a challenging growing season in both Hawke's Bay and Marlborough for the entire industry, with cool unstable weather patterns over the critical few weeks of flowering in November and December.*

*Last week the General Manager of Wine Marlborough reported that the wineries had received fantastic fruit but yields across the district were down 20 to 50%. The result in Hawke's Bay was similar for the white varieties. Although this industry result was disappointing, we can take some consolation that the impact on Terra Vitae was less than the industry overall, Terra Vitae was at the lower end of this industry shortfall with total tonnage down 21% on budget. The total impact on the financial result will not be known until price adjustments have been made for reserve quality grapes, but it will be significant.*

### Financial Results

We have separated out the operating performance from the fair value adjustments in the Income Statement. This year the total gross income from 3212 tonnes of grape sales was \$6,647,376 (2020 grape sales from 4230 tonnes was \$8,493,120) and after expenses the operating loss was \$943,949 (2020 profit was \$1,163,220) This result shows the very difficult season we experienced.

After deducting valuation movements and redevelopment expenses, the net loss before tax was \$748,729 (2020 profit was \$910,736)

The chart below shows each vineyard's production in tonnes and dollars for the past three seasons.

Vineyard	Yield 2021	Yield 2020	Yield 2019	Crop Value 2021	Crop Value 2020	Crop Value 2019
Seddon/Higgins Rd	2,125	2918	2155	\$4,267,894	\$5,699,259	\$4,116,845
Taylor's Pass	674	794	707	\$1,395,895	\$1,627,318	\$1,368,579
Keltern	276	371	322	\$617,380	\$810,115	\$703,415
Twyford Gravels	137	147	72	\$366,207	\$356,428	\$343,830
<b>Totals</b>	<b>3212</b>	<b>4230</b>	<b>3256</b>	<b>\$6,647,376</b>	<b>\$8,493,120</b>	<b>\$6,653,669</b>

Your board has resolved to declare a fully imputed dividend of 1.0 cents per share (\$400,000) payable on 6 December 2021 with a record date of 22 November 2021.

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.

	2021	2020	2019
Profit/ (loss) before tax	\$ (748,729)	\$ 910,736	\$ (850,503)
Depreciation	\$ 2,189,355	\$2,008,499	\$1,692,214
Interest	\$ 1,211,419	\$1,147,436	\$1,104,371
<b>EBITDA</b>	<b>\$ 2,652,045</b>	<b>\$4,066,671</b>	<b>\$1,946,082</b>

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.

The company is continuing with the re-trunking program and is making good progress, having excellent results with the vines back into production two years later. Our viticulture advisor Mark Allen plays a big part in the management of the vines and keeping our managers up to date with the latest technology and pruning styles to lower pruning costs and increase production.

### **New Middlemiss Block**

For a variety of reasons, progress of the development has been slower than planned but as we head into spring the team are getting on top of the issues helped by warmer, dryer days. We are budgeting for a very light crop of Sauvignon Blanc this season. The block will further add to production over the next few years and is budgeted to achieve its maiden profit in 2024.

### **Share Trading**

The company continues to list its shares on the Unlisted Market. There were 2,314,300 shares traded in the twelve months to June 30, 2021, with the price ranging from 37.5cents to 62.0 cents. This compares to net assets of 91.35 cents per share (last year 86.49 cents).

### **New Owners of Villa Maria Estate**

I am pleased to advise that as I write this report there is a conclusion to months of uncertainty as to the ownership of the Villa Maria company. The process has been a long one, which flowed down to the full-time staff managing and running our vineyards. That anxiety has now gone with the arrival of Indevin Group Ltd, a local New Zealand wine company based in Blenheim. Discussions with their Chairman have been very positive regarding the long-term supply contract they have taken over with the purchase, along with the management contract with Terra Vitae. This is very reassuring, and your Board looks forward to working with the new owners of Villa Maria. Your Board has

appointed the Chairman and owner of Indevin, Greg Tomlinson, to the Terra Vitae Board to continue the close relationship between the two businesses that we had with Sir George. Villa Maria continue to hold 21.89% of the shares in TVV.

In their press announcement when the conditional sale was announced, Greg said;

“Our business model is all about producing quality wines, creating authentic brands while retaining and building value for New Zealand wine in the International Markets. Adding Villa Maria to our portfolio fits with our long-term growth strategy and will complement our existing business”. And

“Our whole business is built around holding and building value for New Zealand vineyards and growers. We plan to drive focus and increased investment behind Villa Maria to further enhance its reputation for quality and protect its brand value. This will be an important step in the story of the brand.”

I am expecting that this change of ownership will lead us to continue to grow Terra Vitae and ultimately the share value.

## Awards

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

Brand	Variety	Region	Vintage	Competition/Source	Award	Award Year
Villa Maria Single Vineyard	Sauvignon Blanc	Taylor's Pass	2019	Decanter World Wine Awards, UK 2020	Gold	Sep-20
Villa Maria Single Vineyard	Pinot Noir	Taylor's Pass	2019	The Real Review - Bob Campbell	95/100	Sep-21
				Wine Orbit, Sam Kim	97/100	Sep-21
Villa Maria Single Vineyard	Chardonnay	Taylor's Pass	2018	New Zealand International Wine Show 2020	Gold	Oct-20
				Royal Easter Show Wine Awards 2020	Gold	Feb-20
				Marlborough Wine Show 2019	Gold + Trophy	Oct-19
Villa Maria Single Vineyard	Pinot Gris	Seddon	2018	Marlborough Wine Show 2019	Gold	Oct-19
				Royal Easter Show Wine Awards 2020	Gold	Feb-20
				New Zealand International Wine Show 2020	Gold	Oct-19
				Cuisine Magazine	5 stars - No 1	2020
Villa Maria Single Vineyard	Pinot Noir	Seddon	2019	Cameron Douglas	94/100	Sep-21
				Wine Orbit, Sam Kim	96/100	Sep-21
Villa Maria Single Vineyard	Chardonnay	Keltern	2019	Cameron Douglas	97/100	Feb-21
				James Suckling	95/100	Feb-21

## NZ Winegrowers Stats

Below is a chart of some updated statistics provided to us as members of NZ Winegrowers which illustrates the growth of our industry over the ten years, and the dip in the 2021 harvest overall.

