

Terra Vitae Vineyards Limited



Harvesting Higgins Rd Sauvignon Blanc on a chilly April morning with snow clad Mount Tapuaenuku (2,858 m) in the background

Annual Report

For the year ended 30 June 2015

Terra Vitae Vineyards Limited
Financial Statements
For the year ended 30 June 2015

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Chairman's Report 2015
Terra Vitae Vineyards Ltd

On behalf of your Board of Directors I have pleasure in presenting the Annual Report for the year ended June 30 2015.

Financial Results

We have separated out the operating performance from the fair value adjustments and one off development expenses in the Income Statement. This year the total gross income from grape sales was \$7,078,076 and after expenses the operating profit was \$1,362,663. After deducting valuation movements and redevelopment expenses, the 2015 net profit before tax was \$1,013,710. Your Board has resolved to declare a dividend of 1 cent per share (\$400,000) payable on *15 December 2015 with a record date of 30 November 2015*. The remaining amount will be used to reduce bank debt, continue with the capital upgrade projects, including the Twyford replant program and hold a buffer in the accounts for working capital.

The 2014 -2015 year has been a good one for Terra Vitae Vineyards Ltd with the vineyards producing only 6% below target, compared to the industry average of 22% down on target. Our crop value was only 2% down, due to an uplift in average price per tonne compared to the previous year. The wine makers tell us that there are going to be excellent wines produced from the grapes across both regions, which should result in us receiving some additional price premiums based on wine quality. Following New Zealand's record 2014 crop of 445,000 tonnes, the 2015 crop was 326,000 tonnes, down 27%. The major reason for the drop was a poor flowering over most of Marlborough, due to cool overcast weather during the important flowering period. The Wairau Valley suffered worse than the Awatere Valley and the north side of the Awatere Valley suffered more than the south side. The result was that our large Higgins Road/Seddon vineyard produced close to maximum in Sauvignon Blanc, but was below target in most of the other varieties.

In Hawke's Bay the Keltern Vineyard produced well despite some early harvesting to avoid a total loss from Cyclone Pam, which hit the East Coast in March. The younger vines from the replanted areas yielded well above target.

Twyford also had a good season, with a financial yield above budget. Yield volumes are being affected by the number of vines having been removed due to the presence of virus.

Overall we produced a total of 3882 tonnes as against last year's 4196 tonnes. The chart below shows each vineyards production in dollars and tonnes and compares those figures with 2014.

Vineyard	Yield 2014	Yield 2015	Crop Value 2014	Crop Value 2015
Seddon	913	1030	\$1,683,240	\$1,845,070
Higgins Road	1868	1732	\$3,174,785	\$2,945,747
Taylor's Pass	924	767	\$1,654,452	\$1,424,614
Keltern	372	248	\$750,269	\$518,785
Twyford Gravels	119	105	\$271,653	\$343,860
Totals	4196	3882	\$7,534,399	\$7,078,076

Last year I spoke about the huge crop produced on Marlborough's vineyards industry wide, mainly in Sauvignon Blanc and that in some cases the crops were not thinned. Our viticulture advisors and managers had indicated to us that these huge crops were likely to affect the following season's crop and that those vineyards that did not thin their crops to sustainable yields, would produce very poor crops in 2015. This proved to be the case in many of the vineyards in the Marlborough region. I stated in my post-harvest report that Terra Vitae has adopted a long term view to maximising the returns from its vineyards, concentrating on sustainable yields of good quality grapes and the long term health of the vines. This has certainly paid off in 2015.

We have now completed the planned replanting at Keltern and the new areas are looking very good, with the first block producing an excellent crop in 2015. The final plantings should provide its first crop next autumn. The opportunity was also taken to upgrade the irrigation system and to replace some of the dripper lines which had blocked over the years. This will have a positive effect on vine yields.

Last year I wrote about the Twyford vineyard receiving some focus due to its declining profitability as a result of the vineyard having virused vines rouged over recent years. The Board has resolved to replant the vines over a period of three years commencing after the 2016 harvest. The plan in place will allow us to retain cash flow during the replant and will completely reinstate the vineyard to full production on clean, healthy vines.

Taylor's Pass was affected by the poor flowering, but still produced well with good quality grapes. The vineyard has recently purchased three additional wind machines to complete the frost protection programme. An important replacement, a new Pellenc harvester has been ordered for delivery late in 2015. This order was made when the cross rate with the Euro was much more favourable than it is at present. The older machine has become very expensive to run and less efficient. The newer model has many improvements with a leap in technology from the current model. The new model boasts increased juice yields and lower running costs. The improvement in harvesting technology will allow us to reduce the amount of expensive hand picking of the reserve grapes and also conduct regular activities such as spraying, leaf plucking and stripping in a more cost efficient manner. The new Pellencs are also used to thin crops by 'shaking' the bunches soon after veraison (the change in colour of berries) to remove out trash, reducing the susceptibility to botrytis.

Higgins Road/Seddon had a great productive season as was shown in the figures, with production down in some varieties but an excellent Sauvignon Blanc yield. The staff amenities/office building was completed and is much appreciated by staff. Three additional wind machines were installed in the more frost prone blocks. In line with the tractor replacement program, two new Fendt tractors have been leased since balance date. This brand has proved to be ideal for our vineyards with a higher level of reliability and much lower running costs. Seddon has also replaced its Pellenc harvester since balance date and is already enjoying the benefits of the new technology that the Taylor's Pass team have to look forward to.

All the vineyards coped very well with the high powdery mildew disease pressure this season through good management practices. The viticulture team, along with their advisors, were on top of the disease and kept it under control. There were vineyards in both regions who did not keep it well under control, which, in some cases, meant that the fruit was so badly affected by powdery mildew that the grapes were rejected by the wineries at harvest.

Awards

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

Seddon Vineyard

2012 Single Vineyard Pinot Noir

Wine of Show-Marlborough Wine Show Oct 2014

2014 Single Vineyard Pinot Gris

Trophy-Marlborough Wine Show Oct 2014

Taylor's Pass Vineyard

2013 Single Vineyard Chardonnay

Pure Gold-Air NZ Wine Awards Nov 2014

2012 Single Vineyard Pinot Noir

Gold-Spiegelau Int Wine Competition Jul 2015

Keltern Vineyard

2014 Single Vineyard Chardonnay

Pure Gold-Bragato Wine Show Aug 2015

2013 Single Vineyard Chardonnay

Gold-Easter Show Wine Awards Mar 2015

2013 Single Vineyard Chardonnay

Trophy-Hawke's Bay A&P Wine Awards Oct 2014

Twyford Gravels Vineyard

2012 Villa Maria Reserve Syrah

Gold-NZ International Wine Show Sep 2014

2011 Villa Maria Reserve Syrah

5/5 Stars Cuisine Magazine 2014

Share Trading

The company continues to list its shares on the Unlisted Market. There were 725,000 shares traded in the twelve months to 26 August 2015, with the price ranging from 30 cents to 39 cents. This compares to a NTA of 78 cents (last year 77 cents).

