Terra Vitae Vineyards Limited

Middlemiss Vineyard Development, Seddon - with our
Higgins Road Vineyard in the background-September 2020

Annual Report

For the year ended 30 June 2020

Terra Vitae Vineyards Limited

Financial Statements

For the year ended 30 June 2020

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Chairman’s Report 2020

Terra Vitae Vineyards Limited

On behalf of your Board of Directors I have pleasure in presenting the Annual Report for the year ended June 30, 2020.

Financial Results

We have separated out the operating performance from the fair value adjustments in the Income Statement. This year the total gross income from grape sales was $8,493,120 (2019 grape sales were $6,532,669) and after expenses the operating profit was $1,163,220, (2019 loss $610,733). After deducting valuation movements and redevelopment expenses, the 2020 net profit before tax was $910,736 (2019 loss $805,503).

Your Board has resolved to declare a fully imputed dividend of 1.5 cents per share ($600,000) payable on 7 December 2020 with a record date of 23 November 2020.

After last year’s result this year produced a $1.72m turnaround for the company. We reported to the market on April 23, 2020 and said;

The Board of Terra Vitae are pleased to advise, that subject to final pricing, including extra payments for reserve grade wines, we will exceed our budgeted tonnage and our budgeted harvest income by some 14% for the year ending June 30 2020. A combination of favourable growing conditions and the ability to irrigate throughout the summer from our new water storage dam has had a large impact on this pleasing result. The additional harvest revenue will be reflected in the final profit result for the year ending June 30.

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:

	2020 **	2019	2018
Profit/ (Loss) Before Tax	$ 910,736	$ (850,503)	$1,395,193
Depreciation	$2,008,499	$1,692,214	$1,888,541
Interest	$1,147,436	$1,104,371	$1,258,081
EBITDA*	**$4,066,671**	**$1,946,082**	**$4,541,815**

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

**21ha was out of production in 2020 due to the retrunking programme. This area will be back in production in 2021.

The 2019-2020 year has been a good one for Terra Vitae Vineyards Ltd following the very disappointing result last year when the vineyards produced 17% below the budgeted target and as a result the crop value was 16% below target. This year the crop tonnage and value were 14% above target. This improvement was the result of good weather at flowering followed by hot dry weather from January through to the completion of harvest in mid-April. The other major contributor to the lift in tonnage and revenue in Marlborough was the completion of the new water mains at Taylors Pass, coupled with the new dams at Taylors Pass and Seddon Vineyards, giving the ability to deliver the ultimate level of moisture to the vines.

The winemakers have advised us that that there were some excellent wines produced from the grapes across both regions. This resulted in Terra Vitae receiving some additional price premiums based on wine quality for the 2020 vintage. Revenue was helped by a lift in the price Terra Vitae were paid for the all-important Sauvignon Blanc grapes, coupled with higher yields.

Overall, the company produced a total of 4,230 tonnes as against last year's 3,256 tonnes (an increase of 30%) and the chart below shows each vineyards production in dollars and tonnes and compares those figures with 2019.

Vineyard	Yield 2020	Yield 2019	Crop Value 2020	Crop Value 2019
Seddon / Higgins Rd	2918	2155	$5,699,259	$4,116,845
Taylors Pass	794	707	$1,627,318	$1,368,579
Keltern	371	322	$810,115	$703,415
Twyford Gravels	147	72	$356,428	$343,830
Totals	4230	3256	$8,493,120	$6,532,669

The season had its challenges with the very dry period lasting three and a half months, which meant the irrigation schemes were operating at full capacity over this period. Our managers also had to regularly monitor for disease, especially powdery mildew in the heavy Seddon vineyard crops. Because of the dry conditions, autumn botrytis was not an issue this year, with the fruit being very clean at harvest.

Powdery mildew continues to be a potential problem on the vineyards and requires the good practices of early recognition and use of the correct spraying regimes to deal with it before it develops.

Grapevine Trunk disease

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

In our initial assessment we found that some of the vines in our original plantings do have the disease. The disease starts in the "head "of the vine and moves down the trunk towards the roots over a number of years. The pro-active response is to cut the trunk off before the disease works its way down into the grafted rootstock. We have begun the process of cutting the trunks off above the graft in small blocks where the disease is present and have found that only about 10% of the vines have had the disease progress into the rootstock. This means a replant is needed for just those plants. The remaining vines recover quickly, sending out canes which have a crop two years later (we have had crops up to 10 tonnes per ha. in Sauvignon Blanc two years after the re-trunk!), and then a full crop after three years at a fraction of the cost of a replant. This programme is being staged over several years until we have retrunked or replaced all affected vines. We are currently two years into the programme. We continually review decisions on which blocks to re-trunk next and assess which ones to continue to crop until their production falls below an economic level which we will then replant.

I am pleased to report that the 150,000 cubic metre water storage dam at Seddon and the 40,000 cubic metre dam at Taylors Pass were fully operational this last season and operated very well making a huge difference to this season's production and playing a large part in lifting the gross revenue by nearly $2m. They have proven to be an excellent investment in their first full year of operation. When planning for the Seddon Dam, we allowed for an increase in irrigation requirements. It was built to hold 40 days of watering and with the addition of the new Middlemiss lease block of 65ha, it will hold 35 days of water storage.

As I write this report the last of the new plantings in the Middlemiss Block are being planted (last week of September). The whole process of clearing fences and trees began in mid-April and as a result of a drier winter than normal, all work was completed on time. Once planting is completed posting will be erected and the subsurface irrigation laid. We are using subsurface irrigation as this system uses about 30% less water, and because it is below the surface by about 350mm, less weeds and grass grow around the vines.

Another decision that was made when designing the new block was to have 2 metre row spacings, which give an estimated increase of 20% in production per ha. It does require us to have narrower equipment (tractor and mowers) but the size of the new area makes the extra investment in equipment very economic. We are expecting to get a light crop off the 42ha planted of Sauvignon Blanc in 18 months' time and a light crop off the Pinot Noir a year later.

