New Zealand Rural Land Company Limited and its subsidiaries

Interim Financial Statements
For the 6 months ended 30 June 2023

COMPILATION REPORT TO THE DIRECTORS & SHAREHOLDERS

Reporting Scope

On the basis of information that you provided we have compiled, in accordance with 'Service Engagement Standard Number 2: Compilation of Financial Information', the Interim Financial Statements of New Zealand Rural Land Company Limited and its subsidiaries for the 6 month period ended 30 June 2023 as set out on the following pages.

The Interim Financial Statements of New Zealand Rural Land Company Limited and its subsidiaries have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Responsibilities

You are solely responsible for the information contained in the Financial Statements and have determined that the financial reporting basis stated above is appropriate to meet your needs and for the purpose that the Financial Statements were prepared. The Financial Statements were prepared exclusively for your benefit. We do not accept responsibility to any other person for the contents of the Financial Statements.

No Audit or Review Engagement Undertaken

Our procedures use accounting expertise to undertake the compilation of the Financial Statements from information that you provided. Our procedures do not include verification or validation procedures. No audit or review engagement has been performed and accordingly no assurance is expressed.

Disclaimer of Liability

As detailed above, we have compiled the Financial Statements based on information provided to us which has not been subject to an audit or review engagement. Accordingly, neither we nor any of our employees accept any responsibility for the reliability, accuracy or completeness of the material from which the Financial Statements have been prepared, nor, accordingly, the accuracy of the Financial Statements. We do not accept any liability of any kind whatsoever, including liability by reason of negligence, to any person for losses incurred as a result of placing reliance on the compiled financial information.

Deloitte Limited

24 August 2023

Deloitte Limited
(as trustee for the Deloitte Trading Trust)
Chartered Accountants
Auckland

Date

New Zealand Rural Land Company Limited and its subsidiaries
Directors' responsibility statement

The directors are pleased to present the interim financial statements of New Zealand Rural Land Company Limited and its subsidiaries for the 6 month period ended 30 June 2023.

The Board of Directors of New Zealand Rural Land Company Limited authorised the financial statements for issue on 25 August 2023.

For and on behalf of the Board

Rob Campbell	Sarah Kennedy
Director	Director

New Zealand Rural Land Company Limited and its subsidiaries
Interim consolidated statement of comprehensive income
For the 6 month period ended 30 June 2023

	Notes	(Unaudited) 6 month period ended 30 June 2023 $'000	(Unaudited) 6 month period ended 30 June 2022 $'000
Gross rental income			
Rental income	7	6,851	4,717
Net rental income		**6,851**	**4,717**
Less overhead costs			
Directors fees		(114)	(114)
Insurance		(41)	(40)
Management fees	16.1	(503)	(331)
Repairs and maintenance		(82)	-
Professional, consulting and listing fees		(292)	(187)
Performance fee	16.1	-	(4,115)
Total overhead costs		**(1,032)**	**(4,787)**
Profit / (Loss) before net finance (expense) / income, other income and income tax		**5,819**	**(70)**
Finance income		926	1,842
Finance expense		(4,156)	(1,521)
Net finance (expense) / income	8	**(3,230)**	**321**
Profit before other income and income tax		**2,589**	**251**
Other income			
Change in fair value of investment property	5	-	35,342
Profit before tax		**2,589**	**35,593**
Income tax (expense) / benefit	9	(97)	919
Profit and total comprehensive income for the period		**2,492**	**36,512**
		Cents	**Cents**
Basic and diluted earnings per share	18	**1.92**	**37.27**

New Zealand Rural Land Company Limited and its subsidiaries
Consolidated statement of financial position
At 30 June 2023

	Notes	(Unaudited) As at 30 June 2023 $'000	(Audited) As at 31 December 2022 $'000
Current assets			
Cash and cash equivalents		229	1,942
Trade and other receivables		482	269
Current tax receivable		17	13
Total current assets		**728**	**2,224**
Non-current assets			
Investment property	5	275,597	267,360
Investment in forestry estate	6	63,378	-
Deposit for forestry estate acquisition		-	6,294
Loan receivable	10	19,733	19,144
Deferred tax assets		818	915
Derivative assets	11	2,318	2,506
Other non-current assets		75	377
Total non-current assets		**361,919**	**296,596**
Total assets		**362,647**	**298,820**
Current liabilities			
Trade and other payables		2,214	594
Income in advance		292	-
Borrowings	12	29,500	1,968
Convertible loan	13	1,244	-
Other current liabilities		169	319
Total current liabilities		**33,419**	**2,881**
Non-current liabilities			
Borrowings	12	104,000	105,000
Convertible loan	13	10,716	-
Total non-current liabilities		**114,716**	**105,000**
Total liabilities		**148,135**	**107,881**
Net assets		**214,512**	**190,939**
Share capital	14	158,102	134,180
Share based payment reserve		-	495
Retained earnings		56,410	56,264
Total equity		**214,512**	**190,939**
		$	**$**
Net Assets Value (NAV) per share	17.2	**1.5333**	**1.6517**
Net Tangible Assets (NTA) per share	17.2	**1.5108**	**1.6221**

