



WELCOME TO

AGM

30th November 2009

2.30pm



Your Company

- Specialist grape growing company dedicated to growing high quality grapes in Marlborough and Hawkes Bay
- All grapes are purchased by Villa Maria under a long term grape purchase agreement
- Your Board meets regularly throughout the year, including via teleconferencing
- Audit and pricing committees manage relevant compliance issues
- The Company auditor is CST Nexia Audit
- The Company is advised on viticultural issues by the independent consultant Mark Allen





Your Vineyards

- Twyford Gravels 18ha
- Keltern 48ha
- Taylors Pass 76ha
- Seddon 83ha
- Higgins Road 150ha



The Year

- *Dominated by the world's financial events*
- *Supply and Demand got out of balance*
- *The decision was made by the industry to restrict yields*
- *To do this on well above average fruit set resulted in large amounts of extra work and costs*
- *The resulting crops were of extremely high standard.*
- *Prices for grapes reduced around 25% in the last season*
- *Some uncontracted growers forced to leave crop on the vine.*



Terra Vitae Vineyards Ltd

Financial Highlights

- The Directors believe that the results *before revaluation adjustments* best reflect the performance of the vineyard operation. These results were as follows:

	2009	2008
• Profit before tax & NZ IFRS adjustments	\$ (619,900)	\$2,926,328
• Grape Harvest Income	\$3,916,466	\$6,442,241
• Grape Harvest Tonnes	2,189	2,703
• Dividend Declared (fully imputed)	nil	2cps
• Net profit from Non-Higgins Road Vineyards	\$511,000	\$3,288,000

Terra Vitae Vineyards Ltd

Financial Highlights cont...

- Major plant capital expenditure included a replacement Pellenc Harvester at Taylors Pass (\$470,000) and wind machines at Higgins Road (\$429,000).
- Final stages of Higgins Road development, which remains in line with budget
- Many other capital items have been put on hold whilst we have such low returns
- The emphasis is now on cost control and implementing savings measures



Analysis of some production costs

- Direct Costs have increased by 30.2% from 2008 due to:
- Additional vineyard area of 100ha at Higgins Road.
- Development expenditure on Higgins Road has to be expensed under NZ IFRS from time plants are in the ground. In the past this was capitalised until plants were producing. These costs amounted to \$488,000 in 2009 year.
- Increased prices of imported fertilizers and other inputs due to higher international commodity prices and volatile NZ dollar.





