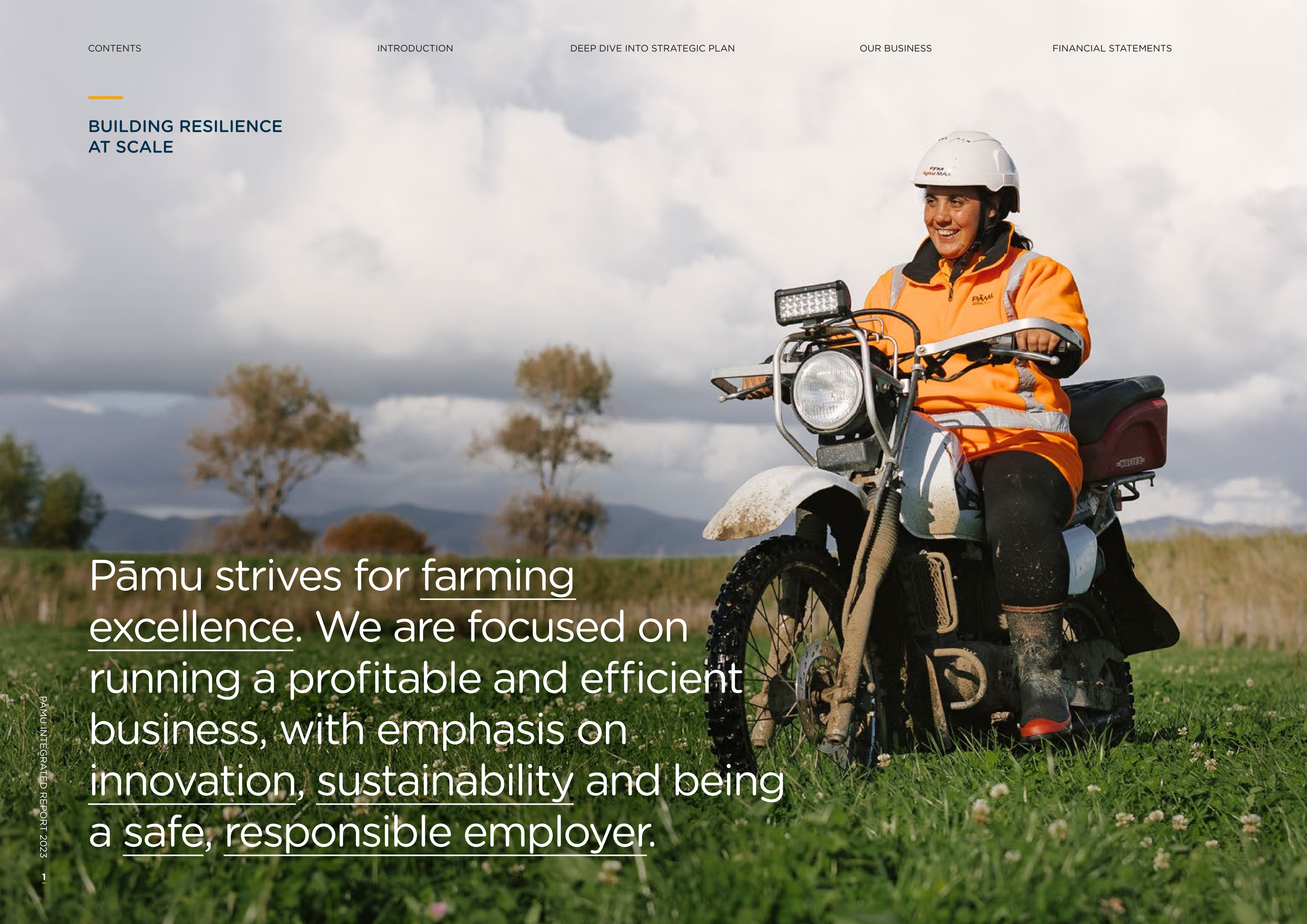
INTEGRATED REPORT 2023

PĀMU
FARMS OF NEW ZEALAND

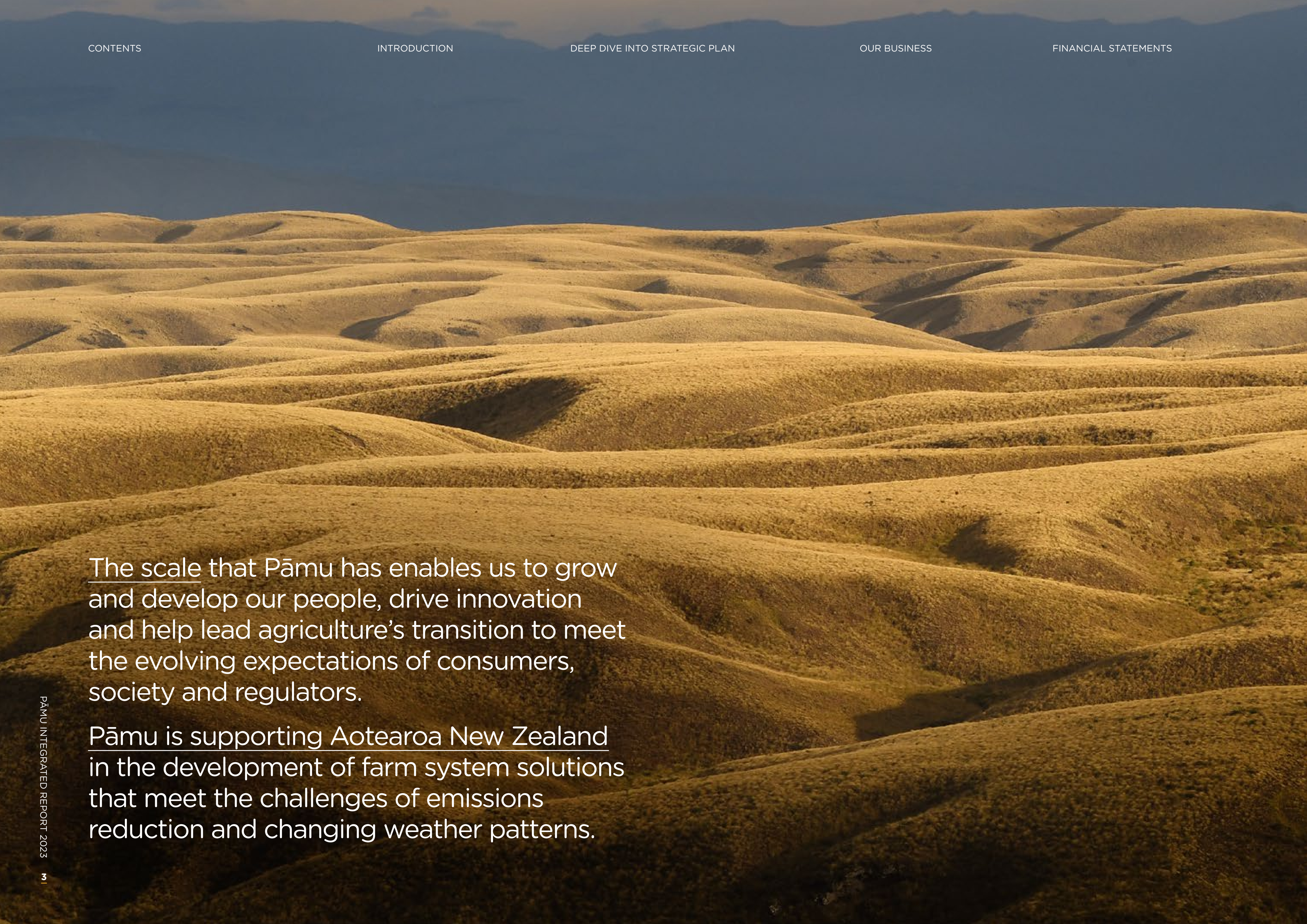
Building resilience at scale

BUILDING RESILIENCE AT SCALE



Pāmu strives for farming excellence. We are focused on running a profitable and efficient business, with emphasis on innovation, sustainability and being a safe, responsible employer.

Our purpose extends beyond profit. We aim to nurture and enrich the land on which we farm, balancing performance and the environment. We seek to ensure our farming activities contribute positively to ecosystems and communities while producing high-quality food and fibre.



The scale that Pāmu has enables us to grow and develop our people, drive innovation and help lead agriculture's transition to meet the evolving expectations of consumers, society and regulators.

Pāmu is supporting Aotearoa New Zealand in the development of farm system solutions that meet the challenges of emissions reduction and changing weather patterns.

Contents

About Pāmu

Pāmu is the brand name for Landcorp Farming Limited. We are a State Owned Enterprise and the largest pastoral farmer in Aotearoa New Zealand managing nearly 360,000ha over 112 farms across the motu. Our shareholders expect us to be profitable and efficient; an exemplar in employment and uncompromising animal welfare practices; and to demonstrate and enable environmentally sustainable pastoral farming. These expectations shape our strategy and direction.

Our purpose

Pāmu exists today to enhance the future of agriculture for generations of New Zealanders to come, return land under Treaty of Waitangi settlements and produce a financial return.

The government benefits from its investment through equity growth. When profits allow and the outlook is good, we also pay a dividend.

This is a period of significant environmental, technological, and societal change for pastoral farming. We offer Aotearoa New Zealand the resources and geographic diversity to evaluate, at a commercial scale, farm systems and associated technologies and practices for industry good. A current example of this is how to reduce greenhouse gas (GHG) emissions in line with customer expectations and regulatory requirements. Parallel work includes strengthening our climate change response.

The evolution of Pāmu

In 1886, the Department of Lands and Survey was made responsible for establishing, leasing and running farms for the New Zealand Government. As the years went by, our role expanded by creating over 20,000 farms for new farmers so that they, and Aotearoa New Zealand, might prosper.

In 1987, the Department's farm assets were transferred to a newly established state-owned enterprise, Landcorp Farming Limited, tasked with transforming the land to enhance its natural capital and produce a financial return for the country.

In 2015, Landcorp Farming Limited was rebranded to Pāmu, which in te reo Māori means 'to farm'. The brand also reflects the Māori concept of te taiao, stewardship of the environment and interconnectedness between earth, sky, water and life based on Māori values and respect. Of the land we own, 9,885 hectares is held in QEII covenants and another 6,000 hectares is protected by other covenants.

Pāmu today

Today, Pāmu operates across a broad mix of land types and classes, much of it steep and remote. Over any 12-month period, we care for a total of 1.3 million sheep, deer and cattle. Of the farms we manage, 83 are owned by the company and 29 are leased, including our large Wairākei Estate dairy complex near Taupō and the largest farm in Aotearoa New Zealand, Molesworth Station, which we lease from the Department of Conservation.

Some of the land we farm is to be returned to iwi under Treaty of Waitangi settlements. We continue to engage with Te Arawhiti over Crown interests in Pāmu properties for the settlement of historical Treaty claims.

Rautaki Pae Tawhiti aims to recognise within Pāmu the important role that Māori have as kaitiaki and also ensure a Māori perspective is integrated into Pāmu practices.

We are working to better understand and engage with our Māori workforce in a way that is meaningful and relevant to them. We are honouring a staff-led approach to adopting mātauranga Māori practices and building relationships with local iwi. In 2022, Pāmu staff members developed a company waiata.

Safety will always be at the heart of the way we operate. Nothing is more important than making sure everyone on our team gets home safely every night. The wellbeing of our people is our clear priority, and we have programmes and systems in place to make sure safe behaviour is embedded in everything we do. We continue to strive to lead the agricultural sector with our health and safety standards. An example of this is supporting initiatives such as Safer Farms to drive change across the whole sector.

Our farmers are part of the communities in which they farm. Our children go to schools in these areas, and we contribute to the local economy. We support community events and activities from schools and sports teams to shearing competitions and dog trialling. We have three strategic national sponsorships: Meat the Need, the IHC Calf & Rural Scheme and Rural Change (formerly known as the Will to Live Charitable Trust).

Pāmu leaders singing the company waiata at the annual Taste of Pāmu event held in Parliament.

Pāmu today

NORTH ISLAND

1. Auckland
Pāmu Foods
Spring Sheep

2. Central North Island
3 genetics
8 sheep/beef/deer
1 deer milk

3. Coromandel
1 beef

4. Hawke's Bay and Gisborne
11 sheep/beef
Focus Genetics

5. Horowhenua
7 dairy

6. Manawatū
2 sheep/beef/crop
1 dairy support

7. Northland
1 dairy
1 genetics
6 sheep/beef
1 orchard

8. Waikato
Melody Dairies

9. Wairākei Estate
19 dairy
2 dairy support
1 calf rearing

10. Wairarapa
1 dairy

11. Wellington
Pāmu Corporate
FarmIQ

SOUTH ISLAND

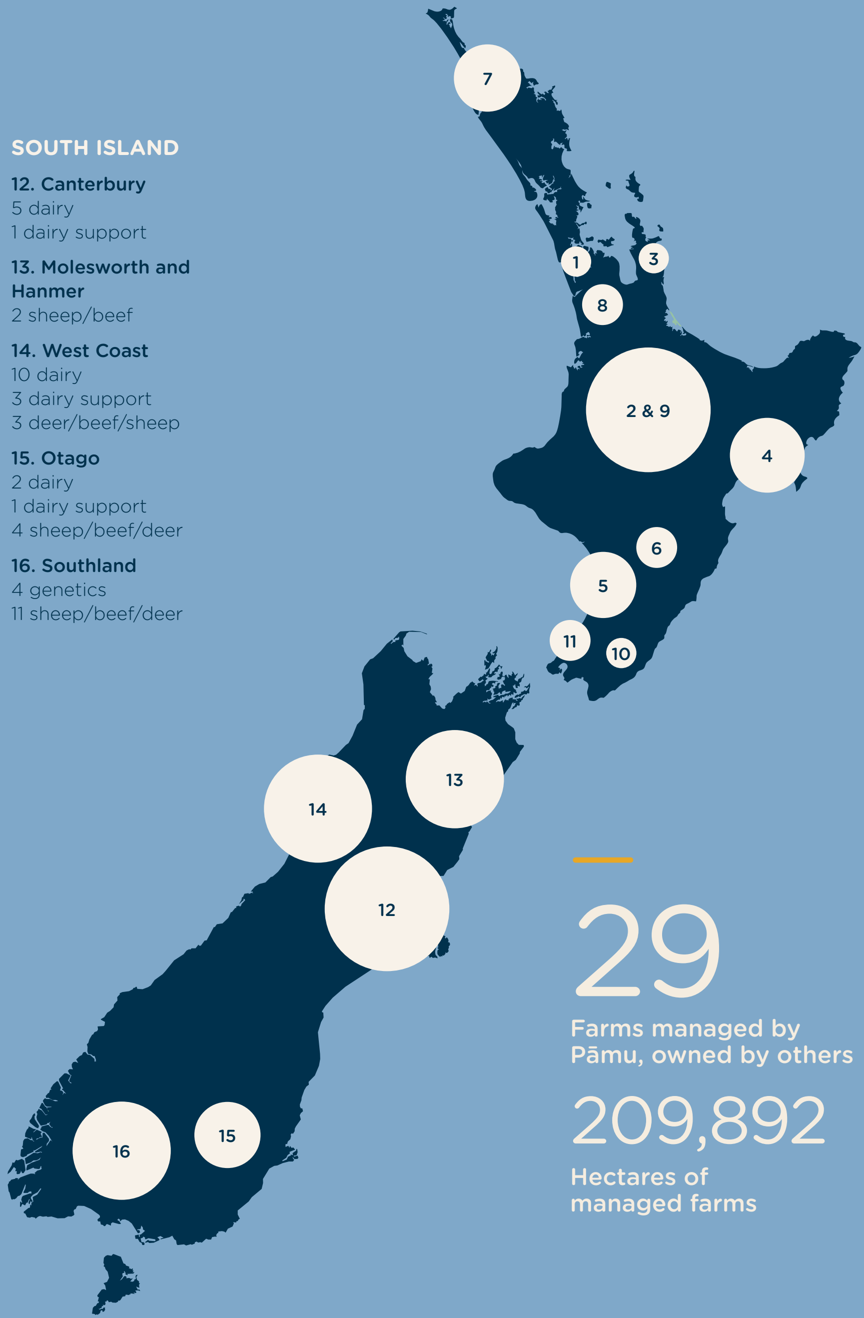
12. Canterbury
5 dairy
1 dairy support

13. Molesworth and Hanmer
2 sheep/beef

14. West Coast
10 dairy
3 dairy support
3 deer/beef/sheep

15. Otago
2 dairy
1 dairy support
4 sheep/beef/deer

16. Southland
4 genetics
11 sheep/beef/deer



112*
Farms in total

358,866
Total hectares of farms

9,885
Hectares of QEII covenants

* Includes Opouahi, which we no longer lease as at 30 June 2023.

29
Farms managed by Pāmu, owned by others

209,892
Hectares of managed farms

83
Farms owned and managed by Pāmu

148,974
Hectares of owned farms

JOINT VENTURES AND SUBSIDIARIES

FARMIQ
MELODY Dairies
FOCUS GENETICS
SPRING SHEEP – MILK CO. – New Zealand

Key performance dashboard – what matters to our shareholders

Profitable and efficient

$33m
NOP – includes $20 million hedging gain on milk futures. An increase of $11 million from FY2022

7.4%
Operating cost control versus 7.9% Stats NZ farm expenses price index (excluding livestock)

7,713
Total Pāmu calves reared under our dairy beef strategy

34,117
Tonnes of precision-placed fertiliser (excludes lime)

Exemplar in employment and uncompromising animal welfare practices

7.7
Lost-time injury frequency rate compared to 8.6 in FY2022 shows injuries are falling year on year

2.6%
Gender pay gap as compared to New Zealand benchmark of 8.6%

32%
Of all staff have had mental health training

178,596
Average somatic cell count (lower cell count indicates a lower concentration of cells in milk with a correspondingly lower level of preclinical mastitis), down 10% from FY2022

Demonstrate and enable environmentally sustainable pastoral farming

10
Farm open days over the motu where we shared knowledge, learnings and opportunities with our neighbours and communities

>50%
Pāmu farms Toitū carbon reduce certified

9,885
Hectares of QEII covenants

17,891
Hectares in Northland under pest and predator control resulting in 9,013 pests terminated in FY2023

From our Chair and Chief Executive

"Pāmu people in the face of Cyclone Gabrielle and other adverse events have demonstrated courage and resourcefulness over the past seven months. We are proud of them."

Dr Warren Parker
CHAIR

"Our strategic direction is the right one. We have placed new emphasis on initiatives to strengthen core farming and our productivity while moving steadily towards a smaller environmental footprint."

Mark Leslie
CEO

From our Chair and Chief Executive (continued)

Strategic outlook

A future of greater resilience and profitability is how Pāmu is setting up its business to ensure it thrives through a period of significant change.

Balancing performance with our purpose, "Enriching our land, our people and the future of food and fibre for Aotearoa New Zealand", ensures Pāmu and our people remain on the right path and are well prepared for what might unfold in the future.

Damage from climatic events and volatile economic conditions coupled with policy changes and increased consumer expectations are all adding urgency to our strategy implementation.

We started the calendar year with devastation by Cyclones Hale and Gabrielle. Subsequent extraordinary rainfalls over the past seven months have added further challenges for our farmers.

The cyclones hit 24 Pāmu farms with losses in pasture, livestock, forestry and infrastructure, mostly in the East Coast region. We are investing to restore these farms and, in so doing, make their assets and operations more resilient to future events than they are now. This won't necessarily be like-for-like and means a considered approach, involving the latest future climate scenario analysis.

Pāmu people on our impacted properties have demonstrated courage and resourcefulness over the past seven months. We are proud of them. They give us confidence that Pāmu has the capacity on the ground to make the changes necessary.

New Zealand farmers face dual challenges in climate change mitigation and adaptation alongside demands in relation to freshwater, biodiversity, animal welfare, rural people's wellbeing and much more. Farm system requirements and land-use changes have high costs and, in most cases, take multiple years to implement. Nevertheless, response to the various challenges is essential. Changes in consumer demand and societal expectations also bring opportunities for growth, and we all need to strive for higher returns from New Zealand food and fibre in the global marketplace.

Pāmu strategy

The challenges and demands faced by the primary sector are built into our strategy for FY2024 and beyond. This year, we have again listened to our shareholders and wider stakeholders on the issues material for Pāmu and farmers generally. As shown in the materiality matrix on page 12, climate change is given

From our Chair and Chief Executive (continued)

the greatest importance by them, along with other issues in the use and protection of our environment and natural assets.