New Zealand Rural Land Company Limited and its subsidiaries
Interim consolidated statement of changes in equity
For the 6 month period ended 30 June 2023

	Notes	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2022		**113,467**	**-**	**18,283**	**131,750**
Comprehensive Income					
Profit for the period		-	-	36,512	36,512
Total comprehensive income		**-**	**-**	**36,512**	**36,512**
Transactions with shareholders					
Contributed capital	14	16,366	-	-	16,366
Transaction costs	14	(393)	-	-	(393)
Performance fee payable in ordinary shares		-	4,115	-	4,115
Dividends paid		-	-	(1,947)	(1,947)
Dividend reinvestment plan issues	14	192	-	-	192
Balance at 30 June 2022		**129,632**	**4,115**	**52,848**	**186,595**
Balance at 31 December 2022		**134,180**	**495**	**56,264**	**190,939**
Comprehensive Income					
Profit for the period		-	-	2,492	2,492
Total comprehensive income		**-**	**-**	**2,492**	**2,492**
Transactions with shareholders					
Contributed capital	14	23,880	-	-	23,880
Transaction costs	14	(453)	-	-	(453)
Performance fee issued in ordinary shares	14	495	(495)	-	-
Dividends paid	15	-	-	(2,346)	(2,346)
Balance at 30 June 2023		**158,102**	**-**	**56,410**	**214,512**

New Zealand Rural Land Company Limited and its subsidiaries
Interim consolidated statement of cash flows
For the 6 months ended 30 June 2023

	Notes	(Unaudited) 6 month period ended 30 June 2023 $'000	(Unaudited) 6 month period ended 30 June 2022 $'000
Cash flows from operating activities			
Lease income received		7,240	2,738
Payments to suppliers		(150)	(317)
Management fees paid		(403)	(276)
Income taxes (paid) / received		(4)	13
Interest paid		(3,588)	(2,129)
Interest received		331	1,286
Net cash generated by operating activities		**3,426**	**1,315**
Cash flows from investing activities			
Payments for investment properties		(8,279)	(28,997)
Payments for investment in forestry estate		(56,484)	-
Payments for leasehold improvements		-	(181)
Proceeds from disposals of assets		10	-
Net cash used in investing activities		**(64,753)**	**(29,178)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		23,875	16,322
Payment of transaction costs on issue of ordinary shares		(347)	(394)
Dividends paid		(2,346)	(1,756)
Proceeds from borrowings		30,500	12,268
Repayment of borrowings		(3,968)	-
Proceeds from convertible loan		12,000	-
Repayment of convertible loan		(100)	-
Net cash generated by financing activities		**59,614**	**26,440**
Net decrease in cash and cash equivalents		**(1,713)**	**(1,423)**
Cash and cash equivalents beginning of the period		1,942	2,427
Cash and cash equivalents at the end of the period		**229**	**1,004**

These interim financial statements have been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report and accompanying notes.

1 Reporting entity

The consolidated interim 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 interim financial statements are for the 6 month period ending 30 June 2023. The comparative period is the 6 month period ended 30 June 2022. The Group changed its balance date from 30 June to 31 December in the last financial year to best align with the dairy farming financial year.

2 Basis of preparation

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

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.

The financial statements do not contain all the disclosures normally included in an annual financial report and should be read in conjunction with the audited 6 months ended 31 December 2022 consolidated financial statements.

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.

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).

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)
- Recognition of loan receivable (note 10)

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.

- 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.

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 6 months ended 30 June 2023 from these customers was $1.556 million, $1.824 million and $1.050 million respectively (6 months ended 30 June 2022: $1.547 million, $1.600 million, and $nil respectively). No other single customer contributed 10% or more of the Group's total rental income (6 months ended 30 June 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 6 months ended 30 June 2023 from these customers was $0.302 million and $0.613 million respectively (6 months ended 30 June 2022: $0.276 million and $0.600 million respectively). No other single customer contributed 10% or more of the Group's total finance income (6 months ended 30 June 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 there in recognised in profit or loss. Any gain or loss arising from a change in fair value is recognised in profit or loss.

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 will be carried out at least annually by independent registered valuers.

