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# Letter from Chris Meehan

## CEO and Chair

It is a pleasure to announce Winton's interim results for the six months ending 31 December 2022 (H1 FY23) with revenue of \$85.1 million, a gross profit margin of 46.3%, earnings before interest, tax, depreciation and amortisation (EBITDA) of \$49.7 million and \$34.5 million profit after tax.

Before going into detail about the first half, I want to acknowledge those affected by Cyclone Gabrielle, on top of the distress caused by the extraordinary January rainfall event. These extreme weather events caused unexpected and disastrous havoc for much of the North Island and our thoughts are with those that were personally impacted. The full extent of the damage and cost for New Zealand is unknown but the effects will be ongoing as the remediation and rebuild occurs. Thankfully the Winton team was all safe, as were our residents in our neighbourhoods.

During H1 FY23 we have continued executing our development plans. We completed Stages 5, 7 and 8 at Beaches Matarangi, Stage 2 at Lakeside Te Kauwhata, Ovation apartments at Launch Bay Hobsonville Point and the Stage 15 homes at Northlake Wanaka. We settled 219 units¹, including land lots and residential homes, at a 12.2% higher average sales price than H1 FY22, reflecting settlements of units in more mature developments. The number of units settled was 71.1% more than the comparable period attributable to the timing of settlements impacting the prior period. As at 31 December, there was a balance of 8 completed but unsold properties, creating a small inventory for buyers who want to purchase completed lots and homes versus buying off the plans.



We finish the half year in a strong position with a landbank yield of up to 6,751 units, including 907 retirement living units, cash holdings of \$89.0 million and zero debt.

We deliver these results at a time of a softer housing market, high inflation and increasing interest rates where our pre-sales from prior years have done their role to provide security of income into the future, creating a win/win for ourselves and buyers. As at 31 December 2022, pre-sales were \$565.8 million<sup>2</sup>. In this environment, the strategy adapts as we expect minimal pre-sales as buyers prefer to buy

\$85.1M

46.3%

\$49.7M

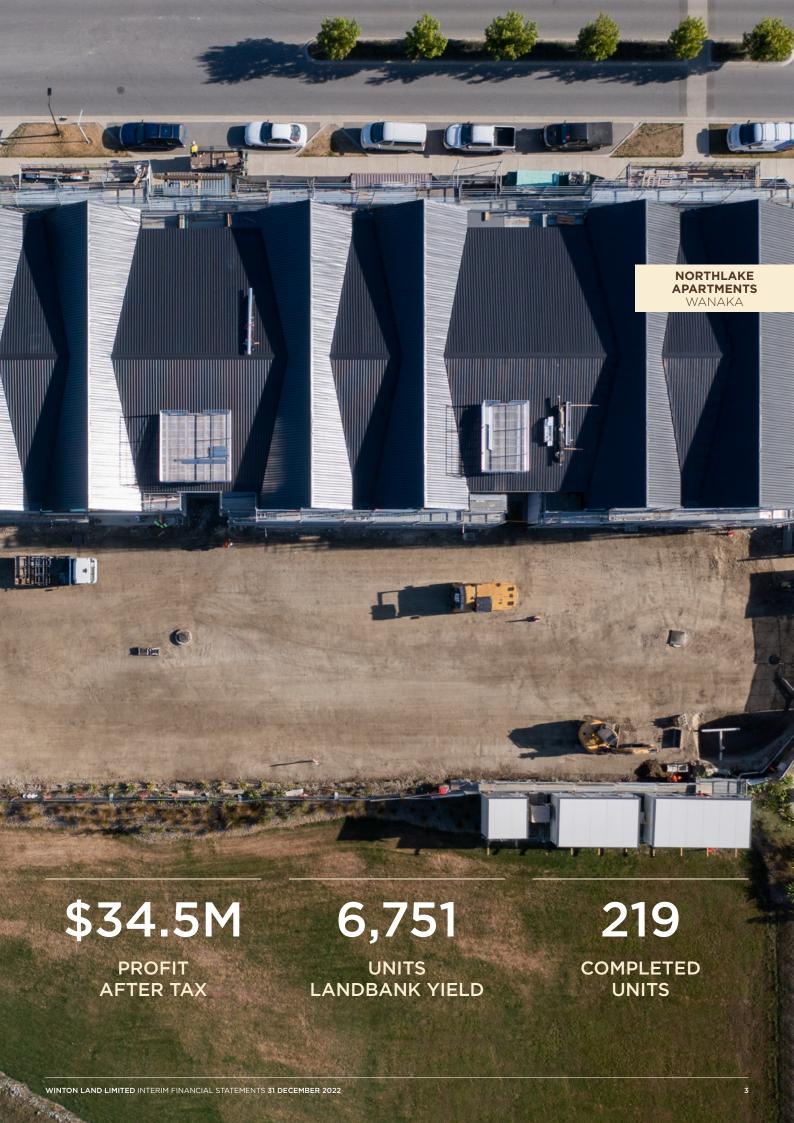
REVENUE UP 91.9%

GROSS PROFIT MARGIN

**EBITDA** 

<sup>1.</sup> Units comprise residential land lots, dwellings, townhouses, apartments, retirement living units and commercial units.

<sup>2.</sup> Winton pre-sells properties by signing a contract with buyers prior to completion of a unit who pay a deposit on signing the contract (which is held in Winton's solicitors' trust account) and then pay the balance on completion. Pre-sales are recognised as revenue when the unit is settled.



