



# New Zealand Rural Land Co

The Rural Land Investors

2022 ANNUAL REPORT

FOR THE PERIOD ENDED 30 JUNE 2022

[www.nzrlc.co.nz](http://www.nzrlc.co.nz)

listed on:



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## Chair Report

NZL reported a record net profit after tax of \$39.7 million for the period ending 30 June 2022.

Net Asset Value per share increased by +18.6% to \$1.656 per share.

NZL has paid a final net dividend of 1.60cps bringing the total net dividend to 3.61cps for the year ending 30 June 2022. The dividend was paid on 9 September 2022 (record date 2 September 2022).

Our acquisitions in FY22 showed an increase of +26.2% (+\$23.5 million) on purchase price. NZL's original portfolio (those assets acquired in FY21) increased by +10.3% (+\$14.1 million), following on from a +10.8% (+\$13.4 million) increase in FY21.

These figures highlight the excellent job our Manager - New Zealand Rural Land Management - has done for NZL since our NZX listing on 21 December 2020.

When we launched the IPO of NZL in Q4 2020 many investors approached said we could not do what we were proposing – purchase quality rural land assets and tenant them at the yields indicated. Accepting skepticism is always part of any new venture I am pleased to report to you that as at 30 June 2022 NZL has acquired \$264.9 million of high quality rural land in New Zealand amounting to 11,710 hectares with seven tenants having achieved better than forecast yields and expected returns on capital deployed.

The outlook for NZL remains very positive for future earnings and value growth.

What I believe many investors are failing to appreciate with NZL, and this has been recognised globally, is that quality rural land is an increasingly scarce and critical primary infrastructure asset which serves as one of the best inflationary hedges, with predictable income under long-term leases.

Our results to date suggest to me that shareholders should be happy to back NZL to continue to grow its portfolio over time to become a sizeable rural landowner and NZX listed company.

To facilitate NZL's future growth the Board and Manager have agreed to the following:

1. Amend NZL's capital management policy to include the ability to undertake placements as well as pro-rata offers. Currently, our foreign ownership is at ~23.71% (as at 30 June 2022) and the Board and Manager are looking to lift this foreign ownership percentage in the year ahead. This may also include dual listing on another global stock exchange.
2. When NZL was listing, we sought to be very conservative and tabled a target gearing ratio of 30% - now that we have a sizeable and geographically diversified asset base alongside further tenant diversification the Board has amended this target gearing ratio to a maximum 40%. This is in line with Rabobank's loan-to-value ratio (LVR) limit of 40% on our current lending facilities.
3. The Board of NZL has also resolved to change balance date to 31 December (from 30 June). This shifts our annual result reporting to the end of February each year, well ahead of the season where pastoral farms traditionally trade (May/June) which will further assist the Manager in its negotiations and acquisitions in the future.

These changes are a natural evolution for NZL at this juncture.

I would also like to extend a personal thank you to all our shareholders including the institutional investors that assisted in making NZL a reality and the sizeable landowner it is today.

I have read many times over the years complaints about the lack of listings in New Zealand and the lack of available exposure to the New Zealand agricultural sector. NZL provides the purest exposure to New Zealand rural land, it is also a relatively new listing which has proven its strategy via excellent execution by our Manager in a short period of time. In my mind, this ticks several boxes of what investors seem to be requesting in a new listing – yet many investors still sit on their hands and continue to criticise the NZX.

In NZL, we have created a company in 18 months that provides a unique exposure to New Zealand's largest and most important industry with \$289 million in assets and over \$186 million in equity. I am extremely proud of the quality of execution since listing, and I would encourage those investors looking to grow our capital markets to consider not watching from the sidelines and support the future growth of NZL on its journey to becoming what we believe can be a sizeable NZX listed company.



**Rob Campbell**  
**Independent Chair**

# SECTION 2 STATUTORY INFORMATION

for the period ended 30 June 2022

## DIRECTORS

NZL's shareholders elect Directors to look after their interests. Directors are expected to:

- Ensure the strategic goals of NZL are clearly established and strategies are in place to achieve them;
- Approve and monitor NZL's financial statements, corporate governance and other reporting, including reporting to Shareholders and other stakeholders in accordance with its statutory functions;
- Establish procedures and systems to promote a culture and remuneration practice within NZL which facilitates the recruitment, professional development and retention of staff;
- Ensure that NZL has appropriate risk management and regulatory compliance policies in place and monitor the integrity of these policies;
- Familiarise itself with issues of concern to Shareholders and significant Stakeholders, including customers, staff, lessee's and the community; and
- Monitor the performance of NZL's Manager.

**Rob Campbell**, appointed in September 2020, has more than 30 years' experience in investment management and corporate governance. He is the Chair of Environmental Protection Authority NZ, Te Whatu Ora - Health New Zealand, Ara Ake and Chancellor of Auckland University of Technology. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

**Sarah Kennedy**, appointed in September 2020, is also currently an independent director of NZX-listed Comvita and the Founder & CEO of Calocurb Limited, a direct to consumer company selling internationally. She is the former CEO of Lifestream International, a New Zealand-owned company specialising in bioavailable, ethical, plant-based health foods. Sarah has also been chief executive of Designer Textiles International. From 2011 to 2014, she held a number of senior roles with Fonterra, such as vice president of international farming based in China, managing director of dairy nutrition, and managing director of RD1 — Fonterra's chain of rural retail stores. Before that, Sarah was managing director of Healtheries/Vitaco for a decade. Sarah is a veterinarian by training.

**Christopher Swasbrook**, appointed in September 2020, is one of the founders of New Zealand Rural Land Management. He is also the founder and managing director of Elevation Capital Management. He was previously a Partner of Goldman Sachs JBWere Pty, co-head of institutional equities at Goldman Sachs JBWere (NZ) and a foundation broker of the NZX. He has been a board member of the Financial Markets Authority since 2019 and a member of the NZX Listing Sub-Committee since 2008. He is also a director of Allied Farmers Limited, Bethunes Investments Limited and SwimTastic Limited.

**Tia Greenaway**, appointed in September 2021, currently leads the Rautaki Māori team for He Pou a Rangi, Climate Change Commission and is responsible for delivering the Iwi/Māori aspects of the Commission's work programme. Tia has broad experience in the Māori sector and holds various roles on Iwi and Ahu Whenua Trusts and Committees operating mainly in farming and forestry. Tia is passionate about improving wellbeing outcomes for our taiao and our mokopuna and has been a key contributor to the development of the wellbeing framework He Ara Waiora - A Pathway towards Wellbeing, a collaboration between Māori thought-leaders and the Treasury. Tia is a member of Chartered Accountants Australia and New Zealand.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

NZL and its tenants share a vision of sustainable practices. These include practices that enhance the health and wellbeing of the natural environment, animals and communities connected to the land. NZL is prioritising working with tenants who share these values. Additionally, NZL and its tenants agree to binding sustainability pledges in leases.

## CORPORATE GOVERNANCE

The Board is committed to the highest standard of corporate governance as established by recognised best practice. The Board is responsible for establishing and implementing NZL's corporate governance frameworks. NZL's corporate governance practices have been prepared in accordance with the Financial Markets Authority's Corporate Governance Handbook, the requirements of the NZX Listing Rules and the recommendations in the NZX Corporate Governance Code (NZX Code).

The Board has implemented governance principles and processes to establish, shape and maintain appropriate governance standards and behaviours throughout NZL that align with the NZX Code. The adoption of governance principles ensures that the Board act in accordance with agreed standards of ethical and moral behaviour, including observing NZL's Code of Ethics.

Copies of NZL's key corporate governance documents, including NZL's Board Charter and Code of Ethics, are available at NZL Policy Documents & Constitution section of NZL's website: <https://nzrlc.co.nz/company-policy-documents>.

### Corporate Governance Structure

The Board are elected by Shareholders of NZL. The Board has overall responsibility for the governance of NZL, while the day-to-day management of NZL has been delegated to the Manager. The respective roles of the Board and the Manager within this corporate governance structure are summarised below.

### Role of the Board

The primary role of the Board is to approve and monitor the strategic direction of NZL that is recommended by the Manager and to add long-term value to NZL's shares, whilst having appropriate regard to the interests of all material Stakeholders. Further information on the Board's role and responsibilities is set out in the Board Charter.