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

Fair value of rural land investment properties:

As at 30 June 2023 (Unaudited)

Location	Land area Hectares	Opening balance $'000	Additions / (Disposals) [1] $'000	Lease fee amortisation $'000	Capitalised lease incentive [2] $'000	Revaluation gain $'000	Carrying value $'000
Canterbury	5,765	140,887	272	(4)	(88)	-	141,067
Otago	3,500	80,786	-	(2)	-	-	80,784
Southland	1,386	45,687	7	(12)	(109)	-	45,573
Manawatū-Whanganui	737	-	8,173	-	-	-	8,173
Fair value of investment properties		**267,360**	**8,452**	**(18)**	**(197)**	**-**	**275,597**

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

5 Investment properties (continued)

As at 31 December 2022 (Audited)

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 investment property portfolio 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.

The Group's investment properties were last valued by Colliers International, as at 31 December 2022. There have been no subsequent valuations in the period ended 30 June 2023. A valuation was performed in the comparative period ended 30 June 2022 as this was the Group's financial year-end before the subsequent change in balance date to 31 December in the last financial year.

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 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 fee simple valuation.

Key inputs used to measure fair value:	**30 June 2023**	**31 Dec 2022**
Land growth rate	N/A	3%
CPI	N/A	2%
Discount rate	N/A	7.15%
Terminal rate	N/A	6.65%

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

6 Investment in forestry estate

	As at 30 June 2023 $'000	As at 31 Dec 2022 $'000
Opening Balance	-	-
Additions	63,378	-
Gains/(Losses) attributable to fair value changes	-	-
Closing Balance	**63,378**	**-**

In April 2023, the acquisition of the forestry estate in Whanganui/Manawatu settled. The estate comprises of land and a forestry asset. The Group has recognised $63.378 million in the statement of financial position, consisting of both investment property, the land, and a biological asset, the forest.

7 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.

	(Unaudited) 6 month period ended 30 June 2023 $'000	(Unaudited) 6 month period ended 30 June 2022 $'000
Gross lease receipts	7,340	3,830
Straight line rental adjustments	(109)	946
Revenue received in advance adjustments	(292)	-
Amortisation of capitalised lease incentives	(88)	(59)
Rental income	**6,851**	**4,717**

8 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 11.

8 Finance income and expense (continued)

	(Unaudited) 6 month period ended 30 June 2023 $'000	(Unaudited) 6 month period ended 30 June 2022 $'000
Finance income		
Interest income	926	882
Gain on fair value of derivative instruments	-	960
Finance expense		
Interest expense	(3,896)	(1,521)
Loss on fair value of derivative instruments	(260)	-
Net finance (expense) / income	**(3,230)**	**321**

9 Income taxes

	6 month period ended 30 June 2023 $'000	6 month period ended 30 June 2022 $'000
Current tax expense	-	-
Deferred tax expense / (benefit)	97	(919)
Income tax expense / (benefit)	**97**	**(919)**
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	2,589	35,593
Income tax expense calculated at 28%	725	9,966
Effect of expenses that are not deductible in determining taxable profit	32	21
Effect of income that is not assessable in determining taxable profit	-	(9,896)
Tax depreciation	(666)	(910)
Gain on sale of fixed assets	-	-
Prior period adjustment	6	(100)
Income tax expense / (benefit)	**97**	**(919)**

10 Loan receivable

	(Unaudited) 6 month period ended 30 June 2023 $'000	(Audited) 6 month period ended 31 Dec 2022 $'000
Non-current:		
McNaughtons home block	6,617	6,321
Makikihi Farm	13,116	12,823
Total loan receivable	**19,733**	**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.

10 Loan receivable (continued)

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.

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.

11 Derivatives

Derivative financial instruments, comprising interest rate swaps are classified as fair value through profit or loss ("FVTPL"). 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.

	(Unaudited) 6 month period ended 30 June 2023 $'000	(Audited) 6 month period ended 31 Dec 2022 $'000
Derivative assets	2,318	2,506
	2,318	**2,506**

12 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	(Unaudited) As at 30 June 2023 $'000	(Audited) As at 31 Dec 2022 $'000
Current borrowings:			
Rabobank facility	12.1	29,500	1,968
Non-current borrowings:			
Rabobank facility	12.1	104,000	105,000
Total borrowings		**133,500**	**106,968**

12.1 Rabobank Facility

30 June 2023 (Unaudited)	Expiry date	Effective interest rate	Total $'000	Undrawn facility $'000	Drawn amount $'000	Fair value $'000
Bank facility A	1 June 2025	7.63%	46,000	-	46,000	46,000
Bank facility B	1 June 2024	7.48%	29,500	-	29,500	29,500
Bank facility C	1 June 2026	7.78%	29,500	-	29,500	29,500
Bank facility D	14 April 2026	7.67%	28,500	-	28,500	28,500
			133,500	-	**133,500**	**133,500**

31 December 2022 (Audited)	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 include the following covenants that the Group must ensure at all times:
- Interest coverage ratio is greater than 2.0;
- 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 6 month period to June 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.

