PALLISER ESTATE

ANNUAL REPORT YEAR ENDING 30 JUNE 2024

Directory

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Palliser Estate Team at the Palliser Woolshed Vineyard

FINANCIALS

Revenue:	$5.3m	▼	11%	2023
Gross Profit:	$1.4m	▼	14%	2023
Operating Profit (before revaluations):	$ –	▼	102%	2023
Total comprehensive income attributable to owners	$6.9m*	▲		2023

**Due to a number of non-cash accounting adjustments*

SALES

Domestic			Export		
11,779 cases	▼	15%	16,485 cases	▼	21%
$2.7m	▼	10%	$2.2m	▼	12%

SALES BY MARKET

20%	NZ Negociants	$1m	23%	▼	0%	UK	$–m	84%	▼
35%	NZ Direct	$1.7m	3%	▼	6%	South Korea	$0.3m	9%	▲
10%	Australia Negociants	$0.5m	16%	▲	12%	USA	$0.6m	58%	▲

Palliser Estate Chardonnay

2024 VINTAGE BREAKDOWN

403 Tonnes		24%	▲	~29,000 cases	
Riesling	13T	44%	▲	850 cases	3%
Pinot Gris	41T	46%	▲	2,700 cases	9%
Chardonnay	58T	41%	▲	3,400 cases	12%
Pinot Noir	130T	41%	▲	6,800 cases	23%
Sauvignon Blanc	160T	3%	▲	12,450 cases	43%
Bubbly				1,200 cases	4%
Rosé				1,600 cases	6%

Cellar Door Team: Neil, Belen, Andy, Georgia

Directors' and Chief Executive's Report for the Year Ended 30 June 2024 *cont.*

Your Directors are pleased to present the annual report for Palliser Estate Wines of Martinborough Ltd, which includes the company's financial statements for the year ended 30 June 2024.

FINANCIAL PERFORMANCE

From a financial perspective, the 2023/24 year was one of the most challenging since the global financial crisis of 2008. Sales were significantly affected by the downturn in economies domestically and abroad, while costs in all areas of our business continued to increase on the back of an inflating economy. After the highs of 2023, our operating result for 2024 is a loss of $9,453 (before tax and valuation adjustments).

We acknowledge the disappointment of a result that is well below expectations, but considering the macro environment and that we are selling a luxury, discretionary product, it was not altogether surprising. We can take heart in knowing that we have a clear long-term strategy, a strong brand, a relatively healthy balance sheet, and are in a better position than most in the industry.

Accounting adjustments

A number of non-cash accounting adjustments to our financial statements this year have turned our net operating loss after tax of $996,405 into a total comprehensive income of $6,901,929:

1. Fair value grape write-down (-$280,600)

   As explained in previous years, the International Accounting Standard (IAS) 41 requires biological assets to be measured annually at its fair value less costs to sell at the point of harvest. Although our total yield this year was well above that of the previous year and only 2% below the long-term average, our Pinot noir crop was 10% below the long term average. With vineyard expenses up, this meant our cost per tonne for Pinot noir was higher than what we are required to adopt as fair value. The write-down was the result.

2. Fair value biological asset (vines) write-down (-$428,201)

   Biological assets (vines) can be valued at either fair value or cost as per IAS 16. Palliser has historically adopted the fair value method.

   In January, real estate appraiser Logan Stone was commissioned to conduct an external valuation of our vineyard, including vines, as we are required to do every three years. The result was lower than that of the last valuation in 2021, and resulted in this write-down.

Directors' and Chief Executive's Report for the Year Ended 30 June 2024 *cont.*

The rationale for the depreciation as determined by our valuer was three-fold:

- The market value for the land in Martinborough has appreciated, driven mostly by the market push for lifestyle-property land rather than by vineyard uses, squeezing the vine value.
- The demand for Pinot Noir has softened and is easing from a buyer perspective. The value of Pinot Noir blocks has therefore been discounted from previous values.
- The age of vines, Pinot Noir clonal mix and vine failure.

IAS 16 requires the fair value vines write down of $428,201 to be split between the Operating Profit and Other Comprehensive Income sections of the Profit & Loss Statement. IAS 16 requires valuation gains to be recorded as Other Comprehensive Income, and any losses/write down recorded in the Operating Profit section to the extent of previous gains have been reversed. Therefore, a loss of $369,738 is recorded in the Operating Profit section and a loss of $58,463 is recorded in the Other Comprehensive Income section, which reverses out the prior revaluation gain from the revaluation reserve account.

3. Fair value property, plant and equipment write-up (+$7,371,229)

Biological assets and property, plant and equipment can be valued at either fair value or cost, as per IAS 41. However, while Palliser has adopted fair value for its biological assets, it has been using the cost methodology to value its land. The land has an original purchase cost of $2,637,992. The Board has reviewed this arrangement and decided to change the accounting methodology for property, plant and equipment to fair value. This will ensure consistency with the biological asset treatment and reflect Palliser's asset value more accurately. It has also resulted in significant non-cash write up in profit and shareholder equity.

IAS 16 also requires fair value Property, Plant & Equipment revaluation adjustments to be split between the Operating Profit and Other Comprehensive Income sections of the Profit & Loss Statement. As the Land and Buildings increased in value by $8,110,327, this is required to be reported in the Other Comprehensive Income section. The Development, Irrigation and Wind Machines had an overall decrease in valuation of $739,098 and therefore is required to be reported as part of the Operating Profit section as these assets have not previously been revalued.

We acknowledge that these adjustments whilst technically correct as required under accounting standards, are somewhat confusing to shareholders. The Board would have preferred to avoid these adjustments but as Biological Assets were required to be valued at fair value the decision was made to bring Property in on the same basis to ensure consistency across assets and a truer reflection of value.

Directors' and Chief Executive's Report for the Year Ended 30 June 2024 *cont.*

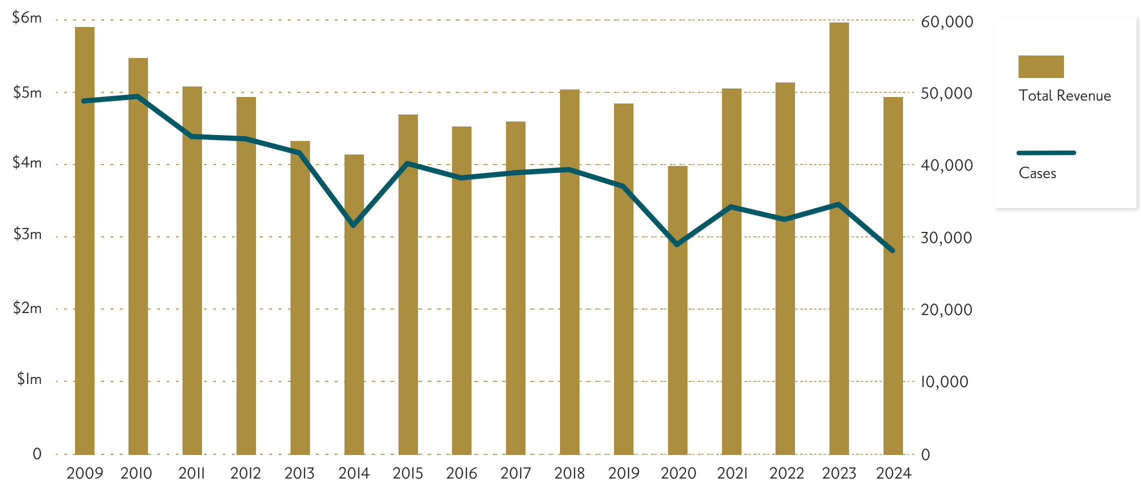
Sales

In 2023/24 sales were down by 11% on the previous year, and well behind our targets. Although of little consolation, this was consistent with the results of others in our industry, with New Zealand Winegrowers (the national organisation for New Zealand's grape and wine sector) reporting that wine exports were down 12% in the year ended 30 June 2024. Here in New Zealand, trading conditions continued to be difficult for almost all sectors, and none more so than our all-important hospitality sector, which experienced an unprecedented number of high-profile closures.

Although this was a very disappointing result, with sales volumes well down, it should be noted that sales values remained relatively steady (with the exception of last year's highs). This demonstrates the value of our premium business model. Our target to build on last year's progress unfortunately was not achieved, largely due to economic factors beyond our control, despite an excellent effort from the Palliser sales team.

This disappointing sales result was primarily due to our poor performance in two key markets – the UK via Justerini & Brooks (J&B); and New Zealand through our distributor Negociants NZ.

J&B placed only one, small order, citing a very difficult market, post-COVID-19 stock surpluses and the loss of two large key clients. However, they are now confident that they can increase sales and honour their allocation moving forward.

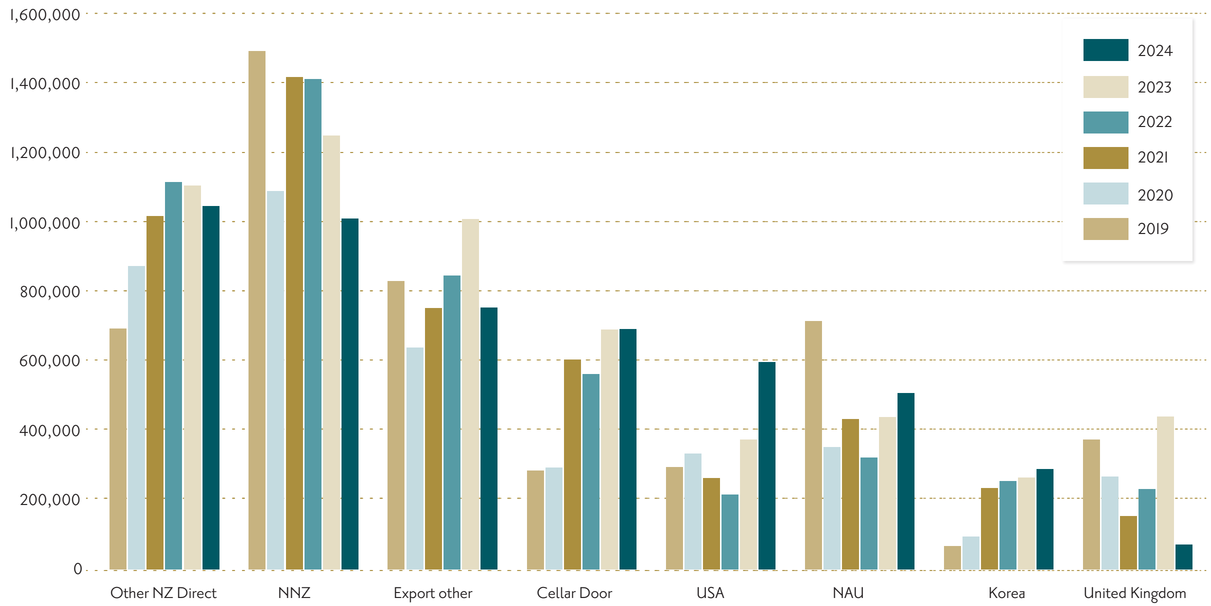


Directors' and Chief Executive's Report for the Year Ended 30 June 2024 *cont.*

Negociants NZ felt the impacts of the downturn in the domestic economy, recording one of the worst years ever for us, only achieving 70% of their budgeted sales. We are working hard together to address this result, as it was unacceptable and clearly not viable in the long term.