<b>New Zealand Vintages (2012-2021)</b>										
<b>By grape variety (tonnes)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Sauvignon Blanc	181,121	228,781	310,240	216,078	303,711	285,862	296,573	302,157	326,058	268,079
Chardonnay	22,855	27,184	28,985	27,015	29,162	26,843	26,371	25,729	27,568	23,507
Pinot Noir	23,285	31,775	36,499	25,763	35,661	28,760	35,095	26,944	34,105	22,029
Pinot Gris	15,347	22,042	23,880	19,707	24,892	20,755	22,824	20,953	28,849	20,987
Merlot	8,046	10,076	10,756	9,397	9,321	7,714	10,623	9,240	11,166	9,877
Riesling	4,989	5,932	6,013	4,535	5,937	3,880	3,776	4,776	4,510	4,407
Syrah	1,431	2,240	2,178	1,497	1,756	1,733	2,126	2,230	2,392	2,537
Cabernet Sauvignon	1,120	1,465	1,742	1,376	1,537	974	1,169	1,076	1,210	1,156
Sauvignon Gris					1,182	944	1,080	1,002	880	1,178
Gewürztraminer	1,249	1,788	2,264	1,761	2,221	1,047	976	834	1,167	707
Malbec	694	825	1,135	586	483	697	782	741	793	535
Rosé										530
Other reds	307	262	537	457	677	401	456	506	522	540
Viognier	839	519	1,148	720	771	266	444	318	235	488
Cabernet Franc	414	421	582	485	616	373	350	473	452	458
Albariño							162	269	284	371
Semillon	596	721	507	425	466	249	385	304	292	289
Grüner Veltliner			341	228	276	253	329	347	369	275
Other Whites	618	1,052	1,646	1,294	727	824	250	232	271	144
Pinotage	292	400	425	494	374	145	153	142	122	96
Arneis	163	220	336	268	257	239	152	91	162	91
Muscat varieties	578	634	455	301	329	450	323	200	234	33
Survey total	263,944	336,337	429,669	312,387	420,356	382,409	404,246	398,564	441,640	358,316
Industry total*	269,000	345,000	445,000	326,000	436,000	396,000	419,000	413,000	457,000	370,000

## Directors and AGM

Your Board has had a busy year again this year, and in addition to the normal affairs it deals with, it was involved in decisions and planning with the development of the Middlemiss Block, changes in the management of the Keltern and Seddon Vineyards and in very recent times working through the process of having new owners of Villa Maria Estate.

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

Our AGM is set to be held at the Villa Maria winery in Auckland on November 29 at 2.30pm (Covid19 allowing) and I look forward to meeting many of you there. Following the AGM, we will be serving afternoon tea and Villa Maria will have a tasting of a range of wines from grapes of the Terra Vitae vineyards.

Finally, I want to thank the Villa Maria viticulture team lead by Ollie Powrie, and our vineyard managers Ian Buck, Matt Duggan, and Cameron Price. The vineyard managers play a huge part in the success of Terra Vitae by managing the vineyards to the very high industry standard which they do.

A key person in our vineyard's operation is Mark Allen who provides advice, regularly visits the vineyards, and liaises with the managers and brings with him incredible knowledge of each vineyard, of other vineyards throughout both the provinces and provides advice on the latest leading-edge practices and new technologies in viticulture. His advice to our managers plays a very important part in the operation of the four vineyards. The Board thanks Mark for the huge part he plays in overseeing our vineyards.

The other key person in the business is Alan O'Sullivan who professionally manages the business to run smoothly in every facet of the whole business including secretarial duties, banking relationships, paying suppliers, and assisting me in my role. Thank you, Alan, for your attention to detail and the huge amount of work you do for TVV.

Finally thank you Andrew, Milan, Sir George, and your alternate Fabian Yukich, for your governance over the last 12 months.

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 2021.

### Principal Activity

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

<b>Results</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Profit/(Loss) for the year	(545,372)	687,201
Total Equity of the Company	36,538,713	33,162,992
Total Assets of the Company	71,379,220	66,884,775

### 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 Vineyard Plants Limited of which Sir George Fistonich is a beneficial shareholder and Vine Test Lab Limited, of which Sir George Fistonich is a current director and shareholder, are interested transactions. All transactions conducted by the Company with Robinsons Construction Limited of which David Ferraby is a Director, 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	\$36,000
Sir George Fistonich	\$18,000
Andrew Pearson	\$18,000
Milan Brajkovich	\$18,000
	<hr/>
	\$90,000

### Directors' Loans

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

### Directors' Indemnity and Insurance

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

### Directors' Shareholding

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

D Ferraby	30,000 shares
G Fistonich	503,240 shares
A Pearson	61,000 shares
M Brajkovich	26,000 shares
F Yukich	10,000 shares



## Terra Vitae Vineyards Limited

### Directors' Report Continued

#### Significant Events

The Covid 19 pandemic continued to create turmoil globally, however our industry was privileged to be able to again complete our grape harvest and pruning as an "essential business". The support of the Government, NZ Winegrowers, our labour contractors and most importantly, our management and staff ensured that the vintage ran as safely and smoothly as was possible under very difficult conditions.

#### 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 2021 and the income statement, statements of other comprehensive income, changes in equity and cash flows for the Company for the year then ended.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied to the periods and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept, which enable with reasonable accuracy, the determination of the financial position of the Company and the compliance of the financial statements with the Financial Markets Conduct Act 2013 and the Companies Act 1993.

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

The Board of Directors of the Company authorised these financial statements presented on pages 8 to 38 for issue on 11 October 2021

For and on behalf of the Board.

D Ferraby  
Director



Monday, 11 October 2021

A Pearson  
Director



Monday, 11 October 2021

**Terra Vitae Vineyards Limited**  
**Income Statement**  
**For the year ended 30 June 2021**

		<b>2021</b>	2020
	Notes	\$	\$
<b>Revenue from Contracts with Customers</b>			
Sale of Grapes	7a	6,647,375	8,493,120
Services rendered-Harvesting		239,206	330,978
		<u>6,886,581</u>	<u>8,824,098</u>
Production Costs	8	3,869,926	3,933,623
Depreciation on Bearer Plants	8	1,095,392	1,141,544
Depreciation on Land Development and Plant	8	660,947	633,942
Total Cost of Sales		<u>5,626,265</u>	<u>5,709,109</u>
<b>Gross profit</b>		<u>1,260,316</u>	<u>3,114,989</u>
<b>Other Income</b>			
Sundry income	7b	49,000	61,394
Interest		42	604
<b>Total Other Income</b>		<u>49,042</u>	<u>61,998</u>
<b>Operating Expenses</b>			
Administrative costs	8	284,912	254,656
Depreciation on Other Assets	8	433,016	233,013
Finance costs	8	1,211,419	1,147,436
Other expenses	8	320,687	319,469
Loss on sale of fixed assets		3,272	59,193
<b>Total operating expenses</b>		<u>2,253,307</u>	<u>2,013,767</u>
<b>Total Expenses</b>		<u>2,253,307</u>	<u>2,013,767</u>
<b>Profit/(Loss) from Operations</b>		<u>(943,949)</u>	<u>1,163,220</u>
<b>Valuation movements</b>			
Fair value movement in other property, plant and equipment	8	-	(7,594)
Fair value of Swap Agreements	17	195,220	(244,890)
		<u>195,220</u>	<u>(252,484)</u>
<b>Profit/(Loss) before income tax</b>		<u>(748,729)</u>	<u>910,736</u>
Income tax (expense)/credit	9	203,357	(247,824)
<b>Profit/(Loss) for the year</b>		<u>(545,372)</u>	<u>662,912</u>
<b>Profit/(Loss) for the year is attributable to:</b>			
Ordinary equity holders of the company		<u>(545,372)</u>	<u>662,912</u>
<b>Basic and diluted earnings/(loss) per share</b>	28	<u>(0.01)</u>	<u>0.02</u>