## Letter from CEO and Chair continued

completed properties, whether land lots or homes. High net worth buyers are the exception as they are more immune to the changing economic landscape and are more focused on securing the property they want in their ideal location, and show less regard to price or market conditions. Aligned with this, we have continued to make good progress with our luxury retirement offering Northbrook and premium freehold apartment products in Parnell and Wynyard Quarter.

Julian Cook, Director of Retirement, has continued to build out the Northbrook team, appointing an operations manager, clinical manager, marketing manager and sales manager who is starting to establish the sales team. We are initially focused on the first five sites, with land acquired for all of them. Development is well underway at Northbrook Wanaka, including the construction of the show suite. Our flagship Northbrook show suite is also under construction at Wynyard Quarter in Auckland.

The Ayrburn restaurant precinct looks incredible as our vision comes together and we get closer to opening the doors before the end of 2023. We have employed a marketing manager and look forward to appointing key roles in the next few months and the operational team closer to launch. Next door at Waterfall Park, the civil works on the retirement precinct are advancing at pace.

The small but high performing Winton team executes projects cohesively with razor-sharp focus on timeline, budget and quality. The extreme rainfall over summer, our peak earthwork

season, put those timelines to the test and even though we continue to do everything we can within our control to meet completion deadlines, the intense summer rainfall and the storms at the end of January exposed likely delays to settlements. Therefore, prior to Cyclone Gabrielle but after the January rainfall event, we updated the market with delays to our development timelines which had been affected by the compounding effect on top of a very wet summer and as a result we changed full year 2023 guidance. I go into more detail further in this letter. While out of our control, it is not something we take lightly and we are all disappointed. I commend our team for how they have dealt with recent adversity and continuing to go above and beyond as these challenges arise.

At times like these, we are reminded what a talented team we have at Winton and the 'can do' attitude is at the core of how they operate. They are vital to our business and growth plans and are embedded and responsible for our shared success. As such, we look after them accordingly, like you would a family member and prioritise connectivity within each project team and between offices.

We continued to make progress on our ESG journey, working on our first emissions inventory measurement, upskilling some of our team, and preparing ourselves to conduct our first climate-related financial assessment. The recent extreme weather events have further enforced the importance and urgency of this work and we look forward to sharing our progress during the year.





# Letter from CEO and Chair continued

## **Outlook and Guidance**

The double-digit year on year growth experienced in the New Zealand housing market in recent years was unsustainable, amplified by COVID's impact on the housing market, which was unprecedented. NZ median sales prices have decreased 12% from their COVID triggered peak which was 43% above the pre-COVID December 2019 median. We expect prices to continue to decline until inflation has stabilised. We successfully operated in the pre-COVID market with robust profit margins and the ability to create and fund new projects. The average sales price moves in cycles and we are agile enough to adapt and succeed long-term irrespective of the cycle. On the one hand, this current softer market has meant minimal further pre-sales and will continue to for the near future, and on the other hand, any land acquisitions we make will be at distressed pricing due to the current economic conditions. Our balance sheet and forward cashflow are robust and we have timed the market well.



The pre-sale book has proven to be resilient. At the end of December we had one sales default attributable to the buyer's personal situation, not their financial situation. Given our long-standing pre-sale strategy of discounting from the expected completion sales price, the settlements due to occur during the remainder of the financial year are still below the current market prices. Therefore, if we received defaults, we expect to be able to relist in the current market for at least the same margin in most cases.

To navigate the near term, we will elect to keep some of the commercial properties we develop within our communities to generate ongoing revenue where it makes sense to do so. We will target high net-worth buyers more immune to changing economic conditions through residential offerings and Northbrook. And, we will slow the construction of new products outside this target market that aren't presold to ensure that we fully capitalise on keener builders' construction pricing which we believe will become apparent throughout the year.

On 3 February 2023 we updated guidance for the 12 months ending 30 June 2023. The change to guidance is driven by delivery delay of pre-sold projects attributable to heavy January rainfall in the North Island. As a result, we have already lost 83% of this summer's earthwork season, incurred water damage to pre-ordered supplies and expect supply chain implications to the industry.

For FY23, we now expect net profit after tax³ of between \$72.4 million and \$82.4 million. This compares to the FY23 forecast provided at the time of IPO of \$98.9 million. The revised guidance remains above the FY22 declared net profit after tax of \$31.7 million. Any net profit after tax not realised in FY23 is expected to be realised in H1 FY24, as these profits are largely pre-sold and there are no sunset dates in relation to the delayed units that would put this at risk. Cyclone Gabrielle has further solidified this change to our full year expectations. The revised FY23 guidance remains subject to no further material adverse changes or unforeseen events.

Before the impact of the severe weather, the business was on-track to achieve the FY23 IPO forecasts. FY23 is expected to be a record year for Winton as we deliver more land lots and homes than we ever have before. Going into the remainder of the year and into the next, we are in a strong financial and market position to continue to deliver our pre-sold product, create ongoing revenue opportunities and use softer market conditions to our advantage for further land acquisition and construction delivery.

The recent weather events have demonstrated how existing infrastructure is under pressure and its inability to cope with weather events with current density. Therefore, further intensification in existing suburbs proposed by the Medium Density Residential Standards (MDRS) Bill is poorly conceived, particularly the proposed three houses per existing lot. The cost of replacing the existing underground piping and infrastructure that sits underneath existing roads and houses is simply too great to lead to an affordable outcome or a meaningful increase in supply of houses. Therefore the only way to safely increase the availability of affordable homes is to deliver more well considered and properly engineered greenfield sites in the right locations, like Sunfield in Papakura and Lakeside in Te Kauwhata.

