

# NEW ZEALAND RURAL LAND CO.

SUSTAINABLE AOTEAROA

## Interim Financial Statements

for the 6 months ended 31 December 2021

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Listed on:



**New Zealand Rural Land Company Limited and its subsidiary**

**Interim Financial Statements  
For the 6 months ended 31 December 2021**

# **New Zealand Rural Land Company Limited and its subsidiary Compilation Report**

**For the 6 month period ended 31 December 2021**

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## **COMPILATION REPORT TO THE DIRECTORS & SHAREHOLDERS**

### **Reporting Scope**

On the basis of information that you provided we have compiled, in accordance with 'Service Engagement Standard Number 2: Compilation of Financial Information', the Interim Financial Statements of New Zealand Rural Land Company Limited and its subsidiary for the 6 month period ended 31 December 2021 as set out on the following pages.

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

### **Responsibilities**

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

### **No Audit or Review Engagement Undertaken**

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

### **Disclaimer of Liability**

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

While we have attempted to take into account the potential impact of COVID-19 on the performance of the Company, the assumptions underlying our report have been made against a backdrop of greater uncertainty than usual. In particular, significant uncertainties remain as to how COVID-19 will affect the New Zealand economy and how it might impact on the financial condition of the Company. As the situation is continuing to evolve and the prevailing economic and market conditions could change significantly over a relatively short period of time, these factors need to be considered before relying on this report.

*Deloitte Limited*

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

21 February 2022

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**Date**

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

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The directors are pleased to present the interim financial statements of New Zealand Rural Land Company Limited and its subsidiary for the 6 month period ended 31 December 2021.

The Board of Directors of New Zealand Rural Land Company Limited authorised the interim financial statements for issue on 21 February 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**  
**Interim consolidated statement of comprehensive income**  
**For the 6 month period ended 31 December 2021**

		(Unaudited) 6 month period ended 31 December 2021	(Unaudited) 11 September 2020 to 31 December 2020
	Notes	\$'000	\$'000
<b>Gross rental income</b>			
Rental income	6	3,766	-
<b>Net rental income</b>		<b>3,766</b>	<b>-</b>
<b>Less overhead costs</b>			
Directors fees		(103)	(89)
Insurance		(40)	(2)
Marketing expenses		-	(125)
Management fees	13	(301)	-
Professional and consulting fees		(308)	-
Other expenses		(62)	(2)
<b>Total overhead costs</b>		<b>(814)</b>	<b>(218)</b>
<b>Profit / (Loss) before net finance income, other income and income tax</b>		<b>2,952</b>	<b>(218)</b>
Finance income		510	9
Finance expense		57	-
<b>Net finance income</b>	7	<b>567</b>	<b>9</b>
<b>Profit / (Loss) before other income and income tax</b>		<b>3,519</b>	<b>(209)</b>
<b>Other income</b>			
Change in fair value of investment property	5	-	-
<b>Profit / (Loss) before tax</b>		<b>3,519</b>	<b>(209)</b>
Income tax expense	8	(351)	-
<b>Profit / (Loss) and total comprehensive income for the period</b>		<b>3,168</b>	<b>(209)</b>
<b>Basic and diluted earnings per share</b>	15	<b>Cents 3.55</b>	<b>Cents (0.35)</b>

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

**New Zealand Rural Land Company Limited and its subsidiary**  
**Consolidated statement of financial position**

At 31 December 2021

		(Unaudited) As at 31 December 2021 \$'000	(Audited) As at 30 June 2021 \$'000
	Notes		
<b>Current assets</b>			
Cash and cash equivalents		2,427	20,496
Trade and other receivables		316	668
Current tax receivable		24	23
<b>Total current assets</b>		<b>2,767</b>	<b>21,187</b>
<b>Non-current assets</b>			
Investment property	5	199,554	137,678
Loan receivable	9	17,998	5,475
Deferred tax assets		171	522
Derivative assets	10	809	-
Other non-current assets		75	75
<b>Total non-current assets</b>		<b>218,607</b>	<b>143,750</b>
<b>Total assets</b>		<b>221,374</b>	<b>164,937</b>
<b>Current liabilities</b>			
Trade and other payables		1,124	308
<b>Total current liabilities</b>		<b>1,124</b>	<b>308</b>
<b>Non-current liabilities</b>			
Borrowings	11	88,500	54,254
Derivative liabilities	10	-	121
<b>Total non-current liabilities</b>		<b>88,500</b>	<b>54,375</b>
<b>Total liabilities</b>		<b>89,624</b>	<b>54,683</b>
<b>Net assets</b>		<b>131,750</b>	<b>110,254</b>
Share capital	12	113,467	93,514
Share based payment reserve		-	1,625
Retained earnings		18,283	15,115
<b>Total equity</b>		<b>131,750</b>	<b>110,254</b>
<b>Net Assets Value (NAV) per share</b>	14.2	<b>\$ 1.3596</b>	<b>\$ 1.3968</b>
<b>Net Tangible Assets (NTA) per share</b>	14.2	<b>\$ 1.3495</b>	<b>\$ 1.3918</b>