That said, it is not all doom and gloom. There was positive growth in the USA, Korea and some of our direct channels, namely the Estate Club and Cellar Door, which all had record years.

In the USA we secured a two-year contract with the Four Seasons Hotel Group for our Pencarrow Sauvignon Blanc. This has led to a new relationship with the distributor Massanois, which is looking to take on other products so the growth potential in this market is exciting.



Cashflow

With the downturn in sales; and cost increases exceeding 30% in the past three years, cashflow remains a challenge given our need to continue re-investing in the business to realise our value targets. In the past four years we have invested more than $3 million in capital expenditure, paid out $1.1 million in dividends and, unexpectedly, had to buy in bulk wine due to two poor harvests. This 'perfect storm' has meant we have had to take on a conservative level of debt in the past 15 months. As this is costly for a small business like ours, we have a plan to clear the debt over the next year.

As previously reported, and as part of our premiumisation strategy, we have identified some of our vineyard land as not suitable for premium wine production, and therefore not currently providing adequate returns. We are in the process of selling part (or all) of this surplus land in alignment with our long-term strategic focus on enhancing the overall quality and exclusivity of our wines and maximising returns to our shareholders.

The proceeds of any sale will be used to cover outstanding debt and to help continue to fund our premiumisation strategy. We will also look for the most effective way to return any remaining surplus to shareholders while balancing the long-term sustainability of our business.

HIGHLIGHTS AT A GLANCE

- We increased our per-case price by $12 (from $163 to $175). The price has increased by $58 per case (58%) since 2015, well above the rate of inflation.
- We delivered a successful 2024 harvest – excellent fruit and yields up 24% on 2023 and only 2% down on long-term averages. This result was a lot more favourable than those of others in our region and elsewhere in New Zealand.
- We had our inaugural harvest of Syrah fruit, a milestone for Palliser.
- We secured a two-year contract with the Four Seasons Hotel chain throughout the USA for our Pencarrow Sauvignon Blanc. This led to a new distributor arrangement in this market that has huge potential for growth.
- The USA market had a record year, with sales up 60% on last year – the highest ever achieved by Palliser in this market.
- The Cellar Door revenue continued to grow despite the tough economic climate, delivering its highest-ever sales figure.
- The Korean market continued to grow, up 9% on 2023 and budget. We recorded our highest ever sales figure for this market.

Directors' and Chief Executive's Report for the Year Ended 30 June 2024 *cont.*

- The Estate Club's membership continued to grow, up 46%, while revenue increased by 13%.
- We had a successful first full year with our new restaurant partner, 'The Palliser Kitchen by Attilio'. For the first time we were listed in the 'Cuisine Good Food Guide'.
- Expenses (excluding interest payments) remained below budget in an inflationary environment
- We implemented a new, more efficient vineyard team structure.
- The first year of our newly created Auckland Brand Ambassador role paid dividends, with Auckland sales up 2%. This bucked the trend for the rest of New Zealand through Negociants NZ, where sales were down 33%.
- We secured two new markets – Malta and Czechoslovakia.

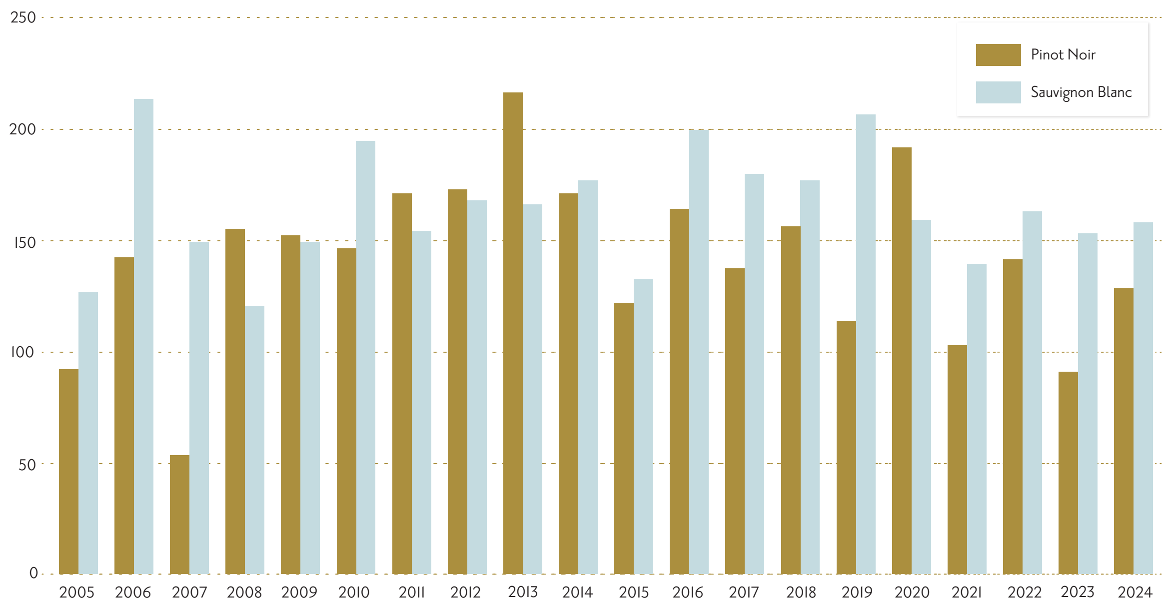
2024 VINTAGE REPORT

In 2024, the return of an El Niño weather pattern in New Zealand was a welcome relief after the previous two challenging seasons. The ripening conditions were ideal, with a third of the rainfall of the previous two seasons and half that of the long-term averages. Accordingly, the fruit was in excellent condition, and with no disease or weather pressures the winemaking team was able to pick based on optimal ripeness and flavour. We are very pleased with the quality of the 2024 wines; the vintage will be one to remember for all the right reasons.

We were also pleased with the yields given the unsettled flowering conditions and some minor frost damage. We harvested 403 tonnes, up 24% on 2023 and only 2% down on our long-term average. This compared favourably to results among others in our region and elsewhere in New Zealand, with New Zealand Winegrowers reporting the Wairarapa region down 16% and New Zealand in total down 21% on long-term averages.

Pinot Noir and Sauvignon Blanc were the only two varieties down for us, being down 10% and 6% respectively. This was largely due to the clonal mix of Pinot noir in our Pencarrow vineyard, which is 100% planted in the poor-yielding Dijon clone, and the age and vine deterioration in our older Sauvignon blanc blocks (highlighted in the graph below). Climatic conditions aside, the only way we can improve these yields is through a replanting programme, which requires significant investment.

Directors' and Chief Executive's Report for the Year Ended 30 June 2024 *cont.*



ENVIRONMENTAL AND SOCIAL PERFORMANCE

Now more than ever, businesses that are environmentally, socially and financially sustainable are best positioned for long-term success. As we outlined in our last Annual Report, our traditional practice of reporting annually only on our financial performance limits our ability to demonstrate our value and impacts in the other, equally important areas of environment and community. We have continued to evolve our focus on non-monetary initiatives that have positive impacts, with some key points outlined below.

General

We were immensely disappointed that we fell short of achieving B Corp certification this financial year. B Corp is a globally recognised certification that rigorously measures companies' entire social, environmental and economic impacts. One positive for us was that, as part of the assessment process, we developed comprehensive social and environmental key performance indicators against which we can now report. Our long-term plan is to achieve B Corp certification by 2026.

Directors' and Chief Executive's Report for the Year Ended 30 June 2024 *cont.*

Environmental

- We proudly released our first two BioGro-certified organic wines – Palliser Estate Single Vineyard 'Hua Nui' Pinot Noir 2022 and Palliser Estate Single Vineyard 'Om Santi' Chardonnay 2022. They both won gold medals in the 2024 Aotearoa NZ Organic Wine Awards.
- We increased our presence in the New Zealand organic wine community. Palliser Vineyard Manager, Ivor Allmand, is the regional Wairarapa representative for Organic Winegrowers NZ, and Winemaker and Viticulturist Guy McMaster is increasingly invited to comment on organic wine matters.
- 60% of our vines (four of our six vineyards) are managed organically and are BioGro-certified organic, maintaining our position as the largest organic wine grower in the Wairarapa region. Our goal is to bring the remaining Pinnacles and Woolshed vineyards under organic management by 2026 to realise our goal of 100% organic management.
- Diesel usage was up slightly, from 28,580 litres in 2022/23 to 30,942 litres. This reflected the increased frequency of frost events, in which we had no choice but to operate the frost fans.
- Water usage totalled 72,718 cubic metres, a substantial increase from only 3,227 cubic metres in 2022/23. However, the huge increase reflects a 'typical' summer, with little rain – and the very low 2022/23 volume was an anomaly given the extremely wet season, which included catastrophic weather events around the country to which we were not immune.
- Waste to landfill, at 1,584 kilograms, was up slightly from 1,268 kilograms in 2022/23. We recycle and compost everything we can, including our grape marc, and actively encourage our contractors and team to use recyclable packaging when they bring personal items and food to work. In a simple change this year we stopped using plastic clips (which were prone to breaking) to secure vine netting and started using robust and reusable metal clips. This will help reduce our waste going forward.

Social

- We formalised our partnership with the Life Flight Trust, helping to fund its Westpac Rescue Helicopter and rescue planes for time-critical rescue missions. Having been a long-time supporter of Life Flight in an ad hoc capacity, providing wine donations and vouchers for fundraiser events, we wanted to formalise and structure the relationship to be more beneficial to both parties. The concept is simple – 'Wine Flights for Life Flight' are a range of Palliser wine flights available at our Cellar Door, with $5 from each donated going to Life Flight. The programme was formally launched in July 2024, and we aim to raise $7,000 (for reference, each life-saving mission costs around $5,000).