Industry Statistics

On reading the New Zealand Winegrowers Annual Report 2015 recently, I noted some remarkable growth figures in our industry which are worth highlighting here. They show how much the industry has changed over the past nine years:

Year	2006	2015	Change
Number of Wineries	530	673	+27%
Number of Growers	866	762	-12%
Producing Area (ha)	22,616	35,859	+59%
Average yield (tonnes per ha)	8.2	9.1	+11%
Tonnes Crushed	185,000	326,000	+76%
Export Value (\$NZ mil)	\$512	\$1,424	+178%

The New Zealand Winegrowers Annual Report 2015 also reported on some of the Key Performance Indicators for Wine Sales for the year ended 30 June 2015. These statistics indicate a continued growth in the industry as a whole in most major markets and highlight the reliance on Sauvignon Blanc as a variety.

Sales	\$	Change
Sales to USA	\$372.2m	+13%
Sales to AUS	\$362.2m	-5%
Sales to UK	\$353.9m	+11%
Sales to Canada	\$94.9m	+20%
Sales to China	\$27.1m	+9%
Total Value of Exports	\$1.42b	+7%
Domestic Sales Volume	61.9m L	+24%
Sauvignon Blanc (Export volume share)	86.5%	

Directors and AGM

This year Andrew Pearson retires by rotation as a director and has indicated that he is willing to stand again.

Our AGM is set to be held at the Vila Maria Winery in Auckland on November 24 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 John van der Linden along with our managers Phil Holden, Ian Buck and Garrie Armstrong and our advisor Mark Allen, for the work they do in managing the vineyards to such a high industry standard and the outstanding fruit they produce off the vineyards year after year. Many thanks also to our company secretary who puts a huge effort into keeping the whole business running smoothly from accounting to banking relationships, shareholder queries and assisting me in my tasks. Alan is a key part of the team. Thank you Sir George, Andrew and Milan for the part you play and the guidance you give to me and the company.

Joe Ferraby

A handwritten signature in black ink, appearing to be 'Joe Ferraby', with a stylized flourish at the end.

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 2015.

Principal Activity

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

Results	2015	2014
	\$	\$
Profit / (loss) for the year	729,671	1,825,377
Total Equity of the Company	31,191,237	30,633,930
Total Assets of the Company	60,820,041	60,756,439

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, Vineyard Plants Limited and Vine Test Lab Limited, companies of which Sir George Fistonich is a current director, are interested transactions. All transactions conducted by the Company with Farmlands Cooperative Limited of which David Ferraby is a current director, are interested transactions. All transactions by the Company with Robinson Construction Limited of which David Ferraby is chairman of their advisory board, are interested transactions. Details of these are given in Note 25 to the financial statements.

Directors' remuneration

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

David Ferraby	\$24,000
Sir George Fistonich	\$12,000
Andrew Pearson	\$12,000
Milan Brajkovich	\$12,000
	<hr/>
	\$60,000

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

Terra Vitae Vineyards Limited

Directors' Report Continued

Significant Events

No significant events occurred during the year under review.

Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements give a true and fair view of the statement of financial position as at 30 June 2015 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 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 Reporting Act 1993 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(v) nothing has come to the attention of the directors to indicate that the Company will not remain a going concern in the foreseeable future.

The Board of Directors of the Company authorised these financial statements presented on pages 7 to 38 for issue on 10 September 2015.

For and on behalf of the Board.

D Ferraby
Director



Thursday, 10 September 2015

A Pearson
Director



Thursday, 10 September 2015

Terra Vitae Vineyards Limited
Income Statement
For the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue			
Sale of Grapes		7,078,076	7,534,399
Interest		724	402
Dividends		495	322
Services rendered-Harvesting Income		186,299	148,493
		<u>7,265,594</u>	<u>7,683,616</u>
 Cost of sales	8	<u>3,277,686</u>	<u>3,286,176</u>
Gross profit		<u>3,987,908</u>	<u>4,397,441</u>
 Other Income			
Sundry income	7	61,644	67,591
Gain of sales of fixed assets		8,317	33,000
Total Other Income		<u>69,961</u>	<u>100,591</u>
 Operating Expenses			
Administrative costs	8	222,840	213,751
Depreciation	8,12	610,553	625,734
Finance costs	8	1,624,075	1,633,404
Other expenses	8	237,738	233,055
Total operating expenses		<u>2,695,206</u>	<u>2,705,944</u>
 Profit/(Loss) from Operations		<u>1,362,663</u>	<u>1,792,088</u>
 Plus valuation adjustments and development costs			
Fair value movement in other property, plant and equipment	8	(89,540)	1,220
Fair value movement in biological assets	8	(85,778)	(351,351)
Redevelopment expenses	8	(173,635)	(232,764)
		<u>(348,953)</u>	<u>(582,895)</u>
 Profit/(loss) before income tax		<u>1,013,710</u>	<u>1,209,193</u>
 Income tax (expense)/credit	9	(284,039)	616,184
 Profit/(loss) for the year		<u>729,671</u>	<u>1,825,377</u>
 Profit/(loss) for the year is attributable to:			
Ordinary equity holders of the company		<u>729,671</u>	<u>1,825,377</u>
 Basic and diluted earnings/(loss) per share	27	<u>0.02</u>	<u>0.05</u>

The above Income Statement should be read in conjunction with the accompanying notes.