*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 2021**

		<b>2021</b>	2020
	Notes	\$	\$
<b>Profit/(Loss) for the year</b>		<u>(545,372)</u>	<u>662,912</u>
<b>Other comprehensive income</b>			
*Revaluation of land, land developments, buildings and other assets	20	3,323,630	1,350,889
Income tax relating to revaluation	16	<u>(234,816)</u>	<u>(73,873)</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>		3,088,814	1,277,016
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<u>2,543,442</u>	<u>1,939,928</u>
Attributable to:			
Ordinary equity holders of the company		<u>2,543,442</u>	<u>1,939,928</u>

\* - 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 2021**

		2021	2020
	Notes	\$	\$
<b>Current assets</b>			
Cash and cash equivalents	10	362,367	5,839
Prepayments and other receivables	11	71,962	156,909
Related party receivables	26e	4,591,617	5,825,538
Current tax receivable	9	16,752	-
<b>Total current assets</b>		<u>5,042,698</u>	<u>5,988,286</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	62,111,753	56,620,661
Right of use assets	13	4,221,682	3,706,263
Deposits for capital works in progress		-	566,478
Other financial assets	14	3,087	3,087
<b>Total non-current assets</b>		<u>66,336,522</u>	<u>60,896,489</u>
<b>Total assets</b>		<u>71,379,220</u>	<u>66,884,775</u>
<b>Current liabilities</b>			
Interest bearing liabilities	18	175,029	1,077,743
Lease liabilities	13	112,180	98,368
Current tax payable	9	-	456,824
Trade and other payables	15	306,899	288,866
Fair value of derivative financial instruments	17	49,670	60,981
Related party payables	26e	141,414	162,551
<b>Total current liabilities</b>		<u>785,192</u>	<u>2,145,333</u>
<b>Non-current liabilities</b>			
Interest bearing liabilities	18	25,429,104	21,315,201
Lease liabilities	13	3,634,318	3,646,193
Fair value of derivative financial instruments	17	-	183,909
Deferred tax liability	16	4,991,893	4,998,868
<b>Total non-current liabilities</b>		<u>34,055,315</u>	<u>30,144,171</u>
<b>Total liabilities</b>		<u>34,840,507</u>	<u>32,289,504</u>
<b>Net assets</b>		<u>36,538,713</u>	<u>34,595,271</u>
<b>Equity</b>			
Share capital	19a	28,800,000	28,800,000
Accumulated losses		(5,049,126)	(3,903,754)
Asset revaluation reserve	20	12,787,839	9,699,025
<b>Total equity</b>		<u>36,538,713</u>	<u>34,595,271</u>

*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 2021**

	Notes	Share capital \$	Asset revaluation reserve \$	Accumulated Losses \$	Total \$
<b>Balance as at 1 July 2019</b>		<b>28,800,000</b>	<b>8,422,009</b>	<b>(4,286,666)</b>	<b>32,935,343</b>
Loss for the period		-	-	662,912	662,912
Other comprehensive loss		-	1,277,016	-	1,277,016
<b>Total comprehensive loss for the year</b>		-	1,277,016	662,912	1,939,928
<b>Transactions with owners</b>					
Foreign investor tax credit (FITC)		-	-	2,329	2,329
Dividends paid	21	-	-	(282,329)	(282,329)
<b>Balance as at 30 June 2020</b>		<b>28,800,000</b>	<b>9,699,025</b>	<b>(3,903,754)</b>	<b>34,595,271</b>
<b>Balance as at 1 July 2020</b>		<b>28,800,000</b>	<b>9,699,025</b>	<b>(3,903,754)</b>	<b>34,595,271</b>
Loss for the period		-	-	(545,372)	(545,372)
Other comprehensive income		-	3,088,814	-	3,088,814
<b>Total comprehensive income for the year</b>		-	3,088,814	(545,372)	2,543,442
<b>Transactions with owners</b>					
Foreign investor tax credit (FITC)		-	-	5,174	5,174
Dividends paid	21	-	-	(605,174)	(605,174)
<b>Balance as at 30 June 2021</b>		<b>28,800,000</b>	<b>12,787,839</b>	<b>(5,049,126)</b>	<b>36,538,713</b>

*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 2021**

	Notes	2021 \$	2020 \$
<b>Operating Activities</b>			
<b>Cash was provided from:</b>			
Receipts from customers		8,123,949	6,929,899
Interest received		42	604
Dividends received		-	-
Other income received		49,000	61,394
<b>Cash was disbursed to:</b>			
Payments to suppliers		(4,397,129)	(4,467,675)
Interest paid		(1,025,979)	(1,134,949)
Lease interest paid		(185,440)	(12,487)
Income taxes paid		(512,011)	(4,346)
<b>Net cashflows from operating activities</b>	23	<u>2,052,432</u>	<u>1,372,440</u>
<b>Investing activities</b>			
<b>Cash was provided from:</b>			
Sale of property, plant and equipment		-	280,435
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment		<u>(4,221,197)</u>	<u>(2,313,435)</u>
<b>Net cashflow from investing activities</b>		<u>(4,221,197)</u>	<u>(2,033,000)</u>
<b>Financing activities</b>			
<b>Cash was provided from:</b>			
Increase of bank borrowings		3,211,189	1,428,806
<b>Cash was applied to:</b>			
Repayment of Equipment Finance Loans		-	(451,452)
Lease liabilities repaid		(85,896)	(114,599)
Payment of Dividend		(600,000)	(280,000)
<b>Net cashflows from financing activities</b>		<u>2,525,293</u>	<u>582,755</u>
<b>Net increase in cash and cash equivalents</b>		<u>356,528</u>	<u>(77,804)</u>
Cash and cash equivalents at beginning of year		5,839	83,644
<b>Cash and cash equivalents at end of the year</b>	10	<u>362,367</u>	<u>5,839</u>

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

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**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 11 October 2021. 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.