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

Brand	Variety	Region	Vintage	Competition/Source	Award	Award Year
VM Single Vineyard	Sauvignon Blanc	Taylors Pass	2019	Decanter World Wine Awards, UK 2020	Gold	2020
VM Single Vineyard	Pinot Noir	Taylors Pass	2016	Marlborough Wine Show 2019	Gold	2019
VM Single Vineyard	Pinot Gris	Seddon	2018	Marlborough Wine Show 2019	Gold	2019
VM Single Vineyard	Chardonnay	Taylors Pass	2018	New Zealand International Wine Show 2020	Gold	2020
VM Single Vineyard	Pinot Noir	Taylors Pass	2015	New Zealand Wine of the Year 2019	Gold	2019
VM Single Vineyard	Chardonnay	Taylors Pass	2018	Royal Easter Show Wine Awards 2020	Gold	2020
VM Single Vineyard	Pinot Gris	Seddon	2018	Royal Easter Show Wine Awards 2020	Gold	2020
Villa Maria Single Vir	Chardonnay	Keltern	2018	Cuisine Magazine	4.5 stars - No 9	2020
VM Single Vineyard	Pinot Gris	Seddon	2018	Cuisine Magazine	5 stars - No 1	2020
VM Single Vineyard	Pinot Noir	Taylors Pass	2015	Cuisine Magazine	5 stars - No 5	2020

Share Trading

The company continues to list its shares on the Unlisted Market. There were 2,211,541 shares traded in the twelve months to 30 June 2020, with the price ranging from 35 cents to 46 cents. This compares to Net Assets of 86.49 cents (last year 82.32 cents).

Industry Statistics

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

Year	2020	2010	Change
Number of Wineries	717	672	+7%
Number of Growers	694	1128	-38%
Producing Area (ha)	39,935	33,200	+20%
Average yield (tonnes per ha)	11.4	8.0	+43%
Tonnes Crushed	457,000	266,000	+72%
Export Value ($NZ billion)	$1.92b	$1.04b	+85%

The New Zealand Winegrowers Report 2020 also reported on some of the Key Performance Indicators for Wine Sales for the year ended 30 June 2020. These statistics indicate stability in established markets and continued growth in the industry as a whole and highlight the reliance on Sauvignon Blanc as a variety.

Sales	$	Change
Sales to USA	$622m	+12%
Sales to UK	$464m	+4%
Sales to AUS	$365m	-1%
Sales to Canada	$136m	+5%
Sales to Germany	$66m	+47%
Sales to Ireland	$27m	+4%
Sales to China	$27m	-31%
Total Value of Exports	$1.923b	+5%
Domestic Sales Volume	50.0mL	-1%
Sauvignon Blanc (Export volume share)	88%	+2%

The New Middlemiss Block

The due diligence process was rigorous, with budgets produced to show results in years of both favourable and unfavourable growing conditions, varying pricing and operational issues. The site has economies of scale being next door to our Seddon Vineyard, capable of being run under our existing management structure. It is in very fertile soils with access to our existing water rights and water storage dam. This all added up to a compelling case. Our bank was happy to fund the development and so the decision was made to go ahead.

The lease commenced in April 2020 and is a 25-year lease with a right of renewal for up to a further 25 years. Villa Maria has confirmed that the additional production will be included in our Grape Supply Contract. Frost Fans have been positioned based on scientific advice and are ready to protect the young vines from any frosts this season.

Directors and AGM

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

Our AGM is set to be held at the Villa Maria Winery in Auckland on Monday November 23 at 2.30pm and I look forward to meeting with many of you there. Following the AGM, we will be serving afternoon tea and Villa Maria will have a tasting of a range of wines including wines from the Terra Vitae vineyards.

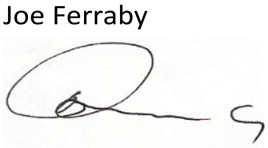
Finally I want to thank the Villa Maria viticulture team lead by Ollie Powrie, Stuart Dudley and along with our managers, Ian Buck, Kevin Searles and Cameron Price for the work they do in managing the vineyards to such a high industry standard and for the outstanding fruit they produce off the vineyards year after year. I want to thank Kevin Searles for managing the large Seddon Vineyard. Kevin has stepped back from his role as overall manager and we are fortunate to have him and his wife Tania continuing in the important machine operations manager role.

Matt Duggan was appointed as the overall manager at the Seddon Vineyard in August 2020 and has settled into the role superbly. On your behalf I welcome Matt as our manager of the important Seddon Vineyard. You will have the opportunity to hear and meet him at the AGM in November. I especially want to thank Mark Allen, not only for the advisory work he does as our viticulture advisor in the four vineyards, but also for taking on the job, along with Stuart Dudley, of project managing the development of the new Middlemiss Block. Thank you Mark.

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

Finally thank you to my fellow Board members for the professional way in which they contribute to the governance of your company. Thank you Sir George, Andrew and Milan for the part you play in governing the company and the guidance you give to me. Thank you also Fabian Yukich for your input when acting as an alternate for Sir George.

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 2020.

Principal Activity

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

Results	**2020**	**2019**
	$	**$**
Profit/(Loss) for the year	662,912	(632,286)
Total Equity of the Company	34,595,271	32,935,343
Total Assets of the Company	66,884,775	60,240,875

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 24 to the financial statements.

Directors' remuneration

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

David Ferraby	$36,000
Sir George Fistonich	$18,000
Andrew Pearson	$18,000
Milan Brajkovich	$18,000
	$90,000

Directors' Loans

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

Directors' Indemnity and Insurance

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

Directors' Shareholding

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

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

Terra Vitae Vineyards Limited

Directors' Report Continued

Significant Events

The Covid 19 pandemic created turmoil globally, however our industry was privileged to be able to 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 2020 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 40 for issue on 20 October 2020

For and on behalf of the Board.