Terra Vitae Vineyards Limited
Statement of Other Comprehensive Income
For the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Profit (loss) for the year		<u>729,671</u>	<u>1,825,377</u>
Other comprehensive income			
Revaluation of land and buildings*	19	177,934	97,637
Revaluation of other assets*	19	41,394	101,496
Income tax relating to components of other comprehensive income	16	<u>8,308</u>	<u>(23,557)</u>
Other comprehensive income for the year, net of tax		227,636	175,576
Total comprehensive income for the year, net of tax		<u>957,307</u>	<u>2,000,953</u>
Attributable to:			
Ordinary equity holders of the company		<u>957,307</u>	<u>2,000,953</u>

* - represents the net increase (decrease) in the revaluation reserve

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 2015

	Notes	2015 \$	2014 \$
Current assets			
Cash and cash equivalents	10	1,228	-
Prepayments and other receivables	11	179,723	148,415
Related party receivables	25e	4,844,865	5,199,533
Current tax receivable	9	6,640	101
Total current assets		<u>5,032,456</u>	<u>5,348,049</u>
Non-current assets			
Property, plant and equipment	12	34,835,562	34,674,374
Biological assets	14	20,950,000	20,732,000
Other financial assets	13	2,023	2,016
Total non-current assets		<u>55,787,585</u>	<u>55,408,390</u>
Total assets		<u>60,820,041</u>	<u>60,756,439</u>
Current liabilities			
Interest bearing liabilities	17	200,016	121,935
Trade and other payables	15	353,218	250,046
Related party payables	25e	84,739	80,996
Total current liabilities		<u>637,973</u>	<u>452,977</u>
Non-current liabilities			
Interest bearing liabilities	17	23,642,859	24,597,291
Deferred tax liability	16	5,347,972	5,072,241
Total non-current liabilities		<u>28,990,831</u>	<u>29,669,532</u>
Total liabilities		<u>29,628,804</u>	<u>30,122,509</u>
Net assets		<u>31,191,237</u>	<u>30,633,930</u>
Equity			
Share capital	18a	28,800,000	28,800,000
Retained earnings		(5,482,299)	(5,811,970)
Asset revaluation reserve - property, plant & equipment	19	7,873,536	7,645,900
Total equity		<u>31,191,237</u>	<u>30,633,930</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Terra Vitae Vineyards Limited
Statement of Changes in Equity
For the year ended 30 June 2015

	Notes	Share capital \$	Asset revaluation reserve \$	Retained earnings \$	Total \$
Balance as at 1 July 2013		28,800,000	7,470,324	(7,637,347)	28,632,977
Profit for the period		-	-	1,825,377	1,825,377
Other comprehensive income		-	175,576	-	175,576
Total comprehensive income for the year		-	175,576	1,825,377	2,000,953
Balance as at 30 June 2014		28,800,000	7,645,900	(5,811,970)	30,633,930
Balance as at 1 July 2014		28,800,000	7,645,900	(5,811,970)	30,633,930
Profit for the period		-	-	729,671	729,671
Other comprehensive income		-	227,636	-	227,636
Total comprehensive income for the year		-	227,636	729,671	957,307
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	6,293	6,293
Dividends paid	20	-	-	(406,293)	(406,293)
Balance as at 30 June 2015		28,800,000	7,873,536	(5,482,299)	31,191,237

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 2015

	Notes	2015 \$	2014 \$
Operating Activities			
<i>Cash was provided from:</i>			
Receipts from customers		7,619,043	6,774,914
Interest received		724	402
Dividends received		495	322
Other income received		61,644	67,591
Income tax refunded		101	644
<i>Cash was disbursed to:</i>			
Payments to suppliers		(3,742,611)	(3,799,755)
Interest paid		(1,624,075)	(1,633,404)
Income taxes paid		(6,640)	(101)
Net cashflows from operating activities	22	<u>2,308,681</u>	<u>1,410,613</u>
Investing activities			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		16,043	33,000
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(743,361)	(209,575)
Other adjustments		(5)	(400)
Purchase of biological assets		(303,778)	(104,683)
Net cashflow from investing activities		<u>(1,031,101)</u>	<u>(281,658)</u>
Financing activities			
<i>Cash was applied to:</i>			
Repayment of bank borrowings		(754,417)	(1,021,076)
Repayment of finance leases		(121,935)	(107,879)
Payment of Dividend		(400,000)	
Net cashflows from financing activities		<u>(1,276,352)</u>	<u>(1,128,956)</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,228</u>	<u>-</u>
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of the year	10	<u>1,228</u>	<u>-</u>

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

Terra Vitae Vineyards Limited
Notes to the financial statements
for the year ended 30 June 2015

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 an issuer in terms of the Financial Reporting Act 1993, (which continues in effect through the transitional provisions of the Financial Reporting Act 2013)

These financial statements were authorised for issue by the Board of Directors on 10 September 2015. 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 Reporting Act 1993.

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 the revaluation of biological assets and 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.

(b) Segment reporting

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Terra Vitae Vineyards Limited
Notes to the financial statements
for the year ended 30 June 2015

2 Summary of Significant Accounting Policies (continued)

(d) Revenue recognition

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

(i) Sale of grapes

The primary source of revenue for the company is from the sales of grapes harvested. Revenue is recognised when the significant risks and rewards of ownership have passed to the customer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the customer at the time of delivery of the grapes.

(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) Fair value of grape vines

Changes in the fair value less estimated point of sale costs of grape vines are recognised in the Income Statement in the year they arise.

(e) Income tax

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

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

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

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

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

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

(f) Goods and Services Tax (GST)

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

Terra Vitae Vineyards Limited
Notes to the financial statements
for the year ended 30 June 2015

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

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependant on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the reduction of the liability.

Leases of plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and interest charges. The corresponding lease payments, net of finance charges, are included in interest bearing liabilities. The interest is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

(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. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The value in use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(j) Trade & 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 date for payment under this agreement is 30 September, four months after the date of invoice. Collectability of trade receivables is reviewed on an ongoing basis.

An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against an allowance account for trade receivables. Other receivables are recognised at amortised cost, less any provision for impairments.

Terra Vitae Vineyards Limited
Notes to the financial statements
for the year ended 30 June 2015

2 Summary of Significant Accounting Policies (continued)

(k) Investments and other financial assets

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance date. These are classified as non-current. The company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (notes j and g)

(ii) Available for sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of investments are recognised on trade date or the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company has accounted for its available for sale financial assets at cost because there is no quoted market price available, and the range of reasonable fair value estimates using valuation techniques is significant and the probabilities of the various estimates cannot be reasonably assessed.

(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 development and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings and land development. 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.

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 development 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 development	33 years
Motor vehicles	3 - 10 years
Plant	2 - 20 years

Terra Vitae Vineyards Limited
Notes to the financial statements
for the year ended 30 June 2015

2 Summary of Significant Accounting Policies (continued)

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

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

(n) Borrowings

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

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

(o) Borrowing costs

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

(r) Biological assets

Grape vines

Grape vines are measured at their fair value less estimated point of sale costs. Point of sale costs include all costs that would be necessary to sell the asset, excluding costs necessary to get assets to markets. The fair value of vineyards, including land, grape vines and other vineyard infrastructure, is determined by an independent valuer, and is based on current market prices in an active market. An active market is a market where the items traded within the market are homogenous, willing buyers and sellers can normally be found at any time, and prices are available to the public. This includes use of recent arms length transactions and reference to other vineyards that are substantially the same. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards, to determine the fair value of grape vines.

