



LANDCORP FARMING LIMITED

HALF-YEAR REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2022





HALF-YEAR REVIEW

CHAIR AND CHIEF EXECUTIVE

At Pāmu, we continue to pursue our strategy for farming excellence and innovation, earnings diversification, and a smaller environmental footprint, including reducing carbon emissions in line with the expectations of export-market customers.

As a food and fibre business and state-owned enterprise, staying profitable while also playing a major role in showing what is possible is a priority. Moving to greater use of dairy beef to meet our ambition to increase the usage of surplus dairy calves, greenhouse gas mitigation and integration of forestry into the farming landscape for the benefit of freshwater, biosecurity and sequestration are important insights to share with the farming community.

FINANCIALS

The net operating profit (NOP) for Pāmu, our preferred financial measure, saw a gain of \$15 million for the half year to 31 December 2022 compared to a loss of \$1 million in the comparable half year.

Total income increased by \$16 million (11 percent) due to the combination of factors noted below.

Farm operating revenue was \$3 million lower than the period to 31 December 2021, driven by reduced livestock revenue of \$2 million following the sale of four livestock farms during the prior year.

Milk production and prices were both slightly down, accounting for the \$1 million reduction in milk income compared to the prior period. Income from other business activities rose by \$6 million due to a \$5 million increase generated by Pāmu Foods. Finally, total income includes a \$13 million gain derived from the company's milk price hedging activities (December 2021: \$13 million loss represented in operating expenses).

Operating expenses increased by \$8 million. Farm working and maintenance expenses rose by \$11 million year on year reflecting continuing inflation in farming input costs such as feed and fertiliser. Personnel and other costs also rose by \$10 million due to a range of factors, including higher salary costs, increased costs of fuel and electricity and higher expenditure on raw materials by Pāmu Foods. The year-on-year cost increase is \$8 million as the prior period included a \$13 million loss on the company's milk price hedging activities (see above).

The return from equity accounted investments increased by \$5 million (December 2021: loss of \$2 million). This includes a strong result by the Ngā Roto joint venture residential subdivision in Taupō, which is nearing completion after a long development.

Although NOP for the half year compares favourably to the prior-year result, the net profit after tax (NPAT) of \$4 million dropped from \$41 million in the prior half year. The main cause of the decline is the prior-year livestock revaluation gain of \$50 million decreasing to a \$1 million loss in the current year. This fair value loss is a non-cash item and reflects weaker market prices for livestock, principally sheep and dairy animals.

CLIMATE ACTION

At Pāmu, we are committed to reducing the impact of our activities on the climate and strengthening climate resilience through adaptation measures.

This has been reinforced through the uptake of sustainability-linked loans, which encourage improvements in ESG aspects of the business as well as financial performance. There has been an increased governance focus and independent verification, and benchmarking is being implemented across key areas such as animal health, welfare, and nutrition as well as environmental impact.



DR WARREN PARKER
CHAIR



MARK LESLIE
CHIEF EXECUTIVE

HALF-YEAR REVIEW CONTINUED

Toitū carbonreduce farm certification continues, with Pāmu on track to achieve certification across 50 percent of farms by June 2023 and 100 percent of farms by June 2024. Each farm must measure all greenhouse gas emissions and develop plans to continually manage and reduce these. Emissions are independently verified annually against international standards.

Pāmu also established an independent Sustainability Panel in December 2022 to constructively challenge and provide new information and insights on how progress can most effectively be made in reducing the company's environmental impacts and resilience.

The Sustainability Panel will critique our Emissions Reduction Plan, which lays the pathway and actions to achieve 2030 targets. Pāmu has committed to developing and achieving a science-based target – which is currently drafted to be 26.5 percent net GHG reduction between 2020-2030. Pāmu will seek independent validation that this target will support the no-more-than 1.5 degree warming scenario as set out by the Science Based Targets Initiative. We have recently completed our second annual independently assessed verification of our greenhouse gas (GHG) emissions footprint.