This confirms our current strategic direction is the right one. Growing our people, farming excellence, stewardship of natural assets, diversification of revenue, digitalisation, partnerships and communities are the key pillars and enablers of growth for Pāmu. We must strengthen the productivity and profitability of core farming operations while moving steadily towards a smaller environmental footprint. We are proactively addressing the social licence and regulatory issues such as animal welfare, water quality and climate change. These are issues confronting all New Zealand farmers. To support climate adaptation and resilience we have released our first Climate Related Disclosure this year.

In addition there are two other significant changes we've made over the past year to support what we need to achieve include new executive team members and strengthening our unity of purpose through alignment of our strategy and key performance indicators across all business units.

While our strategy anticipates what we must start doing now to succeed in 2030 and beyond, we equally are striving across the full range of operational, financial, social and environmental indicators.

Past year

Declining returns and climate-related constraints on production reduced total Pāmu income by 2.4% in the year ended 30 June 2023 to $290 million. The decline was significantly softened by the company's gain on milk price futures contracts (representing $20 million of the income total).

Strong control of operating expenses was maintained throughout the year despite inflationary pressures. Farm working and maintenance costs together with personnel and other expenses were up 7.4% to $232 million. This is less than the Stats NZ farm expenses price index (excluding livestock) of 7.9%. Together with a positive contribution from Pāmu associate companies and a reduction in depreciation expenses, this generated a net operating profit for the year of $33 million.

The after-tax result was a loss of $9 million, principally due to write-downs in the book value of Pāmu livestock and forestry assets. These adjustments in asset values reversed some of the gains made in achieving the previous year's profit of $59 million, which reflected gains on the value of livestock, a $12 million gain on the sale of four farms and the reversal of historical revaluation losses of $18 million. Given the magnitude and cost of the cyclone recovery and the need to progress initiatives to boost the resilience of the most heavily impacted farms, the Board has determined no dividend be paid in FY2024.

All factors considered, Pāmu delivered a creditable result for FY2023.

Future

In August 2023, we saw dairy prices drop 30% from their high of the past two years and an equivalent sheep meat price fall of 25%. It will be no surprise then that we expect reduced revenue and earnings for FY2024 as farm product prices fall on global and local markets and input price inflation and supply chain uncertainties continue to hang over our operating environment. This accentuates the need for on-farm efficiency gains and why digitalisation is a critical enabler for these through automation, personalised animal management and precision placement of farm inputs.

Our confidence in the future of Pāmu and the value we generate for New Zealand is underpinned by the strategy, priorities and initiatives outlined in this report.

We will continue to assess our performance across a full set of operational, financial, environmental and social indicators. We are clear on the year-on-year gains to be made in operational efficiency and from initiatives to diversify earnings through the restoration and best use of our land and other environmental assets.

Importantly, we share the challenges and opportunities faced by all New Zealand farmers. In that respect, we look forward to continuing to work alongside them and others and stepping up the sharing of our learnings from the evaluation of new technologies and production systems on Pāmu farms that will help us all succeed.

We take this opportunity to sincerely thank our people for their extraordinary efforts over the past year, especially in the Gisborne and East Coast regions. We also thank all other stakeholders of Pāmu for their support and encouragement of our strategic direction.

Warren Parker
CHAIR

Mark Leslie
CHIEF EXECUTIVE

What's material

Over the past six years of Pāmu providing integrated reports, we've conducted in-depth research on materiality with both internal and external stakeholder interviews. This year, with stakeholders, we've again looked at material issues that are a risk or opportunity, that could impact our business performance over the medium or long term. These issues have informed our strategic priorities, and this report is structured around those priorities.

External stakeholders and Pāmu decision-makers both place the highest importance on issues of climate change response; health, safety and wellbeing; people with skills and motivation; animal health and welfare; and land and soil health. This year external and internal stakeholders are aligned when it comes to the weighting of issues. The biggest difference is in the weighting of productivity and profitability. This is more of a concern for internal stakeholders reflecting management's ambition to deliver for our shareholders.

The top five material issues

Climate change – Imperatives to measure and reduce carbon emissions and to adapt farming, growing and land use to climate change realities.

Productivity and profitability – Need for change in farm systems and practices to raise productivity and ensure the level of business profitability which is essential to all farming and growing operations.

Health, safety and wellbeing – Need to maintain workplace safety in farming and related areas, and to support people's physical and mental wellbeing.

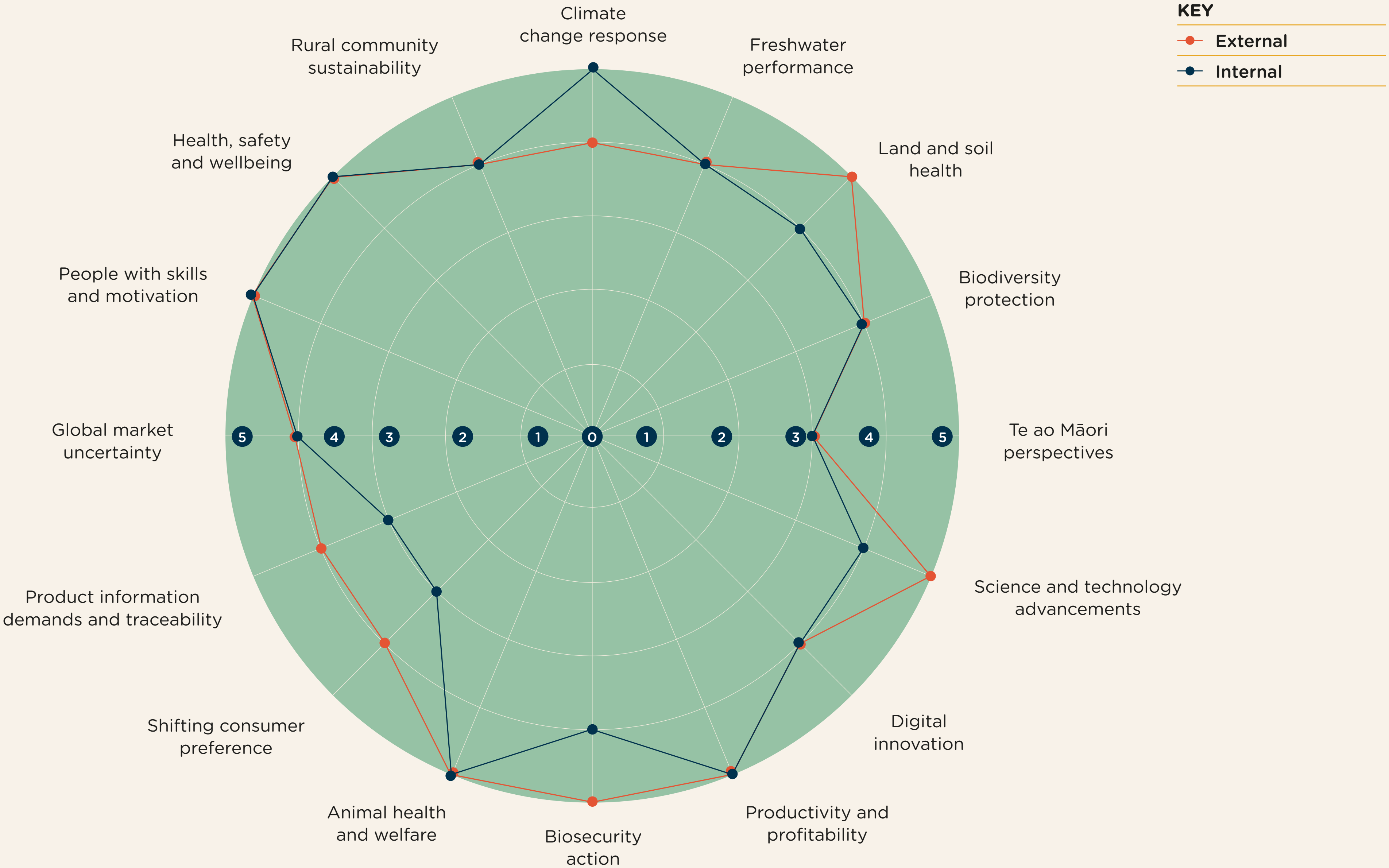
People skills and motivation – Need across Aotearoa New Zealand for more people with the necessary skills, knowledge and motivation to join, and to remain engaged in, farming and many related industries and occupations.

Animal health and welfare – Imperatives to practice high standards of care for livestock in every farm system, recognising that new concerns now exist over the efficacy of some legacy health treatments and over the welfare of sentient animals.

List of participating external stakeholders

- Safer Farms
- PGG Wrightson
- Farmlands Cooperative
- Ballance Agri-Nutrients Ltd
- Synlait
- AgResearch
- Westland Milk Products
- Forest & Bird
- Westpac
- Dairy Holdings Limited
- Scion
- Ravensdown
- Beef+Lamb New Zealand

What's material (continued)



How Pāmu creates value

THE RESOURCES WE EMPLOY

Our people
Farmers, growers, marketers, supply chain managers, business experts
637 employees

Our natural assets
358,866 hectares
9,885 hectares QEII covenants

Our finances
Total assets $2,329 million

Our productive assets
112 farms
1,255,619 stock units
14,574 hectares plantation forests

Our expertise
Sustainability, integration of livestock, dairy and forestry
Focus Genetics, R&D investment $0.975 million

Our relationships
Research and development partnerships, stakeholder engagement and community programmes

WHAT WE DO TO CREATE VALUE

Pastoral farming and genetic development of dairy cows, beef cattle, sheep and deer

Wood production, carbon sequestration, valuing ecosystems, horticulture, property development and renewable energy partnerships

Resilience through multi-benefit gains, as we plant trees we also provide shade and shelter for animal welfare, and reduce nutrient runoff in planted buffer areas

Speciality milk production and development

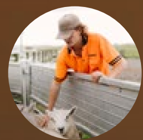
Supply relationships with New Zealand primary produce processors

Expertise and relationships for innovation on farm – investment in world-leading research and development

Our Strategic priorities

Farming excellence
See page 15

Diversification of revenue
See page 18



Partnerships and communities
See page 21

Digitalisation
See page 24

Grow our people
See page 27

Stewardship of natural assets
See page 30

OUR 2026 MILESTONES

Capable and safe people
- Deliver an eNPS > 20
- > 40% internal promotion into promotable roles
- Deliver Rautaki Pae Tawhiti
- Health and Safety risk profiling driving investment in risk mitigation

An integrated sustainable land use business addressing the needs of freshwater, biodiversity, climate change and animal welfare
- Improvements in key operational farming metrics to provide insights and productivity gains

Partner to deliver solutions to changing customer demands
- Group NOP $100m from FY2023–FY2026

Strategic focus on digital technology and automation
- Support digital collaboration in the primary sector

Reduce our emissions aligned to a science-based target – average 3% net reduction per annum
- Increased resilience to extreme climate events
- Be a leader and partner in lower-carbon farming systems with a focus on livestock genetics

OUR CAPITALS: WHAT SUCCESS LOOKS LIKE

A top New Zealand employer with safety and wellness at its core

A leader in integrated sustainable land use protecting and restoring the natural world

Creating enduring value for the good of Aotearoa New Zealand

A highly productive, market-led food and fibre company with uncompromising care for the environment and animals

A sought-after innovation partner contributing to Aotearoa New Zealand's future

Valued by our customers, partners and the communities in which we live and farm

OUR PURPOSE **Enriching our land, our people and the future of food and fibre for Aotearoa New Zealand**

OUR VALUES **Grounded | Genuine | Shoulder-to-Shoulder | Bold**

Deep dive into strategic plan

Looking to the future, our refreshed strategy has six priority areas aligned to our six capitals.

These are interrelated and all are important to Pāmu achieving its ultimate purpose: "Enriching our land, our people and the future of food and fibre for Aotearoa New Zealand".

To deliver on our purpose, we must also improve performance across the business while transitioning to a lower-carbon emissions farming system. This year, we developed statements of intent across key sustainability aspects and documented them in our Sustainability Plan. In consultation with our farm teams, we then developed actions for FY2024 to shift the dial on our performance.

Our Sustainability Plan not only publicly records our commitment to change but also shows we are taking action in response to issues our stakeholders have raised with clear linkages to the United Nations Sustainable Development Goals.

As well as sustainability, resilience and profitability are themes running through all initiatives this year.

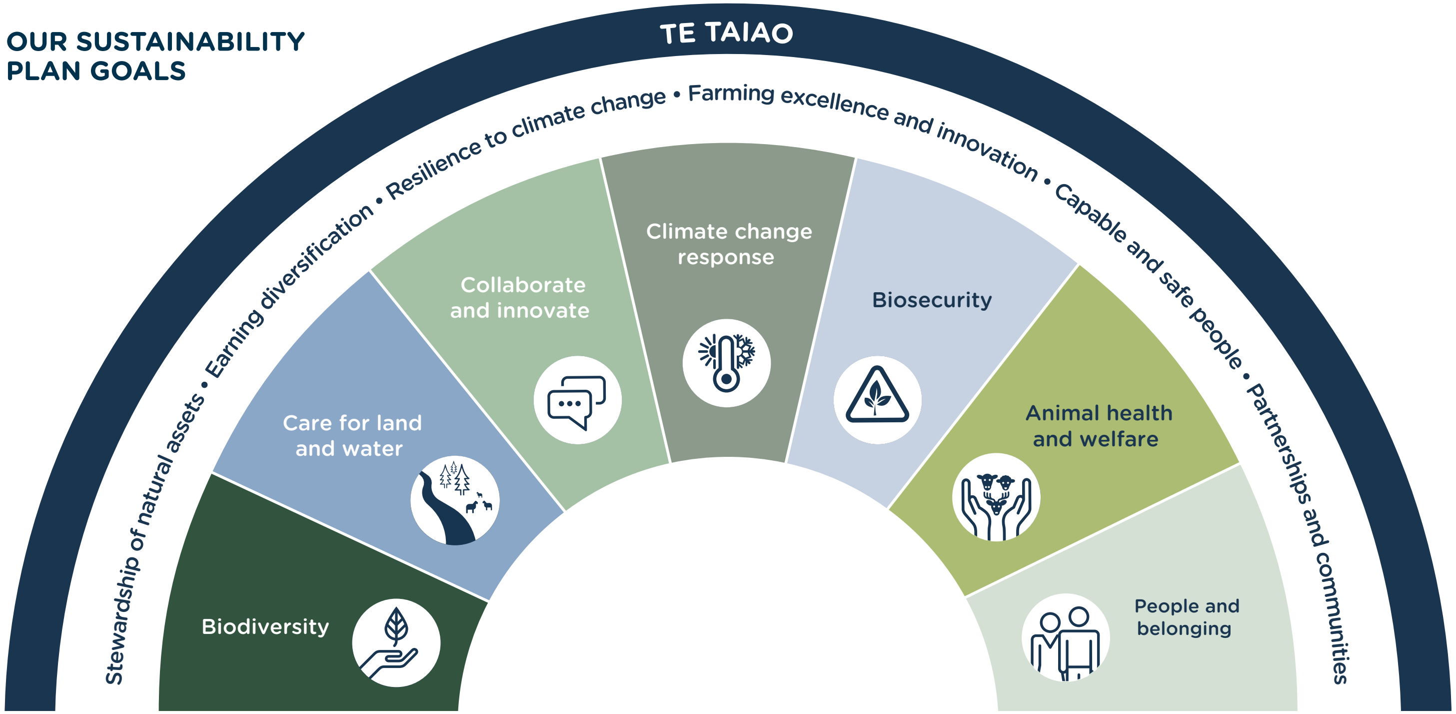
To assist readers, we have incorporated signposts throughout this report to evidence how our sustainability commitments are being embedded throughout our organisational activities.

To see the Sustainability Action Plan, go to page 34.

OUR SIX STRATEGIC PRIORITIES

1. Farming excellence
2. Diversification of revenue
3. Partnerships and communities
4. Digitalisation
5. Grow our people
6. Stewardship of natural assets

OUR SUSTAINABILITY PLAN GOALS



STRATEGIC PRIORITY 1

Farming excellence

Drive productivity through operational farming excellence in integrated land use.

Strategic Priority 1 – Farming excellence (continued)

HIGHS

170,000

Above FY2022 production in kilograms of milk solids

1%

Improvement in six-week in-calf rate across the dairy herd. Dairy NZ modelling estimates this to be worth $180,000

40kg

Increase in live weight in six month-old dairy beef calves through a robust nutrition and parasite management programme at Exeter and Rangitāiki

LOW

7.5%

Sheep losses in part due to adverse events

We place a huge priority on **Farming Excellence**. Pāmu farmers have long pushed in that direction. In FY2024 and beyond, we are going further with a refreshed, stronger focus on the implementation of core farming principles: soil health and plant growth; animal health and welfare; and feeding systems. When farmers are unrelenting with these, gains follow in animal reproduction, survival rates, carcass weights, milk production and much more.

We are pursuing the increased productivity that comes with close and highly informed attention to pasture covers, nutrient flows, stocking rates, chemical and biological inputs, and every other core aspect of farming. In dairying and livestock, Pāmu is embracing a continuous improvement perspective on standard indicators of productivity and profitability. Bigger gains will result over time. Our Farming Excellence priority will increasingly be reflected in the integration of Pāmu farm and business operations wherever synergies exist. Our dairy beef plan, bringing more of the right dairy bulls into beef production herds, is one leading example.

Strategic Priority 1 – Farming excellence (continued)

STRATEGY IN ACTION

Pursuing continuous improvement in dairy beef requires complex farm systems and supply chain change

The Pāmu dairy beef strategy relies on genetics, large scale calf rearing, changes to livestock farms systems, stock numbers and feed sources. Rangitāiki Station is trialling lucerne as a feed supply to dairy bulls going into beef production.

On the North Island's Central Plateau, Rangitāiki has very cold winters and hot, dry summers, which makes growing sufficient pasture for young cattle a major challenge. Pāmu has turned to lucerne with its persistence, deep roots and nitrogen-fixing qualities to provide the high-protein/high-energy feed needed for dairy bull growth.

Last year's trial block on Rangitāiki, with analysis of plant growth and feed efficiency, was a further demonstration of the Pāmu commitment to continuous improvement in support of the dairy beef cross plan and its large benefits for New Zealand farming.

Lucerne has proved its worth on Rangitāiki in a large-scale trial during FY2023. This spring, an additional 500 hectares will be sown into lucerne for the raising of 3,000 dairy beef offspring over summer and autumn. The lucerne stands are planned to grow to around 10% of the station's total effective area. Feed production and quality are expected to be well ahead of alternatives such as annual ryegrass, brassicas and plantain.

Pāmu agronomist James Russell says lucerne has traditionally been used in summer dry regions around New Zealand but not at this scale to promote rapid growth in bull calves.

Farm Business Manager James van Bohemen says the plan requires an intense focus through summer and autumn on feeding dairy beef offspring with the aim of growing them from 100kg to 200kg or above and thereafter being set up for good finishing.

Past years have seen smaller lucerne stands persist during dry conditions and offer high-quality feed in bulk quantity to the farm system on Rangitāiki.

"The expansion of this platform will be a key part of the dairy beef system while also providing options to explore other revenue streams, including the opportunity to integrate sheep, deer or supplementary feed production," says James. "Significantly, it will add some risk mitigation during dry summer conditions."

What is dairy beef?

In response to perceived wastage and animal welfare concerns Pāmu is aiming to rear the vast majority of calves born on our dairy farms by 2030.

Dairy beef as a concept is not new, and in Aotearoa New Zealand about 70% of total beef is estimated to originate from dairy. The difference with our dairy beef strategy is that we are developing a new stock class and changing farming systems at scale.

Our increased understanding and expertise in genetics means we can develop animals with traits that will work for dairy cows such as a short gestation and easy calving; and that also have the best meat animal attributes which include robust growth, feed efficiency, and great quality meat.

Combining dairy and livestock farming will have positive effects on efficiency, and therefore also contribute to our goals of reducing greenhouse gas emissions.

Pāmu is currently raising 50% of the calves produced by our dairy herds. The next milestone is 75% raised by the end of FY2026.

What are the reasons for moving to dairy beef?

As well as consumer demand, dairy beef has other advantages.

We can create a New Zealand-specific stock class with the best attributes of different breeds, perfect for lean and sustainable manufacturing beef.

Minimal wintering requirements, reducing nitrate to groundwater and improving animal welfare outcomes.

Reduces duplication of systems as beef farmers do not need to breed their own animals.

Transparent and traceable grass-fed manufacturing beef from pasture to plate. Moving to dairy beef is not a simple change. We're still learning and we're sharing what we're learning with farmers. Pāmu has held field days at Wairākei and plans to have more there as well as on its other farms. We're humbled by the farmers turning up and the questions they ask. We're all working on this together.