(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, adjusted for bonus elements in ordinary shares issued during the year.

Terra Vitae Vineyards Limited
Notes to the financial statements
for the year ended 30 June 2015

2 Summary of Significant Accounting Policies (continued)

(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.

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, except for the revision to accounting standards noted below.

NZ IFRS 15 *Revenue from Contracts with Customers* is expected to be effective for periods commencing on or after 1 January 2018. NZ IFRS 15 introduces a new model for the recognition of revenue, and contains more detailed requirements than the previous standard. The company is yet to assess the impact of the new standard.

Agriculture: Bearer Plants (Amendments to NZ IAS 16 and NZ IAS 41)

This revision of these accounting standards alters their respective scope so that bearer plants (such as grape vines) are to be accounted for in the same way as property, plant and equipment in NZ IAS 16 Property, Plant and Equipment, as their operation is similar to that of manufacturing. Consequently, the revised standards include them within the scope of NZ IAS 16, instead of NZ IAS 41 Agriculture.

A key difference between the requirements of NZ IAS 16 and NZ IAS 41 is the application of depreciation to such assets, and the option under NZ IAS 16 for such assets to be carried using a cost model, rather than valuation. Further, revaluation increases under NZ IAS 16 are accounted through other comprehensive income, rather than through profit or loss.

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. The company is yet to assess the full potential impact of these revisions to its future financial statements.

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 grape vines

Vines 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 the vines at 30 June 2015 is \$20,950,000 (2014: \$20,732,000). The decrease in their fair value for the year ended 30 June 2015 is \$85,778 (2014: decrease of \$351,351). (Refer to note 14.)

Terra Vitae Vineyards Limited
Notes to the financial statements
for the year ended 30 June 2015

4 Critical Accounting Estimates and Judgements (continued)

(ii) 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 2015 is \$33,114,017 (2014: \$32,803,000). The increase in their fair value, net of impairment losses or reversals, for the year ended 30 June 2015 is \$311,020 (2014: decrease of \$43,422). (Refer to note 12.)

(iii) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. 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.

(iv) Recovery of Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits and reversal of deferred tax liabilities. Deferred tax assets, including those arising from unrecouped tax losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation and the maintenance of sufficient shareholder continuity to ensure these losses can be utilised within the same period. In the 2014 year, trading conditions have continued to improve, which have resulted in the recognition of a greater deferred tax asset for unutilised tax losses. Further details are contained in note 16.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised on the statement of financial position. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets may require adjustment, resulting in a corresponding charge to the statement of comprehensive income.

(v) 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 2058.
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 trading profitably and expects to continue to do so.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

5 Financial Risk Management

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

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

The Company sells the vast majority of its grape harvest under a Vineyard Management and Grape Purchase Agreement with Villa Maria Estate Limited. The price paid for the grapes is based on the average price paid for each variety by similar sized companies in each region. These prices are verified with the Company's Independent Consultant and other industry sources. Various quality factors are also taken into account in assessing the final price paid. As the selling price is set on an annual basis, the Company is exposed to movement in the price paid.

(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 2015, of the total borrowings of \$23,237,082, \$23,100,000 was held under fixed rate agreements of varying periods of time. Approximately 39% (2014 67%) of those borrowings had interest rates fixed for a minimum of 3 years.

Sensitivity Analysis

The following table shows the sensitivity of the Company's after tax profit and equity from changes in the interest rates on its variable long term borrowings. It has been assumed that a movement of 1% or more in the variable rate would result in the variable interest rate borrowings being fixed at a rate lower than the existing variable rate.

			+1% change in interest rate			
			Impact on post tax profit		Impact on equity	
			2015	2014	2015	2014
Variable portion of long term borrowings	Carrying amount					
	\$137,082		\$987	\$299	\$987	\$299
	(2014: \$41,499)					
			-1% change in interest rate			
			Impact on post tax profit		Impact on equity	
			2015	2014	2015	2014
Variable portion of long term borrowings	Carrying amount					
	\$137,082		-\$ (987)	-\$ (299)	-\$ (987)	-\$ (949)
	(2014: \$41,499)					

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

5 Financial Risk Management (continued)

(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, limits on exposures have been set and are monitored on a regular basis. Credit risk is therefore not significant. The company does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

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

	2015	2014
Counter party		
Villa Maria Estate Limited	\$ 4,844,865	\$ 5,199,533

The outstanding balance at the time of authorising the financial statements was within the trading terms. The balance is therefore not 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 2015				
Trade payables	\$ 437,957	\$ -	\$ -	\$ -
Bank borrowings	\$ 1,644,779	\$ 1,687,561	\$25,692,102	\$ -
Obligations Under Finance Leases	\$ 232,850	\$ 96,303	\$ 353,516	
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2014				
Trade payables	\$ 331,042	\$ -	\$ -	\$ -
Bank borrowings	\$ 1,726,913	\$ 1,742,184	\$28,539,548	\$ -
Obligations Under Finance Leases	\$ 166,908	\$ 232,851	\$ 449,819	

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.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

5 Financial Risk Management (continued)

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Refer to the accounting policies for fair value estimation methods.

The carrying value of cash and cash equivalents, trade receivables and trade payables are assumed to approximate their fair values due to the short term nature of these financial instruments.

The carrying value of bank borrowings at balance date was \$23,237,082 (2014 \$23,991,498) with a fair value of \$24,022,617 (2014 \$23,900,888). The fair values of balances with fixed interest rates have been calculated with reference to market rates for instruments with the same or similar terms that could have been taken out at balance date. Balances with floating rates are assumed to approximate their fair value. This estimate is a level 2 estimate in accordance with NZ IFRS 13: Fair Value Measurement.

(e) Financial risk management strategies related to agricultural activity.

The Company is exposed to financial risks in respect of agricultural activities. The agricultural activities of the Company primarily consist of the ownership of vineyards to produce grapes that are then sold to Villa Maria Estate Limited for the production of wine. The primary risk borne by the Company is caused by the length of time between when the cash is expended on the purchase or planting and maintenance of grape vines and on harvesting grapes and the ultimate realisation of proceeds from the sale of the grapes. The realisation of proceeds from the sale of grapes is however governed by the Vineyard Management and Grape Purchase Agreement that stipulates the exact time that the money is expected to be received. The Company also takes reasonable measures to ensure that the current year's harvest is not affected by disease, drought, frost, or other factors that may have a negative effect upon yield and quality. These measures include consultation with experts in viticulture, frost protection measures, and ensuring that each vineyard is managed according to the Vineyard Management and Grape Purchase Agreement.

