PALLISER ESTATE

ANNUAL REPORT YEAR ENDING 30 JUNE 2023

Directory

Directors	A R Meehan, ONZM, Chairman S R Tyler J D Auld S L Meikle
Chief Executive Officer	P M Goodwin
Winemaker and Viticulturist	M G D McMaster
Share Registry	Computershare Investor Services Limited Level 2, 159 Hurstmere Road Takapuna, Auckland 0622
Registered Office and Address for Service	Lawson Avery Limited Chartered Accountants 11 Cole Street PO Box 145 Masterton 5810
Banker	ANZ
Auditor	Grant Thornton New Zealand Audit Limited
Solicitor	Morrison Kent

Contents

Index for Notes to Financial Statements

The Festival Crowd, Toast Martinborough 2022 at Palliser Estate

FINANCIALS

Revenue:	$5.98m	▲	16%	2022
Gross Profit:	$1.63m	▲	19%	2022
Operating Profit:	$422k	▲	58%	2022

SALES

Domestic			Export		
13,895 cases	▼	16%	20,772 cases	▲	29%
$3.04m	▼	1%	$2.52m	▲	35%

SALES BY MARKET

22%	NZ Negociants	$1.3m	12%	▼	8%	UK	$0.44m	91%	▲
32%	NZ Direct	$1.8m	7%	▲	4%	South Korea	$0.26m	4%	▲
8%	Australia Negociants	$0.44m	36%	▲	7%	USA	$0.37m	74%	▲

Palliser Estate Single Vineyard Hua Nui Pinot Noir

2023 VINTAGE BREAKDOWN

329 Tonnes		25%	▼	~26,500 cases *	
Riesling	9T	22%	▼	570 cases	2%
Pinot Gris	28T	37%	▼	2,450 cases	9%
Chardonnay	41T	43%	▼	2,350 cases	9%
Pinot Noir	95T	33%	▼	3,550 cases	14%
Sauvignon Blanc	156T	6%	▼	13,850 cases	52%
Bubbly				1,330 cases	5%
Rosé				2,400 cases	9%

* Bought in bulk wine to ensure demand could be met

Decanter World Wine Awards 2023

Widely regarded as the most esteemed wine competition in the world, attracting over 18,500 entries from top wineries across the globe. A panel of highly respected international experts blind-tasted and assessed wines against a rigorous judging process, awarding Palliser Estate's 'Hua Nui' Pinot Noir 2021 the highest recognition of a Best in Show, the only New Zealand wine to receive this accolade this year.

This exceptional achievement reaffirms Palliser Estate's commitment to sustainably producing world-class wines that showcase the unique terroir of the region.

World Class Wines, Palliser Estate Single Vineyard Om Santi Chardonnay and Hua Nui Pinot Noir

Directors' and Chief Executive's Report for the Year Ended 30 June 2023

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 2023.

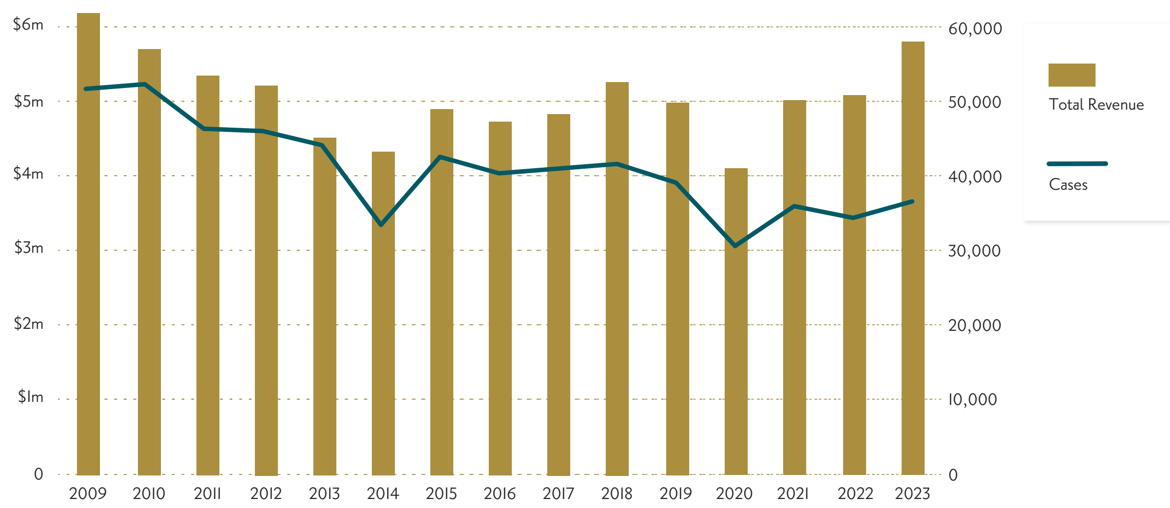
FINANCIAL PERFORMANCE

2022/23 was a year of achievements and milestones as we continued our rebuilding journey. We're pleased with our progress on matters over which we had direct control, but less so with those we didn't, including the impacts of climate change on our harvest for the second year in a row.

Sales

We're delighted to report that revenue from our sales in 2022/23 was the highest in 15 years and the fourth highest in Palliser's history. This achievement can be attributed to the success of the sales strategy we implemented seven years ago and the outstanding efforts of our sales team, led by Global Sales Manager Sandy Moore.

The effects of this can be seen in the graph below – a stabilisation of sales in 2016, then a steady increase until COVID-19 derailed progress somewhat in 2020 and to a lesser extent in 2021.



The graph also demonstrates the value of our premium business model: although case sales are down (largely due to a drop in supply), the dollar values are well up. This is a much more profitable and sustainable model for a business of our size and based in Martinborough, where yields are typically lower, and our costs of production are therefore higher.

Export sales were strong for the year, up 35% on 2022 and are now back to pre-Covid levels. New Zealand sales were 1% down on last year, due mainly to our New Zealand distributor underperforming, with Palliser sales to the distributor down 12% on 2022 and $384,500 below targets for the year. This was driven by the volume lower tier wines and the supermarket channel where our sales were down.

Profitability and cash position

With revenue from sales up, so too was profitability, and we're pleased to report a profit (before tax and adjustments) of $421,928. Although this is slightly below our target for the year, it's a 58% increase on last year and the highest reported in 10 years. This is a clear endorsement of the strategy we launched seven years ago.

However, while it was a pleasing result, the incredibly wet and challenging season resulted in a low yield and a significant write-down of $547,894 on the fair value of the fruit – which in turn meant a reduction in our trading profit to a loss of $125,966. Unfortunately this was beyond our control, as the International Financial Reporting Standard 2 requires stock on hand to be valued at the lower of cost and market value.

While the write-down was a non-cash item, the result was still extremely disappointing for the team as it distorted our real progress in growing the value of Palliser Estate. It does however allow for normalised trading results in subsequent years. It's akin to ripping the plaster off in one go.

Although we are tracking in the right direction with sales and profitability, cashflow remains a challenge as we need to continue to re-invest in the business to realise our value targets and increase the value of our business for you, our shareholders. In the past four years we have invested $2.9 million in capital expenditure, paid out $1.1 million in dividends and had to buy in unexpected bulk wine due to two poor harvests in a row.

Until now, we've self-funded all our capital expenditure. However, to ensure that we can continue to invest in the business and increase its value (which is clearly happening), the Board has decided to use bank funding for the next one or two years. We are also in the process of submitting a request to the South Wairarapa District Council to subdivide some of our vineyard land which we consider not as suitable for premium wine production. If this is successful, we may decide to sell some of these sections to realise some cash and to help continue to fund our premiumisation strategy.

