New Zealand Rural Land Company Limited and its subsidiaries

Consolidated Financial Statements
For the year ended 31 December 2023

Directors' responsibility statement

The directors are pleased to present the financial statements of New Zealand Rural Land Company Limited and its subsidiaries for the financial year ended 31 December 2023.

The Board of Directors of New Zealand Rural Land Company Limited authorised the financial statements for issue on 29 February 2024.

For and on behalf of the Board

Rob Campbell	Sarah Kennedy
Director	Director

New Zealand Rural Land Company Limited and its subsidiaries
Consolidated statement of comprehensive income
For the year ended 31 December 2023

	Notes	31 December 2023 $'000	6 month period ended 31 December 2022 $'000
Rental income	6	15,350	5,681
Total rental income		**15,350**	**5,681**
Less overhead costs			
Directors fees		(227)	(114)
Insurance		(85)	(40)
Shareholder registry and communications		(95)	(35)
Management fees	20	(1,039)	(467)
Repairs and maintenance		(117)	(295)
Professional, consulting and listing fees		(394)	(29)
Performance fee	20	(901)	(495)
Total overhead costs		**(2,858)**	**(1,475)**
Profit before net finance expense, other income and income tax		**12,492**	**4,206**
Finance income		1,879	1,590
Finance expense		(11,388)	(2,615)
Net finance expense	7	**(9,509)**	**(1,025)**
Profit before other income and income tax		**2,983**	**3,181**
Other income			
Change in fair value of investment property	5	7,388	2,258
Profit before tax		**10,371**	**5,439**
Income tax benefit / (expense)	8.1	483	(174)
Net profit		**10,854**	**5,265**
Other comprehensive income		-	-
Total comprehensive income for the period		**10,854**	**5,265**
		Cents	**Cents**
Basic and diluted earnings per share	25	**8.06**	**4.59**

New Zealand Rural Land Company Limited and its subsidiaries
Consolidated statement of financial position
At 31 December 2023

	Notes	31 December 2023 $'000	31 December 2022 $'000
Current assets			
Cash and cash equivalents	9	1,258	1,942
Trade and other receivables	10	378	269
Current tax receivable		7	13
Total current assets		**1,643**	**2,224**
Non-current assets			
Investment property	5	346,281	267,360
Deposit for forestry estate acquisition		-	6,294
Loan receivable	11	20,363	19,144
Deferred tax assets	8.2	1,398	915
Derivative assets	12	71	2,506
Other non-current assets		75	377
Total non-current assets		**368,188**	**296,596**
Total assets		**369,831**	**298,820**
Current liabilities			
Trade and other payables	13	1,090	594
Borrowings	14	29,500	1,968
Convertible loan	15	11,980	-
Other current liabilities		169	319
Total current liabilities		**42,739**	**2,881**
Non-current liabilities			
Borrowings	14	104,000	105,000
Total non-current liabilities		**104,000**	**105,000**
Total liabilities		**146,739**	**107,881**
Net assets		**223,092**	**190,939**
Share capital	16	157,419	134,180
Share based payment reserve	18	901	495
Retained earnings		64,772	56,264
Total equity		**223,092**	**190,939**
		$	**$**
Net Assets Value (NAV) per share	22.2	**1.6016**	**1.6517**
Net Tangible Assets (NTA) per share	22.2	**1.5910**	**1.6221**

New Zealand Rural Land Company Limited and its subsidiaries
Consolidated statement of changes in equity
For the year ended 31 December 2023

	Notes	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2022		**129,632**	**4,115**	**52,848**	**186,595**
Comprehensive Income					
Total comprehensive income for the period		-	-	5,265	5,265
Total comprehensive income		**-**	**-**	**5,265**	**5,265**
Transactions with shareholders					
Capital raised	16	433	-	-	433
Performance fee issued in ordinary shares	16	4,115	(4,115)	-	-
Performance fee payable in ordinary shares	18	-	495	-	495
Dividends paid	17	-	-	(1,849)	(1,849)
Balance at 31 December 2022		**134,180**	**495**	**56,264**	**190,939**
Comprehensive Income					
Total comprehensive income for the period		-	-	10,854	10,854
Total comprehensive income		**-**	**-**	**10,854**	**10,854**
Transactions with shareholders					
Capital raised	16	22,744	-	-	22,744
Performance fee issued in ordinary shares	16	495	(495)	-	-
Performance fee payable in ordinary shares	18	-	901	-	901
Dividends paid	17	-	-	(2,346)	(2,346)
Balance at 31 December 2023		**157,419**	**901**	**64,772**	**223,092**

New Zealand Rural Land Company Limited and its subsidiaries
Consolidated statement of cash flows
For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 $'000	6 month period ended 31 December 2022 $'000
Cash flows from operating activities			
Lease income received		15,939	5,887
Payments to suppliers		(885)	(271)
Management fees paid		(1,026)	(377)
Income taxes received / (paid)		6	(3)
Interest paid		(8,698)	(3,041)
Interest received		653	329
Net cash generated by operating activities		**5,989**	**2,524**
Cash flows from investing activities			
Payments for investment properties		(65,441)	-
Payments for investment in forestry estate		-	(6,294)
Payments for leasehold improvements		-	(121)
Proceeds from disposals of assets		29	-
Net cash used in investing activities		**(65,412)**	**(6,415)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		23,346	521
Payment of transaction costs on issue of ordinary shares		(593)	(43)
Dividends paid		(2,346)	(1,849)
Proceeds from borrowings		30,500	6,200
Repayment of borrowings		(3,968)	-
Proceeds from convertible loan		12,000	-
Repayment of convertible loan		(200)	-
Net cash generated by financing activities		**58,739**	**4,829**
Net (decrease) / increase in cash and cash equivalents		**(684)**	**938**
Cash and cash equivalents beginning of the period		1,942	1,004
Cash and cash equivalents at the end of the period	9	**1,258**	**1,942**

1 Reporting entity

The consolidated financial statements for New Zealand Rural Land Company Limited (the "Company" or "Parent") and its subsidiaries (the "Group") are for the economic entity comprising the Company and its subsidiaries. The Group's principal activity is investment in New Zealand rural farmland and forestry land.