6 Segment Information

The company operates in one industry segment being the cultivation of vineyards and the harvest of grapes. The company operates in one geographic segment, being New Zealand.

Management have determined the operating segments based on the reports reviewed by the Board that are used to make decisions.

The Company manages three vineyards in the Marlborough region and two vineyards in the Hawkes 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.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

7 Other income

	2015	2014
	\$	\$
Sundry Income		
Other Income	536	623
Grazing Income	14,808	13,520
Rental Income	30,510	28,287
Contracting Income	15,790	25,160
Total sundry income	61,644	67,591

8 Expenses

Cost of sales

<i>Fertilizer</i>	129,724	120,684
<i>Frost Control</i>	46,275	44,179
<i>Pesticides</i>	229,812	231,334
<i>Herbicides</i>	27,543	32,103
<i>Irrigation Running</i>	99,864	72,901
<i>Labour & Contractor Costs</i>	1,942,566	1,903,659
<i>Machinery Running</i>	102,116	116,272
<i>Pellenc Tractor Maintenance</i>	125,324	135,919
<i>Harvesting Costs</i>	135,739	126,212
<i>Rates</i>	53,189	53,952
<i>Repairs & Maintenance</i>	159,953	208,175
<i>Vine Removal Costs</i>	10,945	66,584
<i>Operating Lease Expenses</i>	59,725	16,875
<i>Other Vineyard Expenses</i>	154,911	157,326
	3,277,686	3,286,176

Additional notes on income & expenses

Harvesting Income - is the value of harvesting work performed by the company for the use of the Seddon, Taylors Pass and Keltern Pellenc 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.

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 2015

Operating Expenses

2015 **2014**
\$ **\$**

Administrative Costs

Remuneration of auditors - audit of financial statements:

<i>RSM Hayes Audit</i>	20,000	20,400
<i>Bank Fees</i>	329	250
<i>Management Consulting</i>	5,926	5,497
<i>Administrative Services</i>	60,421	48,130
<i>Share Register Charges</i>	20,013	18,875
<i>Company Secretarial</i>	30,000	30,000
<i>Insurance</i>	47,454	50,807
<i>Travel Expenses</i>	7,623	7,726
<i>Shareholder Meeting Expenses</i>	11,990	12,324
<i>Other Administrative Costs</i>	19,084	19,743
	<u>222,840</u>	<u>213,751</u>

Depreciation

<i>Land Development</i>	188,079	191,029
<i>Buildings</i>	36,761	36,313
<i>Plant</i>	355,814	340,093
<i>Office Equipment</i>	355	1,639
<i>Motor Vehicles</i>	29,544	56,660
	<u>610,553</u>	<u>625,734</u>

Finance Costs

<i>Interest Paid</i>	<u>1,624,075</u>	<u>1,633,404</u>
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Other Expenses

<i>Grape Growers Levy</i>	47,554	54,542
<i>Directors Fees</i>	60,000	60,000
<i>Legal Expenses</i>	14,173	4,328
<i>Vineyard Management Fee</i>	116,011	114,184
	<u>237,738</u>	<u>233,055</u>

Valuation Adjustments and Redevelopment Costs

Redevelopment Expenses

<i>Keltern - Disposal of Existing non-biological assets</i>	-	232,764
<i>Keltern - Preliminary redevelopment works (non-capital)</i>	79,954	-
<i>Taylors Pass - Disposal of Irrigation System</i>	93,681	-
	<u>173,635</u>	<u>232,764</u>

Fair Value Movement in biological assets (note 14)

<i>Keltern</i>	93,778	340,351
<i>Twyford</i>	(1,000)	-
<i>Taylors Pass</i>	(2,000)	-
<i>Seddon</i>	(2,000)	-
<i>Higgins Road</i>	(3,000)	11,000
	<u>85,778</u>	<u>351,351</u>

Fair Value Movement in other property, plant & equipment

<i>Keltern</i>	68,643	(1,220)
<i>Seddon</i>	19,697	-
<i>Higgins Road</i>	1,200	-
	<u>89,540</u>	<u>(1,220)</u>

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

9 Income Tax

	2015	2014
	\$	\$
(a) Income tax (credit)/expense		
<i>Current Tax</i>		
Current tax on profits for the year	285,207	418,578
Adjustments in respect of prior years	-	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(1,168)	(80,003)
Recognition of deferred tax asset on previously unrecognised tax losses (see note 16)	-	(954,759)
	<u>284,039</u>	<u>(616,184)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	1,013,710	1,209,193
Tax at the New Zealand tax rate of 28%	283,839	338,574
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Fair value changes in Property, Plant & Equipment		
Recognition of deferred tax asset on previously unrecognised tax losses (see note 16)	-	(954,759)
Permanent differences	200	1
Income tax (credit)/expense	<u>284,039</u>	<u>(616,184)</u>
Included under Current Assets		
Income tax receivable/(payable) at beginning of year	101	644
Net Income Tax Paid/(Refunded)	<u>6,539</u>	<u>(543)</u>
Income tax receivable at year end	<u>6,640</u>	<u>101</u>
<i>The weighted average applicable tax rate was 28%</i>		
(c) Imputation credit account		
Balance at beginning of year	354,360	354,778
Tax payments/(refunds)	6,192	(644)
Credits attached to interest & dividends received	215	101
Imputation credits attached to dividends received	132	125
Imputation credits attached to dividends paid	(149,262)	-
Amount of Imputation credits available for use in subsequent years	<u>211,637</u>	<u>354,360</u>

10 Cash and Cash Equivalents

Bank balances	1,228	-
Total cash and cash equivalents	<u>1,228</u>	<u>-</u>

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

11 Prepayments and Other Receivables

GST Receivable	56,528	47,617
Prepayments	106,526	65,058
Other Receivables	16,669	35,740
Total prepayments and other receivables	<u>179,723</u>	<u>148,415</u>