D Ferraby
Director

Tuesday, 20 October 2020

A Pearson
Director

Tuesday, 20 October 2020

Terra Vitae Vineyards Limited
Income Statement
For the year ended 30 June 2020

	Notes	**2020**	2019
		$	$
Revenue from Contracts with Customers			
Sale of Grapes	7a	8,493,120	6,532,669
Services rendered-Harvesting		330,978	220,826
		8,824,098	6,753,495
Production Costs	8	3,933,623	3,909,497
Depreciation on Bearer Plants	8	1,141,544	1,010,598
Depreciation on Land Development and Plant	8	633,942	579,180
Total Cost of Sales		5,709,109	5,499,275
Gross profit		3,114,989	1,254,220
Other Income			
Sundry income	7b	61,394	34,787
Interest		604	412
Dividends		-	657
Total Other Income		61,998	35,856
Operating Expenses			
Administrative costs	8	254,656	246,038
Depreciation on Other Assets	8	233,013	102,436
Finance costs	8	1,147,436	1,104,371
Other expenses	8	319,469	301,735
Loss on sale of fixed assets		59,193	146,229
Total operating expenses		2,013,767	1,900,809
Total Expenses		2,013,767	1,900,809
Profit/(Loss) from Operations		1,163,220	(610,733)
Valuation movements			
Fair value movement in other property, plant and equipment	8	(7,594)	(239,770)
Fair value of Swap Agreements	17	(244,890)	-
		(252,484)	(239,770)
Profit/(Loss) before income tax		910,736	(850,503)
Income tax (expense)/credit	9	(247,824)	218,217
Profit/(Loss) for the year		662,912	(632,286)
Profit/(Loss) for the year is attributable to:			
Ordinary equity holders of the company		662,912	(632,286)
Basic and diluted earnings/(loss) per share	28	0.02	(0.02)

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 2020

	Notes	**2020** $	2019 $
Profit/(Loss) for the year		662,912	(632,286)
Other comprehensive income			
*Revaluation of land, land developments, buildings and other assets	20	1,350,889	(1,874,469)
Income tax relating to revaluation	16	(73,873)	(25,737)
Other comprehensive income/(loss) for the year, net of tax		1,277,016	(1,900,206)
Total comprehensive income/(loss) for the year, net of tax		1,939,928	(2,532,492)
Attributable to:			
Ordinary equity holders of the company		1,939,928	(2,532,492)

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

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 2020

	Notes	**2020** $	2019 $
Current assets			
Cash and cash equivalents	10	5,839	83,644
Prepayments and other receivables	11	156,909	266,383
Related party receivables	26e	5,825,538	3,924,833
Current tax receivable	9	-	81,244
Total current assets		5,988,286	4,356,104
Non-current assets			
Property, plant and equipment	12	56,620,661	55,880,973
Right of use assets	13	3,706,263	-
Deposits for capital works in progress		566,478	-
Other financial assets	14	3,087	3,798
Total non-current assets		60,896,489	55,884,771
Total assets		66,884,775	60,240,875
Current liabilities			
Interest bearing liabilities	18	1,077,743	199,261
Lease liabilities	13	98,368	-
Current tax payable	9	456,824	-
Trade and other payables	15	288,866	552,582
Fair value of derivative financial instruments	17	60,981	-
Related party payables	26e	162,551	117,776
Total current liabilities		2,145,333	869,619
Non-current liabilities			
Interest bearing liabilities	18	21,315,201	21,216,329
Lease liabilities	13	3,646,193	-
Fair value of derivative financial instruments	17	183,909	-
Deferred tax liability	16	4,998,868	5,219,584
Total non-current liabilities		30,144,171	26,435,913
Total liabilities		32,289,504	27,305,532
Net assets		34,595,271	32,935,343
Equity			
Share capital	19a	28,800,000	28,800,000
Accumulated losses		(3,903,754)	(4,286,666)
Asset revaluation reserve	20	9,699,025	8,422,009
Total equity		34,595,271	32,935,343

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 2020

	Notes	Share capital $	Asset revaluation reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2018		**28,800,000**	**10,322,215**	**(3,054,380)**	**36,067,835**
Loss for the period		-	-	(632,286)	(632,286)
Other comprehensive loss		-	(1,900,206)	-	(1,900,206)
Total comprehensive loss for the year		-	(1,900,206)	(632,286)	(2,532,492)
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	5,255	5,255
Dividends paid	21	-	-	(605,255)	(605,255)
Balance as at 30 June 2019		**28,800,000**	**8,422,009**	**(4,286,666)**	**32,935,343**
Balance as at 1 July 2019		**28,800,000**	**8,422,009**	**(4,286,666)**	**32,935,343**
Profit for the period		-	-	662,912	662,912
Other comprehensive income		-	1,277,016	-	1,277,016
Total comprehensive income for the year		-	1,277,016	662,912	1,939,928
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	2,329	2,329
Dividends paid	21	-	-	(282,329)	(282,329)
Balance as at 30 June 2020		**28,800,000**	**9,699,025**	**(3,903,754)**	**34,595,271**

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 2020

	Notes	**2020** $	2019 $
Operating Activities			
Cash was provided from:			
Receipts from customers		6,929,899	7,921,136
Interest received		604	412
Dividends received		0	440
Other income received		61,394	34,787
Cash was disbursed to:			
Payments to suppliers		(4,467,675)	(4,386,308)
Interest paid		(1,134,949)	(1,104,371)
Lease interest paid		(12,487)	-
Income taxes paid		(4,346)	(734,753)
Net cashflows from operating activities	23	1,372,440	1,731,343
Investing activities			
Cash was provided from:			
Sale of property, plant and equipment		280,435	783
Cash was applied to:			
Purchase of property, plant and equipment		(2,313,435)	(2,385,253)
Net cashflow from investing activities		(2,033,000)	(2,384,470)
Financing activities			
Cash was provided from:			
Increase of bank borrowings		1,428,806	1,777,788
Cash was applied to:			
Repayment of Equipment Finance Loans		(451,452)	(449,732)
Lease liabilities repaid		(114,599)	-
Payment of Dividend		(280,000)	(600,000)
Net cashflows from financing activities		582,755	728,056
Net increase in cash and cash equivalents		(77,805)	74,929
Cash and cash equivalents at beginning of year		83,644	8,716
Cash and cash equivalents at end of the year	10	5,839	83,644

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 2020

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 20 October 2020. The entity's owners do not have the power to amend the financial statements after issue.