## Dividend

The Board has updated its dividend policy to exclude any unrealised valuation movements in investment properties. Our dividend policy is to target an increasing distribution per share over time within a pay-out ratio of approximately 20-40% of full-year distributable earnings<sup>4</sup>.

The Board has declared a 2.06 cent dividend per share for the six months ending 31 December 2022.

Thank you for your ongoing support as we navigate and execute in a different market environment, which is not possible without our employees, customers, contractors, suppliers and investors. We are grateful to have you alongside us as we continue to grow Winton and deliver thoughtfully designed master-planned neighbourhoods.

Sincerely,

**Chris Meehan** Chair and CEO

<sup>3.</sup> Excluding any unconfirmed fair value revaluation of investment properties for FY23.

<sup>4.</sup> Distributable earnings is net profit after tax excluding any fair value gain/loss on investment properties.

# Financial Commentary

For the 6-month period ending 31 December 2022, Winton delivered \$85.1 million in revenue, 91.9% higher than H1 FY22, reflecting the settlement of an additional 91 units and increased revenue per unit of 12.2%. This higher average price is driven by settlements of more premium units in matured developments. The number of settled units varies between halves of the year and year-to-year depending on the number and size of projects under development, the development lifecycle of each project, the staging of construction works, the level of pre-sales and the underlying market.

Cost of Sales reflects the costs of the land and to develop the land and property for sale and is recognised in alignment with settlements. Cost of Sales increased by 82.6% from \$25.0 million in H1 FY22 to \$45.7 million in H1 FY23. This reflects the 71.1% increase in the volume of units sold and a 6.7% increase in the cost per unit due to construction cost increases.

Gross Profit was \$39.4 million, up 204.1% compared to H1 FY22. Gross Profit Margin for H1 FY23 was 46.3% compared to 43.5% in H1 FY22 due to different product mixes settling in applicable halves. In the most recent half, we had a higher proportion of lots to dwellings settling which typically provide a greater return than dwellings.

EBITDA in H1 FY23 was \$49.7 million, up 484.6% on H1 FY22 pro forma<sup>5</sup> EBITDA of \$8.5 million. One-off listing and offer costs are removed from pro forma EBITDA and profit after tax in H1 FY22 to demonstrate the business's underlying performance. The substantial increase compared to the prior year reflects \$40.8 million more revenue, \$6.7 million of other income mostly driven by favourable litigation settlements, fair value gain on investment properties and lower selling expenses, offset by higher administrative expenses.

The 45.6% lower selling expenses were attributable to reduced sales commissions for pre-sales and reduced marketing expenses for the Sunfield project and Winton brand, partially offset by increased Northbrook marketing.

Profit after income tax for the period was \$34.5 million compared to pro forma net profit after tax of \$7.1 million in the comparative period.

As at 31 December 2022, cash and cash equivalents were \$89.0 million, compared to \$204.8 million at 30 June 2022, reflecting the acquisition settlement of land at Wynyard and construction timing. Total assets were \$556.3 million and total liabilities were \$70.6 million.

Noting that most of Winton's property assets are reflected on the balance sheet at cost, not fair value as at H1 FY23, except for the land at Lakeside Commercial and Northbrook Wanaka.

<sup>5.</sup> Pro forma EBITDA and pro forma net profit after tax is a non-NZ GAAP measures that includes pro forma adjustments. You can find a reconciliation to NZ GAAP measures in Winton's results presentation.

