

Terra Vitae Vineyards Limited



Keltern Pinot Gris, which was successfully top grafted from Merlot 18 years ago.

Annual Report

For the year ended 30 June 2024

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For the year ended 30 June 2024

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Chairman's 2024 Report

Terra Vitae Vineyards Limited

On behalf of your Board of Directors I have the pleasure in presenting the Annual Report for the year ending June 30, 2024.

As advised in our announcements pre-harvest in February 2024 and again post-harvest in April, the harvest was 4044 tonnes, 20% below the budgeted tonnes and due to very poor flowering conditions in the Marlborough and Hawke's Bay regions, caused by exceptionally dull overcast weather during that critical period. This was coupled with a drop in the grape prices of about 10% resulting in a reduced crop value of \$8,407,593.

The chart below shows the yields and crop values for the last three years and the large affect the poor season had on the 2024 result, with a drop in price and yield.

	Yield 2024	Yield 2023	Yield 2022	Crop Value 2024	Crop Value 2023	Crop Value 2022
Seddon/Middlemiss	2869	3493	3951	\$5,968,497	\$8,329,776	\$8,952,269
Taylor's Pass	681	1093	1057	\$1,370,609	\$2,622,980	\$2,446,203
Keltern	383	485	453	\$783,821	\$1,077,703	\$939,479
Twyford Gravels	111	155	172	\$284,666	\$378,674	\$376,037
Totals	4044	5226	5633	\$8,407,593	\$12,409,133	\$12,713,988

The operating loss was \$2,363,790 and the loss before tax of \$2,775,565 is after allowing \$700,168 for additional depreciation for the replanting plan at the Seddon and Taylor's Pass vineyards.

When we report the profit before income tax, interest, and depreciation (EBITDA) it provides a good comparison from year to year. The performance on that basis for the past three years is detailed below. It has been adjusted for the impact of the change in accounting policy as detailed in Note 3 (a) in the annual report.

	2024	2023	2022
Loss/(profit) before tax	\$(2,775,565)	\$ 2,492,159	\$ 4,009,261
Depreciation	\$ 3,007,735	\$ 2,277,833	\$ 2,655,865
Interest	\$ 1,405,858	\$ 1,423,191	\$ 1,292,117
EBITDA	\$ 1,638,028	\$ 6,193,183	\$ 7,957,243

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

Dividend

As a result of the negative cash flow resulting from much less revenue than budgeted for, your Board has resolved not to pay a dividend this year.

NZIFRS

The NZIFRS fair value adjustments relate to the negative movement in the value of the Swap agreements that Terra Vitae have in place with Rabobank. As these swap agreements come closer to maturity and interest rates reduce, the value of them will continue to reduce and will be reported as a negative valuation movement. It should be noted that it has no impact on cash flow. Offsetting this is the expected lower interest rates that the company will enjoy as the existing swap agreements mature over the next few years.

Other Financial Matters

Valuations 2024

The valuation of our vineyards conducted at year end by Logan Stone resulted in a net decrease in the value of our vineyards of \$3.36m. Whilst there was a small increase in the value of vineyard improvements, the land value decreased by \$3.95m. This reflects the movement in the sales data for vineyards over the past year. Under current market conditions, further reductions in value are anticipated.

Medium and long term outlook

Following two successive high-volume harvests, the wine industry is currently in surplus of Sauvignon Blanc wine. In 2024, this put downward pressure on prices and until supply and demand comes back into balance, there is unlikely to be any improvement in prices.

Changes to accounting policies (as detailed in note 3)

A change in accounting policy was introduced this year in order to provide more meaningful information in the Annual Report.

Agricultural work in progress-In order to match the direct costs related to each year's harvest, from the financial year ended 30 June 2024, all pruning costs will be expensed in the year in which the grapes are harvested.

In addition to this change in accounting policy, the Company has also changed its accounting estimates in relation to the capitalisation of new planting costs - from the year ended 30 June 2024 and in line with industry standards, depreciation on vineyard developments will commence when the vines have reached maturity. This is generally when they are producing 60% of the expected mature crop. Net costs incurred during the growth stage will be capitalised.

Share trades

The company continues to list its shares on the USX Market. There were 1,089,710 shares traded in the twelve months to 30 June 2024 on that platform, with the price ranging from 35 cents to 70 cents. This compares to net assets of 150.94 cents per share (last year it was 166.02 cents per share).

We encourage all shareholders to monitor the trading platform where all Terra Vitae company announcements are posted. The site can be found at www.usx.co.nz

From the Vineyard

Replanting Plan

As advised in our earlier announcement, the planned replanting of 16ha of vines in the spring of 2024 has been deferred for one year. The capital cost deferred amounted to approximately \$1,300,000. The long-term plan was detailed in last year's report and remains a focus for us when preparing our plans and budgets each year. Along with our viticultural team, we review the performance and outlook for each block on an annual basis and revise the replanting plan as appropriate. Replanting decisions also consider the most up to date information on cash flow and profitability and can be advanced or delayed as appropriate.

Capital Expenditure

In the year ended 30 June 2025, we will be replacing the two harvesters which have reached the end of their economic life. We will also replace three of our tractor fleet, which at ten years have also reached the end of their economic life.

Water Rights

Water rights discussions between all affected parties in Hawke's Bay continue. Our current consent will continue to be extended until a long-term plan is settled.

NZ Winegrowers Statistics

Terra Vitae is a member of New Zealand winegrowers whose mission is "to create enduring value for our members" and its purpose is "to protect and enhance the reputation of New Zealand wine"

Some interesting statistics from their latest 2024 report are;

- . Total producing area 42,519ha (2023 – 41,860ha)
- . Total Harvest 395,000 tonnes (2023 - 501,000 tonnes)
- . White varieties area 82% of total N Z production of which 80% is Sauvignon Blanc
- . Red varieties area 18% of total NZ production of which Pinot Noir is 75%
- . Marlborough grows the largest areas of Sauvignon Blanc, Pinot Noir and Chardonnay.

AGM and Field Day

The AGM is to be Held on Friday December 6th at the Sudima Hotel, 18 Airpark Drive, Mangere, Auckland beginning at 2.00pm

The Board has decided that we will hold a Field Day in Marlborough on February 15th 2025. Details of timings etc. will be sent out during January 2025

Acknowledgement and Thanks

Thank you to Deane Caughey, who moved on from the position of overseeing your two vineyards here in Marlborough and to Paul Robinson who managed the Hawke's Bay region vineyards. Deane was a great conduit in the transition of the management changing from Villa Maria to be run by Indevin.

Mark Allen is a hugely respected viticultural advisor in New Zealand as well as being a director of Terra Vitae. He plays a very important role in the business, along with Indevin's viticulturist Sarah Phillips, in advising the management of our four vineyards.

With the retirement of Matt Duggan from the role as manager of the large Seddon Vineyard, the Board was able to secure Ian Buck to the role of managing both the Taylors Pass and Seddon vineyards. The change at the Seddon Vineyard has been extremely positive.

Finally thank you from me to our Board members Greg Tomlinson who brings so much knowledge and energy, Mark Allen, and our newest member Lisa Alexander. Lisa's commercial and legal contribution has been valuable in the short time she has been a member of the Board. I want to also thank Alan O'Sullivan who is a key part of the team. He is very professional and exact in looking after the accounting, paying the creditors, managing the day-to-day business and helping me in my role, thank you Alan.

I look forward to meeting and catching up with you at the AGM. Following the meeting, you are invited to chat with the Board members and enjoy wine from some of your vineyards along with an afternoon tea.

Joe Ferraby

Chairman

Terra Vitae Vineyards Limited

Directors' Report & Responsibility Statement

The Board of Directors have pleasure in presenting the annual report of Terra Vitae Vineyards Limited, incorporating the financial statements and the independent auditor's report, for the year ended 30 June 2024.