### Board Committees

The Board may establish a committee to consider certain issues and functions in more detail. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities. The Board has established two standing committees, and other committees may be established on a case-by-case basis where the Board considers it appropriate to do so.

### Audit and Risk Committee

The Board has established an Audit and Risk Committee (Sarah Kennedy and Rob Campbell), with the role of overseeing financial reporting, accounting policies, financial management, and internal control systems. The Audit and Risk Committee responsibilities are outlined in the Audit and Risk Committee Charter available on NZL's website.

### Remuneration Committee

The Board has established a Remuneration Committee, with the role of recommending Director remuneration packages to Shareholders. The Remuneration Committee responsibilities are outlined in the Remuneration Committee Charter available on NZL's website.

### Board Membership

The Board shall comprise of at least three Directors, with at least two independent Directors, and an intention that one Director is nominated and appointed as a representative of the Manager. The composition of the Board reflects the duties and responsibilities it is required to perform in setting NZL's strategy and ensuring it is implemented.

At the date of this Annual Report, the Board comprises four Directors (three independent Directors and one non-independent Director).

### Independence

The Board Charter of NZL sets out the standards for determining whether a Director is independent for the purposes of service on the Board and committees. These standards reflect the requirements of the NZX Listing Rules. A Director is independent if the Board affirmatively determines that the Director has satisfied these standards. As at 30 June 2022, the Board has determined that:

- Sarah Kennedy, Tia Greenaway and Rob Campbell are Independent Directors; and
- Christopher Swasbrook is a non-Independent Director because of his part ownership of, and executive management role with, the Manager.

### Tenure

Directors are not appointed for fixed terms. However, the Constitution and the NZX Listing Rules require all Directors to stand for re-election at the third annual meeting after appointment or after three years (whichever is longer). A Director appointed by the Board to fill a casual vacancy must also stand for election at the following annual meeting.

### Board and Committee Meetings

The Board holds at least eight meetings per year, and additional Board meetings are held where necessary in order to prioritise and respond to issues as they arise. The Board and committee meetings and attendance in Financial Year 2022 are set out below:

| Attendee              | Board Meetings | Audit and Risk Committee | Remuneration Committee* |
|-----------------------|----------------|--------------------------|-------------------------|
| Rob Campbell          | 10/10          | 1/1                      | -                       |
| Sarah Kennedy         | 10/10          | 1/1                      | -                       |
| Christopher Swasbrook | 9/10           | -                        | -                       |
| Tia Greenaway         | 9/10           | -                        | -                       |

\* No remuneration committee meetings were required during the year because there were no proposals to alter Directors' fee.

### Independent Professional Advice

Directors are entitled to seek independent professional advice on any aspect of the Directors' duties at NZL's expense, with the approval of the Chair.

During FY22 no instances have arisen whereby a Board committee or individual director has needed to seek independent legal or financial advice. However, the Board has access to appropriate internal and external expertise to support board assurance activities:

- All executives of the Manager have direct access to the Board and each of the Directors;

- The external Audit Firm Lead Partner has direct access to the Chair of the Audit and Risk Committee, and has “Board only” time without management present at Audit and Risk Committee meetings; and
- The Board has directly sought expert external valuation, corporate finance, tax, and legal advice as required.

### **Board Assessment**

Now that NZL has been in operation for 18 months, and appointment of the full Board of 4 Directors has been completed, in the next 6 months the Board will perform an evaluation of the Board and its sub-committee’s performance.

### **Directors’ and Officers’ Insurance**

While acting in their capacities as Directors, NZL provides indemnity and insurance cover for Directors to the fullest extent permitted by law. As permitted by its Constitution, NZL has entered into a deed of indemnity, insurance and access indemnifying each Director for potential liabilities, losses, costs and expenses they may incur for acts or omissions in their capacity as Director, and agreeing to effect directors’ and officers’ liability insurance for those persons, in each case subject to the limitations set out in the Companies Act 1993.

### **Role of New Zealand Rural Land Management Limited Partnership**

The day-to-day management responsibilities for NZL have been delegated to the Manager under a long-term Management Agreement. The Management Agreement details a comprehensive list of the Manager’s duties and responsibilities, and the fees payable to the Manager (which are summarised in the Financial Statements at page 30-31 of this report). Under the Management Agreement, the Manager is responsible for the:

- Management and administration of NZL including secretariat services;
- Management of properties owned by NZL;
- Sourcing of sale and purchase opportunities, including overseeing the due diligence and execution processes;
- Operation of lease arrangements;
- Communication with investors; and
- Administration of dividends and distributions.

### **Manager Performance**

A key role of the Board is to monitor the performance of the Manager. NZL benefits from having a management team with a great breadth and depth of skills, however the Board recognises that the interests of the Manager and the interests of NZL’s Shareholders have the potential to conflict.

The Board is responsible for identifying, assessing and resolving any potential conflicts in relation to NZL’s structure, NZL’s adopted strategies and the resulting potential fees payable to the Manager. Any matters to be considered under the Management Agreement by NZL are considered and determined by the independent Directors on the Board. Where the Board must vote on any matter relating to the Manager, Chris Swasbrook is interested and must not vote on that matter.

### **Diversity**

NZL has a Diversity Policy, which describes NZL’s approach to diversity and inclusion. NZL believes that building and celebrating diversity in the workplace creates an inclusive workplace culture and delivers enhanced business performance. The Diversity Policy applies to the Board and the Manager and should be read in conjunction with NZL’s Code of Ethics and all other policies that cover areas such as values, culture and employee expectations. A copy of the Diversity Policy is available on NZL’s website. The Board has not at this time completed an evaluation of performance against the diversity policy. Evaluating performance



against the diversity policy is not yet applicable as the Company needed to complete its first full financial year in operation before doing so. Accordingly, this will be completed in the next 6 months.

The following table provides a quantitative breakdown as at 30 June 2022 as to the gender composition of the Board:

| 2022 Position | Female | Male | Proportion Female | Proportion Male |
|---------------|--------|------|-------------------|-----------------|
| Board         | 2      | 2    | 50%               | 50%             |
| Officers      | 0      | 1    | 0%                | 100%            |

### NZX Corporate Governance Code

NZL considers that during the Financial Year 2022, NZL materially complied with the Code. NZL does deviate from the Code, by not having a formally established Nominations Committee. Given the current nature and structure of NZL, the Board considers the matters related to nominations are best undertaken by the entire Board.

### Risk Management

The Audit and Risk Committee ensures that NZL fulfils its responsibilities in all matters related to risk management. The Committee is responsible for overseeing financial reporting, accounting policies, financial management and internal control systems. Formal control and reporting processes have been introduced to ensure the Board is properly and regularly informed on corporate financial matters.

### Health & Safety

NZL owns farming property and leases it to tenants, and the Manager manages the lease arrangement on behalf of NZL. This scenario creates overlapping health and safety duties for the properties. NZL, the Manager, and the tenant have carefully considered each parties' ability to influence and control health and safety matters, and are progressing toward reflecting this in a Health and Safety Overlapping Duties Agreement. This takes into account who has control over work activity, control of the workplace and control over workers, and allocates in a detailed register responsibilities based on who is in the best position to control, influence and manage each health and safety obligation to ensure successful implementation and avoid duplication of efforts.

In addition, both NZL and the Manager are developing a Health & Safety Management Plan, and the Manager has developed a Quarterly Health and Safety Governance Report for the NZL Board which will provide an update and performance rating for each risk.

### Directors' Relevant Interests

As at 30 June 2022, the Directors of NZL who have relevant interests (as defined in the Financial Market Conduct Act 2013) in quoted financial products of NZL are as follows:

| NZL Ordinary Shares   | Beneficial interests | Non-beneficial interests |
|-----------------------|----------------------|--------------------------|
| Rob Campbell          | 477,984              | -                        |
| Sarah Kennedy         | 40,678               | -                        |
| Christopher Swasbrook | 340,000              | 2,101,500                |
| Tia Greenaway         | 6,102                | -                        |

As at 30 June 2022, the Directors of NZL held, in aggregate, 2.63% of NZL's ordinary shares.