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

12 Property, Plant and Equipment

	Land \$ (valuation)	Land development \$ (valuation)	Buildings \$ (valuation)	Plant \$	Office equipment \$	Motor vehicles \$	Total \$
At 1 July 2013							
Cost/Valuation	25,273,000	6,719,564	1,182,781	3,367,106	9,300	812,176	37,363,927
Accumulated depreciation	-	(284,564)	(31,781)	(1,853,596)	(7,306)	(693,558)	(2,870,805)
Carrying amount	25,273,000	6,435,000	1,151,001	1,513,510	1,994	118,618	34,493,122
Year ended 30 June 2014							
Opening carrying amount	25,273,000	6,435,000	1,151,000	1,513,510	1,994	118,618	34,493,122
Additions/(Disposals)	-	(28,255)	15,677	469,866	-	165,778	623,066
Impairment losses	-	-	-	-	-	-	-
Revaluation	115,000	86,284	(17,364)	-	-	-	183,920
Depreciation	-	(191,029)	(36,313)	(340,093)	(1,639)	(56,660)	(625,734)
Closing carrying amount	25,388,000	6,302,000	1,113,000	1,643,283	355	227,736	34,674,374
At 1 July 2014							
Cost/Valuation	25,388,000	6,767,790	1,181,094	3,815,792	9,300	815,424	37,977,400
Accumulated depreciation	-	(465,790)	(68,094)	(2,172,509)	(8,945)	(587,688)	(3,303,026)
Carrying amount	25,388,000	6,302,000	1,113,000	1,643,283	355	227,736	34,674,374
Year ended 30 June 2015							
Opening carrying amount	25,388,000	6,302,000	1,113,000	1,643,283	355	227,736	34,674,374
Additions/(Disposals)	-	206,545	178,963	242,738	-	(6,856)	621,390
Impairment losses	-	-	-	-	-	-	-
Revaluation increases/(decreases)	249,000	(6,775)	(91,873)	-	-	-	150,352
Depreciation	-	(188,079)	(36,761)	(355,814)	(355)	(29,544)	(610,553)
Closing carrying amount	25,637,000	6,313,691	1,163,329	1,530,207	-	191,336	34,835,562
At 30 June 2015							
Cost/Valuation	25,637,000	6,945,790	1,268,094	4,049,767	9,300	746,844	38,656,795
Accumulated depreciation	-	(632,099)	(104,765)	(2,519,560)	(9,300)	(555,509)	(3,821,233)
Carrying amount	25,637,000	6,313,691	1,163,329	1,530,207	-	191,336	34,835,562

The carrying value of leased assets at balance date is \$685,292 (2014: \$792,461)

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

12 Property, Plant and Equipment (continued)

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2015	2014
	\$	\$
Cost	20,874,319	20,695,356
Accumulated depreciation	(230,693)	(259,280)
Carrying amount	20,643,626	20,436,076

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 \$311,017 in the fair value of the land, buildings and land improvements as at 30 June 2015. The revaluation increase is 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, an associate 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 2015.

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 were considered relative to the location and nature of the Company's properties.

	\$ / per hectare of land
Hawke's Bay	
Silts over Gravels	35,000 - 56,000
Gravels	50,000 - 100,000
Silts/Pumice over Gravels	25,000 - 48,000
Heavy Silts	65,000 - 120,000
Marlborough	
Heavy Silts	65,000 - 120,000
Medium Silts	45,000 - 80,000
Silts over Gravels	30,000 - 50,000
Gravels	60,000 - 85,000

All of the Company's items of property plant and equipment 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.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

13 Other Financial Assets

	2015	2014
	\$	\$
Shares in Farmlands Co-operative	400	400
Shares in Ravensdown Fertiliser	1,623	1616
	<u>2,023</u>	<u>2,016</u>

The above shares have been measured at cost.

14 Biological Assets

	2015	2014
	\$	\$
Grape Vines		
Carrying amount at 1 July	20,732,000	21,046,000
Fair value gains/(losses) on grape vines during the year	(85,778)	(351,351)
Purchases of grape vines	303,778	104,683
Disposal of grape vines	-	(67,332)
Carrying value at 30 June	<u>20,950,000</u>	<u>20,732,000</u>

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.

As at 30 June 2015, the company had a total of 357 hectares of vines. During the year ended 30 June 2015 the Company harvested 3,882 tonnes of grapes (2014: 4,196). 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 \$7,076,606 (2014 \$7,522,321) and \$1,470 to an independent winery. 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.

The company's vines were independently valued at fair value less costs to sell by Logan Stone Registered Valuers as at 30 June 2015. Fair value is the price that would be received to sell the assets in an orderly transaction between market participants. 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 as shown above.

The significant unobservable inputs for the biological asset valuation included in the valuers report are analysed values of vine and trellis within the various regions that the Company operates where use of the land as a vineyard is considered to be the highest and best use. Assumed net sales value ranges are shown below.

	2015	2014
	\$ / per hectare	\$ / per hectare
Hawkes Bay		
Red Varieties	25,000 - 80,000	25,000 - 80,000
White Varieties	25,000 - 50,000	15,000 - 50,000
Marlborough		
Sauvignon Blanc	50,000 - 90,000	50,000 - 100,000
Pinot Noir	45,000 - 90,000	45,000 - 85,000
Other White Varieties	30,000 - 50,000	30,000 - 45,000

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.

All of the Company's biological assets are considered to be fair value estimates that fall into level 3 of the NZ IFRS 13 fair value hierarchy.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

15 Trade and Other Payables

	2015	2014
	\$	\$
Trade payables	304,094	214,659
Accrued expenses	49,124	35,387
	<u>353,218</u>	<u>250,046</u>

16 Deferred Tax

The balance comprises temporary differences attributable to:

	Plant & equipment	Other	Vines	Land development	Buildings	Tax Losses	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	50,849	5,432	(5,471,593)	(637,862)	(235,745)	624,051	(5,664,868)
Amounts charged to income statement	(3,476)	(1,041)	65,013	11,564	7,943	536,181	616,184
Amounts charged to equity				(28,419)	4,862		(23,557)
Balance at 30 June 2013	<u>47,373</u>	<u>4,391</u>	<u>(5,406,580)</u>	<u>(654,717)</u>	<u>(222,940)</u>	<u>1,160,232</u>	<u>(5,072,241)</u>
Balance at 1 July 2014	47,373	4,391	(5,406,580)	(654,717)	(222,940)	1,160,232	(5,072,241)
Other movements							-
Amounts charged to income statement	(74)	1,209	(20,271)	7,458	12,846	(285,207)	(284,039)
Amounts charged to equity				(11,590)	19,898		8,308
Balance at 30 June 2015	<u>47,299</u>	<u>5,600</u>	<u>(5,426,851)</u>	<u>(658,850)</u>	<u>(190,196)</u>	<u>875,025</u>	<u>(5,347,972)</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company.