The Company is incorporated in New Zealand and registered under the Companies Act 1993. The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The Company was incorporated on 11 September 2020 and is domiciled in New Zealand. The Company is listed on the New Zealand Stock Exchange (NZX Limited) with ordinary shares listed on the NZX Main Board. The address of the Company's registered office is 50 Customhouse Quay, Wellington Central, Wellington, New Zealand.

These financial statements are for the financial year ended 31 December 2023. The comparative period is the 6 month period ended 31 December 2022.

2 Basis of preparation

2.1 Statement of compliance and reporting framework

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the Financial Markets Conduct Act 2013. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate. These financial statements comply with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. For the purposes of complying with NZ GAAP, the Group is a for-profit entity. These financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and on a going concern basis.

Material accounting policies:

2.2 Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments and investment properties which are measured at fair value.

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

- where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST (the net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of a subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.5 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments are classified into the following specified categories: ‘fair value through profit or loss' (FVTPL), and 'at amortised cost'. The classification depends on the business model and nature of the cash flows of the financial instrument and is determined at the time of initial recognition.

The Group’s financial assets consist of cash, trade receivables, derivatives and loan receivable.

Financial assets - Derecognition of financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets - Impairment of financial assets
Impairment of financial assets are recorded through a loss allowance account (bad debt provision). The amount of the loss allowance is based on the simplified Expected Credit Loss (ECL) approach which involves the Group estimating the lifetime ECL at each balance date. The lifetime ECL is calculated using a provision matrix based on historical credit loss experience and adjusted for forward looking factors specific to the debtors and the economic environment.

2.5 Financial instruments (continued)

Financial liabilities - Amortised cost
Financial liabilities at amortised cost (including borrowings, related party payables and trade and other payables) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial liabilities - Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3 Critical accounting estimates and judgements

The preparation of these financial statements requires management to make estimates and assumptions. These affect the amounts of reported revenue and expense and the measurement of assets and liabilities. Actual results could differ from these estimates. The principal areas of judgement and estimation in these financial statements are:

- Fair valuation of investment property (note 5)
- Determination that land and forest should be classified and measured as investment property (note 5)
- Deferred tax on investment property (note 8.2)
- Recognition of loan receivable (note 11)

3.1 Fair value estimation

The Group’s assets and liabilities that are measured at fair value are investment property and derivative financial instruments. Investment property is measured using level 3 valuation techniques as further detailed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Derivative financial instruments are measured using level 2 valuation techniques, which is based on inputs other than quoted prices in an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates. The derivatives are valued based on the mark to market valuations of the interest rate swaps on 31 December 2023.

The carrying value of all other financial assets and liabilities held at amortised cost reasonably approximates the fair value due to the short term nature of the financial instruments.

4 Segment information

The Group operates in one business segment being New Zealand rural land.

Included in the Group's total rental income, more than 10% was received from three significant customers, Performance Dairy Limited, WHL Capital Limited, and New Zealand Forest Leasing (No.2) Limited. The total rental income derived in the year ended 31 December 2023 from these customers was $3.113 million, $3.648 million, and $3.558 million respectively (6 month period ended 31 December 2022: $1.547 million, $1.824 million, and $nil respectively). No other single customer contributed 10% or more of the Group's total rental income (6 month period ended 31 December 2022: Performance Livestock Limited: $0.679 million, Sustainable Grass Dairy Limited: $0.584 million).

Included in the Group's total gross finance income, excluding gains on the fair value of derivative instruments, more than 10% was received as interest income from two significant customers. The total gross interest income derived in the year ended 31 December 2023 from these customers was $0.629 million and $1.238 million respectively (6 month period ended 31 December 2022: $0.297 million and $0.610 million respectively). No other single customer contributed 10% or more of the Group's total finance income (6 month period ended 31 December 2022: nil).

5 Investment properties

Investment property is property held either to earn rental income, for capital appreciation or for both.

Investment property is initially measured at cost and subsequently measured at fair value with any change therein recognised in comprehensive income. Any gain or loss arising from a change in fair value is recognised in comprehensive income.

Initial direct costs incurred in negotiating and arranging operating leases and lease incentives granted are added to the carrying amount of the leased asset.

Property valuations for the farms are carried out at least annually by independent registered valuers.

Valuations performed on the forestry estates are made and evaluated through discounted cash flows, with independent market inputs reviewed by independent valuers.

Investment properties are derecognised when they have been disposed of and any gains or losses incurred on disposal are recognised in comprehensive income in the year of derecognition.

Fair value of rural and forestry land investment properties:

31 December 2023

Location	Land area Hectares	Opening balance $'000	Additions [1] $'000	Lease fee amortisation $'000	Capitalised lease incentive [2] $'000	Revaluation (loss) / gain $'000	Carrying value $'000
Canterbury	5,765	140,887	277	(6)	(176)	(7,866)	133,116
Otago	3,500	80,786	-	(3)	-	(1,485)	79,298
Southland	1,386	45,687	9	(19)	(120)	(1,391)	44,166
Manawatū-Whanganui	3,137	-	71,573	(2)	-	18,130	89,701
Fair value of investment properties		**267,360**	**71,859**	**(30)**	**(296)**	**7,388**	**346,281**

[1] Includes directly attributable acquisition costs.
This includes the forestry estate deposit that was separately disclosed on the balance sheet in the financial statements for the 6 months ended 31 December 2022. This deposit has been moved to investment properties upon the completion of the acquisitions in the year ended 31 December 2023.

[2] Net of amortisation.