*Change in accounting policies*

Right of use assets categorised as land are shown at fair value after initially being valued at cost. The impact of this is disclosed in note 13. There have been no other changes in accounting policies.

**(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.

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**2 Summary of Significant Accounting Policies (continued)**

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

**(d) Revenue recognition**

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

*(i) Sale of grapes*

The company derives revenue from the transfer of goods at a point in time. The primary source of revenue for the company is from the sale of grapes harvested. Revenue is recognised when the grapes are delivered to the customer and the company has no unfulfilled obligation that could affect the 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 grape in instalments between January and October of each vintage.

*(ii) Interest income*

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

*(iii) Dividend income*

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

*(iv) Services Rendered - Harvesting*

The company derives revenue from providing harvesting services to Villa Maria at market rates at a point in time. Revenue is recognised when the harvesting work is completed.

**(e) Income tax**

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

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

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

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

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

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

**(f) Goods and Services Tax (GST)**

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



**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**2 Summary of Significant Accounting Policies (continued)**

**(g) Cash and cash equivalents**

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

**(h) Leases**

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. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. and 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.

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**2 Summary of Significant Accounting Policies (continued)**

**(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 installment date for payment under this agreement is 31 October 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 2021 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.

**(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.

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**2 Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

**(n) Borrowings**

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

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

**(o) Borrowing costs**

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

The Company capitalised borrowing costs of \$85,231 during the current year.

**(p) Trade and other payables**

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

**(q) Dividends**

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

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**2 Summary of Significant Accounting Policies (continued)**

**(r) Bearer Plants**

*Grape vines*

Grape vines were initially measured at their deemed cost based on the previously assessed fair value at 1 July 2015, and are depreciated over their expected remaining useful life. The useful lives of bearer plants are reviewed annually and their carrying value considered for impairment. 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.

**(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.

**4 Critical Accounting Estimates and Judgements**

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

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

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**4 Critical Accounting Estimates and Judgements (continued)**

*(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 2021 is \$43,176,406 (2020: \$38,886,869). The increase in their carrying value, net of impairment losses or reversals, for the year ended 30 June 2021 is \$4,289,536 (2020: increase of \$1,436,869). (Refer to note 12.) The fair value of leased land at 30 June 2021 is \$4,115,045 (2020: \$3,477,377). The increase in its carrying value, net of impairment losses or reversals, for the year ended 30 June 2021 is \$637,668. (2020: \$3,477,377).

*(ii) Estimation of useful lives of assets*

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

*(iii) Going concern*

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

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

1. The Company was established to grow premium grapes under a long term contractual arrangement with Villa Maria. This agreement is current with rights of renewal up until 2115.
2. The Vineyard Management and Grape Purchase Agreement requires Villa Maria to purchase all grapes grown on the Company's vineyards at market prices (subject to minimum quality specifications). The Company therefore expects to sell all its grapes harvested in the foreseeable future to Villa Maria.
3. The vineyards are in two regions at four locations providing some diversity and protection against the effects of climatic and geological events.
4. The company is generating positive operating cashflows and expects to continue to do so.
5. It was recently announced that the shares in Villa Maria Estate Limited were purchased by Indevin Limited, a Marlborough based New Zealand owned wine company. The Directors of Terra Vitae consider that this sale will not impact on the relationship between the Company and its major customer Villa Maria as it is governed by a long term Vineyard Management and Grape Purchase Agreement between the two companies, which will remain in force.
6. Terra Vitae is considered an essential service in relation to Covid -19. During the 2021 vintage, there have been some requirements to change operating practices, however the company has largely continued to operate unaffected. Should further lockdowns happen in future, the company does not expect these to have any significant impact on profitability.

*(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 new 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.

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**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 2021, of the total borrowings of \$24,867,393, \$15,367,393 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 \$9,594,393 of borrowings at variable rates, \$9,500,000 is economically hedged by interest rate swaps. Effectively, the company therefore has only \$94,393 of borrowings where the net interest payable (after taking the effect of interest rate swaps into account) is at a variable rate (2020: \$478,288), 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.

Change	Impact on 2021 reported	
	Post tax profit	Equity
1% increase	190,109	190,109
1% decrease	(190,109)	(190,109)

**(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 October 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.

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**5 Financial Risk Management (continued)**

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

	2021	2020
<b>Counter party</b>		
Villa Maria Estate Limited	\$ 4,591,617	\$ 5,825,537

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

**(c) Liquidity risk**

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

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
<b>At 30 June 2021</b>				
Trade payables	\$ 448,313	\$ -	\$ -	\$ -
Bank borrowings	\$ 1,172,236	\$ 1,083,749	\$ 27,524,520	\$ -
Interest rate swap payments	\$ 94,450	\$ 94,450	\$ 155,765	\$ -
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 30 June 2020</b>				
Trade payables	\$ 451,417	\$ -	\$ -	\$ -
Bank borrowings	\$ 2,105,708	\$ 1,124,524	\$ 5,055,973	\$ 18,956,922
Obligations Under Equipment Finance Agreements	\$ 71,700	\$ 71,700	\$ 149,375	\$ -

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 \$24,867,393 (2020: \$22,392,944) with a fair value of \$25,328,460 (2020: \$23,048,160). 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.

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**5 Financial Risk Management (continued)**

**(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.



**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**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**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Grape Sales</b>		
Marlborough	5,663,789	7,326,577
Hawke's Bay	983,587	1,166,543
<b>Total grape sales</b>	<u>6,647,376</u>	<u>8,493,120</u>

**7b Sundry Income**

Grazing Income	5,900	11,974
Rental Income	7,127	23,635
Contracting Income	35,974	25,785
<b>Total sundry income</b>	<u>49,000</u>	<u>61,394</u>

**8 Expenses**

**Cost of sales**

Fertilizer	159,501	177,099
Frost Control	96,540	39,709
Pesticides	389,651	256,208
Herbicides	21,935	26,898
Irrigation Running	79,530	143,917
Labour & Contractor Costs	2,228,649	2,402,986
Machinery Running	108,381	135,720
Pellenc Tractor Maintenance	57,018	71,053
Harvesting Costs	140,366	127,475
Rates	83,299	86,126
Repairs & Maintenance	280,802	291,512
Vine Removal Costs	38,101	2,854
Short Term Lease Expenses	20,800	19,976
Other Vineyard Expenses	165,353	152,090
	<u>3,869,926</u>	<u>3,933,623</u>

**Additional notes on income & expenses**

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

**Frost Control** - includes costs of running frost fighting pumps and equipment including frost fans, diesel pots and the hire of helicopters, maintenance of irrigation intakes used for frost control.