Directors disclosed the following acquisitions and disposals of relevant interests in NZL shares during FY22 pursuant to section 148 of the Companies Act 1993:

| NZL Ordinary Shares   | Beneficial interests as at 30 June 2022 | Change from 30 June 2021 | Non-beneficial interests as at 30 June 2022 | Change from 30 June 2021 |
|-----------------------|---|--------------------------|---|--------------------------|
| Rob Campbell          | 477,984                                 | +411,318                 | -   | -                        |
| Sarah Kennedy         | 40,678                                  | +7,345                   | -   | -                        |
| Christopher Swasbrook | 340,000                                 | +210,000                 | 2,101,500                                   | +368,167                 |
| Tia Greenaway         | 6,102                                   | +6,102                   | -   | -                        |

### Interests Register

The following are the relevant interests of the Directors of NZL and its subsidiaries as at 30 June 2022:

#### Rob Campbell

Director of Ara Ake Limited  
 Chancellor of Auckland University of Technology  
 Chair of Health New Zealand  
 Director of RC Custodian Limited  
 Director of Serica Credit Balanced Fund  
 Director of Tutanekai Investments

#### Sarah Kennedy

Founder and CEO of Calocurb Limited  
 Director of Comvita Limited  
 Director of Final Mile Holdings Limited  
 Director of Lanaco Limited  
 Director of Lifestream International Limited

#### Christopher Swasbrook

Director of Allied Farmers Limited  
 Director of Bethunes Investments Limited  
 Director of SwimTastic Limited  
 Director of Elevation Capital Management Limited  
 Board Member of Financial Markets Authority  
 Member of NZX Listing Sub-Committee

#### Tia Greenaway

Member of New Zealand Maori Tourism Audit and Risk Committee  
 Trustee of Ngati Tutemohuta Charitable Trust  
 Associate Trustee of Opepe Farm Trust  
 Committee Member of Opepe Investment Committee  
 Director of Piata Horizons Limited  
 Member of Rongowhakaata Iwi Trust Audit and Finance Committee  
 Responsible Trustee of Tauhara Middle 14 Trust  
 Responsible Trustee of Tauhara Middle Lands Trust

## Directors' Remuneration

The remuneration paid to NZL and its subsidiaries' Directors in respect of the year ended 30 June 2022 was as follows (these amounts exclude GST, where appropriate):

| Director              | Financial Year 2022 (NZD) |
|-----------------------|---------------------------|
| Rob Campbell          | 97,500.00                 |
| Sarah Kennedy         | 64,999.92                 |
| Christopher Swasbrook | Nil                       |
| Tia Greenaway         | 54,166.60                 |
| Total                 | 216,666.52                |

Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties.

Directors do not receive any retirement benefits, and do not receive share options. Whilst NZL strongly encourages NZL's share ownership to support shareholder alignment, it is not compulsory given that personal circumstances may mean share ownership is not appropriate or achievable.

Any proposed increases in non-executive Director fees will be put to shareholders for approval. If independent advice is sought by the Board, it will be disclosed to shareholders as part of the approval process.

The following Board skills matrix outlines the qualifications, capabilities, geographical location, tenure and gender of each member of the Board:

| The following Board skills matrix outlines the qualifications, capabilities, geographical location, tenure and gender of each member of the Board | Rob Campbell                             | Chris Swasbrook  | Sarah Kennedy    | Tia Greenaway    |
|---|--|------------------|------------------|------------------|
| Director Qualification  | CNZM,<br>BA (Hons),<br>MPhil (Economics) | BCom (Economics) | PGDip (Business) | MPA (Accounting) |
| Strategic knowledge of rural investments  | Yes                                      | Yes              | Yes              | Yes              |
| Strategic knowledge of funds management businesses  | Yes                                      | Yes              | No               | No               |
| Financial   | Yes                                      | Yes              | Yes              | Yes              |
| Risk management/regulatory  | Yes                                      | Yes              | No               | Yes              |
| Sustainability  | No                                       | No               | Yes              | Yes              |
| Legal   | No                                       | No               | Yes              | Yes              |
| People leadership and culture   | Yes                                      | Yes              | Yes              | Yes              |
| Listed company governance   | Yes                                      | Yes              | Yes              | No               |
| Capital markets   | Yes                                      | Yes              | Yes              | No               |
| Geographic location   | Auckland                                 | Auckland         | Auckland         | Wellington       |
| Tenure (years)  | 21 Months                                | 21 Months        | 21 Months        | 10 Months        |
| Gender  | Male                                     | Male             | Female           | Female           |

## Employee Remuneration

NZL, including its subsidiaries, have no employees. NZL is managed by the Manager under the Management Agreement. Details of the fees paid to the Manager are included in the Financial Statements on pages 30-31.

## Subsidiaries

NZL has one subsidiary, NZRLC Dairy Holdings Limited, a company incorporated in New Zealand in March 2021. As at 30 June 2022, the Directors of NZRLC Dairy Holdings Limited are Rob Campbell, Sarah Kennedy, Christopher Swasbrook and Tia Greenaway.

## Donations

NZL, including its subsidiaries, did not make any donations during the year ended 30 June 2022. NZL has a policy of not making political donations.

## Dividends Paid

A total dividend for the FY22 financial year of 3.61 cents per share was paid to shareholders.

## Company Secretariat Services

Company Secretariat Services are provided by the Manager. The Manager manages the independence of Company Secretariat Services via oversight from the Manager's Board of Directors. The Board of the Manager has an Independent Chair: Shelly Ruha.

## Auditors

The Audit and Risk Committee reviews the quality and cost of the audit undertaken by the NZL's external auditors and provides a formal channel of communication between the Board, senior management and external auditors.

The Audit and Risk Committee approves the auditor's terms of engagement, audit partner rotation (at least every five years) and audit fee, and reviews and provides feedback in respect of the annual audit plan. The Board is aware that a lengthy audit firm tenure has the potential to compromise auditor independence, and therefore will rotate the audit firm after 10 years unless on balance it is not in the interests of NZL to do so. The Committee periodically has time with the external auditor without management present. The Audit and Risk Committee also assesses the auditor's independence on an annual basis.

An External Auditor Independence Policy has been adopted and sets out the services that may or may not be performed by the external auditor.

PricewaterhouseCoopers (PwC) was appointed as external auditor for NZL on 16 November 2020 and Richard Day was appointed as Lead Audit Partner on the same date.

All audit work is fully separated from non-audit services, to ensure that appropriate independence is maintained. The amount of fees paid to PwC for audit work in FY22 are identified in note 18 of the consolidated financial statements. At the 2021 Annual Meeting shareholders authorised the Directors to fix the auditor's fees and expenses for the ensuing year.

PwC has provided the Audit and Risk Management Committee with written confirmation that, in its view, it was able to operate independently during the year.

PwC attended the 2021 Annual Shareholders' Meeting and were available to answer any questions.

No non-audit services were provided by PwC.

## NZX Waivers

The following waivers from the NZX Listing Rules were granted to the Company or relied upon by the Company during the financial year ended 30 June 2022

On 18 October 2021 NZL sought and was granted a waiver from the requirement under Rule 5.1.1 to obtain shareholder approval to enter into and perform a Transaction in connection with the acquisition of six dairy assets of approximately 3,522 hectares located in the South Island for consideration of \$60.64 million. The Transaction constituted a Major Transaction for the purposes of Rule 5.1.1 due to the Value of the Transaction exceeding 50% of NZL's AMC. The waiver from Rule 5.1.1 was granted provided that the Board of NZL certify that in the opinion of each of the non interested directors that the Transaction: i) is in the best interests of, and is fair and reasonable to, all shareholders of NZL; ii) was negotiated on an arms' length basis; iii) does not significantly change the nature of NZL's business, and is in accordance with the strategy and terms set out in NZL's Product Disclosure Statement; and iv) is not a major transaction for NZL requiring shareholder approval for the purposes of the Companies Act 1993.

**Credit Rating**

NZL does not have a credit rating.