Directors' and Chief Executive's Report for the Year Ended 30 June 2024 *cont.*

- We continued our support of the Greytown Festival of Christmas, a community event that has grown considerably since its inception. Our financial support helps keep the festival free and accessible to both the local community and visitors to the region. It also allows us to connect with local trade businesses that stock our wines and we see an opportunity to further leverage the festival to lift our brand profile locally.
- We continue to support other local community groups and causes to which we feel we can make positive contributions. They include Martinborough Foodbank, Cancer Society, Wellington Phoenix and local schools and clubs.
- Our Chief Executive, Pip Goodwin, continues to sit on the New Zealand Winegrowers' Brand Committee, ensuring our community has regional representation and advocating on its behalf.
- We continue to employ 14 full-time-equivalent employees, with all full-time staff receiving the Living Wage or above. 22% are shareholders in the business. Our team remains committed to diversity and inclusion, maintaining a 60:40 ratio of female:male team members, and a diverse range of cultures, backgrounds, ages and interests, bringing unique perspectives to our team.

HEALTH AND SAFETY

Palliser's Directors' and Chief Executive (as Officers under the Health and Safety at Work Act 2015) remain committed to the health and safety of our employees, contractors and visitors. We are pleased to report that there were no significant health and safety incidents during the year.

We sought an external audit of our systems during the year and the findings were that there was '… a positive culture of health and safety. All contributors appeared motivated to deliver good outcomes and were genuinely interested in and open to opportunities to continually improve'. A number of improvements were identified in this audit and have subsequently been implemented.

DIRECTORS

In accordance with the company's constitution, Director Simon Tyler retires by rotation and, being eligible, offers himself for re-election to the Board.

Directors' and Chief Executive's Report for the Year Ended 30 June 2024 *cont.*

OUR THANKS TO THE TEAM

Once again, we thank all our loyal shareholders, our small and dedicated team and the Board members for their support and ongoing service.

In particular we would like to acknowledge the service of Lesley Just, who after 25 years as Palliser's loyal and efficient 'keeper of the purse' retired in June. We thank her for her significant contribution to Palliser over the years, and know she will remain a loyal shareholder for many years to come.

We look forward to seeing as many of you as possible at our AGM this year, to be held at 11am on Sunday 10 November 2024.

For, and on behalf of, the Board

Andrew Meehan ONZM
Chairman

Pip Goodwin
Chief Executive

Despite the year's economic challenges, there were a number of achievements the Palliser team can be extremely proud of – the excellent 2024 harvest; significant growth in the critical USA market, and emerging Korean market; record sales for Cellar Door and Estate Club; and, a record high case price of $175/case. Looking ahead, our clear long-term strategy and brand strength will allow us to weather, or adapt to, the ongoing economic storms.

— Palliser Estate CEO, Pip Goodwin

Palliser Estate CEO Pip Goodwin and Winemaker and Viticulturist Guy McMaster

Viticulture and Winemaking Report for the Year ended 30 June 2024

PALLISER'S 2023/24 WINE-GROWING SEASON

The return of the El Niño weather pattern in 2024 couldn't have come fast enough for wine growers and wineries alike – although we weren't sure if the fruit arriving in the winery was the best we'd ever seen or if the previous two years had scarred us so badly that we'd forgotten what good fruit looked like!

Total, 1 September 2023 to 9 April 2024

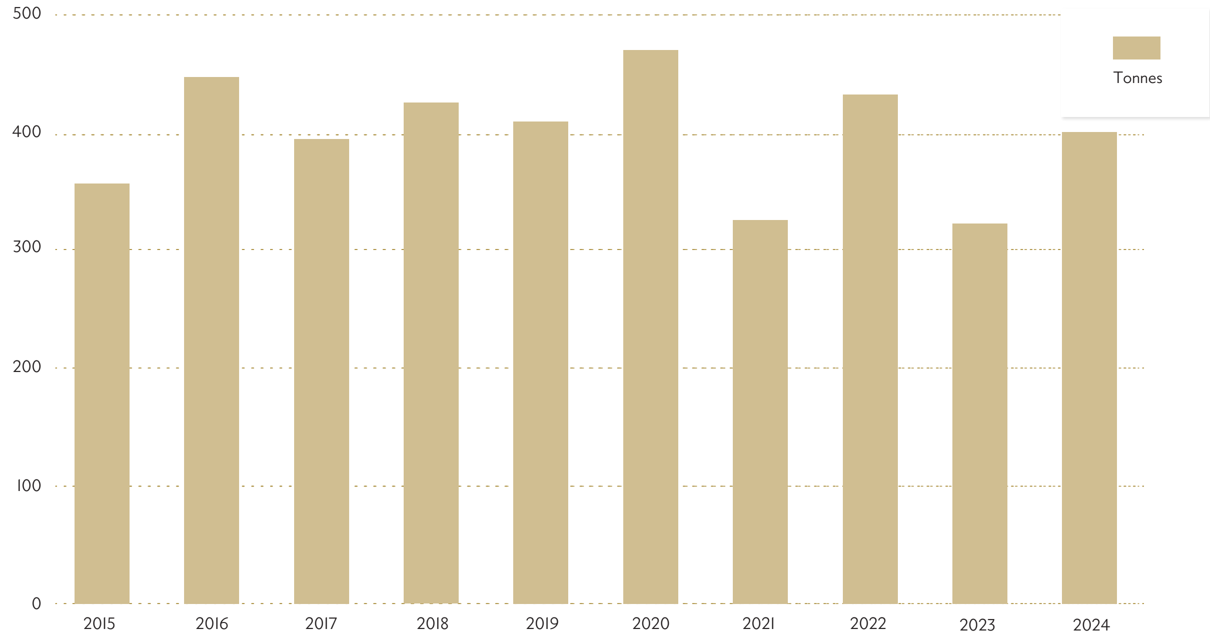
Year	Growing degree days (which indicate the amount of warmth available for plant growth)	Rainfall (mm)
2023/24	1,276	227
2022/23	1,247	597
2021/22	1,360	560
2020/21	1,231	458
2019/20	1,260	415
Long-term average	1,175	439

The weather before Christmas wasn't particularly remarkable, and unsettled conditions during flowering in early December meant yield predictions were on the light side. However, summer finally arrived after Christmas, providing perfect conditions for ripening fruit and the lowest rainfall for many years, which meant no disease pressure.

The result – wonderfully clean fruit in all varieties – was a sight to behold, and the lack of disease pressure meant we could pick according to ripeness, which was a luxury we hadn't had in the previous two years. The main pick started on 7 March and finished on 9 April with 403 tonnes picked, only 2% less than our long-term average. Considering the unsettled flowering conditions, we were delighted.

Overall, the vineyard team is to be congratulated for their work in delivering quality fruit to the winery and reasonable volumes when compared with some other producers. According to New Zealand Winegrowers' report on the 2024 harvest, the Wairarapa region yielded 16% lower than the long-term average; this compares to 2% for Palliser.

Viticulture and Winemaking Report for the Year Ended 30 June 2024 *cont.*



Now to the wines!

Surprisingly, given the hot, dry summer, acid levels in all varieties remained high, boding well for their longevity. The Chardonnay is elegantly supported by a lovely acid line running through the palate, while the Pinot Noir has a delightful fruit concentration and tannin structure that – although it's early days – looks very exciting. The aromatics – Rosé, Pinot Gris and Riesling – are strong, while the Sauvignon Blanc's tropical notes of passionfruit and melon reflect the welcome warmer summer. This will be a vintage to stock up on!

Against these successes, costs continued to be a challenge in the vineyard, rising from $19,573 per hectare in 2023 to $20,266 per hectare in 2024 (a 3.5% increase.) The cost of equipment repairs and maintenance, which was above budget by $605 per hectare, accounted for most of the increase and reflected the ageing of some of our equipment. Assuming no unbudgeted expenditure in 2025, we expect vineyard costs in the new year to be back to $19,500 per hectare. We've benchmarked costs against those of other local growers and some from outside the region, and are pleased to report that on a cost-per-hectare basis we sit at the lower end of the range.

Viticulture and Winemaking Report for the Year Ended 30 June 2024 *cont.*

We had no capital expenditure earmarked for 2024, apart from replacing some nets that were destroyed in last season's strong winds, and some irrigation tubing. We'd hoped to buy another undervine weeder in order to convert the two remaining vineyards – Pinnacles and Woolshed – to organic to reach our goal of 100% organic management by 2025. However, we thought it prudent in this economy to keep capital expenditure to a minimum.

We also delayed sowing a permanent sward of legumes, grasses and flowers in the Pencarrow vineyard, and reduced our fertiliser applications to maintenance levels only to keep vineyard costs as low as possible.

WINE REVIEWS

Wine Writers & Competitions	Om Santi Chardonnay 22	Palliser Estate Chardonnay 22	Hua Nui Pinot Noir 22	Palliser Estate Pinot Noir 22
Decanter awards	88	93	90	91
Bob Campbell	95	92	90	95
Cameron Douglas	95	95	95	94
Wine Orbit	97	95	97	95
James Suckling	92	92	92	92
Robert Parker	93	89	92	90
Average	93.3	92.6	92.8	92.7

While these scores reflect the difficult 2022 vintage, we're very happy with the average score, which was above 92 points. We're particularly delighted with the Om Santi Chardonnay 2022 and the Hua Nui Pinot Noir 2022 – our first two certified-organic wines – which in 2023 were awarded gold medals in the Organic Wine Awards.

Viticulture and Winemaking Report for the Year Ended 30 June 2024 *cont.*

ORGANIC UPDATE

Despite our delaying the purchase of an undervine weeder, which is required to convert our last two vineyards to organic management, we are still the largest organic-wine grower in Wairarapa. This is something of which we're very proud.

THE FUTURE

We continue to make improvements in the winery. The purchase of two small, 2.5-tonne red fermenters last year has allowed 100% whole-bunch ferments with fruit from the Hua Nui vineyard. This will add another, exciting layer of complexity to the Single Vineyard and Palliser Estate Pinot Noir.

Our first harvest of Syrah from the Pinnacles vineyard, fermented with 30% whole bunches, gave us a reason to celebrate. Early tastings confirmed the future of this region for Syrah, and we can't wait for its release next year, with sales limited to the cellar door and shareholders.