5 Investment properties (continued)

In April 2023, the acquisition of the forestry estates in Whanganui/Manawatu settled for $71.6 million. That acquisition and its associated costs were funded from the proceeds of a pro-rata rights offer in March 2023 for $23.4 million, bank funding of $28.5 million, a convertible loan issuance for $12 million (refer to note 15), and surplus cash.

Upon settlement, the two estates were simultaneously leased for 20 years and 16 years respectively, with CPI adjusted payments.

The forestry estate is currently being used to capture carbon from the atmosphere with the associated carbon credits sold on the New Zealand Emissions Trading Scheme (NZ ETS). The forestry estate can, at the tenants election, be harvested for timber. Both the forest and the associated land are interconnected and inseparable, accordingly they have been classified as investment property and are held to earn rental income and for capital appreciation.

31 December 2022

Location	Land area Hectares	Opening balance $'000	Additions [1] $'000	Lease fee amortisation $'000	Capitalised lease incentive [2] $'000	Revaluation gain $'000	Carrying value $'000
Canterbury	5,765	139,808	-	(4)	(89)	1,172	140,887
Otago	3,500	80,138	-	(2)	-	650	80,786
Southland	1,386	44,953	-	(18)	316	436	45,687
Fair value of investment properties		**264,899**	**-**	**(24)**	**227**	**2,258**	**267,360**

[1] Includes directly attributable acquisition costs.
[2] Net of amortisation.

5.1 Fair value measurement, valuation techniques and inputs

External, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, value the Group's Canterbury, Otago and Southland properties at least every 12 months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Valuations performed on the forestry estates are made and evaluated by the company using discounted cash flows, with independent market inputs reviewed by independent valuers.

The Group's investment properties were valued by Colliers International, with values applicable as at 31 December 2023.

Investment properties are classified as level 3 (inputs are unobservable for the asset or liability) under the fair value hierarchy on the basis that adjustments must be made to observable data of similar properties to determine the fair value of an individual property.

During the year there were no transfers of investment properties between levels of the fair value hierarchy. The valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used are as follows:

The investment properties (except for forestry assets) have been assessed on a fair value basis utilising the income approach for the Group's interest as lessor and a market approach to assess the reversionary value of the assets at the expiry of the current lease terms. The valuation includes the consideration made by the valuer for the applicable climate risks.

The net present value of the income provided under the lease agreements have been assessed to be above prevailing market leases for similar assets. This results in the Group's interest assessment in the leases being greater than the current fair value for the asset on the basis of the Comparable Sales Approach.

5.1 Fair value measurement, valuation techniques and inputs (continued)

Key inputs used to measure fair value:	**31 December 2023**	**31 December 2022**
Land growth rate	2.75%	3.00%
CPI forecast (2026 onwards)	2.00%	2.00%
Discount rate	7.35%	7.15%
Terminal rate	6.85%	6.65%

For the forestry assets, a market approach has been used to assess the reversionary value.

The valuation of the Forest assets has been assessed utilising the income approach for the Group's interest as a lessor and discounted post-lease cashflows. The value of the post lease period is based on estimated carbon production and carbon unit pricing.

Two forestry assets were acquired in 2023. Block one is an established forestry asset with areas still to be planted, which was leased to a 3rd party with expiry in 2043. Block two was acquired in 2023 as bare land with planting to occur in 2023, which was leased to a 3rd party until 2039. There is one right of renewal for 10 years. It is assumed that no right-of-renewal will be exercised by the lessees. The tenant planted most of the land in 2023.

The tenants of both sites have leased the land to derive income from either carbon or timber. It is assumed based on the current pricing and outlook that carbon will be the most likely income source, it is therefore assumed that the forests will not be harvested and will slowly revert to native forest.

The values adopted in these financial statements for the Forestry assets are summarised as ($000):

	Lease $'000	**Post-lease $'000**	**Total $'000**
Block One	57,130	13,370	70,500
Block Two	5,001	14,200	19,201
	62,131	**27,570**	**89,701**

The post lease valuation of the forestry assets has the following key inputs used to measure fair value:

	31 December 2023
Discount rate	9.60%
NZU market price January 2039*	$234
NZU market price April 2043*	$255
NZU's per-hectare at lease end	51,500
Long term NZU price growth rate from 2031	2.10%

*NZU pricing has been forecast and the mid-point is adopted for these purposes. 2039 and 2043 relate to the dates of the end of the two leases.

The current value is also driven by the volumes of estimated carbon sequestration over the life of the forest which has been modelled by external experts based on comparable properties and the I300 method which is used to express the productivity of a site in terms of volume growth for Pinus radiata. It is the mean annual volume increment in cubic metres per hectare of a 300 stem per hectare Radiata pine stand at age 30 years. As a measure of productivity used in modelling and forecasting tree growth and stand yield, it is relevant even where crops are not intended to be thinned to a stocking as low as 300 stems per hectare or grown to age 30.

5.2 Valuation methodology

Key valuation input	Description	Measurement sensitivity: Increase in input	Measurement sensitivity: Decrease in input
Land growth rate	The rate applied to the expected land value growth. Used in the income approach.	Increase	Decrease
CPI	The expected inflation increase applied to the lease income every three years. Used in the income approach.	Increase	Decrease
Discount rate	The rate applied to discount future cashflows, it reflects transactional evidence from similar types of property assets. Used in the income approach.	Decrease	Increase
Terminal rate	The rate used to assess the terminal value of the property. Used in the income approach.	Decrease	Increase
Market rental assessment	The valuer's assessment of the annual net market income per hectare attributable to the property. Used in the income approach.	Increase	Decrease
Forecast NZU prices	Value adopted by management based on advice from third parties.	Increase	Decrease

The key two subjective inputs into the post-lease valuation are:

1. Discount rate of 9.60%
2. The prices of NZU's at lease termination

The discount rate of 9.6% has been determined by utilising the Capital Asset Pricing Model (CAPM) to determine WACC for this type of asset by external experts.