2 Summary of Significant Accounting Policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other financial reporting standards as applicable to profit oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

Entity reporting

The financial statements are for Terra Vitae Vineyards Limited as a separate legal entity.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for some classes of property, plant & equipment, which are stated at fair value.

Accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Change in accounting policies

Other than changes in accounting policies as a result of adoption of NZ IFRS 16, there have been no other changes in accounting policies from the prior year.

(b) Segment reporting

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

(h) Leases
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
The company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. 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.

(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.

(iii) Previous Accounting Treatment
Prior to the 2020 financial year, leases were classified as either finance and operating leases. Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor, were classified as operating leases and recorded off balance sheet with rental payments recognised on a straight line basis. Leases of assets where the company had acquired substantially all the risks and rewards of ownership were classified as finance leases, with the related assets and a corresponding lease liability recorded in the company's statement of financial position.

(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.

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 impairment. Trade receivables are due for settlement as per the terms of the Vineyard Management and Grape Purchase Agreement with Villa Maria Estate Ltd. The last 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 2020 financial year,no allowance has been made for doubtful dbets 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 depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 finance leases and unwinding of discount on provisions.

The Company did not capitalise any borrowing costs in the current year.

(p) Trade and other payables

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

(q) Dividends

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

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 by reference to a valuation by an independent valuer.

(s) Contributed equity

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

(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

Standards not yet in effect

The company has reviewed all new standards and interpretations and amendments in issue and not yet adopted and does not expect these standards to have any material impact on the financial statements of the Company.

Adoption of new accounting standards

The Company has adopted NZ IFRS 16: Leases retrospectively from 1 July 2019 but has not restated comparatives for the 30 June 2020 reporting period, as permitted under the specific transitional provisions in the standard. See below for further details on the impact of the change in accounting policy.

Leases previously considered to be operating leases

On adoption of NZ IFRS 16, the Company recognised new lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the previous NZ IAS 17 Leases accounting standard.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019.

The incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.70% for Tractors.

3 New Standards and Interpretations (continued)

Practical expedients applied
In applying NZ IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:
• applying a single discount rate to a portfolio of leases with reasonably similar characteristics
• relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
• accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered before the transition date the group relied on its assessment made applying NZIAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

The previously disclosed operating lease commitments of $380,541 at 30 June 2019 are reconciled below:

	$
Previously disclosed operating lease minimum lease payments – 30 June 2019	380,541
Leases with less than one year remaining	(21,667)
Impact of discounting	(12,097)
Lease liabilities recognised upon adoption of NZ IFRS 16 on 1 July 2019 in relation to previous operating leases	$346,777
Liabilities reclassified from previous finance leases	
Total lease liabilites upon initial adoption	**346,777**
Right of use assets recognised on initial adoption of NZ IFRS 16	
Recognised in relation to previous operating leases	346,777
Total right of use assets recognised on 1 July 2019	**346,777**

4 Critical Accounting Estimates and Judgements

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

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

(i) Valuation of land and buildings
Land (including land development) and buildings are measured at fair value as determined by an independent valuer. The independent valuer uses valuation techniques which are inherently subjective and involve estimation. The fair value of land, land development and buildings at 30 June 2020 is $38,886,869 (2019: $37,450,000). The increase in their carrying value, net of impairment losses or reversals, for the year ended 30 June 2020 is $1,436,869 (2019: increase of $324,309). (Refer to note 12.)

(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.

4 Critical Accounting Estimates and Judgements (continued)

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. Terra Vitae is considered an essential service in relation to Covid -19. During the 2020 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.

5 Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (price risk, cash flow and fair value interest rate risk), credit risk, liquidity risk and agricultural risk.

Risk management is carried out by the Board of Directors. The Board identifies and evaluates financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, investment of excess liquidity and agricultural risk.

(a) Market risk

(i) Foreign exchange risk

The Company has no direct currency risk. No assets or liabilities are held in foreign currency and the Company's purchases and sales are in New Zealand dollars.

(ii) Price risk

The Company sells the vast majority of it's grape harvest under a Vineyard Management and Grape Purchase Agreement with Villa Maria Estate Limited. The price paid for the grapes is based on the average price paid for each variety by similar sized companies in each region. These prices are verified with the Company's Independent Consultant and other industry sources. Various quality factors are also taken into account in assessing the final price paid. As the selling price is set on an annual basis, the Company is exposed to movement in the price paid, however no financial instruments are held that are exposed to this risk at balance sheet date.

(iii) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's long term borrowings from Rabobank have both a variable and fixed interest rate portion. At 30 June 2020, of the total borrowings of $21,478,288, $15,000,000 was held under fixed rate agreements of varying periods of time. None of those borrowings had interest rates fixed for more than 5 years.

Sensitivity Analysis

Of the $6,478,288 of borrowings at variable rates, $6,000,000 is economically hedged by interest rate swaps . Effectively, the company therefore has only $478,288 of borrowings where the net interest payable (after taking the effect of interest rate swaps into account) is at a variable rate (2019: $1,014,138), accordingly no reasonable change in floating rates would have a significant impact on interest costs. However, the fair value of interest rate swaps is required to be recognised, and varies depending on market interest rates. The company has estimated the sensitivity of the fair value of interest rate swaps based on reasonably possible changes in interest rates as noted below.

	Impact on 2020 reported	
Change	**Post tax profit**	**Equity**
1% increase	250,192	250,192
1% decrease	(250,193)	(250,193)

(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.