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

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

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

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

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

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

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**8 Expenses (Continued)**

<b>Operating Expenses</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Administrative Costs</b>		
<i>Remuneration of auditors</i>		
<i>RSM Hayes Audit: audit of financial statements</i>	28,530	27,000
<i>RSM Hayes Audit: audit of share register</i>	1,000	1,000
<i>Bank Fees</i>	2,199	1,715
<i>Management Consulting</i>	25,258	8,093
<i>Administrative Services</i>	51,670	49,320
<i>Share Register Charges</i>	34,162	29,637
<i>Company Secretarial</i>	50,004	49,000
<i>Insurance</i>	50,957	47,029
<i>Travel Expenses</i>	11,560	7,719
<i>Shareholder Meeting Expenses</i>	9,619	14,785
<i>Other Administrative Costs</i>	19,953	19,358
	<u>284,912</u>	<u>254,656</u>
 <b>Depreciation</b>		
<i>Bearer Plants</i>	1,095,392	1,141,544
 <i>Land Development</i>	 258,209	 249,591
<i>Plant</i>	402,738	384,351
<i>Land Development and Plant</i>	<u>660,947</u>	<u>633,942</u>
 <i>Buildings</i>	 50,741	 48,378
<i>Motor Vehicles</i>	91,196	66,745
<i>Buildings Office Equipment and Motor Vehicles</i>	<u>141,937</u>	<u>115,123</u>
 <i>Total PPE Depreciation</i>	 <u>802,884</u>	 <u>749,065</u>
 <i>Right of Use Assets</i>		
<i>Middlemiss Land</i>	179,457	-
<i>Tractors</i>	111,622	117,890
	<u>291,079</u>	<u>117,890</u>
 <i>Total depreciation</i>	 <u>2,189,355</u>	 <u>2,008,499</u>
 <b>Finance Costs</b>		
<i>Bank Interest</i>	1,025,979	1,134,949
<i>Interest on Lease Liabilities</i>	185,440	12,487
<i>Interest Paid</i>	<u>1,211,419</u>	<u>1,147,436</u>
 <b>Other Expenses</b>		
<i>Grape Growers Levy</i>	50,665	69,250
<i>Directors Fees</i>	90,000	90,000
<i>Legal Expenses</i>	26,631	9,095
<i>Vineyard Management Fee</i>	153,391	151,124
	<u>320,687</u>	<u>319,469</u>
 <b>Valuation Adjustments and Redevelopment Costs</b>		
<b>Fair Value Adjustments</b>		
<i>Fair value movement in Interest Rate Swap Agreement</i>	(195,220)	244,890
	<u>(195,220)</u>	<u>244,890</u>
 <b>Fair Value Movement in other property, plant &amp; equipment</b>		
<i>Taylors Pass</i>	-	7,594
	<u>-</u>	<u>7,594</u>

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

<b>9 Income Tax</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Income tax (credit)/expense</b>		
<i>Current Tax</i>		
Current tax on profits for the year	38,434	542,414
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(241,791)	(294,590)
	<u>(203,357)</u>	<u>247,824</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(loss) before income tax expense	(748,729)	910,736
Tax at the New Zealand tax rate of 28%	(209,644)	255,006
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Permanent differences	6,287	(7,182)
<b>Income tax (credit)/expense</b>	<u>(203,357)</u>	<u>247,824</u>
<b>Included under Current Liabilities</b>		
Income tax receivable/(payable) at beginning of year	(456,823)	81,244
Income Tax Expense in respect of current period	(38,434)	(542,414)
Net Income Tax Paid/(Refunded)	512,011	4,347
<b>Income tax receivable/(payable) at year end</b>	<u>16,754</u>	<u>(456,823)</u>
<i>The weighted average applicable tax rate was 28%</i>		
<b>(c) Imputation credit account</b>		
Balance at beginning of year	788,337	433,376
Prior period adjustment	81,365	-
Tax payments/(refunds)	50,000	1,763
Credits attached to interest & dividends received	12	132
Imputation credits attached to dividends received	-	-
Imputation credits attached to dividends paid	(228,163)	(103,757)
Tax payable at year end	(16,754)	456,823
Amount of Imputation credits available for use in subsequent years	<u>674,797</u>	<u>788,337</u>

**10 Cash and Cash Equivalents**

Bank balances	362,367	5,839
Deposits at call	-	-
<b>Total cash and cash equivalents</b>	<u>362,367</u>	<u>5,839</u>

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**

GST Receivable	51,203	112,293
Prepayments	20,759	41,169
Other Receivables	-	3,447
<b>Total prepayments and other receivables</b>	<u>71,962</u>	<u>156,909</u>

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**12 Property, Plant and Equipment**

	Land \$ (valuation)	Land development \$ (valuation)	Buildings \$ (valuation)	Plant and Office Equipment \$	Motor vehicles \$	Bearer Plants (Vines)	Total \$
<b>At 1 July 2019</b>							
Cost/Valuation	29,412,133	7,751,126	1,492,380	5,130,616	567,304	20,472,057	64,825,616
Accumulated depreciation	-	(1,023,259)	(182,380)	(3,076,168)	(337,185)	(4,325,651)	(8,944,643)
Carrying amount	<u>29,412,133</u>	<u>6,727,867</u>	<u>1,310,000</u>	<u>2,054,448</u>	<u>230,119</u>	<u>16,146,406</u>	<u>55,880,973</u>
<b>Year ended 30 June 2020</b>							
Opening carrying amount	29,412,133	6,727,867	1,310,000	2,054,448	230,119	16,146,406	55,880,973
Additions	-	387,905	3,638	1,017,828	38,200	179,429	1,627,000
Disposals (net)	-	-	-	(339,998)	-	-	(339,998)
Revaluation Increases/(decreases)	1,087,055	211,500	44,740	-	-	-	1,343,295
Depreciation	-	(249,590)	(48,378)	(384,352)	(66,745)	(1,141,544)	(1,890,609)
Closing carrying amount	<u>30,499,188</u>	<u>7,077,682</u>	<u>1,310,000</u>	<u>2,347,926</u>	<u>201,574</u>	<u>15,184,291</u>	<u>56,620,661</u>
<b>At 1 July 2020</b>							
Cost/Valuation	30,499,188	8,350,531	1,540,758	5,103,340	597,677	20,651,484	66,742,978
Accumulated depreciation	-	(1,272,849)	(230,758)	(2,755,414)	(396,103)	(5,467,193)	(10,122,317)
Carrying amount	<u>30,499,188</u>	<u>7,077,682</u>	<u>1,310,000</u>	<u>2,347,926</u>	<u>201,574</u>	<u>15,184,291</u>	<u>56,620,661</u>
<b>Year ended 30 June 2021</b>							
Opening carrying amount	30,499,188	7,077,682	1,310,000	2,347,926	201,574	15,184,291	56,620,661
Additions	-	1,957,961	10,296	796,517	304,216	1,696,057	4,765,047
Disposals (net)	-	-	-	(5,908)	-	-	(5,908)
Revaluation Increases/(decreases)	2,485,000	104,784	40,445	-	-	-	2,630,229
Depreciation	-	(258,209)	(50,741)	(402,738)	(91,196)	(1,095,392)	(1,898,276)
Closing carrying amount	<u>32,984,188</u>	<u>8,882,218</u>	<u>1,310,000</u>	<u>2,735,797</u>	<u>414,594</u>	<u>15,784,956</u>	<u>62,111,753</u>
<b>At 30 June 2021</b>							
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	<u>32,984,188</u>	<u>8,882,218</u>	<u>1,310,000</u>	<u>2,735,797</u>	<u>414,594</u>	<u>15,784,956</u>	<u>62,111,753</u>