We're planting more native trees and flaxes in the wetland area of Hua Nui and the embankment at the Woolshed vineyard to enhance birdlife and the environment. Chickens will be introduced to the Hua Nui vineyard as they can help to control the mealy bug limiting the spread of the Grapevine 3-Leafroller virus.

We've started the top grafting programme in the Pencarrow vineyard, with two hectares of Clone 667 and 777 Pinot Noir top grafted over to the Abel clone. This will help to lift the quality and yield of the Palliser Estate Pinot Noir.

In the future we plan to replant part of the Om Santi vineyard with another two Chardonnay clones to meet the increased demand for Chardonnay and increase the quality of the Single Vineyard and Palliser Estate range of wines.

To close, I'd like to thank the vineyard and winery team for all their hard work, and Pip Goodwin and the Board for their stewardship and continued support.

Guy McMaster
Winemaker and Viticulturist

The return of the El Niño weather pattern in 2024 couldn't have come fast enough for wine growers and wineries alike. Summer finally arrived after Christmas, providing perfect conditions for ripening fruit and the lowest rainfall for many years. The result – wonderfully clean fruit across all varieties – was a sight to behold. 2024 will be a vintage to stock up on!

— Palliser Estate Winemaker
and Viticulturist, Guy McMaster

Palliser Vineyard Manager Ivor, Assistant Winemaker Pierre, and Winemaker & Viticulturist Guy assess the Riesling fruit at the Woolshed Vineyard

Independent Auditor's Report

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To the Shareholders of Palliser Estate Wines of Martinborough Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the financial statements of Palliser Estate Wines of Martinborough Limited ("the Company") on pages 28 to 62 which comprise the statement of financial position as at 30 June 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Palliser Estate Wines of Martinborough Limited as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

Included with Property, Plant and Equipment assets of $18.5 million are land and buldings with a fair value of $12.5 million. As disclosed in Note 20 of the financial statements, The Coolstore at 17 Broadway Street, Martinborough was not valued by an independent valuer. Instead a desktop valuation was prepared by the Directors who determined the fair value of the associated land and buildings to be $500,000.

Given the coolstore valuation was not prepared by a suitably qualified and independent valuer, we have not been able to obtain sufficient appropriate audit evidence about the valuation of the Coolstore. Consequently, we were unable to determine whether any adjustments to the valuation of the Coolstore was necessary.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. 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 qualified opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company. In addition to this, partners and employees of our firm may deal with the Company on normal terms within the ordinary course of its trading activities.

Independent Auditor's Report

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 of the current period. These matters were 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. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matters to be communicated in our report.

We summarise our key audit procedures, to address that matter in order that the Company's shareholders, as a body, may better understand the process by which we arrived at our qualified audit opinion.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Property Plant and Equipment As disclosed in notes 11 and 20 of the financial statements, the Company has a policy of revaluing its land, buildings, wind machines, other irrigation, improvements and non-Biological Trellis to fair value. The inclusion of land, buildings, wind machines, other irrigation, improvements and Non-Bilological Treliss valuation as a key audit matter arises from the substantial judgment involved in the valuations. As at 30 June 2024, all land, buildings, wind machines, other irrigation, improvements and non-Biological Trellis were valued by an independent registered valuer, except for the Coolstore at 17 Broadway Street, Martinborough which underwent Directors valuation. The total value of the Company's land, buildings wind machines, other irrigation, improvements and Non-Biological Trellis as at 30 June 2024 is $17.22 million.	Our procedures, amongst others, included: • obtained and agreed the schedule of revalued assets to the respective independent valuation reports, performed by valuation experts; • evaluated the qualifications and work of management's external valuation expert; • engaged our own external valuation specialist to scrutinise the efforts of third-party valuers and evaluate the validity of assumptions made, including the valuation approaches and methods adopted; • reviewed the desktop valuations performed by Directors; • recalculated the revaluation adjustment to be recorded for the year of each revalued asset as at 30 June 2024; and • reviewed the disclosures in the financial statements to ensure they are compliant with the requirements of the relevant accounting standards. Based on this evaluation, and as described in our **Basis for Qualified Opinion**, we were unable to obtain sufficient appropriate audit evidence over the desktop valuation performed by Directors on the Coolstore.

Independent Auditor's Report

Information Other than the Financial Statements and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises the Key Performance Indicators, Directors' and Chief Executive's Report, and the Viticulture and Winemaking 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 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, 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.

Directors' responsibilities 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 issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of the 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 the directors 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 economic 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 on the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

Independent Auditor's Report

Restriction on use of our report

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

Grant Thornton New Zealand Audit Limited

Grant Thornton

Yasin Mohammed
Partner, Auckland

Date 9 October 2024

Statement of Comprehensive Income for the Year Ended 30 June 2024

This statement is to be read in conjunction with the notes on pages 34 to 62.

	2024 $	2023 $
Revenue (Note 3)	5,302,645	5,984,206
Cost of Sales	3,906,421	4,353,477
Gross Profit	1,396,224	1,630,729
Other Income (Note 4)	343,609	284,870
	1,739,833	1,915,600
Less Expenses:		
Administration and Marketing	1,435,673	1,243,740
Other	313,612	249,933
Operating Expenses (Note 5)	1,749,286	1,493,672
Operating Profit /(Loss) before Revaluations	(9,453)	421,928
Revaluation gain/(loss) - Biological Vines	(369,738)	-
Revaluation gain/(loss) - Vineyard Development, Irrigation and Wind Machines	(739,098)	-
Operating Profit /(Loss) after Revaluations	**(1,118,289)**	**421,928**
Fair Value Grape Write Up/(Down)	(280,600)	(547,894)
Profit /(Loss) Before Taxation	**(1,398,889)**	**(125,966)**
Income Tax Expense (Note 6)	(402,484)	(7,146)
Profit /(Loss) for the Year Attributable to Owners of the Company	**(996,405)**	**(118,820)**
Other Comprehensive income that may subsequently be classified to the Profit or Loss		
Revaluation gain/(loss) - Biological Vines - Net of Tax	(58,463)	-
Revaluation gain/(loss) - Land and Buildings - Net of Tax	7,956,798	-
Total Comprehensive Income/(Loss) for the Year Attributable to Owners of the Company	**6,901,929**	**(118,820)**
Earnings per share (Note 7)		
Basic and fully diluted earnings per share (cents)	(23.63)	(2.82)

Statement of Changes in Equity for the Year Ended 30 June 2024

This statement is to be read in conjunction with the notes on pages 34 to 62.

	Share Capital $	Retained Earnings $	Revaluation Reserve $	Total Equity $
Balance 1 July 2022	6,491,435	8,108,680	58,463	14,658,578
Loss for the year	-	(118,820)	-	(118,820)
Other Comprehensive Income - Net of Tax	-	-	-	-
Total Comprehensive Income/(Loss) for the Year	-	(118,820)	-	(118,820)
Balance 30 June 2023 (Note 17)	6,491,435	7,989,860	58,463	14,539,758

	Share Capital $	Retained Earnings $	Revaluation Reserve $	Total Equity $
Balance 1 July 2023	6,491,435	7,989,860	58,463	14,539,758
Profit/(Loss) for the year	-	(996,405)	-	(996,405)
Other Comprehensive Income - Net of Tax	-	-	7,898,335	7,898,335
Total Comprehensive Income/(Loss) for the Year	-	(996,405)	7,898,335	6,901,929
Balance 30 June 2024 (Note 17)	6,491,435	6,993,454	7,956,798	21,441,687

Statement of Financial Position as at 30 June 2024

This statement is to be read in conjunction with the notes on pages 34 to 62.

	2024 $	2023 $
Current Assets		
Cash and Cash Equivalents	21,205	-
GST Receivable	-	31,219
Income Tax Receivable	5,336	-
Trade and Other Receivables (Note 8)	723,336	797,439
Forward Currency Contracts (Note 9)	2,531	-
Work in Progress	263,871	311,991
Stock on Hand (Note 10)	3,994,483	3,816,920
	5,010,761	4,957,568
Non Current Assets		
Trade and Other Receivables (Note 8)	836	2,006
Property, Plant and Equipment (Note 11)	18,503,717	11,461,354
Intangible Assets (Note 13)	51,377	55,420
Investments	7,038	7,039
	18,562,968	11,525,819
Total Assets	23,573,729	16,483,388

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Statement of Financial Position as at 30 June 2024 *cont.*

This statement is to be read in conjunction with the notes on pages 34 to 62.

	2024 $	2023 $
Current Liabilities		
Cash and Cash Equivalents	16,883	272,209
GST Payable	5,948	-
Forward Currency Contracts (Note 9)	-	547
Trade and Other Payables (Note 14)	551,880	676,298
Current Portion Lease Liability (Note 16)	56,276	35,479
Income Tax Payable	-	104,523
	630,986	1,089,055
Non Current Liabilities		
Term Loans (Note 23)	856,204	-
Lease Liability (Note 23)	54,115	14,883
Deferred Tax (Note 6)	590,738	839,692
	1,501,056	854,575
Total Liabilities	2,132,042	1,943,630
Equity		
Share Capital (Note 17)	6,491,435	6,491,435
Retained Earnings	6,993,454	7,989,860
Revaluation Reserve	7,956,798	58,463
Total Equity	**21,441,687**	**14,539,758**
Total Liabilities & Equity	**23,573,729**	**16,483,388**

Director
A R Meehan

Director
S R Tyler

The Board of Directors of Palliser Estate Wines of Martinborough Limited authorised these financial statements on 9 October 2024.

Statement of Cashflows for the Year Ended 30 June 2024

This statement is to be read in conjunction with the notes on pages 34 to 62.

	2024 $	2023 $
Cash Flows From Operating Activities		
Cash was received from:		
Receipts from customers	5,265,607	5,798,726
Interest received	834	1,358
Income tax received	-	67,064
Sundry receipts	434,757	424,718
GST received	31,573	-
	5,732,772	6,291,866
Cash was applied to:		
Payments to suppliers and employees	(5,688,517)	(6,154,337)
Income tax paid	(109,865)	-
Interest paid	(76,880)	(12,157)
GST paid	-	(21,718)
	(5,875,262)	(6,188,212)
Net Cash to Operating Activities	(142,491)	103,654
Cash Flows From Investing Activities		
Cash was received from:		
Disposal of Property, Plant and Equipment	-	1,522
	-	1,522
Cash was applied to:		
Purchases of Property, Plant and Equipment	(342,229)	(420,304)
Net Cash to Investing Activities	(342,229)	(418,782)

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Statement of Cashflows for the Year Ended 30 June 2024 *cont.*

This statement is to be read in conjunction with the notes on pages 34 to 62.

