

Terra Vitae Vineyards September 2010

Update from the Chairman

23rd August 2010

With our annual balance date having just passed, it is an opportune time for me to update you on the performance of your company over the past year. 2010 has been another challenging year for the wine industry as it continues to work through the issues of the global recession, the high NZ dollar and the effect of the large 2008 harvest on grape prices and yields. These factors will be reflected in the financial result, as will the reduction in property values being experienced throughout the wine industry, farming and the property market generally. The auditors are currently working on-site and we expect to be issuing the annual report in mid-October along with the notice of meeting for the Annual General Meeting which has been set for the afternoon of 30 November 2010 at the Villa Maria winery in Auckland.

The Annual General Meeting will provide the opportunity for shareholders to be updated by Sir George Fistonich and Villa Maria's marketing manager on the state of the industry. Our vineyard managers will also provide their usual informative presentations on their vineyards. Along with my presentation of the Annual Report and financial statements, director elections will be held in accordance with the constitution.

Our vineyard managers have detailed in their attached reports, the activities currently being conducted on their respective vineyards. They have also been busy implementing the various cost saving measures which the Board and management team have planned. Some of these changes, such as the KLIMA machine have already had a positive impact on our "bottom line" and will continue to do so for many years.

I hope that you enjoy the selection of fine wines made available in this mail order and on behalf of your Board, look forward to meeting many of you at the Annual General Meeting in November.

Yours faithfully



Joe Ferraby
Chairman
Terra Vitae Vineyards Ltd

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KELTERN VINEYARD, HAWKE'S BAY

After a relatively mild and wet winter, the sap is flowing and the Swallows are flying, so spring must be just around the corner. Hopefully, from a frost protection perspective, there is not a sting in the tail that sees a lot of late snow dumped on the ranges.

The pruning is all but completed with the small Sauvignon Blanc block the lucky last as usual. We have utilised a smaller contract labour gang this year, targeting increased control and consistency over a longer period. The prunings have been swept and mulched, which tidies up the mess and adds much needed organic matter back into the soil. The new replacement mulcher acquired this year has improved the efficiency of this task greatly.

Sheep have been grazing the vineyard right through winter again this year. This keeps the grass and weeds down, whilst providing a little additional income and natural fertiliser.

A concerted effort has been made over the winter with trellis maintenance, replacing any broken posts and missing tucking clips. The Pellenc tractor and its harvesting and spraying attachments have also had the once over on the wetter days. We have commenced preparing and checking the frost protection system and will be ready for "Jack Frost" if and when he comes to call.

The vineyard is looking tidy and is in great shape for the new growing season.

Mark Dixon

Vineyard Manager

TWYFORD GRAVELS, HAWKE'S BAY

It has been a wetter than normal Hawke's Bay winter with plenty of winter chill. Fortunately, the gravels are so free draining that the water does not hang around for long. Most pruning, mulching and sweeping is complete. We have just one block of Merlot left for late pruning. By pruning this block late, it will delay budburst and flowering slightly, which should reduce the risk that adverse weather brings.

Sheep are currently grazing to keep things tidy and we are hoping that we have an easy spring as far as the frost risk is concerned.

Red wines from the recent vintage are looking great in the winery. Both Merlot and Syrah are outstanding and have fantastic concentration of flavour.

Phil Holden

Vineyard Manager

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TAYLORS PASS VINEYARD

Winter is drawing to an end, which means spring and the start of the new growing season is only a month away. This winter started off very wet and has basically not stopped. It has been one of the wettest winters we have had for a long time, making it a real challenge to get jobs done in the vineyard. The last month has been milder and a bit drier and you can almost see the grass starting to grow again.

The vineyard was grazed by sheep again this winter, starting straight after harvest and up until late June. They did a fantastic job in keeping the growth down, which saved us a weed spray on the vineyard and also a couple of mowing rounds.

The majority of work done through winter is pruning. The Sauvignon Blanc and Riesling are finished and the Pinot Gris will be next. The Pinot Noir and Chardonnay are left to last as they are the first out of the blocks and hopefully this will delay bud burst for them by about a week, to try and escape the cooler weather at the start of spring. We also have been using the new KLIMA machine this season to mechanically strip out all pruning and mulch in one pass rather than doing this by hand. This has saved a considerable amount on our contract labour costs. Frost protection, as in the past, will be done by flying helicopters over the colder areas and burning diesel frost pots for added heat.

There are still a number of tasks to keep us busy such as mulching the remaining prunings, weed spraying and frost work. I am sure the year will continue to race along. Once again thanks to my staff for their hard work over winter ensuring the vineyard work is done on time.

Garrie Armstrong
Vineyard Manager

SEDDON VINEYARD REPORT

As those of you who do not benefit from an overseas holiday at this time of the year will attest to, it has been rather wet. Thankfully it did not hold us up too much in the pruning department, but it does add to the challenge!

Last year, I spoke about the new pruning machine we were looking to purchase after successful trials convinced us of the benefits. We took delivery of the KLIMA in mid June and spent the following six weeks stripping vines in our established blocks. The going was a little slower in blocks 'in conversion' where changes needed to be made to the trellis setup. However, where we had anticipated the arrival of this machine during the setup phase of the Higgins development, it has been a great success.

We used the KLIMA on 90ha this season with a further 53ha at the Taylors Pass vineyard. Next year will be much faster now that we have completed the conversion in existing blocks and are ready for the other 65ha at Higgins Road.

All varieties except for Sauvignon Blanc have been converted to spur pruning this year to reduce the pruning bill and stagger our pruning window during winter. It is still early days, but we hope to see savings of around \$250,000 per year on what it would normally cost to manually prune and strip our vineyard. My driveway will no longer look like the Auckland motorway at 5pm on a Friday either, as we will be able to significantly reduce the contract labour force. Roll on summer!

Carl Jackson
Vineyard Manager