STRATEGIC PRIORITY 2

Diversification of revenue

Highest and best land use means we are using our resources to diversify earnings, enhance system resilience, and increase earnings by meeting high value market needs.

Strategic Priority 2 – Diversification of revenue (continued)

Diversification of revenue is a priority driving Pāmu to optimise its use of land and other assets for better economic outcomes, building resilience and environmental benefit. Where farm production can be diversified across crops, livestock types and products, revenues are also diversified with likely higher and more stable returns over time. Environmental considerations are also core in diversification decisions, and at times, they will be the principal driver.

Pāmu has a history of diversification in New Zealand's deer and dairy (bovine and sheep) industries. Today, our Spring Sheep Dairy joint venture continues to grow in scale alongside the development of Pāmu deer milking systems. We have also diversified into horticulture over the past three years, with avocado production now established on 70 hectares at Kapiro in Northland. Commercial output is planned to grow rapidly in FY2024. This property is also being developed for berry fruit production.

Production forestry, with carbon credits as a secondary consideration, is a well-established diversification strategy. Pāmu has an ongoing annual planting programme. The 2023 cyclones took a toll on young trees in some regions but the bulk of Pāmu farm forestry proved resilient.

Pāmu forestry expansion will continue on suitable land and always with cost-to-benefit scrutiny. We are further diversifying the tree species we plant, with more redwoods, eucalypts and cypress trees (all represented in today's forests). Native plantings for ground cover, riparian strips and some timber are another diversification. These include areas protected by legal covenants, and in 2023, that total will pass 10,000 hectares.

HIGHS

17%

Total organic milk solids attracting a premium

70

Hectares of avocados

14,574

Hectares of plantation forestry integrated into farms

LOW

$9.6m

Revenue from Pāmu Foods includes dairy and Pāmu Deer Milk

Strategic Priority 2 – Diversification of revenue (continued)

STRATEGY IN ACTION

The right tree in the right place for the right purpose – diversifying in forestry

“

Land going into trees has a

Class 6 or 7

classification.”

Trees for timber are a high-value crop on many Pāmu farms – a diversification of land use and farm income that makes good sense in both environmental and economic terms.

Our new planting has seen the total afforested area expand 45% over the past four years, with 57 farms now engaged in timber production and earning carbon credits integrated into existing farm systems. While these exotic tree species are efficient at carbon sequestration, the Pāmu strategy treats carbon credits as an additional benefit on top of timber production rather than the primary driver for the expansion of planting.

Pāmu is also planting indigenous tree species on most farms for permanent ground cover on steep hillsides and gullies and freshwater protection as well as other gains such as freshwater buffering, stock shade and shelter, and increasing biodiversity. Non-pine exotic timbers such as redwoods and eucalypts are also compatible with production diversification and exotic species are easier and less costly to establish than native trees.

Planting proceeds only after analysis of land use options area by area on each property. In almost all cases, the land going into trees has a Class 6 or 7 classification under New Zealand’s Land Use Capability system, a standardised assessment of an area’s limitations for one or more produce uses and the related management requirements.

Pāmu farms have plantation forestry blocks ranging in size from under 1 hectare to 368 hectares. The biggest are on properties with substantial hill country that is accessible for planting, maintenance and timber harvesting.

Forestry diversification is part of adding resilience to farms – the cyclones and heavy rain of 2023 underscored this, especially in Northland and the East Coast region.

Parikānapa Station near Gisborne lost extensive areas of hillside pasture and about 8% or 50 hectares of its newly planted forestry blocks after Cyclone Gabrielle. As a result, Farm Manager Jimmy Rogers is refining his farm plan. He’s looking for greater resilience that includes higher productivity on a reduced livestock farm area alongside even more tree planting for a full mix of purposes.

“We’re looking to diversify what we plant, especially on areas that are now clearly unsafe for stock and people,” says Jimmy.

“We’ll get the right trees in the right places, knowing that more big weather events will happen.”

In FY2023, forestry revenues rose to $4 million, double the previous year, as Pāmu saw more blocks reach harvest age (25–30 years) and benefited from higher log prices. Carbon credit allocations also increased in the latest period. As well as pursuing sustainability outcomes, the Pāmu strategy is to partially reinvest the carbon income into further forestry activity.

“

Our new planting has seen the total afforested area expand

45%

over the past four years.”

STRATEGIC PRIORITY 3

Partnerships and communities

Partner of choice in meeting market needs, developing new technologies and demonstrating knowledge learned with our farming communities.

Strategic Priority 3 – Partnerships and communities (continued)

HIGHS

$975,213

Research and development expenditure

$560,000

Investment in joint project over four years to understand the value of ecosystem services measuring native ecology

120

Participants in a groundbreaking clinical trial by Massey University that found regular consumption of Pāmu Deer Milk improved the nutritional status, muscle mass and physical performance of women aged 65 and above

LOW

5

Beef genetic herds delayed from starting feed and methane efficiency measures

Pāmu remains committed to **working in partnership** for innovation in farming technologies and practices and for the extension of these into farming more broadly. Combining our expertise and assets with those of other organisations will help make Pāmu more resilient and profitable. We see partnering and collaborating as a way of sharing Pāmu capabilities for the greater benefit of Aotearoa New Zealand.

Pāmu has long-standing research, business development and marketing connections with Crown research institutes, universities, government agencies, industry organisations, business partners and private sector farmers. These encompass projects at the forefront of innovation in animal genetics, on-farm digital technology, pasture systems, production forestry, speciality milk processing and international marketing. Pāmu has the scale and the diversity to work with other parties in farming trials, and we are increasingly active with farm field days for knowledge sharing region by region.

Strategic Priority 3 – Partnerships and communities (continued)

STRATEGY IN ACTION

Partnering for Aotearoa New Zealand's Sheep of the Future

We're tackling some old questions about sheep genetics alongside goals that are really new for New Zealand, like developing no-wool or hairsheep."

With a view to reducing emissions, lowering input costs, and adapting to climate change, Pāmu and partners are working on sheep genetic advances to help future proof sheep farming in the fastest warming regions of Aotearoa New Zealand.

The Sheep of the Future programme brings together farmers, breeders, geneticists and sheep genetics from Pāmu, Focus Genetics, AgResearch and other institutions to develop resilient, more economically viable breeds in the face of climate change, new animal health risks and fundamental shifts in global markets for meat and wool.

Sheep of the Future centres on two Pāmu/Focus Genetics ewe-breeding flocks in sub-tropical and temperate regions: a no-wool flock on Kapiro Station, Northland, and a fine-wool flock on Aratiatia Farm, near Taupō.

The vision includes new breeds of no-wool, disease-resistant sheep for meat production in New Zealand's sub-tropical regions and also of finer-wool sheep (20–25 microns) that can be farmed beyond arid areas that are traditionally the home for merino. Animals are selected for a greater tolerance for hot weather and with lower methane emissions.

The focus is also on continued advances in strong-wool breeds to increase disease and pest resistance, making farming less costly and improving animal welfare. The programme encompasses continued breeding selection for animal growth and meat quality traits and for rumen function with lower levels of methane emissions.

For Pāmu and subsidiary company Focus Genetics, Sheep of the Future builds on 54 years of sheep genetic advances. It is combining proven genetics and our sheep breeding expertise with the scientific capabilities of AgResearch and the breeding and farming skills of private stud farmers around New Zealand.

The partners are bringing in sires with highly targeted traits from sources in New Zealand, Australia and the United Kingdom. Alongside breeding operations, the partners will be doing genome measurement, sheep immune system research, cost-benefit analysis on each trait and study of the expected commercial outcomes for farmers who adopt the new breeds under various scenarios.

Focus Genetics Programme Manager Natalie Pickering says the programme draws on both new technologies and long-accumulated breeding knowledge. "We're using these advancements as an opportunity to investigate ways to select animals that are better adapted to the changing environment through disease and heat tolerance while maintaining productive performance and emissions targets," she says.

Pāmu has a leading role and expects returns from 2024 onwards as sires of the new fine-wool breed start becoming available to production farms, including those outside Pāmu. The programme is intending to bring no-wool sires into the sheep industry from 2027.

Substantial and growing returns are foreseen as Aotearoa New Zealand expands its more valuable fine wool production and as expansion of the no-wool sheep flock – partly as a new land-use option – brings down costs. Big savings come from the avoidance of shearing, lower feed costs and faster animal growth rates.

Resilient, fit-for-purpose sheep will enable farmers to better manage increasing disease risks, enhance animal welfare, cut reliance on chemical inputs and reduce on-farm emissions.

STRATEGIC PRIORITY 4

Digitalisation

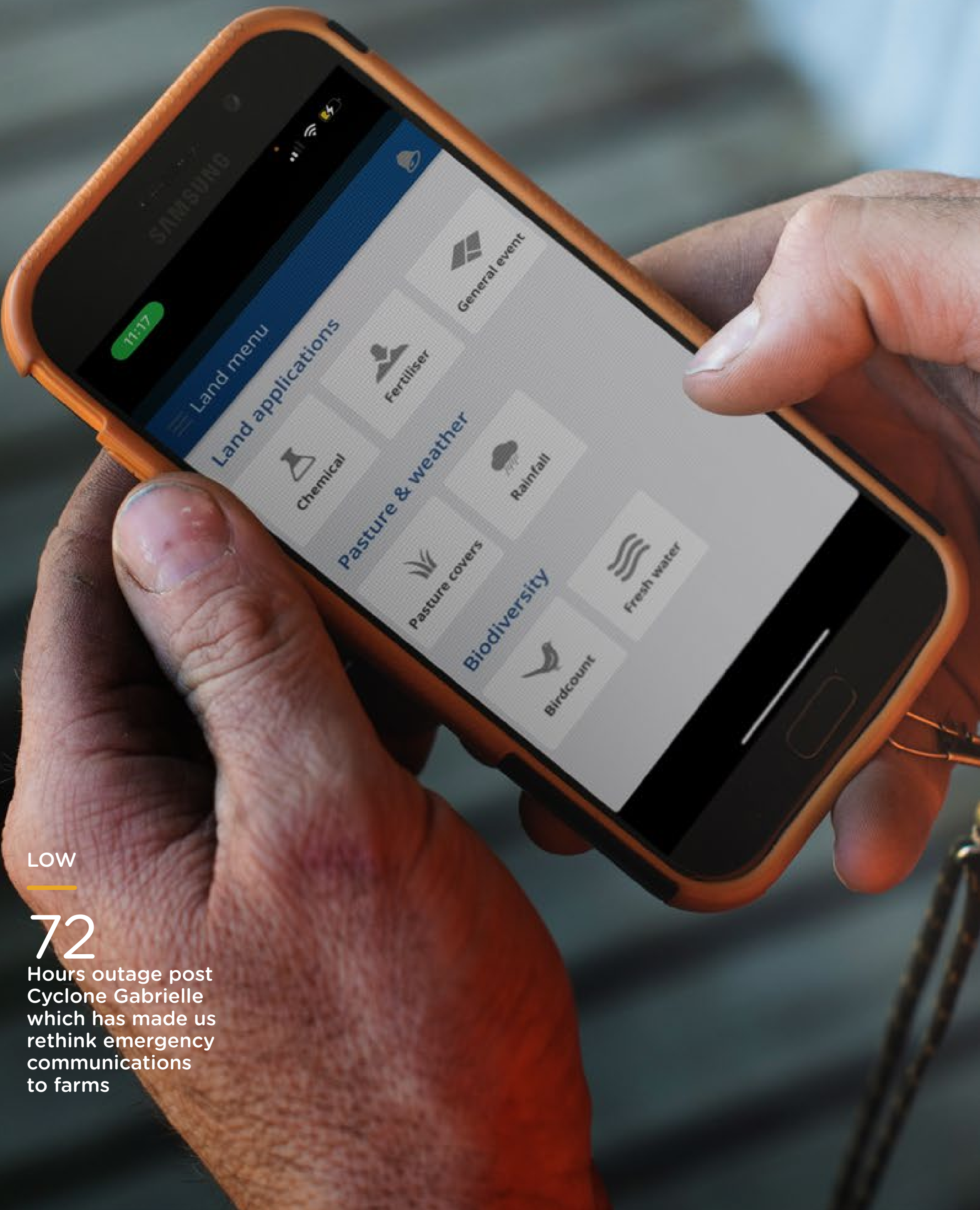
Accelerate investment in digitalisation, automation and innovation to drive insights, productivity and the trust sought by customers.

Strategic Priority 4 – Digitalisation (continued)

We recognise the value to Pāmu of **digitalisation in farming** – the value in better enabling farmers to consistently make good decisions, improve operational efficiency, manage risks and explore innovations.

Digitalisation is another of our strategic priorities, and Pāmu now has a comprehensive technology and digital strategy and implementation plan. In 2023, we appointed a new Chief Technology and Digital Officer and are investing in a specialist team. They will guide Pāmu into the rapidly developing world of technologies for on-farm data collection, automatic sensing, virtual control of livestock and other assets, information analysis and more. Our strategy is to engage Pāmu farm managers and teams at each step, ensuring new digital tools and platforms will support their work and add the value required of new investments.

In 2023 Pāmu has taken a major digitalisation step by upgrading its connectivity. We have moved to satellite-based fast internet services provided by Starlink in combination with new cellular network services provided by One New Zealand. Connectivity across the company is much more reliable and accessible, which is essential for the future use of more digital tools. Wearable devices for monitoring and managing livestock are such tools. Pāmu is collaborating with technology developers on applications for virtual fencing and animal health monitoring.



HIGHS

5,640
FarmIQ and FARMAX users

5
Farms with wearable devices

107
Farms upgraded farm internet connections, with OneNZ this year. 38 of which have Starlink

LOW

72
Hours outage post Cyclone Gabrielle which has made us rethink emergency communications to farms

Strategic Priority 4 – Digitalisation (continued)

STRATEGY IN ACTION

Fence-free farming and better animal welfare through wearables

It'll enable us to manage our feed much better than today. The biggest gain comes when you're trying to feed as much as possible and can move the cattle three or four times a day without having to physically move fences."

Virtual fencing and real-time health monitoring are game-changers for the future of livestock farming – and Pāmu has been trialling both forms of wearable technology.

A virtual fencing system requires livestock to wear a collar or neckband that carries a GPS tracking and receiving device.

Pāmu has been part of key trials to prove GPS-enabled cattle collars on large hill country farms.

In recent years, Gallagher Animal Management neckbands have been fitted on cattle on Waipori and Meringa Stations, Pāmu sheep and beef cattle farms in Otago and Central North Island respectively, to test and refine the design of the eShepherd™ product. Farm Managers Brent Pilet and Graham Sinnamon have used and challenged the technology in their extensive hill country operations.

They have found it effective and reliable. On Meringa, Graham says the latest eShepherd™ collars trialled enable full control of his cattle (at weights up to 600 kg) for virtual fencing purposes. He sees big potential in this form of digitalisation.

"It'll enable us to manage our feed much better than today. The biggest gain comes when you're trying to feed as much as possible and can move the cattle three or four times a day without having to physically move fences."

The technology also plays an important role in our strategic priority of being a steward of our natural assets, allowing us to exclude stock without the cost of fencing. On Waipori these tussock gullies contain a total of 490km of ephemeral streams, 80km of permanent water ways and 40km of lake frontage. To exclude cattle from all these areas effectively, Pāmu has estimated the cost to be greater than $7 million for conventional cattle fencing, excluding ongoing maintenance. Drawing on the Gallagher technology trials, Pāmu now has a project to determine the best wearable device presently on offer in terms of system suitability, functionality and return on investment.

Three other proven wearables have been selected for Pāmu to pilot alongside eShepherd™, including products from farm technology suppliers Halter, CowManager and Allflex. Each product collects and transmits data on the reproduction cycle, ruminant pattern and health status of individual animals based on their behavioural patterns. Some will respond with alert messages for management of animal health issues in real time. The CowManager product also uses ear temperature readings, while Halter adds virtual fencing, pasture management, and stock guidance through sound cues.

Farmers simply use an app on their phone or device to operate wearables. With all the products, benefits flow in time and cost savings as they reduce the need for some physical work – moving and maintaining fences, for example – and increase productivity by setting more precise pasture allocations and grazing more areas. Other benefits can include early identification of health issues, improved animal performance and reduced health treatment costs and mortality rates.

STRATEGIC PRIORITY 5

Grow our people

Increase performance by investing in people with an adaptable mindset.

Strategic Priority 5 – Grow our people (continued)

Growing people within Pāmu is our fifth priority area. We have people with skills, adaptability and strong motivation – growing and retaining our people as crucial assets to our business even further is fundamental to the future success of Pāmu. The past year saw major progress with practical leadership training and other initiatives to grow employees' skills, capacity to deal with issues and ability to contribute more to Pāmu over time.

Progress is clearly reflected in the Pāmu Pulse employee survey for 2023. The survey's overall engagement score (commitment and enthusiasm for the individual's work and for the company) edged higher to 7.5 (7.3 in FY2022). People increasingly feel supported by leaders, they are clear on expectations of them and sure that their work is meaningful. Notably, the survey's Employee Net Promoter score has jumped to a very high 20. Our people are keen to recommend Pāmu as a great employer, and that aligns with our falling employee turnover (23.4% in FY2023) and high internal promotion rate.

Particularly pleasing are the 2023 survey results in our Gisborne region after the cyclones. Pulse scores recorded amid the clean-up were higher than in other regions, with engagement up to 7.9 and the score for people's personal with Pāmu jumping to 9.5. As noted, Pāmu employees in the region have demonstrated great resilience and clearly appreciate the company's additional support in times of adversity.

Our Nature of Leadership programme, now in its third year, is proving its worth. Every farm and business manager with six months' or more service in Pāmu has now been through this company-specific training. The programme, spread over nine months for participants, is now embedded in the way we operate. There are refresher days and an ongoing flow of practical advice. In FY2024, the programme is being extended to those in second-in-command (2IC) roles. This is the next stage of Pāmu investing in practical leadership and management capabilities for today and for the future.

Health, safety and wellbeing continue to be critical areas for training and investment. All farm managers have now gone through a mental health awareness and communication skills programme, with this also being rolled out to farm staff. Already, 35% of these people have benefited, and we intend such training to become an integral part of working at Pāmu.

This builds on all the work done over past years to embed stronger physical health and safety values and practices on every farm. It is great to see the company's lost-time injury frequency rate drop by 32% over the past seven years. Accident and incident indicators have all improved in 2023. The next step is a farm-by-farm assessment of critical risks on each farm across 10 categories, including vehicle use, working alone and animal management in confined spaces. Progress will now come by location-specific identification of those risks and giving people more support in managing them.

HIGHS

20

Employment Net Promoter Score (eNPS) – our people recommend Pāmu as a great place to work, up from 12 in FY2022

100%

Farm Managers who completed mental health training

23.4%

Employee turnover, down from 28.9% in FY2022

LOW

9.7%

Ethnicity pay gap – this is the first year Pāmu has publicly reported on the ethnicity pay gap between Māori and New Zealand European, down from 14.9 in FY2022

Strategic Priority 5 – Grow our people (continued)

STRATEGY IN ACTION

Pāmu leaders

Pāmu is placing emphasis on building a strong, diverse workforce, which includes supporting our many capable and talented women in their ambitions and career progression.

The company has an increasing number of female leaders and a commitment to supporting the career growth of women in all areas of the business.

Among leaders contributing to Pāmu in 2023 is Kathryn Broomfield, Taupō-based Regional Farm Business Manager and recent graduate of the Kellogg Rural Leadership Programme. Kathryn oversees the progress of seven sheep and beef farms with a combined staff of 30 people and some 70,000 stock units.

Kathryn joined Pāmu in 2015 at Wairākei Estate dairy complex while still milking on the family farm in Reporoa. While flexibility attracted her to the job at Pāmu initially, opportunity and growth have led to her retention. Her roles have included business analyst and then operations manager for the complex's final stage of conversion from forestry to grassland as well as managing Central Farm Services, the machinery and contracting unit at Wairākei.

Four years ago, Kathryn moved across to the Pāmu sheep and beef business, locating to Taupō and becoming a livestock analyst. This began her progression towards Business Manager, a role she was appointed to in 2021. Kathryn says, "My job really is to support the people on farms so they can be the great farmers they want to be. I sort out issues and help them to get things right as much as possible."

Kathryn says Pāmu leaders have encouraged her at each step of her career so far. "I genuinely have experienced no barriers. Every time I've wanted to do something, there's been backing from the company, and I've benefited a lot from mentoring by several senior leaders."