The fair value of bearer plants assessed by Logan Stone at 30 June 2021 was \$28,353,000 (2020: \$26,523,000)

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**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:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Cost	32,173,571	30,205,310
Accumulated depreciation	<u>(1,507,938)</u>	<u>(1,430,229)</u>
<b>Carrying amount</b>	<b><u>30,665,633</u></b>	<b><u>28,775,081</u></b>

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 \$4,289,536 in the carrying value of the land, buildings and land developments as at 30 June 2021. The revaluation increase, net of applicable deferred taxes was allocated partly to asset revaluation reserve and also the income statement. The valuation was independently performed by Logan Stone Limited, (a PIQA approved valuation practice of the New Zealand Institute of Valuers) under the principle of highest and best use. Logan Stone has confirmed that the valuation can be relied upon for the purpose of these financial statements at 30 June 2021.

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

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

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

	<b>\$ / per hectare of land</b>	
	<b>2021</b>	<b>2020</b>
<b>Hawke's Bay Soil Types</b>		
Medium Silts	<b>54000-60000</b>	49000-55000
Gravels	<b>85000-115000</b>	80000-90000
<b>Marlborough Soil Types</b>		
Medium Silts	<b>70000-90000</b>	65000-80000

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.

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**12 Property, Plant and Equipment (continued)**  
**Bearer plants and agricultural produce**

As at 30 June 2021, the company had a total of 365 hectares of vines. During the year ended 30 June 2021 the Company harvested 3212 tonnes of grapes (2020: 4230). The fair value of the vines are determined at each balance date. All grapes have been harvested and sold by balance date and therefore have nil value at year end. During the year the company sold grapes to Villa Maria Estate Limited at fair value of \$6,647,375 (2020: \$8,493,120). 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 2021. 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.

**Hawke's Bay**

Red Varieties  
White Varieties

**Marlborough**

Sauvignon Blanc  
Pinot Noir  
Other White Varieties

	2021	2020
	<b>\$ / per hectare</b>	\$ / per hectare
	<b>25000-58000</b>	25000-60000
	<b>17000-38000</b>	17000-38000
	<b>85000-110000</b>	79000-107000
	<b>51000-60000</b>	51000-59000
	<b>57000-93000</b>	57000-91000

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

The fair value assessed for bearer plants at all vineyards was higher than the carrying value and no impairment was required at 30 June 2021.

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**13 Leases**

Leases held by the company include a long-term land lease in relation to 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.

<b>a) Right of use assets</b>	Land	Equipment	Total
Net book value at 1 July 2020	3,477,377	228,886	3,706,263
Additions	87,833	-	87,833
Revaluations	693,401	-	693,401
Disposals (net)	-	(10,627)	(10,627)
Depreciation	(143,566)	(111,622)	(255,188)
Net book value at 30 June 2021	<u>4,115,045</u>	<u>106,637</u>	<u>4,221,682</u>
Cost	4,294,502	336,149	4,630,651
Accumulated depreciation	(179,457)	(229,512)	(408,969)
Net book value at 30 June 2021	<u>4,115,045</u>	<u>106,637</u>	<u>4,221,682</u>

<b>b) Lease liabilities</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Balance at 1 July 2020	3,744,561	346,777
Interest expense	119,828	37,027
Capital repayments	(205,724)	(151,626)
Additions	87,833	3,512,383
Disposals	-	-
Balance at 30 June 2021	<u>3,746,498</u>	<u>3,744,561</u>
Current lease liability	112,180	98,368
Non-current lease liability	<u>3,634,318</u>	<u>3,646,193</u>
	<u>3,746,498</u>	<u>3,744,561</u>

**c) Other disclosures**

The company had total cash outflows for leases of \$327,333 which includes \$20,800 in relation to low value and short term leases which are expensed on a straight line basis over the duration of the lease.

On adoption of NZ IFRS 16 and at the inception of any new leases, the company assesses the likelihood of extension options being exercised. 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
<b>At 30 June 2021</b>				
Lease liabilities	254,363	272,173	791,709	4,622,584
<b>At 30 June 2020</b>				
Lease liabilities	259,976	263,448	748,365	4,748,100

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**14 Other Financial Assets**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Shares in Farmlands Co-operative	675	675
Shares in Ravensdown Fertiliser	2,412	2,412
	<u>3,087</u>	<u>3,087</u>

The above shares have been measured at fair value.

Deposits for capital works in progress	<u>-</u>	<u>566,478</u>
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**15 Trade and Other Payables**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade payables	179,300	141,935
Accrued expenses	127,599	146,931
	<u>306,899</u>	<u>288,866</u>

**16 Deferred Tax**

The balance comprises temporary differences attributable to:

	<b>Plant &amp; equipment</b>	<b>Other</b>	<b>Vines</b>	<b>Land developmen</b>	<b>Buildings</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2019	(70,249)	7,392	(4,171,746)	(766,540)	(218,441)	(5,219,584)
Amounts charged to income statement	(20,769)	70,250	279,870	60,375	10,542	400,268
Amounts charged to equity				(165,630)	(13,922)	(179,552)
Balance at 30 June 2020	<u>(91,018)</u>	<u>77,642</u>	<u>(3,891,876)</u>	<u>(871,795)</u>	<u>(221,821)</u>	<u>(4,998,868)</u>
Balance at 1 July 2020	(91,018)	77,642	(3,891,876)	(871,795)	(221,821)	(4,998,868)
Amounts charged to income statement	14,671	12,669	258,289	(53,386)	9,548	241,791
Amounts charged to equity		(194,152)		(29,340)	(11,324)	(234,816)
Balance at 30 June 2021	<u>(76,347)</u>	<u>(103,841)</u>	<u>(3,633,587)</u>	<u>(954,521)</u>	<u>(223,597)</u>	<u>(4,991,893)</u>

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**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Fair value of interest rates swaps - current	49,670	60,981
Fair value of interest rates swaps - term	0	183,908
<b>Total value of derivative financial instruments</b>	<u>49,670</u>	<u>244,889</u>

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 1.34%) on a notional principal amount. Effectively, \$9,500,000 (2020: \$6,000,000) 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 and one of \$3,500,000 which matures in December 2025.