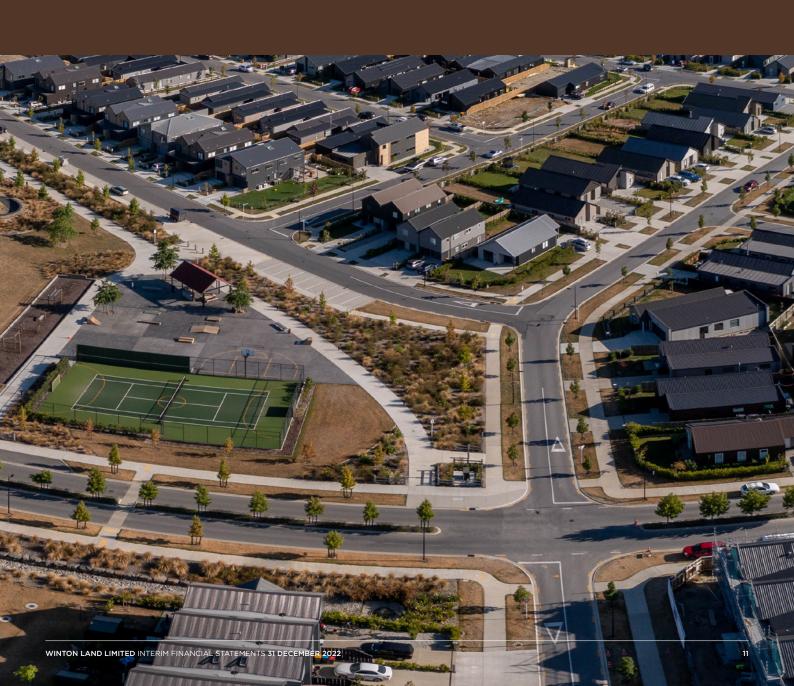






# Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022



## **Consolidated Statement of Comprehensive Income**

For the six months ended 31 December 2022

All VALUES IN \$000'S	NOTE	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2021
Revenue		85,079	44,328
Cost of sales		(45,726)	(25,047)
Gross profit		39,353	19,281
Other income		7,687	1,001
Fair value gain on investment properties		15,569	-
Gain on sale of property, plant and equipment		297	-
Selling expenses		(3,108)	(5,717)
Property expenses		(576)	(279)
Administrative expenses	8.1	(8,936)	(5,491)
Share-based payment expense		(540)	(62)
Offer costs		-	(5,950)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		49,746	2,783
		(076)	
Amortisation		(236)	- (700)
Depreciation  Exprings before interest and taxation (ERIT)		(909)	(309)
Earnings before interest and taxation (EBIT)		48,601	2,474
Interest income		1,267	215
Interest expense and bank fees		(971)	(360)
Profit before income tax		48,897	2,329
Income tax expense			
Current taxation	8.2	(7,887)	3,423
Deferred taxation	8.2	(6,539)	(4,413)
Total income tax expense		(14,426)	(990)
Profit after income tax		34,471	1,339
Items that may be reclassified to profit or loss:			
Movement in currency translation reserve		(457)	(88)
Provement in currency translation reserve		(437)	(00)
Total comprehensive income after income tax attributable to the shareholders of the Company		34,014	1,251
Basic earnings per share (cents)	7.1	11.47	0.59
Diluted earnings per share (cents)	7.2	11.06	0.58

## **Consolidated Statement of Changes in Equity**

For the six months ended 31 December 2022

ALL VALUES IN \$000'S	NOTE	SHARE CAPITAL	RETAINED EARNINGS	SHARE BASED PAYMENTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
Balance as at 30 June 2021 (audited)		49,100	34,691	-	4	83,795
Total comprehensive income		-	1,339	-	(88)	1,251
Proceeds from primary issuance	8.3	350,000	-	-	-	350,000
Offer costs capitalised to equity		(15,356)	-	-	-	(15,356)
Employee share bonus	8.3	2,928	-	-	-	2,928
Share-based payment expense		-	-	62	-	62
Balance as at 31 December 2021 (audited)		386,672	36,030	62	(84)	422,680
Balance as at 30 June 2022 (audited)		386,595	66,348	829	318	454,090
Total comprehensive income		-	34,471	-	(457)	34,014
Dividends to shareholders	8.3	-	(3,174)	-	-	(3,174)
Share-based payment expense		-	-	754	-	754
Balance as at 31 December 2022 (audited)		386,595	97,645	1,583	(139)	485,684

The accompanying notes form part of these interim financial statements.

## **Consolidated Statement of Financial Position**

As at 31 December 2022

All VALUES IN \$000'S	NOTE	UNAUDITED 31 DECEMBER 2022	AUDITED 30 JUNE 2022
CURRENT ASSETS			
Cash and cash equivalents		89,014	204,824
Restricted cash		-	810
Accounts receivable, prepayments and other receivables	8.4	6,062	4,924
Inventories	3	107,105	95,615
Total current assets		202,181	306,173
NON-CURRENT ASSETS			
Inventories	3	128,561	86,254
Deposits paid on investment property acquisitions		-	7,198
Investment properties	4	188,503	80,498
Property, plant and equipment	5	22,935	16,064
Right-of-use asset		11,387	562
Intangible assets	6	2,762	123
Total non-current assets		354,148	190,699
Total assets		556,329	496,872
CURRENT LIABILITIES			
Accounts payable, accruals and other payables	8.5	28,795	24,872
Taxation payable		15,316	7,986
Total current liabilities		44,111	32,858
NON-CURRENT LIABILITIES			
Lease liability		10,394	323
Deferred tax liabilities	8.2	16,140	9,601
Total non-current liabilities		26,534	9,924
Total liabilities		70,645	42,782
Net assets		485,684	454,090
FOURTY			
EQUITY Share capital	0.7	706 F0F	706 505
Share capital  Foreign currency translation reserve	8.3	386,595	386,595 318
Share-based payment reserve		(139) 1,583	829
Retained earnings		97,645	66,348
Total equity		485,684	454,090

These interim financial statements are signed on behalf of Winton Land Limited and were authorised for issue on 22 February 2023. The accompanying notes form part of these interim financial statements.

**Chris Meehan** 

Chair

Anna Mollov

Chair, Audit and Financial Risk Committee

## **Consolidated Statement of Cash Flows**

For the six months ended 31 December 2022

All VALUES IN \$000'S	NOTE	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		93,635	47,319
Interest received		1,267	212
Net GST received / (paid)		3,651	(1,370)
Payments to suppliers and employees		(89,662)	(50,291)
Purchase of development land		(22,186)	-
Deposits paid on unconditional contracts for land		(3,600)	(10,200)
Interest and other finance costs paid		(473)	(3,745)
Income tax paid		(557)	(47)
Net cash flows from operating activities		(17,925)	(18,122)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,330	-
Acquisition of land for investment properties		(63,888)	-
Intangible assets acquired		(2,875)	-
Payments to suppliers and employees for investment properties		(21,136)	-
Acquisition of property, plant and equipment		(8,142)	(653)
Net cash flows from investing activities		(94,711)	(653)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of new shares	8.3	-	350,000
Payment of offer costs	8.3	-	(18,378)
Payment of dividends	8.3	(3,174)	-
Net cash flows from financing activities		(3,174)	331,622
Net increase in cash and cash equivalents		(115,810)	312,847
Cash and cash equivalents at beginning of year		204,824	35,026
Cash and cash equivalents at end of year		89,014	347,873

The accompanying notes form part of these interim financial statements.