**Substantial Product Holders**

The following information is pursuant to section 293 of the Financial Markets Conduct Act 2013. The total number of voting securities of NZL on issue as at 5 September 2022 was 115,601,570. According to notices received by NZL, the following persons were substantial product holders in NZL as at 5 September 2022:

| Ordinary shares  | Number held |
|--|-------------|
| ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited | 10,723,481  |
| Jarden Securities Limited and Harbour Asset Management Limited   | 10,319,768  |
| Clyde and Rena Holland   | 10,089,278  |
| Vaulterra Holdings LLC   | 5,960,000   |

**Spread of Shareholders**

The spread of the Shareholders of NZL as at 5 September 2022 is as follows:

| Number of Shares | Number of Holders | Total Shares Held | Percentage (%) |
|------------------|-------------------|-------------------|----------------|
| 1 - 1,000        | 132               | 97,135            | 0.08           |
| 1,001 – 5,000    | 426               | 1,219,111         | 1.05           |
| 5,001 – 10,000   | 237               | 1,849,024         | 1.61           |
| 10,001 – 50,000  | 340               | 7,870,132         | 6.81           |
| 50,001 – 100,000 | 48                | 3,608,120         | 3.12           |
| 100,001 and over | 65                | 100,958,048       | 87.33          |
| Total            | 1,248             | 115,601,570       | 100.00         |

**Twenty Largest Shareholders**

The twenty largest Shareholders of NZL as at 5 September 2022 are as follows:

| Shareholders  | Number held |
|---|-------------|
| New Zealand Permanent Trustees Limited                          | 18,810,511  |
| Premier Nominees Limited  | 7,376,842   |
| FNZ Custodians Limited  | 5,739,064   |
| TEA Custodians Limited  | 4,988,074   |
| Forsyth Barr Custodians Limited                                 | 4,900,000   |
| MFL Mutual Fund Limited   | 4,892,608   |
| Accident Compensation Corporation                               | 4,230,587   |
| Allied Farmers Limited  | 4,149,874   |
| Janice Catherine Walker & Sonya Jane Walker & Duncan Varhan Fea | 4,000,000   |
| New Zealand Depository Nominee                                  | 3,206,467   |
| Custodial Services Limited                                      | 3,163,096   |
| Citibank Nominees (NZ) Ltd                                      | 2,868,179   |
| Wairahi Investments Limited                                     | 2,300,125   |
| Investment Custodial Services Limited                           | 2,197,312   |
| DFS Investment Partners LLC                                     | 1,950,790   |
| JPMorgan Chase Bank   | 1,923,057   |
| New Zealand Permanent Trustees Limited                          | 1,830,222   |
| HSBC Nominees (New Zealand) Limited                             | 1,556,258   |
| FNZ Custodians Limited  | 1,334,912   |
| Public Trust RIF Nominees Limited                               | 1,256,513   |

SECTION **3** Financial Statements

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

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The directors are pleased to present the financial statements of New Zealand Rural Land Company Limited and its subsidiary for the financial years period ended 30 June 2022.

The Board of Directors of New Zealand Rural Land Company Limited authorised the financial statements for issue on 25 August 2022.

For and on behalf of the Board



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Director



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Director

**New Zealand Rural Land Company Limited and its subsidiary**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 June 2022**

|   | Notes | 292 day period<br>ended 30 June |                |
|---|-------|---------------------------------|----------------|
|   |       | 2022<br>\$'000                  | 2021<br>\$'000 |
| <b>Gross rental income</b>  |       |                                 |                |
| Rental income   | 6     | 8,215                           | 498            |
| <b>Net rental income</b>  |       | <b>8,215</b>                    | <b>498</b>     |
| <b>Less overhead costs</b>  |       |                                 |                |
| Directors fees  |       | (217)                           | (170)          |
| Insurance   |       | (80)                            | (31)           |
| Marketing expenses  |       | (1)                             | (125)          |
| Management fees   | 19    | (632)                           | (99)           |
| Professional and consulting fees  |       | (456)                           | (200)          |
| Performance fee   | 19    | (4,115)                         | (1,625)        |
| Other expenses  |       | (85)                            | (68)           |
| <b>Total overhead costs</b>   |       | <b>(5,586)</b>                  | <b>(2,318)</b> |
| <b>Profit / (loss) before net finance income, other income and income tax</b> |       | <b>2,629</b>                    | <b>(1,820)</b> |
| Finance income  |       | 3,550                           | 122            |
| Finance expense   |       | (2,408)                         | (234)          |
| <b>Net finance income / (expense)</b>   | 7     | <b>1,142</b>                    | <b>(112)</b>   |
| <b>Profit / (loss) before other income and income tax</b>                     |       | <b>3,771</b>                    | <b>(1,932)</b> |
| <b>Other income</b>   |       |                                 |                |
| Change in fair value of investment property                                   | 5     | 35,342                          | 16,525         |
| <b>Profit before tax</b>  |       | <b>39,113</b>                   | <b>14,593</b>  |
| Income tax benefit  | 8.1   | 567                             | 522            |
| <b>Profit and total comprehensive income for the period</b>                   |       | <b>39,680</b>                   | <b>15,115</b>  |
| <b>Basic and diluted earnings per share</b>                                   | 24    | <b>42.43</b>                    | <b>37.49</b>   |



These financial statements are to be read in conjunction with the accompanying notes





# New Zealand Rural Land Company Limited and its subsidiary

## Consolidated statement of financial position

At 30 June 2022

|  | Notes | 2022<br>\$'000 | 2021<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Current assets</b>                      |       |                |                |
| Cash and cash equivalents                  | 9     | 1,004          | 20,496         |
| Trade and other receivables                | 10    | 1,411          | 668            |
| Current tax receivable                     |       | 10             | 23             |
| <b>Total current assets</b>                |       | <b>2,425</b>   | <b>21,187</b>  |
| <b>Non-current assets</b>                  |       |                |                |
| Investment property                        | 5     | 264,899        | 137,678        |
| Loan receivable                            | 11    | 18,554         | 5,475          |
| Deferred tax assets                        | 8.2   | 1,089          | 522            |
| Derivative assets                          | 12    | 1,792          | -              |
| Other non-current assets                   |       | 256            | 75             |
| <b>Total non-current assets</b>            |       | <b>286,590</b> | <b>143,750</b> |
| <b>Total assets</b>                        |       | <b>289,015</b> | <b>164,937</b> |
| <b>Current liabilities</b>                 |       |                |                |
| Trade and other payables                   | 13    | 923            | 308            |
| Income in advance                          |       | 579            | -              |
| Other current liabilities                  |       | 150            | -              |
| <b>Total current liabilities</b>           |       | <b>1,652</b>   | <b>308</b>     |
| <b>Non-current liabilities</b>             |       |                |                |
| Borrowings                                 | 14    | 100,768        | 54,254         |
| Derivative liabilities                     | 12    | -              | 121            |
| <b>Total non-current liabilities</b>       |       | <b>100,768</b> | <b>54,375</b>  |
| <b>Total liabilities</b>                   |       | <b>102,420</b> | <b>54,683</b>  |
| <b>Net assets</b>                          |       | <b>186,595</b> | <b>110,254</b> |
| Share capital                              | 15    | 129,632        | 93,514         |
| Share based payment reserve                | 17    | 4,115          | 1,625          |
| Retained earnings                          |       | 52,848         | 15,115         |
| <b>Total equity</b>                        |       | <b>186,595</b> | <b>110,254</b> |
|  |       | \$             | \$             |
| <b>Net Assets Value (NAV) per share</b>    | 21.2  | <b>1.6564</b>  | <b>1.3968</b>  |
| <b>Net Tangible Assets (NTA) per share</b> | 21.2  | <b>1.6309</b>  | <b>1.3918</b>  |



These financial statements are to be read in conjunction with the accompanying notes