The Group engaged an independent 3rd party expert to provide guidance on the expected future price path of NZU's over the next 40 years. They provided three scenarios and estimated values as follows:

	Low	Medium	High
Estimates for 2039	$134	$234	$335
Estimates for 2043	$146	$255	$364

Management adopted the Medium scenario in the valuations as a mid-point between two price paths deemed to be optimistic and pessimistic.

During 2023, NZU experienced volatility in their prices, and the range of potential future outcomes is significant.

The valuation of the forestry assets is highly sensitive to changes in the estimated future prices. The valuation of $89.7 million at 31 December 2023 would be impacted as follows if different price path assumptions had been applied:

	Revised Valuation $'000	Impact $'000
Low price path	64,500	(25,201)
High price path	115,700	25,999

6 Rental income

Rental income from investment property leased to clients under operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease, taking into account rent free periods. Where lease incentives are provided to customers, the cost of incentives are recognised over the lease term on a straight-line basis as a reduction to rental income.

	31 December 2023	6 month period ended 31 December 2022
Gross lease receipts	15,938	5,452
Straight line rental adjustments	(120)	317
Revenue received in advance adjustments	(292)	-
Amortisation of capitalised lease incentives	(176)	(88)
Rental income	**15,350**	**5,681**

6.1 Lessor contractual operating lease income

The Group has entered into investment property leases (as lessor) which have remaining non-cancellable lease terms of between 10 and 20 years.

Future minimum rental receivables under non-cancellable operating leases are as follows:	31 December 2023	6 month period ended 31 December 2022
Within 1 year	16,954	11,338
After 1 year but not more than 5 years	67,817	45,353
More than 5 years	116,633	50,588
Total property operating lease income	**201,404**	**107,279**

The commitments above are calculated based on the contract rates using the term certain expiry dates of lease contracts. Actual rental amounts in future may differ due to CPI adjustments within the lease agreements.

7 Finance income and expense

Finance income includes interest income derived from financial assets and any gain on fair value of derivative instruments. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance expense includes interest expense incurred on borrowings and any loss on fair value of derivative instruments. Interest expense is recognised using the effective interest method. Gain on fair value of derivative instruments details are included in note 12.

	31 December 2023 $'000	6 month period ended 31 December 2022 $'000
Finance income		
Interest income	1,879	919
Gain on fair value of derivative instruments	-	671
Finance expense		
Interest expense	(8,876)	(2,615)
Loss on fair value of derivative instruments	(2,512)	-
Net finance expense	**(9,509)**	**(1,025)**

8 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

8.1 Income tax recognised in statement of comprehensive income

	31 December 2023 $'000	6 month period ended 31 December 2022 $'000
Current tax expense	-	-
Deferred tax (benefit) / expense	(483)	174
Income tax (benefit) / expense	**(483)**	**174**
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	10,371	5,439
Income tax expense calculated at 28%	2,904	1,523
Effect of expenses that are not deductible in determining taxable profit	8	3
Effect of income that is not assessable in determining taxable profit	(2,069)	(632)
Tax depreciation	(1,333)	(720)
Gain on sale of fixed assets	-	-
Prior period adjustment	7	-
Income tax (benefit) / expense	**(483)**	**174**

It is assumed that the tax book value of tax depreciable assets reflects their market values. This assumes there would be no depreciation recovered if disposed of for market value.

8.2 Deferred tax assets

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

8.2 Deferred tax assets (continued)

31 December 2023	Opening balance $'000	Recognised in profit or loss $'000	Closing balance $'000
Lease fees / Lease incentives	(618)	74	(544)
Tax losses	1,531	410	1,941
Other	2	(1)	1
Total deferred tax asset / (liability)	**915**	**483**	**1,398**

31 December 2022	Opening balance $'000	Recognised in profit or loss $'000	Closing balance $'000
Lease fees / Lease incentives	(550)	(68)	(618)
Tax losses	1,637	(106)	1,531
Other	2	-	2
Total deferred tax asset / (liability)	**1,089**	**(174)**	**915**

Key Judgement

The Group has chosen not to rebut the presumption in NZ IAS 12 *Income taxes* that the carrying value of investment properties will be recovered through sale.

The Group considers that any future gain on sale of investment properties will not be assessable for income tax purposes as the sale of a capital asset.

9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Dec 2023 $'000	Dec 2022 $'000
Cash at bank	1,258	1,942
Total cash and cash equivalents	**1,258**	**1,942**

10 Trade and other receivables

Trade receivables are non-derivative financial assets and measured at amortised cost less impairment.

	Dec 2023 $'000	Dec 2022 $'000
Trade receivables	41	41
Prepayments	332	228
Other receivables	5	-
Total trade and other receivables	**378**	**269**

11 Loan receivable

	Dec 2023 $'000	Dec 2022 $'000
Non-current:		
McNaughtons home block	6,943	6,321
Makikihi Farm	13,420	12,823
Total loan receivable	**20,363**	**19,144**

On 1 June 2021, the Group acquired land at 30 Cooneys Road, Morven (McNaughtons home block) for $5.4 million and simultaneously entered into a lease and a put and call agreement with Performance Dairy Limited (PDL), a related entity to the vendor. Under the call agreement, PDL can acquire the land on 31 May in any year (providing a minimum 90 days notice has been provided) from the Group for $5.4 million plus 10% interest compounding annually. Under the put agreement, from 1 June 2023 the Group can require PDL to acquire the land on 31 May any year under the same pricing mechanism and notice requirements. The put and call option has a 99 year life.