Principal Activity

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

Results	2024	2023
	\$	\$
(Loss)/Profit for the year	(1,997,994)	1,793,537
Total Equity of the Company	60,375,746	66,628,185
Total Assets of the Company	92,083,802	100,819,969

Auditors

The directors are proposing that RSM Hayes Audit be appointed as auditors for the ensuing year. Audit fees of \$50,926 were paid during the year.

Related Parties

Greg Tomlinson has an indirect material financial interest in the following companies which contract with Terra Vitae: Indevin Supply Ltd, Villa Maria Estate Ltd, Indevin Estates Limited, Thornhill Horticultural Contracting Ltd. Details of these are given in Note 24 to the financial statements.

Mark Allen has a material financial interest in Mark Allen Advisory Services Ltd, which provides viticultural advice to Terra Vitae.

Directors' remuneration

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

David Ferraby	62,000
Mark Allen	26,000
Lisa Alexander (appointed 24/5/24)	2,707
Milan Brajkovich (resigned 6/12/23)	11,295
Gregory Tomlinson	-
	<u>102,002</u>

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
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Dividends

A dividend of 1.5 cents per share and a supplementary dividend of 0.264706 cents per share for overseas resident shareholders was paid on 15 December 2023.

Donations

There were no donations paid by the Company during the year.

Terra Vitae Vineyards Limited

Directors' Report Continued

Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements present fairly, in all material respects, the statement of financial position as at 30 June 2024 and the income statement, statements of other comprehensive income, changes in equity and cash flows for the Company for the year then ended.

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

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

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

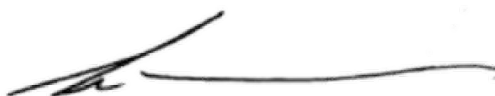
The Board of Directors of the Company authorised these financial statements presented on pages 7 to 35 for issue on 21 October 2024

For and on behalf of the Board.



D Ferraby
Director

Thursday, 21 October 2024



G Tomlinson
Director

Thursday, 21 October 2024

Terra Vitae Vineyards Limited
Statement of Profit or Loss
For the year ended 30 June 2024

		2024	2023
	Notes	\$	\$
Revenue from Contracts with Customers			
Sale of Grapes	7	8,407,593	12,409,133
Services rendered-Harvesting		-	150,880
		<u>8,407,593</u>	<u>12,560,013</u>
Cost of Sales			
Production Costs	8	5,749,172	5,277,477
Depreciation on Bearer Plants	8	1,482,003	975,267
Impairment of Bearer Plants and Land Development	11	-	451,505
Depreciation on Land Development and Plant	8	1,065,083	828,770
Total Cost of Sales		<u>8,296,258</u>	<u>7,533,019</u>
Gross profit		<u>111,335</u>	<u>5,026,994</u>
Other Income			
Sundry income		70,415	78,908
Gain on disposal of fixed assets		26,987	-
Interest		734	566
Dividends		-	1,772
Total Other Income		<u>98,136</u>	<u>81,246</u>
Operating Expenses			
Administrative costs		354,438	349,230
Depreciation on Other Assets	8	460,649	473,796
Finance costs	8	1,405,858	1,423,191
Other expenses		352,316	372,704
Total operating expenses		<u>2,573,261</u>	<u>2,618,921</u>
Total Expenses		<u>2,573,261</u>	<u>2,618,921</u>
(Loss)/Profit from Operations		<u>(2,363,790)</u>	<u>2,489,319</u>
Valuation movements			
(Loss)/gain on interest rate swaps		(411,775)	2,840
		<u>(411,775)</u>	<u>2,840</u>
(Loss)/Profit before income tax		<u>(2,775,565)</u>	<u>2,492,159</u>
Income tax (expense)/credit	9	777,571	(698,622)
(Loss)/Profit for the year		<u>(1,997,994)</u>	<u>1,793,537</u>
(Loss)/Profit for the year is attributable to:			
Ordinary equity holders of the company		<u>(1,997,994)</u>	<u>1,793,537</u>
Basic and diluted (loss)/earnings per share	26	<u>(0.05)</u>	<u>0.04</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 2024

		2024	2023
	Notes	\$	\$
(Loss)/Profit for the year		<u>(1,997,994)</u>	<u>1,793,573</u>
Other comprehensive income			
Revaluation of land, land developments, buildings and other assets	11	(3,362,850)	1,660,027
Revaluation of leased land		(176,657)	319,561
Income tax relating to revaluation	18	<u>(114,938)</u>	<u>(12,485)</u>
Other comprehensive (loss)/income for the year, net of tax	18	(3,654,445)	1,967,103
Total comprehensive (loss)/income for the year, net of tax		<u>(5,652,439)</u>	<u>3,760,676</u>
Attributable to:			
Ordinary equity holders of the company		<u>(5,652,439)</u>	<u>3,760,676</u>

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 2024

		2024	2023
	Notes	\$	\$
Current assets			
Cash and cash equivalents		84,100	49,314
Prepayments		64,850	61,639
Other receivables		580	8,725
Inventory Consumables		199,874	-
Agricultural Work in Progress	10	149,461	305,219
Goods & Services Tax		41,700	68,115
Related party receivables	24e	5,801,240	8,802,005
Derivative financial instruments	15	112,138	469,336
Tax receivable	9	4,109	-
Total current assets		6,458,052	9,764,353
Non-current assets			
Property, plant and equipment	11	80,043,423	84,972,424
Right of use assets	12	5,339,045	5,785,333
Fair value of derivative financial instruments	15	239,587	294,164
Other financial assets		3,695	3,695
Total non-current assets		85,625,750	91,055,616
Total assets		92,083,802	100,819,969
Current liabilities			
Interest bearing liabilities	16	239,220	502,662
Lease liabilities	12	104,470	105,491
Tax payable	9	-	108,587
Trade and other payables	13	282,463	333,353
Related party payables	24e	199,150	321,824
Total current liabilities		825,303	1,371,917
Non-current liabilities			
Interest bearing liabilities	16	22,738,984	23,908,994
Lease liabilities	12	3,299,649	3,404,119
Deferred tax liability	14	4,844,120	5,506,754
Total non-current liabilities		30,882,753	32,819,867
Total liabilities		31,708,056	34,191,784
Net assets		60,375,746	66,628,185
Equity			
Share capital	17a	28,800,000	28,800,000
Accumulated losses		(4,062,336)	(1,464,342)
Asset revaluation reserve	18	35,638,082	39,292,527
Total equity		60,375,746	66,628,185

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 2024

	Notes	Share capital \$	Asset revaluation reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2022 (as reported)		28,800,000	37,325,424	(2,545,607)	63,579,817
Effect of change in accounting policy	3(a)	-	-	87,728	87,728
Balance as at 1 July 2022 (as amended)		28,800,000	37,325,424	(2,457,879)	63,667,545
Profit for the year		-	-	1,793,537	1,793,537
Other comprehensive income		-	1,967,103	-	1,967,103
Total comprehensive income for the year		-	1,967,103	1,793,537	3,760,640
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	5,353	5,353
Dividends paid	19	-	-	(805,353)	(805,353)
Balance as at 30 June 2023		28,800,000	39,292,527	(1,464,342)	66,628,185
Balance as at 1 July 2023		28,800,000	39,292,527	(1,464,342)	66,628,185
Loss for the year		-	-	(1,997,994)	(1,997,994)
Other comprehensive income		-	(3,654,445)	-	(3,654,445)
Total comprehensive income for the year		-	(3,654,445)	(1,997,994)	(5,652,439)
Transactions with owners					
Foreign investor tax credit (FITC)		-	-	3,903	3,903
Dividends paid	19	-	-	(603,903)	(603,903)
Balance as at 30 June 2024		28,800,000	35,638,082	(4,062,336)	60,375,746