Further work being developed as part of the Pāmu response to Action 13.4.2¹ of *Te hau mārohi ki anamata* – the government's first emissions reduction plan – includes:

- understanding the GHG efficiencies gained through the dairy beef breeding programme
- exploring the establishment of new methane measurement facilities for sheep and beef cattle in the North and South Islands

- identifying and implementing low-emissions technologies for dairy farm effluent ponds
- hosting field days to share learnings and gain farmer and expert input.

Pāmu also has an important role to play in evaluating emissions-reduction technologies and demonstrating at a farm systems scale how these could reduce environmental effects.

PARTNERSHIPS AND INNOVATION

Pāmu invests in new technologies, farm systems and land use to improve the future for farming. These include lower-footprint production systems and meeting social licence to operate expectations.

At our Kapiro property in Northland, we hosted a farm open day with Beef + Lamb New Zealand (B+LNZ) showcasing our work in hair sheep, dairy beef integration, low-emissions breeding, diversification into horticulture and climate mitigation.

Exciting developments in breeding will generate more productive and methane-efficient hair, fine, and strong wool sheep genotypes.

Trials and programmes are conducted by our subsidiary Focus Genetics and are supported by AgResearch, Massey University, LASRA (Leather and Shoe Research Association) and B+LNZ Genetics. The heat and disease tolerance factors being recorded and enhanced will be useful for all breeds of sheep in the future.

Research has confirmed bull genetics play a role in how much methane they emit, highlighting the potential for farmers to breed low-methane-emitting cows in

the future. The welcome news arises from the first year of a research programme run by major New Zealand artificial breeding companies LIC and CRV. We will be able to apply this work to our beef cattle herds.

Breeding represents a long-term and cumulative way that farmers can reduce their greenhouse gas emissions and concurrently achieve productivity gains in other performance traits. Pāmu and Focus Genetics have an important role to play in bridging the gap between science and commercialisation for the benefit of industry.

PEOPLE

While the tight labour market has eased slightly and we are seeing turnover slow, we continue to monitor the situation closely.

Over 80 percent of Pāmu leaders have now completed *Our Nature of Leadership* internal development programme. This has helped upskill our leaders and strengthened internal relationships across the organisation.

We are pleased that our half-year health and safety results are better than at the same time last year. This is due to a continuing focus on ensuring our people get home safely every day. Our recent health and safety audit, undertaken by HSE Global, shows that we have a sustainable health and safety culture. We are aiming to further improve this through health and safety audits on every farm/ orchard in the coming months.

EXECUTIVE CHANGES

Over the half year, Annabel Davies joined Pāmu as Chief Sustainability and Risk Officer, and Tammy Lemire was appointed Chief Technology and Digital Officer.

¹ Action 13.4.2: *Reduce the emissions of our largest farmer* – Pāmu requests Pāmu to identify options to accelerate work in emissions reduction and demonstrate sector leadership.

HALF-YEAR REVIEW CONTINUED

Pāmu has an ambitious environmental programme across our farming systems to meet the challenges of a changing climate and societal and shareholder expectations of us in these vital areas for our company and our country. Annabel brings her experience working across a range of sectors, including local government, infrastructure, energy, and the private sector.

Tammy brings an impressive skillset and depth of experience to the senior leadership team to further strengthen business performance in an area crucial to the future of farming. The new role is also a commitment to ensuring Pāmu remains at the forefront of digital technology and data-led innovation.

Farmers and growers can benefit hugely from digital technologies and from data availability for better decision making on farm, regulatory compliance and providing information to meet consumer demand. While Pāmu has embraced technology and is at the forefront of digital adoption and innovation, challenges and opportunities in this area are ongoing, with important decisions to be made about which technologies to adopt, when and how. An example is animal wearable devices to control grazing without fences.

OUTLOOK

International inflationary pressure and longer than anticipated tight COVID-19 policies in China have dampened dairy demand. Combined with improved productivity over recent months in the United States and Europe, this is putting downward pressure on milk price forecasts in New Zealand. Fonterra's January *Global Dairy Update* tells the story of the China lockdown with Chinese dairy imports for the 12 months to December 2022 down 16.9 percent compared to the 12 months to December 2021.