**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
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**18 Interest Bearing Liabilities**

	<b>2021</b>	2020
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
<b>Secured</b>		
Bank borrowings	175,029	1,077,743
<b>Non-current</b>		
<b>Secured</b>		
Bank borrowings	25,429,104	21,315,201
<b>Total interest bearing borrowings</b>	<u>25,604,133</u>	<u>22,392,944</u>

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 \$27,126,000 (2020: \$23,700,000) of which at the reporting date, \$2,289,607 was available for further drawdown (2020: \$2,221,712). 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 \$600,000 is required within the next 12 months.

	<b>2021</b>	2020
	<b>\$</b>	<b>\$</b>
The weighted average interest rate on interest bearing borrowings outstanding at 30 June 2021 was:	4.55%	5.14%

**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**

	<b>2021</b>	2020
	<b>\$</b>	<b>\$</b>
<b>(a) Authorised share capital</b>		
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	<u>28,800,000</u>	<u>28,800,000</u>
<b>(b) Movements in number of shares</b>		
	<b>Number</b>	<b>Number</b>
Opening balance of ordinary shares issued	40,000,000	40,000,000
Issues of ordinary shares during the year	-	-
<b>Closing balance of ordinary shares issued</b>	<u>40,000,000</u>	<u>40,000,000</u>

**(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.

**Terra Vitae Vineyards Limited**  
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**For the year ended 30 June 2021**

**19 Contributed Equity continued)**

**(d) Capital Risk Management**

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

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total external borrowings (including 'borrowings' and 'trade and other payables' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The gearing ratios at 30 June 2021 and 2020 were as follows:

	<b>2021</b>	2020
	<b>\$</b>	\$
Total borrowings	29,798,182	22,844,373
Less cash and cash equivalents	362,367	5,839
Net debt	<u>29,435,815</u>	<u>22,838,534</u>
Total equity	<u>36,538,713</u>	<u>34,595,271</u>
Total capital	<u>65,974,528</u>	<u>57,433,805</u>
Gearing ratio	45%	40%

As part of the loan agreement with Rabobank entered into in 2007 and last revised on 25 January 2021, 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).

	<b>2021</b>
	<b>\$</b>
<b>Debt Service Cover Ratio</b>	
Net Profit Before Tax	(748,729)
Depreciation	1,898,276
Interest	1,111,210
EBITDA	<u>2,260,757</u>
Interest Cost	1,111,210
Lease Principal (excl residual)	177,917
Total Finance Costs	<u>1,289,127</u>
Actual Ratio	1.75
Covenant Minimum	1.20
<b>Loan to Security Ratio</b>	
Total Bank Facility	<u>27,126,000</u>
Total Facility	<u>27,126,000</u>
Security Value	68,849,000
Actual Ratio	39.40%
Covenant Maximum	50.00%

All covenants were met for the year ended 30 June 2021.

**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.

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**21 Dividends**

	2021	2020
	\$	\$
Ordinary shares		
Dividend paid during the year ended 30 June 2021	600,000	280,000
Supplementary Dividend paid during the year ended 30 June 2021	5,174	2,329
Total Dividend paid per Statement of Changes in Equity	<u>605,174</u>	<u>282,329</u>
<b>Per share</b>	<u>0.015</u>	<u>0.007</u>

On 20 October 2020 the directors declared a fully imputed dividend of 1.5 cent per share and a supplementary dividend for overseas shareholders of 0.264705 cents per share to be paid on 7 December 2020.

**22 Financial Instruments by Category**

**30 June 2021**

	Fair value	
	through profit or loss	At Amortised cost
	\$	\$
<b>Assets as per Statement of Financial Position</b>		
Trade and other receivables	-	4,591,617
Cash and cash equivalents	-	362,367
Other financial assets	3,087	-
	<u>3,087</u>	<u>4,953,984</u>

	Financial liabilities at amortised cost
	\$
<b>Liabilities as per Statement of Financial Position</b>	
Borrowings	25,604,133
Fair value of interest rate swaps	49,670
Trade and other payables	447,551
Lease Liabilities	3,746,498
	<u>29,847,852</u>

**30 June 2020**

	Fair value	
	through profit or loss	At Amortised cost
	\$	\$
<b>Assets as per Statement of Financial Position</b>		
Trade and other receivables	-	5,828,985
Cash and cash equivalents	-	5,839
Other financial assets	3,087	-
	<u>3,087</u>	<u>5,834,824</u>

	Financial liabilities at amortised cost
	\$
<b>Liabilities as per Statement of Financial Position</b>	
Borrowings	22,392,944
Fair value of interest rate swaps	244,889
Trade and other payables	451,429
Lease Liabilities	3,744,561
	<u>26,833,823</u>

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

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

	2021	2020
	\$	\$
<b>Profit/(loss) after income taxation</b>	<b>(545,372)</b>	<b>662,912</b>
<i>Add non cash items:</i>		
Depreciation	2,189,355	2,008,499
<b>Non-operating items</b>		
Movement in fair value of property, plant and equipment	0	7,594
Movement in fair value of derivatives	(195,220)	244,890
Disposal of plant	3,272	59,192
	<b>1,997,407</b>	<b>2,320,175</b>
<b>Working capital movements</b>		
Change in goods and services taxation	61,090	(25,589)
Increase (decrease) in accounts payable	(3,104)	(62,895)
(Increase) decrease in prepayments & other receivables	23,857	135,063
(Increase)/decrease in taxes receivable/payable	(473,576)	538,068
Increase (decrease) in deferred tax liability	(241,791)	(294,589)
(Increase) decrease in amounts due from related parties	1,233,921	(1,900,705)
	<b>600,397</b>	<b>(1,610,647)</b>
<b>Net cash flow from operating activities</b>	<b>2,052,432</b>	<b>1,372,440</b>

**24 Contingencies**

As at 30 June 2021 the Company had no contingent liabilities or contingent assets (2020:Nil).

**25 Capital and Operating Commitments**

As at 30 June 2021 the total capital expenditure contracted for but not provided for was \$0 (2020:\$1,655,309).