5 Financial Risk Management (continued)

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

	2020	2019
Counter party		
Villa Maria Estate Limited	$ 5,825,537	$ 3,924,833

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
At 30 June 2020				
Trade payables	$ 451,417	$ -	$ -	$ -
Bank borrowings	$ 2,105,708	$ 1,124,524	$ 5,055,973	$ 18,956,922
Interest rate swap payments	$ 71,700	$ 71,700	$ 149,375	$ -

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2019				
Trade payables	$ 670,358	$ -	$ -	$ -
Bank borrowings	$ 1,171,102	$ 1,186,310	$ 23,784,001	$ -
Obligations Under Equipment Finance Agreements	$ 199,261	$ 252,191	$ -	

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 $22,392,944 (2019: $20,964,138) with a fair value of $23,048,160 (2019: $21,773,030). 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.

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.

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

	2020	2019
	$	$
Grape Sales		
Marlborough	7,326,577	5,485,424
Hawke's Bay	1,166,543	1,047,245
Total grape sales	8,493,120	6,532,669

7b Sundry Income

	2020	2019
Grazing Income	11,974	11,501
Rental Income	23,635	23,286
Contracting Income	25,785	0
Total sundry income	61,394	34,787

8 Expenses

Cost of sales

	2020	2019
Fertilizer	177,099	183,834
Frost Control	39,709	69,897
Pesticides	256,208	296,978
Herbicides	26,898	23,702
Irrigation Running	143,917	72,725
Labour & Contractor Costs	2,402,986	2,215,957
Machinery Running	135,720	119,081
Pellenc Tractor Maintenance	71,053	107,640
Harvesting Costs	127,475	147,554
Rates	86,126	84,706
Repairs & Maintenance	291,512	291,929
Vine Removal Costs	2,854	9,208
Low Value Lease Expenses	19,976	143,632
Other Vineyard Expenses	152,090	142,654
	3,933,623	3,909,497

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 2020

8 Expenses (Continued)

Operating Expenses	**2020**	2019
	$	$
Administrative Costs		
Remuneration of auditors		
RSM Hayes Audit: audit of financial statements	27,000	25,047
RSM Hayes Audit: audit of share register	1,000	1,000
Bank Fees	1,715	870
Management Consulting	8,093	9,053
Administrative Services	49,320	45,453
Share Register Charges	29,637	29,150
Company Secretarial	49,000	50,000
Insurance	47,029	43,073
Travel Expenses	7,719	6,843
Shareholder Meeting Expenses	14,785	12,650
Other Administrative Costs	19,358	22,899
	254,656	246,038
Depreciation		
Bearer Plants	1,141,544	1,010,598
Land Development	249,591	210,366
Plant	384,351	368,814
Land Development and Plant	633,942	579,180
Buildings	48,378	43,568
Office Equipment	0	179
Motor Vehicles	66,745	58,689
Buildings Office Equipment and Motor Vehicles	115,123	102,436
Total PPE Depreciation	749,065	681,616
Right of Use Assets		
Tractors	117,890	-
	117,890	-
Total depreciation	2,008,499	1,692,214
Finance Costs		
Bank Interest	1,134,949	1,104,371
Interest on Lease Liabilities	12,487	-
Interest Paid	1,147,436	1,104,371
Other Expenses		
Grape Growers Levy	69,250	48,989
Directors Fees	90,000	90,000
Legal Expenses	9,095	14,183
Vineyard Management Fee	151,124	148,563
	319,469	301,735

Valuation Adjustments and Redevelopment Costs

Fair Value Movement in other property, plant & equipment

Twyford Gravels	-	9,000
Taylors Pass	7,594	230,770
	7,594	239,770

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2020

9 Income Tax

	2020	2019
	$	$
(a) Income tax (credit)/expense		
Current Tax		
Current tax on profits for the year	542,414	124,338
Adjustments in respect of prior years	-	24,399
Deferred tax		
Origination and reversal of temporary differences	(294,590)	(366,954)
	247,824	(218,217)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	910,736	(850,503)
Tax at the New Zealand tax rate of 28%	255,006	(238,141)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Fair value changes in Property, Plant & Equipment	-	18,727
Permanent differences	(7,182)	1,197
Income tax (credit)/expense	247,824 -	218,217
Included under Current Liabilities		
Income tax receivable/(payable) at beginning of year	81,244	(529,388)
Income Tax Expense in respect of current period	(542,414)	(124,338)
Net Income Tax Paid/(Refunded)	4,347	734,970
Income tax receivable/(payable) at year end	(456,823)	81,244
The weighted average applicable tax rate was 28%		
(c) Imputation credit account		
Balance at beginning of year	433,376	12,986
Tax payments/(refunds)	1,763	729,388
Credits attached to interest & dividends received	132	143
Imputation credits attached to dividends received	-	184
Imputation credits attached to dividends paid	(103,757)	(228,080)
Tax payable at year end	456,823	(81,245)
Amount of Imputation credits available for use in subsequent years	788,337	433,376

10 Cash and Cash Equivalents

Bank balances	5,839	83,644
Total cash and cash equivalents	5,839	83,644

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

11 Prepayments and Other Receivables

GST Receivable	112,293	86,704
Prepayments	41,169	169,726
Other Receivables	3,447	9,953
Total prepayments and other receivables	156,909	266,383