Increasing demand for lean beef in the United States and Chinese New Year celebrations are optimistic signs for beef prices. Other Asian beef markets are more volatile. Beef suppliers look forward to ratification of the free trade agreement with the United Kingdom later in 2023.

There is some optimism that lamb prices may recover, with promising sales over the Chinese New Year and as we head towards Easter in Europe. Middle Eastern demand for lamb is good, and Chinese New Year has created steady demand for mutton. There are positive signs for venison in Europe and demand for frozen product in the United States, seeing venison prices hold firm.

The impact of Cyclone Gabrielle on forecasts is still to be determined, but North Island flooding and the subsequent cost of clean-up will affect our ability to meet financial targets. The most severe impact is to 22 of our livestock farms, which have suffered damage to infrastructure and pasture, limiting the ability for them to hold projected stock numbers.







We acknowledge the fantastic way our team has responded and are looking out for each other in these challenging times and thank those who work hard every day to make Pāmu a company that New Zealanders can be proud of.

Dr Warren Parker
Chair

Mark Leslie
Chief Executive

FINANCIAL STATEMENTS AND NOTES

HALF-YEAR REPORT DECEMBER 2022

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

| | Note | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|--|------|--|---|--|
| Income | | | | |
| Farm operating | 3 | 129 | 262 | 132 |
| Other business activities | | 14 | 35 | 8 |
| Fair value gain on milk futures | | 13 | - | - |
| | | 156 | 297 | 140 |
| Operating expenses | | | | |
| Farm working and maintenance | | 78 | 119 | 67 |
| Personnel and other | | 55 | 101 | 45 |
| Fair value gain on milk futures | | - | 22 | 13 |
| | | 133 | 242 | 125 |
| Gain/(loss) from equity accounted investments | | 5 | (4) | (2) |
| Depreciation and amortisation | | (13) | (29) | (14) |
| Net operating profit/(loss)¹ | | 15 | 22 | (1) |
| Gain on sale of property, plant and equipment | | 1 | 12 | - |
| Net finance expenses | | (11) | (21) | (11) |
| Fair value gain on financial instruments | | 1 | 7 | 4 |
| Fair value (loss)/gain on biological assets | | (1) | 20 | 50 |
| Reversal of historical revaluation losses | | - | 18 | - |
| Net profit before tax | | 5 | 58 | 42 |
| Tax (expense)/benefit | | (1) | 1 | (1) |
| Net profit after tax | | 4 | 59 | 41 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Fair value gain on land and improvements | | 1 | 355 | - |
| Fair value (loss) on share investments | | (2) | (5) | (4) |
| Fair value gain on carbon credits | | - | 33 | 25 |
| Tax benefit/(expense) recognised in equity | | 3 | (12) | (6) |
| Total comprehensive income | | 6 | 430 | 56 |

¹ Net operating profit is a non-GAAP measure. However, Pāmu has considered it to be the profit from Pāmu's core/primary activities. Net operating profit does not have a standardised meaning and should not be viewed in isolation nor considered a substitute for measures reported in accordance with NZ IFRS as it may not be comparable to similar financial information presented by other entities.

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

| | Share capital \$m | Retained earnings \$m | Share revaluation reserve \$m | Asset revaluation reserve \$m | Total equity \$m |
|--|----------------------|--------------------------|----------------------------------|----------------------------------|---------------------|
| Balance at 1 July 2022 | 125 | 715 | - | 966 | 1,806 |
| Net profit after tax | - | 4 | - | - | 4 |
| Dividend paid | - | (5) | - | - | (5) |
| Fair value movement | - | - | (2) | 1 | (1) |
| Tax expense recognised in equity | - | (1) | 1 | 3 | 3 |
| Realised (loss) on share sales | - | - | - | - | - |
| Transfer of revaluation reserves on property sales | - | - | - | - | - |
| Realised gain on carbon credit sales | - | 11 | - | (11) | - |
| Net transfers under Protected Land Agreement | - | 3 | - | (3) | - |
| Unaudited balance at 31 December 2022 | 125 | 727 | (1) | 956 | 1,807 |