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

**New Zealand Rural Land Company Limited and its subsidiary**  
**Interim consolidated statement of changes in equity**  
**For the 6 month period ended 31 December 2021**

	Notes	Share capital \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 11 September 2020 (Unaudited)</b>					
<b>Comprehensive Income</b>					
Loss for the period		-	-	(209)	(209)
<b>Total comprehensive income</b>		-	-	<b>(209)</b>	<b>(209)</b>
<b>Transactions with shareholders</b>					
Contributed capital	12	75,575	-	-	75,575
Transaction costs	12	(2,333)	-	-	(2,333)
<b>Balance at 31 December 2020 (Unaudited)</b>		<b>73,242</b>	-	<b>(209)</b>	<b>73,033</b>
<b>Balance at 1 July 2021 (Audited)</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		-	-	3,168	3,168
<b>Total comprehensive income</b>		-	-	<b>3,168</b>	<b>3,168</b>
<b>Transactions with shareholders</b>					
Contributed capital	12	18,486	-	-	18,486
Transaction costs	12	(158)	-	-	(158)
Performance fee issued in ordinary shares		1,625	(1,625)	-	-
<b>Balance at 31 December 2021 (Unaudited)</b>		<b>113,467</b>	-	<b>18,283</b>	<b>131,750</b>

**New Zealand Rural Land Company Limited and its subsidiary**  
**Interim consolidated statement of cash flows**  
**For the 6 month period ended 31 December 2021**

	(Unaudited) 6 month period ended 31 December 2021	(Unaudited) 11 September 2020 to 31 December 2020
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Lease income received	3,949	-
Payments to suppliers	(106)	-
Management fees paid	(277)	-
Income taxes paid	(1)	-
Interest paid	(713)	-
Interest received	5	-
<b>Net cash generated by operating activities</b>	<b>2,857</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Payment for NZX listing bond	-	(75)
Payments for investment properties	(61,497)	-
Payment for loan receivable	(12,018)	-
<b>Net cash used in investing activities</b>	<b>(73,515)</b>	<b>(75)</b>
<b>Cash flows from financing activities</b>		
Proceeds from convertible loan	-	375
Proceeds from issue of ordinary shares	18,501	74,884
Payment of transaction costs on issue of ordinary shares	(158)	(2,341)
Repayment of borrowings	(14,254)	-
Proceeds from borrowings	48,500	-
<b>Net cash generated by financing activities</b>	<b>52,589</b>	<b>72,918</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(18,069)</b>	<b>72,843</b>
Cash and cash equivalents at beginning of the period	20,496	-
<b>Cash and cash equivalents at the end of the period</b>	<b>2,427</b>	<b>72,843</b>



# **New Zealand Rural Land Company Limited and its subsidiary**

## **Notes to the interim financial statements**

### **For the 6 month period ended 31 December 2021**

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#### **1 Reporting entity**

The consolidated interim financial statements for New Zealand Rural Land Company Limited and its subsidiary (the "Group") are for the economic entity comprising New Zealand Rural Land Company Limited (the "Company" or "Parent") 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 interim financial statements are for the 6 month period ended 31 December 2021.

#### **2 Basis of preparation**

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

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

The financial statements do not contain all the disclosures normally included in an annual financial report and should be read in conjunction with the audited 2021 annual consolidated financial statements.

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

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

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

#### **3 Critical accounting estimates and judgements**

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

- Fair valuation of investment property (note 5)
- Recognition of loan receivable (note 9)

##### **3.1 Fair value estimation**

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

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

**New Zealand Rural Land Company Limited and its subsidiary**  
**Notes to the interim financial statements**  
**For the 6 month period ended 31 December 2021**

**4 Segment information**

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

Included in the Group's total rental revenue, more than 10% was received from two significant customers. The total rental revenue derived in the 6 month period ended 31 December 2021 from these customers was \$2.810 million and \$0.430 million respectively. No other single customers contributed 10% or more of the Group's total rental revenue.

Included in the Group's total gross finance income, more than 10% was received as interest income from two significant customers. The total gross interest income derived in the 6 month period ended 31 December 2021 from these customers was \$0.272 million and \$0.233 million respectively. No other single customers 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:**

**As at 31 December 2021 (Unaudited)**

Tenant	Location	Land area Hectares	Opening balance \$'000	Additions <sup>1</sup> \$'000	Lease fee amortisation \$'000	Capitalised lease incentive <sup>2</sup> \$'000	Revaluation gain \$'000	Carrying value \$'000
1	Canterbury	873	25,569	-	(1)	81	-	25,649
2	Canterbury / Otago	1,967	67,939	-	(1)	217	-	68,155
3	Canterbury	2,926	33,073	-	(1)	94	-	33,166
4	Southland	456	11,097	-	(1)	-	-	11,096
5	Otago	3,500	-	61,497	(9)	-	-	61,488
<b>Fair value of investment properties</b>			<b>137,678</b>	<b>61,497</b>	<b>(13)</b>	<b>392</b>	<b>-</b>	<b>199,554</b>