Describing herself as "a self-starter", Kathryn also attributes much to her natural desire for more responsibility and experience and her willingness to speak up.

She has completed the Pāmu Nature of Leadership programme and says she loved getting to understand her leadership style, her colleague's leadership styles and self-awareness tools such as the SCARF model.

With encouragement from her leader Kathryn took another step and applied for this year's Kellogg programme. Having loved the stimulation, her research project has looked at how farmers can move faster to take up new technologies for greater sustainability, especially through reductions of methane and nitrous oxide emissions and nitrate leaching.

Future career ambition? Kathryn wants to contribute thought leadership on how New Zealand agriculture can become far more sustainable, sooner rather than later. And she wants to see Pāmu at the forefront.

My job really is to support the people on farms so they can be the great farmers they want to be. I sort out issues and help them to get things right as much as possible."

Nature of Leadership

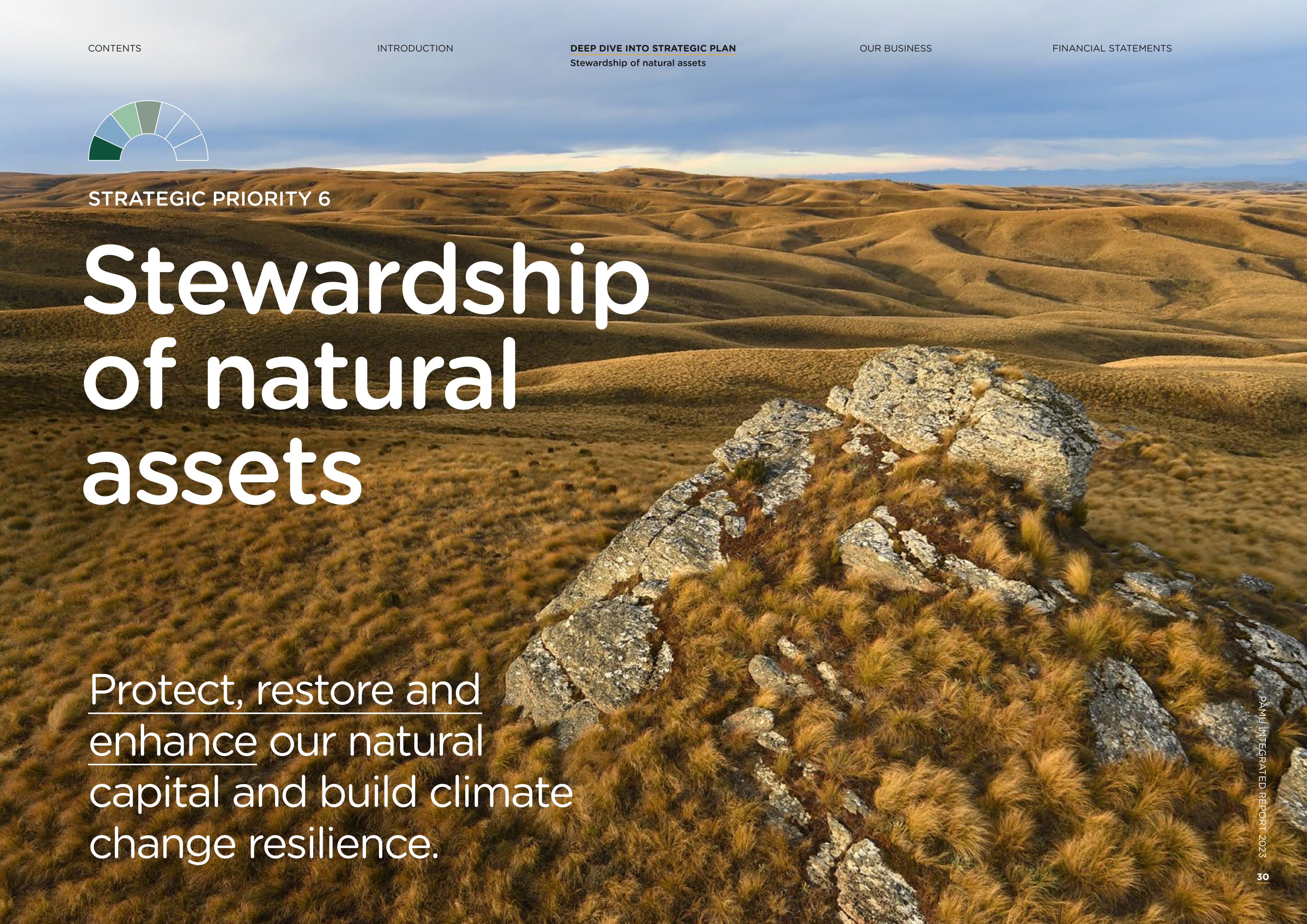
In 2020, Pāmu started on a bold journey to improve our leadership capability, creating a leadership development framework aligned to our competencies and values to empower and enable our leaders to train, mentor, coach and develop their teams effectively.

The company's Nature of Leadership programme is made up of five modules aligned to our leadership competencies and targets executives through to farm managers. The programme was initially rolled out to 120 leaders across 11 cohorts during FY2022, with a further three cohorts in 2023.

It delivers tools and skills relating to understanding self and understanding others; coaching, motivating, delegating and influencing others; building connections; effectively supporting change; and enabling innovation.

Pāmu is seeing positive impacts that can be attributed to the programme, with leaders using the skills they've learned to develop and coach their teams.

Our latest employee engagement results reflect improvement in leader capability from 2021 to 2023 across key engagement areas of growth, management support, recognition and freedom of opinions.



STRATEGIC PRIORITY 6

Stewardship of natural assets

Protect, restore and enhance our natural capital and build climate change resilience.

Strategic Priority 6 – Stewardship of natural assets (continued)

HIGHS

4.12%

Intensive Winter Grazing to total effective hectares down from 4.16% in FY2022

50%

Farms have Sustainable Farm Performance Programme plan in place

100%

Farms have had future climate assessment out to 2050 supporting adaptation planning

LOW

24

Farms impacted by Cyclone Gabrielle

Stewardship of natural assets is our sixth priority – one that clearly underpins everything that Pāmu does. Natural assets are critical to every farming business and Pāmu places very high value on environmental and social sustainability. The past year has seen Pāmu adopt a comprehensive Sustainability Plan. This covers the care of land and water, protection and restoration of biodiversity and tackling emissions and adaptation to climate change. This plan is being integrated into all areas of Pāmu, including actions to advance biosecurity, animal health and welfare, and employee wellbeing.

Climate change response is a major area of work. Pāmu has developed its first Emissions Reduction and Adaptation Plan which has identified six initiatives that both reduce emissions and strengthen climate resilience. We have also published our first Climate Related Disclosure which contains more detail on the plan as well as our governance, risk and strategy responses to climate change. To understand climate change impacts at a farm specific level, Pāmu has commissioned data science experts to research and advise on the likely end use, production and performance impacts on each farm under climate change scenarios. Next year we will begin to embed this knowledge in every farm plan, working with managers and farm teams for a major step forward in resilience farm by farm. Much progress has been made over the past year in measuring, managing and reducing GHG emissions and over half of our farms are now Toitū carbon reduce certified.

Pāmu is also well advanced on our rollout of our Sustainable Farm Performance Programme. This is a holistic on farm assessment of sustainable practices, aimed at identifying improvement opportunities. It is a new management tool for understanding and improving performance on every farm within a framework of standard metrics across the company.

All stewardship and sustainability initiatives are supporting Pāmu to deliver on commitments made under our three sustainability-linked loans with ANZ,ASB and Westpac. These loans introduce new financial incentives for the company to meet core sustainability performance targets.

Strategic Priority 6 – Stewardship of natural assets (continued)

STRATEGY IN ACTION

Data-driven sustainability for each farm

We tend to be exceptional performers in some areas of farming, but we can always do better."

Pāmu has a responsibility to past and future generations, to enrich and nurture the land that we farm. To enable this, the business has developed a holistic measurement tool, known as the Sustainable Farm Performance Programme, to help farmers improve their sustainability, year by year, into the future.

The Pāmu Sustainable Farm Performance Programme creates a sustainability scorecard for each farm, bringing together a wealth of data to quantify status, risks and opportunities, enabling reflection, shared analysis and planning.

The programme puts a strong focus on farm performance across 23 sustainability metrics, including our animals, land use, climate impacts, nutrient flows and freshwater status and the health and wellbeing of our people. Environmental and social performance are just as important as productivity and financial performance. The intention is most of this data will be captured automatically and trends established.

Pāmu wants an integrated view of every farm business so that managers and advisers have one shared, evidence-based understanding of what is going well or not so well and of which specific risks and opportunities warrant more action, how and in what timeframes.

Once fully rolled out, the programme will provide a standardised view of sustainability on all Pāmu farms, this has already piqued the interest of partners who are seeking to offer verification and assurance to their customers. This will enable a comparison of planning, practice and performance on each of those 23 metrics where it supports making improvements on each farm.

The system starts with business managers and farm managers answering an array of standard questions. Answers backed with data and a detailed narrative on issues, actions and outcomes are used to create scorecards that are then updated every 12 months.

The Pāmu sustainability and risk team assesses the programme report from each farm, updates its scorecard and facilitates further analysis and discussion on plans and actions that will improve sustainability performance in future years. The transfer of knowledge and practices from higher-performing to lower-performing farms is of huge potential benefit to Pāmu and the wider farming sector.

On the Wairākei Estate dairy complex, Business Manager Cleo Te Kiri believes the programme will facilitate change in sustainability practices, farm by farm, as managers can reflect on scorecard metrics and gain greater insight into their operation.

Cleo oversees five organic farms where risks to animals, feed availability and biosecurity are by necessity controlled to high standards already. This is reflected in their scorecards.

"We tend to be exceptional performers in some areas of farming, but we can always do better," says Cleo.

"The programme is becoming a new management tool that will enable farms across Pāmu to access and apply best practices. This will then help all farms meet increasing expectations of their environmental and social performance in a standardised way."

Sustainability across our business

The materiality matrix (page 12) has informed the development of the Sustainability Plan. We have also considered how other organisations are capturing and illustrating their intent and approach to sustainability actions.

Considerable effort has recently been applied to aligning our business model and practices with our refreshed strategy. The Sustainability Plan and associated targets represent the next step in demonstrating action.

Although the Sustainability Plan is designed to sharpen our focus on the areas of our business where we can be most impactful, it does not deny other good work that falls outside of these areas. It also offers several other benefits, including:

- demonstrating clear intent to reduce our impact
- serving as a communicable plan supported by measurable actions
- providing evidence we are listening and responding to our stakeholders
- showing clear linkages to the UN Sustainable Development Goals.

The sustainability plan

To create sustainable value, we must consider the role our natural assets play in our business model and the impact on them as outputs are generated. The plan sets key priorities for FY2024 across the areas of:

- te ao Māori
- capacity to collaborate and innovate
- climate change response
- environment
- people and belonging
- animal health and welfare
- care for the land and water
- biosecurity.

The key priorities documented for FY2024 are drawn from existing work programmes and commitments such as sustainability-linked loan requirements, with the actions now embedded in the key performance measures within our teams.

SUSTAINABILITY PLAN – KEY PRIORITIES FY2024

Biodiversity

Protect and restore

- Biodiversity plan approved
- Embed nature-related risk considerations into any land-use change decisions
- 100% of farms surveyed for biodiversity protection and enhancement measures

Biosecurity

- Biosecurity training and awareness for 100% of farm staff
- 100% of farms have biosecurity and response plans
- Boot wash and biosecurity visitor induction on all farms
- We are NAIT compliant
- 100% of farms surveyed for biosecurity risks and progress on previous year

Care for land and water

Water

- Measure and monitor water use in-shed and via irrigation
- Precision fertiliser application with mapped 'no go' areas
- Adherence to best winter grazing practices
- Matching stock class to land type
- Fit-for-purpose IFPs/FEPs in place across 40% of Pāmu farms, increasing year on year

Waste

- Assess our on-farm practices against Te Rautaki Para Aotearoa National Waste Strategy

Soil health

- Annual soil fertility tests and visual soil assessments recorded on all farms

Animal health and welfare

Animal welfare

- 100% compliance with animal welfare codes
- Welfare training annually to drive positive animal outcomes and a healthy life
- 100% of farms have animal health plans updated annually to minimise disease and maximise productivity
- 100% of farms have humane euthanasia training annually
- Survey of shade and shelter plans to be completed for 100% of farms
- 100% of farms to complete animal health and welfare reviews, with actions and outcomes compared to previous year

Animal treatment

- 100% of treatment programmes are ethical, compliant and show good stewardship
- 100% of farm parasite management actions and outcomes captured and compared to previous year
- Selected staff trained by a veterinarian to administer registered veterinary medicines (RVMs)
- RVM storage, expiry and disposal audited on a sample of farms

Collaborate and innovate

- Proven leader in sheep and beef genetics
- Seven farm open days run by Pāmu in FY2024
- Active participant in Safer Farms NZ
- Active collaboration with sector groups
- Grow our low-emissions livestock practice
- Commence review to understand farm energy resilience options

People and belonging

People and wellbeing

- Improve pay equity (gender and ethnicity) standards from FY2023
- Complete annual Pāmu Pulse (engagement survey) with improvement in results from FY2023
- Implement the Pāmu Hardship Fund for our people
- Complete health and safety risk profiling for 100% of Pāmu farms
- Increase the number of women in farm leadership roles (including 2IC) roles from FY2023
- Increase the number of inclusive policies such as parental leave options and recruitment that diminishes barriers for minority groups
- Roll out a development programme for Pāmu 2ICs to foster their growth

Community and belonging

- Continue to invest in our communities through the Community Investment Fund
- Honouring a staff-led approach to adopting mātauranga Māori practices and building relationships with local iwi

Climate change response

Emissions reduction

- Deliver Emissions Reduction and Adaptation Plan
- GHG data annually verified
- 100% of farms achieve Toitū carbonreduce certification
- Deliver GHG upskilling events for key Pāmu staff
- Deliver Sustainable Procurement Policy
- Quarterly Independent Sustainability Panel meetings
- 100% of farms will complete a Sustainability Performance Scorecard

Climate change adaptation

- Participate in The Aotearoa Circle Agri-adaptation workstream
- Develop farm-specific climate scenarios 2030, 2040, 2050
- Publish climate-related disclosures report
- Consider land-use change as a means to build resilience
- Review our emergency response plans following Cyclone Gabrielle

UNITED NATIONS SUSTAINABILITY DEVELOPMENT GOALS

Meet the Board

1. Paula Savage
Chair of Audit and Risk Committee

2. Libby Tosswill
Board observer

3. Desiree Mahy
Board Director
Member of Performance and Safety Committee
Member of Sustainability Panel

4. Nigel Atherfold
Deputy Chair
Chair of Performance and Safety Committee

5. Dr Warren Parker
Chair
Member of Performance and Safety Committee
Member of Audit and Risk Committee

6. Nick Pyke
Board Director
Member of Performance and Safety Committee

7. Jo Davidson
Board Director
Member of Performance and Safety Committee

8. Dr Tanira Kingi
Board Director
Member of Audit and Risk Committee

9. Belinda Storey*
Board Director
Member of Audit and Risk Committee
Chair of Sustainability Panel

* Resigned with effect 30 September 2023

10. Dr Claire Nicholson
Board Director
Member of Audit and Risk Committee

To read more about our Board, please visit our website: pamunewzealand.com

Meet the Leadership Team

Mark Leslie
Chief Executive Officer

Annabel Davies
Chief Sustainability and Risk Officer

Will Burrett
Chief Operating Officer

Bernadette Kelly
Chief People, Safety and Reputation Officer

Steven McJorrow
Chief Financial Officer

Tammy Lemire
Chief Technology and Digital Officer

Andrew Sliper
Chief Investment Officer

Sarah Risell
Chief Operating Officer Pāmu Foods

Alistair McMechan
Chief Legal Officer

To read more about our Leadership Team, please visit our website: pamunewzealand.com

Governance and statutory disclosures

Introduction to our Governance Framework

The Directors and management of Pāmu are committed to effective and robust governance. This section sets out the systems and processes underlying the Pāmu governance framework.

As a state-owned enterprise, the principal objective for Pāmu is to operate as a successful business that is:

- as profitable and efficient as a comparable business not owned by the Crown
- a good employer
- an organisation that exhibits a sense of social responsibility by having regard to the interests of the communities in which it operates and by endeavouring to accommodate or encourage those interests when able to do so.

Pāmu is ultimately accountable to its shareholding Ministers (the Minister of Finance and the Minister for State-Owned Enterprises), who are supported by the Commercial and Institutional Performance team at Treasury. Accountability is primarily achieved by issuing and reporting against the annual Statement of Corporate Intent, which sets out the objectives for Pāmu, nature and scope of activities and financial and non-financial performance measures. In addition, the shareholding Ministers issue an annual letter of expectations, and the company maintains regular engagement with the Treasury.

The Board

The Board is appointed by the shareholding Ministers and is currently comprised of nine non-executive independent Directors (including the Chair). There were no changes to the composition of the Board during the year. During FY2022, Pāmu established a future directors programme designed to assist diversity in governance in the agri-sector by providing one high-calibre future director (with an initial focus on Māori and women) with exposure to and mentoring from the Board.

The Board is responsible to the shareholding Ministers for guiding and overseeing the operations of Pāmu. The Board Charter sets out how the Board discharges its responsibilities and powers. The Charter requires Directors to:

- observe high standards of ethical and moral behaviour
- act in the best interests of the shareholders
- ensure that Pāmu acts as a good corporate citizen taking into account environmental, social and economic issues
- recognise the legitimate interests of all stakeholders including staff
- ensure that staff are remunerated and promoted fairly and responsibly.

Under the Charter, the Board may establish committees from time to time to assist it by focusing on specific governance responsibilities in more detail, reporting and making recommendations to the Board as appropriate. The Board currently has two permanent committees:

- The Audit and Risk Committee deals with financial accounting and reporting issues and oversees the Pāmu risk management framework.
- The Performance and Safety Committee deals with remuneration, health and safety, and staff training and development.

In addition to the two Board committees, during the year, Pāmu established a Sustainability Panel (replacing two advisory groups, the Environmental Reference Group and Visionary Vets Group). The purpose of the Sustainability Panel is to be an advisory committee to the Board and Leadership Team on sustainability trends and issues as they relate to Pāmu. The Sustainability Panel comprises two Pāmu Board directors (Belinda Storey, Chair, and Desiree Mahy) and four independents (Kate Beddoe, Chief Sustainability and Risk Officer at Silver Fern Farms, Carolyn Mason-Mortland, ex Head of Sustainability at Fonterra and Chair of the Zespri Sustainability Panel, Richard Gordon, ex Manaaki Whenua CEO, and Luke Harrington, a climate scientist and lecturer at Waikato University). The panel met twice (March and June) during the year.

Governance and statutory disclosures (continued)

Board and committee Meetings

The Board and Board committees met regularly throughout the year in person and by audio-visual means and conducted some business by circular resolution in lieu of meeting. Meetings for the year ending 30 June 2023 are set out in the following table.

Director	Board meetings (9 meetings)	Audit and Risk Committee (4 meetings)	Performance and Safety Committee (4 meetings)
Warren Parker	9	3	4
Nigel Atherfold	9	1*	4
Jo Davidson	8	3*	4
Belinda Storey	9	4	
Tanira Kingi	8	2	
Paula Savage	9	4	2*
Nick Pyke	9	1*	4
Clare Nicholson	8	3	2*
Desiree Mahy	9	2*	4

* Attended committee meeting as an observer.

During the year, Bridget Giesen (9 meetings) and Libby Tosswill (8 meetings) attended Board and committee meetings as observers as part of our future directors development programme.

Risk management

The Board has adopted a risk appetite statement that acts as a link between the strategic objectives of Pāmu and its risk management framework. The Board is ultimately accountable for risk and has delegated the oversight of the risk framework (including the risk register and monitoring the internal audit programme) to the Audit and Risk Committee.

The Chief Executive is charged with the day-to-day management of Pāmu. The company operates under a detailed delegated authority structure, and the Board and Leadership Team approve operational and financial policies.

Pāmu has initiated a project to, overtime, implement an enterprise risk management framework to improve risk governance and deliver a more robust, coordinated and embedded approach to risk management across core processes, decision making and operations. This includes embedding climate change considerations across the business and an increased focus on appropriate assurance.

In addition, Pāmu has voluntarily committed to producing climate-related disclosures in line with the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021. Pāmu believes the standards provide a strong framework for assessing and incorporating climate risks and opportunities and set the business up to respond accordingly. Our first climate-related disclosure is available on our website: www.pamunewzealand.com

Subsidiaries

Subsidiaries of Pāmu and their respective purposes are shown below.