On 2 August 2021, the Group acquired land at a North Canterbury Dairy Farm (Makikihi Farm) for $12 million and simultaneously entered into a lease and a put and call agreement with Makikihi Robotic Dairy Limited (MRDL), a related entity to the vendor. Under the call agreement, MRDL can acquire the land on 31 May in any year (providing a minimum 90 days notice has been provided) from the Group for 12 million plus 10% interest compounding annually. Under the put agreement, from 1 August 2023 the Group can require MRDL to acquire the land on 31 May any year under the same pricing mechanism and notice requirements. The put and call option has a 99 year life.

Key Judgement
The Group has determined that these arrangements have the substance of loans with 10% market interest rates per annum (6 month period ended 31 December 2022: 10%).

The loans are secured by a General Security Deed and cross guarantee from certain Van Leeuwen Group entities.

The loan receivable balances have been considered and determined no impairment is required at reporting date.

12 Derivatives

Derivative financial instruments, comprising interest rate swaps are classified as fair value through profit or loss ("FVTPL"). They are initially recognised at fair value on the date the derivative contract is entered in to. Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in the consolidated statement of comprehensive income in finance income and expense.

	Dec 2023 $'000	Dec 2022 $'000
Derivative assets	71	2,506
	71	**2,506**

13 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days from recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

	Dec 2023 $'000	Dec 2022 $'000
Trade payables and accruals	569	436
Revenue in advance	292	-
GST payable	229	158
Total trade and other payables	**1,090**	**594**

14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	Notes	Dec 2023 $'000	Dec 2022 $'000
Current borrowings:			
Rabobank facility	14.1	29,500	1,968
Non-current borrowings:			
Rabobank facility	14.1	104,000	105,000
Total borrowings		**133,500**	**106,968**

14.1 Rabobank Facility

Dec 2023	Expiry date	Effective interest rate	Total $'000	Undrawn facility $'000	Drawn amount $'000	Fair value $'000
Bank facility A	1 June 2025	7.60%	46,000	-	46,000	46,000
Bank facility B	1 June 2024	7.46%	29,500	-	29,500	29,500
Bank facility C	1 June 2026	7.76%	29,500	-	29,500	29,500
Bank facility D	14 April 2026	7.72%	28,500	-	28,500	28,500
			133,500	**-**	**133,500**	**133,500**

Dec 2022	Expiry date	Effective interest rate	Total $'000	Undrawn facility $'000	Drawn amount $'000	Fair value $'000
Bank facility A	1 June 2025	6.35%	46,000	-	46,000	46,000
Bank facility B	1 June 2024	6.20%	29,500	-	29,500	29,500
Bank facility B	31 January 2023	6.20%	2,000	32	1,968	1,968
Bank facility C	1 June 2026	6.50%	29,500	-	29,500	29,500
			107,000	**32**	**106,968**	**106,968**

The Group has entered into a revolving credit facility agreement with Rabobank on 21 May 2021 and renewed on 14 April 2023. The facility agreement has a limit of $133,500,000 with floating interest rates ranging over the four tranches of the debt. Interest is payable quarterly in arrears.

There is a general security deed over all of the assets of the Group as security of the borrowings.

The terms of the borrowings includes the following covenants that the Group must ensure at all times:
- Interest coverage ratio is greater than 1.6;
- Loan to valuation ratio does not exceed 40%; and
- Capital expenditure in each financial year shall not exceed 120% of the budgeted forecast capital expenditure.

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 December 2023.

The Group's interest cover ratio covenant is 1.6 for the period from 30 June 2023 to 31 December 2024, and 1.75 from 31 March 2025 onwards.

15 Convertible Loan

On 14 April 2023, the Group entered into a convertible loan agreement with New Zealand Forest Leasing Limited with a face value of $12.36 million. In February 2024 the convertible loan was repaid in full (refer to subsequent event note 27).

At 31 December 2023 the convertible loan was expected to be repaid within eighteen months from the date of the loan being issued. The terms of the agreement required the Group to make quarterly interest payments based on the current outstanding principal amount, at 8% per annum.

In April 2024, the Group was required to make a $1.244 million repayment.

Post October 2024 and at that point, the loan could convert to ordinary shares in the forest owning subsidiary. Should that conversion have occurred, there were put and call arrangements to enable the Group to return to 100% ownership of the forests.

There have been no payments of the convertible loan balance. The balance as of 31 December 2023 reflects interest and transaction costs (deducted).

	Dec 2023 $'000	Dec 2022 $'000
Current:		
Convertible loan	11,980	-

16 Issued capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

	Notes	$'000	No. of ordinary shares
Authorised and issued			
Balance at 30 June 2022		129,632	112,648,894
Rights issue to existing shareholders		476	452,929
Performance fee issued in ordinary shares		4,115	2,499,747
Transaction costs arising on issue of shares		(43)	-
Balance at 31 December 2022		**134,180**	**115,601,570**
Rights issue to existing shareholders	17	23,285	23,375,984
Other share issues		595	628,929
Share buy-back		(530)	(611,327)
Performance fee issued in ordinary shares		495	299,844
Transaction costs arising on issue of shares		(606)	-
Balance at 31 December 2023		**157,419**	**139,295,000**

The December 2022 performance fee was settled with 0.3 million shares being issued in March 2023 at an equivalent of $1.6507 per share (internal NAV measurement).

All shares have equal voting rights, participate equally in any dividend distribution or any surplus on the winding up of the Company. The shares have no par value.

17 Dividends

During the period, total dividends of $2.346 million were declared. An ordinary dividend of $0.020 per share with no supplementary dividend was issued in March 2023. No imputation credits were attached to the dividend.

18 Share based payment reserve

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

	Dec 2023 $'000	Dec 2022 $'000
Arising on share-based payments (performance fee)	901	495
Balance at end of the period	**901**	**495**

The share based payment reserve relates to the Manager's performance fee that is settled through the issue of shares. More details on performance fees are provided in note 20.1.

19 Remuneration of auditors

During the year, the Company accepted the resignation of PricewaterhouseCoopers New Zealand as the Company's statutory auditor and appointed William Buck Audit (NZ) Limited in its place.