# New Zealand Rural Land Company Limited and its subsidiary

## Consolidated statement of changes in equity

For the year ended 30 June 2022

|  |    | Share capital<br>\$'000 | Share based<br>payment<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
|--|----|-------------------------|---|--------------------------------|-----------------|
| <b>Balance at 11 September 2020</b>        |    | -                       | -   | -                              | -               |
| <b>Comprehensive Income</b>                |    |                         |   |                                |                 |
| Profit for the period                      |    | -                       | -   | 15,115                         | 15,115          |
| <b>Total comprehensive income</b>          |    | -                       | -   | <b>15,115</b>                  | <b>15,115</b>   |
| <b>Transactions with shareholders</b>      |    |                         |   |                                |                 |
| Contributed capital                        | 14 | 95,893                  | -   | -                              | 95,893          |
| Transaction costs                          | 14 | (2,379)                 | -   | -                              | (2,379)         |
| Performance fee payable in ordinary shares | 15 | -                       | 1,625                                       | -                              | 1,625           |
| <b>Balance at 30 June 2021</b>             |    | <b>93,514</b>           | <b>1,625</b>                                | <b>15,115</b>                  | <b>110,254</b>  |
| <b>Comprehensive Income</b>                |    |                         |   |                                |                 |
| Profit for the period                      |    | -                       | -   | 39,680                         | 39,680          |
| <b>Total comprehensive income</b>          |    | -                       | -   | <b>39,680</b>                  | <b>39,680</b>   |
| <b>Transactions with shareholders</b>      |    |                         |   |                                |                 |
| Contributed capital                        | 15 | 34,852                  | -   | -                              | 34,852          |
| Transaction costs                          | 15 | (551)                   | -   | -                              | (551)           |
| Performance fee issued in ordinary shares  | 15 | 1,625                   | (1,625)                                     | -                              | -               |
| Performance fee payable in ordinary shares | 17 | -                       | 4,115                                       | -                              | 4,115           |
| Dividends paid                             | 16 | -                       | -   | (1,947)                        | (1,947)         |
| Dividend reinvestment plan issues          | 16 | 192                     | -   | -                              | 192             |
| <b>Balance at 30 June 2022</b>             |    | <b>129,632</b>          | <b>4,115</b>                                | <b>52,848</b>                  | <b>186,595</b>  |



These financial statements are to be read in conjunction with the accompanying notes



# New Zealand Rural Land Company Limited and its subsidiary

## Consolidated statement of cash flows

For the year ended 30 June 2022

|   | Notes | 2022<br>\$'000   | 2021<br>\$'000   |
|---|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                   |       |                  |                  |
| Lease income received   |       | 6,505            | 23               |
| Payments to suppliers   |       | (394)            | (716)            |
| Management fees paid  |       | (663)            | (70)             |
| Income taxes received / (paid)                                |       | 12               | (23)             |
| Interest paid   |       | (1,890)          | (117)            |
| Interest received   |       | 599              | 77               |
| <b>Net cash generated by / (used in) operating activities</b> |       | <b>4,169</b>     | <b>(826)</b>     |
| <b>Cash flows from investing activities</b>                   |       |                  |                  |
| Payment for NZX listing bond                                  |       | -                | (75)             |
| Payments for investment properties                            |       | (90,492)         | (120,685)        |
| Payments for leasehold improvements                           |       | (181)            | -                |
| Payment for loan receivable                                   |       | (12,018)         | (5,430)          |
| <b>Net cash used in investing activities</b>                  |       | <b>(102,691)</b> | <b>(126,190)</b> |
| <b>Cash flows from financing activities</b>                   |       |                  |                  |
| Proceeds from convertible loan                                |       | -                | 375              |
| Proceeds from issue of ordinary shares                        |       | 34,822           | 95,249           |
| Payment of transaction costs on issue of ordinary shares      |       | (551)            | (2,366)          |
| Dividends paid  |       | (1,755)          | -                |
| Proceeds from borrowings                                      |       | 60,768           | 54,254           |
| Repayment of borrowings                                       |       | (14,254)         | -                |
| <b>Net cash generated by financing activities</b>             |       | <b>79,030</b>    | <b>147,512</b>   |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |       | <b>(19,492)</b>  | <b>20,496</b>    |
| Cash and cash equivalents beginning of the year               |       | 20,496           | -                |
| <b>Cash and cash equivalents at the end of the period</b>     | 9     | <b>1,004</b>     | <b>20,496</b>    |



These financial statements are to be read in conjunction with the accompanying notes

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

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### 1 Reporting entity

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

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.

These financial statements are for the financial year ending 30 June 2022. The comparative period is the 292 day period ended 30 June 2021.

### 2 Basis of preparation

#### 2.1 Statement of compliance and reporting framework

The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). 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.

#### 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 subsidiary. 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.

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

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### 2.4 Basis of consolidation (continued)

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.

#### ***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.

**2.5 Financial instruments (continued)**

***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)
- 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 30 June 2022.

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.

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 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 four significant customers, Performance Livestock Limited, Sustainable Grass Limited, Performance Dairy Limited, and WHL Capital Limited. The total rental income derived in the year ended 30 June 2022 from these customers was \$1.358 million, \$1.167 million, \$3.095 million, and \$2.029 million respectively. No other single customer contributed 10% or more of the Group's total rental income.

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 30 June 2022 from these customers was \$0.549 million and \$1.1 million respectively. No other single customer contributed 10% or more of the Group's total finance income.

### 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 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:

##### 30 June 2022

| Location                                   | Land area<br>Hectares | Opening<br>balance<br>\$'000 | Additions <sup>1</sup><br>\$'000 | Lease fee<br>amortisation<br>\$'000 | Capitalised                               | Revaluation<br>gain<br>\$'000 | Carrying value<br>\$'000 |
|--|-----------------------|------------------------------|----------------------------------|-------------------------------------|---|-------------------------------|--------------------------|
|  |                       |                              |                                  |                                     | lease<br>incentive <sup>2</sup><br>\$'000 |                               |                          |
| Canterbury                                 | 5,765                 | 126,581                      | -                                | (8)                                 | 1,273                                     | 11,962                        | 139,808                  |
| Otago                                      | 3,500                 | -                            | 61,544                           | (30)                                | -   | 18,624                        | 80,138                   |
| Southland                                  | 1,386                 | 11,097                       | 29,096                           | (5)                                 | 9   | 4,756                         | 44,953                   |
| <b>Fair value of investment properties</b> |                       | <b>137,678</b>               | <b>90,640</b>                    | <b>(43)</b>                         | <b>1,282</b>                              | <b>35,342</b>                 | <b>264,899</b>           |

<sup>1</sup> Includes directly attributable acquisition costs.

<sup>2</sup> Net of amortisation.

##### 30 June 2021

| Location                                   | Land area<br>Hectares | Additions <sup>1</sup><br>\$'000 | Capitalised                               | Revaluation<br>gain<br>\$'000 | Carrying value<br>\$'000 |
|--|-----------------------|----------------------------------|---|-------------------------------|--------------------------|
|  |                       |                                  | lease<br>incentive <sup>2</sup><br>\$'000 |                               |                          |
| Canterbury                                 | 5,765                 | 110,273                          | 468                                       | 15,840                        | 126,581                  |
| Southland                                  | 456                   | 10,412                           | -   | 685                           | 11,097                   |
| <b>Fair value of investment properties</b> |                       | <b>120,685</b>                   | <b>468</b>                                | <b>16,525</b>                 | <b>137,678</b>           |

<sup>1</sup> Includes directly attributable acquisition costs.

<sup>2</sup> Net of amortisation.

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 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 valued by Colliers International, with values applicable as at 30 June 2022.

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:

|                  | 2022 | 2021 |
|------------------|------|------|
| Land growth rate | 3%   | 3%   |
| CPI              | 2%   | 2%   |
| Discount rate    | 7%   | 7.5% |
| Terminal rate    | 6.5% | 6.5% |

### 5.2 Valuation methodology

| Key valuation input      | Description   | Measurement sensitivity |                   |
|--------------------------|---|-------------------------|-------------------|
|                          |   | Increase in input       | 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          |



# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 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.

|  | 2022         | 2021       |
|--|--------------|------------|
|  | \$'000       | \$'000     |
| Gross lease receipts                         | 7,416        | 30         |
| Straight line rental adjustments             | 975          | 483        |
| Amortisation of capitalised lease incentives | (176)        | (15)       |
| <b>Rental income</b>                         | <b>8,215</b> | <b>498</b> |

#### 6.1 Operating lease income commitments

The Group has entered into investment property leases (as lessor) which have remaining non-cancellable lease terms of between 10 and 11 years.

|  | 2022           | 2021          |
|--|----------------|---------------|
|  | \$'000         | \$'000        |
| Future minimum rental receivables under non-cancellable operating leases are as follows: |                |               |
| Within 1 year  | 11,338         | 6,137         |
| After 1 year but not more than 5 years   | 45,353         | 24,550        |
| More than 5 years  | 63,296         | 36,307        |
| <b>Total property operating lease income</b>   | <b>119,987</b> | <b>66,994</b> |