	2024 $	2023 $
Cash Flows From Financing Activities		
Cash was received from:		
Term Loan Advanced	850,000	-
Employee loans repaid	1,285	2,632
	851,285	2,632
Cash was applied to:		
Term loan repayments	-	(305)
Finance lease loan repayments	(90,036)	(35,817)
	(90,036)	(36,122)
Net Cash from/(to) Financing Activities	761,249	(33,490)
Cash Surplus/(Deficit) for the year	276,531	(348,619)
Represented By:		
Opening cash and cash equivalents	(272,209)	76,410
Closing cash and cash equivalents	4,322	(272,209)
Movement for the year	276,531	(348,619)

Notes to the Financial Statements for the Year Ended 30 June 2024

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

In these financial statements the reporting entity is Palliser Estate Wines of Martinborough Limited (the 'company'). The principal activity of the company is to produce and sell wines from grapes grown in New Zealand. The company is a limited liability company incorporated and domiciled in New Zealand.

These financial statements were approved for issue by the Board of Directors on 9 October 2024. The company's owners do not have the power to amend these financial statements once issued.

The company is registered in New Zealand under the Companies Act 1993. The company is a reporting entity and complies with the Financial Markets Conduct Act 2013. Company shares are traded on Unlisted Securities Exchange (USX) an unlisted unlicensed financial product market operating under an exemption from the Financial Markets Conduct Act 2013.

Basis of Preparation

These financial statements are presented in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other Financial Reporting Standards applicable to profit-oriented entities. They have been prepared in accordance with the Tier 1 for profit reporting requirements set out by the New Zealand Accounting Standards Board. They also comply with International Financial Reporting Standards (IFRS). These financial statements are rounded to the nearest dollar.

These financial statements have been prepared on the basis the company is a going concern.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Measurement Basis

The measurement basis adopted in the preparation of these financial statements is historical cost, with the exception of the revaluation of vines and certain financial instruments as identified in the particular accounting policies below.

Standards Issued that came into effect in the Current Year

There have been no new standards, amended statements or interpretation, which came into effect in the current reporting period, which did not have a material impact on the company's position, performance or disclosures.

Standards Issued but Not Yet Effective

Several amendments and interpretations apply for the first time from 1 July 2024. This includes NZ IFRS 18 – Presentation and Disclosure in Financial Statements, which comes into effect from 1 January 2027. The impact of this standard has not yet been assessed.

Material Accounting Policies

The following material accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows have been applied.

Revenue from Sales of Goods

Recognition of revenue occurs when the performance obligation to the customer is satisfied. Satisfaction of performance obligation occurs on transfer of a promised good to the customer and when the customer obtains control of that good. Revenue from the sale of wine is recognised when control of the wine has passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

Dividend Revenue

Dividends are recognised as other income in the Statement of Comprehensive Income at the time the right to receive payment is established.

Interest Income

Interest income is recognised as other income in the Statement of Comprehensive Income as earned using the effective interest method.

WET rebate

The WET (wine equalisation tax) rebate is recognised as other income in the Statement of Comprehensive Income when it is probable that the economic benefits will flow to the company and the revenue and costs can be measured reliably.

Goods and Services Tax

The Statement of Comprehensive Income and the Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Depreciation

Depreciation is provided on Property, Plant and Equipment using the straight-line basis or diminishing-value basis, at rates sufficient to write them off over their expected useful lives.

	Expected Useful Life	Diminishing Value
Buildings (straight line & diminishing value)	10-100 years	5%-7%
Development, Irrigation & Wind Machines (straight line & diminishing value)	2-17 years	6%-10%
Vineyard Equipment (straight line & diminishing value)	2-17 years	6%-48%
Winery Equipment (straight line & diminishing value)	2-34 years	10%-48%
Motor Vehicles(straight line)	4-8 years	-
Office Equipment (straight line & diminishing value)	1-15 years	10%-50%

Depreciation is the difference between the cost and residual value of an asset. No depreciation is provided on land, vines or vine support structures. The basis of depreciation represents the method that best reflects the decline in future economic service potential of the asset class.

Foreign Currency Transactions

The functional and presentation currency is New Zealand dollars (NZD). Foreign currency transactions are translated into NZD using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss within the Statement of Comprehensive Income.

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

Foreign Exchange Contracts

Foreign exchange contracts are initially recognised at fair value on the dates the contracts are entered into and are subsequently re-measured at fair value, as determined by the bank's mark-to-market measurement. Changes in the fair values of these derivative instruments are recognised immediately in profit or loss within the Statement of Comprehensive Income. Hedge accounting has not been applied for foreign exchange contracts.

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, issue new shares or sell assets to reduce debt.

Income Tax

The income tax expense recognised in profit or loss within the Statement of Comprehensive Income is the estimated income tax payable in the current reporting period, adjusted for any differences between the estimated and actual income tax payable in prior periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets are realised or the deferred income tax liability is settled.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts without a right of set off are shown within borrowings in current liabilities in the Statement of Financial Position.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. The collectability of trade receivables is reviewed on an on-going basis. Receivables that are known to be uncollectible are written off. The simplified approach to measure expected credit losses using a lifetime expected credit loss provision under NZIFRS 9 has been applied.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost includes direct materials, labour, and production overheads. Grapes harvested are measured at fair value less estimated point-of-sale costs at point of harvest; this measure is used as the 'deemed cost'. After harvest the grapes are treated as inventory.

Unquoted Equity Investments

NZ IRFS 9 requires all equity investments to be measured at fair value. The company has made the election to classify the Unquoted Equity Investments as at Fair Value through Profit and Loss (FVTPL). Under this category fair value changes and dividends are recognised in profit or loss.

Property, Plant and Equipment

Land, Buildings, Irrigation, Wind Machines, Other Irrigation, Improvements and Non-Biological Trellis have been measured using the revaluation model. This is a change from prior years where they have been shown at cost, less any accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying mount of the asset and the net amount is restated to the revalued amount of the asset. After initial recognition, these assets are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Bearer plants (vines) fall within the scope of NZ IAS 16 Property, Plant and Equipment. The vines have been measured using the revaluation model. Vines are not depreciated as they are held at fair value with residual values not expected to be less than carrying values.

Where the revaluation results in an increase in the carrying amount, the increase is recognised in Other Comprehensive Income and accumulated in equity under Revaluation Reserve. However, the increase is recognised in profit or loss within the Statement of Comprehensive Income to the extent that it reverses a revaluation decrease previously recognised in profit or loss. Where the revaluation results in a decrease in the carrying amount, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus. The grapes produced remain in the scope of NZ IAS 41 Agriculture and are measured at fair value less costs to sell. Grapes are reclassified as inventory upon harvest.

All other property, plant and equipment, including Motor Vehicles, Office Equipment, Vineyard and Winery Assets are shown at cost, less any accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. All other repair and maintenance expenditure is charged to profit or loss within the Statement of Comprehensive Income during the reporting period in which it is incurred.

Intangible Assets

Trademark protection represents the net cost of trademark protection. A trademark has unlimited life because it can be renewed in perpetuity. Trademark protection is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purposes of impairment testing, trademark protection is allocated to cash-generating units. Any impairment is recognised as an expense in profit or loss within the Statement of Comprehensive Income.

The website upgrade has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life (four years). Amortisation is included in cost of sales in the Statement of Comprehensive Income.

Impairment of other assets

The carrying amount of the company's assets, other than inventories, is reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

Financial Assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with NZ IFRS 15, all financial assets are measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the period presented the company does not have any financial assts categorised as FVOCI. The classification is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the Statement of Comprehensive Income are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Impairment of Financial Assets

NZIFRS 9 requires an expected credit loss model. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. NZIFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the company is required to measure the loss allowance for the financial instrument at an amount equal to 12-month expected credit loss. NZIFRS 9 also allows, which the Company has adopted, a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit loss for trade receivables.

Leases

Under NZIFRS 16 any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use.
- The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use

NZIFRS 16 requires the Company to recognize at the lease commencement date, a right-of-use asset and a lease liability on the Balance Sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company. The Company depreciates the right-of-use assets on a straight-line basis. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at year end, discounted using the interest rate implicit in the lease. Subsequent to initial measurement, the liability will be reduced

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

for payments made and increased for interest. The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating loss if it does not.

Financial Liabilities

The company's financial liabilities include borrowings, trade and other payables. Financial Liabilities are initially measured at fair value and where applicable adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in the Statement of Comprehensive Income (other than derivatives financial instruments that are designated and effective as hedge instruments).

All interest related charges and if applicable changes in an instrument's fair value that are reported in the Statement of Comprehensive Income are included within finance costs or finance income.

Trade and Other Payables represent liabilities for goods and services provided to the company prior to the end of the reporting period that are unpaid. Some amounts are secured but all are usually paid within 30 days of recognition.

Employee Benefits

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

Dividends

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

Dividend distributions to the company shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's Directors.

Segment Reporting

Operating segments have been identified based on the information provided to the chief operating decision maker – being the Chief Executive Officer. The company has only a single reporting segment (see note 18).

Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows.

(a) Cash and cash equivalents are considered to be cash on hand and current accounts in banks.

(b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.

(c) Financing activities are those activities that result in changes to the size and composition of the capital structure of the company. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

(d) Operating activities include all transactions and other events that are not investing or financing activities.

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

Changes in Accounting Policies

On 1 July 2023, the Company elected to change the method of accounting for Land, Buildings, Vineyard Development, Irrigation and Wind Machines, classified as property, plant and equipment, as the Company believes that the revaluation model provides more relevant information to the users of its financial statements as it is more reflective of the fair value of these assets based on current market conditions and available valuation techniques. The Company applied the revaluation model prospectively. After initial recognition, these assets are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

All other policies have been applied on bases consistent with those used in the previous reporting period.

NOTE 2: CRITICAL ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

These financial statements are prepared in accordance with NZ IFRS. There are a number of critical accounting treatments that include subjective judgements and estimates that may affect the reported assets and liabilities in the financial statements. Explanations of the judgements and estimates made by the company having the most significant effects on the amounts recognised in the financial statements are set out below.

Fair Value of Property, Plant and Equipment and Vines

The fair value of Land, Buildings, Irrigation, Wind Machines, Other Irrigation, Improvements and Non-Biological Trellis and vines has been reviewed by independent valuation as at 30 June 2024 (Directors valuation of vines at 30 June 2023) to ensure the carrying fair value is appropriate. The principle of the highest and best use as at balance date has been given first consideration in determining the fair value of the vines. The fair value of land and other vineyard infrastructure is deducted from the fair value of the vineyard to determine the fair value of grape vines. Refer note 12.