The following fees were paid or payable for services provided by William Buck Audit (NZ) Limited as the auditor of the Group:

Assurance and other services	Dec 2023 $'000	Dec 2022 $'000
Statutory audit services	64	-
	64	**-**

The following fees were paid or payable for services provided by PricewaterhouseCoopers New Zealand as the former auditor of the Group:

Assurance and other services	Dec 2023 $'000	Dec 2022 $'000
Statutory audit services	23	102
	23	**102**

20 Related parties

20.1 Remuneration of the Manager

The Group has appointed an external manager, New Zealand Rural Land Management Limited Partnership through a signed management agreement. The Manager is responsible for all management functions of the Group, including:

- Providing administrative and general services;
- Sourcing and securing potential investors and communicating with investors;
- Sourcing opportunities for the sale and purchase of Land, and operators for lease agreements in respect of Land;
- Overseeing due diligence for and executing transactions for the sale and purchase, and leasing, of Land;
- Managing the Group’s Property, including Land owned by the Group;
- Arranging regular valuations and audits of the Group; and
- Administering the payment of dividends and distributions in respect of the Group.

The Manager is remunerated via management fees, transaction fees and performance fees.

20.1 Remuneration of the Manager (continued)

Fees paid and owing to the Manager:

	31 December 2023		6 month period ended 31 December 2022	
	Fees charged	Owing at 31 Dec	Fees charged	Owing at 31 Dec
	$'000	$'000	$'000	$'000
Basic management services fee	1,039	89	467	90
Land transaction fees	878	-	-	-
Leasing fees	60	-	-	-
Performance fee	901	901	495	495
Total	**2,878**	**990**	**962**	**585**

Management fee

A monthly management fee is payable equal to 0.5% per annum of the Group's Net Asset Value, calculated on a monthly basis. The total management fees for the period ended 31 December 2023 were $1.039 million (6 month period ended 31 December 2022: $0.467 million).

Transaction fee

A fee is payable for the following transactions:

- For each purchase or sale of land, a fee equal to 1.25% of the acquisition or divestment cost of the land and improvements; and
- For each lease agreement entered into, a fee of $30,000.

Transaction fees incurred for the period ended 31 December 2023 were $0.878 million and $0.060 million (6 month period ended 31 December 2022: $nil) in relation to the purchase and lease fee components (respectively). The purchase fee is included in the initial carrying amount of the acquired investment property. The leasing fee has been added to the carrying value of the leased asset (being investment properties) as part of the initial direct costs of arranging the lease.

Performance fee

A performance fee is payable to the Manager when the Group's net asset value ('NAV') per share exceeds the Group's NAV per share in the immediately preceding financial year. This annual performance fee is calculated as 10% of the increase in NAV per share and is settled through the issue of ordinary shares based on the NAV per share at that date. NAV per share is adjusted for the impact of capital reconstructions (such as a rights issue at a premium or discount), with the intention of the calculation being neither prejudicial nor advantageous to the Company or the Manager. Half of the ordinary shares issued are held in escrow and cannot be sold for 5 years. The value of the performance fee in the year ended 31 December 2023 was $0.901 million (6 month period ended 31 December 2022: $0.495 million). The shares will be issued to the Manager subsequent to balance date.

20.2 Key management personnel compensation

In addition to remuneration of the Manager outlined above, the Group paid directors fees during the period of $0.227 million (6 month period ended 31 December 2022: $0.114 million) in cash. There was no other compensation of key management personnel during the period.

21 Subsidiaries

The consolidated Financial Statements incorporate the assets, liabilities and results of the subsidiaries in accordance with the accounting policy described in note 2.4.

The following subsidiaries have been consolidated in the Financial Statements of the Group:

Name of entity	Country incorporated	Activities	Dec 2023 Equity holding	Dec 2022 Equity holding
NZRLC Dairy Holdings Limited	New Zealand	Rural land investment	100%	100%
SSP NI Limited	New Zealand	Rural land investment	100%	100%
New Zealand Rural Land Investments GP Limited	New Zealand	General partner	100%	0%
New Zealand Rural Land Investments Limited Partnership	New Zealand	Rural land investment	100%	0%

22 Non-GAAP measures

Non-GAAP measures do not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. These measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS.

22.1 Reconciliation of net profit after tax to adjusted funds from operations (AFFO)

Funds from operations ('FFO') is a non-GAAP financial measure that shows the Group's underlying and recurring earnings from its operations and is considered industry best practice for a property fund to enable investors to see the cash generating ability of the business. This is determined by adjusting statutory net profit (under NZ IFRS) for certain non-cash and other items. FFO has been determined based on guidelines established by the Property Council of Australia and is intended as a supplementary measure of operating performance. The Manager uses and considers Adjusted Funds From Operations ('AFFO') as a measure of operating cash flow generated from the business, after providing for all operating capital requirements including maintenance capital expenditure, tenant improvement works, incentives and leasing costs.

	Notes	31 December 2023 $'000	6 month period ended 31 December 2022 $'000
Net profit after tax		10,854	5,265
Adjustments			
Unrealised net (gain) in value of investment properties	5	(7,388)	(2,258)
Performance fee payable in shares	18	901	495
Unrealised net loss / (gain) on derivatives	7	2,512	(671)
Deferred tax (benefit) / expense	8.2	(483)	174
Amortisation of rent free incentives	6	176	88
Amortisation of lease fee		30	25
Funds from operations ('FFO')		**6,602**	**3,118**
FFO per share (cents)		**4.74**	**2.70**
Adjustments			
Incentives and leasing costs		120	(315)
Future maintenance capital expenditure[1]		(663)	(329)
Adjusted funds from operations ('AFFO')		**6,059**	**2,474**
AFFO per share (cents)		**4.35**	**2.14**

[1] Represents amounts set aside each financial period for future expected maintenance capital expenditure as considered prudent by the Manager. These amounts do not qualify for recognition as liabilities on the balance sheet under NZ GAAP.