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2020

12 Property, Plant and Equipment

	Land $ (valuation)	Land development $ (valuation/cost)	Buildings $ (valuation)	Plant and Office Equipment $	Motor vehicles $	Bearer Plants (Vines)	Total $
At 1 July 2018							
Cost/Valuation	29,160,000	7,595,721	1,344,241	5,632,672	531,354	20,487,847	64,751,835
Accumulated depreciation	-	(835,028)	(139,243)	(2,710,987)	(282,118)	(3,335,272)	(7,302,648)
Carrying amount	29,160,000	6,760,693	1,204,998	2,921,685	249,236	17,152,574	57,449,186
Year ended 30 June 2019							
Opening carrying amount	29,160,000	6,760,693	1,204,998	2,921,685	249,236	17,152,574	57,449,186
Additions	1,024,818	1,001,224	31,464	182,637	39,572	105,538	2,385,253
Disposals (net)	-	(45,905)	-	-	-	(101,108)	(147,013)
Reclassification	1,260,587	(579,706)		(680,881)			-
Revaluation Increases/(decreases)	(2,033,272)	(198,073)	117,106	-	-	-	(2,114,239)
Depreciation	0	(210,366)	(43,568)	(368,993)	(58,689)	(1,010,598)	(1,692,214)
Closing carrying amount	29,412,133	6,727,867	1,310,000	2,054,448	230,119	16,146,406	55,880,973
At 1 July 2019							
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	29,412,133	6,727,867	1,310,000	2,054,448	230,119	16,146,406	55,880,973
Year ended 30 June 2020							
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	-	(249,591)	(48,378)	(384,351)	(66,745)	(1,141,544)	(1,890,609)
Closing carrying amount	30,499,188	7,077,681	1,310,000	2,347,927	201,574	15,184,291	56,620,661
At 30 June 2020							
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	30,499,188	7,077,681	1,310,000	2,347,927	201,574	15,184,291	56,620,661

The fair value of bearer plants assessed by Logan Stone at 30 June 2020 was $26,523,000 (2019: $26,015,000)

Where components of site works considered to be part of the land value for valuation purposes have a finite useful life, these have been reclassified to land improvements and depreciated. Comparatives for land and land improvements have been reclassifed to conform to this current classification, resulting in $522,867 being transferred from land to land improvements at 30 June 2019.

Cost related to the early stage Middlemiss vineyard land improvements work of $211,869 have been capitalised and are recorded at cost, which is believed to approximate fair value. As the development work in relation to this new vineyard is not yet complete, these costs are yet to be depreciated.

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:

	2020	2019
	$	$
Cost	30,205,310	29,813,766
Accumulated depreciation	(1,430,229)	(1,353,039)
Carrying amount	28,775,081	28,460,727

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 $1,436,869 in the carrying value of the land, buildings and land developments as at 30 June 2020. 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 2020.

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

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

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

	$ / per hectare of land	
	2020	**2019**
Hawke's Bay Soil Types		
Medium Silts	**49000-55000**	47000-52000
Gravels	**80000-90000**	80000-90000
Marlborough Soil Types		
Medium Silts	**65000-80000**	55000-80000

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 vines is from March to May each year. The vineyards are situated in Hawke's Bay and Marlborough.

12 Property, Plant and Equipment (continued)

Bearer plants and agricultural produce

As at 30 June 2020, the company had a total of 365 hectares of vines. During the year ended 30 June 2020 the Company harvested 4230 tonnes of grapes (2019: 3256). 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 $8,493,120 (2019: $6,532,669). 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 2020. 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.

	2020	2019
Hawke's Bay		
	$ / per hectare	$ / per hectare
Red Varieties	**25000-60000**	48000-72000
White Varieties	**17000-38000**	25000-38000
Marlborough		
Sauvignon Blanc	**79000-107000**	70000-104000
Pinot Noir	**51000-59000**	75000-95000
Other White Varieties	**57000-91000**	45000-76000

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

The fair value assessed for bearer plants at all vineyards was higher than the carrying value and no impairment was required at 30 June 2020.

13 Leases

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

a) Right of use assets	Land	Equipment	Total
Net book value at 1 July 2019 on adoption of NZ IFRS 16	-	346,777	346,777
Additions	3,512,383	-	3,512,383
Disposals (net)	-	-	-
Depreciation	(35,006)	(117,891)	(152,897)
Net book value at 30 June 2020	3,477,377	228,886	3,706,263
Cost	3,512,383	346,777	3,859,160
Accumulated depreciation	(35,006)	(117,891)	(152,897)
Net book value at 30 June 2020	3,477,377	228,886	3,706,263

b) Lease liabilities	**2020**
	$
Balance at 1 July on adoption of NZ IFRS 16	346,777
Interest expense	37,027
Capital repayments	(151,626)
Additions	3,512,383
Disposals	-
Balance at 30 June	3,744,561
Current lease liability	98,368
Non-current lease liability	3,646,193
	3,744,561

c) Other disclosures

The company had total cash outflows for leases of $147,086 which includes $20,000 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 $5,985,000 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.

At 30 June 2020	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Lease liabilities	259,976	263,448	748,265	4,748,100

14 Other Financial Assets

	2020 $	2019 $
Shares in Farmlands Co-operative	675	1,623
Shares in Ravensdown Fertiliser	2,412	2,175
	3,087	3,798

The above shares have been measured at fair value.

15 Trade and Other Payables

	2020 $	2019 $
Trade payables	141,935	406,426
Retentions Held on Dam Projects	-	78,160
Accrued expenses	146,931	67,996
	288,866	552,582

16 Deferred Tax

The balance comprises temporary differences attributable to:

	Plant & equipment $	Other $	Vines $	Land development $	Buildings $	Total $
Balance at 1 July 2018	(84,052)	6,503	(4,442,410)	(823,261)	(193,182)	(5,536,402)
Amounts charged to income statement	13,803	889	270,664	89,510	(32,311)	342,555
Amounts charged to equity				(32,789)	7,052	(25,737)
Balance at 30 June 2019	(70,249)	7,392	(4,171,746)	(766,540)	(218,441)	(5,219,584)
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	(43,909)	9,147	294,589
Amounts charged to equity				(61,346)	(12,527)	(73,873)
Balance at 30 June 2020	(91,018)	77,642	(3,891,876)	(871,795)	(221,821)	(4,998,868)

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

	2020 $	2019 $
Fair value of interest rates swaps - current	60,981	-
Fair value of interest rates swaps - term	183,908	-
Total value of derivative financnial instruments	244,889	-

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 1.33%) on a notional principal amount. Effectively, $6,000,000 (2019: nil) of variable rate debt facilities are economically hedged under this arrangment through two agreements of $3,000,000 each, which mature in February 2024 and 2025.