Fair Value of Agricultural Produce

The Directors carried out an assessment of the fair value per tonne of grapes, which is based on the quality of the grapes produced by the company, with reference to market prices for each variety of grape. This requires judgement and estimation by Directors. Refer note 12.

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

NOTE 3: REVENUE

	2024 $	2023 $
Bottled Wine New Zealand sales	2,674,233	2,949,130
Bottled Wine Export sales	2,213,014	2,519,914
Toast Martinborough Income	66,795	89,114
Food sales	316,707	328,214
Merchandise sales	31,896	25,635
Symphonic Feast Event	-	72,199
Total Revenue	5,302,645	5,984,206

NOTE 4: OTHER INCOME

	2024 $	2023 $
Interest	834	1,358
WET rebate	129,990	148,190
Foreign exchange gain/(losses)	4,687	(1,095)
Depreciation Recovered	14,184	1,522
Other	193,914	134,895
Total other income	343,609	284,870

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

NOTE 5: OPERATING EXPENSES

	2024 $	2023 $
Expenses include the following;		
Depreciation		
Motor vehicles	7,909	13,391
Vineyard equipment	106,785	98,195
Grape harvesting equipment	30,482	30,482
Winery equipment	122,971	106,130
Vineyard development	28	30
Office equipment	48,262	36,749
Buildings	83,260	82,215
Total depreciation	399,697	367,192
Directors' fees	63,000	63,000
Auditor's remuneration		
Audit services	44,151	31,014
Other assurance services*	2,500	2,000

*Other assurance services being the Share Registry Audit.

Employee salary and wages paid during the year totalled $1,680,214 (2023: $1,562,546).

NOTE 6: TAXATION

	2024 $	2023 $
The taxation provision has been calculated as follows:		
Profit/(Loss) before taxation	(1,398,889)	(125,966)
Taxation on profits for the year@28% (2023 28%)	(391,689)	(35,270)
Non-Deductible Expenses	3,854	28,124
Tax Adjustments	(14,648)	-
Taxation charge as per the Statement of Comprehensive Income	(402,483)	(7,146)
Represented by:		
Current income tax	-	114,634
Deferred income tax	(402,483)	(121,780)
	(402,483)	(7,146)

DEFERRED TAX

	2024 $	2023 $
Opening balance	839,692	961,472
Charged to Revaluation Reserve	153,529	-
(Reversal)/Origination temporary differences	(402,483)	(121,780)
Closing balance	590,738	839,692
The deferred tax closing balance comprises the following temporary differences:		
Tax Losses	(49,261)	-
Provisions/Accruals	(30,284)	(12,684)
Property, Plant & Equipment (Including Vines)	864,670	1,025,858
Inventory	(194,387)	(173,482)
Closing Balance	590,738	839,692

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

NOTE 7: 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 during the reporting period. No financial instruments have been issued by the company that would dilute the shares currently on issue.

	2024 $	2023 $
Total Profit/(Loss) after taxation	(996,405)	(118,820)
Weighted average number of ordinary shares	4,216,734	4,216,734
Earnings per share (Basic=Diluted) cents	(23.63)	(2.82)

NOTE 8: TRADE AND OTHER RECEIVABLES

	2024 $	2023 $
Trade receivables	573,839	612,038
Receivables from related parties	-	380
Employee loans	1,170	1,285
Other receivables	148,327	183,736
Current trade and other receivables	723,336	797,439
Non-current portion of employee loans	836	2,006
	724,172	799,445
Neither past due nor impaired	684,244	798,780
Past due but not impaired*	38,121	665
Individually impaired	1,807	-
	724,172	799,445
*Past due debtors		
0-30 days	30,776	339
31-60 days	2,331	2,808
Greater than 60 days	6,821	(2,482)
	39,928	665

The current lifetime expected credit loss from trade receivables is nil (2023: nil).

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

NOTE 9: FORWARD CURRENCY CONTRACTS

	2024 $	2023 $
Unrealised gains on forward contracts	2,531	(547)

The fair value is measured by the ANZ bank's determination of the 30 June mark-to-market values.

The company has contracts to buy USD 91,935 (2023: 17,696) and AUD 9,049 (2023: 20,400).

NOTE 10: STOCK ON HAND

	2024 $	2023 $
Stock on hand comprises:		
Finished stock	1,687,548	1,708,503
Bulk wine	2,145,381	1,851,457
Dry stock	161,554	256,960
	3,994,483	3,816,920

Inventories recognised as an expense during the year amounted to $2,305,619 (2023: $2,545,077).

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2024 $	2023 $
Land	10,200,000	2,637,992
Land – Subdivision Work in Progress	14,679	7,004
Buildings	2,295,000	1,829,941
Building Addition – Work in Progress	57,738	38,471
Winemaking equipment	462,792	477,423
Vineyard development, irrigation & wind machines	1,852,000	2,354,544
Grape harvesting equipment	13,148	43,630
Vineyard equipment	504,679	551,797
Vehicles	4,898	12,806
Vines	2,880,000	3,289,745
Office and cellar sales equipment	218,783	218,000
Total	18,503,717	11,461,353

Refer to note 20 for the key assumptions used for the revaluation completed.

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

NOTE 11: PROPERTY, PLANT AND EQUIPMENT, cont.

30 June 2024	Land (revaluations) $	Buildings (revaluations) $	Winemaking Equip't (cost) $	Vineyard Develop (revaluations) $	Grape Harvesting Equip't (cost) $	Vineyard Equip't (cost) $
Opening cost	2,637,992	3,211,425	3,216,503	2,385,468	358,611	3,012,683
Transfer	-	-	-	1,322,017	-	(1,322,017)
Opening accumulated revaluation	-	-	-	-	-	-
Transfer	-	-	-	(1,128,433)	-	1,128,433
Opening accumulated depreciation	-	(1,381,484)	(2,739,080)	(30,925)	(314,981)	(2,460,886)
Opening net book value	2,637,992	1,829,941	477,423	2,548,128	43,630	358,213
Additions	-	-	108,342	77,000	-	230,064
Revaluation this year	7,562,008	548,319	-	(739,098)	-	-
Net disposal	-	-	-	-	-	(10,816)
Depreciation	-	(83,260)	(122,971)	(34,030)	(30,482)	(72,782)
Closing net book value	10,200,000	2,295,000	462,794	1,852,000	13,148	504,678
Closing cost	2,637,992	3,211,425	3,324,845	3,784,486	358,611	1,909,914
Closing accumulated revaluation	7,562,008	548,319	-	(739,098)	-	-
Closing accumulated depreciation	-	(1,464,744)	(2,862,051)	(1,193,388)	(345,463)	(1,405,235)
Closing net book value	10,200,000	2,295,000	462,794	1,852,000	13,148	504,678

30 June 2023	Land (revaluations) $	Buildings (revaluations) $	Winemaking Equip't (cost) $	Vineyard Develop (revaluations) $	Grape Harvesting Equip't (cost) $	Vineyard Equip't (cost) $
Opening cost	2,637,992	2,860,572	3,105,069	2,385,468	358,611	2,843,080
Opening accumulated revaluation	-	-	-	-	-	-
Opening accumulated depreciation	-	(1,299,269)	(2,632,950)	(30,896)	(284,499)	(2,362,691)
Opening net book value	2,637,992	1,561,303	472,119	2,354,573	74,112	480,389
Additions	-	350,853	111,434	-	-	169,603
Revaluation this year	-	-	-	-	-	-
Net disposal	-	-	-	-	-	-
Depreciation	-	(82,215)	(106,130)	(30)	(30,482)	(98,195)
Closing net book value	2,637,992	1,829,941	477,423	2,354,544	43,630	551,797
Closing cost	2,637,992	3,211,425	3,216,503	2,385,468	358,611	3,012,683
Closing accumulated revaluation	-	-	-	-	-	-
Closing accumulated depreciation	-	(1,381,484)	(2,739,080)	(30,925)	(314,981)	(2,460,886)
Transfer to buildings	-	-	-	-	-	-
Closing net book value	2,637,992	1,829,941	477,423	2,354,544	43,630	551,797

NOTE 11: PROPERTY, PLANT AND EQUIPMENT, cont.

30 June 2024	Vehicle (cost) $	Vines (revaluations) $	Office & Cellar Sales Equipment (cost) $	Building Work in Progress (cost) $	Land Work in Progress (cost) $	Total $
Opening cost	92,934	3,231,282	512,955	38,471	7,004	18,705,330
Transfer	-	-	-	-	-	-
Opening accumulated revaluation	-	58,463	-	-	-	58,463
Transfer	-	-	-	-	-	-
Opening accumulated depreciation	(80,127)	-	(294,957)	-	-	(7,302,440)
Opening net book value	12,807	3,289,746	217,999	38,471	-	11,461,353
Additions	-	18,457	49,045	19,266	7,675	509,848
Revaluation this year	-	(428,201)	-	-	-	6,943,028
Net disposal	-	-	-	-	-	(10,816)
Depreciation	(7,909)	-	(48,262)	-	-	(399,696)
Closing net book value	4,897	2,880,000	218,782	57,738	14,679	18,503,717
Closing cost	92,934	3,249,739	562,000	57,737	14,679	19,204,362
Closing accumulated revaluation	-	(369,738)	-	-	-	7,001,491
Closing accumulated depreciation	(88,036)	-	(343,218)	-	-	(7,702,136)
Closing net book value	4,898	2,880,000	218,783	57,738	14,679	18,503,717

30 June 2023	Vehicle (cost) $	Vines (revaluations) $	Office & Cellar Sales Equipment (cost) $	Building Work in Progress (cost) $	Land Work in Progress (cost) $	Total $
Opening cost	92,934	3,226,178	432,853	319,129	-	18,261,886
Opening accumulated revaluation	-	58,463	-	-	-	58,463
Opening accumulated depreciation	(66,736)	-	(258,206)	-	-	(6,935,247)
Opening net book value	26,198	3,284,641	174,647	319,129	-	11,385,102
Additions	-	5,105	80,103	70,195	7,004	794,296
Revaluation this year	-	-	-	-	-	-
Net disposal	-	-	-	(350,853)	-	(350,853)
Depreciation	(13,391)	-	(36,749)	-	-	(367,191)
Closing net book value	12,806	3,289,745	218,000	38,471	7,004	11,461,353
Closing cost	92,934	3,231,282	512,955	389,323	7,004	19,056,181
Closing accumulated revaluation	-	58,463	-	-	-	58,463
Closing accumulated depreciation	(80,127)	-	(294,956)	-	-	(7,302,439)
Transfer to buildings	-	-	-	(350,853)	-	(350,853)
Closing net book value	12,806	3,289,745	218,000	38,471	7,004	11,461,353

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

NOTE 12: BIOLOGICAL ASSETS

	2024 $	2023 $
Carrying amount of Vines if cost model had been used	1,701,430	1,832,791
Number of vines owned	184,165	184,165
Tonnes of grapes crushed – own vineyards	403	325

The fair value of grapes harvested at point of harvest has been determined by the Board and management with reference to market prices and consideration of the quality of the harvested grapes.