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 2024

	Notes	2024 \$	2023 \$
Operating Activities			
<i>Cash was provided from:</i>			
Receipts from customers		11,416,503	12,554,096
Interest received		734	566
Dividends received		-	1,772
Other income received		70,415	78,908
<i>Cash was disbursed to:</i>			
Payments to suppliers		(6,650,403)	(6,043,513)
Interest paid		(1,260,539)	(1,273,045)
Lease interest paid		(145,319)	(150,146)
Income taxes paid (net)		(112,696)	(2,112,653)
Net cash inflows from operating activities	21	<u>3,318,695</u>	<u>3,055,985</u>
Investing activities			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		33,653	-
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(1,178,618)	(2,086,911)
Net cash outflow from investing activities		<u>(1,144,965)</u>	<u>(2,086,911)</u>
Financing activities			
<i>Cash was provided from:</i>			
Net cash outflows from financing activities		(1,433,452)	(73,365)
<i>Cash was applied to:</i>			
Principal lease payments		(105,491)	(124,708)
Payment of Dividend		(600,000)	(800,000)
Net cashflows from financing activities		<u>(2,138,943)</u>	<u>(998,073)</u>
Net increase/(decrease) in cash and cash equivalents		<u>34,787</u>	<u>(28,999)</u>
Cash and cash equivalents at beginning of year		49,313	78,313
Cash and cash equivalents at end of the year		<u>84,100</u>	<u>49,313</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 2024

1 General Information

Terra Vitae Vineyards Limited ('the Company') grows grapes for sale to wine producers. The company is a limited liability company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993. The address of its registered office and principal place of business is 10 Birman Close, Half Moon Bay, Auckland, New Zealand. The company is a profit oriented entity. The Company is a FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013.

These financial statements were authorised for issue by the Board of Directors on 21 October 2024.

2 Material accounting policy information

(a) Basis of preparation

The following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

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

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

Going Concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Historical cost convention

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

Accounting estimates and judgements

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

(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.

(d) Revenue recognition

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

(i) Sale of grapes

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

2 Material accounting policy information (continued)

(e) Leases

(i) Right of Use Assets Policy

The company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets related to land, land developments and buildings are subsequently shown at fair value, based on annual valuations by external valuers, less subsequent depreciation. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the right-of-use asset and the net amount is restated to the revalued amount of the asset. All other right-of-use assets are stated at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

(ii) Lease Liability

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the company uses the interest rate implicit in the lease when that is readily determinable. If the implicit interest rate is not readily determinable the company uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the interest and reduced by the amount of lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The company has a low value and short term lease of \$23,200 over land at Keltern vineyard. This is expensed on a straight line basis over the duration of the lease.

(f) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for expected credit losses. Trade receivables are due for settlement as per the terms of the Vineyard Management and Grape Purchase Agreement with Villa Maria Estate Ltd. The last instalment date for payment under this agreement is 30 September each year.

The Company applied the Simplified ECL Model to trade receivables, using a provision matrix based on historical loss rates adjusted for future risks. During the 2024 financial year, no allowance has been made for doubtful debts and no amounts have been written off, as the company has no evidence that any amounts owed to it will be uncollectible.

(g) Property, plant and equipment

Land, land developments and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings and land developments. The valuations are undertaken more frequently if there is a material change in the fair value, relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less accumulated depreciation or accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Freehold buildings	25 - 33 years
Land developments	33 years
Motor vehicles	3 - 10 years
Plant	2 - 20 years
Vines (Bearer Plants)	1 - 30 years

2 Material accounting policy information (continued)

(h) Bearer Plants

Grape vines

Grape vines are classified as bearer plants as they are initially measured at cost and depreciated over their expected remaining useful life from when they are considered to have reached maturity. The useful lives of bearer plants are reviewed annually and their carrying value considered for impairment. They are subsequently measured at cost less accumulated depreciation and accumulated impairment costs.

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.

(i) 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.

(j) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(k) Derivative financial instruments

The company uses derivative financial instruments in the form of interest rates swaps to manage some of its risks associated with changes in interest rates. These financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured to fair value at balance date. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

3 Changes in accounting policies & accounting estimates

New standards, interpretations and amendments adopted from 1 April 2023

The following amendments are effective for the period beginning 1 April 2023, and have been adopted by the Company:

Disclosure of Accounting Policies (Amendments to NZ IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure. These amendments have no effect on the measurement or presentation of any items in the financial statements of the Company but affect the disclosure of accounting policies of the Company.

New standards and amendments and interpretations to existing standards that are not yet effective for the current accounting period:

The Company has not early adopted any new standards, amendments and interpretations that have been issued but are not effective.

3 Changes in accounting policies & accounting estimates (continued)

(a) Change in Accounting Policy – Agricultural Work in Progress

In prior periods, the direct costs incurred in deriving produce from a harvest were recognized as an expense in the financial year in which they were incurred. For the purposes of aligning the Company's reporting with the industry standards and to more faithfully report the results of the Company's operations, the accounting policy has been amended to capitalise these costs relating to each year's harvest. These capitalised costs will be treated as an Agricultural Work in Progress until the produce is harvested, at which point these capitalised costs are recognised as part of the cost of sales.

The effect of the change in the current year has been to increase labour & contractor costs by \$155,759, increase Agricultural Work in Progress by \$149,461, decrease tax expense by \$43,613 and increase deferred tax liability by \$41,849. The following summarises the impact of the change on the comparative period and the opening balance sheet at 1 July 2022:

Effected Financial Statement Line Items	1/7/2022 As Reported (\$)	Effect of the Change in Accounting Policy (\$)	1/07/2022 As Amended (\$)
Statement of Financial Position			
Agricultural Work In Progress	-	121,845	121,845
Accumulated Losses	2,545,607	(87,728)	2,457,879
Deferred Tax Liability	(5,757,430)	(34,117)	(5,791,547)

Effected Financial Statement Line Items	30/06/2023 As Reported (\$)	Effect of the Change in Accounting Policy (\$)	30/06/2023 As Amended (\$)
Statement of Financial Position			
Agricultural Work In Progress	-	305,219	305,219
Accumulated Losses	(1,684,099)	219,757	(1,464,342)
Deferred Tax Liability	(5,421,292)	(85,462)	(5,506,754)
Statement of Profit or Loss			
Labour & Contractor Costs	3,160,553	(183,374)	2,977,179
Income Tax Expense	647,277	51,345	698,622

(b) Changes in Accounting Estimate

(i) Useful Life of Vines Improvements

In the current financial period, the Company reassessed the remaining useful life of the Company's bearer plant assets (grape vines) as a result of the Replanting Plan formulated in the 2023 financial period. This has resulted in an accelerated depreciation of bearer plants to the value of \$807,303 and on improvements of \$286,843 in the current period.

(ii) Costs related to new plantings

From the year ended 30 June 2024 and in line with industry standards, depreciation on vineyard developments will commence when the vines have reached maturity. This is generally when they are producing 60% of the expected mature crop. Net costs incurred during the growth stage will be capitalised. In the 2024 year, these costs totalled \$48,938.

4 Critical Accounting Estimates and Judgements

(i) Valuation of land and buildings

Land owned and Leased by the Company (including land development) and buildings are measured at fair value as determined by an independent valuer. The independent valuer uses valuation techniques which are inherently subjective and involve estimation. The fair value decrease of \$3,362,850 (2023: increase of \$1,660,027) on owned land, land development and buildings resulted in a value at 30 June 2024 of \$64,726,954 (2023: \$68,359,953). The decrease in their carrying value, net of impairment losses or reversals, for the year ended 30 June 2024 is \$3,632,999 (2023: increase of \$2,089,999). (Refer to note 11.) The fair value decrease of \$176,657 (2023: increase of \$319,562) on leased land resulted in a value at 30 June 2024 of \$5,339,045 (2023: \$5,780,476). The decrease in its carrying value, net of impairment losses or reversals, for the year ended 30 June 2024 is \$441,431. (2023: Increase of \$69,427) (Refer to note 12).