Directors' and Chief Executive's Report for the Year Ended 30 June 2023 *cont.*

HIGHLIGHTS AT A GLANCE

- At the prestigious Decanter World Wine Awards 2023, our 2021 Hua Nui Pinot Noir won 'Best in Show' (with Palliser being the only New Zealand winery to receive a Best in Show award this year), and the Pinot Noir and our Single Vineyard Om Santi Chardonnay 2021 received Platinum Awards with 97 points (only five New Zealand wines won these awards). With more than 18,500 entries to these prestigious global awards, these were significant achievements that reflected the expertise of our winery and vineyard teams, and the commitment of winemaker and viticulturist Guy McMaster and his team to producing organic fruit of the highest quality.
- Our revenue of $5.66 million (excluding food sales) was up 14% on last year, the highest in 15 years and the fourth highest in Palliser's history.
- We increased our per-case price by $11 (from $152 to $163). The price has increased by $46 per case (40%) since 2015, well above the rate of inflation.
- Our profit (before tax and adjustments) was up 58% on last year and the highest in 10 years.
- We bottled our first BioGro certified organic wines (Hua Nui Pinot Noir and Om Santi Chardonnay) from the 2022 vintage.
- The Cellar Door revenue continue to grow, recording our highest ever sales figure, and up 23% on 2022.
- Estate Club membership increased by 15%, and revenue by 53%.
- The 2023 Toast Martinborough event was among our most successful and included a winning collaboration with Nadia Lim and Carlos Bagrie. Revenue was up 48% on the 2019 (pre-COVID-19) event.
- Our unique and highly successful Symphonic Feast event was re-launched jointly with Morrison & Co, in conjunction with the New Zealand Symphony Orchestra.
- In line with our premiumisation strategy to build our brand profile and grow our presence in the Auckland market, we established new roles of Marketing Manager and Auckland Brand Ambassador.
- Palliser was selected as a finalist in the 2023 Wellington Gold Awards, which "celebrate excellence and enterprise of businesses in the Greater Wellington Region".

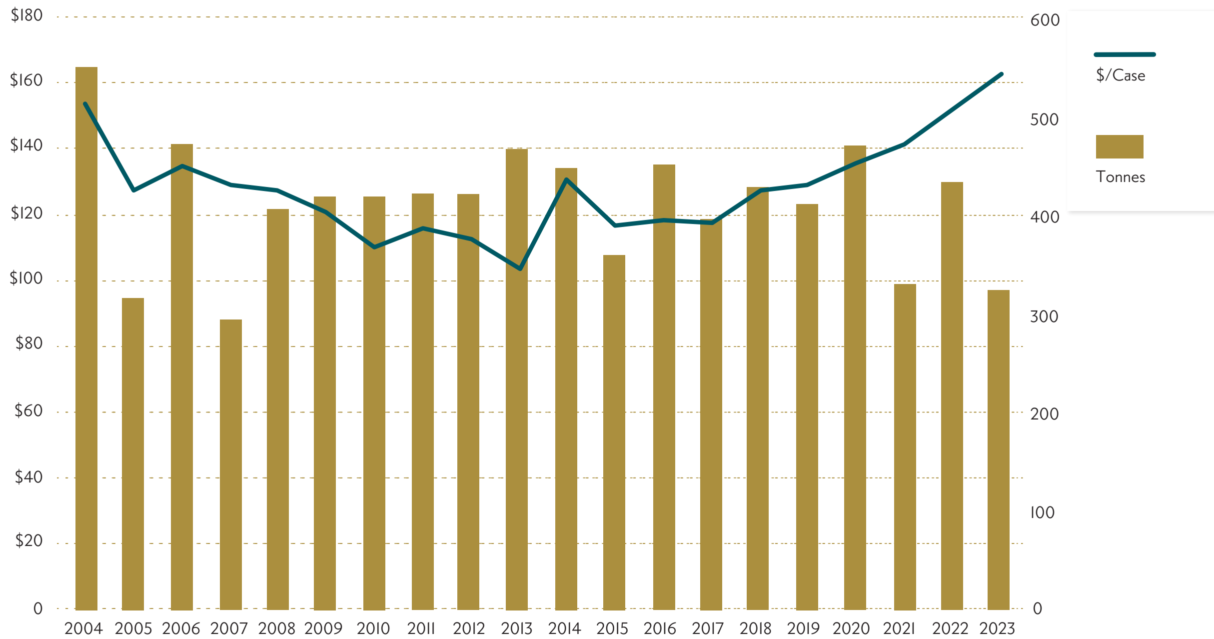
Directors' and Chief Executive's Report for the Year Ended 30 June 2023 *cont.*

2023 VINTAGE REPORT

After the unseasonably wet 2022 season, we were hoping to return to some normality with a warm and dry 2023. Unfortunately, that was not to be, as we experienced one of the wettest and most difficult growing seasons on record in Martinborough, with impacts on both the quantity and the quality of fruit harvested.

The main pick started on 14 March and finished on 9 April – and at just 329 tonnes it was the lowest harvest by volume from our own vineyards since 2007 (see the graph below).

However, the result wasn't all doom and gloom, as the quality of some of the fruit was high – particularly the Chardonnay, which winemaker and viticulturist Guy McMaster believes was the highlight of the vintage. The aromatics were also a success, and even the Pinot Noir, which was significantly low in volume, offered some exciting potential. It's in these more difficult harvests that our team's effort, expertise and experience really pay off, as they produce high-quality wines despite the challenges.



ENVIRONMENTAL AND SOCIAL PERFORMANCE

As we evolve our premium business and brand, we acknowledge that having a sustainable approach is critical to our success.

We're acutely aware of the impacts that our changing climate and environment can have on our business operations and our community. Alongside our land, our most important asset is our people – the Palliser team and our customers, shareholders and suppliers – and we have an obligation to ensure they are supported and treated fairly. We also know that we must remain a financially sustainable business despite the uncertain economic climate, and not at the expense of our environmental or social initiatives.

Our traditional practice of reporting annually on our financial performance limits our ability to demonstrate our value and impacts in other, equally important areas. So, our next annual report will include information on our sustainability and other non-monetary initiatives and how we're working to identify and respond to gaps.

Below are some of the environmental and social successes of this financial year.

- We're in the process of gaining 'B Corporation Certification' to reinforce our unwavering commitment to sustainability. B Corp is a globally recognised certification that holistically and rigorously measures companies' entire social, environmental and economic impacts. Through it we've developed comprehensive social and environmental key performance indicators, against which we'll report on our progress. We're now in the assessment phase and hope to achieve certification by the end of 2023/early 2024.

Environmental:

- As mentioned in the highlights on page 10, we've bottled our first BioGro-certified organic wines: the Hua Nui Pinot Noir and Om Santi Chardonnay, two Single Vineyard wines from the 2022 vintage.
- We remain on track to have 100% of our vineyards under organic conversion by 2025. Currently three of our six vineyards are BioGro certified organic, and 60% of our vines are managed organically, making Palliser the largest organic grower in Wairarapa.
- As part of our Sustainable Winegrowers NZ certification, we monitor our water, energy and agrochemical use:
  - Our water use is down 379% on the 2021/22 year – one benefit of the very wet season.
  - Our diesel usage is up 32% on the 2021/22 year – an unfortunate side effect of the wet season, when we needed more tractor passes to control grass, canopy growth, and disease pressure.

- A key contributor to our carbon emissions is the shipping of heavy bottles. In the past few years, we've transitioned to lightweight bottles wherever possible, and they now make up 86% of our production. Our aim is to achieve 100% in the next two vintages.

Social:

- We employ 14 full-time-equivalent employees, with all receiving the Living Wage or above. 36% are shareholders in the business.
- Diversity and inclusion are important to us: 64% of our team are women (including our Chief Executive) and we employ people from a diverse range of cultures and backgrounds, who bring fresh perspectives to our team.
- Our team culture, employee benefits, flexible working conditions and training initiatives help to make Palliser a great place to work. This is evidenced in our average employee tenure of seven years.
- We continue to support our local community and causes to which we feel we can make a positive contribution. They include: Martinborough Foodbank, Greytown Festival of Christmas, Wairarapa Family Fun Day, Martinborough Community Patrol, Hawke's Bay and Gisborne Winegrowers Cyclone Gabrielle Relief Fund, Cancer Society, Life Flight Trust, Wellington Phoenix, Martinborough School, Kuranui College and Wairarapa Flying Tigers.
- Our Chief Executive, Pip Goodwin, sits on the New Zealand Winegrowers Brand Committee, ensuring that our community has regional representation and advocating on its behalf.