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. 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 the 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.

|  | 2022         | 2021         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| <b>Finance income</b>                        |              |              |
| Interest income                              | 1,660        | 122          |
| Gain on fair value of derivative instruments | 1,890        | -            |
| <b>Finance expense</b>                       |              |              |
| Interest expense                             | (2,408)      | (113)        |
| Loss on fair value of derivative instruments | -            | (121)        |
| <b>Net finance income / (expense)</b>        | <b>1,142</b> | <b>(112)</b> |

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 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

|                             | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------|----------------|----------------|
| Current tax expense         | -              | -              |
| Deferred tax (benefit)      | (567)          | (522)          |
| <b>Income tax (benefit)</b> | <b>(567)</b>   | <b>(522)</b>   |

#### Reconciliation of income tax expense to prima facie tax payable:

|  |              |              |
|--|--------------|--------------|
| Profit before tax  | 39,113       | 14,593       |
| Income tax expense calculated at 28%                                     | 10,952       | 4,086        |
| Effect of expenses that are not deductible in determining taxable profit | 25           | 19           |
| Effect of income that is not assessable in determining taxable profit    | (11,436)     | (4,627)      |
| Prior period adjustment  | (108)        | -            |
| <b>Income tax (benefit)</b>  | <b>(567)</b> | <b>(522)</b> |

#### 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.

|   | Opening<br>balance<br>\$'000 | Recognised in<br>profit or loss<br>\$'000 | Closing<br>balance<br>\$'000 |
|---|------------------------------|---|------------------------------|
| <b>2022</b>                                   |                              |   |                              |
| Lease fees                                    | (42)                         | (20)                                      | (62)                         |
| Lease incentives                              | (131)                        | (357)                                     | (488)                        |
| Tax losses                                    | 807                          | 830                                       | 1,637                        |
| Depreciation on investment property           | (112)                        | 112                                       | -                            |
| Other   | -                            | 2   | 2                            |
| <b>Total deferred tax asset / (liability)</b> | <b>522</b>                   | <b>567</b>                                | <b>1,089</b>                 |

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 8.2 Deferred tax assets (continued)

|   | Opening<br>balance | Recognised in<br>profit or loss | Closing<br>balance |
|---|--------------------|---------------------------------|--------------------|
|   | \$'000             | \$'000                          | \$'000             |
| <b>2021</b>                                   |                    |                                 |                    |
| Lease fees                                    | -                  | (42)                            | (42)               |
| Lease incentives                              | -                  | (131)                           | (131)              |
| Tax losses                                    | -                  | 807                             | 807                |
| Depreciation on investment property           | -                  | (112)                           | (112)              |
| <b>Total deferred tax asset / (liability)</b> | <b>-</b>           | <b>522</b>                      | <b>522</b>         |

#### 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.

### 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:

|  | 2022         | 2021          |
|--|--------------|---------------|
|  | \$'000       | \$'000        |
| Cash at bank                           | 1,004        | 20,496        |
| <b>Total cash and cash equivalents</b> | <b>1,004</b> | <b>20,496</b> |

### 10 Trade and other receivables

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

|  | 2022         | 2021       |
|--|--------------|------------|
|  | \$'000       | \$'000     |
| Trade receivables                        | 1,054        | 65         |
| Prepayments                              | 312          | 269        |
| GST receivable                           | -            | 334        |
| Other receivables                        | 45           | -          |
| <b>Total trade and other receivables</b> | <b>1,411</b> | <b>668</b> |

### 11 Loan receivable

|                              | 2022          | 2021         |
|------------------------------|---------------|--------------|
|                              | \$'000        | \$'000       |
| <b>Non-current:</b>          |               |              |
| McNaughtons home block       | 6,021         | 5,475        |
| Makikihi Farm                | 12,533        | -            |
| <b>Total loan receivable</b> | <b>18,554</b> | <b>5,475</b> |

On 1 June 2021, the Group acquired land at 30 Cooneys Road, Morven 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.

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 11 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.

### 12 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.

|                        | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------|----------------|----------------|
| Derivative assets      | 1,792          | -              |
| Derivative liabilities | -              | 121            |
|                        | <b>1,792</b>   | <b>121</b>     |

### 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.

|                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Trade payables and accruals           | 908            | 308            |
| GST payable                           | 15             | -              |
| <b>Total trade and other payables</b> | <b>923</b>     | <b>308</b>     |

### 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.

|                                | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Non-current borrowings:</b> |                |                |
| Rabobank facility              | 100,768        | 54,254         |
| <b>Total borrowings</b>        | <b>100,768</b> | <b>54,254</b>  |

|                 | Effective<br>interest rate | Total<br>\$'000 | Undrawn<br>facility<br>\$'000 | Drawn<br>amount<br>\$'000 | Fair value<br>\$'000 |
|-----------------|----------------------------|-----------------|-------------------------------|---------------------------|----------------------|
| <b>2022</b>     | <b>Expiry date</b>         |                 |                               |                           |                      |
| Bank facility A | 1 June 2025                | 46,000          | 4,232                         | 41,768                    | 41,768               |
| Bank facility B | 1 June 2024                | 29,500          | -                             | 29,500                    | 29,500               |
| Bank facility C | 1 June 2026                | 29,500          | -                             | 29,500                    | 29,500               |
|                 |                            | <b>105,000</b>  | <b>4,232</b>                  | <b>100,768</b>            | <b>100,768</b>       |

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 14 Borrowings (continued)

| 2021            | Expiry date | Effective interest rate | Total \$'000  | Undrawn facility \$'000 | Drawn amount \$'000 | Fair value \$'000 |
|-----------------|-------------|-------------------------|---------------|-------------------------|---------------------|-------------------|
| Bank facility A | 1 June 2023 | 2.05%                   | 25,000        | 10,746                  | 14,254              | 14,254            |
| Bank facility B | 1 June 2024 | 2.19%                   | 16,000        | -                       | 16,000              | 16,000            |
| Bank facility C | 1 June 2026 | 2.49%                   | 24,000        | -                       | 24,000              | 24,000            |
|                 |             |                         | <b>65,000</b> | <b>10,746</b>           | <b>54,254</b>       | <b>54,254</b>     |

The Group has entered into a revolving credit facility agreement with Rabobank on 21 May 2021 and renewed on 29 November 2021, 15 June 2022 and 30 June 2022. The facility agreement has a limit of \$105,000,000 with floating interest rates ranging over the three 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 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 2022 reporting period.

### 15 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 |
|--|-------|----------------|------------------------|
| <b>Authorised and issued</b>   |       |                |                        |
| <b>Opening balance</b>   |       | -              | -                      |
| Share capital issued for assignment of intellectual property           | 19.1  | 125            | 100,000                |
| Share capital issued for director services rendered in relation to IPO |       | 75             | 60,000                 |
| Shares issued on initial public offering                               |       | 75,000         | 60,000,000             |
| Loan converted to ordinary shares                                      |       | 375            | 300,000                |
| Rights issue (2:3) to existing shareholders                            |       | 20,318         | 18,470,970             |
| Transaction costs arising on issue of shares                           |       | (2,379)        | -                      |
| <b>Balance 30 June 2021</b>  |       | <b>93,514</b>  | <b>78,930,970</b>      |
| Rights issue to existing shareholders (September 2021)                 |       | 18,486         | 16,805,868             |
| Rights issue to existing shareholders (June 2022)                      |       | 16,366         | 15,586,890             |
| Performance fee issued in ordinary shares                              |       | 1,625          | 1,163,162              |
| Dividend reinvestment plan issues                                      | 16    | 192            | 162,004                |
| Transaction costs arising on issue of shares                           |       | (551)          | -                      |
| <b>Balance at 30 June 2022</b>   |       | <b>129,632</b> | <b>112,648,894</b>     |

The June 2021 performance fee was settled with 1.2 million shares being issued in September 2021 at an equivalent of \$1.3968 per share.

In September 2021, a rights issue to existing shareholders closed with 16.8 million shares being issued at \$1.10 per share.