Subsidiary	Purpose
Landcorp Holdings Limited	Ownership vehicle for properties that are subject to the Protected Land Agreement between the Crown and Landcorp Farming (land to be used in Treaty settlements).
Landcorp Estates Limited	Develops and sells land of higher value for uses other than farming.
Landcorp Pastoral Limited	Holding company for the interests of Pāmu in Focus Genetics Limited Partnership (100% since September 2014), a limited partnership to enhance and market genetics in sheep, cattle and deer, and Spring Sheep Dairy NZ Limited Partnership (50% interest, established June 2015), a sheep milking joint venture.

Governance and statutory disclosures (continued)

Interests register

Entries made in the interests register during the year covered particulars of Directors' interests, Directors' remuneration and directors' and officers' liability insurance. The following are particulars of general notices of disclosure of interest for each current Director:

Director	Organisation	Position
Warren Parker	Quayside Holdings Limited	Director, Chair Remuneration Committee
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	Farmlands Co-operative Society Limited*	Director
	Forestry Ministerial Advisory Group*	Chair
	Genomics Aotearoa Advisory Board	Director
	Warren's Insights Limited	Director and Shareholder
	Landcorp Holdings Limited	Director
	Landcorp Estates Limited	Director
	Landcorp Pastoral Limited	Director
	Focus Genetics Management Limited	Director
	Farm IQ Systems Limited	Independent Chair
Nigel Atherfold	TDB Advisory Limited	Director and Shareholder
	Rural Equities Limited (and subsidiaries)	Director
	Terracostosa Limited (and subsidiaries)	Director
	NZ Milk Trading Company Limited	Director and Shareholder
	Melody Dairies GP Limited	Director
	Spring Sheep Dairy NZ Management Limited	Director
	Shopping Centre Investments Limited	Director
	Hopkins Farming Group Limited	Director
Jo Davidson	Kono General Partner Limited	Chair
	Our Land and Water National Science Challenge, Toitū te Whenua, Toiora te Wai	Member of Governance Group
	Timber Design Centre	Independent Chair of Governance Group
Tanira Kingi	Climate Change Commission	Member
	Ngāti Whakaue Holdings Limited (and subsidiaries)	Director
	Whakaue Farming Limited	Chair
	Kiharoa Holdings Limited	Director
	Te Arawa Arataua	Chair
	Our Land and Water National Science Challenge, Toitū te Whenua, Toiora te Wai	Research Scientist
	AgResearch	Science Advisor
	Scion	Emeritus Scientist
	Ministry for Primary Industries	Consultant/Advisor
	Ministry of Primary Industries Nga Pouwhiro Taimatua Advisory Group	Member
	Ministry for the Environment Freshwater Farm Plans Kaitakakawaenga Services	Consultant/Advisor
	New Zealand Agricultural Greenhouse Gas Research Centre	Consultant/Advisor

* Role ceased 31 July 2023.

Governance and statutory disclosures (continued)

Director	Organisation	Position
Belinda Storey	Climate Sigma Limited	Director
	Endeavour Research Programme	Managing Director
	Reserve Bank	Consultant (risk stress testing)
	Ministry for the Environment Managed Retreat Expert Group	Member
	Ministry of Business, Innovation and Employment Extreme Weather Research Platform	Consultant
	AsureQuality Limited*	Director
Paula Savage	Ministry for the Environment**	External Member Audit and Risk Committee
	Northland Events Centre (2021) Trust – Te Pae Taurima o Te Tai Tokerau	Trustee
	Mount Wellington Trust Hotels Limited	Chair
	Mount Wellington Charitable Trust	Trustee
	Nemo Limited	Director/Shareholder
	Savey Investments Limited	Director/Shareholder
Nick Pyke	Agricultural Marketing and Development Trust (AGMARDT)	Chair Trustee
	Cropmark Seeds Limited	Director
	Ag Innovate NZ Limited	Director
	Auld Distillery Board	Chair
	Leftfield Innovation Limited	Shareholder
	Kiwheat Limited	Shareholder
	Darfield Seeds Limited	Chair

Director	Organisation	Position
Claire Nicholson	Parininihi ki Waitotara Incorporation	Director and Shareholder
	PKW Farms GP Limited	Director
	New Zealand Agricultural Greenhouse Gas Research Centre	Co-chair Toihau; member of Advisory & Science Programme
	Farmlands Co-operative Limited	Director and Chair of People & Performance
	Precision Antimicrobials	Industry Advisory Group Member
	Rockit Orchard No. 2 LP	Limited Partner
	Rawhiti Orchard LP	Limited Partner
	Sirona Animal Health Limited	Shareholder and Managing Director
	EOS Consulting Limited	Director
	Edison Consulting Group Limited	Shareholder
	Mānuka Biologicals Limited	Shareholder
	NZ Nutrient Management Tools Advisory Group	Member
	Climate Emergency Response Fund Investment Advisory Panel***	Member
Desiree Mahy	Te Hou Ora Whanau Services Incorporated Society	Manukura/Chair
	Tika Tonu	Director and Shareholder
	Happy You Theatre Charitable Trust	Director

* Effective 1 July 2023
** Role ceased 30 June 2023
*** Role ceased 12 June 2023

Governance and statutory disclosures (continued)

Use of company information

No requests were received from Directors to use company information that they obtained in their capacity as Directors and that would not otherwise have been available to them.

Company donations

During the year, Pāmu made donations of $43,000, and undertook community and event sponsorship of $60,000.

Directors' remuneration and other benefits

Directors' fees (including fees for chairs of Board committees) for the year to 30 June 2023 were as follows:

Warren Parker*	$90,000
Nigel Atherfold**	$78,000
Jo Davidson	$36,600
Belinda Storey	$41,176
Tanira Kingi	$37,378
Paula Savage	$40,488
Nick Pyke	$36,600
Claire Nicholson	$36,600
Desiree Mahy	$36,600
Total fees	**$433,442**

* Includes fees for additional responsibilities on the board of Focus Genetics Management Limited.

** Includes fees for additional responsibilities on the boards of joint venture companies Melody Dairies GP Limited and Spring Sheep Dairy NZ Management Limited.

No remuneration or other benefits were paid to the Directors of Landcorp Estates Limited, Landcorp Pastoral Limited or Landcorp Holdings Limited.

In addition to fees, the Company provided a budget of $36,000 (total) towards continuing professional development for Directors.

Indemnity and insurance

Pāmu has arranged directors' and officers' insurance, which covers risks normally covered by such policies and includes separate cover to meet defence costs. In addition, as permitted by the Pāmu constitution, Directors and officers are indemnified by the company to the extent permitted by law for potential liabilities that they might incur for actions or omissions in their capacity as Directors or officers.

Employees' remuneration and other benefits

Set out below are the numbers of employees and former employees whose total remuneration was within the specified bands. Remuneration is inclusive of benefits including performance incentives, employer superannuation contributions, health and life insurance, and accommodation benefits (where applicable). Performance incentives paid in FY2023 relate to performance in the prior year.

$000	Number of employees
100–109	35
110–119*	27
120–129	34
130–139*	23
140–149	19
150–159	18
160–169*	10
170–179	10
180–189	8
190–199	2
200–209	6
210–219	6
230–239	2

$000	Number of employees
240–249	2
250–259	3
270–279	3
320–329	1
350–359	1
360–369	1
370–379	1
390–399	1
410–419	1
430–439	1
450–459	1
750–759	1

* The asterisk indicates remuneration bands that included at least one former employee who received a severance payment, without which they would not have been in that band.

Governance and statutory disclosures (continued)

Executive remuneration

The Pāmu remuneration policy is to provide a sustainable remuneration system that recognises individual contribution, incentivises performance, provides a mix of rewards and is compelling relative to the market(s) in which we compete for talent. Total remuneration at Pāmu constitutes two components for the Leadership Team: fixed remuneration and short-term performance incentives. For other employees, total remuneration only includes fixed remuneration.

The Board's Performance and Safety Committee reviews the annual performance of all members of the Leadership Team and endorses the outcomes for all members other than the Chief Executive. The Chief Executive's remuneration is approved by the Board on the recommendations of the Chair and Deputy Chair. The review considers external benchmarking to ensure competitiveness with comparable market peers, along with consideration of an individual's performance, skills, expertise and experience.

External benchmarking is commissioned from an expert party, KornFerryHay Group (KFHG). KFHG is required to declare independence of any management influence in the collation of the information provided. Additionally, PricewaterhouseCoopers (PwC) provides comparator market information. External benchmarking for non-executive remuneration is requested by Pāmu management and provided by KFHG.

Fixed remuneration

Pāmu offers an employee remuneration package that comprises a competitive base salary supplemented by a range of benefits appropriate to employee needs and job requirements. The policy is to pay fixed remuneration to the fixed-pay market median.

Short-term performance incentives – only for the Leadership Team (including CEO)

Short-term incentives (STIs) are designed to recognise performance where the Board approves the activation of the scheme. There is no assurance of incentives being paid.

Incentive target values are currently set at the commencement of employment as a percentage. The Chief Executive's STI is 30% of total fixed remuneration, and other members of the Leadership Team range between 10% and 20% of base salary.

Pāmu key performance indicators (KPIs) apply equally to all members of the Leadership Team and are focused on financial results, farming excellence, people, health and safety, sustainability and key strategic priorities. Pāmu uses KPIs to measure success at the end of the financial year. KPIs for FY2023 were aligned to the achievement of the strategy and Business Plan and are shared by members of the Leadership Team. Shared KPI objectives created focus on the company priorities.

KPIs are percentage rated at the end of the financial year, aligned to results of threshold, target and stretch. Stretch result levels allow employees to be rewarded for exceptional results. Stretch targets allow recognition up to 120%.

Long-term performance incentives

Pāmu does not operate a long-term incentive scheme.

Governance and statutory disclosures (continued)

Total remuneration for FY2023

Chief Executive's remuneration (FY2023 and FY2022)

		Salary $[1]	Benefits $	Subtotal $	STI $	Total remuneration $
Mark Leslie[2]	FY2023	655,234	45,991	701,224	49,523	750,747
Steven Carden	FY2023				28,634[3]	28,634
Mark Leslie[4]	FY2022	158,580	8,091	166,671		166,671
Steven Carden[5]	FY2022	402,126	1,445	403,570	189,267[6]	592,837

1 Actual salary paid includes holiday pay paid as per New Zealand legislation.

2 Mark Leslie's FY2023 package has three benefits: KiwiSaver, medical insurance and personal use of a company-provided motor vehicle added in this year.

3 To recognise Steven Carden's FY2022 service (resigned effective 17/12/2021), a pro rated company incentive for FY2022 was paid as agreed by the Board.

4 Current Pāmu Chief Executive Mark Leslie's start date was 21/3/2022. This package had two benefits: KiwiSaver and medical insurance.

5 Steven Carden resigned as Chief Executive effective 17/12/2021. This package had one benefit: a car park.

6 To recognise Steven Carden's service, a pro rated individual incentive for FY2022 was paid as agreed by the Board.

Five-year summary – Chief Executive's remuneration

	Financial year	Total remuneration paid	Percentage STI individual %	Percentage STI company performance
Mark Leslie	FY2023	$750,747	N/A	N/A
	FY2022	$166,671	100%[7]	85%[7]
Steven Carden	FY2023	$28,634	N/A	N/A
	FY2022	$592,837	80%	85%
	FY2021	$803,963	81%	83%
	FY2020	$698,987	93%	108%
	FY2019	$795,950	75%	25%

7 STI for individual and company performance was pro rated for the period worked (21/3/2022 - 30/6/2022).

Breakdown of Chief Executive's pay for performance (FY2023)

		Description	Percentage achieved %
Mark Leslie	STI	Set at 30% of total fixed remuneration. Based on financial and non-financial measures.	96%

FY2024 Chief Executive's remuneration structure

	Salary $	Benefits $	Subtotal $	STI at target[8]	Total potential remuneration at target $
FY2024	680,856	46,134	726,989	207,149	934,138

8 STI performance Incentive constitutes achievement of key KPIs including financial performance.

Targets

	Actual FY2023	Target FY2023	Target FY2024
Shareholder returns			
Total shareholder return (%)[1]	(1.6)	1.0	0.5
Return on equity (%)[2]	(0.5)	0.9	(0.3)
Dividend yield (%)[3]	0.3	0.5	0.0
Profitability and efficiency			
EBITDAR($m)[4]	59	85	50
Net (loss)/profit after tax ($m)	(9)	17	(5)
Operating cash flow after capex ($m)[5]	(14)	(13)	(48)
Operating margin (%)[6]	19.5	25.3	19.1
Return on invested capital (%)[7]	3.0	5.9	2.9
Dividend – Group ($m)	5	10	0
Leverage and solvency			
Gearing (%)[8]	9.1	8.4	10.5
Net debt and lease liability to EBITDAR times[9]	7.4	4.8	9.1
Interest cover times[10]	2.7	4.7	2.4
Solvency times[11]	4.3	3.3	3.9
Solvency (including current debt) times	4.2	1.3	1.4
Debt to EBITDAR times[12]	3.1	2.0	3.7
Growth			
Revenue growth times[13]	1.0	1.1	1.0
Capital replacement times[14]	1.3	1.3	1.4
EBITDAR growth times[15]	1.0	1.2	1.0

1 The total of equity movement during the year and dividend paid/equity opening balance.

2 Net profit after tax/average equity.

3 Dividends declared/average shareholders' equity.

4 Earnings before interest, tax, depreciation, amortisation and revaluations except fair value movement of milk futures.

5 Operating cash flow less capital expenditure.

6 EBITDAR less non-operating items/ operating revenue. Non-operating items includes imputation credits, share of profit/loss from joint venture and gains/ losses on asset sales; FY2023 actual $2.9m, FY2023 target $1.5m, FY2024 target ($5.8m).

7 EBITDAR less non-operating items/ average shareholders' equity, debt and redeemable preference shares less revaluation reserves. Refer note 6 for details of non-operating items. Total revaluation reserves including revaluations in retained earnings; FY2023 actual $1,086m, FY2023 target $1,199m, FY2024 target $1,112m.

8 Net debt/net debt plus equity.

9 Net debt and lease liability/EBITDAR.

10 Covenant interest cover calculation as agreed with banks.

11 Current assets/current liabilities (excluding current portion of long-term debt on the basis that all debt will be refinanced as it matures and excluding current portion of lease asset and lease liability).

12 Bank loans less cash/EBITDAR less non-operating items. Refer note 6 for details of non-operating items.

13 Operating revenue current year/operating revenue prior year.

14 Payments for the purchase of property, plant and equipment items, and intangible assets, taken from the cash flow statement/depreciation and amortisation less lease amortisation.

15 Current year EBITDAR less non-operating items/prior year EBITDAR less non-operating items. Refer note 6 for details of non-operating items.

Key financial data

Key financial data over five years ($ millions)	FY2023	FY2022	FY2021	FY2020	FY2019
Total revenue	290	297	253	250	241
EBITDAR[1]	59	63	50	60	35
Net profit after tax	(9)	59	29	(24)	(11)
Total comprehensive income	(30)	430	37	(79)	(65)
Total shareholder return (%)[2]	(1.6)	31.2	2.8	(5.7)	(4.7)
Return on equity, adjusted for IFRS fair value (%)[3]	(0.5)	3.9	1.3	3.6	1.5
Dividend	5	5	5	5	5
Total assets	2,329	2,392	1,975	1,938	1,782
Total equity	1,772	1,806	1,380	1,346	1,427
Bank debt	179	191	217	214	223
Shareholders' funds[4]/Total assets (%)	79.7	79.1	74.3	73.9	85.0

1 EBITDAR is earnings before interest, tax, depreciation, amortisation and revaluations except fair value movement of milk futures.
2 The total of equity movement during the year and dividend paid/equity opening balance.
3 Net profit after tax less fair value revaluations/average shareholders' equity less revaluation reserves.
4 Shareholders' funds includes redeemable preference shares.

Financial review

Pāmu, Landcorp Farming Limited has reported a Net Operating Profit of $33 million for the year ended 30 June 2023.

The result was a 50% increase on the prior year's figure of $22 million and was achieved despite the financial impact of Cyclone Gabrielle and reduced operating margins as commodity prices fell while the cost of many farm inputs rose.

Cyclone Gabrielle occurred in February 2023, and damage was incurred at many of the company's farms with the impact being especially severe on the East Coast of the North Island. Around $3.0 million of costs have been incurred across the country to reinstate infrastructure and repair or replace damaged assets.

Net Loss After Tax

Pāmu recorded a net loss after tax of $9 million compared with a profit of $59 million in the prior year. The prior year's result included several one-off items including an $18 million reversal of historical revaluation losses and a $12 million gain on farm sales (no farms were sold this year). Another key reason for the sharp turnaround is the booking of a fair value loss of $26 million on biological assets (2022: $20 million gain). This loss reflects falling values for sheep and cattle prices in sharp contrast to the historical highs reached in June 2022. In addition, Net finance expenses were $23 million ($2 million up on 2022) reflecting higher borrowing costs this year, while fair value gains on financial instruments were lower at $1 million (2022: $7 million) as interest rate swaps were unwound.

Income

The past year saw Income reach $290 million, down $7 million (2.4%) from 2022. Livestock revenue of $107 million was $20 million down from the prior year following the exit from four farms on 30 June 2022 together with lower production due to a mixture of lower natural increases. Other reasons for the reduced revenue include lower live weights due to adverse weather conditions and stock losses following Cyclone Gabrielle.

Cyclone Gabrielle has a long tail and subsequent adverse weather has taken a toll on our land, our people, and our animals. It will continue to impact our bottom line as we reinstate infrastructure and work to re-grass lost pasture, repair or replace damaged fences, clear slips, and maintain farm tracks.

Milk revenue fell $10 million to $120 million, down from $130 million in 2022. The decrease was due to lower farm gate milk prices with Pāmu receiving a weighted average of $8.62 per kg of milk solids (kgMS) in 2023 compared to $9.48 kgMS in 2022.

Income from wool and forestry contributed $9 million, up $4 million from 2022 with forestry income rising $5 million year on year as forest stands matured and were fair valued in accordance with the company's accounting policy.

Other business activities generated income of $34 million (2022 $35 million). A $4 million fall in revenue generated by Pāmu Foods reflects lower commodity prices as well as a softening of demand in the key Chinese market. This fall was offset by slightly higher revenue from carbon credit allocations and grazing income.

Pāmu manages milk price volatility by hedging the level of annual pay-out received from processors using NZX futures contracts, some of which are transacted in advance of a production season. This year a fair value gain on milk futures of $20 million was recorded in Income. This is a significant turnaround from the fair value loss of $22 million (recorded as an expense) in 2022. This gain arose because the bulk of the futures were purchased early in the season, prior to the significant decline caused by weak demand in key markets.

Operating Expenses

Total operating expenses fell by $10 million, largely due to the 2022 total including a $22 million loss on milk futures contracts. There were also $4 million of savings this year due to the exit from four farms on 30 June 2022. After adjusting for these factors underlying operating expenses rose by $16 million (7.4%) to $232 million reflecting higher prices for fertiliser, fuel, and other inputs during the year. This increase is less than the Stats NZ Farm Price Index average inflation of 7.9%. Personnel and other expenses rose by $6 million reflecting tight labour market conditions, although last year's figure included a one-off reduction of $2 million following the reversal of a holiday pay provision. On 30 June 2023, Pāmu had 637 employees (up from 620 in June 2022).

Pāmu recorded a gain of $2 million in equity-accounted profits for FY2023 (FY2022: $4 million loss). A significant contribution to this profit came from Wharewaka East Limited, a Taupō-based property development joint venture because of section sales that occurred in the first half

FINANCIAL REVIEW (continued)

of the year. Results from the Spring Sheep Dairy Limited Partnership (50% owned by Pāmu) were adversely affected by regulatory issues concerning registration of milk products in China.

Depreciation was $2 million lower than the prior year as supply chain disruptions have prevented the replacement of some assets, leading to lower depreciation charges as older assets reach the end of their useful lives.

Total Comprehensive Income

Total Comprehensive Income shows a loss of $30 million, compared to a profit of $430 million in 2022, reflecting the fact that last year's total included a valuation gain of $355 million due to the triennial property revaluation taking place.

A further significant component of the swing was the $33 million fair value loss on carbon credits compared to a $33 million gain in 2022. This was due largely to their prevailing market price on 30 June 2023 being materially lower than 30 June 2022, although the price has now recovered significantly.