DIVIDENDS AND SHARE LIQUIDITY

The Board has made the difficult but prudent decision to not pay a dividend this financial year due to the poor harvest, the reduced cashflow position, the ongoing challenges of the operating environment, and the capital expenditure required to increase the value of the business. The Board is focused on reinvesting in the business to increase its asset value and plans to reinstate dividend payments when circumstances allow.

Trading in Palliser shares has been steady, with a number of shares traded through the Unlisted platform and most via off-market deals.

Directors' and Chief Executive's Report for the Year Ended 30 June 2023 *cont.*

HEALTH AND SAFETY

Palliser's Directors' and Chief Executive (as Officers under the Health and Safety at Work Act 2015) continue to be committed to the health and safety of our employees, contractors and visitors. We have a robust system in place to ensure we meet our obligations under the Act and continually look for ways to improve our procedures.

We're proud to have a culture in which health and safety is a key focus and ingrained in everything we do. We can report there were no significant health and safety incidents during the year with the exception of an accident in which our Vineyard Manager injured his hand.

DIRECTORS

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

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.

We look forward to seeing as many of you as possible at our AGM this year, to be held at 11am on Sunday 12 November 2023 to celebrate the achievements of the past year.

For, and on behalf of, the Board

Andrew Meehan ONZM
Chairman

Pip Goodwin
Chief Executive

Seven years ago, we embarked on a journey and put in place strategies to improve the value of our business, the quality of our products, and the positioning of our brand.

I am very proud of the milestones we have reached over this time with several key ones achieved this year.

There were numerous obstacles along our journey – cyclones, changing weather patterns, ongoing post-pandemic challenges, and increased production costs.

Our achievements, despite these circumstances, are testament to our fantastic team, customers, and network.

We still have a long way to go, however, we are on the right track, and I am excited about the future for Palliser.

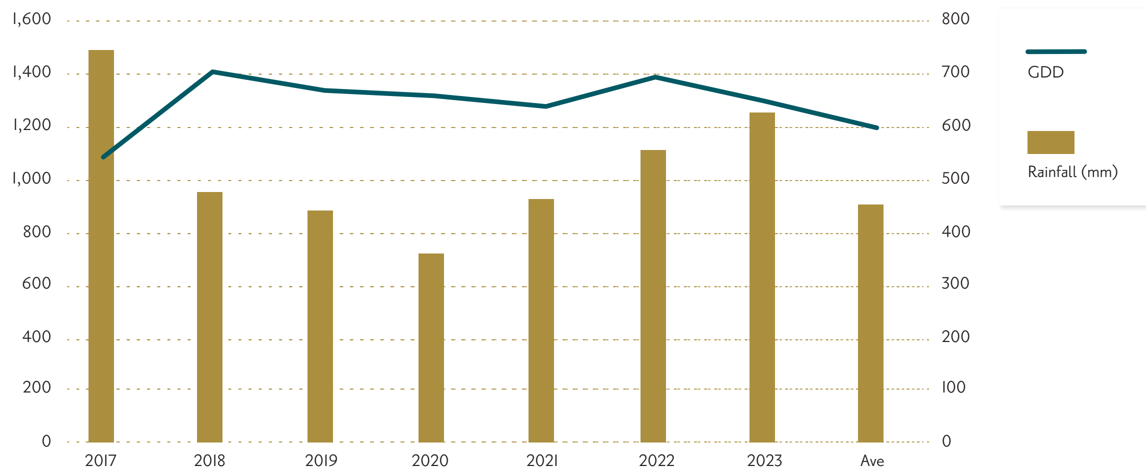
— Palliser Estate CEO, Pip Goodwin

Palliser Estate CEO Pip Goodwin and Winemaker and Viticulturist Guy McMaster

Viticulture and Winemaking Report for the Year ended 30 June 2023

PALLISER ESTATE'S 2022/23 GROWING SEASON

The 2022/23 growing season (September 2022 to April 2023) was arguably the most challenging on record due to the combination of continual rain and humid conditions.



The rain was relentless – humid, overcast weather day after day with Martinborough never really experiencing summer. The Growing Degree Days (GDD)* were in the normal range due to a warm start to the season, but rainfall exceeded that in all the previous years except 2017, when (fortunately) the rain fell late in the season and once most of the fruit had been harvested.

As a result of the rainfall and humidity, the vineyard team battled excessive weed and canopy growth, disease pressure and narrower-than-normal windows to apply much-needed sprays. Cyclone Gabrielle further compounded the issues, arriving on 15 February. Although we fared better than our Hawke's Bay counterparts, it still left its mark.

The most affected variety was Pinot Noir: we harvested just 92 tonnes, down 35% on 2022's harvest and the lowest since 2007. The Pencarrow vineyard was a major contributor to the lower yield, firstly because it's our largest Pinot Noir site, and secondly because it's 100% planted in the early-ripening Dijon clone, which when the rainfall increased had enough sugar in the berries to allow Botrytis (a fungal disease) to develop. This forced us to undertake the very costly exercise of cutting

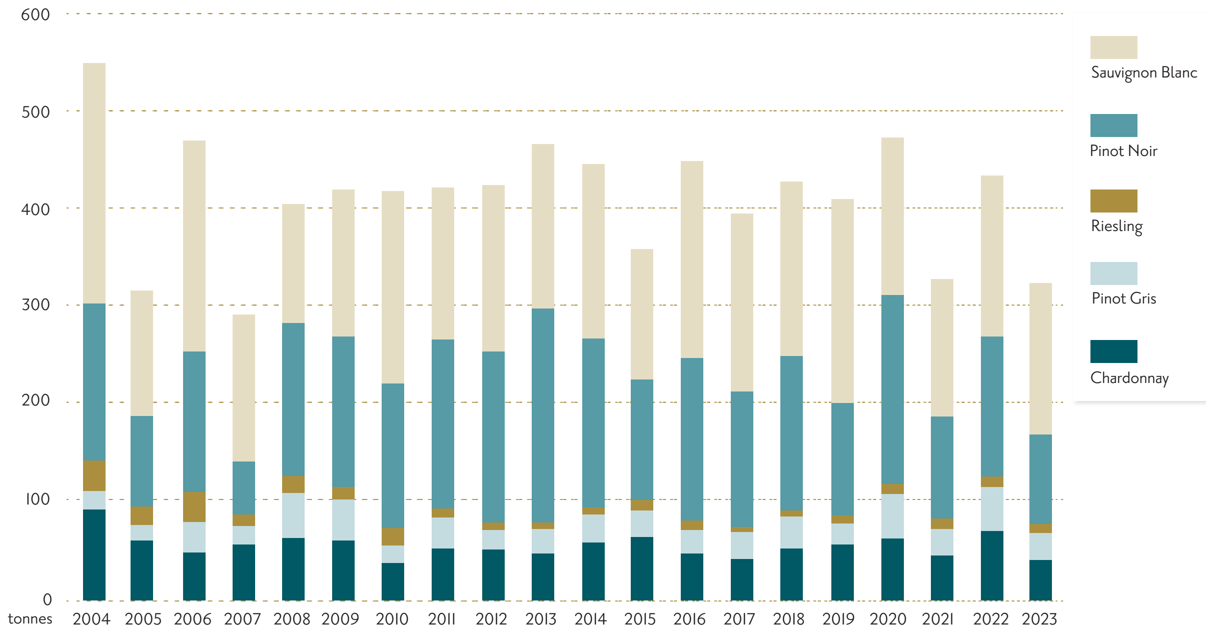
* A measure of how much warmth is available for plant growth during a growing season.