13 Convertible Loan

On 14 April 2023, the Group entered into a convertible loan agreement with New Zealand Forest Leasing Limited. The convertible loan was for the face value of $12.360 million and is expected to be repaid within eighteen months from the date of the note being issued. The agreement also requires for the Group to make quarterly interest payments based on the current outstanding principal amount, at 8% per annum.

In April 2024, the Group must make a $1.244 million repayment of the convertible loan. The Group will also make note redemptions from the net proceeds of any capital raisings it may undertake during the term of the note or from the net proceeds (post any required debt repayment) of asset disposals. After October 2024 and at that point, the note may convert to ordinary shares in the forest owning subsidiary. Should conversion occur, there are then put and call arrangements to enable the Group to return to 100% ownership of the forests.

13 Convertible Loan (continued)

	(Unaudited) As at 30 June 2023 $'000	(Audited) As at 31 Dec 2022 $'000
Current:		
Convertible loan	1,244	-
Non-current:		
Convertible loan	10,716	-
Total borrowings	**11,960**	**-**

14 Issued capital

	Notes	$'000	No. of ordinary shares
Authorised and issued			
Balance at 31 December 2021 (Unaudited)		113,467	96,900,000
Rights issue to existing shareholders		16,366	15,586,890
Dividend reinvestment		192	162,004
Transaction costs arising on issue of shares		(393)	-
Balance at 30 June 2022 (Audited)		**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 (Audited)		**134,180**	**115,601,570**
Rights issue to existing shareholders		23,880	24,004,913
Performance fee issued in ordinary shares		495	299,844
Transaction costs arising on issue of shares		(453)	-
Balance at 30 June 2023 (Unaudited)		**158,102**	**139,906,327**

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.

15 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.

16 Related parties

16.1 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.

16.1 Remuneration of the Manager (continued)

Fees paid and owing to the Manager:

	(Unaudited) 6 month period ended 30 June 2023 Fees charged $'000	(Unaudited) 6 month period ended 30 June 2022 Fees charged $'000
Basic management services fee	503	331
Land transaction fees	878	358
Leasing fees	60	120
Performance fee	-	4,115
Total	**1,441**	**4,924**

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 30 June 2023 were $0.503 million (six months ended 30 June 2022: $0.331 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 30 June 2023 were $0.878 million and $0.06 million (year ended 30 June 2022: $0.358 million and $0.120 million) in relation to the purchase and lease fee components (respectively). The purchase fee for the comparable period was included in the initial carrying amount of the acquired investment property. The leasing fee for the comparative period 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 performance fee in the financial year ended 31 December 2023 will be calculated after the financial year end. The shares will be issued to the Manager subsequent to balance date.

17 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.

17.1 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.

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

	Notes	(Unaudited) 6 month period ended 30 June 2023 $'000	(Unaudited) 6 month period ended 30 June 2022 $'000
Net profit after tax		2,492	36,512
Adjustments			
Unrealised net (gain) in value of investment properties	5	-	(35,342)
Performance fee payable in shares		-	4,115
Unrealised net (gain) / loss on derivatives	8	260	(960)
Deferred tax expense / (benefit)	9	97	(919)
Amortisation of rent free incentives	7	88	59
Amortisation of lease fee		25	31
Funds from operations ('FFO')		**2,962**	**3,496**
FFO per share (cents)		**2.12**	**3.10**
Adjustments			
Incentives and leasing costs		109	(1,110)
Future maintenance capital expenditure[1]		(332)	(178)
Adjusted funds from operations ('AFFO')		**2,739**	**2,208**
AFFO per share (cents)		**1.96**	**1.96**

[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.

17.2 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	(Unaudited) As at 30 June 2023 $'000	(Audited) As at 31 Dec 2022 $'000
Total assets		362,647	298,820
(Less): Total liabilities		(148,135)	(107,881)
Net assets		**214,512**	**190,939**
(Less): Deferred tax asset		(818)	(915)
(Less): Derivative asset	11	(2,318)	(2,506)
Net tangible assets		**211,376**	**187,518**
Number of shares issued ('000)		**139,906**	**115,602**
Net assets per share ($)		**1.5333**	**1.6517**
Net tangible assets per share ($)		**1.5108**	**1.6221**

18 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.

	(Unaudited) 6 month period ended 30 June 2023	(Unaudited) 6 month period ended 30 June 2022
Profit after income tax ($'000)	2,492	36,512
Weighted average number of shares for the purpose of basic and diluted EPS ('000)	129,699	97,956
Basic and diluted earnings per share (cents)	**1.92**	**37.27**

19 Contingent liabilities and contingent assets

There are no contingent liabilities or assets as at 30 June 2023 (30 June 2022: nil).

20 Capital commitments

The Group has no capital commitments as at 30 June 2023.

21 Subsequent events

There were no material adjusting events subsequent to balance date.