The fair value less estimated point-of-sale costs of grapes harvested during the period, determined at point of harvest, is $1,403,214 (2023: $993,375).

WORK IN PROGRESS

	2024 $	2023 $
	263,871	311,991

Work in progress comprises vineyard expenses incurred to reporting date that relate to capitalised costs associated with the subsequent seasons harvest.

NOTE 13: INTANGIBLE ASSETS

	Trademark Protection $	Website $	Total $
30 June 2024			
Opening cost	48,345	58,853	107,198
Opening accumulated amortisation	-	(51,778)	(51,778)
Opening net book value	48,345	7,075	55,421
Additions	-	-	-
Net disposals	-	-	-
Amortisation	-	(4,043)	(4,043)
Closing net book value	48,345	3,032	51,378
Closing cost	48,345	58,853	107,198
Closing accumulated amortisation	-	(55,821)	(55,821)
Closing net book value	48,345	3,032	51,377
30 June 2023			
Opening cost	48,345	58,853	107,198
Opening accumulated amortisation	-	(47,735)	(47,735)
Opening net book value	48,345	11,118	59,464
Additions	-	-	-
Net disposals	-	-	-
Amortisation	-	(4,043)	(4,043)
Closing net book value	48,345	7,075	55,421
Closing cost	48,345	58,853	107,198
Closing accumulated amortisation	-	(51,778)	(51,778)
Closing net book value	48,345	7,075	55,421

NOTE 14: TRADE AND OTHER PAYABLES

	2024 $	2023 $
Trade creditors	331,983	489,349
Related party payables	79,170	55,843
Other payables	140,727	131,106
	551,880	676,298

NOTE 15: TERM LOAN

	2024 $	2023 $
Current portion of term loan		
ANZ Term Loan	-	-
	-	-

During the 2024 year the company entered into a ANZ Business Plus Loan Agreement. The facility limit is $850,000 with a facility term date of 31 March 2026 . Repayment is currently interest only.

Bank Securities

The ANZ Bank holds the following securities:

- First charge registered mortgage over 12.0395ha
- Debenture (priority amount $1,800,000)
- Specific Security Agreement over plant & equipment.

The company is not subject to the maintenance of any external financial covenants.

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

NOTE 16: FINANCE LEASE LOANS

	2024 $	2023 $
Current portion of finance lease		
AGCO Finance	56,276	35,479
	56,276	35,479

During the 2022 year the company entered into a Finance Lease with AGCO Finance for a Fendt 211V Tractor.
The repayment period is 36 months with monthly repayments of $2,984.72. Interest cost is .99%p.a.

During the 2023 year the company entered into a Finance Lease with AGCO Finance for a Fendt 209V G3 Tractor.
The repayment period is 36 months with monthly repayments of $3,704.37. Interest cost is 3.99%p.a.

NOTE 17: SHARE CAPITAL

	2024	2023	2024	2023
	number		$	$
Opening share capital	4,216,734	4,216,734	6,491,435	6,491,435
Share capital issued	-	-	-	-
Closing share capital	4,216,734	4,216,734	6,491,435	6,491,435

All the shares above are of an identical class. Dividend entitlements are attached on a proportionate basis to the extent to which the shares have been paid.

All ordinary shares rank equally, with one vote attached to each fully paid ordinary share. None of the above shares are held by the company. The shares have no par value.

There were no shares issued during the year.

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

NOTE 18: SEGMENTAL REPORTING

Palliser Estate Wines of Martinborough Limited operates as a single reportable segment, its business being to produce and sell wines from grapes grown in New Zealand. All the company's costs and assets are managed at a company wide level.

Revenue from external customers has been identified on the basis of the customers' geographical locations.

	2024 $	2023 $
New Zealand	2,674,233	2,949,130
Australia	695,595	660,127
United States America	595,392	416,936
United Kingdom	70,998	439,588
Denmark	79,340	96,367
Korea	287,367	263,795
United Arab Emirate	47,900	85,231
Hong Kong	88,379	140,784
Canada	25,102	62,190
Japan	67,494	50,450
Netherlands	52,025	100,905
Switzerland	38,846	59,076
Other	164,576	144,465
Total	4,887,247	5,469,044

All non-current assets are located in New Zealand.

Revenues from transactions with single external customers that amounted to 10% or more of revenue.

	2024 $	2023 $
Customer A	1,007,279	1,246,981
Customer B	507,073	-

NOTE 19: IMPUTATION CREDIT ACCOUNT

Imputation credits available for distribution to shareholders as at 30 June.

	2024	2023
	$	$
Amount available as at 1 July	2,578,975	2,646,054
Net movement during the reporting period	109,859	(67,079)
Amount available as at 30 June	2,688,834	2,578,975

NOTE 20: FINANCIAL INSTRUMENTS

2024	Financial Assets at Amortised Cost $	Financial Assets at Fair Value through Profit and Loss $	Total $
Cash and cash equivalents	21,205	-	21,205
Trade and other receivables	724,172	-	724,172
Investments	-	7,038	7,038
Forward Currency Contracts	-	2,531	2,531
Total Financial Assets	**745,377**	**9,569**	**754,945**

	Financial Liabilities at Fair value through Profit or Loss $	Financial Liabilities at Amortised Cost $	Total $
Bank Overdraft	-	16,883	16,883
Trade and other payables	-	551,880	551,880
Term Loans	-	856,204	856,204
Finance Lease Loans	-	110,391	110,391
Total Financial Liabilities	**-**	**1,535,357**	**1,535,357**

2023	Financial Assets at Amortised Cost $	Financial Assets at Fair Value through Profit and Loss $	Total $
Trade and other receivables	799,445	-	799,445
Investments	-	7,039	7,039
Total Financial Assets	**799,445**	**7,039**	**806,484**

	Financial Liabilities at Fair value through Profit or Loss $	Financial Liabilities at Amortised Cost $	Total $
Bank Overdraft	-	272,209	272,209
Trade and other payables	-	505,148	505,148
Finance Lease Loans	-	50,361	50,361
Forward exchange contracts	547	-	547
Total Financial Liabilities	**547**	**827,718**	**828,265**

The following table presents financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair values of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy as follows:

2024	Level 1 $	Level 2 $	Level 3 $
Current Assets			
Forward Currency Contracts	-	2,531	-
Investments			
Unquoted equity instruments	-	-	7,038
Property Plant and Equipment			
Vines	-	2,880,000	-
Land, Buildings, Other Improvements	-	13,847,000	500,000
Net Fair Value	**-**	**16,729,531**	**507,038**

2023	Level 1 $	Level 2 $	Level 3 $
Investments			
Unquoted equity instruments	-	-	7,039
Property Plant and Equipment			
Vines	-	-	3,289,745
Current Liabilities			
Forward Currency Contracts	-	(547)	-
Net Fair Value	**-**	**(547)**	**3,296,784**

Land, Buildings (excluding the Coolstore, 17 Broadway Street, Martinborough), Vineyard Development, Irrigation, Wind Machines and Vines have been revalued to their estimated market value. The fair value of these was determined by an independent valuer, Boyd A Gross, Logan Stone. The valuation was dated 14 June 2024.

The valuer considers three different approaches to arrive at the fair values:

1. Market Approach - Sales comparison – considers sales of other comparable properties
2. Cost or Depreciated Replacement Cost Approach – this uses the market approach for land and then considers the cost to replace the buildings and other improvements less an appropriate allowance for depreciation. It has been based on the budgeted costs to construct the winery and has been compared to other actual winery builds, expansions and winery support buildings that have occurred throughout Marlborough and Hawke's Bay.
3. Income Approach - Discounted Cash Flow – this method requires a forecast of the periodic net cashflow and is discounted at a market derived rate that reflects the risk, opportunity, cost of capital and the investor desired returns to compute its present value. The valuer allowed for a cashflow timeframe of 18 years with a terminal value assessed at expiry, if applicable.

Other influencing factors were location, improvements, varieties, industry conditions, size, organic philosophies, market depth. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The independent valuation for fair value of the assets valued was $16.7m, comprising land $9.8m, buildings $2.2m, vines $2.9, other $1.8m. These assets are carried at fair value in the financial statements (2023: These assets (excluding vines) are carried at historical cost in the financial statements.

The Coolstore at 17 Broadway Street Martinborough was not externally reviewed and was subjected to a desktop fair value assessment by the Directors which resulted in the fair value to be $500,000 at 30 June 2024.

a) Nature of activities and management policies with respect to financial instruments.

Credit Risk

In the normal course of business, the company incurs credit risk from trade receivables, transactions with financial institutions and employee loans. The company does not require collateral or security to support financial instruments. The company does not expect the non-performance of any obligations at the reporting date. The maximum credit risk is the carrying value of the financial asset.

Foreign Exchange Risk

Forward exchange contracts are entered into to manage foreign exchange risk on future sales receipts as a result of adverse foreign exchange fluctuations. The company is not using hedge accounting for any contracts outstanding at the reporting date. While foreign exchange rates do impact New Zealand dollar sales receipts, the company is not materially exposed to exchange gains and losses over the short term. The company has reasonable geographical diversity to spread foreign exchange risk and accounts receivable are collected promptly.

Liquidity Risk

Liquidity risk is the risk arising from the company not being able to meet its obligations. The company manages its liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial liabilities.

The table below summarises the company's exposure to foreign currency exchange rate risk as at period end. Included in the table are the company's financial instruments at carrying amounts, categorised by currency.