Viticulture and Winemaking Report for the Year Ended 30 June 2023 *cont.*

out the affected fruit before the machine-harvesting process. The later-ripening clones of Abel and 10/5 in our Hua Nui and Palliser Vineyards weren't affected to the same extent.

In total we harvested only 329 tonnes in 2023, down 25% on 2022 and 27% on our 15-year average and the lowest since 2007, as the graph below highlights.

Interestingly, the graph shows that the yields in the past three years have closely matched those of 2005, 2006 and 2007, an indication that similar yield patterns have occurred before.



However, despite the difficult season, we are happy with the quality of the fruit and the resulting wines. Congratulations go to the hardworking and highly skilled vineyard team for getting the quality fruit to the winery, when some others in the region left vineyards unharvested and pulled out of grower contracts.

Viticulture and Winemaking Report for the Year Ended 30 June 2023 *cont.*

Our Chardonnay is the highlight of the vintage – elegant, with a lovely acid line running through the palate. The Griffin and the Rose Méthode Traditionnelle show a minerality and elegance that bodes well for their future. The Rosé has a lovely salmon pink hue, while the rest of the aromatics look strong. For Pinot Noir, the challenging weather meant we couldn't get the skins and seeds to the ripeness levels we preferred. While there are some really nice batches, overall the wine is lighter and less concentrated than its predecessors, and there's less of it. This is frustrating given that our premium Single Vineyard wines are gaining momentum in the marketplace, and we've reluctantly decided to not produce a Single Vineyard Pinot Noir from the 2023 vintage.

Looking ahead, the forecast is for more favourable grape-growing conditions, as the past three years of the disruptive La Niña give way to the El Niño phase. While it will have its own challenges, it will be welcomed by grape growers and winemakers alike.

Financially speaking, the vineyard had a tough year. Its operating costs were higher than last year's, primarily owing to the lift in the minimum wage, the removal of diseased fruit before machine harvesting and the increasing hand-picking costs owing to the extra time required to remove compromised berries. Contract labour costs increased, by $168,000 on last year, and fuel costs were up by $17,000 due to the extra mowing and spray rounds required. Overall, vineyard-management costs came to $19,573 per hectare – a figure at the low end compared to similar operations, but well above previous years for Palliser.

The major items of capital expenditure for the year were the replacement of two obsolete frost fans and the purchase of an undervine weeder that will enable us to bring another 20 hectares of Pencarrow vineyard into organic management.

As for the coming year, we've allocated capital expenditure to replacing our third and obsolete frost fan, repairing the frost intakes at the Palliser vineyard, and replacing an ageing tractor. In the longer term we plan to buy another two custom-made Pinot Noir fermenters, as these will allow us to implement our strategy of improving the quality of our Single Vineyard and Estate wines.

Viticulture and Winemaking Report for the Year Ended 30 June 2023 *cont.*

WINE REVIEWS

We're all immensely proud of our performance in the Decanter World Wine Awards 2023. The world's largest wine competition, it attracted more than 18,500 entries from 54 countries.

- Our 2021 Hua Nui Pinot Noir was awarded a 'Best in Show' and was the only New Zealand wine to receive this accolade this year.
- Both our 2021 Hua Nui Pinot Noir and our 2021 Om Santi Chardonnay received Platinum medals, with 97 point scores. Only five New Zealand wines received Platinum scores.

We were honoured to receive these awards, and it reinforces to our team that we're doing all the right things.

Here are some review highlights for our key Single Vineyard and Palliser Estate wines:

Wine Writers & Competitions	Om Santi Chardonnay 21	Palliser Estate Chardonnay 21	Hua Nui Pinot Noir 21	Palliser Estate Pinot Noir 21
Decanter awards	97	92	97	90
Bob Campbell	95	94	96	95
Cameron Douglas	97	94	95	93
Sam Kim		95	97	95
Wine Rater	94	93		95
Winestate	98			

The reviews demonstrate that we're gaining the recognition for our wines that we set out to achieve seven years ago. We aim to build on these results through our premiumisation model.

ORGANIC AND ENVIRONMENTAL UPDATE

Our key achievement this year was the bottling of our first two BioGro-certified organic wines, our Single Vineyard Om Santi Chardonnay and Hua Nui Pinot Noir, both from the 2022 vintage. Both wines are unfiltered to best express the respective vineyards and seasons.

Our objective is to have all our vineyards under organic management by 2025, and we're still on track to achieve it. We plan to bring both the Pinnacles and the Palliser vineyards under organic management after the 2024 vintage.

Viticulture and Winemaking Report for the Year Ended 30 June 2023 *cont.*

This move reflects our belief that not only is it the right thing to do environmentally, but it also produces great wines. Organics is also an area of growth in the market, as highlighted by Franck Moreau, Group Wine Director for Merivale in Australia at a recent conference. He identified four key areas of growth in the hospitality sector:

1. Lighter-style red wines (Gamay, Pinot Noir, chilled red wine and Burgundy).
2. Low-intervention wines, organic wines and fair-trade wines.
3. Craft boutique wineries, wineries with uniqueness and local wineries.
4. Premiumisation in terms of wine quality and branding.

It's great to see Palliser ticking all these boxes.

In other projects, we'll sow a new permanent sward of legumes, grasses and flowers in Pencarrow and the Winery vineyard early next year, lifting our carbon levels, improving soil structure and increasing biodiversity. We'll also continue to protect the environment and birdlife, and plan to plant more native trees and flaxes in the wetland area at Hua Nui and the embankment at Palliser Vineyard.

THE FUTURE

Our focus remains on producing world-class Chardonnay and Pinot Noir, the varieties for which Martinborough, and Palliser Estate, has developed a reputation. We've identified our premium vineyards and are planning to top graft another Chardonnay clone into the Om Santi vineyard, and two different clones of Pinot Noir into the Pencarrow vineyard. This will continue to lift the quality of both the Single Vineyard and Palliser Estate wines.

Finally, a special thanks to the vineyard and winery teams for all their hard work in what has been the most challenging season in my time as a winemaker. Thanks also for the continued support from Pip Goodwin and the Board.

Guy McMaster
Winemaker and Viticulturist

Our key achievement this year was the bottling of our first two BioGro-certified organic wines, our Single Vineyard Om Santi Chardonnay and Hua Nui Pinot Noir, both from the 2022 vintage – a significant accomplishment given recent years weather patterns, and a milestone success for our hardworking team .

Our objective is to have all our vineyards under organic management by 2025, and we're still on track to achieve this.

This move to organics reflects our belief that not only is it the right thing to do environmentally, but it also produces great wines.

— Palliser Estate Winemaker and Viticulturist, Guy McMaster

Organics in Action – Wild Yeast Cultures (Pied de Cuve) in the Hua Nui 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 on pages 26 to 61 which comprise the statement of financial position as at 30 June 2023, 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 a summary of significant accounting policies

In our opinion, except for the possible effects of the matter described in the Basis for 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 2023 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) issued by the New Zealand Accounting Standards Board.

Basis for qualified opinion

Included within Property, Plant and Equipment assets of $11.46milion are vines with a fair value of $3.29million. As disclosed in the accounting policy and critical estimates and judgements disclosures, vines are independently valued on a four year cycle (this is a change from 2022 where vines were valued every 2 years). The last valuation was carried out for 30 June 2021.

Where a valuation has not been prepared by an independent expert, the Directors perform their own assessment as to whether the carrying value is appropriate.

The Company determines the valuation of vines by assessing the fair value of land and other vineyard infrastructure. Once the vineyard valuation is determined, individual components are deducted until only the vine component remains, accordingly the valuation is highly judgmental and requires expert knowledge.

We have been unable to obtain sufficient appropriate audit evidence about the valuation of the vines due to insufficient evidence being provided in support of the vines valuation. Consequently, we were unable to determine whether any adjustments to the valuation of the Vines was necessary.

Independent Auditor's Report

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 I 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.

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.