(ii) Going concern

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

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

1. The Company was established to grow premium grapes under a long term contractual arrangement with Villa Maria. This agreement is current with rights of renewal up until 2115.
2. The Vineyard Management and Grape Purchase Agreement(GPA) requires Villa Maria to purchase all grapes grown on the Company's vineyards. The Company therefore expects to sell all its grapes harvested in the foreseeable future to Villa Maria. The GPA sets out factors that are taken into account in setting prices, including quality specifications, general market conditions of similar sized winemakers in each region, and exchange rates and other factors impacting market competitiveness both domestically and internationally.
3. The vineyards are in two regions at four locations providing some diversity and protection against the effects of climatic and geological events.
4. The company is generating positive operating cashflows and expects to continue to do so.

(iv) Leases

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if the option is reasonably certain to be exercised. When the company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. The company considers all facts and circumstances, including its past practice and any costs that will be incurred to change the asset if an option to extend is not taken, in assessing the lease term. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. In relation to the company's lease of the land in relation to the Middlemiss vineyard, and extension option at the end of the initial term of the lease has not been considered reasonably certain, as detailed in note 12.

Determining the Incremental Borrowing Rate

Lease liabilities are measured by discounting the lease payments using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

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 set annually and is based on a number of factors including the average price paid for each variety by similar sized companies in each region. These prices are analysed by the Company's Independent Consultant and compared with other industry sources. Various quality factors are taken into account in assessing the final price, along with general market conditions of similar sized winemakers in each region, exchange rates and other factors impacting market competitiveness both domestically and internationally. As the selling price is set on an annual basis, the Company is exposed to movement in the price paid, however no financial instruments are held that are exposed to this risk at balance sheet date.

(iii) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's long term borrowings from Rabobank have both a variable and fixed interest rate portion. At 30 June 2024, of the total borrowings of \$22,978,204, \$447,674 was held under fixed rate agreements of varying periods of time. None of those borrowings had interest rates fixed for more than 5 years.

Sensitivity Analysis

Of the \$22,530,530 of borrowings at variable rates, \$21,700,000 is economically hedged by interest rate swaps. Effectively, the company therefore has only \$830,530 of borrowings where the net interest payable (after taking the effect of interest rate swaps into account) is at a variable rate (2023: \$214,139), accordingly no reasonable change in floating rates would have a significant impact on interest costs. However, the fair value of interest rate swaps is required to be recognised, and varies depending on market interest rates. The company has estimated the sensitivity of the fair value of interest rate swaps based on reasonably possible changes in interest rates as noted below.

Change	Impact on 2024 reported	
	Post tax profit	Equity
1% increase	225,305	225,305
1% decrease	(225,305)	(225,305)

(b) Credit risk

Credit risk is managed on a regular basis. Credit risk arises from outstanding receivables from debtors. As part of the company's financial risk policy, the company closely monitors compliance with the defined payment plan set out in the Grape Supply Agreement and other trading terms set with other customers. Credit risk is managed by the payment plan, which includes advance and deferred payments from January to September each year. In relation to other financial assets, the company does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

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

	2024	2023
Counter party		
Villa Maria Estate Limited	5,801,240	8,802,005

The outstanding balance at the time of authorising the financial statements was within the trading terms. The balance is not considered impaired. The expected credit loss recognised in the current year is \$0 (2023 \$0)

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

5 Financial Risk Management (continued)

(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 2024				
Trade payables	481,612	-	-	-
Bank borrowings	2,137,742	1,623,018	28,390,267	
Interest rate swap payments	112,138	192,588	47,000	
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2023				
Trade payables	655,177	-	-	-
Bank borrowings	2,066,076	1,848,099	26,715,000	
Interest rate swap payments	71,895	123,200	184,631	

Payments due in less than one year are expected to be met within existing facility limits. Management intend to renew or replace the existing bank debt facility upon expiry.

(d) Fair value estimation

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

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

The carrying value of bank borrowings at balance date was \$22,530,530 (2023: \$23,714,139) with a fair value of \$23,267,025 (2023: \$22,757,062). The fair values of balances with fixed interest rates have been estimated with reference to market rates for instruments with the same or similar terms that could have been taken out at balance date. Balances with floating rates are assumed to approximate their fair value. This estimate is a level 2 estimate in accordance with NZ IFRS 13: Fair Value Measurement.

(e) Financial risk management strategies related to agricultural activity

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

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

6 Segment Information

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

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

The Company manages three vineyards in the Marlborough region and two vineyards in the Hawke's Bay region, both in New Zealand. The five vineyards have the same economic, procurement and cultivation methods and the same end customer and are considered a single segment as defined by NZ IFRS 8 Operating Segments. The segment result is equivalent to the financial information as presented.

7 Revenue from Contracts with Customers

Notes	2024 \$	2023 \$
Grape Sales		
Marlborough	7,339,106	10,952,756
Hawke's Bay	1,068,487	1,456,377
Total grape sales	<u>8,407,593</u>	<u>12,409,133</u>

Harvesting Income

Marlborough	-	150,880
Total Harvesting Income	<u>-</u>	<u>150,880</u>

8 Expenses

Cost of sales

Fertilizer	269,759	347,958
Frost Control	82,536	161,058
Pesticides	355,684	526,315
Herbicides	46,326	105,674
Irrigation Running	145,376	112,236
Labour & Contractor Costs	3,470,781	2,977,179
Machinery Running	194,681	190,407
Pellenc Tractor Maintenance	148,578	55,674
Harvesting Costs	75,430	166,733
Rates	113,083	109,552
Repairs & Maintenance	625,578	340,030
Vine Replacement Costs	13,075	1,000
Short Term Lease Expenses	23,200	23,200
Other Vineyard Expenses	185,085	160,461
	<u>5,749,172</u>	<u>5,277,477</u>

Operating Expenses

Depreciation

<i>Bearer Plants</i>	11	<u>1,482,003</u>	<u>975,267</u>
<i>Land Development</i>		591,941	376,580
<i>Plant</i>		<u>473,142</u>	<u>452,190</u>
<i>Land Development and Plant</i>	11	<u>1,065,083</u>	<u>828,770</u>
<i>Buildings</i>		62,553	59,009
<i>Office Equipment</i>		571	-
<i>Motor Vehicles</i>		<u>127,894</u>	<u>137,726</u>
<i>Buildings Office Equipment and Motor Vehicles</i>	11	<u>191,018</u>	<u>196,735</u>
<i>Total PPE Depreciation</i>		<u>2,738,103</u>	<u>2,000,772</u>
<i>Right of Use Assets</i>			
<i>Middlemiss Land</i>		264,774	250,135
<i>Tractors</i>		<u>4,857</u>	<u>26,926</u>
	11	<u>269,631</u>	<u>277,061</u>
<i>Total Depreciation on Other Assets</i>		460,649	473,796
<i>Total depreciation</i>		<u>3,007,735</u>	<u>2,277,833</u>
Finance Costs			
Bank Interest		1,260,539	1,273,045
Interest on Lease Liabilities		<u>145,319</u>	<u>150,146</u>
<i>Interest Paid</i>		<u>1,405,858</u>	<u>1,423,191</u>