For the six months ended 31 December 2022

## 1. General Information

This section sets out the basis upon which the Group's Interim Financial Statements are prepared.

## 1.1. Reporting entity

These unaudited consolidated interim financial statements (the interim financial statements) are for Winton Land Limited and its subsidiaries (together, the Group). The Company is a limited liability company incorporated in New Zealand and is registered under the New Zealand Companies Act 1993. The Company is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 and these interim financial statements have been prepared in accordance with the requirements of these Acts. The Company is listed on the NZX Main Board (NZX: WIN) and the ASX Main Board (ASX: WTN).

The Group's principal activity is the development and sale of residential land properties. The Group also develops retirement villages and commercial properties however these are start-up operations.

## 1.2. Basis of preparation

The interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 34 'Interim Financial Reporting' and IAS 34 'Interim Financial Reporting'. For the purposes of complying with NZ GAAP the Group is a for-profit entity.

These interim financial statements have been prepared on the historical cost basis except where otherwise identified. All financial information is presented in New Zealand dollars and has been rounded to the nearest thousand.

These interim financial statements should be read in conjunction with the Annual Financial Statements for the year ended 30 June 2022 which may be downloaded from the Company's website (https://www.winton.nz).

### 1.3. Critical judgements, estimates and assumptions

In applying the Group's accounting policies, the Board and Management continually evaluates judgements, estimates and assumptions that may have an impact on the Group. The significant judgements, estimates and assumptions made in the preparation of these financial statements were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2022 with the exception of the following new judgements, estimates and assumptions:

#### **Investment property valuations**

The fair value of investment properties have been determined from a desktop review of the investment property portfolio where the fair value can be reliably measured. Where appropriate, independent valuers are instructed to perform full valuations.

#### Useful lives of intangible assets

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and recognised in profit or loss. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 1.4. Accounting policies

The accounting policies adopted are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2022 with the exception of the following new accounting policies:

## **Intangible Assets**

Customer contracts acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair value. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. The useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The useful lives as at 31 December 2022 for the customer contracts acquired was between five and six years with no residual value.

For the six months ended 31 December 2022

#### **Business Combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested at each reporting period for impairment. Transaction costs are expensed as incurred.

#### Interests in equity-accounted investees

Interests in equity-accounted investees. The Group's interest in equity-accounted investees comprises of an interest in a joint venture. The joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for it liabilities. Interest in joint venture is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which joint control ceases.

## 1.5. Significant events and transactions

The financial position and performance of the Group was affected by the following events and transactions that occurred during the reporting period:

#### Inventory and investment property acquisitions

On 1 July 2021, the Group contracted to purchase land at Wynyard Quarter, Auckland for \$70,000,000. An initial deposit of \$7,000,000 was paid on 7 July 2021 and the balance of \$63,000,000 was paid on 5 July 2022. A portion of the land will be developed into apartments and sold, \$23,453,000 of the purchase price is included in inventories. The remaining portion of the land will be developed into a retirement village, \$46,547,000 of the purchase price is included in investment properties. The apportionment is based on the resource consent submission for this land as at 31 December 2022.

On 8 April 2022, the Group contracted to purchase land and other assets at Wynyard Quarter, Auckland for \$23,750,000. An initial deposit of \$2,375,000 was paid on 21 June 2022 and the balance of \$21,375,000 was paid on 21 July 2022. Of the purchase price, \$20,702,000 is included in investment properties, \$2,875,000 is included in intangible assets and \$173,000 is included in property, plant and equipment as at 31 December 2022.

On 25 July 2022, the Group contracted to purchase land in Auckland for \$18,000,000. An initial deposit of \$3,600,000 was paid on 4 August 2022 and is included in inventories as at 31 December 2022.

#### **Business Combination**

On 21 July 2022, Cracker Bay Operating Limited (a 100% subsidiary company of the Company) acquired assets in a business combination. The fair value of the identifiable net assets was \$3,048,000 and no goodwill or bargain purchase price adjustment arose from this transaction.

#### **Joint Venture**

On 21 September 2022, WMC Development Fund LP (a 100% subsidiary company of the Company) entered into a new partnership with MCNZ Finance Trustee Limited as trustee of MDI NZ Partnership No.1 MaxCap. The partnership is a \$200m equity investment vehicle that will focus on the acquisition and construction of townhouses and apartment developments throughout New Zealand. WMC Development Fund LP has a 25% interest in this partnership.

For the six months ended 31 December 2022

## 2. Segment Reporting

## (i) Basis for segmentation

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The Group has established the following reportable segments that are managed separately because of different operating strategies. The following describes the operation of each of the reportable segments:

Reportable segment	Operations
Residential development	Design, develop, market and sell residential properties to external customers. These include land lots, dwellings, townhouses and apartments with the majority of operations in New Zealand.
Retirement villages	Develop and operate retirement villages in New Zealand.
Commercial portfolio	Develop and manage a commercial portfolio to produce rental income and capital appreciation in New Zealand.

## (ii) Information about reportable segments

During the six months ended 31 December, the residential development segment was the only segment contributing to revenue. Both the retirement villages and commercial portfolio segments are start-up operations.