| | Share capital \$m | Retained earnings \$m | Share revaluation reserve \$m | Asset revaluation reserve \$m | Total equity \$m |
|--|----------------------|--------------------------|----------------------------------|----------------------------------|---------------------|
| Balance at 1 July 2021 | 125 | 642 | 2 | 611 | 1,380 |
| Net profit after tax | - | 59 | - | - | 59 |
| Dividend paid | - | (5) | - | - | (5) |
| Fair value movement | - | - | (5) | 388 | 383 |
| Tax expense recognised in equity | - | - | 1 | (13) | (12) |
| Realised (loss) on share sales | - | (2) | 2 | - | - |
| Transfer of revaluation reserves on property sales | - | 18 | - | (18) | - |
| Realised gain on carbon credit sales | - | 2 | - | (2) | - |
| Net transfers under Protected Land Agreement | - | 1 | - | - | 1 |
| Balance at 30 June 2022 | 125 | 715 | - | 966 | 1,806 |

| | Share capital \$m | Retained earnings \$m | Share revaluation reserve \$m | Asset revaluation reserve \$m | Total equity \$m |
|--|----------------------|--------------------------|----------------------------------|----------------------------------|---------------------|
| Balance at 1 July 2021 | 125 | 642 | 2 | 611 | 1,380 |
| Net profit after tax | - | 41 | - | - | 41 |
| Dividend paid | - | (5) | - | - | (5) |
| Fair value movement | - | - | (4) | 25 | 21 |
| Tax expense recognised in equity | - | - | 1 | (7) | (6) |
| Realised (loss) on share sales | - | (1) | 1 | - | - |
| Transfer of revaluation reserves on property sales | - | - | - | - | - |
| Realised gain on carbon credit sales | - | 2 | - | (2) | - |
| Net transfers under Protected Land Agreement | - | - | - | - | - |
| Unaudited balance at 31 December 2021 | 125 | 679 | - | 627 | 1,431 |

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|--|--|---|--|
| Cash flows from operating activities | | | |
| Receipts from customers: | | | |
| Livestock | 47 | 157 | 45 |
| Milk | 69 | 107 | 48 |
| Other receipts from customers | 23 | 31 | 10 |
| Payments to suppliers | (98) | (179) | (85) |
| Payments to employees | (38) | (65) | (35) |
| Interest paid | (5) | (9) | (4) |
| Net cash (outflows)/inflows from operating activities | (2) | 42 | (21) |
| Cash flows from investing activities | | | |
| Proceeds from sale of land and other property, plant and equipment | 5 | 47 | 2 |
| Proceeds from sale of carbon credits | 21 | 6 | 6 |
| Proceeds from sale of share investments | 1 | 4 | 2 |
| Purchase and development of land and forestry | (15) | (24) | (12) |
| Purchase of other property, plant and equipment and intangibles | (9) | (16) | (8) |
| Purchase of shares and net interests in joint venture investments | (9) | (13) | (9) |
| Net cash (outflows)/inflows from investing activities | (6) | 4 | (19) |
| Cash flows from financing activities | | | |
| Net borrowing (repayments)/receipts | 20 | (26) | 52 |
| Redemption of preference shares | (3) | - | - |
| Payment of lease liabilities | (8) | (16) | (8) |
| Dividends paid | (5) | (5) | (5) |
| Net cash inflows/(outflows) from financing activities | 4 | (47) | 39 |
| Net change in cash and cash equivalents | (4) | (1) | (1) |
| Cash and cash equivalents at beginning of year | 7 | 8 | 8 |
| Cash and cash equivalents at end of year | 3 | 7 | 7 |

The accompanying notes form part of these financial statements

RECONCILIATION OF PROFIT AND OPERATING CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

| | Note | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|--|------|--|---|--|
| Net profit after tax | | 4 | 59 | 41 |
| Non-cash items | | | | |
| Non-cash livestock growth and ageing | 3 | (18) | 12 | (20) |
| Non-cash forestry growth | | - | (2) | - |
| Carbon credit allocation | | - | (11) | - |
| Depreciation and amortisation | | 13 | 29 | 14 |
| Fair value movements | | - | (45) | (53) |
| Milk futures unsettled gain | | (7) | - | - |
| Interest expense on lease liability | | 6 | 12 | 6 |
| Gain on sale of property, plant and equipment | | - | (12) | - |
| Tax expense | | 1 | (1) | 1 |
| Movements in working capital | | 4 | (3) | (12) |
| Items classified as investing activities | | (5) | 4 | 2 |
| Net cash (outflows)/inflows from operating activities | | (2) | 42 | (21) |