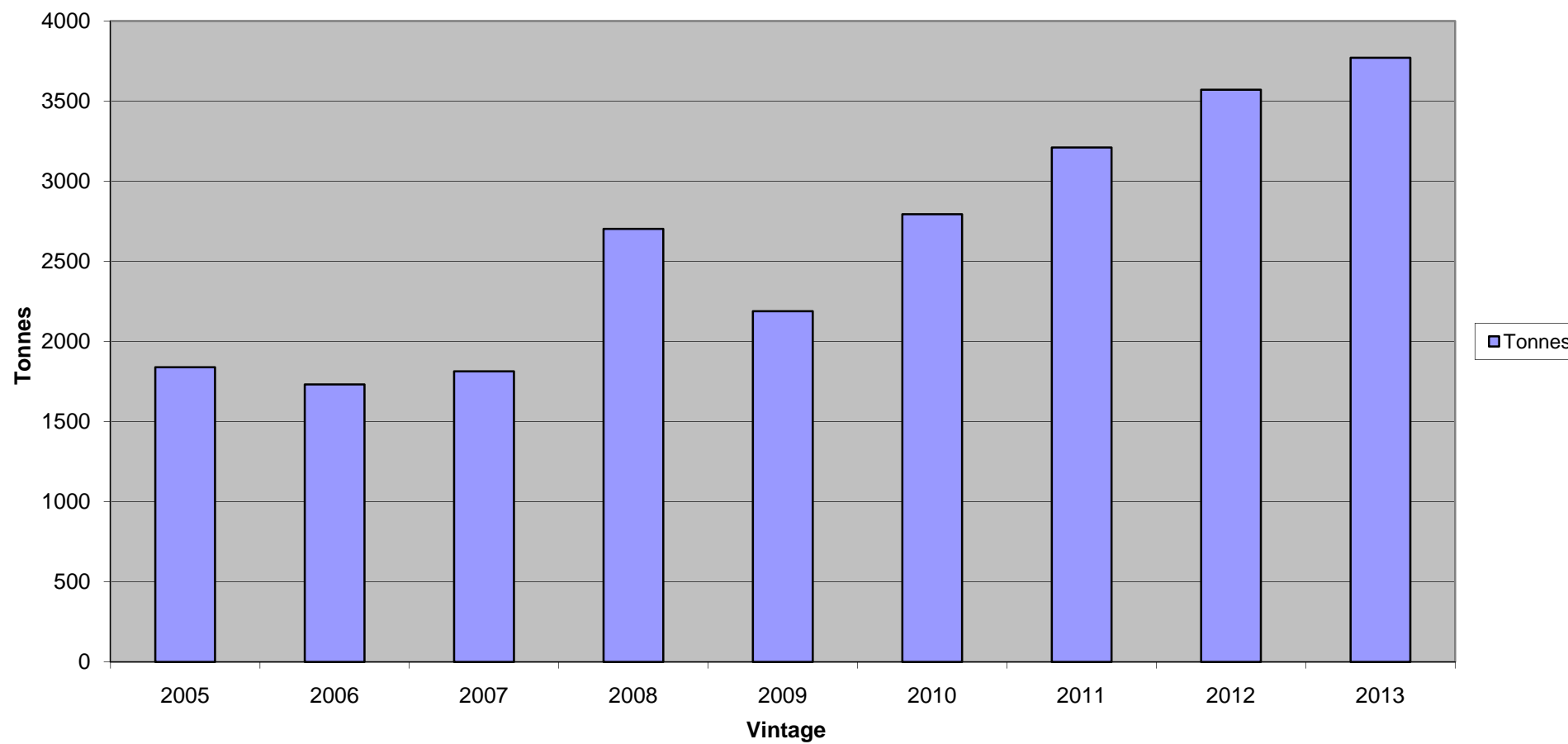
Analysis of some production costs cont...

- Additional maintenance was carried out on major plant items to lengthen their useful lives, instead of replacing them (tractors, sprayers, trimmers etc)
- Interest costs increase due to settlement on Higgins Road in January 2008 (only 6 months cost in 2008 year vs full year in 2009)
- Capitalisation of interest to cease in April 2010 - all expensed from then.



Terra Vitae Harvest Tonnes

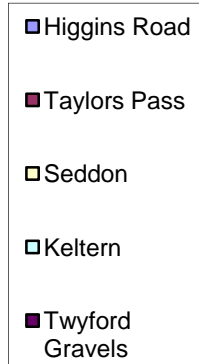
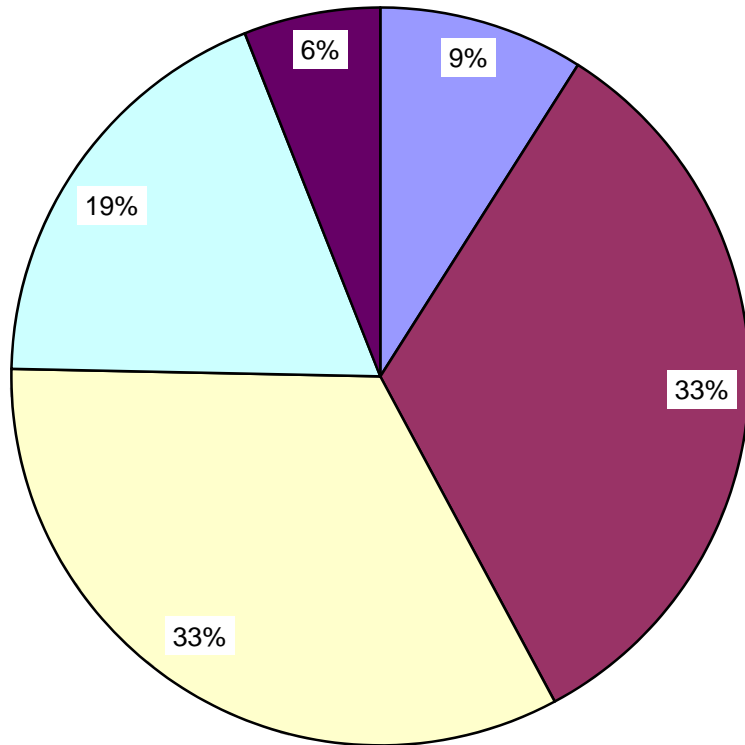
(budgeted from 2010)