Why the matter is significant	How our audit addressed the key audit matter
Property Plant and Equipment – Vines As at 30 June 2023, vines within Property, Plant and Equipment is carried at fair value of $3.29million. (2022 $3.28milion). The valuation of vines involves assessing the fair value of land and other vineyard infrastructure. Once a vineyard valuation is determined, individual components are deducted until only the vine component remains. Vines were last valued by an independent registered valuer as at 30 June 2021. Directors have subsequently considered the appropriateness of the most recent independent valuation, its key judgements, and recent market data to determine whether the carrying value continues to represent fair value. They also obtained a letter from an independent valuer providing generalised market information on the Martinborough environment as at 30 June 2023.	Our work included the following procedures: • Obtained the following: • independent valuation report, performed by the valuation expert as at 30 June 2021, • the 2023 assessment of key judgements, and recent relevant sales activity prepared by Directors; and • the letter provided by the independent valuer on the Martinborough environment. • Evaluated and assessed the reasonableness of Directors key assumptions, and recent relevant sales activity analysis that informed their conclusions as to whether there had been any change in fair value; • Evaluated the independent valuer's letter, and compared the basis for valuation conclusions to those within the 30 June 2021 valuation report

Why the matter is significant - cont	How our audit addressed the key audit matter - cont
The determination of fair value is highly judgmental and there is significant measurement uncertainty involved in this valuation. As a result, the valuation of the vines was significant to our audit.	• Made enquires of the valuer in respect of generalised market information and its use in valuation determination (as compared to a valuation or desktop valuation). • Undertook our own independent analysis of recent sales activity; and • Evaluated the presentation and disclosure of the matter within the financial statements. The Company's disclosures are set out within notes 1, 2, 11, 12 and 19. Based on this evaluation, and as described in our **Basis for Qualified Opinion**, we were unable to obtain sufficient appropriate audit evidence.

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, Viticulture and Winemaking Report, Comparative Financial Review, Statutory Information and Distributors but does not include the financial statements on pages 26 to 61 and our auditor's report thereon.

Our qualified 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 for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

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 consolidated financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-4/

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 the Company's 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

VJ Black
Partner, Auckland

Date 6 November 2023

Statement of Comprehensive Income for the Year Ended 30 June 2023

This statement is to be read in conjunction with the notes on pages 32 to 61.

	2023 $	2022 $
Revenue (Note 3)	5,984,206	5,149,587
Cost of Sales	4,353,477	3,778,672
Gross Profit	1,630,729	1,370,915
Covid 19 wage subsidy	1,200	34,662
Other Income (Note 4)	283,670	202,773
	1,915,600	1,608,350
Less Expenses:		
Administration and Marketing	1,243,740	1,158,864
Other	249,933	183,021
Operating Expenses (Note 5)	1,493,672	1,341,885
Operating Profit	**421,928**	**266,465**
Fair Value Grape Write Up/(Down)	(547,894)	18,225
Profit Before Taxation	**(125,966)**	**284,690**
Income Tax Expense (Note 6)	(7,146)	73,492
Profit/(Loss) for the Year Attributable to Owners of the Company	**(118,820)**	**211,197**
Other Comprehensive income that may subsequently be classified to the Profit or Loss		
Revaluation gain/(loss)	-	-
Total Comprehensive Income/(Loss) for the Year Attributable to Owners of the Company	(118,820)	211,197
Earnings per share (Note 7)		
Basic and fully diluted earnings per share (cents)	(2.82)	5.01

Statement of Changes in Equity for the Year Ended 30 June 2023

This statement is to be read in conjunction with the notes on pages 32 to 61.

	Share Capital $	Retained Earnings $	Revaluation Reserve $	Total Equity $
Balance 1 July 2021	6,491,435	7,879,641	58,463	14,429,539
Profit/(Loss) for the year	-	211,197	-	211,197
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss) for the Year	-	211,197	-	211,197
Transactions with Owners of the Company				
Adjustment for Prior Year	-	17,841	-	17,841
Dividends Paid (Note 27)	-	-	-	-
Total Contributions by and Distributed to Owners of the Company	-	17,841	-	17,841
Share Capital paid	-	-	-	-
Balance 30 June 2022 (Note 16)	6,491,435	8,108,680	58,463	14,658,578
Balance 1 July 2022	6,491,435	8,108,680	58,463	14,658,578
Profit/(Loss) for the year	-	(118,820)	-	(118,820)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Loss) for the Year	-	(118,820)	-	(118,820)
Transactions with Owners of the Company				
Dividends Paid (Note 27)	-	-	-	-
Total Contributions by and Distributed to Owners of the Company	-	-	-	-
Share Capital paid	-	-	-	-
Balance 30 June 2023 (Note 16)	6,491,435	7,989,860	58,463	14,539,758

Statement of Financial Position as at 30 June 2023

This statement is to be read in conjunction with the notes on pages 32 to 61.

	2023 $	2022 $
Current Assets		
Cash and Cash Equivalents	-	76,410
GST Receivable	31,219	22,791
Income Tax Receivable	-	77,191
Trade and Other Receivables (Note 8)	797,439	767,671
Work in Progress	311,991	234,797
Stock on Hand (Note 10)	3,816,920	3,940,708
	4,957,568	5,119,568
Non Current Assets		
Trade and Other Receivables (Note 8)	2,006	3,266
Property, Plant and Equipment (Note 11)	11,461,354	11,385,102
Intangible Assets (Note 13)	55,420	59,464
Investments	7,039	7,039
	11,525,819	11,454,871
Total Assets	16,483,388	16,574,439

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Statement of Financial Position as at 30 June 2023 *cont.*

This statement is to be read in conjunction with the notes on pages 32 to 61.

	2023 $	2022 $
Current Liabilities		
Cash and Cash Equivalents	272,209	-
Forward Currency Contracts (Note 9)	547	1,244
Trade and Other Payables (Note 14)	676,298	867,349
Current Portion Term Loans	-	305
Current Portion Lease Liability (Note 15)	35,479	35,129
Income Tax Payable	104,523	-
	1,089,055	904,027
Non Current Liabilities		
Lease Liability (Note 22)	14,883	50,361
Deferred Tax (Note 6)	839,692	961,472
	854,575	1,011,834
Total Liabilities	1,943,630	1,915,861
Equity		
Share Capital (Note 16)	6,491,435	6,491,435
Retained Earnings	7,989,860	8,108,680
Revaluation Reserve	58,463	58,463
Total Equity	**14,539,758**	**14,658,578**
Total Liabilities & Equity	16,483,388	16,574,439

Director
A R Meehan

Director
S R Tyler

The Board of Directors of Palliser Estate Wines of Martinborough Limited authorised these financial statements on 6 November 2023.

Statement of Cashflows for the Year Ended 30 June 2023

This statement is to be read in conjunction with the notes on pages 32 to 61.

	2023 $	2022 $
Cash Flows From Operating Activities		
Cash was received from:		
Receipts from customers	5,798,726	5,198,533
Interest received	1,358	207
Income tax received	67,064	-
Sundry receipts	424,718	228,607
	6,291,866	5,427,347
Cash was applied to:		
Payments to suppliers and employees	(6,154,337)	(5,039,778)
Income tax paid	-	(183,600)
Interest paid	(12,157)	(3,769)
GST paid	(21,718)	(18,295)
	(6,188,212)	(5,245,442)
Net Cash from Operating Activities	103,654	181,905
Cash Flows From Investing Activities		
Cash was received from:		
Disposal of Property, Plant and Equipment	1,522	44,703
	1,522	44,703
Cash was applied to:		
Purchases of Property, Plant and Equipment	(420,304)	(790,847)
Purchases of intangible assets	-	(830)
Purchases of investments	-	(3,250)
	(420,304)	(794,927)
Net Cash from/(to) Investing Activities	(418,782)	(750,225)

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Statement of Cashflows for the Year Ended 30 June 2023 *cont.*

This statement is to be read in conjunction with the notes on pages 32 to 61.