The accompanying notes form part of these financial statements

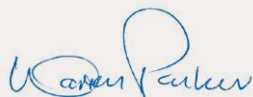
STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

| | Note | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|-------------------------------------|------|--|---|--|
| Assets | | | | |
| Cash and cash equivalents | | 3 | 7 | 7 |
| Accounts receivable | 4 | 50 | 47 | 56 |
| Inventories | | 12 | 13 | 11 |
| Property held for sale | | 3 | 3 | 35 |
| Livestock | 5 | 315 | 298 | 356 |
| Forestry, carbon and orchard assets | 6 | 121 | 137 | 118 |
| Equity accounted investments | 7 | 39 | 30 | 29 |
| Share investments | 8 | 26 | 28 | 30 |
| Other assets | | 1 | 2 | 3 |
| Derivatives asset | | 9 | 1 | - |
| Property, plant and equipment | 9 | 1,603 | 1,596 | 1,213 |
| Leased assets | 10 | 224 | 230 | 225 |
| Total assets | | 2,406 | 2,392 | 2,083 |
| Liabilities | | | | |
| Bank loans | 11 | 211 | 191 | 269 |
| Accounts payable and accruals | | 26 | 20 | 22 |
| Employee entitlements | | 7 | 12 | 10 |
| Other liabilities | | - | - | 2 |
| Deferred tax liability | | 20 | 22 | 18 |
| Lease liabilities | 10 | 251 | 254 | 244 |
| Redeemable preference shares | | 84 | 87 | 87 |
| Total liabilities | | 599 | 586 | 652 |
| Shareholders' funds | | | | |
| Share capital | | 125 | 125 | 125 |
| Retained earnings | | 727 | 715 | 679 |
| Share revaluation reserve | | (1) | - | - |
| Asset revaluation reserve | | 956 | 966 | 627 |
| Total shareholders' funds | | 1,807 | 1,806 | 1,431 |
| Total equity | | 1,807 | 1,806 | 1,431 |
| Total equity and liabilities | | 2,406 | 2,392 | 2,083 |

Landcorp's Board of Directors authorised the financial statements for issue on 14 February 2023.

Signed on behalf of the Board



Dr Warren Parker

Chair

14 February 2023



Paula Savage

Chair of Audit and Risk Committee

14 February 2023

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

NOTE 1: BASIS OF ACCOUNTING

REPORTING ENTITY

The condensed consolidated interim financial statements presented are those of Landcorp Farming Limited (“Landcorp”) and its subsidiaries, joint ventures and associates (the “Group”). Established under the State-Owned Enterprises Act 1986 and registered under the Companies Act 1993, Landcorp is a profit-oriented company incorporated and domiciled in New Zealand. The ultimate shareholder of the Group is the Crown.

Landcorp is primarily a pastoral farming company with a growing focus on exploring alternative uses for land in its portfolio, including additional forestry and horticulture. Landcorp also has a developing foods business marketing premium dairy products. Subsidiaries and associates are involved in land development, land management, farm technology and developing genetically superior sheep, cattle and deer breeds.

BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. These financial statements are unaudited and do not include all of the information and disclosures required in the annual financial statements. Accordingly, these financial statements should be read in conjunction with the annual report for the year ended 30 June 2022. Accounting policies used are consistent. Where necessary, comparative information has been reclassified to achieve consistency with the current period’s presentation.

Landcorp has moved to using Net Operating Profit (“NOP”) as its preferred non-GAAP reporting measure (previously EBITDAR - earnings before interest, tax, depreciation, amortisation and revaluations). The main reason that NOP provides clearer disclosure of fair value movements in milk futures contracts. NOP also includes depreciation and amortisation expenses, which did not form part of EBITDAR.