Balance Sheet

Total assets were reduced by $63 million to $2,329 million on 30 June 2023 ($2,392 million on 30 June 2022). A key driver was the reduced value of livestock ($30 million) which is lower for two reasons. The first is that values have declined as evidenced by the fair value loss on livestock noted earlier. In addition, livestock numbers continue to decline as Pāmu continues to identify alternative land uses that achieve the 'highest and best use" of land assets. Another element of the fall in asset values is a reduction in the value of the company's carbon credits ($39 million). The volume of units held is 2% higher than the prior year but the market price fell sharply towards the end of June when the credits were valued.

Total liabilities declined to $557 million ($586 million at June 2022) reflecting

The lower level of bank borrowing for Pāmu during the year. At 30 June 2023,

- loans were $179 million compared with $191 million at June 2022.
- Liabilities included a lower level of deferred tax liability of $4 million (compared with $22 million at June 2022) primarily due to carbon and livestock revaluations.

At the latest balance date, the ratio of shareholders' funds (including redeemable preference shares) to total assets was 80%, which was an increase from 79% at June 2022.

FOR THE YEAR ENDED 30 JUNE 2023

Financial statements

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Group 2023 $m	Group 2022 $m
Income			
Farm operating	2	236	262
Other business activities	3	34	35
Fair value gain on milk futures	4	20	–
		290	297
Operating expenses			
Farm working and maintenance	5	125	119
Personnel and other	6	107	101
Fair value loss on milk futures	4	–	22
		232	242
Profit/(loss) from equity accounted investments	16	2	(4)
Depreciation	7	(27)	(29)
Net operating profit/(loss)[1]		**33**	**22**
Gain/(loss) on sale of property, plant and equipment		–	12
Impairment of assets		(2)	–
Net finance expenses	8	(23)	(21)
Fair value gain/(loss) on financial instruments	9	1	7
Fair value gain/(loss) on biological assets	10	(26)	20
Reversal of historical revaluation losses	18	–	18
Net profit/(loss) before tax		**(17)**	**58**
Tax benefit/(expense)	11	8	1
Net profit/(loss) after tax		**(9)**	**59**

1 Net operating profit is a non-GAAP measure. However, Pāmu considers it to be an appropriate measure of returns from core 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. Net operating profit does not include gains on sale of PPE, impairment, financing costs, fair value movements on financial instruments and biological assets.

The accompanying notes form part of these financial statements.

Statement of profit or loss and other comprehensive income (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Group 2023 $m	Group 2022 $m
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value gain/(loss) on land and improvements	18	–	355
Fair value gain/(loss) on share investments		2	(5)
Fair value gain/(loss) on carbon credits	15	(33)	33
Tax benefit/(expense) recognised in equity	11	10	(12)
Total comprehensive income		**(30)**	**430**

The accompanying notes form part of these financial statements.

Statement of movements in equity

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Share capital $m	Retained earnings $m	Share revaluation reserve $m	Asset revaluation reserve $m	Total equity 2023 $m
Balance at 1 July 2022		**125**	**715**	**–**	**966**	**1,806**
Net profit/(loss) before tax		–	(9)	–	–	(9)
Dividend paid		–	(5)	–	–	(5)
Fair value movements		–	–	2	(33)	(31)
Tax benefit/(expense) recognised in equity	11	–	(2)	(1)	13	10
Transfer of revaluation reserves on property sales		–	18	–	(18)	–
Realised gain/(loss) on carbon credits sales		–	11	–	(11)	–
Net transfers under Protected Land Agreement		–	1	–	–	1
Balance at 30 June 2023	22	**125**	**729**	**1**	**917**	**1,772**

	Note	Share capital $m	Retained earnings $m	Share revaluation reserve $m	Asset revaluation reserve $m	Total equity 2022 $m
Balance at 1 July 2021		**125**	**642**	**2**	**611**	**1,380**
Net profit/(loss) before tax		–	59	–	–	59
Dividend paid		–	(5)	–	–	(5)
Fair value movements		–	–	(5)	388	383
Tax benefit/(expense) recognised in equity	11	–	–	1	(13)	(12)
Realised gain/(loss) on share sales		–	(2)	2	–	–
Transfer of revaluation reserves on property sales		–	18	–	(18)	–
Realised gain/(loss) on carbon credits sales		–	2	–	(2)	–
Net transfers under Protected Land Agreement		–	1	–	–	1
Balance at 30 June 2022	22	**125**	**715**	**–**	**966**	**1,806**

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Group 2023 $m	Group 2022 $m
Cash flows from operating activities			
Receipts from customers:			
Livestock		133	157
Milk		128	107
Other receipts from customers		44	31
Payments to suppliers		(177)	(179)
Payments to employees		(73)	(65)
Interest paid	8	(12)	(9)
Net cash inflows/(outflows) from operating activities		**43**	**42**
Cash flows from investing activities			
Proceeds from sale of land and improvements and other property, plant and equipment		23	47
Proceeds from sale of carbon credits		21	6
Proceeds from sale of share investments		1	4
Purchase and development of land and forestry		(25)	(24)
Purchase of other property, plant and equipment and intangibles		(21)	(16)
Purchase of shares and net interests in joint venture investments		(11)	(13)
Net cash inflows/(outflows) from investing activities		**(12)**	**4**
Cash flows from financing activities			
Net borrowing receipts/(repayments)		(11)	(26)
Redemption of preference shares		(3)	–
Payment of lease liabilities		(17)	(16)
Dividends paid		(5)	(5)
Net cash inflows/(outflows) from financing activities		**(36)**	**(47)**
Net change in cash and cash equivalents		**(5)**	**(1)**
Cash and cash equivalents at beginning of year		7	8
Cash and cash equivalents at end of year		**2**	**7**

The accompanying notes form part of these financial statements.

Reconciliation of profit and operating cash flows

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Group 2023 $m	Group 2022 $m
Net profit/(loss) after tax		(9)	59
Adjustments for:			
Non-cash livestock growth and ageing	2	8	12
Non-cash forestry growth	15	(4)	(2)
Carbon credits allocation	3, 15	(12)	(11)
Depreciation	7	27	29
Fair value movements	9, 10, 18	25	(45)
Milk futures unsettled gain		(14)	–
Interest expense on lease liability	8	12	12
Gain on sale of property, plant and equipment		–	(10)
Gain on sale of carbon credits	3	(2)	(2)
Asset impairment		2	–
Equity accounted investment earnings	16	(2)	4
Equity accounted investment distributions	16	14	1
Tax expense/(benefit)	11	(8)	(1)
Movements in working capital		6	(4)
Net cash flows from operating activities		**43**	**42**

The accompanying notes form part of these financial statements.

Statement of financial position

AT 30 JUNE 2023

	Note	Group 2023 $m	Group 2022 $m
Assets			
Cash and cash equivalents		2	7
Accounts receivable	12	34	47
Inventories		18	13
Property held for sale	13	3	3
Livestock	14	268	298
Forestry, carbon and orchard assets	15	104	137
Equity accounted investments	16	27	30
Share investments	17	30	28
Other assets		2	2
Derivative assets		16	1
Property, plant and equipment	18	1,596	1,596
Leased assets	19	229	230
Total assets		**2,329**	**2,392**
Liabilities			
Bank loans	20	179	191
Accounts payable and accruals		22	20
Employee entitlements		9	12
Deferred tax liability	11	4	22
Lease liabilities	19	259	254
Redeemable preference shares	21	84	87
Total liabilities		**557**	**586**

The accompanying notes form part of these financial statements.

Statement of financial position (continued)

AT 30 JUNE 2023

	Note	Group 2023 $m	Group 2022 $m
Shareholders' funds			
Share capital		125	125
Retained earnings		729	715
Share revaluation reserve		1	–
Asset revaluation reserve		917	966
Total shareholders' funds	22	**1,772**	**1,806**
Total equity		**1,772**	**1,806**
Total equity and liabilities		**2,329**	**2,392**

Landcorp's Board of Directors authorised the financial statements for issue on 23 August 2023.

Signed on behalf of the Board

Dr Warren Parker
Chair
23 August 2023

Paula Savage
Chair of Audit and Risk Committee
23 August 2023

The accompanying notes form part of these financial statements.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 1: Basis of accounting

Reporting entity

The financial statements presented are those of Landcorp Farming Limited ("Landcorp") and its subsidiaries, joint ventures and associates (together Pāmu or 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, and a 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

These financial statements are prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP") under the Companies Act 1993 and the Financial Reporting Act 2013. NZ GAAP consists of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements are prepared on the basis of historical cost, modified by the revaluation of certain assets, investments and financial instruments as identified in the accompanying notes. The functional and reporting currency used to prepare the financial statements is New Zealand dollars, rounded to the nearest million dollars ($m). The financial statements have been prepared on a GST-exclusive basis except billed receivables and payables, which include GST.

Reclassification

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 is that milk futures contracts are a key part of the Pāmu risk management strategy and therefore fair value movements are included in NOP within the statement of profit or loss and other comprehensive income. NOP also includes depreciation expenses, which do not form part of EBITDAR. The table below shows the resulting changes to the comparative disclosures within the statement of profit or loss and other comprehensive income.

	Signed 30 June 2022 financial statements	Reclassification 30 June 2022
Farm operating	252	262
Fair value loss on milk futures	–	(22)
Fair value gain/(loss) on financial instruments	(5)	7

Basis of consolidation

The consolidated financial statements use the acquisition method of consolidation for Landcorp and its subsidiaries. Associates and joint ventures are accounted for using the equity method. All material intercompany balances and transactions are eliminated on consolidation. Transactions with jointly controlled entities are eliminated to the extent of Landcorp's interest in the entity. A list of subsidiaries and equity accounted investees is shown in note 28.

Significant accounting policies

There have been no changes in accounting policies during the financial year. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the periods presented. Where necessary, comparative information has been reclassified to achieve consistency with the current period's presentation.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 1: Basis of accounting (continued)

Adoption status of relevant new financial reporting standards and interpretations

There are currently no accounting standards or interpretations issued (but not yet effective) that are relevant to Landcorp.

Use of accounting estimates and assumptions

The preparation of these financial statements requires management to make judgements, estimates and assumptions concerning the future that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in:

- Note 14: Livestock
- Note 15: Forestry, carbon and orchard assets
- Note 18: Property, plant and equipment – Land and buildings
- Note 19: Leases

Fair value hierarchy

A number of Landcorp's accounting policies and disclosures require the measurement of fair values. The fair value hierarchy provides an indication about the reliability of inputs used to determine fair value. When measuring the fair value of an asset or liability, Landcorp uses observable market data as far as possible. An explanation of each level is as follows:

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

Note 2: Farm operating revenue

Farm operating revenue is derived from the sale of livestock, milk and other agricultural produce such as wool and forestry logs. Revenue is measured at the transaction price specified in the customer contract.

Livestock 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.

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

Landcorp holds New Zealand Stock Exchange ("NZX") milk price futures in order to manage commodity price risk.

Wool revenue is recognised following delivery to the wool broker. Contracts are held that either fix prices in advance or allow wool to be sold at the prevailing spot rate.

Forestry revenue is recognised from the sale of logs together with revenue attributable to the growth of forest stands.

	Group 2023 $m	Group 2022 $m
Livestock	107	127
Milk	120	130
Wool	2	3
Forestry	7	2
Total farm operating revenue	**236**	**262**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 2: Farm operating revenue (continued)

Livestock revenue

	Note	Sheep $m	Beef $m	Dairy $m	Deer $m	Group 2023 $m
Cash items						
Livestock sales		42	49	20	18	129
Livestock purchases		(3)	(3)	(8)	–	(14)
Non-cash items						
Birth of animals	14	15	8	8	3	34
Growth of animals	14	24	48	3	4	79
Livestock losses*	14	(9)	(2)	(4)	(1)	(16)
Book value of livestock purchased	14	2	2	5	–	9
Book value of livestock sold	14	(36)	(40)	(27)	(11)	(114)
Total livestock revenue		**35**	**62**	**(3)**	**13**	**107**

* The increase in livestock losses is due to unfavourable weather relating to the impact of Cyclone Gabrielle.

	Note	Sheep $m	Beef $m	Dairy $m	Deer $m	Group 2022 $m
Cash items						
Livestock sales		60	50	31	16	157
Livestock purchases		(7)	(3)	(8)	–	(18)
Non-cash items						
Birth of animals	14	15	7	8	4	34
Growth of animals	14	23	28	23	5	79
Livestock losses	14	(7)	(2)	(3)	(1)	(13)
Book value of livestock purchased	14	3	3	6	–	12
Book value of livestock sold	14	(38)	(40)	(36)	(10)	(124)
Total livestock revenue		**49**	**43**	**21**	**14**	**127**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 3: Other business activities

	Note	Group 2023 $m	Group 2022 $m
Grazing and feed income		4	4
Carbon credits allocation	15	12	11
Carbon credits gain on sale		2	2
Pāmu Foods revenue		10	14
Other business activities		6	4
Total other business activities		**34**	**35**

Note 4: Fair value gain/(loss) on milk futures

The New Zealand Exchange ("NZX") via the Singapore Stock Exchange ("SGX") offers milk futures contracts. The Group uses milk futures to manage commodity price risk by securing a fixed price for a determined proportion of the expected milk solids production for the season. The table below shows the fair value movements of contracts at balance date by season.

	Group 2023 $m	Group 2022 $m
2020/21 season	–	1
2021/22 season	1	(16)
2022/23 season	15	(7)
2023/24 season	4	–
Total fair value gain/(loss) on milk futures	**20**	**(22)**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 5: Farm working and maintenance

	Group 2023 $m	Group 2022 $m
Cropping and feed costs	41	41
Pasture maintenance	32	30
Animal breeding and health	25	24
Other farm working expenses	9	7
Repairs and maintenance	18	17
Total farm working and maintenance	**125**	**119**

Note 6: Personnel and other

	Group 2023 $m	Group 2022 $m
Staff remuneration	64	59
Superannuation and other personnel costs	6	5
Property-related expenses	9	8
Professional services	6	6
Pāmu Foods cost of goods sold	9	13
Other operating expenses	13	10
Total personnel and other	**107**	**101**

Included in professional services are statutory audit fees of $0.3m (2022: $0.3m) and other assurance services on the sustainability-linked loan of $0.01m (2022: $0.01m).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 7: Depreciation

	Note	Group 2023 $m	Group 2022 $m
Property, plant and equipment and other assets	18	(16)	(17)
Leased assets	19	(11)	(12)
Total depreciation		**(27)**	**(29)**

Note 8: Net finance expenses

	Group 2023 $m	Group 2022 $m
Interest expense on borrowings	(12)	(7)
Interest benefit/(expense) on interest rate derivatives	1	(2)
Interest expense on lease liability	(12)	(12)
Total net finance expenses	**(23)**	**(21)**

Note 9: Fair value gain/(loss) on financial instruments

	Group 2023 $m	Group 2022 $m
Gain/(loss) on Interest rate derivatives	–	7
Gain/(loss) on foreign exchange derivatives	1	–
Total fair value gain/(loss) on financial instruments	**1**	**7**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 10: Fair value gain/(loss) on biological assets

	Note	Group 2023 $m	Group 2022 $m
Effect of price changes on livestock	14	(22)	24
Effect of price changes on forestry	15	(4)	(4)
Total fair value gain/(loss) on biological assets		**(26)**	**20**

Note 11: Tax benefit/(expense)

	Group 2023 $m	Group 2022 $m
Net profit/(loss) before tax	(17)	58
Tax (expense)/benefit at the New Zealand tax rate 28% (2022: 28%)	5	(16)
Taxation adjustments:		
Non-assessable income	6	19
Non-deductible expenses	(9)	(2)
Imputation credits on dividends received	6	–
Total tax benefit/(expense)	**8**	**1**

The total tax benefit/(expense) comprises deferred tax payable in future years. Current tax payable is nil (2022: nil).

The Group has tax losses of $169m (2022: $175m) with a tax effect of $47m (2022: $49m) available to be carried forward and offset against taxable income in future periods.

Imputation credits available for use in subsequent reporting periods are $5m (2022: $2m).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 11: Tax benefit/(expense) (continued)

Deferred tax liability

Deferred tax assets and liabilities are presented as a net asset/(liability) in the statement of financial position. The movement in deferred tax assets and liabilities is provided below:

	Tax losses utilised $m	Biological assets $m	Property, plant and equipment $m	Other $m	Group 2023 $m
Balance at 1 July 2022	49	(39)	(17)	(15)	(22)
Amount recognised in profit or loss	(2)	6	1	3	8
Amount recognised in other comprehensive income	–	–	1	9	10
Balance at 30 June 2023	47	(33)	(15)	(3)	**(4)**

	Tax losses utilised $m	Biological assets $m	Property, plant and equipment $m	Other $m	Group 2022 $m
Balance at 1 July 2021	46	(39)	(14)	(4)	(11)
Amount recognised in profit or loss	3	–	1	(3)	1
Amount recognised in other comprehensive income	–	–	(4)	(8)	(12)
Balance at 30 June 2022	49	(39)	(17)	(15)	**(22)**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 12: Accounts receivable

Trade and other receivables are recognised at cost, less any provision for lifetime expected credit losses.

	Group 2023 $m	Group 2022 $m
Trade debtors	6	17
Milk income receivable	19	22
Other receivables and prepayments	9	8
Total accounts receivable	**34**	**47**
Current*	34	46
Non-current	–	1
Total accounts receivable	**34**	**47**

* Settled within 12 months.

Note 13: Property held for sale

Properties are identified for sale when a sales plan has been implemented and an unconditional sales contract is expected to be signed within a year or a property is subject to a Treaty settlement sale. Properties held for sale comprise farm land and associated buildings. Properties subject to Treaty settlements may be classified as held for sale for periods greater than one year while settlement terms are negotiated. These properties are still likely to be purchased by claimants, and it is probable that their value will be recovered by way of sale rather than ongoing operations. Property held for sale is measured at the lower of the carrying value of the property when it was classified as property held for sale and fair value less sales costs. The Group currently holds two properties for sale (2022: one property) with a carrying value of $3m (2022: $3m).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 14: 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 30 June 2023 were provided by independent valuers. These market values reflect livestock of similar weight and age throughout New Zealand.

	Note	Sheep $m	Beef $m	Dairy $m	Deer $m	Group 2023 $m
Balance at 1 July 2022		**83**	**87**	**103**	**25**	**298**
Birth and growth of animals	2	39	56	11	7	113
Livestock losses	2	(9)	(2)	(4)	(1)	(16)
Book value of livestock purchased and sold	2	(34)	(38)	(22)	(11)	(105)
Fair value gain/(loss)	10	(16)	(1)	(9)	4	(22)
Balance at 30 June 2023		**63**	**102**	**79**	**24**	**268**

	Note	Sheep $m	Beef $m	Dairy $m	Deer $m	Group 2022 $m
Balance at 1 July 2021		**85**	**81**	**98**	**22**	**286**
Birth and growth of animals	2	38	35	31	9	113
Livestock losses	2	(7)	(2)	(3)	(1)	(13)
Book value of livestock purchased and sold	2	(35)	(37)	(30)	(10)	(112)
Fair value gain/(loss)	10	2	10	7	5	24
Balance at 30 June 2022		**83**	**87**	**103**	**25**	**298**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 14: Livestock (continued)

	Group 2023 $m	Group 2022 $m
Current*	75	101
Non-current	193	197
Total value of livestock	**268**	**298**

* Intended to be sold within one year.

Livestock numbers comprise:

	Group 2023 $m	Group 2022 $m
Sheep	368,623	394,494
Beef	93,216	71,520
Dairy	52,352	70,794
Deer	50,229	63,654

The reduction in sheep on hand reflects Pāmu exiting a leased farm as well as Cyclone Gabrielle losses. There has been a reclassification between dairy and beef animals as well as a small increase in cattle numbers as Pāmu retains four day old calves as part of its dairy beef strategy.

Pāmu continues to pursue its afforestation programme, which involves substituting livestock for forestry and horticulture, with the overall intention of adopting the highest and best land use in all cases.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 15: Forestry, carbon and orchard assets

	Group 2023 $m	Group 2022 $m
Carbon credits	46	85
Forests	55	50
Orchards	3	2
Total forestry, carbon and orchard assets	**104**	**137**

Forests

Forest establishment and direct management expenses are recorded as planting costs. Forestry stands below 10 years of age are valued at cost. After 10 years, forestry stands are recorded at fair value. Changes to value due to forestry growth are recognised within revenue in the statement of profit or loss and other comprehensive income. Changes due to movements in forestry prices are recognised within fair value movement in biological assets in the statement of profit or loss and other comprehensive income.