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

9 Income Tax

	2024	2023
	\$	\$
(a) Income tax (credit)/expense		
<i>Current Tax</i>		
Current tax on profits for the year	-	995,901
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(692,110)	(297,279)
	<u>(692,110)</u>	<u>698,622</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	(2,775,565)	2,492,159
Tax at the New Zealand tax rate of 28%	(777,158)	697,805
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Impact of opening deferred tax balance adjustments	(983)	-
Permanent differences	570	817
Income tax (credit)/expense	<u>(777,571)</u>	<u>698,622</u>
Included under Current Liabilities		
Income tax receivable/(payable) at beginning of year	(108,587)	(1,223,916)
Income Tax Expense in respect of current period	-	(995,901)
Net Income Tax Paid/(Refunded)	112,696	2,111,230
Income tax receivable/(payable) at year end	<u>4,109</u>	<u>(108,587)</u>
<i>The weighted average applicable tax rate was 28%</i>		
(c) Imputation credit account		
Balance at beginning of year	2,357,564	557,558
Prior period adjustment	-	-
Tax payments/(refunds)	108,692	2,105,079
Credits attached to interest & dividends received	206	297
Imputation credits attached to dividends received	-	387
Imputation credits attached to dividends paid	(229,431)	(305,757)
Tax payable at year end	-	-
Amount of Imputation credits available for use in subsequent years	<u>2,237,031</u>	<u>2,357,564</u>

10 Agricultural Work in Progress

Growing costs related to next harvest	<u>149,461</u>	<u>305,219</u>
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Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

11 Property, Plant and Equipment

	Land \$ (valuation)	Land development \$ (valuation)	Buildings \$ (valuation)	Plant and Office Equipment \$	Motor vehicles \$	Bearer Plants (Vines)	Total \$
At 1 July 2022							
Cost/Valuation	55,224,188	9,600,766	1,445,000	5,696,163	1,036,168	21,450,063	94,452,348
Accumulated depreciation	-	-	-	(3,218,137)	(590,810)	(6,965,638)	(10,774,585)
Carrying amount	55,224,188	9,600,766	1,445,000	2,478,026	445,358	14,484,425	83,677,763
Year ended 30 June 2023							
Opening carrying amount	55,224,188	9,600,766	1,445,000	2,478,026	445,358	14,484,425	83,677,763
Additions	-	979,178	-	555,345	153,906	398,482	2,086,911
Disposals (net)	-	-	-	-	-	-	-
Impairments	-	(113,616)	-	-	-	(337,889)	(451,505)
Revaluation Increases/(decreases)	1,935,000	(593,983)	319,010	-	-	-	1,660,027
Depreciation	-	(376,580)	(59,010)	(452,189)	(137,726)	(975,267)	(2,000,772)
Closing carrying amount	57,159,188	9,495,765	1,705,000	2,581,182	461,538	13,569,751	84,972,424
At 1 July 2023							
Cost/Valuation	57,159,188	9,495,765	1,705,000	6,251,508	1,190,075	21,232,688	97,034,224
Accumulated depreciation	-	-	-	(3,670,326)	(728,537)	(7,662,937)	(12,061,800)
Carrying amount	57,159,188	9,495,765	1,705,000	2,581,182	461,538	13,569,751	84,972,424
Year ended 30 June 2024							
Opening carrying amount	57,159,188	9,495,765	1,705,000	2,581,182	461,538	13,569,751	84,972,424
Additions	-	384,345	-	436,804	83,478	273,991	1,178,618
Disposals (net)	-	-	-	(6,253)	(413)	-	(6,666)
Revaluation Increases/(decreases)	(3,950,000)	434,597	152,553	-	-	-	(3,362,850)
Depreciation	-	(591,941)	(62,553)	(473,712)	(127,894)	(1,482,003)	(2,738,103)
Closing carrying amount	53,209,188	9,722,766	1,795,000	2,538,021	416,709	12,361,739	80,043,423
At 30 June 2024							
Cost/Valuation	53,209,188	9,722,766	1,795,000	6,363,260	1,188,436	21,506,679	93,785,329
Accumulated depreciation	-	-	-	(3,825,239)	(771,727)	(9,144,940)	(13,741,906)
Carrying amount	53,209,188	9,722,766	1,795,000	2,538,021	416,709	12,361,739	80,043,423

The fair value of bearer plants assessed by Logan Stone at 30 June 2024 was \$30,614,000 (2023: \$31,539,000)

Terra Vitae Vineyards Limited
Notes to the financial statements
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11 Property, Plant and Equipment (continued)

If items of property plant and equipment that are revalued were stated on the historical cost basis, the amounts would be as follows:

	2024	2023
	\$	\$
Cost	33,499,880	33,115,535
Accumulated depreciation	(2,664,814)	(2,019,673)
Carrying amount	30,835,066	31,095,862

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 a decrease of \$3,632,999 in the carrying value of the land, buildings and land developments as at 30 June 2024. The revaluation decrease, net of applicable deferred taxes was allocated partly to the asset revaluation reserve. The valuation was independently performed by Logan Stone Limited, (a PIQA approved valuation practice of the New Zealand Institute of Valuers) under the principle of highest and best use. Logan Stone has confirmed that the valuation can be relied upon for the purpose of these financial statements at 30 June 2024.

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.

Logan Stone state in their valuation that "The cyclone event has increased the possibility that the estimated value may differ from the price that could be obtained in a transaction of the same asset taking place at the same time under the same terms and within the same market environment. The valuation therefore considers that at date of valuation the assessment reflects the most recent market trends prior to the cyclone event and has been adjusted to reflect remediation work required to each property."

In assessing the value of bearer plants and improvements at 30 June 2024, the valuer has taken full account of the impact of the long term replanting plan for 2025 and considered a portion the impact of the plan for 2026.

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

	\$000's / per hectare of land	
	2024	2023
Hawke's Bay Soil Types		
Medium Silts	50-75	58-80
Gravels	80-110	80-120
Marlborough Soil Types		
Medium Silts	110-135	135-160

All of the Company's properties that are revalued are considered to be a level 3 fair value estimate under NZ IFRS 13: Fair Value Measurement.

In line with prior years, the directors have not applied any adjustment to the market values, included in the valuation report, for the existing supply contract with Villa Maria Estate Limited.

The company grows and harvests grapes. Harvesting of grapes is from March to May each year. The vineyards are situated in Hawke's Bay and Marlborough.

Terra Vitae Vineyards Limited
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For the year ended 30 June 2024

11 Property, Plant and Equipment (continued)

Bearer plants and agricultural produce

As at 30 June 2024, the company had a total of 399 hectares of vines in production. During the year ended 30 June 2024 the Company harvested 4,043 tonnes of grapes (2023: 5226). The fair value of the vines are determined at each balance date. All grapes have been harvested and sold by balance date and therefore have nil value at year end. During the year the company sold grapes to Villa Maria Estate Limited at fair value of \$8,407,593 (2023: \$12,409,133). The amount shown under "Related party receivables" relate to the amount outstanding at balance date in respect of the sales to Villa Maria Estate Limited.

Assessment for impairment

The company's vines were independently valued by Logan Stone Registered Valuers as at 30 June 2024. Market valuations were completed based on a comparative sales approach less estimated point of sale costs, adjusted to reflect the locations, planting age and variety of the vines. The valuation was performed in accordance with the International Valuation Standard framework.

Fair value is determined by direct reference to recent market transactions on arm's length terms for vineyards comparable in size, location and varietal mix to those held by the Company. The fair value of land and other vineyard infrastructure is deducted from the fair value of the vineyards, to determine the fair value of the grape vines.

Assumed value ranges for the subject vineyards are shown below.

Hawke's Bay

Red Varieties
White Varieties

Marlborough

Sauvignon Blanc (young vines)
Pinot Noir
Other White Varieties

2024	2023
\$ 000's/ per hectare	\$000's/ per hectare
25-60	25-60
17-36	17-40
30-135	30-150
51-60	51-68
55-85	57-100

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. Where vines are newly planted, the values at the lower end of the above table will reflect their non-productive status at the date of valuation.