INFLATION

Landcorp is currently experiencing significantly increased operating expenses due to price rises for key farming inputs such as fertiliser, fuel and animal feed. These rises are caused by a number of factors, including international supply/demand, currency movements and general inflationary pressures in the domestic economy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

NOTE 2: SEASONALITY OF OPERATIONS

Landcorp's operations are seasonal and are largely a function of the annual farming cycle. The six months from July to December covered by these financial statements primarily reflect the cessation of winter and commencement of spring conditions when the majority of livestock births occur.

Statement of profit or loss

The overall half year net profit after tax is seasonal and reflects the following:

- Landcorp's sheep, beef and deer operations follow a cycle where the bulk of livestock is reared in spring and conditioned for sale over the late summer and autumn period. This means that a large portion of Landcorp's livestock income is not generated until the second half of the financial year. The sale prices for processed livestock will be a function of market conditions at the time of sale and will reflect the prevailing impact of international commodity prices, exchange rates and any local climatic considerations.
- Harvested feed, comprising hay, silage and baleage, is generally harvested in late summer, during the second half of the financial year, and consumed in winter and early spring, in the first half of the financial year. Consequently, the six months to 31 December 2022 reflect the cost of the seasonal consumption of this feed. The second half of the financial year will reflect the benefit of rebuilding feed stocks for consumption early in the following financial year.
- Under NZ IFRS, Landcorp revalues livestock at each balance date and includes the revaluation gain or loss within profit. The value of livestock will reflect market conditions at the time and is likely to change between balance dates. Hence, any profit or loss arising from livestock revaluations at 31 December 2022 may not reflect the market conditions prevailing at the financial year end.

Statement of financial position

Landcorp's Statement of Financial Position at 31 December 2022 reflects the following seasonal factors:

- Term debt is seasonal as much of Landcorp's revenue is not received in cash until the second half of the financial year. This reflects both the timing of livestock sales and the date at which milk solids revenue is received.
- Inventories of harvested feed reflect the seasonal consumption/production cycle.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

NOTE 3: FARM OPERATING REVENUE

Farm operating revenue is derived from the sale of livestock, milk and other agricultural produce such as wool and forestry logs.

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|-------------------------------------|--|---|--|
| Livestock | 52 | 127 | 54 |
| Milk | 76 | 130 | 77 |
| Wool | 1 | 3 | 1 |
| Forestry | - | 2 | - |
| Total farm operating revenue | 129 | 262 | 132 |

Livestock revenue

Livestock sales revenue is recognised following delivery to customers. Sales contracts either fix prices in advance or allow livestock to be sold at the prevailing spot rate. Each year, the Board approves a standard value for each livestock class. Changes in the value and volume of livestock arising from purchases, sales, births, deaths and ageing are determined using standard values.

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|--------------------------------|--|---|--|
| Sheep | 20 | 49 | 22 |
| Beef | 20 | 43 | 16 |
| Dairy | 7 | 21 | 11 |
| Deer | 5 | 14 | 5 |
| Total livestock revenue | 52 | 127 | 54 |

Cash items

| | | | |
|---------------------|-----|------|------|
| Livestock sales | 43 | 157 | 46 |
| Livestock purchases | (9) | (18) | (12) |

Non-cash items

| | | | |
|-----------------------------------|-----------|------------|-----------|
| Birth of animals | 27 | 34 | 27 |
| Growth of animals | 31 | 79 | 29 |
| Livestock losses | (6) | (13) | (6) |
| Book value of livestock purchased | 4 | 12 | 7 |
| Book value of livestock sold | (38) | (124) | (37) |
| Total livestock revenue | 52 | 127 | 54 |

Milk revenue

Milk revenue is recognised following collection by the milk processor using the processor's most recent forecast price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

NOTE 4: ACCOUNTS RECEIVABLE

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|-----------------------------------|--|---|--|
| Trade debtors | 7 | 17 | 7 |
| Milk income receivable | 35 | 22 | 38 |
| Other receivables and prepayments | 8 | 8 | 11 |
| Total accounts receivable | 50 | 47 | 56 |

NOTE 5: LIVESTOCK

Livestock are recorded at fair value less estimated point-of-sale costs. Changes in the value and volume of livestock arising from purchases, sales, births, deaths and ageing are recognised within revenue in the Statement of Profit or Loss and Other Comprehensive Income. Changes in value due to general livestock price movements are recognised in the Statement of Profit or Loss and Other Comprehensive Income within fair value movement in biological assets. Livestock valuations at 31 December 2022 were provided by an independent valuer. These market values reflect livestock of similar weight and age throughout New Zealand.