	2023 $	2022 $
Cash Flows From Financing Activities		
Cash was received from:		
Employee loans repaid	2,632	2,810
Finance Lease Loan Advanced	-	128,858
	2,632	131,668
Cash was applied to:		
Term loan repayments	(305)	(1,780)
Finance lease loan repayments	(35,817)	(43,981)
Dividend paid	-	(214,378)
	(36,122)	(260,139)
Net Cash from/(to) Financing Activities	(33,490)	(128,471)
Cash Surplus/(Deficit) for the year	(348,619)	(696,792)
Represented By:		
Opening cash and cash equivalents	76,410	773,202
Closing cash and cash equivalents	(272,209)	76,410
Movement for the year	(348,619)	(696,792)

Notes to the Financial Statements for the Year Ended 30 June 2023

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 6 November 2023. 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). For the purposes of complying with NZ GAAP the company is a for-profit entity. 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 2023 but are not expected to have a material impact on the financial statements of the Company.

Particular Accounting Policies

The following particular 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.

Dividend Revenue

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

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

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. The expected useful lives are as follows:

Buildings (straight line)	10-100 years
Vineyard Equipment (straight line & diminishing value)	2-17 years
Winery Equipment (straight line & diminishing value)	2-34 years
Motor Vehicles (straight line)	4-8 years
Office Equipment (straight line & diminishing value)	1-15 years

Depreciation is the difference between the cost and residual value of an asset. No depreciation is provided on land, vines or vine support structures as the residual value and cost is considered to be the same. 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.

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.

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

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.

Government Grants

Government grants related to income are recognised in the Statement of Comprehensive Income separately on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate.

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

All property, plant and equipment (except bearer plants as discussed below) is 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.

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. The vines are revalued every 3rd year by an independent valuer who last valued the vines at 30 June 2021. Prior to 30 June 2023 the vines were revalued every 2nd second year by an independent valuer – there has been a change in accounting policy to revalue every 3rd year with the next independent valuation to be completed 30 June 2024.

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

Directors have considered that independent valuation, its key inputs, estimates and assumptions and determined as at 30 June 2023 there are no indicators of impairment and that the carrying fair value of vines is appropriate. 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.

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.

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.

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

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 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.

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

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.

Changes in Accounting Policies
There has been one accounting policy change to Grape Vines valuation. 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 Vines
The fair value of the vines has been reviewed by the Director's as at 30 June 2023 (independent valuation of vines at 30 June 2021) to ensure the carrying fair value is appropriate. This involves an assessment by Director's of the key inputs and assumptions made by the independent valuer. The principle of the highest and best use as at balance date has been given first consideration in determining the fair value. 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 and note 19.

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

NOTE 3: REVENUE

	2023 $	2022 $
Bottled Wine New Zealand sales	2,949,130	3,082,580
Bottled Wine Export sales	2,519,914	1,863,409
Toast Martinborough Income	89,114	-
Food sales	328,214	182,828
Merchandise sales	25,635	20,770
Symphonic Feast Event	72,199	-
Total Revenue	5,984,206	5,149,587

NOTE 4: OTHER INCOME

	2023 $	2022 $
Interest	1,358	207
WET rebate	148,190	102,669
Foreign exchange gain/(losses)	(1,095)	(448)
Depreciation Recovered	1,522	43,632
Other	133,695	56,713
Total other income	283,670	202,773

NOTE 5: OPERATING EXPENSES

	2023 $	2022 $
Expenses include the following;		
Disposal of Vines	-	-
Loss on disposal of Property, Plant and Equipment	-	1
Depreciation		
Motor vehicles	13,391	16,381
Vineyard equipment	98,195	79,264
Grape harvesting equipment	30,482	30,482
Winery equipment	106,130	110,542
Vineyard development	30	32
Office equipment	36,749	28,217
Buildings	82,215	79,467
Total depreciation	367,192	344,385
Directors' fees	63,000	63,000
Auditor's remuneration		
Audit services	31,014	27,590
Other assurance services*	2,000	1,900

*Other assurance services being the Share Registry Audit.

Employee salary and wages paid during the year totalled $1,562,546 (2022: $1,386,402).

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

NOTE 6: TAXATION

	2023 $	2022 $
The taxation provision has been calculated as follows:		
Profit/(Loss) before taxation	(125,966)	284,690
Taxation on profits for the year@28% (2022 28%)	(35,270)	79,713
Expenses not deductible	28,124	(6,221)
Taxation charge as per the Statement of Comprehensive Income	(7,146)	73,492
Represented by:		
Current income tax	114,634	31,788
Deferred income tax	(121,780)	41,704
	(7,146)	73,492

The deferred tax charge in the Statement of Comprehensive Income comprises the following temporary differences:

	2023 $	2022 $
WET rebate	10,842	(14,304)
Revaluation of vines	7,082	6,323
Depreciation & Amortisation	25,764	(14,656)
Revaluation of stock	(161,287)	57,132
Audit fee accrual	(147)	(728)
Bonus accrual	-	16,979
Annual leave accrual	(2,240)	(6,826)
Wages Accrued	(1,794)	(2,216)
Total temporary differences	(121,780)	41,704

DEFERRED TAX	2023 $	2022 $
Opening balance	961,472	919,768
Temporary differences for period	(121,780)	41,704
Closing balance	839,692	961,472

The deferred tax closing balance comprises the following temporary differences:		
WET Rebate	41,480	30,638
Depreciation & Amortisation	176,117	150,354
Revaluation of Stock	(173,482)	(12,196)
Audit Fee Accrual	(8,239)	(8,092)
Revaluation of Vines	851,088	844,006
Annual Leave Accrual	(40,018)	(37,778)
Wage Accrual	(7,254)	(5,460)
Closing balance	839,692	961,472

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.

	2023 $	2022 $
Total Comprehensive Income/(Loss)	(118,820)	211,197
Weighted average number of ordinary shares	4,216,734	4,216,734
Earnings per share (Basic=Diluted) cents	(2.82)	5.01

NOTE 8: TRADE AND OTHER RECEIVABLES

	2023 $	2022 $
Trade receivables	612,038	618,720
Receivables from related parties	380	-
Employee loans	1,285	2,657
Other receivables	183,736	146,294
Current trade and other receivables	797,439	767,671
Non-current portion of employee loans	2,006	3,266
	799,445	770,937
Neither past due nor impaired	798,780	745,966
Past due but not impaired*	665	24,971
Individually impaired	-	-
	799,445	770,937
*Past due debtors		
0-30 days	339	24,330
31-60 days	2,808	-
Greater than 60 days	(2,482)	641
	665	24,971

The current lifetime expected credit loss from trade receivables is nil (2022: nil).

NOTE 9: FORWARD CURRENCY CONTRACTS

	2023 $	2022 $
Unrealised gains on forward contracts	(547)	(1,244)

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 17,696 (2022: Nil) and AUD 20,400 (2022: 101,580.90).

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

NOTE 10: STOCK ON HAND

	2023 $	2022 $
Stock on hand comprises:		
Finished stock	1,708,503	1,642,303
Bulk wine	1,851,457	2,087,457
Dry stock	256,960	210,948
	3,816,920	3,940,708

Inventories recognised as an expense during the year amounted to $2,545,077 (2022: $2,303,390).

WORK IN PROGRESS

	2023 $	2022 $
	311,991	234,797

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

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2023 $	2022 $
Land	2,637,992	2,637,992
Land – Subdivision Work in Progress	7,004	-
Buildings	1,829,941	1,561,303
Building Addition – Work in Progress	38,471	319,129
Winemaking equipment	477,423	472,119
Vineyard development	2,354,544	2,354,573
Grape harvesting equipment	43,630	74,112
Vineyard equipment	551,797	480,389
Vehicles	12,806	26,198
Vines	3,289,745	3,284,640
Office and cellar sales equipment	218,000	174,647
Total	11,461,353	11,385,102

Vineyard Equipment includes a tractor with a carrying value of $135,110, which is a right of use asset.