The following is an analysis of the Group's segments:

All VALUES IN \$000'S	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	6 MONTHS ENDED
Gross profit	31 DECEMBER 2022	ST DECEMBER 2021
Residential development	39,353	19,281
Group	39,353	
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		
Residential development	45,332	2,783
Retirement villages	(1,053)	-
Commercial portfolio	666	-
Unallocated	4,80	-
Group	49,746	2,783
Earnings before interest and taxation (EBIT)		
Residential development	44,974	2,474
Retirement villages	(1,053)	-
Commercial portfolio	(121)	-
Unallocated	4,80	-
Group	48,60	2,474

For the six months ended 31 December 2022

## 2. Segment Reporting (Continued)

			UNAUDITED 31 DECEMBER 2022		
All VALUES IN \$000'S	RESIDENTIAL	RETIREMENT	COMMERCIAL	UNALLOCATED	TOTAL
Segment assets and liabilities					
Inventories	235,666	-	-	-	235,666
Investment Properties	-	155,620	32,883	-	188,503
Property, plant and equipment	-	-	18,988	3,947	22,935
Other assets	6,062	-	13,728	89,435	109,225
Total assets	241,728	155,620	65,599	93,382	556,329
Total liabilities	52,118	2,649	13,990	1,888	70,645
Net assets	193,969	152,971	51,609	91,494	485,684

			AUDITED 30 JUNE 2022		
All VALUES IN \$000'S	RESIDENTIAL	RETIREMENT	COMMERCIAL	UNALLOCATED	TOTAL
Segment assets and liabilities					
Inventories	181,869	-	-	-	181,869
Investment Properties	-	76,415	4,083	-	80,498
Property, plant and equipment	-	-	12,603	3,461	16,064
Other assets	-	4,823	2,375	-	7,198
Total assets	187,603	81,238	19,061	208,970	496,872
Total liabilities	39,174	985	1,422	1,201	42,782
Net assets	148,429	80,253	17,639	207,769	454,090

## 3. Inventories

This section shows the inventories used to generate the Group's trading performance which are considered to be the most relevant to the operations of the Group.

All VALUES IN \$000'S	UNAUDITED 31 DECEMBER 2022	AUDITED 30 JUNE 2022
Expected to settle within one year	107,105	95,615
Expected to settle greater than one year	128,561	86,254
Total inventories	235,666	181,869

For the six months ended 31 December 2022

## 4. Investment Properties

All VALUES IN \$000'S	UNAUDITED 31 DECEMBER 2022	AUDITED 30 JUNE 2022
Opening balance	80,498	-
Acquisitions	71,086	36,418
Transfers from inventories	-	28,714
Unrealised fair value gain	15,569	-
Capital expenditure	21,350	15,366
Total investment properties	188,503	80,498

The Board determined that a desktop review of the investment property portfolio where the fair value can be reliably measured should be undertaken in order to ensure that investment properties are held at fair value. The Board determined that full valuations were appropriate for Lakeside Commercial and Northbrook Wanaka land and these were performed by Savills (NZ) Limited and Jones Lang LaSalle respectively. The valuation method applied was a sales comparison approach with the key assumption being land value per square metre with estimates used of between \$275 and \$484.

Two investment properties with a total value of \$33,934,000 (30 June 2022 \$28,781,000) could not be reliably measured as at 31 December 2022 due to the resource consent changes being in progress and the current stage of development of the property therefore cost has been determined to be the best proxy for fair value as at 31 December 2022.

As the fair value of investment property is determined using inputs that are unobservable, the Group has categorised investment property as level 3 under the fair value hierarchy in accordance with NZ IFRS 13 'Fair Value Measurement'.

## 5. Property, Plant and Equipment

All VALUES IN \$000'S	UNAUDITED 31 DECEMBER 2022	AUDITED 30 JUNE 2022
Opening balance	16,064	2,926
Additions	7,970	7,156
Acquisition through business combination	173	-
Transfers from inventories	-	6,419
Depreciation	(238)	(437)
Disposals	(1,034)	-
Total property, plant and equipment	22,935	16,064

As at 31 December 2022, property, plant and equipment includes work in progress of \$18,988,000 (31 December 2021: nil, 30 Jun 2022: \$12,603,000).

For the six months ended 31 December 2022

## 6. Intangible Assets

All VALUES IN \$000'S	UNAUDITED 31 DECEMBER 2022	AUDITED 30 JUNE 2022
Opening balance	123	123
Acquisition through business combination	2,875	-
Amortisation	(236)	-
Total intangible assets	2,762	123

## 7. Investor Returns and Investment Metrics

This section summarises the earnings per share which is a common investment metric.

## 7.1. Basic earnings per share

	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2021
Total comprehensive income for the period attributable to the shareholders of the Company (\$000s)	34,014	1,251
Weighted average number of ordinary shares (shares)	296,613,736	213,218,653
Basic earnings per share (cents)	11.47	0.59

## 7.2. Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Weighted average number of shares for the purpose of diluted earnings per share has been adjusted for 10,859,222 share options (31 December 2021: 11,165,422) issued under the Group's Share Option Plan as at 31 December less share options forfeited. This adjustment has been calculated using the treasury share method.