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|--|--|---|--|
| Livestock value at start of year | 298 | 286 | 286 |
| Birth and growth of animals | 58 | 113 | 56 |
| Livestock losses | (6) | (13) | (6) |
| Book value of livestock purchased and sold | (34) | (112) | (30) |
| Fair value gain | (1) | 24 | 50 |
| Balance at end of period | 315 | 298 | 356 |

Livestock numbers comprise:

| | Unaudited 6 months ended 31 Dec 22 | Audited 12 months ended 30 Jun 22 | Unaudited 6 months ended 31 Dec 21 |
|--------------------------------|---|--|---|
| Sheep | 686,624 | 394,494 | 725,187 |
| Beef | 85,451 | 71,520 | 90,389 |
| Dairy | 82,977 | 70,794 | 85,696 |
| Deer | 44,851 | 63,654 | 56,615 |
| Total livestock on hand | 899,903 | 600,462 | 957,887 |

Livestock numbers are subject to seasonal variation, with numbers increasing through spring due to the birth of animals. Livestock on hand in December contains a greater proportion of trading stock, which will be sold later in the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

NOTE 6: FORESTRY, CARBON AND ORCHARD ASSETS

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|--|--|---|--|
| Carbon credits | 67 | 85 | 67 |
| Forests | 51 | 50 | 50 |
| Orchards | 3 | 2 | 1 |
| Total forestry, carbon and orchard assets | 121 | 137 | 118 |

NOTE 7: EQUITY ACCOUNTED INVESTMENTS

On 30 September 2022, Landcorp reduced its shareholding in Farm IQ Systems Limited from 64% to 54%. Directors have determined that the majority shareholding does not provide Landcorp with control of the entity due to the provisions of the pre-existing shareholders' agreement. As a result, Landcorp has continued to account for its investment in accordance with NZ IAS 28.

NOTE 8: SHARE INVESTMENTS

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|---|--|---|--|
| Share investments at fair value through Profit or Loss | 2 | 2 | 2 |
| Share investments at fair value through Other Comprehensive Income: | | | |
| Fonterra Co-operative Group Limited | 12 | 14 | 16 |
| Waimakariri Irrigation Limited | 10 | 10 | 10 |
| Other | 2 | 2 | 2 |
| Total share investments | 26 | 28 | 30 |

The Group is required to hold certain shares in co-operative companies to facilitate farming operations. These are not held for trading. Share investments are initially recognised at cost, and subsequently revalued to fair market value. Landcorp has elected to account for fair value changes through other comprehensive income except in cases where the shares can be redeemed at par value from the issuer. In such cases any value change will be accounted for through the Statement of Profit or Loss and Other Comprehensive Income. Any dividends from share investments are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Landcorp's policy is to review the fair value of land and improvements annually. If there is a material change in fair values, a revaluation is performed. At a minimum a revaluation of the portfolio is performed every 3 years. The last revaluation of the portfolio took place in June 2022. The statement of Financial Position at 31 December 2022 does not reflect any changes in the market value of land and improvements since 1 July 2022 based on advice from independent valuers that there has not been a material change in market values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

NOTE 10: LEASES

Leased assets and liabilities are initially recognised in the Statement of Financial Position at the present value of remaining unpaid lease payments discounted by Landcorp's incremental borrowing rate. Thereafter, leased assets are depreciated over the life of the lease, and lease liabilities reduce as lease payments are made. After commencement of a lease, any subsequent changes to the lease payments are reflected as a lease remeasurement adjustment.