Forestry valuations at 30 June 2023 were provided by an independent valuer. These market values reflect the specific characteristics of the forests and recent sales in both the domestic and export log market. The valuation is for productive tree crops only and excludes the value of land and improvements and any value arising from participation in the Emissions Trading Scheme ("ETS").

	Note	Group 2023 $m	Group 2022 $m
Forests value at start of year		**50**	**47**
Planting		7	6
Growth		4	2
Book value of forests harvested/sold		(2)	(1)
Fair value gain/(loss)	10	(4)	(4)
Forests value at end of year		**55**	**50**
Current*		2	2
Non-current		53	48
Forests value at end of year		**55**	**50**

* Intended to be harvested within one year.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 15: Forestry, carbon and orchard assets (continued)

The ages of Landcorp's forests are shown below:

	Group 2023 Hectares	Group 2022 Hectares
Between 0–10 years	7,160	7,880
Between 11–25 years	4,898	4,192
Greater than 25 years	326	296
Total hectares planted	**12,384**	**12,368**

Carbon credits

As a forester, Landcorp is allocated carbon emissions credits ("NZUs") and will incur liabilities through the ETS. Landcorp holds credits for forestry plantations. Should these plantations be harvested and/or deforested, a liability would be incurred up to a maximum of the credits received.

At 30 June 2023, Landcorp held 1,139,444 post-1989 NZUs (2022: 1,118,631). NZUs are revalued at each reporting date and any fair value movement is reflected within other comprehensive income. Had the Group's carbon credits been measured on a historical cost basis, their carrying amount would have been $37m (2022: $32m).

	Note	Group 2023 $m	Group 2022 $m
Carbon credits value at start of year		85	46
Disposals		(18)	(5)
Additions	3	12	11
Fair value gain/(loss)		(33)	33
Carbon credits value at end of year		**46**	**85**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 16: Equity accounted investments

Equity accounted investments are initially recognised at cost, and the carrying value is increased or decreased to recognise Landcorp's share of surplus or deficit of the investee after the date of acquisition. Cash contributions made to the investee increase the carrying amount of the investment. Distributions received from the investee reduce the carrying amount of the investment. If Landcorp's share of losses exceeds its investment, a liability is recognised to the extent that Landcorp has incurred a constructive or legal obligation. The carrying value of investments are reviewed annually for indicators of impairment, and carrying values are adjusted accordingly if required. A list of equity accounted investees is shown in note 28.

	Farm IQ Systems Limited	Melody Dairies Limited Partnership $m	Spring Sheep Dairy Limited Partnership $m	Wharewaka East Limited $m	Group 2023 $m
Balance at 1 July 2022	5	10	9	6	30
Cash contributions	4	1	5	–	10
Distribution	–	–	–	(14)	(14)
Impairment of goodwill	(1)	–	–	–	(1)
Profit/(loss) from equity accounted investments	(3)	–	(8)	13	2
Total equity accounted investments	**5**	**11**	**6**	**5**	**27**

	Farm IQ Systems Limited $m	Melody Dairies Limited Partnership $m	Spring Sheep Dairy Limited Partnership $m	Wharewaka East Limited $m	Group 2022 $m
Balance at 1 July 2021	1	11	8	2	22
Cash contributions	5	–	8	–	13
Distribution	–	–	–	(1)	(1)
Profit/(loss) from equity accounted investments	(1)	(1)	(7)	5	(4)
Total equity accounted investments	**5**	**10**	**9**	**6**	**30**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 17: Share investments

	Group 2023 $m	Group 2022 $m
Share investments at fair value through profit or loss:		
Other	2	2
Share investments at fair value through other comprehensive income:		
Fonterra Co-operative Group Limited	16	14
Waimakariri Irrigation Limited	10	10
Other	2	2
Total share investments	**30**	**28**

The Group is required to hold certain shares and investments in cooperative companies to facilitate farming operations. Shares are held as a consequence of business operations and 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.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 18: Property, plant and equipment

Property, plant and equipment consists of land and improvements, protected land and plant and equipment.

Land is measured at fair value and buildings are measured at fair value less accumulated depreciation and any impairment after the date of valuation. The revaluation of land and buildings is undertaken by an independent valuer every three years. During a revaluation, the valuer will conduct a physical inspection of a representative group of properties within each portfolio. The fair value of each remaining property is determined by considering a range of operational data for the property concerned together with information relating to sales of comparable properties. Additions to land and buildings after the most recent valuation are recorded at cost less accumulated depreciation.

A full valuation was performed in 30 June 2022. In years where there is not a full valuation, a material change assessment of the property portfolio is performed by an independent valuer. Upon identification of a material change, an indexation to market price is carried out and carrying amounts are adjusted. The Directors have determined that the carrying value of the property portfolio is appropriately recorded at fair value at 30 June 2023.

Revaluations are undertaken using a level 2 fair value methodology. They employ a market approach and take into account general factors that influence farm land prices as well as market evidence such as recent farm sales in the relevant regions. The valuation also considers the price effects of various legal obligations placed on Landcorp's land ownership. The impact of the Conservation Act 1987 relating to the establishment of marginal strips and conservation management plans is considered where applicable. In the North Island, deductions of 0–6% have been made for the effects of the Treaty of Waitangi (State Enterprises) Act 1988 and the memorials pertaining to section 27B of the State-Owned Enterprises Act 1986, which provides for the resumption of land on recommendation of the Waitangi Tribunal. The South Island properties include a deduction of up to 5% to reflect the effect of the Right of First Refusal memorial granted to Ngāi Tahu under the Ngāi Tahu Claims Settlement Act 1998.

Improvements on leased land are held at cost.

Protected land is defined in the Agreement Concerning Landcorp Land Protected from Sale signed with the Crown in 2007 and amended in June 2013 (the Protected Land Agreement) and relates to land that the Crown wishes to protect from sale for public policy reasons. Protected land (including buildings on protected land) was valued at fair value at the time it was classified as protected land as this is the ongoing fair value of the land to Landcorp. Buildings are measured at this value less accumulated depreciation.

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and land improvements over their useful lives. The useful lives of property, plant and equipment are as follows:

- Buildings – 30–60 years
- Leasehold improvements – lease term
- Plant and equipment – 3–10 years

Cyclone Gabrielle passed over New Zealand between 12 and 14 February this year, depositing rainfall of 300–400 mm in some areas, including the East Coast of the North Island where several Pāmu farms are located. Farms suffered damage to fencing and various structures as well as stock losses as a result of the heavy rain and high winds. The contour of some land areas has been altered, which may affect future land-use options. There have been insufficient rural property transactions since this date to assess the impact on local land values (if any).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 18: Property, plant and equipment (continued)

	Land and improvements				
	Freehold land and buildings $m	**Leasehold improvements $m**	**Protected land $m**	**Plant and equipment $m**	**Group 2023 $m**
Opening balance	1,403	76	98	139	1,716
Additions	19	1	1	15	36
Disposals	(18)	–	(3)	(6)	(27)
Balance at end of year	1,404	77	96	148	1,725
Accumulated depreciation					
Opening balance	–	(17)	(1)	(102)	(120)
Depreciation	(3)	(2)	–	(11)	(16)
Disposals	1	–	–	6	7
Balance at end of year	(2)	(19)	(1)	(107)	(129)
Total property, plant and equipment	**1,402**	**58**	**95**	**41**	**1,596**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 18: Property, plant and equipment (continued)

	Land and improvements				
	Freehold land and buildings $m	Leasehold improvements $m	Protected land $m	Plant and equipment $m	Group 2022 $m
Opening balance	1,026	75	97	135	1,333
Additions	17	1	1	13	32
Disposals	(9)	–	–	(9)	(18)
Reversal of impairment recognised in profit or loss	18	–	–	–	18
Fair value movement of land and improvements	355	–	–	–	355
Reversal of depreciation on revaluation	(4)	–	–	–	(4)
Balance at end of year	1,403	76	98	139	1,716
Accumulated depreciation					
Opening balance	(2)	(13)	(1)	(100)	(116)
Depreciation	(3)	(4)	–	(10)	(17)
Disposal	1	–	–	8	9
Reversal of depreciation on revaluation	4	–	–	–	4
Balance at end of year	–	(17)	(1)	(102)	(120)
Total property, plant and equipment	**1,403**	**59**	**97**	**37**	**1,596**

Had the Group's freehold land and buildings (other than land and buildings classified as held for sale) and protected land been measured on a historical cost basis, their carrying amount would have been freehold land $593m (2022: $583m) and buildings on freehold land $70m (2022: $68m).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 18: Property, plant and equipment (continued)

Freehold land and buildings comprise the following property portfolios:

	North Island dairy $m	South Island dairy $m	North Island livestock $m	South Island livestock $m	Group 2023 $m
Opening balance	81	207	689	426	1,403
Additions	2	2	9	6	19
Disposals	–	–	–	(18)	(18)
Balance at end of year	83	209	698	414	1,404
Accumulated depreciation					
Opening balance	–	–	–	–	–
Depreciation	–	(1)	(1)	(1)	(3)
Disposal	–	–	–	1	1
Balance at end of year	–	(1)	(1)	–	(2)
Total freehold land and buildings	**83**	**208**	**697**	**414**	**1,402**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 18: Property, plant and equipment (continued)

	North Island dairy $m	South Island dairy $m	North Island livestock $m	South Island livestock $m	Group 2022 $m
Opening balance	64	163	443	356	1,026
Additions	1	2	11	3	17
Disposals	–	–	–	(8)	(8)
Reversal of impairment recognised in profit or loss	–	10	6	2	18
Fair value movement of land and improvements	16	34	231	74	355
Reversal of depreciation on revaluation	–	(2)	(2)	(1)	(5)
Balance at end of year	81	207	689	426	1,403
Accumulated depreciation					
Opening balance	–	(1)	(1)	(1)	(3)
Depreciation	–	(1)	(1)	(1)	(3)
Disposal	–	–	–	1	1
Reversal of depreciation on revaluation	–	2	2	1	5
Balance at end of year	–	–	–	–	–
Total freehold land and buildings	**81**	**207**	**689**	**426**	**1,403**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 19: 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, northeast 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 30 June 2023, approximately 12,580 hectares had been leased. A total of 12,611 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. The Wairākei right of use asset is tested annually for impairment and carrying value is adjusted accordingly if required.

	Wairākei Estate $m	Other leases $m	Group 2023 $m
Opening balance	243	21	264
Lease remeasurement	10	–	10
Balance at end of year	253	21	274
Accumulated depreciation			
Opening balance	(24)	(10)	(34)
Depreciation	(8)	(3)	(11)
Balance at end of year	(32)	(13)	(45)
Total leased assets	**221**	**8**	**229**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 19: Leases (continued)

	Wairākei Estate $m	Other leases $m	Group 2022 $m
Opening balance	236	14	250
Lease remeasurement	7	–	7
Additions	–	7	7
Balance at end of year	243	21	264
Accumulated depreciation			
Opening balance	(16)	(6)	(22)
Depreciation	(8)	(4)	(12)
Balance at end of year	(24)	(10)	(34)
Total leased assets	**219**	**11**	**230**

The undiscounted maturity analysis of lease liabilities is as follows:

	Less than one year	Two to five years	More than five years	Group 2023 $m
Lease payments	16	69	366	451
Interest expense on lease liability	(12)	(46)	(134)	(192)
Total lease liabilities	**4**	**23**	**232**	**259**

	Less than one year	Two to five years	More than five years	Group 2022 $m
Lease payments	17	64	369	450
Interest expense on lease liability	(12)	(45)	(139)	(196)
Total lease liabilities	**5**	**19**	**230**	**254**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 19: Leases (continued)

The Group acts as a lessor of farm land provided under operating leases. Income from operating lease agreements is recognised as lease income on a straight-line basis over the term of the lease. Lease terms are of various lengths, and some leases include rights of renewal. The undiscounted lease payments to be received are as follows:

	Group 2023 $m	Group 2022 $m
Less than one year	1	1
Two to five years	3	2
More than five years	11	8
Total undiscounted lease income	**15**	**11**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 20: Bank loans

Cash advance facilities available to Landcorp at 30 June 2023 were $315m (2022: $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.

	Group 2023 $m	Group 2022 $m
Within one year	1	60
Two to five years	178	131
Total bank loans	**179**	**191**

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Group 2023 $m	Group 2022 $m
Facilities expiring within one year	39	60
Facilities expiring between two and five years	97	64
Total undrawn facilities	**136**	**124**

Financial guarantees

Landcorp has provided limited guarantees to the Ministry for Primary Industries in relation to primary growth partnerships with Spring Sheep Dairy Limited Partnership.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 21: Redeemable preference shares

Redeemable preference shares were issued as a capital injection under the terms of the Protected Land Agreement. They carry no voting rights and are not eligible for dividends or any share of net assets on wind-up. When requested, Landcorp will transfer properties referred to in the Protected Land Agreement to the Crown. On transfer, the redeemable preference shares are redeemed at the initial value of the property.

Note 22: Capital management

The Group considers its capital as comprising all components of shareholders' funds.

Share capital

Under the State-Owned Enterprises Act 1986, Landcorp's ordinary shares are held equally by the Minister of Finance and the Minister for State-Owned Enterprises. This prevents Landcorp from raising capital from other sources. Ordinary shares carry one vote per share and carry the right to participate in dividends. There are 125,000,000 authorised shares on issue (2022: 125,000,000). All shares are fully paid up.

Retained earnings

Retained earnings comprise Landcorp's accumulated net profits including transfers from revaluation reserves when the underlying asset has been sold, less any dividends paid. Retained earnings also includes any payment from the Crown for additional capital expenditure incurred on the properties defined in the Protected Land Agreement.

Share revaluation reserve

The share revaluation reserve comprises the cumulative net change in the fair value of share investment until the investment is sold.

Asset revaluation reserve

The asset revaluation reserve is used to record changes in the fair value of land and buildings and intangible assets. Revaluations are reflected in the asset revaluation reserve and included in other comprehensive income, with any revaluations below cost or recoveries to cost being recognised in the statement of profit or loss and other comprehensive income.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 23: Valuation of financial instruments

Landcorp is a party to financial instruments as part of its normal operations. Financial assets and liabilities carried at fair value are categorised into a fair value hierarchy (refer to note 1) based on the observability of inputs used to measure fair value. The following table sets out the classification of financial asset and liability categories according to the measurement bases together with the carrying amount as reported in the statement of financial position. There have been no transfers between levels during this year (2022: none).

	Amortised cost	Fair value hierarchy Level 1	Level 2	Level 3	Group 2023 $m
Accounts receivable	34	–	–	–	**34**
Share investments at fair value through profit or loss	–	–	2	–	**2**
Share investments at fair value through other comprehensive income	–	26	2	–	**28**
Derivative assets	–	16	–	–	**16**
Total financial assets	34	42	4	–	**80**
Accounts payable and accruals	22	–	–	–	**22**
Bank loans	179	–	–	–	**179**
Total financial liabilities	201	–	–	–	**201**

	Amortised cost	Fair value hierarchy Level 1	Level 2	Level 3	Group 2022 $m
Accounts receivable	47	–	–	–	**47**
Share investments at fair value through profit or loss	–	–	2	–	**2**
Share investments at fair value through other comprehensive income	–	24	2	–	**26**
Derivative assets	–	1	–	–	**1**
Total financial assets	47	24	4	–	**76**
Accounts payable and accruals	20	–	–	–	**20**
Bank loans	191	–	–	–	**191**
Total financial liabilities	211	–	–	–	**211**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 24: Risk management

The Board has adopted a risk appetite statement that acts as a link between the strategic objectives of Landcorp and its risk management framework. The Board, as the governing body, is ultimately accountable for risk and has delegated oversight of the risk management framework (including the risk register and monitoring the internal audit programme) to the Audit and Risk Committee. In addition, Landcorp has a Treasury Management Committee ("TMC"). The TMC is chaired by the Chief Financial Officer and comprises the Financial Controller and an external treasury advisor. A quorum is three members, one of which must be the Chief Financial Officer or, in their absence, the Chief Executive. The TMC meets on a bimonthly basis to coordinate and oversee the operation of the company's treasury function and to monitor financial risks. Details of financial risks and risk management policies are explained below.

Risks due to agricultural activities

Agricultural risks

Landcorp's geographic spread of farms usually allows a high degree of mitigation against adverse climatic (such as drought and flooding) and environmental (such as disease outbreaks and biosecurity) effects at a regional level. When adverse climatic events occur, the company will often seek to accommodate livestock on other Landcorp properties.

The geographic spread of Landcorp's forestry assets provides a high degree of risk mitigation against risks associated with forestry such as fire and disease.

Landcorp has environmental policies and procedures aimed at supporting the business while ensuring compliance with environmental and other laws. Environmental policies are designed to be compliant with laws in target export markets in addition to New Zealand.

Climate change

Landcorp both has an impact on climate change and will be impacted by it. We are actively working to reduce our impact and strengthen our climate resilience. The speed, nature and extent of climate change impact on Landcorp's long-term performance is identified as a strategic risk and has been integrated into the overall risk management system. Our operations are highly exposed to physical climate risks due the impact of climatic systems on agricultural production. While our transitional risks are not as high, they are still material.

Opportunities to adapt to and mitigate these risks are reflected in our strategic goals, with scenario modelling, diversification and geographic spread being essential considerations. Landcorp's forestry assets generate carbon credits that can be used to offset the company's emissions should agricultural biological emissions become included in the Emissions Trading Scheme. Landcorp's investment in Focus Genetics is enabling the company to pursue low-emissions genetic traits to reduce its emissions profile over the long term.

Landcorp reports its gross and net GHG emissions and has produced the first Climate Related Disclosure (CRD) for the business in alignment with the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021.

Financing risk

The nature of pastoral farming means that most of Landcorp's revenue is received in the second half of the financial year, whereas expenses are incurred throughout the year. Landcorp manages this financing risk through budgeting and actively managing working capital requirements as well as maintaining credit facilities at levels sufficient to meet financial commitments as they fall due.

Market risk

Commodity price and volume risk

Landcorp has multiple revenue streams from livestock (sheep meat, beef and venison) as well as generating milk revenue. This diversification assists in lowering the commodity risk related to the price of any single commodity. Landcorp is exposed to risks arising from fluctuations in the price and sales volume of milk and livestock.

To mitigate commodity price risk for livestock, Landcorp's policy is to fix up to 50% of sales revenue within one year and up to 25% between one and two years by entering into fixed price contracts and/or guaranteed minimum price/schedule plus contracts directly with processors.

Commodity price risk for milk is managed through the sale of NZX milk price futures. Landcorp maintains milk price hedging between specified minimum and maximum risk control limits based on a two-year milk production volume forecast covering the current season and next season. The minimum and maximum limits are linked to prevailing milk futures prices, requiring management to hedge more at higher prices and less at lower prices.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. Landcorp is exposed to interest rate risk on borrowings used to fund investment and ongoing operations. Landcorp has an interest rate risk management policy designed to identify and manage interest rate risk in order to provide greater certainty of funding costs. Management monitors the level of interest rates on an ongoing basis and will fix the rates of interest payable using derivative financial instruments. Forward rate agreements and interest rate swaps may be used for risk management purposes and to maintain policy compliance. Liabilities that are interest rate sensitive will mature or reprice within the periods shown in the table.

	Note	Within one year $m	Two to three years $m	Four to five years $m	Group 2023 $m
Bank loans	20	179	–	–	179
Interest rate derivatives		(30)	(95)	(20)	(145)
Net interest rate exposure		**149**	**(95)**	**(20)**	**34**

	Note	Within one year $m	Two to three years $m	Four to five years $m	Group 2022 $m
Bank loans	20	191	–	–	191
Interest rate derivatives		(20)	(80)	(25)	(125)
Net interest rate exposure		**171**	**(80)**	**(25)**	**66**

Sensitivity analysis

The effect of a 1% increase/decrease in interest rates on Landcorp's net profit before tax is a decrease/increase of $1.0m (2022: $0.9m) on finance expenses (including any hedging instruments used in the year).

Foreign currency risk

Foreign currency risk is the risk of adverse impacts on cash flow caused by fluctuations in foreign exchange rates. Landcorp is exposed to both direct and indirect foreign currency risk. Direct risk arises where Landcorp has receipts or makes payments denominated in foreign currency. Indirect risk exposure arises where the value of NZ$ denominated earnings fluctuates due to currency movements, for example, when livestock processors sell meat into overseas markets.