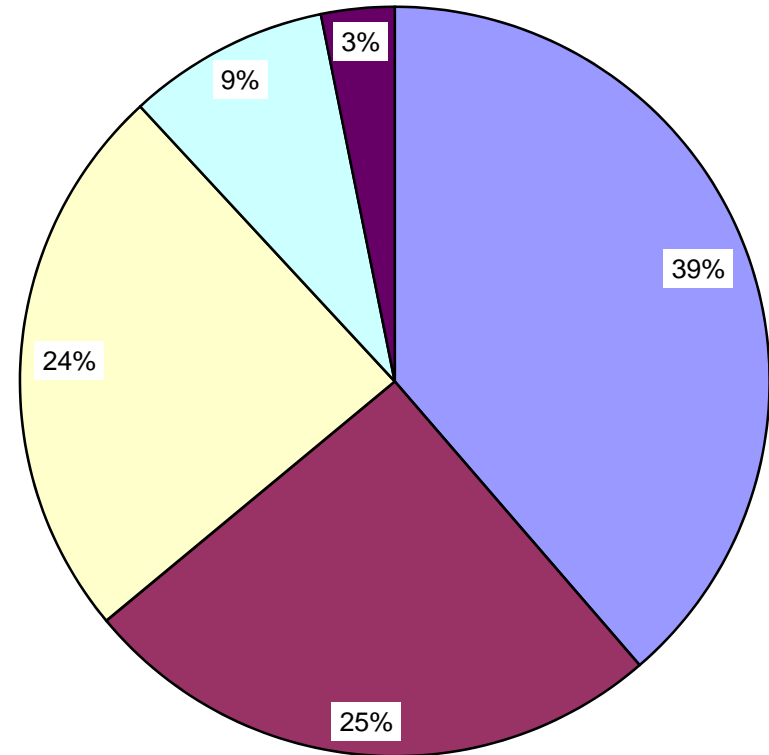
Terra Vitae - All Vineyards

Yield by Vineyard

2009



2013





- It has been another good year with more trophies for wines grown on Terra Vitae vineyards
- Ollie will give you details of these in his address.



The New Reality

“The wine industry is emerging from a period when the major challenge was to produce enough wine to meet the world demand, to one where the major challenge will be to sell the available wine in an increasingly competitive world market.”

(Stuart Smith – NZ Winegrowers 2009 Annual Report)