	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2021
Total comprehensive income for the period attributable to the shareholders of the Company (\$000s)	34,014	1,251
Weighted average number of ordinary shares (shares)	307,472,958	214,128,878
Diluted earnings per share (cents)	11.06	0.58

For the six months ended 31 December 2022

## 8. Other

## 8.1. Administrative expenses

All VALUES IN \$000'S	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2021
Auditors remuneration:		
Audit of annual financial statements - EY	(95)	-
Audit of annual financial statements - KPMG	-	(125)
Tax compliance and advisory fees - KPMG	-	(122)
Directors' fees	(233)	(80)
Employee benefits expense	(4,425)	(3,417)
Operating lease and rental payments	(147)	(60)
Other expenses	(4,036)	(1,687)
Total administrative expenses	(8,936)	(5,491)

Ernst & Young (EY) were appointed as Auditors of the Company on 26 October 2022 replacing KPMG.

During the six months ended 31 December 2021, the auditor KPMG also received remuneration in relation to their role as Investigating Accountant for the IPO and tax advisers. These fees for the six months ended 31 December 2021 were \$691,000 and are included within offer costs capitalised to equity.

## 8.2. Taxation

## (i) Current taxation

All VALUES IN \$000'S	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2021
Profit before income tax	48,897	2,329
Prima facie income tax calculated at 28%	(13,691)	(652)
Adjusted for:		
Prior period adjustment	9	4,082
Non-tax deductible revenue and expenses	(23)	(335)
Movement in temporary differences	5,818	249
Tax losses utilised	-	79
Current taxation expense	(7,887)	3,423

The prior period adjustment for the six months ended 31 December 2021 of \$4,082,000 relates to an IRD binding ruling issued in February 2022 with regards to timing of net income permitted on inventory. This amount can be spread for tax purposes over a 4 year period and not in a single period as done in the prior years. This has been treated as a change in accounting estimate and is reflected in the deferred tax balance for inventory.

For the six months ended 31 December 2022

## 8. Other (Continued)

## **8.2. Taxation** (Continued)

## (ii) Deferred taxation

All VALUES IN \$000'S	AUDITED 30 JUNE 2022 AS AT	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022 RECOGNISED IN PROFIT	UNAUDITED 31 DECEMBER 2022 AS AT
Deferred tax assets			
Employee benefits	152	107	259
Accounts payable, accruals and other payables	850	(427)	423
Lease liability	174	3,078	3,252
Share-based payment reserve	232	211	443
Gross deferred tax assets	1,408	2,969	4,377
Deferred tax liabilities			
Accounts receivable, prepayments and other receivables	93	(69)	24
Right-of-use asset	157	3,031	3,188
Inventories	10,759	1,411	12,170
Intangible asset	-	739	739
Investment properties	-	4,396	4,396
Gross deferred tax liabilities	11,009	9,508	20,517
Net deferred tax liability	(9,601)	(6,539)	(16,140)

Deferred taxation expense for the six months ended 31 December 2021 was \$4,413,000.

For the six months ended 31 December 2022

## 8. Other (Continued)

## 8.3. Equity

## (i) Capital and Reserves

	UNAUDITED 31 DECEMBER 2022 SHARES '000S	UNAUDITED 31 DECEMBER 2022 \$000'S	AUDITED 30 JUNE 2022 SHARES '000S	AUDITED 30 JUNE 2022 \$000'S
Shares issued 1 July	296,614	386,595	205,817	49,100
Primary issuance	-	-	90,044	350,000
Offer costs	-	-	-	(15,433)
Issue of share capital to employees	-	-	753	2,928
Total shares issued and outstanding	296,614	386,595	296,614	386,595

All shares on issue are fully paid, carry equal voting rights, share equally in dividends and any surplus on wind up and have no par value. All shares are recognised at the fair value of the consideration received by the Company.

## (ii) Dividends

The following dividends were declared and paid by the Company during the six months ended 31 December:

All VALUES IN \$000'S	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2021
1.0700 cents per qualifying ordinary share - 14/09/2022	(3,174)	-
Total dividends	(3,174)	-

## 8.4. Accounts receivable, prepayments and other receivables

All VALUES IN \$000'S	UNAUDITED 31 DECEMBER 2022	AUDITED 30 JUNE 2022
Accounts receivable	42	14
Prepayments and other receivables	6,020	4,910
Total accounts receivable, prepayments and other receivables	6,062	4,924

## 8.5. Accounts payable, accruals and other payables

All VALUES IN \$000'S	UNAUDITED 31 DECEMBER 2022	AUDITED 30 JUNE 2022
Accounts payable	16,783	16,162
Accruals and other payables in respect of inventories	4,862	4,084
Accruals and other payables	7,150	4,626
Total accounts payable, accruals and other payables	28,795	24,872

For the six months ended 31 December 2022

## 8. Other (Continued)

### 8.6. Related party transactions

The transactions with related parties that were entered into during the six months ended 31 December, and the balances that arose from those transactions are shown below.

## Key management personnel remuneration

Key management personnel comprise members of the Board and members of the Senior Management Team.

All VALUES IN \$000'S	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2021
Employee benefits expense	1,602	1,307
Share-based payment expense	611	51
Employee share bonus	-	3,500
Executive Directors' fees	80	35
Key management personnel remuneration	2,293	4,893

An Executive Director was granted 5,145,356 share options on 17 December 2021 with an exercise price of \$3.8870, a fair value of \$7,950,000 and a vesting date of 17 December 2031.

Senior Management Team were granted 3,344,484 share options on 17 December 2021 with an exercise price of \$3.8870 and a fair value of \$2,736,000. Of these, 1,114,828 share options have a vesting date of 17 December 2025, 1,114,828 share options have a vesting date of 17 December 2028 and 1,114,828 share options have a vesting date of 17 December 2031.