To mitigate direct foreign currency risk, sales revenue and expenditure denominated in foreign currency derived from a contract where the value exceeds $50k is fully hedged when the contract is signed using foreign currency derivatives such as forward foreign exchange contracts and foreign currency swaps. Direct foreign currency hedging in place at 30 June 2023 was $0.01m (2022: $0.3m). Indirect foreign currency risk is not hedged.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Credit risk

Credit risk is the risk of loss due to customer default. Landcorp has a credit policy to manage credit risk exposure, which requires credit evaluations to be performed on all customers requiring credit over $500k. New credit limits greater than $3m require approval by the Board. Landcorp's maximum exposure to credit risk is represented by the carrying value of accounts receivable. There are no significant concentrations of credit risk except for milk customers. At 30 June 2023, Landcorp did not expect the non-performance of any obligations (2022: nil). All material trade and other receivables are current, with no debts falling due past 30 days at 30 June 2023 (2022: nil).

Liquidity risk

Liquidity risk is the risk that Landcorp will encounter difficulty in raising funds at short notice to meet financial commitments. Landcorp actively manages its funding facilities to ensure that no more than 40% of its total debt facilities mature in one financial year, and no more than 40% of its total debt facilities are with a single bank. Landcorp regularly forecasts funding requirements. The three-year Business Plan is used to forecast the longer-term funding requirements. The policy requires that committed funding facilities are $10m greater than current quarter peak requirements.

The table below analyses Landcorp's financial liabilities by period of contractual maturity. Total amounts do not match to the statement of financial position and related notes as contractual flows are the absolute undiscounted amount of future cash flows, including forecast interest expense on interest-bearing liabilities.

	Note	Within one year $m	Two to five years $m	No fixed maturity $m	Group 2023 $m
Accounts payable and accruals		22	–	–	22
Bank loans		15	192	–	207
Interest rate derivatives	23	2	1	–	3
Redeemable preference shares	21	–	–	84	84
Total contractual maturity		**39**	**193**	**84**	**316**

	Note	Within one year $m	Two to five years $m	No fixed maturity $m	Group 2022 $m
Accounts payable and accruals		20	–	–	20
Bank loans		67	136	–	203
Interest rate derivatives	23	–	–	–	–
Redeemable preference shares	21	–	–	87	87
Total contractual maturity		**87**	**136**	**87**	**310**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 25: Capital commitments

At 30 June 2023, Landcorp had $4.6m contracted capital commitments (2022: $0.9m).

Note 26: Contingent assets and liabilities

At 30 June 2023, Landcorp had no contingent assets or liabilities (2022: nil).

Note 27: Related parties

Ultimate controlling party

The ultimate shareholder of the Group is the Crown. The Group undertakes many transactions with other Crown entities, state-owned enterprises and government departments.

Transactions with subsidiaries and jointly controlled entities

During the year, Landcorp entered into the following transactions with related parties received/(paid):

	Group 2023 $m	Group 2022 $m
Spring Sheep Dairy Limited Partnership – cash contributions	(5.0)	(7.7)
Melody Dairies Limited Partnership – cash contributions	(0.7)	–
Farm IQ Systems Limited – cash contributions	(4.1)	(5.0)
Wharewaka East Limited – dividend received	13.9	1.7

	2023		2022	
	Sale/ (purchase) of goods $m	Accounts receivable/ (payable) $m	Sale/ (purchase) of goods $m	Accounts receivable/ (payable) $m
Spring Sheep Dairy Limited Partnership – sale of goods	0.31	0.08	0.46	0.15
Spring Sheep Dairy Limited Partnership – purchase of goods	(0.04)	–	–	–
Melody Dairies Limited Partnership – purchase of goods	–	–	(1.36)	–
Farm IQ Systems Limited – purchase of goods	(0.21)	(0.02)	(0.45)	–

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 27: Related parties (continued)

At 30 June 2023, nil was included in accounts receivable as owing from Wharewaka East Limited (2022: $1m).

At 30 June 2023, $2.1m was included in accounts receivable as owing from the Crown in accordance with the Protected Land Agreement (2022: $0.1m).

No other transactions or balances with related party entities are considered material. No expense has been recognised in the current year for bad or doubtful debts in respect of amounts owed by related parties (2022: nil).

Key management personnel compensation

Key management personnel have been defined as the Directors, the Chief Executive Officer and the Leadership Team for the Group, who have responsibility for planning, directing and controlling the activities of Landcorp.

Short-term employment benefits paid to the Leadership Team for the Group during the year were $4.1m (2022: $3.8m). These amounts include at-risk incentive payments for the prior year.

Directors fees paid during the year were $0.5m (2022: $0.4m).

Note 28: Subsidiary companies and jointly controlled entities

			Percentage held	
Subsidiaries	**Principal activity**	**Balance date**	**2023**	**2022**
Landcorp Estates Limited	Property development	30 June	100%	100%
Landcorp Pastoral Limited	Invests in Focus Genetics and Spring Sheep Dairy	30 June	100%	100%
Landcorp Holdings Limited	Holding protected land	30 June	100%	100%
Landcorp Pastoral Limited has the following subsidiaries:				
Focus Genetics Limited Partnership	Development and sale of genetically superior sires	30 June	100%	100%
On 16 September 2014, Landcorp acquired 100% of the Focus Genetics Limited Partnership. Genetic royalties goodwill of $2m (2022: $2m) has been included within other assets.				
Focus Genetics Limited Partnership has the following subsidiaries:				
Focus Genetics UK Limited	Livestock genetics	30 June	100%	100%
Focus Genetics S.A. Limited	Livestock genetics	30 June	100%	100%
Focus Genetics Australia Pty Limited	Livestock genetics	30 June	100%	100%
Rissington Uruguay SA	Livestock genetics	30 June	100%	100%

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Note 28: Subsidiary companies and jointly controlled entities (continued)

Joint ventures	Principal activity	Balance date	Percentage held 2023	Percentage held 2022
Wharewaka East Limited	Property development	31 March	50%	50%
Spring Sheep Dairy Limited Partnership	Production and marketing of sheep milk products	30 June	50%	50%

Associates	Principal activity	Balance date	Percentage held 2023	Percentage held 2022
Farm IQ Systems Limited	Development and licensing of farm management software	30 June	56%	64%
Farm IQ PGP Limited	Integrated red meat value chain PGP (completed)	30 June	18%	18%
Melody Dairies Limited Partnership	Specialist milk drying services	30 June	35%	35%

Independent Auditor's Report

TO THE READERS OF LANDCORP FARMING LIMITED'S GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of Landcorp Farming Limited Group (the Group). The Auditor-General has appointed me, Sonia Isaac, using the staff and resources of KPMG Wellington, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 49 to 87, that comprise the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2023; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial reporting Standards and International Financial Reporting Standards.

Our audit was completed on 23 August 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the State Owned Enterprises Act 1986.

Responsibilities of the auditor 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing

Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standards 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out a limited assurance engagement over the Group's sustainability-linked lending and an audit of the Crown Schedule prepared to comply with the Protected Land Agreement between Landcorp and the Crown, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

Sonia Isaac
KPMG Wellington

On behalf of the Auditor-General
Wellington, New Zealand

Appendix

Scorecard

		FY2023	FY2022	FY2021
Environment	Total hectares[1]	358,866	363,488	364,538
	Total area retired and protected in QEII covenants (hectares)[2]	9,885	9,844	9,940
	GHG emissions on all farming operations (tonnes CO_2e) – gross[3]	n/a	708,350	722,237
	GHG removals[4]			
	GHG removals – production forestry (tCO_2)[5]	n/a	393,394	350,770
	GHG removals – indigenous (tCO_2)[6]	n/a	102,607	140,719
	Farms with Toitū carbonreduce certification (% of all farms)[7]	52	17	n/a
	Pāmu Sustainable Farm Performance Programme (% of all farms)	54	17	n/a
	Nutrient loss[8]			
	Phosphate loss on all farming operations (tonnes)	n/a	344	365
	Nitrogen loss below the root zone on all farming operations (tonnes)	n/a	4,159	4,822
	Intensive winter grazing hectares (%)[9]	2,955ha (4.12%)	2,944ha (4.16%)	3,567ha (4.41%)
	Synthetic nitrogen fertiliser applications, total (tonnes)[10]	4,326	5,080	5,594
	Total areas of plantation (hectares)[11]	14,574	14,280	12,190
People	Lost-time injury frequency rate (LTIFR)[12]	7.7	8.6	9.8
	Lost-time injury severity rate (average days lost per lost-time injury)[13]	18.4	18.7	24.1
	On-farm safety observations (number)[14]	7,537	7,576	5,772
	Positive incident report frequency rate[15]	1,360.2	1258.4	1,121.7
	Employee turnover (%)[16]	23.4	28.9	23.5
	Training metric – proportion of employees in any form of mental health training (%)[17]	32	21	30

1 Total hectares of the entire Pāmu estate owned and managed: inclusive of grazed paddocks, non-grazed infrastructure supporting the farming operation, horticulture, forestry, retired, riparian and protected areas.

2 Pāmu land protected by covenants with the QEII Trust Board as at 30 June each year under biodiversity protection programmes initiated in 1991.

3 All farming and corporate operations. FY2021 results onwards are verified against ISO 14064-1. Most recent FY results are not available due to data collation and calculation methodology timeframes.

4 Based on calculations to 31 December of the period, e.g. FY2022 result based on forestry at 31 December 2022.

5 Commercial (primarily exotic) forestry planted and managed for a harvest/timber outcome. No consideration is given to the eligibility or registration in the ETS.

6 Includes planted mānuka and other regenerating native forest. Reduction from previous year due to more accurate mapping of woody vegetation.

7 External sustainability framework.

8 Nitrogen and phosphorus losses have been taken from OverseerFM's aggregated data function. Data for FY2021 was originally modelled under version 6.4.3 with FY2022 being modelled under the later version 6.5.1. Accordingly, these figures are not directly comparable, so FY2021 was remodelled under 6.5.1 to create a version comparison between years. FY2022 reflects a decrease in both nitrogen and phosphorus loss when compared to FY2021. Calculations do not include nitrogen removed by wetlands, although this will be reflected in future reporting as wetland data and appropriate scientific information becomes available. All reported figures represent those occurring throughout the previous financial year. Data scope includes all Pāmu-owned and managed farms for FY2022. In previous reports, the preceding year results have been shown as the most recent year. This has been corrected in this report.

9 The hectares and percentage (respectively) of intensive winter crop apportionate to the total effective hectares for farms with intensive winter grazing.

10 This data represents our synthetic nitrogen fertiliser purchased from Ballance Agri-Nutrients during any given financial period. Units are in tonnes of nitrogen.

11 Total area of Pāmu-owned plantation forestry as at 31 December (during the financial year).

12 LTIFR is the number of employee working hours lost due to injury per 200,000 hours worked by all employees in the year.

13 The average time lost per singular event, allowing us to determine how serious the injuries are.

14 Safety observations are reports of safe or unsafe acts or conditions identified by employees in their workplaces. Reporting of observations helps to avoid near misses or harm and shows a positive safety culture.

15 Positive incident report frequency rate is the number of first aid, near miss and safety observation reports for every 200,000 hours worked. These reports are seen as an indicator of a positive safety culture because they report incidents before individuals are seriously harmed.

16 Number of employees who left during the year as a percentage of the average total of Pāmu employees.

17 Based on analysis of Pāmu database of employees as at 30 June each year.

Scorecard (continued)

		FY2023	FY2022	FY2021
People (continued)	Employee diversity – gender and ethnicity (% of total)[18]			
	Male	73.9	75.4	76.3
	Female	26.1	24.6	23.7
	New Zealand European	60.1	61.9	62.9
	Māori	18.8	19.1	20.5
	Not known	5.8	4.9	5.5
	European	3.5	4.2	2.8
	Asian	6.9	5.4	4.2
	Pacific peoples	1.4	2.1	1.6
	Middle Eastern/Latin American/African	2.6	2	1.7
	Other ethnicity	1	0.5	0.8
	Employee diversity – gender pay gap (New Zealand benchmark %)[19]	8.6	9.2	9.1
	Employee diversity – gender pay gap (Pāmu benchmark %)[20]	2.6	-1.4	4.1
	Employee diversity – ethnicity pay gap (Pāmu benchmark %)[21]	9.7	14.9	16.1
	Staff engagement score[22]	7.5/10	7.3/10	7.0/10
	eNPS[23]	20	12	2
Finance	Return on capital invested (%)[24]	3.0	2.7	2.9
	Operating margin (%)[25]	19.5	18.3	21.5
	Solvency ratio (times, 30 June)[26]	4.3	5.2	4.8
	Balance sheet gearing (%, 30 June)[27]	9.1	9.3	13.2
	R&D expenditure[28]	975,213	623,262	61,597
	Group net operating profit ($m)	33	22	n/a
	Group EBITDAR ($m)[29]	59	63	50
	Net debt and lease liability to EBITDAR	7.4x	7.0x	9.0x

18 Based on analysis of Pāmu database of employees as at 30 June each year.

19 Pāmu uses Stats NZ as our trusted data source for New Zealand's gender pay gap.

20 Pāmu has updated its calculation of gender pay gap to match with Stats NZ by using median hourly rate. Given Pāmu standard contracted hours range from 40–47.5 hours per week, assessing by hourly rate measures a fixed period of work and enables a more direct comparison unaffected by the volume of hours a person works or periods without pay. This replaces previously published figures using different calculation methods for FY2022 at 2.91% and FY2021 at 0.16%.

21 This is the first year Pāmu is reporting on the ethnicity pay gap between Māori and New Zealand European. We have calculated prior financial year figures using the Stats NZ method of median hourly rate.

22 Staff engagement score is the average score given by all the participants in response to questions of how they feel about their job experience and Pāmu.

23 Employer Net Promoter Score (eNPS) is a scoring system designed to help employers measure employee satisfaction and loyalty within their organisations. It is an industry-agnostic benchmark. It is based on the Net Promoter Score system from Bain & Company, Satmetrix Systems, Inc.

24 Profitable use of financial capital: EBITDAR less non-operating items/ average shareholders' equity, debt and redeemable preference shares less revaluation reserves.

25 Profit per dollar of revenue: EBITDAR less non-operating items/ operating revenue.

26 Financial flexibility: current assets/current liabilities (excluding current portion of long-term debt on the basis that all debt will be refinanced as it matures).

27 Balance sheet leverage: net debt/net debt plus equity.

28 R&D expenditure refers to the total project costs submitted to Inland Revenue under the Research and Development Tax Incentive tax credit.

29 Pāmu has shifted to reporting on net operating profit (NOP) in preference to EBITDAR from FY2023 onwards, as noted within note 1 of the financial statements.

Scorecard (continued)

Farms and animals

	FY2023	FY2022	FY2021
Animal health – dairy herd somatic cell count average (cell count per ml of milk)[30]	178,596	198,494	175,023
Milk solids per cow (kg)	361	350	375
Milk solids per hectare (kg)	820	776	864
Milk solids as a percentage of cow's live weight (%)[31]	78	73	81.5
Prime lamb carcass weight in season (kg)	18	17.9	17.9
Prime steer carcass weight (kg)	309	302	312
Net production per effective hectare (kg)[32]	161	156	176
Number of dairy beef calves reared from Pāmu dairy cows for the Livestock business[33]	7,713	8,125	7,570
Lambing percentage (%)[34]	131	130	134
Dairy and livestock production[35]	13.7m kgMS and 17.2m net kg product	13.6m kgMS and 19.1m net kg product	15.8m kgMS and 21.4m net kg product
Cost of production[36]			
Conventional dairy	7.11	6.68	5.27
Organic dairy	6.77	6.80	5.34
Livestock	5.69	4.73	3.64
Animal deaths and losses (%)[37]			
Sheep	7.5	7.5	6.3
Beef cattle	2.1	2.7	2.5
Deer	5.3	2.5	2.8
Dairy cattle	4.4	3.9	3.8
Forestry and horticulture % of EBITDAR	19.07	13.49	13.40

30 Average somatic cell count across all Pāmu-managed herds for the production season. Lower cell count indicates lower concentration of cells in milk, with a correspondingly lower level of preclinical mastitis in cows.

31 Metric based on 460 kg liveweight.

32 This is a measure of production per hectare including wool and velvet.

33 These calves are reared on Pāmu dairy units, dedicated in-house rearing units and through third-party rearers. This includes autumn-born calves since 2021.

34 Based on mixed-age ewes and two-tooth ewes mated.

35 Total milk solids produced on all dairy farms/total kg of carcass weight plus carcass weight equivalent and total wool and velvet produced.

36 Cost of production (COP) measures total farm costs adjusted for industry standard genetic lease costs (excluding depreciation, WPL lease, amortisation and interest) against kgMS produced for dairy and organic dairy farms and kg of product for livestock farms.

37 Capital breeding stock (mixed age and two-year olds). Animal deaths reflect many factors on farm and are a proxy for animal health, welfare and nutrition. Expressed as a percentage of opening stock numbers plus purchases. Includes animals missing at stock count.

Scorecard (continued)

		FY2023	FY2022	FY2021
Expertise	Revenue generated per head of livestock ($)[38]			
	Sheep	126	151	127
	Beef	1,558	1,384	1,330
	Beef (including dairy beef)	1,055	1,018	916
	Deer	491	393	336
Relationship	Cattle, sheep and deer under contract (% of total budgeted sales)[39]	62	63	68
	Spring Sheep – milking flock size (sheep)[40]	15,500	11,500	9,300
	FarmIQ – New Zealand farms using management tools[41]	4,909	5,022	4,540
	Sheep maternal (index NZMW+X) ($)[42]	36.52	31.39	30.4
	Beef maternal (index AngusPro) ($)	148	136	139
	Deer maternal (index R-EK) ($)	19.08	17.92	15.46
	Sheep terminal (index NZTW) ($)	25.71	24.76	22.68
	Beef terminal (index NZTERM) ($)	51	52	51
	Deer terminal (index TERM) ($)	23.7	21.44	14.76
	Community, sector engagement and investment events[43]	58	50	27
	Pāmu Foods: Deliver >$20m revenue with key partner ($m)[44]	8.9	12	1
	Dairy production supplied under value-add contracts (%)[45]	86	70	74

38 Revenue for each livestock category divided by the number of production animals.

39 Pāmu has contracts with leading primary product processors for supply of finished livestock to market specifications. These underpin income levels across large volumes of production and also ensure supply to processors within time windows that meet their customers' requirements.

40 Spring Sheep produces premium sheep milk infant formula and full cream and fortified milk powders for domestic sale and export to a growing number of Asian markets. Pāmu owns 50% of this joint venture entity. Figure represents total flock size.

41 FarmIQ Systems' number of client farms using FarmIQ digital applications and cloud service as at 30 June. Pāmu is a 64% shareholder in FarmIQ.

42 Sheep: NZMW+X: New Zealand maternal worth plus facial eczema tolerance, NZTW: New Zealand terminal worth. B+LNZ Genetics updated the economic weightings and removed wool from the base maternal index in FY2023. Deer: R-EK: replacement – early kill, TERM: terminal. Cattle: AngusPRO index is a New Zealand maternal beef index. NZTERM index is the Simmental index for New Zealand herds only. In March 2023, the Australian herds moved away from the Trans-Tasman Simmental evaluation resulting in a split New Zealand and Australian index. An index is an industry standard measure (breeding index) of genetic worth expressed as expected return per dam joined (maternal index) or per progeny born (terminal index) compared to an industry average specified base year.

43 Comprised of hosting and active participation in open days, community engagement initiatives, awards and investment or sponsorships. Previous years referenced catchment area meetings, rural forums and iwi engagement. This had not been included for the year ended 30 June 2023 as our more than 100 individual farms are regularly involved in these types of engagements and this data is not formally captured.

44 Revenue target increased from >$10m to >$20m in FY2023.

45 Milk production attracting premiums as a percentage of the total milk production for the year.

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

www.landcorp.co.nz
www.pamu.co.nz

Directors

Warren Parker
Chair

Nigel Atherfold
Deputy Chair

Belinda Storey

Jo Davidson

Tanira Kingi

Paula Savage

Nick Pyke

Claire Nicholson

Desiree Mahy

Leadership Team

Mark Leslie
Chief Executive Officer

Will Burrett
Chief Operating Officer

Annabel Davies
Chief Sustainability and Risk Officer

Tammy Lemire
Chief Technology and Digital Officer

Bernadette Kelly
Chief People, Safety and Reputation Officer

Steven McJorrow
Chief Financial Officer

Alistair McMechan
Chief Legal Officer

Sarah Risell
Chief Operating Officer – Pāmu Foods

Andrew Sliper
Chief Investment Officer

FROM THE
GROUND UP

PĀMU™
FARMS OF
NEW ZEALAND

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