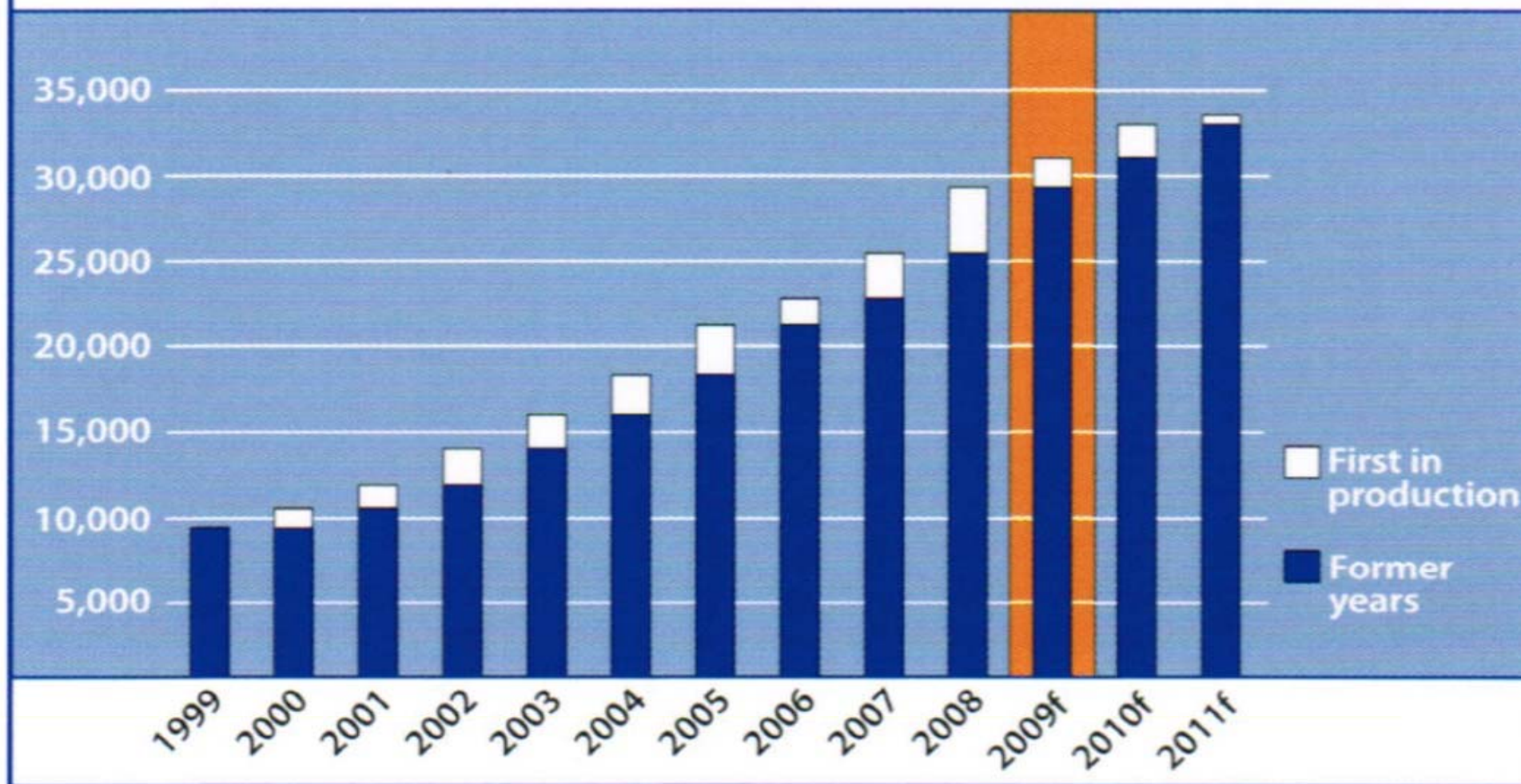
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The Rabobank view on the wine industry

- The New Zealand wine industry has enjoyed a stellar run of profitable growth, establishing an enviable niche as a provider of super-premium wines to offshore markets.
- But the industry now faces a new reality, as extensive recent planting significantly boosts supply potential just as consumers “tighten up”.
- NZ thus faces a considerable challenge to find a profitable home for the future additional production potential without destroying “brand NZ”.
- The industry is well placed to respond to this challenge and decisive action to manage yields and expand market channels can substantially mitigate the pressure on the sector in the next few years.
- But all must prepare for the likelihood of a period of tighter margins along the NZ supply chain.



Figure 7: Producing area, 1999-2011f
Hectares



Source: New Zealand Winegrowers Statistical Annual 2008 (f=forecast)



CONCLUSION

- It HAS been a very disappointing year financially
- ALL parts of the business are focussed on minimising cost wherever possible
- Year to date is looking better with some genuine cost savings coming through
- There have been a number of frost events but with minimal damage
- The crops are much lighter than last year which will reduce the cost of meeting yield restrictions



FINALLY

- The 2010 Field day is scheduled for Marlborough on 6 March 2010
- I move that the 2009 Chairman's Report and the 2009 annual accounts be adopted
- Have I a seconder for the motion and I will then open for discussion the Annual Report before I put the motion.