Leased assets are largely made up of farm land in Wairākei, north east of Taupō. The lease was entered into in 2004 and expires in 2049. The lease requires Landcorp to convert what was previously forestry land into pastoral farming land. At 31 December 2022, approximately 12,657 hectares had been leased. A total of 12,740 hectares of land is expected to be leased by the conclusion of the lease term. Other leases are also held for office buildings and telecommunications equipment.

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|--------------------------------|--|---|--|
| Opening balance | 264 | 250 | 250 |
| Lease remeasurement adjustment | - | 7 | - |
| Additions | - | 7 | 3 |
| Balance at end of year | 264 | 264 | 253 |
| Accumulated depreciation | | | |
| Opening balance | (34) | (22) | (22) |
| Depreciation | (6) | (12) | (6) |
| Balance at end of year | (40) | (34) | (28) |
| Total leased assets | 224 | 230 | 225 |

The undiscounted maturity analysis of lease liabilities is as follows:

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|--------------------------------------|--|---|--|
| Lease payments: | | | |
| Less than one year | 16 | 17 | 16 |
| Two to five years | 65 | 64 | 61 |
| More than 5 years | 361 | 369 | 360 |
| | 442 | 450 | 437 |
| Interest expense on lease liability: | | | |
| Less than one year | (12) | (12) | (11) |
| Two to five years | (45) | (45) | (44) |
| More than 5 years | (134) | (139) | (138) |
| | (191) | (196) | (193) |
| Total lease liabilities | 251 | 254 | 244 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

NOTE 11: BANK LOANS

Cash advance facilities available to Landcorp at 31 December 2022 were \$315m (Jun 22: \$315m, Dec 21: \$315m). Bank loans are the drawn components of these bank cash advance facilities. Facilities may be borrowed against or repaid at any time by Landcorp and are subject to a negative pledge agreement, which means that Landcorp may not grant a security interest over its assets without the consent of its lenders. Facilities are either on a daily floating interest rate or a short-term fixed rate and therefore carrying value approximates fair value.

| | Unaudited 6 months ended 31 Dec 22 \$m | Audited 12 months ended 30 Jun 22 \$m | Unaudited 6 months ended 31 Dec 21 \$m |
|-------------------------|--|---|--|
| Within one year | 38 | 60 | 43 |
| Two to five years | 173 | 131 | 226 |
| Total bank loans | 211 | 191 | 269 |

NOTE 12: DIVIDENDS PAID

A final dividend for the 2021/22 financial year of \$5m was declared in August 2022 and paid in August 2022 (2020/21: \$5m).

NOTE 13: CONTINGENT LIABILITIES

At 31 December 2022, Landcorp had no contingent assets or liabilities.

NOTE 14: CAPITAL COMMITMENTS

At 31 December 2022, Landcorp had \$1.8m of capital commitments (Jun 22: \$0.9m, Dec 21: \$1.4m).

DIRECTORY

CORPORATE AND REGISTERED OFFICE

Level 2
15 Allen Street
PO Box 5349
Wellington 6140

AUDITOR

Sonia Isaac, KPMG
(under appointment of
the Auditor-General)

BANKERS

Westpac New Zealand Limited
ANZ Bank New Zealand Limited
ASB Bank Limited

WEBSITE

pamu.co.nz

FURTHER INFORMATION

If you would like more information
on anything contained in this report,
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DIRECTORS

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Nigel Atherfold
Jo Davidson
Dr Tanira Kingi
Desiree Mahy
Dr Claire Nicholson
Nick Pyke
Paula Savage
Belinda Storey

LEADERSHIP TEAM

Mark Leslie
Chief Executive
Annabel Davies
Chief Sustainability and Risk Officer
Bernadette Kelly
Chief People, Safety and Reputation Officer
Tammy Lemire
Chief Technology and Digital Officer
Steven McJorrow
Chief Financial Officer
Alistair McMechan
Chief Legal Officer
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Chief Operating Officer Pāmu Foods
Andrew Sliper
Chief Investment Officer
Steven Tickner
General Manager Livestock Commercial
Chief Operating Officer
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