In June 2022, a rights issue to existing shareholders closed with 15.6 million shares issued at \$1.05 per share.

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.

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 16 Dividends

During the year, total dividends of \$1.947 million were declared. An ordinary dividend of \$0.0201 per share with no supplementary dividend was issued in March 2022. No imputation credits were attached to the dividend.

The company established a dividend reinvestment plan under which holders of ordinary shares could elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares were issued under the plan at a strike price of \$1.1832, with no discount to the market price at the time of the dividend. Under this reinvestment plan, 162,004 shares were issued for a total value of \$191,668. This reduced the overall cash paid for dividends to \$1.755 million.

### 17 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.

|   | 2022         | 2021         |
|---|--------------|--------------|
|   | \$'000       | \$'000       |
| Arising on share-based payments (performance fee) | 4,115        | 1,625        |
| <b>Balance at end of the period</b>               | <b>4,115</b> | <b>1,625</b> |

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 19.1.

### 18 Remuneration of auditors

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

|                                     | 2022          | 2021          |
|-------------------------------------|---------------|---------------|
|                                     | \$'000        | \$'000        |
| <b>Assurance and other services</b> | <b>\$'000</b> | <b>\$'000</b> |
| Statutory audit services            | 96            | 68            |
|                                     | <b>96</b>     | <b>68</b>     |

### 19 Related parties

#### 19.1 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.

Fees paid and owing to the Manager:

|                               | 2022         |                  | 2021         |                  |
|-------------------------------|--------------|------------------|--------------|------------------|
|                               | Fees charged | Owing at 30 June | Fees charged | Owing at 30 June |
|                               | \$'000       | \$'000           | \$'000       | \$'000           |
| Basic management services fee | 632          | 55               | 99           | 30               |
| Land transaction fees         | 1,116        | -                | 1,725        | -                |
| Leasing fees                  | 150          | -                | 150          | -                |
| Performance fee               | 4,115        | 4,115            | 1,625        | 1,625            |
| <b>Total</b>                  | <b>6,013</b> | <b>4,170</b>     | <b>3,599</b> | <b>1,655</b>     |

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 19.1 Remuneration of the Manager (continued)

#### 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 2022 were \$0.632 million (2021: \$0.055 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.

Transactions fee incurred for the period ended 30 June 2022 were \$1.116 million and \$0.150 million (2021: \$1.725 million and \$0.150 million) in relation to the purchase and lease fee components respectively. The purchase fee was 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 2022 financial year was \$4.115 million (2021: \$1.625 million). The shares will be issued to the Manager subsequent to balance date.

### 19.2 Key management personnel compensation

In addition to remuneration of the Manager outlined above, the Group paid directors fees during the period of \$0.217 million (2021: \$0.170 million), of which \$nil was settled in shares (2021: \$0.075 million) and the remainder in cash. There was no other compensation of key management personnel during the period.

### 20 Subsidiary

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

The following subsidiary has been consolidated in the Financial Statements of the Group:

| Name of entity               | Country incorporated | 2022           | 2021           |
|------------------------------|----------------------|----------------|----------------|
|                              |                      | Equity holding | Equity holding |
| NZRLC Dairy Holdings Limited | New Zealand          | 100%           | 100%           |

### 21 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.

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 21.1 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 | 2022<br>\$'000 | 2021<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Net profit after tax</b>                             |       | 39,680         | 15,115         |
| <i>Adjustments</i>                                      |       |                |                |
| Unrealised net (gain) in value of investment properties | 5     | (35,342)       | (16,525)       |
| Performance fee payable in shares                       | 17    | 4,115          | 1,625          |
| Unrealised net (gain) / loss on derivatives             | 7     | (1,890)        | 121            |
| Deferred tax (benefit)                                  | 8.2   | (567)          | (522)          |
| Amortisation of rent free incentives                    | 6     | 176            | -              |
| Amortisation of lease fee                               |       | 46             | 1              |
| <b>Funds from operations ('FFO')</b>                    |       | <b>6,218</b>   | <b>(185)</b>   |
| <b>FFO per share (cents)</b>                            |       | <b>5.52</b>    | <b>(0.23)</b>  |
| <i>Adjustments</i>                                      |       |                |                |
| Incentives and leasing costs                            |       | (1,608)        | (618)          |
| Future maintenance capital expenditure <sup>1</sup>     |       | (319)          | -              |
| <b>Adjusted funds from operations ('AFFO')</b>          |       | <b>4,291</b>   | <b>(803)</b>   |
| <b>AFFO per share (cents)</b>                           |       | <b>3.81</b>    | <b>(1.02)</b>  |

<sup>1</sup> 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.

### 21.2 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 tangibles 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 | 2022<br>\$'000 | 2021<br>\$'000 |
|--|-------|----------------|----------------|
| Total assets                                 |       | 289,015        | 164,937        |
| (Less): Total liabilities                    |       | (102,420)      | (54,683)       |
| <b>Net assets</b>                            |       | <b>186,595</b> | <b>110,254</b> |
| (Less): Deferred tax asset                   | 7.2   | (1,089)        | (522)          |
| (Less) / Add: Derivative (asset) / liability | 12    | (1,792)        | 121            |
| <b>Net tangible assets</b>                   |       | <b>183,714</b> | <b>109,853</b> |
| <b>Number of shares issued ('000)</b>        |       | <b>112,649</b> | <b>78,931</b>  |
| <b>Net assets per share (\$)</b>             |       | <b>1.6564</b>  | <b>1.3968</b>  |
| <b>Net tangible assets per share (\$)</b>    |       | <b>1.6309</b>  | <b>1.3918</b>  |



# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 22 Financial instruments

#### Categories of financial instruments:

|                             | Financial<br>assets/<br>liabilities at<br>FVTPL<br>\$'000 | Financial<br>assets at<br>amortised<br>cost<br>\$'000 | Financial<br>liabilities at<br>amortised<br>cost<br>\$'000 | Total<br>\$'000 |
|-----------------------------|---|---|--|-----------------|
| <b>As at 30 June 2022</b>   |   |   |  |                 |
| <b>Assets</b>               |   |   |  |                 |
| Cash and cash equivalents   | -   | 1,004   | -  | 1,004           |
| Trade and other receivables | -   | 1,099   | -  | 1,099           |
| Loan receivable             | -   | 18,554  | -  | 18,554          |
| Derivative assets           | 1,792   | -   | -  | 1,792           |
|                             | <b>1,792</b>  | <b>20,657</b>   | <b>-</b>   | <b>22,449</b>   |
| <b>Liabilities</b>          |   |   |  |                 |
| Trade and other payables    | -   | -   | 908  | 908             |
| Borrowings                  | -   | -   | 100,768  | 100,768         |
|                             | <b>-</b>  | <b>-</b>  | <b>101,676</b>   | <b>101,676</b>  |

|                             | Financial<br>assets/<br>liabilities at<br>FVTPL<br>\$'000 | Financial<br>assets at<br>amortised<br>cost<br>\$'000 | Financial<br>liabilities at<br>amortised<br>cost<br>\$'000 | Total<br>\$'000 |
|-----------------------------|---|---|--|-----------------|
| <b>As at 30 June 2021</b>   |   |   |  |                 |
| <b>Assets</b>               |   |   |  |                 |
| Cash and cash equivalents   | -   | 20,496  | -  | 20,496          |
| Trade and other receivables | -   | 65  | -  | 65              |
| Loan receivable             | -   | 5,475   | -  | 5,475           |
|                             | <b>-</b>  | <b>26,036</b>   | <b>-</b>   | <b>26,036</b>   |
| <b>Liabilities</b>          |   |   |  |                 |
| Trade and other payables    | -   | -   | 308  | 308             |
| Borrowings                  | -   | -   | 54,254   | 54,254          |
| Derivative liabilities      | 121   | -   | -  | 121             |
|                             | <b>121</b>  | <b>-</b>  | <b>54,562</b>  | <b>54,683</b>   |

### 23 Financial risk management

The use of financial instruments exposes the Group to interest rate, credit and liquidity risks.