**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: Milan Brajkovich, David Ferraby, Sir George Fistonich, Andrew Pearson, Fabian Yukich (alternate to Sir George Fistonich).

**(b) Key management personnel compensation**

Key management personnel compensation for the year ended 30 June 2021 and the year ended 30 June 2020 is set out below. The key management personnel for Terra Vitae are all the directors of the company.

	2021	2020
	\$	\$
Short term benefits (Directors' Fees)	90,000	90,000
Total	<b>90,000</b>	<b>90,000</b>

**(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:

	2021	2020
	\$	\$
<i>Sales of grapes</i>		
Villa Maria Estate Limited	6,647,375	8,493,120
<i>Sales of Services</i>		
Villa Maria Estate Limited	379,924	379,924
<i>Purchases of services</i>		
Villa Maria Estate Limited	153,391	151,124
<i>Reimbursement of expenses at cost</i>		
Villa Maria Estate Limited	1,499,562	1,176,881

**Terra Vitae Vineyards Limited**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**26 Related Party Transactions (continued)**

	2021	2020
	\$	\$
Purchase of Advisory Services		
Planina Advisory Limited	10,500	
<i>Purchase of vines</i>		
Vineyards Plants Limited	798,220	317,073
<i>Purchases of virus testing services</i>		
Vine Test Lab Limited	-	1,020
<i>Purchases of building services</i>		
Robinson Construction Limited	-	354

**(e) Outstanding balances**

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

	2021	2020
	\$	\$
<i>Receivables</i>		
Villa Maria Estate Limited	<u>4,591,617</u>	<u>5,825,537</u>
<i>Payables</i>		
Villa Maria Estate Limited	<u>141,414</u>	<u>162,551</u>
	<u>141,414</u>	<u>162,551</u>

**Relationships with related parties**

Sir George Fistonich, a director of Terra Vitae Vineyards Limited, was until 30 September 2021 an indirect beneficial owner of Villa Maria Estate Limited, a company with which Terra Vitae Vineyards Limited has a Vineyard Management and Grape Purchase Agreement. Villa Maria Estate Limited holds 8,756,361 shares in Terra Vitae Vineyards Limited.

Andrew Pearson, a director of Terra Vitae Vineyards Limited, is also a director of Somsmith Nominees Limited which holds (in a non-beneficial custodial holding) 65,684 shares in Terra Vitae Vineyards Limited.

Fabian Yukich, a director of Terra Vitae Vineyards Limited, is also a director of Planina Advisory 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 28 September the directors declared a fully imputed dividend of 1.0 cent per share and a supplementary dividend for overseas shareholders of 0.17647 cents per share to be paid on 6th December 2021.

**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.

	2021	2020
	\$	\$
Profit/(loss) attributable to equity holders of the Company - in dollars	(545,372)	662,912
Weighted average number of ordinary shares in issue	<u>40,000,000</u>	<u>40,000,000</u>
Basic earnings per share - in dollars	(0.01)	0.02

(ii) Diluted earnings per share

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

## Independent Auditor's Report

### To the shareholders of Terra Vitae Vineyards Limited

#### 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 2021;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the financial statements on pages 8 to 35 present fairly, in all material respects, the financial position of the company as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

#### Basis for opinion

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

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

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

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

#### Key audit matter

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

## Valuation of land, land development and buildings

### Why we considered this to be a key audit matter

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.

### How our audit addressed this key audit matter

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 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;
- We discussed the approach taken and key judgements made with the company's valuer;
- Reviewing title deeds to ensure Terra Vitae Vineyards Limited owned all freehold properties subject to valuation;
- Confirming the gain/(loss) on valuation resulting from the valuation estimate was correctly recorded; and
- Ensuring all appropriate items of property plant and equipment 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*.

## Other information

The directors are responsible for the other information. The other information comprises the Chairman's Report and Directors' Report & Responsibility Statement on pages 1 to 7, as well as the Shareholders' Information and Directory on pages 39 and 40 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

### **Responsibilities of the directors for the financial statements**

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

### **Auditor's responsibilities for the audit of the financial statements**

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

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

### **Who we report to**

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

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

A stylized, handwritten-style signature of the letters 'RSM' in blue ink.

**RSM Hayes Audit**  
Auckland

11 October 2021



**Terra Vitae Vineyards Limited**  
**Shareholders' Information**  
**For the year ended 30 June 2021**

**Ten Largest Shareholders as at 30 June 2021**

<b>Holder</b>	<b>Shares Held</b>	<b>% of Shares</b>
Villa Maria Estate Limited	8,756,361	21.89%
Peter Rae Industries Limited	750,000	1.88%
Custodial Services Limited	663,700	1.66%
Sir George Vjeceslav Fistonich	503,240	1.26%
Manatu Limited	500,000	1.25%
Custodial Services Limited	488,900	1.22%
Custodial Services Limited	314,781	0.79%
Ellerslie Land Holdings Limited	306,100	0.77%
Graeme Leslie Tee, Joanne Maree Steens & Alfred Phillip Dreifuss	304,710	0.76%
MGS Fund Limited	300,000	0.75%
Total for top 10 Shareholders	<u>12,887,792</u>	<u>32.22%</u>

**Shareholding Breakdown**

<b>Holding Range</b>	<b>Holders</b>	<b>Shares Held</b>	<b>% of Shares</b>
< 25,000	218	2,148,851	5.37%
25,000 - 49,999	532	14,578,841	36.45%
50,000 - 99,999	107	6,511,750	16.28%
100,000 - 999,999	33	8,004,197	20.01%
> 1,000,000	1	8,756,361	21.89%
Totals	<u>891</u>	<u>40,000,000</u>	<u>100.00%</u>

**Terra Vitae Vineyards Limited**  
**Directory**  
**For the year ended 30 June 2021**

**Board of Directors**

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

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**Registered Office and Principal place of Business**

10 Birman Close  
Half Moon Bay  
Auckland 2012

**Web Site:** [www.terravitae.co.nz](http://www.terravitae.co.nz)

**email:** [info@terravitae.co.nz](mailto:info@terravitae.co.nz)

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**Independent Viticulture Consultant**

Mark Allen  
Allen Vineyard Advisory  
PO Box 5123  
Springlands  
Blenheim

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**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

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**Auditors**

RSM Hayes Audit  
PO Box 9588  
Newmarket, Auckland 1149

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**Share Register**

BC Limited  
PO Box 54124  
The Marina  
Auckland 2144

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**Solicitors**

Minter Ellison Rudd Watts  
PwC Tower  
Level 22, 15 Customs Street West  
Auckland 1010

Radich Law  
21 Bells Road  
Blenheim 7240

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