18 Interest Bearing Liabilities

	2020	2019
Current	**$**	$
Secured		
Bank borrowings	1,077,743	-
Bank Equipment Finance Loans*	-	199,261
	1,077,743	199,261
Non-current		
Secured		
Bank borrowings	21,315,201	20,964,138
Bank Equipment Finance Loans*	-	252,191
	21,315,201	21,216,329
Total interest bearing borrowings	22,392,944	21,415,590

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 $23,700,000 (2019: $23,500,000) of which at the reporting date, $2,221,712 was available for further drawdown (2019: $2,535,862). An additional facility for the development of the Middlemiss vineyard has been negotiated during the year. That facility of $4,400,000 has not been drawn on prior to balance date. The secured term loan facility with Rabobank matures in December 2025. Repayments are required under the facility agreement if certain financial performance measures are exceeded. As a result, $899,826 is required to be repaid within the next 12 months.

* Previously, equipment finance loans have been presented as finance leases, however on reviewing the terms of the agreement, it was assessed that these agreements did not constitute a lease and are more accurately described as bank borrowings. The company has continued to designate the agreements as interest bearing liabilities.

	2020	2019
	$	$
The weighted average interest rate on interest bearing borrowings outstanding at 30 June 2020 was:	5.14%	5.35%

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

	2020	2019
	$	$
(a) Authorised share capital		
Share capital at the beginning of the year	28,800,000	28,800,000
Issue of shares	-	-
Share capital at the end of the year	28,800,000	28,800,000
(b) Movements in number of shares	**Number**	Number
Opening balance of ordinary shares issued	40,000,000	40,000,000
Issues of ordinary shares during the year	-	-
Closing balance of ordinary shares issued	40,000,000	40,000,000

19 Contributed Equity continued)

(c) Ordinary shares

Ordinary shares carry one vote per share and entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. The shares have no par value and all shares are fully paid.

(d) Capital Risk Management

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

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total external borrowings (including ‘borrowings’ and ‘trade and other payables’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt. The gearing ratios at 30 June 2020 and 2019 were as follows:

	2020	2019
	$	$
Total borrowings	22,844,373	22,085,953
Less cash and cash equivalents	5,839	83,644
Net debt	22,838,534	22,002,309
Total equity	34,595,271	32,935,343
Total capital	57,433,805	54,937,652
Gearing ratio	40%	40%

As part of the loan agreement with Rabobank entered into in 2007 and last revised on 19 December 2019, 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).

Debt Service Cover Ratio		
Net Profit Before Tax	$	910,736
Depreciation	$	1,890,609
Interest	$	1,134,949
EBITDA	$	3,936,294
Interest Cost	$	1,134,949
Lease Principal (excl residual)		
Total Finance Costs	$	1,134,949
Actual Ratio		3.47
Covenant Minimum		1.20
Loan to Security Ratio		
Total Bank Facility	$	28,100,000
New Facility	$	-
Total Facility	$	28,100,000
Security Value	$	66,337,000
Actual Ratio		42.36%
Covenant Maximum		50.00%

All covenants were met for the year ended 30 June 2020.

Terra Vitae Vineyards Limited
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For the year ended 30 June 2020

20 Reserves

Revaluation reserve
The revaluation reserve is used to record increments and decrements on the revaluation of land, buildings and land developments to the extent that they offset each other.

21 Dividends

		2020	2019
Ordinary shares		**$**	$
Dividend paid during the year ended 30 June 2020		280,000	600,000
Supplementary Dividend paid during the year ended 30 June 2020		2,329	5,255
Total Dividend paid per Statement of Changes in Equity		282,329	605,255
	Per share	0.007	0.015

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

22 Financial Instruments by Category

30 June 2020

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

Liabilities as per Statement of Financial Position	Financial liabilities at amortised cost
	$
Borrowings	22,392,944
Fair value of interest rate swaps	244,889
Trade and other payables	451,429
	23,089,262

30 June 2019

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

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

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

	2020	2019
Profit/(loss) after income taxation	**662,912**	**(632,286)**
Add non cash items:		
Depreciation	2,008,499	1,692,214
Non-operating items		
Movement in fair value of property, plant and equipment	252,484	239,770
Movement in fair value of derivatives	(244,890)	
Disposal of plant	59,192	146,229
	2,075,285	**2,078,213**
Working capital movements		
Change in goods and services taxation	(25,589)	(24,010)
Increase (decrease) in accounts payable	(62,895)	229,996
(Increase) decrease in prepayments & other receivables	135,063	(134,502)
(Increase)/decrease in taxes receivable/payable	538,068	(610,632)
Increase (decrease) in Fair value of derivative financial instruments	244,890	-
Increase (decrease) in deferred tax liability	(294,589)	(342,555)
(Increase) decrease in amounts due from related parties	(1,900,705)	1,167,119
	(1,365,757)	**285,416**
Net cash flow from operating activities	**1,372,440**	**1,731,343**

24 Contingencies

As at 30 June 2020 the Company had no contingent liabilities or contingent assets (2019:Nil).

25 Capital and Operating Commitments

As at 30 June 2020 the total capital expenditure contracted for but not provided for was $1,655,309 (2019:$988,089).

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 and personnel and compensation
Key management personnel compensation for the year ended 30 June 2020 and the year ended 30 June 2019 is set out

	2020	2019
	$	$
Short term benefits (Directors' Fees)	90,000	90,000
Total	**90,000**	**90,000**

(c) Other transactions with key management personnel or entities related to them
There were no other transactions with key management personnel or entities related to them other than those detailed below.

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

	2020	2019
	$	$
Sales of grapes		
Villa Maria Estate Limited	8,493,120	6,532,669
Sales of Services		
Villa Maria Estate Limited	379,924	298,967
Purchases of services		
Villa Maria Estate Limited	151,124	148,563

26 Related Party Transactions (continued)

Purchase of vines		
Vineyards Plants Limited	317,073	47,277
Purchases of virus testing services		
Vine Test Lab Limited	1,020	3,763
Purchases of building services		
Robinson Construction Limited	354	26,315
Purchase of farm supplies		
Farmlands Cooperative Limited (and its subsidiaries)	-	113,072

During the year, Farmlands ceased to be a related party as David Ferraby resigned from the board of Farmlands during the previous financial year.