Notes to the Financial Statements for the Year Ended 30 June 2024 *cont.*

2024	Total $	NZD $	AUD $	GBP $	EURO $	USD $
Cash and Cash Equivalents	21,205	4,071	23	50	4,099	12,962
Trade and Other Receivables	724,172	237,927	221,953	70,998	-	193,294
Investments	7,038	7,038	-	-	-	-
Forward Exchange Contracts	2,569	-	-	-	-	2,569
Total Financial Assets	**754,983**	**249,037**	**221,976**	**71,047**	**4,099**	**208,824**
Bank Overdraft	16,883	16,883	-	-	-	-
Finance Lease Loans	110,391	110,391	-	-	-	-
Forward Exchange Contracts	38	-	38	-	-	-
Trade and Other Payables	551,880	529,084	13,244	-	9,552	-
Term Loans	856,204	856,204	-	-	-	-
Total Financial Liabilities	**1,535,394**	**1,512,561**	**13,281**	**-**	**9,552**	**-**
Net Financial Position	**(780,411)**	**(1,263,524)**	**208,695**	**71,047**	**(5,453)**	**208,824**

2023	Total $	NZD $	AUD $	GBP $	EURO $	USD $
Trade and other receivables	799,445	558,468	191,650	-	-	49,327
Investments	7,039	7,039	-	-	-	-
Total Financial Assets	**806,484**	**565,507**	**191,650**	**-**	**-**	**49,327**
Bank Overdraft	272,207	301,026	(416)	(50)	-	(28,352)
Finance Lease Loans	50,361	50,361	-	-	-	-
Forward exchange contracts	547	-	(256)	-	-	803
Trade and other payables	505,148	501,647	3,501	-	-	-
Total Financial Liabilities	**828,263**	**853,034**	**2,829**	**(50)**	**-**	**(27,549)**
Net Financial Position	**(21,780)**	**(287,527)**	**188,821**	**50**	**-**	**76,875**

Price Risk

Palliser is exposed to price risk as a result of the competitive market steering the selling price of wine. If sales prices were to fall by 5% or increase by 5% then this would have the following impact:

	2024 $	2023 $
Actual Revenue	5,302,645	5,984,206
5% Decrease	5,037,512	5,684,996
5% Increase	5,567,777	6,283,417

b) Fair Values

The estimated fair values of the company's financial assets and liabilities approximate their carrying values.

NOTE 21: RISK MANAGEMENT STRATEGIES RELATED TO AGRICULTURE ACTIVITY

Frost protection is provided on all vineyards to protect against the risk of crop loss or damage due to frosts. An established programme is run to reduce and mitigate the effects of diseases, weeds and other pests on the health and production of the vines.

NOTE 22: RISK SENSITIVITY

The table below summarises the pre-tax sensitivity of financial assets and liabilities to changes in the key risk variable, being currency risk. This details movement in profit or loss within the Statement of Comprehensive Income given a 10% shift in the NZD against all currencies held. The 10% sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates.

2024	Carrying Amount $	Currency Risk -10%	10%
Cash and cash equivalents	4,322	1,904	1,558
Trade and other receivables	724,172	43,762	53,487
Investments	7,038	-	-
Forward Exchange Contracts	2,531	17,886	14,634
Total Financial Assets	738,063	63,551	69,678
Trade and other payables	551,880	1,792	2,190
Term Loan	856,204	-	-
Finance Lease Loans	110,391	-	-
Total Financial Liabilities	1,518,474	1,792	2,190
Net Financial Position	**(780,411)**	**61,759**	**67,488**

2023	Carrying Amount $	Currency Risk -10%	10%
Trade and other receivables	799,445	32,182	(26,331)
Investments	7,039	-	-
Total Financial Assets	806,484	32,182	(26,331)
Bank Overdraft	272,209	3,202	(2,620)
Trade and other payables	505,148	423	(346)
Forward exchange contracts	547	7,887	(6,453)
Finance Lease Loans	50,361	-	-
Total Financial Liabilities	828,265	11,512	(9,419)
Net Financial Position	**(21,782)**	**20,670**	**(16,912)**

NOTE 23: MATURITY ANALYSIS

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equals their carrying values as the impact of discounting is not significant.

2024	less than 6 months $	6 - 12 months $	greater than 12 months $
Trade and other payables	550,568	641	671
Term Loans	-	-	856,204
Finance Lease Loans	35,373	20,903	54,115
Total Financial Liabilities	**585,941**	**21,544**	**910,989**

2023	less than 6 months $	6 - 12 months $	greater than 12 months $
Trade and other payables	504,282	866	-
Finance Lease Loans	17,695	17,783	14,883
Total Financial Liabilities	**521,977**	**18,649**	**14,883**

NOTE 24: RELATED PARTY TRANSACTIONS

The company purchased fuel, road user charges, vehicle maintenance and other minor purchases from Martinborough Automotive 2020 Limited, of which Ms P M Goodwin's husband is related. These transactions amount to $10,370 (2023: $8,432).

During the year the company reimbursed Mr J D Auld travel and other expenses of $2,562 (2023: $2,019).

During the year there were shareholder sales of $567,963 (2023: $585,798).

	2024 $	2023 $
Trade and other receivables include:		
Key management personnel	-	380
Other related parties	-	-
Trade and other payables include:		
Key management personnel	62,719	53,673
Other related parties	15,930	2,170

	2024 $	2023 $
Key Management Compensation		
Short-term employee benefits	444,703	370,220
Directors Fees	63,000	63,000

NOTE 25: COMMITMENTS

There were no commitments for capital expenditure at the reporting date (2023: Nil).

NOTE 26: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities or contingent assets are known to exist at the reporting date (2023: Nil).

NOTE 27: DIVIDEND

For the reporting date there was no dividend declared by the Board of Directors (2023: No dividend declared).

NOTE 28: MANAGING CAPITAL

Management's objective is to ensure the company continues as a going concern and to maintain optimal returns to shareholders and benefits for other stakeholders. The company aims to maintain a capital structure which provides flexibility to enable future growth.

NOTE 29: RECONCILIATION OF CASHFLOWS FROM FINANCING ACTIVITIES

The changes in the company's liabilities arising from financing activities can be classified as follows;

2024	**Employee Loans**	**Term Loan**	**Leases**
	$	**$**	**$**
Liability at 1 July 2023	(3,291)	-	50,361
Finance Lease Loan Advanced			149,829
Bank Loans Issued		856,204	
Finance Lease Loan Repaid			(89,800)
Employee Loans Repaid	1,285		
Balance at 30 June 2024	(2,005)	856,204	110,391

2023	**Employee Loans**	**Term Loan**	**Leases**
	$	**$**	**$**
Liability at 1 July 2022	(5,922)	-	85,491
Finance Lease Loan Repaid			(35,129)
Employee Loans Repaid	2,632		
Balance at 30 June 2023	(3,291)	-	50,361

Comparative Financial Review for the Years Ending 30 June 2024

	2024	2023	2022	2021	2020
	'000	'000	'000	'000	$'000
Income Statement Data					
Total Sales Revenue	5,303	5,984	5,150	5,067	3,995
Surplus from Operations	1,396	1,631	1,371	1,346	1,611
Taxation	(402)	(7)	73	(28)	(458)
Net Surplus/(Deficit) for the Year	6,902	(119)	211	23	877
Earnings per Share (cents)	(23.63)	(2.82)	5.01	0.55	20.80
Dividends per Share (cents)	-	-	-	5.00	20.00
Statement of Financial Position Data					
Current Assets	5,011	4,958	5,202	5,244	5,047
Current Liabilities	631	1089	986	908	467
Working Capital Ratio	7.94	4.55	5.28	5.78	10.81
Non-Current Assets	18,563	11,526	11,455	11,014	11,135
Total Assets	23,574	16,483	16,657	16,257	16,182
Non-Current Liabilities	1,501	855	1,012	920	1,080
Total Liabilities	2,132	1,944	1,998	1,828	1,547
Total Shareholder's Equity	21,442	14,540	14,659	14,430	14,635
Net Surplus/(Deficit) % of Shareholder's Equity	32.19%	-0.82%	1.44%	0.16%	5.99%
Total Loans	967	50	85	2	6
Gearing Ratio % [1]	4.10%	0.30%	0.51%	0.01%	0.04%
Shareholder's Equity % of Total Assets	90.96%	88.21%	88.01%	88.76%	90.44%
Number of Shares at year end	4,216,734	4,216,734	4,216,734	4,216,734	4,216,734

Notes:

[1] Gearing Ratio is Total Loans as a percentage of Total Liabilities plus Total Shareholders Equity

Statutory Information for the Year Ended 30 June 2024

1. CHANGES IN CAPITAL

There was no change in capital during the year.

2. DIVIDEND

For the reporting date there was no dividend declared by the Board of Directors.

3. DIRECTORS

In accordance with the company's constitution, S Tyler retires by rotation and, being eligible, offers themself for re-election to the Board.

4. AUDITOR

In accordance with Section 200 of the Companies Act 1993, the auditor, Grant Thornton, continues in office.

5. INTERESTS REGISTER

Transactions

Various related party transactions were conducted during the year as more particularly described in Note 24 on page 61 of the annual report.

The company has Directors' and Officers' Liability Insurance.

Loans to Directors

There were no loans by the company to Directors.

Statutory Information for the Year Ended 30 June 2024

6. DIRECTORS' REMUNERATION

The shareholders approved Directors' fees not exceeding $63,000 per annum to be divided amongst the Directors. During the year the Board of Directors approved the following remuneration for the Directors of the Company:

	2024	2023
A R Meehan	21,356	21,356
S R Tyler	13,881	13,881
J D Auld	13,881	13,881
S L Meikle	13,881	13,881

7. EMPLOYEES' REMUNERATION

Remuneration and other benefits of $100,000 or more received by employees in their capacity as employees were as follows:

	No. of Employees
$110,001-$120,000	2
$170,001-$180,000	1
$220,001-$230,000	1

8. SHAREHOLDING BREAKDOWN

Shareholding as at 30 June 2024	Number of Shareholders	Total Shares Held	% of Share Capital
1-9,999	195	921,620	21.86%
10,000-49,999	45	762,699	18.09%
50,000-99,999	5	402,766	9.55%
100,000-499,999	8	2,129,649	50.50%
	253	4,216,734	100.0%

Statutory Information for the Year Ended 30 June 2024

9. DIRECTORS' SHAREHOLDING

Shares held at 30 June 2024 (including beneficial interests):

A R Meehan	16,190	shares fully paid
S R Tyler	6,000	shares fully paid
J D Auld	5,000	shares fully paid
S L Meikle	1,000	shares fully paid

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Palliser Vineyard team enjoying some rare down-time: Clayton, Rachel, Huia, Guy, Christine, and Ivor