A long term replanting plan was developed at the end of 2023 and approved by the board following a review of all vineyard blocks. Areas of the Seddon and Taylors Pass vineyards were identified in the plan for replanting due to their current and projected falling yields. The long term replanting plan has been developed to replace these blocks over the following seven years, with Sauvignon Blanc grapes being the favoured variety as it provides the highest return. The plan will be reviewed annually, taking into account the health and return from each block and variety supply and demand factors. In the review following the low harvest of 2024, the Board resolved to pause the replanting programme for one year to preserve cash flow over the following year. The depreciation on the vines and improvements was adjusted downward by \$579,161 in 2024 to take into account changes to their remaining useful lives.

The fair value assessed for bearer plants at all vineyards of \$30,614,000 (2023: \$31,539,000) was higher than the carrying value of \$12,361,739 (2023: \$13,569,751) and no additional impairment was required at 30 June 2024.

Terra Vitae Vineyards Limited
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12 Leases

Leases held by the company include a long-term land lease in relation the the Middlemiss vineyard, which allows the company to access prime viticultural land in Marlborough. Other leases were for equipment used in the day to day operations of vineyards operated by the Company. No equipment leases remained at 30 June 2024.

a) Right of use assets

	Land	Equipment	Total
Net book value at 1 July 2022	5,711,049	31,784	5,742,833
Additions		-	-
Revaluations	319,562	-	319,562
Disposals (net)	-	-	-
Depreciation	(250,135)	(26,927)	(277,062)
Net book value at 30 June 2023	5,780,476	4,857	5,785,333
Cost and Fair Value	5,780,476	63,981	5,844,457
Accumulated depreciation	-	(59,124)	(59,124)
Net book value at 30 June 2023	5,780,476	4,857	5,785,333
Net book value at 1 July 2023	5,780,476	4,857	5,785,333
Additions		-	-
Revaluations	(176,657)	-	(176,657)
Disposals (net)	-	-	-
Depreciation	(264,774)	(4,857)	(269,631)
Net book value at 30 June 2024	5,339,045	-	5,339,045
Cost and Fair Value	5,339,045	63,981	5,403,026
Accumulated depreciation	-	(63,981)	(63,981)
Net book value at 30 June 2024	5,339,045	-	5,339,045

b) Lease liabilities

	2024 \$	2023 \$
Balance at 1 July	3,509,610	3,634,318
Interest expense	145,319	150,146
Capital repayments	(250,810)	(274,854)
Additions	-	-
Disposals	-	-
Balance at 30 June	3,404,119	3,509,610
Current lease liability	104,470	105,491
Non-current lease liability	3,299,649	3,404,119
	3,404,119	3,509,610

c) Other disclosures

The company had total cash outflows for leases of \$128,691 which includes \$23,200 in relation to low value and short term leases which are expensed on a straight line basis over the duration of the lease.

Extension options only exist on the Middlemiss vineyard land lease, and none have been included in the determination of the lease liability as the company does not consider it is reasonably certain that these will be taken up at the end of the initial 25 year term. The total term of lease extensions not taken up is 25 years, which represents \$6,136,174 of payments at current rates. Middlemiss lease also contains market rent review clauses, which will impact future lease payments. The lease liability does not include any adjustment for future market rent reviews.

The table below analyses the liquidity profile of the Company's lease liabilities into relevant maturity groupings based on the remaining lease period at the reporting date to the contractual maturity date based on current and in substance fixed lease payments:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2024				
Lease liabilities	245,447	245,447	736,341	3,886,243
At 30 June 2023				
Lease liabilities	250,810	245,447	736,341	4,131,690

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

13 Trade and Other Payables

	2024	2023
	\$	\$
Trade payables	134,657	129,987
Accrued expenses	147,806	203,366
	<u>282,463</u>	<u>333,353</u>

14 Deferred Tax

The balance comprises temporary differences attributable to:

	Plant & equipment	Other	Vines	Land development	Buildings	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	(70,053)	(786,093)	(3,304,847)	(1,332,113)	(264,324)	(5,757,430)
Amounts charged to income statement	17,672	(42,561)	287,367	(11,562)	12,245	263,161
Amounts charged to equity	-	(89,477)	-	166,315	(89,323)	(12,485)
Balance at 30 June 2023	<u>(52,381)</u>	<u>(918,131)</u>	<u>(3,017,480)</u>	<u>(1,177,360)</u>	<u>(341,402)</u>	<u>(5,506,754)</u>
Balance at 1 July 2023	(52,381)	(918,131)	(3,017,480)	(1,177,360)	(341,402)	(5,506,754)
Amounts charged to income statement	11,742	404,818	321,524	1,181	38,307	777,572
Amounts charged to equity	-	49,464	-	(121,687)	(42,715)	(114,938)
Balance at 30 June 2024	<u>(40,639)</u>	<u>(463,849)</u>	<u>(2,695,956)</u>	<u>(1,297,866)</u>	<u>(345,810)</u>	<u>(4,844,120)</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.

15 Derivative Financial Instruments

	2024	2023
	\$	\$
Fair value of interest rates swaps - current	112,138	469,336
Fair value of interest rates swaps - term	239,587	294,164
Total value of derivative financial instruments	<u>351,725</u>	<u>763,500</u>

Swap agreements movement

Opening swap agreements balance	17,700,000
Less matured agreements	(6,500,000)
Plus additional agreements	10,500,000
Closing swap agreements balance	<u>21,700,000</u>

The company has entered into interest rate swap agreements under which the company settles the net difference between interest at variable rates (based on BKBM reference rate) and interest at fixed rates (average 3.91%) on a notional principal amount. Effectively, \$21,700,000 (2023: \$17,700,000) of variable rate debt facilities have been transferred to fixed under this arrangement through agreements maturing between February 2025 and September 2028.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

16 Interest Bearing Liabilities

	2024	2023
	\$	\$
Current		
Secured		
Bank borrowings	239,220	502,662
Non-current		
Secured		
Bank borrowings	22,738,984	23,908,994
Total interest bearing borrowings	<u>22,978,204</u>	<u>24,411,656</u>

The carrying amount of the above borrowing approximates its fair value. The facility was renegotiated during the year. The secured term loan has a total facility amount of \$25,960,000 (2023: \$26,960,000) of which at the reporting date, \$3,429,470 was available for further drawdown (2023: \$3,245,861). The secured term loan facility with Rabobank matures in December 2025. A reduction in the facility is required under the facility agreement at specified dates and for the amount equivalent to dividends paid. As a result, a reduction in the facility of \$1,600,000 is required within the next 12 months.

	2024	2023
The weighted average interest rate on interest bearing borrowings outstanding at 30 June 2024 was:	5.91%	6.14%

Assets pledged as security

The bank loans and overdraft are secured by a registered first ranking mortgage in favour of Rabobank New Zealand Limited over the following vineyard properties; Keltern, Twyford Gravels, Taylors Pass, Seddon and Higgins Road.

Also securing the above bank loans is a general first ranking security agreement over all the assets and undertakings of Terra Vitae Vineyards Limited and an assignment by way of security over the Middlemiss land lease.

Vineyard machinery assets purchased and financed by De Lage Landen Limited are secured by chattel mortgages secured over the assets purchased as per their Master Loan and Security Agreements.