### Transactions with related parties during the year

All VALUES IN \$000'S	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2022	UNAUDITED 6 MONTHS ENDED 31 DECEMBER 2021
Key management personnel	1,050	-
Employees	-	859
Revenue from contracts with customers	1,050	859

The Group has also entered into agreements for the sale of residential properties with Executive Directors for \$18,852,000, key management personnel for \$1,799,000 and employees for \$7,577,000 to be recognised as revenue in future years.

During the six months ended 31 December 2022, the Group has leased land from an employee for \$8,000 (six months ended 31 December 2021: \$8,000) to store materials.

The Group's Directors are also Directors of other companies. Julian Cook, an Executive Director is also a Director of WEL Networks Limited (WEL). During the six months ended 31 December 2022, the Group incurred \$336,000 of development costs categorised as inventories (six months ended 31 December 2021: \$159,000) from WEL. As at 31 December 2022 there was \$177,000 (30 June 2022: nil) owing to WEL and included in account payables, accruals and other payables. There were no other transactions between the Group and other related companies to be disclosed.

Some of the Directors and key management personnel are shareholders of the Company. Certain individuals are Executive Directors, key management personnel and employees.

For the six months ended 31 December 2022

## 8.7. Capital and land development commitments

As at 31 December 2022, the Group had entered into contractual commitments for development expenditure and purchase of land. Development expenditure represents amounts contracted and forecast to be incurred in future years in accordance with the Group's development programme. Land purchases represent the amounts outstanding for the purchase of land. Joint venture capital commitment represents the Group's commitment to the Winton / MaxCap Medium Density Development Fund (refer note 1.5).

All VALUES IN \$000'S	UNAUDITED 31 DECEMBER 2022	AUDITED 30 JUNE 2022
Development expenditure	94,202	119,332
Land purchases	60,000	146,200
Joint venture capital commitment	50,000	-
Total capital and land development committments	218,602	265,532

## 8.8. Significant events after balance date

On 3 February 2023, the company issued revised earnings guidance for the year ended 30 June 2023 following heavy rainfall in the North Island of New Zealand causing delivery delay of pre-sold projects of net profit after tax between \$72,400,000 and \$82,400,000 compared to previous guidance of \$98,900,000. Subsequently the North Island experienced more severe weather with Cyclone Gabrielle. At this stage, the additional impact of Cyclone Gabrielle on our business and guidance has not been significant.

On 22 February 2023, the Board of Directors of the Company approved the payment of a net dividend of 2.0600 cents per share to be paid on 15 March 2023. The gross dividend (2.8611 cents per share) carries imputation credits of 0.8011 cents per share. The payment of this dividend will not have any tax consequences for the Group and no liability has been recognised in the Consolidated Statement of Financial Position as at 31 December 2022 in respect of this dividend.



## Independent auditor's review report to the shareholders Winton Land Limited

#### Conclusion

We have reviewed the interim financial statements of Winton Land Limited ("the Company") and it's subsidiaries (together "the Group") on pages 12 to 26 which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of movements in equity and consolidated statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements on pages 12 to 26 of the Group do not present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the six months ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 34: Interim Financial Reporting

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

#### Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's responsibilities for the review of the financial statements section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Other than in our capacity as auditor we have no relationship with, or interest in, the Company or any of its subsidiaries. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

#### Directors' responsibility for the interim financial statements

The directors are responsible, on behalf of the Entity, for the preparation and fair presentation of the interim financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 34: Interim Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting.



A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on those interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Grant Taylor.

Chartered Accountants Auckland

Ernst + Young

22 February 2023

# Directory

## Company

Winton Land Limited NZCN 6310507 ARBN 655 601 568

#### **Board of Directors**

Chris Meehan, Chair Michaela Meehan David Liptak Julian Cook Anna Molloy Glen Tupuhi James Kemp Jelte Bakker (alternate for James Kemp)

## **Senior Management Team**

Chris Meehan, Chief Executive Officer Simon Ash, Chief Operating Officer Jean McMahon, Chief Financial Officer Justine Hollows, General Manager Corporate Services Julian Cook, Director of Retirement

#### **Registered Office**

#### **New Zealand:**

Level 4, 10 Viaduct Harbour Avenue Auckland 1010 New Zealand

#### Australia:

c/- Mills Oakley Level 7, 151 Clarence Street Sydney, NSW 2000 Australia

#### **Mailing Address and Contact Details**

P O Box 105526 Auckland 1143 New Zealand

Telephone: +64 9 377 7003 Website: www.winton.nz

#### **Auditor**

Ernst & Young 100 Willis Street Wellington 6011 New Zealand

## **Legal Advisors**

#### **New Zealand:**

Chapman Tripp Level 34, PwC Tower 15 Customs Street West Auckland 1010 New Zealand

#### Australia:

Mills Oakley Level 7, 151 Clarence Street Sydney, NSW 2000 Australia

### **Share Registry**

Winton's share register is maintained by Link Market Services Limited. Link is your first point of contact for any queries regarding your investment in Winton. You can view your investment, indicate your preference for electronic communications, access and update your details and view information relating to dividends and transaction history at any time by visiting the Link Investor Centre at the addresses noted below.

### Registry

#### **New Zealand:**

Link Market Services Limited Level 30, PwC Tower 15 Customs Street West Auckland 1010 New Zealand

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Email: enquiries@linkmarketservices.co.nz Website: www.linkmarketservices.co.nz

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#### **Investors**

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