#### 23.1 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 30 June 2022 was as follows:

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 23.1 Interest rate risk (continued)

|   | 2022<br>\$'000 | 2021<br>\$'000 |
|---|----------------|----------------|
| <b>Financial assets</b>   |                |                |
| Cash at bank  | 1,004          | 20,496         |
| <b>Financial liabilities</b>                                    |                |                |
| Bank borrowings (net of economic impact of interest rate swaps) | 76,768         | 30,254         |
| <b>Interest rate applicable at balance date</b>                 |                |                |
| Cash at bank  | <1%            | <1%            |
| Bank borrowings (net of economic impact of interest rate swaps) | 4.00%          | 2.24%          |

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:

|   | 2022   |   | 2021  |   |
|---|--|---|---|---|
|   | Interest rate<br>decrease of<br>2%<br>\$'000 | Interest rate<br>increase of 2%<br>\$'000 | Interest rate<br>decrease of<br>0.25%<br>\$'000 | Interest rate<br>increase of<br>0.25%<br>\$'000 |
| Increase / (decrease) in interest expense | (1,535)                                      | 1,535                                     | (6)   | 6   |

### 23.2 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.

# New Zealand Rural Land Company Limited and its subsidiary

## Notes to the consolidated financial statements

For the year ended 30 June 2022

### 23.3 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 30 June 2022, based on contractual non-discounted cash flows:

|                           | Total<br>\$'000 | 0-1 year<br>\$'000 | 1-2 years<br>\$'000 | 2-5 years<br>\$'000 | >5 years<br>\$'000 |
|---------------------------|-----------------|--------------------|---------------------|---------------------|--------------------|
| <b>As at 30 June 2022</b> |                 |                    |                     |                     |                    |
| Trade and other payables  | 923             | 923                | -                   | -                   | -                  |
| Borrowings <sup>1</sup>   | 112,623         | 4,029              | 33,439              | 75,155              | -                  |
| <b>Total</b>              | <b>113,546</b>  | <b>4,952</b>       | <b>33,439</b>       | <b>75,155</b>       | <b>-</b>           |
|                           |                 |                    |                     |                     |                    |
|                           | Total<br>\$'000 | 0-1 year<br>\$'000 | 1-2 years<br>\$'000 | 2-5 years<br>\$'000 | >5 years<br>\$'000 |
| <b>As at 30 June 2021</b> |                 |                    |                     |                     |                    |
| Trade and other payables  | 308             | 308                | -                   | -                   | -                  |
| Derivative liabilities    | 994             | 188                | 253                 | 553                 | -                  |
| Borrowings <sup>1</sup>   | 58,779          | 1,240              | 15,471              | 42,068              | -                  |
| <b>Total</b>              | <b>60,081</b>   | <b>1,736</b>       | <b>15,724</b>       | <b>42,621</b>       | <b>-</b>           |

<sup>1</sup> Includes contractual interest payments based on drawn down amounts at 30 June 2022 (2021: nil) and assuming no repayments of principal prior to expiry date

### 23.4 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 30% of total assets and debt will generally be sought on interest-only repayment terms, subject to maintaining the 30% debt limit. The Group will also seek debt with mortgage security over the rural land acquired to secure the borrowings.

### 24 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.

|   | 2022         | 2021         |
|---|--------------|--------------|
| Profit after income tax (\$'000)  | 39,680       | 15,115       |
| Weighted average number of shares for the purpose of basic and diluted EPS ('000) | 93,510       | 40,315       |
| <b>Basic and diluted earnings per share (cents)</b>                               | <b>42.43</b> | <b>37.49</b> |

**New Zealand Rural Land Company Limited and its subsidiary**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2022**

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

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Profit and total comprehensive income for the period</b>   | 39,680        | 15,115        |
| <i>Add/(less) non-cash items:</i>                             |               |               |
| Change in fair value of derivatives                           | (1,913)       | 121           |
| Change in fair value of investment property                   | (35,342)      | (16,525)      |
| Performance fee payable in shares                             | 4,115         | 1,625         |
| Interest income accrual                                       | (1,061)       | (45)          |
| Deferred tax  | (567)         | (522)         |
| Lease incentives - rent free period                           | (1,283)       | (468)         |
| Directors fees paid in shares                                 | -             | 75            |
| Marketing costs paid in shares                                | -             | 125           |
| Interest expense accrual                                      | 530           | -             |
| Lease fee amortisation  | 46            | -             |
| <i>Movements in working capital items:</i>                    |               |               |
| (Increase) in other current assets                            | (698)         | (612)         |
| Decrease / (increase) in income tax receivable                | 13            | (23)          |
| Increase in trade and other payables                          | 70            | 308           |
| Increase in income in advance                                 | 579           | -             |
| <b>Net cash generated by / (used in) operating activities</b> | <b>4,169</b>  | <b>(826)</b>  |

**26 Contingent liabilities and contingent assets**

There are no contingent liabilities or assets as at 30 June 2022 (2021: nil).

**27 Capital commitments**

The Group has no capital commitments as at 30 June 2022 (2021: nil).

**28 Subsequent events**

Subsequent to balance date, the directors have approved an ordinary dividend of 1.6 cents per share to be paid on 9 September 2022.

## Independent auditor's report

To the shareholders of New Zealand Rural Land Company Limited

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### Our opinion

In our opinion, the accompanying consolidated financial statements of New Zealand Rural Land Company Limited (the Company), including its subsidiary (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

### Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

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### Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| Description of the key audit matter  | How our audit addressed the key audit matter   |
|--|--|
| <p><b>Valuation of investment property</b></p> <p>As disclosed in note 5, the portfolio of investment properties comprising rural land in the Canterbury, Southland and Otago regions was valued at \$264.9 million as at 30 June 2022.</p> <p>The valuation of investment properties is inherently subjective. A small difference in any one of the key market inputs, when aggregated, could result in a material misstatement of the valuation of investment properties.</p> <p>The valuations were carried out by an independent registered valuer selected by the Group. The valuer performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The valuer used is a well-known firm, with experience in the market in which the Group operates.</p> <p>In determining a property's valuation, the valuer considers available market evidence, including recent property sales, and property specific information, such as current tenancy agreements and rental income earned by the asset.</p> <p>They then apply assumptions in relation to comparable sales data, land growth rates and discount rates, based on available market data and transactions to determine the overall property valuation.</p> <p>Due to the unique nature of each property, the assumptions applied take into consideration the qualities of the lessee, individual property characteristics, as well as the qualities of the property as a whole.</p> | <p>The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values.</p> <p>We obtained sufficient appropriate audit evidence to demonstrate management's assessment of the suitability of the inclusion of the valuation in the balance sheet and disclosures made in the financial statements were appropriate.</p> <p>In assessing the individual valuations, we performed the procedures outlined below.</p> <p>We held discussions with management and the valuers to understand:</p> <ul style="list-style-type: none"> <li>• movements in the Group's investment property portfolio</li> <li>• changes in the conditions of properties within the portfolio</li> <li>• the impact of climate change and related risks on the portfolio</li> <li>• the processes in place for the valuations.</li> </ul> <p>On a sample basis, and in conjunction with our own valuation experts, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of the key assumptions to the valuation and assessed their appropriateness</li> <li>• agreed key inputs to the underlying sale and purchase agreements and lease agreements for investment properties</li> <li>• inspected the valuation models used by the valuers and assessed them for reasonableness</li> <li>• critiqued and independently assessed, based on our experts' valuation knowledge, the work performed, including the valuation approach, assumptions and estimates made by the Group's valuer.</li> </ul> <p>We assessed the valuer's qualifications, expertise and their objectivity and found no evidence to suggest that their objectivity was compromised in the performance of their valuation.</p> <p>We found no evidence of bias in determining the values.</p> |

## Our audit approach

### Overview



Overall group materiality: \$926,000, which represents approximately 0.5% of net assets.

We chose net assets as the benchmark because, in our view, the focus of the Group in its early stages is on net asset growth.

Following our assessment of the risk of material misstatement, a full scope audit was performed over the consolidated Group balances.

As reported above, we have one key audit matter, being:

- Valuation of investment property

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

### How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report (but does not include the consolidated financial statements and our auditor's report thereon). The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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### **Responsibilities of the Directors for the consolidated financial statements**

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

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### **Who we report to**

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

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The engagement partner on the audit resulting in this independent auditor's report is Richard Day.

For and on behalf of:



Chartered Accountants  
25 August 2022

Auckland



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Directory**

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