17 Share Capital as per Statement of Comprehensive Income

	2024	2023
	\$	\$
(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 2024 and 2023 were as follows:

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

17 Share Capital as per Statement of Comprehensive Income (continued)

	2024	2023
	\$	\$
Total borrowings	26,863,932	28,576,452
Less cash and cash equivalents	84,100	49,314
Net debt	26,779,832	28,527,138
Total equity	60,375,746	66,628,185
Total capital	87,155,578	95,155,323
Gearing ratio	31%	30%

As part of the loan agreement with Rabobank entered into in 2007 and last revised on 12 February 2024, the Company is required to maintain a Debt Service Cover Ratio of 1.2 times and a Loan to Security Ratio no greater than 50% at all times. "Debt Service Cover Ratio" means in respect of a specified period, the ratio of EBITDA to Total Finance Costs. "Loan to Security Ratio" means Total Loan Limits with the Bank divided by Bank Security value (last Bank approved registered valuation).

	2024	2023
	\$	\$
Debt Service Cover Ratio		
Net Profit Before Tax	(2,775,565)	2,308,785
Depreciation	2,738,104	2,000,772
Other Non-Cash Adjustments	411,775	-
Interest	1,260,539	1,273,045
EBITDA	1,634,853	5,582,602
Interest Cost	1,260,539	1,273,045
Lease Principal (excl residual)	318,752	308,705
Total Finance Costs	1,579,291	1,581,750
Actual Ratio	1.04	3.53
Covenant Minimum	1.20	1.20
Loan to Security Ratio		
Total Bank Facility	25,960,000	26,960,000
Total Facility	25,960,000	26,960,000
Security Value	90,599,000	97,016,000
Actual Ratio	28.65%	27.79%
Covenant Maximum	50.00%	50.00%

At reporting date, the Company was in breach of its Debt Service Cover Ratio. The breach was notified to Rabobank. However, Rabobank has elected not to issue a letter of non-compliance and has waived the breach. All other covenants were met for the year ended 30 June 2024.

18 Asset Revaluation Reserve

Revaluation reserve

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

	Opening balance at 1 July 2023	Revaluation Increases/ (decreases)	Balance at 30 June 2024
Assets Revaluation Reserve Movement			
Seddon	28,823,068	(2,391,332)	26,431,736
Taylors Pass	6,700,344	(782,733)	5,917,611
Keltern	1,583,572	(4,070)	1,579,502
Twyford Gravels	803,038	(305,492)	497,546
Middlemiss	2,948,888	(55,880)	2,893,008
Deferred Tax	(1,566,383)	(114,938)	(1,681,321)
Total	39,292,527	(3,654,445)	35,638,082

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

19 Dividends

Ordinary shares

Dividend paid during the year ended 30 June 2024
Supplementary Dividend paid during the year ended 30 June 2024
Total Dividend paid per Statement of Changes in Equity

	2024	2023
	\$	\$
	600,000	800,000
	3,903	5,353
	<u>603,903</u>	<u>805,353</u>
Per share	0.015	0.020

On 21 September 2022 the directors declared a fully imputed dividend of 1.5 cents per share and a supplementary dividend for overseas shareholders of 0.26472 cents per share to be paid on 16 December 2023.

20 Financial Instruments by Category

30 June 2024

Assets as per Statement of Financial Position

Trade and other receivables
Cash and cash equivalents
Fair value of interest rate swaps

	Fair value through profit or loss	At Amortised cost
	\$	\$
	-	5,801,240
	-	84,100
	<u>351,725</u>	<u>-</u>
	<u>351,725</u>	<u>5,885,340</u>

Liabilities as per Statement of Financial Position

Borrowings
Trade and other payables
Lease Liabilities

	Financial liabilities at amortised cost
	\$
	22,978,204
	481,609
	<u>3,404,119</u>
	<u>26,863,932</u>

30 June 2023

Assets as per Statement of Financial Position

Trade and other receivables
Cash and cash equivalents
Fair value of interest rate swaps

	Fair value through profit or loss	At Amortised cost
	\$	\$
	-	8,802,005
	-	49,314
	<u>763,500</u>	<u>-</u>
	<u>763,500</u>	<u>8,851,319</u>

Liabilities as per Statement of Financial Position

Borrowings
Trade and other payables
Lease Liabilities

	Financial liabilities at amortised cost
	\$
	24,411,656
	655,186
	<u>3,509,610</u>
	<u>28,576,452</u>

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

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

	2024 \$	2023 \$
Profit/(loss) after income taxation	(1,997,994)	1,793,537
<i>Add non cash items:</i>		
Depreciation	3,007,735	2,277,833
Non-operating items		
Movement in fair value of property, plant and equipment	0	451,505
Movement in fair value of derivatives	411,775	(2,840)
Disposal of plant	(26,987)	0
	3,392,523	2,726,498
Working capital movements		
Change in goods and services taxation	26,415	(18,671)
Increase (decrease) in accounts payable	(173,564)	202,077
(Increase) decrease in prepayments & other receivables	4,934	(48,533)
(Increase) decrease in inventory	(199,874)	
(Increase) decrease in Agricultural Work in Progress	155,758	(132,029)
(Increase)/decrease in taxes receivable/payable	(112,696)	(1,115,329)
Increase (decrease) in deferred tax liability	(777,572)	(348,623)
(Increase) decrease in amounts due from related parties	3,000,765	(2,942)
	1,924,166	(1,464,050)
Net cash flow from operating activities	3,318,695	3,055,985

22 Contingencies

As at 30 June 2024 the Company had no contingent liabilities or contingent assets (2023:Nil).

23 Capital and Operating Commitments

As at 30 June 2024 the total capital expenditure contracted for but not provided for was \$657,777 (2023:\$107,352) for vines purchased for the 2025 replanting and the associated replanting costs to be conducted in the spring of 2025. In addition, a further \$624,390 is budgeted for the replacement of three tractors due for delivery in September 2024.

24 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: David Ferraby, Gregory Tomlinson, Mark Allen, Milan Brajkovich (ceased 6/12/2023) and Lisa Alexander (appointed 24/5/24).

(b) Directors Fees

Key management personnel compensation for the year ended 30 June 2024 and the year ended 30 June 2023 is set out below. The key management personnel for Terra Vitae are all the directors of the company.

	2024 \$	2023 \$
Directors' Fees	102,002	95,968
Total	102,002	95,968

(c) Other transactions with key management personnel or entities related to them

Fabian Yukich is a Director and shareholder of Planina Advisory Limited, a company which provided consulting services to the company. Fabian resigned as a Director on 28 March 2023.

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

24 Related Party Transactions (continued)

(d) Transactions with related parties

The following transactions occurred with related parties:

	2024	2023
	\$	\$
<i>Sales of grapes</i>		
Villa Maria Estate Limited	8,407,593	12,409,133
<i>Sales of Services</i>		
Villa Maria Estate Limited	-	150,880
<i>Purchases of services</i>		
Villa Maria Estate Limited	170,016	170,019
<i>Reimbursement of expenses at cost</i>		
Villa Maria Estate Limited	1,470,521	1,427,168
Purchase of Advisory Services		
Planina Advisory Limited	-	19,202
<i>Purchase of vines</i>		
Indevin Estates Limited	197,649	673,586
<i>Purchase of Labour Contracting services</i>		
Thornhill Horticultural Contracting Ltd	1,815,964	1,669,860
<i>Purchase of Viticulture advisory services</i>		
Mark Allen Advisory Services Limited	27,626	22,868

(e) Outstanding balances

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

	2024	2023
	\$	\$
<i>Receivables</i>		
Villa Maria Estate Limited	5,801,240	8,802,005
Indevin Estates Limited (deposit in advance for vines)	90,297	-
<i>Payables</i>		
Villa Maria Estate Limited	199,150	321,824
Payables		
Mark Allen Advisory Services Limited	2,015	19,099

All outstanding balances with related parties are unsecured and are due for settlement within 90 days of balance date. The Company has not recognised a provision for doubtful debts, nor has it recorded an expense for bad or doubtful debts in relation to amounts due from related parties.