The Company has tax affected losses approximating \$875,025 (2014:\$1,160,232) to carry forward to offset future taxable income. During the year the tax effect of losses utilised was \$285,207 (2014: \$418,578). The value of the tax losses have been recognised and offset against the reported deferred tax liability and are available to be utilised against future assessable income. The ability to carry forward its tax losses to reduce future taxable income is subject to the shareholder continuity rules.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

17 Interest Bearing Liabilities

	2015	2014
	\$	\$
Current		
Secured		
Bank borrowings	-	-
Obligations under finance leases	200,016	121,935
	<u>200,016</u>	<u>121,935</u>
Non-current		
Secured		
Bank borrowings	23,237,082	23,991,499
Obligations under finance leases	405,777	605,793
	<u>23,642,859</u>	<u>24,597,292</u>
Total interest bearing borrowings	<u><u>23,842,875</u></u>	<u><u>24,719,226</u></u>

The carrying amount of the above borrowing approximates its fair value. The secured term loan has a total facility amount of \$24,900,000 (2014: \$25,300,000) of which at the reporting date, \$1,662,918 was available for further drawdown (2014: \$1,308,501). The secured term loan facility with Rabobank matures in 2018.

The weighted average interest rate on interest bearing borrowings outstanding at 30 June 2015 was:

6.97% 6.95%

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.

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

	2015	2014
	\$	\$
Finance leases		
Minimum lease payments are due under finance leases as follows:		
No later than one year	232,850	166,908
Later than 1 year and no later than 5 years	449,819	682,668
Less: Future finance charges included in payments due	(76,876)	(121,849)
Present value of finance lease liabilities	<u>605,793</u>	<u>727,727</u>
The present value of finance lease liabilities is due for payment as follows:		
No later than one year	200,016	121,934
Later than 1 year and no later than 5 years	405,777	605,793
	<u><u>605,793</u></u>	<u><u>727,727</u></u>

Lease liabilities are secured over the assets to which they relate.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

18 Contributed Equity

	2015	2014
	\$	\$
(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	<u>28,800,000</u>	<u>28,800,000</u>
(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	<u>40,000,000</u>	<u>40,000,000</u>

(c) Ordinary shares

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

(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 2015 and 2014 were as follows:

	2015	2014
	\$	\$
Total borrowings	23,842,875	24,719,226
Less cash and cash equivalents	<u>1,228</u>	<u>-</u>
Net debt	23,841,647	24,719,226
Total equity	<u>31,191,237</u>	<u>30,633,930</u>
Total capital	<u>55,032,884</u>	<u>55,353,156</u>
Gearing ratio	43%	45%

As part of the loan agreement with Rabobank entered into in 2007 and revised on 17 April 2012, 11 December 2013 and 7 November 2014, the Company is required to maintain a minimum Quasi Equity of \$30,000,000, where Quasi Equity = Total tangible assets - total liabilities (excluding Deferred Tax Liability). Tangible assets are defined as the tangible book value of assets plus the difference between the book value and the latest bank valuation for security purposes. In addition, the Company is required to maintain a minimum Quasi Equity ratio of 50% and a Debt Service Cover Ratio of not less than 1.2.

	2015	2014
	\$	\$
Total Tangible assets (using latest bank valuation 30/6/15)	60,820,041	60,756,439
Total Liabilities	(29,628,804)	(30,122,509)
Add Back Deferred Tax Liability	<u>5,347,972</u>	<u>5,072,241</u>
Total Quasi Equity	<u>36,539,209</u>	<u>35,706,171</u>
Quasi Equity Ratio	60%	59%
Net Profit before tax per Income Statement	1,013,710	1,209,193
Adjust for Valuation Adjustments	175,318	350,131
Add back Net Interest Expense	1,623,351	1,633,002
Add back depreciation	610,553	625,734
Add back redevelopment expenses and gain on sale of assets	<u>165,318</u>	<u>199,764</u>
EBITDA	<u>3,588,250</u>	<u>4,017,824</u>
Debt Service Cover Ratio	2.21	2.46

All covenants were met for the year ended 30 June 2015.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

19 Reserves

Revaluation reserve

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

20 Dividends

Ordinary shares

	\$	Per share
Dividend paid during the year ended 30 June 2015	400,000	0.010
Supplementary Dividend paid during the year ended 30 June 2015	<u>6,293</u>	
Total Dividend paid per Statement of Changes in Equity	<u><u>406,293</u></u>	

On 15 August 2014 the directors declared a fully imputed dividend of 1.0 cent per share and a supplementary dividend for overseas shareholders of 0.17647 cents per share to be paid on 15 December 2014.

21 Financial Instruments by Category

30 June 2015

Assets as per Statement of Financial Position

	Available for sale	Loans and receivables
		\$
Trade and other receivables	-	4,861,534
Cash and cash equivalents	-	1,228
Other financial assets	<u>2,023</u>	-
	<u><u>2,023</u></u>	<u><u>4,862,762</u></u>

Liabilities as per Statement of Financial Position

	Other financial liabilities at amortised cost
	\$
Borrowings	23,842,875
Trade and other payables	<u>437,958</u>
	<u><u>24,280,833</u></u>

30 June 2014

Assets as per Statement of Financial Position

	Available for sale	Loans and receivables
		\$
Trade and other receivables	-	5,235,273
Cash and cash equivalents	-	-
Other financial assets	<u>2,016</u>	-
	<u><u>2,016</u></u>	<u><u>5,235,273</u></u>

Liabilities as per Statement of Financial Position

	Other financial liabilities at amortised cost
	\$
Borrowings	24,719,226
Trade and other payables	<u>331,045</u>
	<u><u>25,050,271</u></u>

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

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

	2015 \$	2014 \$
Profit/(loss) after income taxation	729,671	1,825,377
<i>Add non cash items:</i>		
Depreciation	610,553	625,734
Other adjustments		
Movement in fair value of property, plant and equipment	89,540	(1,220)
Movement in fair value of vines	85,778	351,351
Disposal of plant	(8,317)	(33,000)
Keltern redevelopment expenses (refer note 8)	0	232,764
Taylor's Pass redevelopment expenses (refer note 8)	93,681	-
	871,235	1,175,629
Change in goods and services taxation	(8,911)	(5,519)
Increase (decrease) in accounts payable	106,915	19,192
(Increase) decrease in prepayments & other receivables	(22,397)	(80,447)
(Increase)/decrease in taxes receivable	(6,539)	543
Increase (decrease) in deferred tax liability	284,039	(616,184)
(Increase) decrease in amounts due from related parties	354,668	(907,978)
	707,775	(1,590,393)
Net cash flow from operating activities	2,308,681	1,410,613

23 Contingencies

As at 30 June 2015 the Company had no contingent liabilities or contingent assets (2014:Nil).

24 Commitments

(a) Capital commitments

On 26 May 2015 the Company entered into an agreement with New Zealand Frost Fans for the purchase of six frost fans. The remaining commitment outstanding at balance date is \$256,050 (excl GST).