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

NOTE 11: PROPERTY, PLANT AND EQUIPMENT, cont.

30 June 2023	Land (cost) $	Buildings (cost) $	Winemaking Equipment (cost) $	Vineyard Development (cost) $	Grape Harvesting Equipment (cost) $	Vineyard Equipment (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

30 June 2022	Land (cost) $	Buildings (cost) $	Winemaking Equipment (cost) $	Vineyard Development (cost) $	Grape Harvesting Equipment (cost) $	Vineyard Equipment (cost) $
Opening cost	2,637,992	2,860,572	3,042,409	2,293,423	358,611	2,578,873
Opening accumulated revaluation	-	-	-	-	-	-
Opening accumulated depreciation	-	(1,219,802)	(2,522,408)	(30,864)	(254,017)	(2,283,427)
Opening net book value	2,637,992	1,640,770	520,001	2,262,559	104,594	295,446
Additions	-	-	62,660	92,045	-	264,207
Revaluation this year	-	-	-	-	-	-
Net disposal	-	-	-	-	-	-
Depreciation	-	(79,467)	(110,542)	(32)	(30,482)	(79,264)
Closing net book value	2,637,992	1,561,303	472,119	2,354,573	74,112	480,388
Closing cost	2,637,992	2,860,572	3,105,069	2,385,468	358,611	2,843,080
Closing accumulated revaluation	-	-	-	-	-	-
Closing accumulated depreciation	-	(1,299,269)	(2,632,950)	(30,896)	(284,499)	(2,362,691)
Closing net book value	2,637,992	1,561,303	472,119	2,354,573	74,112	480,389

NOTE 11: PROPERTY, PLANT AND EQUIPMENT, cont.

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

30 June 2022	Vehicle (cost) $	Vines (revaluations) $	Office & Cellar Sales Equipment (cost) $	Building Work in Progress (cost) $	Total $
Opening cost	92,934	3,221,537	359,671	24,138	17,470,160
Opening accumulated revaluation	-	58,463	-	-	58,463
Opening accumulated depreciation	(50,356)	-	(229,988)	-	(6,590,862)
Opening net book value	42,578	3,280,000	129,683	24,138	10,937,761
Additions	-	4,641	73,182	294,991	791,726
Revaluation this year	-	-	-	-	-
Net disposal	-	-	-	-	-
Depreciation	(16,380)	-	(28,217)	-	(344,384)
Closing net book value	26,199	3,284,641	174,648	319,129	11,385,103
Closing cost	92,934	3,226,178	432,853	319,129	18,261,886
Closing accumulated revaluation	-	58,463	-	-	58,463
Closing accumulated depreciation	(66,736)	-	(258,205)	-	(6,935,246)
Closing net book value	26,198	3,284,641	174,648	319,129	11,385,102

At 30 July 2021 Directors obtained a fair value appraisal of some of the company assets by Logan Stone. The valuation for fair value of the assets valued was $15.8m, comprising land $8.6m, buildings $2.1m, vines $3.3m, other $1.8m. The coolstore in Broadway Street was not valued, it's Rating Valuation (1 September 2020) is $360,000. These assets (excluding vines) are carried at historical cost in the financial statements.
With these assets revalued it would result in an increase in the net assets by $5,555,546, which would result in a net asset backing per share of $5.23.

NOTE 12: BIOLOGICAL ASSETS

	2023 $	2022 $
Carrying amount of Vines if cost model had been used	1,832,791	1,999,370
Number of vines owned	184,165	184,165
Tonnes of grapes crushed – own vineyards	325	436

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 $993,375 (2022: $1,195,289).

The fair value of the vines has been established by an independent valuation as at 30 June 2021 and Director's have reviewed the appropriateness of that valuation, its key inputs, estimates and assumptions and determined as at 30 June 2023 there are no indicators of impairment and that the carrying fair value of vines is appropriate. There is no impairment as at 30 June 2023. The valuation from Logan Stone Ltd was carried out by Boyd A Gross, B Agr (Rural Val), Dip Bus Std, FNIV, FPINZ and reviewed by Jay Sorensen, B Appl Sc (Rural Val) Agr Bus, MPINZ, ANZIV. 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. It is Logan Stone's view that there is an active market for vines as part of a vineyard unit. The fair value of land and other vineyard infrastructure is deducted from the value of the vineyard, to determine the fair value of the grape vines.

NOTE 13: INTANGIBLE ASSETS

	Trademark Protection $	Website $	Total $
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
30 June 2022			
Opening cost	47,515	58,853	106,368
Opening accumulated amortisation	-	(43,692)	(43,692)
Opening net book value	47,515	15,161	62,677
Additions	830	-	830
Net disposals	-	-	-
Amortisation	-	(4,043)	(4,043)
Closing net book value	48,345	11,118	59,464
Closing cost	48,345	58,853	107,198
Closing accumulated amortisation	-	(47,735)	(47,735)
Closing net book value	48,345	11,118	59,464

NOTE 14: TRADE AND OTHER PAYABLES

	2023 $	2022 $
Trade creditors	489,349	641,445
Related party payables	55,843	50,354
Other payables	131,106	175,550
	676,298	867,349

NOTE 15: LEASES

	2023 $	2022 $	
Current portion of finance lease			
AGCO Finance	35,479	35,129	
	35,479	35,129	-

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.

The lease is reflected in the Statement of Financial Position and the right of use asset disclosed in note 11.

NOTE 16: SHARE CAPITAL

	2023 number	2022 number	2023 $	2022 $
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 2023 *cont.*

NOTE 17: 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.

The Directors are the decision makers who assess and decide on the resource allocation.

	2023 $	2022 $
New Zealand	2,949,130	3,286,179
Australia	660,127	446,380
United States America	416,936	214,098
United Kingdom	439,588	230,729
Denmark	96,367	184,529
Korea	263,795	253,099
United Arab Emirate	85,231	128,061
Hong Kong	140,784	118,504
Canada	62,190	59,870
Japan	50,450	44,949
Netherlands	100,905	57,237
Switzerland	59,076	14,220
Other	144,465	111,732
Total	5,469,044	5,149,587

All non-current assets are located in New Zealand.

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

	2023 $	2022 $
Customer A	$1,246,981	1,409,280

NOTE 18: IMPUTATION CREDIT ACCOUNT

	2023	2022
	$	$
Imputation credits available for distribution to shareholders as at 30 June.		
Amount available as at 1 July	2,646,054	2,540,633
Net movement during the reporting period	(67,079)	105,421
Amount available as at 30 June	2,578,975	2,646,054

NOTE 19: FINANCIAL INSTRUMENTS

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

2022	Financial Assets at Amortised Cost $	Financial Assets at Fair Value through Profit and Loss $	Total $
Cash and cash equivalents	76,410	-	76,410
Trade and other receivables	770,936	-	770,936
Investments	-	7,039	7,039
Total Financial Assets	847,347	7,039	854,386

	Financial Liabilities at Fair value through Profit or Loss $	Financial Liabilities at Amortised Cost $	Total $
Trade and other payables	-	683,044	683,044
Term Loans	-	305	305
Finance Lease Loans	-	85,491	85,491
Forward exchange contracts	1,244	-	1,244
Total Financial Liabilities	1,244	768,840	770,084

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

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:

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

2022	**Level 1 $**	**Level 2 $**	**Level 3 $**
Investments			
Unquoted equity instruments	-	-	7,039
Property Plant and Equipment			
Vines	-	-	3,284,641
Current Liabilities			
Forward Currency Contracts	-	(1,244)	-
Net Fair Value	-	(1,244)	3,291,680

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

Vines are included in Level 3 in 2023 as the fair value of the vines has been determined by Director's assessment that the carrying value of vines at 30 June 2023 is appropriate based upon no changes being necessary to the 30 June 2021 valuation. The company has a policy of valuing the vines every third year by an independent valuer unless there are indications of a significant change. Prior to 30 June 2023 the company policy was an independent valuation to be completed every second year. There has been no change in current or future productivity of vines. There is no market evidence to indicate any change in vine value. It is the judgement of Directors that the vine values are unchanged from values established by independent valuation dated July 2021. Adjustments are made for any additional vine plantings and disposals.