22.2 Net assets per share and net tangible assets per share

The Group presents net assets per share and net tangible assets per share in these financial statements. The Group believes that these non-GAAP measures provide useful additional information to readers. Net tangible assets per share is a required disclosure under the NZX Listing Rules and net assets per share is a measure monitored by management and required for calculating the Manager's performance fee. The calculation of the Group's net assets per share, net tangible assets per share, and its reconciliation to the consolidated statement of financial position is presented below:

	Notes	Dec 2023 $'000	Dec 2022 $'000
Total assets		369,831	298,820
(Less): Total liabilities		(146,739)	(107,881)
Net assets		**223,092**	**190,939**
(Less): Deferred tax asset	8.2	(1,398)	(915)
(Less): Derivative asset	12	(71)	(2,506)
Net tangible assets		**221,623**	**187,518**
Number of shares issued ('000)		**139,295**	**115,602**
Net assets per share ($)		**1.6016**	**1.6517**
Net tangible assets per share ($)		**1.5910**	**1.6221**

23 Financial instruments

Categories of financial instruments:

As at 31 December 2023 **Assets**	**Financial assets/ liabilities at FVTPL $'000**	**Financial assets at amortised cost $'000**	**Financial liabilities at amortised cost $'000**	**Total $'000**
Cash and cash equivalents	-	1,258	-	1,258
Trade and other receivables	-	46	-	46
Loan receivable	-	20,363	-	20,363
Derivative assets	71	-	-	71
	71	**21,667**	**-**	**21,738**
Liabilities				
Trade and other payables	-	-	569	569
Convertible loan	-	-	11,980	11,980
Borrowings	-	-	133,500	133,500
	-	**-**	**146,049**	**146,049**

As at 31 December 2022 **Assets**	**Financial assets/ liabilities at FVTPL $'000**	**Financial assets at amortised cost $'000**	**Financial liabilities at amortised cost $'000**	**Total $'000**
Cash and cash equivalents	-	1,942	-	1,942
Trade and other receivables	-	41	-	41
Loan receivable	-	19,144	-	19,144
Derivative assets	2,506	-	-	2,506
	2,506	**21,127**	**-**	**23,633**
Liabilities				
Trade and other payables	-	-	436	436
Borrowings	-	-	106,968	106,968
	-	**-**	**107,404**	**107,404**

24 Financial risk management

24.1 Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates impact the Group's financial performance, future cash flows or the fair value of its financial instruments.

The Group's policy is to manage its interest rates using a mix of fixed and variable rate debt. To manage this mix, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rates for interest calculated by reference to an agreed-upon notional principal amount. These swaps are designed to economically hedge underlying debt obligations.

The Group's exposure to variable interest rate risk and the weighted average interest rate for interest bearing financial assets and liabilities as at 31 December 2023 was as follows:

	Dec 2023	Dec 2022
	$'000	$'000
Financial assets		
Cash at bank	1,258	1,942
Financial liabilities		
Bank borrowings (net of economic impact of interest rate swaps)	48,000	64,968
Interest rate applicable at balance date		
Cash at bank	<1%	<1%
Bank borrowings (net of economic impact of interest rate swaps)	7.60%	6.34%

The following sensitivity analysis represents the change in interest expense if the floating interest rates on bank borrowings (net of economic impact from interest rate swaps) had been 2% higher or lower, with other variables remaining constant:

	Dec 2023		Dec 2022	
	Interest rate	Interest rate	Interest rate	Interest rate
	$'000	$'000	$'000	$'000
Increase / (decrease) in interest expense	(960)	960	(1,299)	1,299

There is no interest rate risk on the loan receivable (note 11) as they accrue interest at a fixed rate.

24.2 Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. Financial instruments which are subject to credit risk principally consist of cash, debtors and loans receivable. The Group’s exposure to credit risk is equal to the carrying value of the financial instruments.

The Group conducts credit assessments of tenants to determine credit worthiness prior to entering into lease agreements. This includes requiring tenants to have equity at least six times their annual lease obligations or provide other suitable security arrangements. Where appropriate, the Group will include guarantees and/or security from tenants within lease agreements to support rental payments. In addition, debtor balances are monitored on an ongoing basis with the result that exposure to bad debts is not significant.

The risk from financial institutions is managed by placing cash and cash equivalents with high credit quality financial institutions only. The Group has placed its cash and cash equivalents with ASB Bank Limited and Westpac New Zealand Limited, both who are AA- rated (Standard & Poor's).

The Group intends to further mitigate this risk in the future by expanding into other primary sectors in New Zealand, such as horticulture, viticulture, sheep and beef.

24.3 Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly arises from the Group's obligations in respect of long term borrowings, derivatives and trade and other payables.

The Group monitors and evaluates liquidity requirements on an ongoing basis and generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank facilities available to cover potential shortfalls. The Group's approach to managing liquidity risk is to ensure it will always have sufficient liquidity to meet its obligations when they fall due under both normal and stress conditions.

The following table outlines the Groups' liquidity profile, as at 31 December 2023, based on contractual non-discounted cash flows:

As at 31 December 2023	Total $'000	0-1 year $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Trade and other payables	1,090	1,090	-	-	-
Convertible note	11,980	11,980	-	-	-
Borrowings [1]	149,927	38,402	51,945	59,580	-
Total	**162,997**	**51,472**	**51,945**	**59,580**	**-**

As at 31 December 2022	Total $'000	0-1 year $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Trade and other payables	594	594	-	-	-
Borrowings [1]	123,328	8,784	35,115	79,429	-
Total	**123,922**	**9,378**	**35,115**	**79,429**	**-**

[1] Includes contractual interest payments based on drawn down amounts at reporting date and assuming no repayments of principal prior to expiry date.