(e) Outstanding balances

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

	2020	2019
	$	$
Receivables		
Villa Maria Estate Limited	5,825,537	5,091,952
Payables		
Villa Maria Estate Limited	162,551	86,629
Vine Test Lab Limited	-	250
Robinsons Construction Limited	-	26,315
	162,551	113,194

In addition to the above, a capital commitment of $739,837 existed to Vineyard Plants Limited in relation to vines purchased for the Middlemiss development.

Relationships with related parties

Sir George Fistonich, a director of Terra Vitae Vineyards Limited, is 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. Milan Brajkovich, a director of Terra Vitae Vineyards Limited, is married to a Director of Villa Maria Estate Limited.

During the year, the Company purchased vines from Vineyards Plants Limited, a company which is owned 100% by Villa Maria Estate Limited.

During the year, the Company commissioned virus testing services from Vine Test Lab Limited, a company which is owned 100% by Sir George Fistonich. Sir George Fistonich is also a Director of Vine Test Lab Limited.

During the year, the Company purchased building services from Robinson Construction Limited, a company which David Ferraby is a Director.

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

(f) Terms and conditions

All transactions were made on normal industry commercial terms and conditions and at market rates.
Outstanding balances are unsecured. Outstanding balances are repayable in cash.

27 Events Occurring After The Reporting Date

On 20 October 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.

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.

	2020	2019
	$	$
Profit/(loss) attributable to equity holders of the Company - in dollars	662,912	(632,286)
Weighted average number of ordinary shares in issue	40,000,000	40,000,000
Basic earnings per share - in dollars	0.02	(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.

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Independent Auditor's Report

To the shareholders of Terra Vitae Vineyards Limited

Opinion

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

- the statement of financial position as at 30 June 2020;
- 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 37 present fairly, in all material respects, the financial position of the company as at 30 June 2020, 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	How our audit addressed this key audit matter
As disclosed in note 12 of the financial statements, land, land development and buildings are measured using the revaluation model with the properties revalued annually. Land development excludes bearer plants (vines) which are separately recorded and not revalued. The valuation of these property assets is subjective as it is dependent on a wide range of factors including the nature of the property, soil type and geographic location. Management have engaged an independent valuer, to estimate the fair value at balance date. The valuers have determined a value for each property taking into account current market conditions and recent sales within each area. The valuation was performed using a "comparative sales" approach and includes assessment of the relative comparability of certain key features, such as location, soil quality and type and number of buildings. This estimate of fair value is then allocated to each of the properties into separate components of land, buildings, land development and vines. While any valuation gain on a component allocated to vines is not recognised, the amount related is considered relative to the carrying value of the vines as part of the consideration for impairment. The valuation of these assets is a key audit matter due to the subjectivity of certain assumptions and the relative value of these assets to the company's balance sheet.	Our procedures in relation to the valuation of land, land development and buildings included: • Considering the valuer's qualifications expertise and objectivity, and whether the scope of their engagement was appropriate for the purpose of the company's financial reporting. • We engaged an external valuation expert to assist us in assessing the appropriateness of key assumptions in the valuation, especially the methodology and range of comparable market data used by the company's valuer. • We discussed the approach taken and key judgements made with the company's valuer. • Reviewing title deeds to ensure Terra Vitae Vineyards Limited owned all freehold properties subject to valuation. • Confirming the gain/(loss) on valuation resulting from the valuation estimate was correctly recorded. We also evaluated the related disclosures within the financial statements in relation to the requirements of both NZ IAS 16 *Property, Plant and Equipment* and NZ IFRS 13 *Fair Value Measurement.*

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Report and Directors' Report & Responsibility Statement on pages 1 to 7, as well as the Shareholders' Information and Directory on pages 41 and 42 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Responsibilities of the directors for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:
https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

Who we report to

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

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

RSM

RSM Hayes Audit
Auckland

21 October 2020

Terra Vitae Vineyards Limited
Shareholders' Information
For the year ended 30 June 2020

Ten Largest Shareholders as at 30 June 2020

Holder	Shares Held	% of Shares
Villa Maria Estate Limited	8,756,361	21.89%
Peter Rae Industries Limited	847,000	2.12%
Sir George Vjeceslav Fistonich	503,240	1.26%
Manatu Limited	450,000	1.13%
Sky Hill Limited	449,900	1.12%
Custodial Services Limited	357,400	0.89%
Custodial Services Limited	354,700	0.89%
Custodial Services Limited	344,800	0.86%
Custodial Services Limited	320,781	0.80%
Ellerslie Land Holdings Limited	280,100	0.70%
Total for top 10 Shareholders	12,664,282	31.66%

Shareholding Breakdown

Holding Range	Holders	Shares Held	% of Shares
< 25,000	191	1,767,301	4.42%
25,000 - 49,999	539	14,710,916	36.78%
50,000 - 99,999	108	6,414,100	16.04%
100,000 - 999,999	36	8,351,322	20.88%
> 1,000,000	1	8,756,361	21.89%
Totals	875	40,000,000	100.00%

Terra Vitae Vineyards Limited
Directory
For the year ended 30 June 2020

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

Registered Office and Principal place of Business
10 Birman Close
Half Moon Bay
Auckland 2012

Web Site: www.terravitae.co.nz
email: info@terravitae.co.nz

Independent Viticulture Consultant
Mark Allen
Allen Vineyard Advisory
PO Box 5123
Springlands
Blenheim

Bankers
Rabobank
Level 23
157 Lambton Quay
Wellington 6011

Auditors
RSM Hayes Audit
PO Box 9588
Newmarket, Auckland 1149

Share Register
BC Limited
PO Box 54124
The Marina
Auckland 2144

Solicitors

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

Radich Law
21 Bells Road
Blenheim 7240