Vines are included in Level 3 in 2022 as the fair value of the vines has been determined by Director's assessment that the carrying value of vines at 30 June 2022 is appropriate based upon no changes being necessary to the 30 June 2021 valuation. The company has a policy of valuing the vines every second year by an independent valuer unless there are indications of a significant change. There has been no change in current or future productivity of vines. There is no market evidence to indicate any change in vine value. It is the judgement of Directors that the vine values are unchanged from values established by independent valuation dated July 2021. Adjustments are made for any additional vine plantings and disposals.

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 2023 *cont.*

2023	Total $	NZD $	AUD $	GBP $	EURO $	USD $	CAD $
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	-

2022	Total $	NZD $	AUD $	GBP $	EURO $	USD $	CAD $
Cash and cash equivalents	76,410	(74,583)	132,408	-	-	18,586	-
Trade and other receivables	770,936	638,994	131,943	-	-	-	-
Investments	7,039	7,039	-	-	-	-	-
Total Financial Assets	854,386	571,449	264,350	-	-	18,586	-
Finance Lease Loans	85,491	85,491	-	-	-	-	-
Forward exchange contracts	1,244	-	1,244	-	-	-	-
Trade and other payables	683,044	676,215	6,829	-	-	-	-
Term Loans	305	305	-	-	-	-	-
Total Financial Liabilities	770,084	762,011	8,073	-	-	- -	
Net Financial Position	84,302	(190,561)	256,277	-	-	18,586	-

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:

	2023 $	2022 $
Actual Revenue	5,984,206	5,149,587
5% Decrease	5,684,996	4,892,107
5% Increase	6,283,417	5,407,066

b) Fair Values

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

NOTE 20: 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 21: 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.

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)

2022	Carrying Amount	Currency Risk	
	$	-10%	10%
Cash and cash equivalents	76,410	16,777	(13,727)
Trade and other receivables	770,936	16,223	(13,274)
Investments	7,039	-	-
Total Financial Assets	854,386	33,001	(27,000)
Trade and other payables	683,044	422	(346)
Term Loans	305	-	-
Forward exchange contracts	1,244	12,121	(9,917)
Finance Lease Loans	85,491	-	-
Total Financial Liabilities	770,084	12,544	(10,263)
Net Financial Position	84,302	20,457	(16,738)

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

NOTE 22: 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.

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

2022	**less than 6 months $**	**6 - 12 months $**	**greater than 12 months $**
Trade and other payables	682,747	298	-
Term Loans	305	-	-
Finance Lease Loans	17,521	17,608	50,361
Total Financial Liabilities	700,573	17,906	50,361

Notes to the Financial Statements for the Year Ended 30 June 2023 *cont.*

NOTE 23: RELATED PARTY TRANSACTIONS

The company made purchases of fuel, road user charges, vehicle maintenance and other minor purchases from Martinborough Automotive 2020 Limited, in which Ms P M Goodwin (CEO) and her husband hold significant interest. These transactions amount to $8,432 (2022: $8,788).

During the year the company reimbursed Mr J D Auld travel and other expenses of $2,019 (2022: $1,935).

	2023	2022
	$	$
Trade and other receivables include:		
Key management personnel	380	-
Other related parties	-	-
Trade and other payables include:		
Key management personnel	53,673	47,569
Other related parties	2,170	2,784
Key Management Compensation		
Short-term employee benefits	370,220	387,650
Directors Fees	63,000	63,000

NOTE 24: COMMITMENTS

There were no commitments for capital expenditure at the reporting date (2022: Nil).

NOTE 25: OPERATING LEASES

A lease commitment exists for the photocopier and Eftpos payment services.

	2023 $	2022 $
Less than a year	4,187	2,803
Between one and five years	6,985	5,982
More than five years	-	-
Total	11,172	8,785

	2023 $	2022 $
Total operating lease payments recognised as an expense	4,408	4,529

NOTE 26: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities or contingent assets are known to exist at the reporting date (2022: Nil).

NOTE 27: DIVIDEND

For the reporting date there was no dividend declared by the Board of Directors (2022: No dividend declared).

NOTE 28: 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 2023 *cont.*

NOTE 29: COVID-19

As a primary industry the company is considered an essential service and therefore able to operate aspects of the business at all levels of lockdown in New Zealand, Covid-19 is expected to have a lasting significant economic impact on New Zealand with uncertainty as to how this may impact the Company in the future. When making future business decisions both management and Directors are giving consideration to these significant uncertainties.

NOTE 30: 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 31: RECONCILIATION OF CASHFLOWS FROM FINANCING ACTIVITIES

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

	Employee Loans	Dividends Payable	Leases
	$	$	$
Liability at 1 July 2022	(5,922)	-	85,491
Non Cash			
Dividends Declared			
Finance Lease Loan Advanced			
Employee Loans Issued			
Cash Flows			
Finance Lease Loan Repaid			(35,129)
Employee Loans Repaid	2,632		
Dividends Paid			
Balance at 30 June 2023	(3,291)	-	50,361

	Employee Loans	Dividends Payable	Leases
	$	$	$
Liability at 1 July 2021	(8,732)	214,378	-
Non Cash			
Dividends Declared		-	
Finance Lease Loan Advanced			128,858
Employee Loans Issued	-		
Cash Flows			
Finance Lease Loan Repaid			(43,367)
Employee Loans Repaid	2,810		
Dividends Paid		(214,378)	
Balance at 30 June 2022	(5,922)	-	85,491

Comparative Financial Review for the Years Ending 30 June

	2023	2022	2021	2020	2019
	’000	’000	’000	$’000	$’000
Income Statement Data					
Total Sales Revenue	5,984	5,150	5,067	3,995	4,864
Surplus from Operations	1,631	1,371	1,346	1,611	1,480
Taxation	(7)	73	(28)	(458)	22
Net Surplus/(Deficit) for the Year	(119)	211	23	877	(75)
Earnings per Share (cents)	(2.82)	5.01	0.55	20.80	(1.79)
Dividends per Share (cents)	-	-	5.00	20.00	-
Statement of Financial Position Data					
Current Assets	4,958	5,202	5,244	5,047	5,556
Current Liabilities	1089	986	908	467	503
Working Capital Ratio	4.55	5.28	5.78	10.81	11.05
Non-Current Assets	11,526	11,455	11,014	11,135	11,188
Total Assets	16,483	16,657	16,257	16,182	16,744
Non-Current Liabilities	855	1,012	920	1,080	1,641
Total Liabilities	1,944	1,998	1,828	1,547	2,144
Total Shareholder’s Equity	14,540	14,659	14,430	14,635	14,600
Net Surplus/(Deficit) % of Shareholder’s Equity	-0.82%	1.44%	0.16%	5.99%	-0.51%
Total Loans	1	2	2	6	-
Gearing Ratio % [1]	0.01%	0.01%	0.01%	0.04%	-
Shareholder’s Equity % of Total Assets	88.21%	88.01%	88.76%	90.44%	87.20%
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 2023

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, A Meehan 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 58 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 2023

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:

	2023	2022
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
$100,001-$110,000	1
$110,001-$120,000	1
$170,001-$180,000	1
$190,001-$200,000	1

Statutory Information for the Year Ended 30 June 2023

8. SHAREHOLDING BREAKDOWN

Shareholding as at 30 June 2023	Number of Shareholders	Total Shares Held	% of Share Capital
1-9,999	189	920,620	21.83%
10,000-49,999	46	762,699	18.09%
50,000-99,999	6	493,206	11.70%
100,000-499,999	8	2,040,209	48.38%
	249	4,216,734	100.0%

9. DIRECTORS' SHAREHOLDING

Shares held at 30 June 2023 (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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