24.4 Capital risk management

When managing capital risk, the Manager's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other creditors.

The Group meets its objectives for managing capital through its investment decisions on the acquisition and disposal of assets, dividend policy, and issuance of new shares. This includes restricting debt to 40% of total assets and debt will generally be sought on interest-only repayment terms, subject to maintaining the 40% debt limit. The Group will also seek debt with mortgage security over the rural land acquired to secure the borrowings.

25 Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing profit after income tax attributable to shareholders by the weighted average number of shares on issue.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Company has no dilutive factors.

	Dec 2023	Dec 2022
Profit after income tax ($'000)	10,854	5,265
Weighted average number of shares for the purpose of basic and diluted EPS ('000)	134,646	114,636
Basic and diluted earnings per share (cents)	**8.06**	**4.59**

26 Reconciliation of profit after income tax to net cash flows from operating activities

	31 December 2023 $'000	6 month period ended 31 December 2022 $'000
Profit and total comprehensive income for the period	10,854	5,265
Add/(less) non-cash items:		
Change in fair value of derivatives	2,435	(714)
Change in fair value of investment property	(7,388)	(2,258)
Performance fee payable in shares	901	495
Interest income accrual	(1,226)	(590)
Deferred tax	(483)	174
Lease incentives - rent free period	297	(228)
Interest expense accrual	47	(424)
Lease fee amortisation	37	25
Convertible loan amortisation	180	-
Movements in working capital items:		
Decrease / (increase) in other current assets	(31)	1,240
Decrease / (increase) in income tax receivable	6	(3)
Increase in trade and other payables	68	121
Increase / (decrease) in income in advance	292	(579)
Net cash generated by operating activities	**5,989**	**2,524**

There are no contingent liabilities or assets as at 31 December 2023 (31 December 2022: nil).

27 Subsequent events

Roc Partners Transaction

On 19 January 2024 NZRLC entered into a conditional agreement to sell a 25% economic interest to Roc Partners for $44.2m. Conditions were subsequently satisfied, and the transaction settled on 9 February 2024.

Transaction features:

- NZRLC transferred the group assets (other than cash on hand) to a newly created limited partnership (LP). In substance, NZRLC's $133.5m revolving credit facility with Rabobank (note 14) was also transferred to the LP.

- The LP then issued units to Roc Partners such that they have a 25% interest in the LP.

- The general partner of the LP is a company owned by NZRLC and Roc Partners in the same proportions as the LP, 75% and 25% for NZRLC and Roc Partners respectively.

- New Zealand Rural Land Management Limited Partnership (manager) will continue to be the manager of NZRLC and will also manage the LP. The NZRLC management agreement was amended at completion of facilitating this new structure, reducing NZRLC's liability for manager fees to 75% of the LP.

- It is intended that NZRLC and Roc Partners will co-invest (through the LP) in future acquisitions to grow the portfolio. Where this occurs, Roc Partners will fund 25% of the equity needed for an acquisition reducing NZRLC's associated capital requirements.

- The business strategy of the LP will be the business strategy of NZRLC and remains unchanged. Where NRLC and Roc Partners approve an acquisition (and, in particular, the funding for that acquisition) the LP will be the acquiring entity. If Roc Partners does not wish to fund the LP for an acquisition, NZRLC may proceed with that acquisition on its own, sole account. Third party debt funding of the LP must continue to not exceed a 40% (loan to value ratio) level at all times.

27 Subsequent events (continued)

- Subject to certain conditions, Roc Partner's interest in the LP has a lock-up period of 6 years where it may not sell to a third party. During this period NZRLC may sell down up to half of its interest in the LP to third parties (should it wish to do so).

As of 31 December 2023, NZRLC has determined the transaction was not highly probable. The arrangement was still being negotiated with significant uncertainty as to whether it would proceed. At that time either party had the ability to walk away from the negotiations.

NZRLC is in the process of assessing how it will account for the LP on settlement date (9 February 2024). Key to that assessment is whether or not NZRLC has sufficient power to direct the relevant activities (those that significantly affect the investee's return) of the LP such that it has reached the threshold required for control (as defined in NZ IFRS 10 Consolidated Financial Statements). NZRLC expect to consolidate the LP on the basis that the activities requiring Roc Partner's approval are protective in nature.

If NZRLC consolidates the LP it will reflect the 25% held by Roc Partners as a non-controlling interest with no impact in Profit or Loss. Whilst not NZRLC's expectation, if it does not consolidate the LP then on settlement date it will de-recognise the assets and liabilities from its balance sheet and recognise an investment in the LP, with the difference between the two recognised as an accounting loss in Profit and Loss of $11.3m.

On settlement date 9 February $11.98 million was used to repay the outstanding convertible loan (refer to note 15). The balance of fund has been retained as working capital while NZRLC considers future growth and capital options.

Apple and forestry land acquisition
On 20 February 2024 NZRLC agreed to acquire the land supporting 3 apple orchards located in the Hawkes Bay region in the North Island and forestry land in close proximity to its existing estates for a total of $27.6m. The acquisition will be acquired by the Limited Partnership formed as part of the Roc Partners Transaction (above).

The orchard land has a total land area of approximately 97 hectares of which 82 hectares are planted. The orchards will be leased to Kiwi Crunch for a period of 30 years with a year one income of c.$1.4 million, subject to annual rental adjustments of CPI or 2.5%, whichever is higher. NZRLC will legally own only the land not the orchard trees. This acquisition is conditional on obtaining certain approvals and settlement is expected to occur in March 2024.

The forestry land has a total area of approximately 1,119 hectares and is leased to New Zealand Forest Leasing (NZFL) for a period of 16 years. The estate has year one income of $760,000 and is subject to annual CPI-linked rental adjustments. The tenant will utilise the land for timber and/or carbon sequestration. This acquisition was both signed and settled 20 February 2024.

There were no other material events subsequent to balance date.