(b) Lease commitments : Company as lessee

Operating leases

Operating lease commitments comprise a long-term land lease of 8 ha at the Keltern Vineyard and vehicle leases. The land lease is for a period of 21 years and expires in 2019. The Ground Rental is reviewed every 5 years with the next review due during the 2019 financial year. Three tractors are leased under seven year operating leases with Custom Fleet NZ. These leases expire in 2021.

	2015 \$	2014 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows and are based on lease payments current at each balance date:		
Within one year	72,891	16,875
Later than one year but not later than five years	270,470	63,281
Later than five years	68,562	-
	411,923	80,156

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

25 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, Robert Ferguson (alternate for Sir George Fistonich-resigned 9 Sept 2014).

(b) Key management and personnel and compensation

Key management personnel compensation for the year ended 30 June 2015 and the year ended 30 June 2014 is set out below. The key management personnel are all the directors of the company and the executives with the greatest authority for the strategic direction and management of the company.

	2015	2014
	\$	\$
Short term benefits (Directors' Fees)	60,000	60,000
Total	60,000	60,000

(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.

(d) Transactions with related parties

The following transactions occurred with related parties:

	2015	2014
	\$	\$
<i>Sales of grapes</i>		
Villa Maria Estate Limited	7,076,606	7,522,321
<i>Purchases of services</i>		
Villa Maria Estate Limited	116,011	114,184
<i>Purchase of vines</i>		
Vineyards Plants Limited	84,193	93,640
<i>Purchases of virus testing services</i>		
Vine Test Lab Limited	2,308	14
<i>Purchases of farm supplies</i>		
Farmlands Cooperative Limited (and its subsidiaries)	75,870	14,849
Robinson Construction Limited	172,024	

(e) Outstanding balances

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

	2015	2014
	\$	\$
<i>Receivables</i>		
Villa Maria Estate Limited	4,844,865	5,199,533
<i>Payables</i>		
Villa Maria Estate Limited	80,750	74,012
Vine Test Lab Limited	2,654	-
Vineyard Plants Limited	-	4,865
Farmlands Cooperative Limited (and its subsidiaries)	1,335	2,119
	84,739	80,996

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2015

Relationships with related parties

Sir George Fistonich, a director of Terra Vitae Vineyards Limited, is also a director of Villa Maria Estate Limited, a company with which Terra Vitae Vineyards Limited has a Vineyard Management and Grape Purchase Agreement. Villa Maria Estate Limited holds 8,756,361 shares in Terra Vitae Vineyards Limited.

During the year, the Company purchased vines from Vineyards Plants Limited, a company which is owned 100% by Villa Maria Estate Limited. Sir George Fistonich is also a director of Vineyard Plants 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 vineyard supplies from Farmlands Cooperative Limited (and its subsidiaries), a company of which David Ferraby is a Director and Shareholder.

During the year, the Company contracted Robinson Construction Limited (of which David Ferraby is chairman of their advisory board) to build a utilities building.

Andrew Pearson, a director of Terra Vitae Vineyards Limited, is also a director of Soms Smith Nominees Limited which holds (in a non-beneficial custodial holding) 13,684 shares in Terra Vitae Vineyards Limited.

(f) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured, except that Farmlands Co-operative Society Limited (and its subsidiaries) hold retention of title clauses over products supplied to Terra Vitae Vineyards Limited in the normal course of business.

Outstanding balances are repayable in cash.

26 Events Occurring After The Reporting Date

On 2nd July, the Company entered into a finance lease with Rabobank New Zealand Limited for the purchase of a Pellenc grape harvester. The lease is for a period of 5 years and payments total \$517,337 (GST inclusive). The lease commences upon delivery date. As at balance date the vehicle had not been received, hence no commitment has been recognised.

On 10 July 2015, the Company entered into an agreement with Hydralada Company Limited for the purchase of an Optimum 800 Pellenc Tractor. The total of the contract is \$480,444 (excl GST). On 27th July 2015 an FMR sprayer was ordered at a cost of \$74,112 (excl GST)

On 12 August 2015 the directors declared a fully imputed dividend of 1.0 cent per share and a supplementary dividend for overseas shareholders of 0.17647 cents per share to be paid on 15 December 2015.

27 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.

	2015	2014
Profit/(loss) attributable to equity holders of the Company - in dollars	729,671	1,825,377
Weighted average number of ordinary shares in issue	40,000,000	40,000,000
Basic earnings per share - in dollars	0.02	0.05

(ii) Diluted earnings per share

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TERRA VITAE VINEYARDS LIMITED

Report on the Financial Statements

We have audited the financial statements of Terra Vitae Vineyards Limited on pages 7 to 34, which comprise the statement of financial position as at 30 June 2015, and the income statement, the statement of comprehensive income, statement of cash flows, and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that are in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards and that give a true and fair view of the matters to which they relate. The directors are also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Terra Vitae Vineyards Limited.

Opinion

In our opinion, the financial statements on pages 7 to 34:

- comply with New Zealand equivalents to International Financial Reporting Standards;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Terra Vitae Vineyards Limited as at 30 June 2015 and its financial performance and cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required; and
- In our opinion proper accounting records have been kept by Terra Vitae Vineyards Limited as far as appears from an examination of those records.

RSM Hayes Audit

RSM Hayes Audit

10 September 2015

Auckland

Terra Vitae Vineyards Limited
Shareholders' Information
For the year ended 30 June 2015

Ten Largest Shareholders as at 30 June 2015

Holder	Shares Held	% of Shares
Villa Maria Estate Limited	8756361	21.89%
National Nominees Limited	1936000	4.84%
Peter Rae Industries Limited	693100	1.73%
Sir George Vjeceslav Fistonich	503240	1.26%
Custodial Services Limited A/c 3	415000	1.04%
Custodial Services Limited A/c 2	336421	0.84%
Hatch Mansfield Agencies Limited	275760	0.69%
Sheather Family Account	268000	0.67%
Goodwin Family Account	250000	0.63%
Thomas Alan Matthews	200000	0.50%
Total for top 10 Shareholders	<u>13,633,882</u>	<u>34.08%</u>

Shareholding Breakdown

Holding Range	Holders	Shares Held	% of Shares
< 25,000	173	1,558,769	3.90%
25,000 - 49,999	601	16,269,133	40.67%
50,000 - 99,999	111	6,529,956	16.32%
100,000 - 999,999	25	4,949,781	12.37%
> 1,000,000	2	10,692,361	26.73%
Totals	<u>912</u>	<u>40,000,000</u>	<u>100.00%</u>

Terra Vitae Vineyards Limited
Directory
For the year ended 30 June 2015

Board of Directors

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

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 6, Rabobank Tower
2 Commerce Street
Auckland 1010

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
Lumley Centre
88 Shortland Street
Auckland 1010