Relationships with related parties

Gregory Tomlinson, a director of Terra Vitae Vineyards Limited has an indirect material financial interest in the following companies which contract with TVV: Indevin Supply Ltd, Villa Maria Estate Ltd, Indevin Estates Limited, Thornhill Horticultural Contracting Ltd. Villa Maria Estate Limited holds 8,756,361 shares in Terra Vitae Vineyards Limited.

Mark Allen, a director of Terra Vitae Vineyards Limited is also a director of Mark Allen Advisory Services Limited, which provides advisory services to Terra Vitae Vineyards Limited.

Lisa Alexander, a director of Terra Vitae Vineyards Limited is also a director of Indevin Group Limited, the sole shareholder of Villa Maria Estate Limited

Terra Vitae Vineyards Limited
Notes to the financial statements
For the year ended 30 June 2024

25 Events Occurring After The Reporting Date

On 13 September 2024, the directors resolved to not declare a dividend for the year ended 30 June 2024.

26 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.

	2024	2023
	\$	\$
Profit/(loss) attributable to equity holders of the Company - in dollars	(1,997,994)	1,661,508
Weighted average number of ordinary shares in issue	40,000,000	40,000,000
Basic earnings per share - in dollars	(0.05)	0.04

(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

RSM Hayes Audit

PO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023
T +64 (9) 367 1656
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Opinion

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

- the statement of financial position as at 30 June 2024;
- the statement of profit or loss for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements on pages 7 to 31 present fairly, in all material respects, the financial position of the Company as at 30 June 2024, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor and provider of other assurance services, we have no relationship with, or interests in, the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters identified below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why we considered this to be a key audit matter	How our audit addressed the key audit matter
<p>Valuation of land, land development and buildings</p> <p>As disclosed in Note 11 of the Company's financial statements, the Company has land, land developments and buildings of \$64.7m (2023: \$68.4m).</p> <p>The Company records its land, land developments and buildings at fair value, in accordance with the requirements NZ IAS 16 <i>Property, Plant and Equipment</i>.</p> <p>Property, Plant and Equipment represents the most significant asset for the Company and are valued by an external independent valuation expert. This exercise excludes the Company's vines which are classified as bearer plants and are carried at cost.</p> <p>The valuation of these property assets is subjective as it is dependent on a wide range of factors including the nature of the property, soil type and geographic location. Valuations are inherently a subjective exercise and particularly in a specialised area in relation to vineyards. The valuations are sensitive to changes in the underlying variables and therefore the estimations may have a material impact on the asset value recorded in the Company's financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▪ Updated our understanding and evaluated the Company's processes for monitoring land development, and determining the valuation of land, land development and buildings in accordance with NZ IAS 16 <i>Property, Plant and Equipment</i>; ▪ Read and evaluated the external valuation report; ▪ Confirmed that the valuation approach for the land, land development and buildings were in accordance with NZ IFRS 13 <i>Fair Value Measurement</i> and NZ IAS 16 <i>Property, Plant and Equipment</i>, and suitable for determining the fair value of the land, land development and buildings at reporting date; ▪ Evaluated the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence; ▪ Agreed land, land development and buildings related data provided by Management to the Valuer, to the Company's records; ▪ Engaged our own external property valuation expert to assist in understanding and evaluating the following: <ul style="list-style-type: none"> ○ the work and findings of the external valuation expert engaged by Management; ○ the valuation methods and assumptions to assist us in challenging the appropriateness of valuation methods and assumptions used by Management; and ○ the acceptable range of values considered reasonable to evaluate Management's adopted valuation estimate. ▪ Evaluated the selection of valuation methods, inputs and assumptions with a view to identifying Management bias; ▪ Tested a sample of additions to ensure that they have been appropriately recorded; and ▪ Evaluated the disclosures related to the land, land developments and buildings included in the Company's financial statements.

Why we considered this to be a key audit matter	How our audit addressed the key audit matter
<p>Recognition of revenue from Related Parties</p> <p>As disclosed in Note 24 of the Company's financial statements, the Company has recorded \$8.4m (2023: \$12.4m) in revenue from the sale of grapes to a related party. As such, the identified related party is the Company's sole customer.</p> <p>Given that there are significant related party transactions, there is a risk that revenue has not been recorded in full in the current year.</p>	<p>Our procedures in relation to the recognition of revenue from related parties included:</p> <ul style="list-style-type: none"> • Reviewing the Grape Sale Agreement between the Company and its related party to ensure that the Company's policy for the recognition of revenue is in compliance with the requirements of NZ IFRS 15: <i>Revenue from Contracts with Customers</i>. • Understanding the processes and evaluating the related controls implemented by the Company over revenue recognition; • Testing the operating effectiveness of controls related to the recording of revenue from the sale of grapes; • Performing tests of detail on a sample of revenue transactions throughout the period and in particular around period end to ensure that these have been appropriately recognised; • Obtaining a confirmation from the related party regarding the volume and value of sales revenue transacted during the period and agreed these confirmed amounts to the Company's financial records; • Performed the following in relation to management's external expert's verification procedures in respect of related party transactions: <ul style="list-style-type: none"> ○ Evaluated their competence, capabilities, objectivity and expertise and the appropriateness of the expert's work as audit evidence, ○ Understood and evaluated the work and findings of the external expert engaged by management ▪ Evaluating the related disclosures about revenue from sales to related parties in relation to the requirements of NZ IAS 24: <i>Related Party Balances</i> which are included in Note 24 of the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's Report and Directors' Report & Responsibility Statement on pages 1 to 6, as well as the Shareholders' Information and Directory on pages 36 and 37 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Responsibilities of the directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

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

Who we report to

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

The engagement partner on the audit resulting in this independent auditor's report is Nigel de Frere.



RSM Hayes Audit
Auckland

21 October 2024

Terra Vitae Vineyards Limited
Shareholders' Information
For the year ended 30 June 2024

Largest Shareholders as at 30 June 2024

Holder	Shares Held	% of Shares
Villa Maria Estate Limited	8,756,361	21.89%
Custodial Services Limited	2,223,496	5.56%
NZX WT Nominees Limited Cash A/c	2,167,120	5.42%
Manatu Limited	700,000	1.75%
Peter Rae Industries Limited	567,500	1.42%
Sir George Vjeceslav Fistonich	503,240	1.26%
Ellerslie Land Holdings Limited	426,100	1.07%
MGS Fund Limited	325,000	0.81%
Hatch Mansfield Agencies Limited	275,760	0.69%
Joanne Lee Quinn*Michelle Goodwin	250,000	0.63%
Deborah Jean Orr	250,000	0.63%
Alec Van Rossen	250,000	0.63%
Total for top 10 Shareholders	16,694,577	41.74%

Shareholding Breakdown

Holding Range	Holders	Shares Held	% of Shares
< 25,000	215	2,158,864	5.40%
25,000 - 49,999	474	13,104,650	32.76%
50,000 - 99,999	102	6,295,000	15.74%
100,000 - 999,999	22	5,294,509	13.24%
> 1,000,000	3	13,146,977	32.87%
Totals	816	40,000,000	100.00%

Terra Vitae Vineyards Limited
Directory
For the year ended 30 June 2024

Board of Directors

David Ferraby (Chairman)
Gregory Tomlinson
Mark Allen
Lisa Alexander

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

Allen Vineyard Advisory
PO Box 17094
Omokoroa 3154

Bankers

Rabobank New Zealand Limited
Level 23
157 Lambton Quay
Wellington 6011

ASB Bank Limited
East Auckland Commercial
Level 2, 381 Gt South Road
Greenlane, Auckland

Auditors

RSM Hayes Audit
PO Box 9588
Newmarket, Auckland 1149

Share Register

BC Limited
PO Box 54124
The Marina
Auckland 2144

Solicitors

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

Radich Law
76 High Street
Blenheim 7201