**As at 30 June 2021 (Audited)**

Tenant	Location	Land area Hectares	Additions <sup>1</sup> \$'000	Capitalised lease incentive <sup>2</sup> \$'000	Revaluation gain \$'000	Carrying value \$'000
1	Canterbury	873	21,285	97	4,187	25,569
2	Canterbury / Otago	1,967	58,953	258	8,728	67,939
3	Canterbury	2,926	30,035	113	2,925	33,073
4	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 interim financial statements**  
**For the 6 month period ended 31 December 2021**

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**5 Investment properties (continued)**

**5.1 Fair value measurement, valuation techniques and inputs**

External, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, value the Group's investment property portfolio at least every 12 months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Group's investment properties were last valued by Colliers International, as at 30 June 2021. There have been no subsequent valuations in the period ended 31 December 2021.

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 property 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 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:**

- Land growth rate 3%
- CPI 2%
- Discount rate 7.5%
- Terminal rate 6.5%
- Market rental assessment

**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 two 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 interim financial statements**  
**For the 6 month period ended 31 December 2021**

**6 Rental income**

	(Unaudited)	(Unaudited)
	6 month period ended 31 December 2021	11 September 2020 to 31 December 2020
	\$'000	\$'000
Rental receipts	3,371	-
Amortisation of tenants incentives	(88)	-
Lease incentives	483	-
<b>Rental income</b>	<b>3,766</b>	<b>-</b>

**7 Finance income and expense**

	(Unaudited)	(Unaudited)
	6 month period ended 31 December 2021	11 September 2020 to 31 December 2020
	\$'000	\$'000
<b>Finance income</b>		
Interest income	510	9
<b>Finance expense</b>		
Interest expense	(873)	-
Gain on change in fair value of derivative instruments	930	-
<b>Net finance income</b>	<b>567</b>	<b>9</b>

**8 Income taxes**

	(Unaudited)	(Unaudited)
	6 month period ended 31 December 2021	11 September 2020 to 31 December 2020
	\$'000	\$'000
Current tax expense	-	-
Deferred tax expense	351	-
<b>Income tax expense</b>	<b>351</b>	<b>-</b>
<b>Reconciliation of income tax expense to prima facie tax payable:</b>		
Profit / (Loss) before tax	3,519	(209)
Income tax expense / (benefit) calculated at 28%	985	(59)
Effect of permanent differences in determining taxable profit	(634)	-
Effect of tax losses not recognised	-	59
<b>Income tax expense</b>	<b>351</b>	<b>-</b>

**New Zealand Rural Land Company Limited and its subsidiary**  
**Notes to the interim financial statements**  
**For the 6 month period ended 31 December 2021**

**9 Loan receivable**

	(Unaudited) As at 31 December 2021 \$'000	(Audited) As at 30 June 2021 \$'000
<b>Non-current:</b>		
McNaughtons home block	5,747	5,475
Makikihi Farm	12,251	-
<b>Total loan receivable</b>	<b>17,998</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 have a 99 year life.

In the period ended 31 December 2021, the Group entered a conditional agreement to acquire a North Canterbury Dairy Farm (Makikihi Farm) for \$12 million. The agreement was conditional on the vendor not refinancing its debt over the farm. The conditional agreement also included a put and call agreement. Under the call, the vendor may repurchase Makikihi Farm at any time. Under the put, from approximately two years' time the Group can require the vendor to purchase the farm back. The purchase price under both the put and call agreement is \$12 million plus 4.66% accruing on a daily basis per annum.

**Key Judgement**

The Group has determined that these arrangements have the substance of loans with 10% and 4.66% market interest rates per annum respectively.

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

The loan receivable balance has been considered and determined no impairment is required at reporting date.

**10 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 Statement of Comprehensive Income in finance expense.

	(Unaudited) As at 31 December 2021 \$'000	(Audited) As at 30 June 2021 \$'000
<b>Derivative assets / (liabilities)</b>	<b>809</b>	<b>(121)</b>

**New Zealand Rural Land Company Limited and its subsidiary**  
**Notes to the interim financial statements**  
**For the 6 month period ended 31 December 2021**

**11 Borrowings**

	(Unaudited) As at 31 December 2021 \$'000	(Audited) As at 30 June 2021 \$'000
<b>Non-current:</b>		
Rabobank facility	88,500	54,254
<b>Total borrowings</b>	<b>88,500</b>	<b>54,254</b>

<b>31 December 2021 (Unaudited)</b>	<b>Expiry date</b>	<b>Effective interest rate</b>	<b>Total \$'000</b>	<b>Undrawn facility \$'000</b>	<b>Drawn amount \$'000</b>	<b>Fair value \$'000</b>
Bank facility A	1 June 2023	2.58%	29,500	-	29,500	29,500
Bank facility B	1 June 2024	2.68%	29,500	-	29,500	29,500
Bank facility C	1 June 2026	2.98%	29,500	-	29,500	29,500
			<b>88,500</b>	<b>-</b>	<b>88,500</b>	<b>88,500</b>

<b>30 June 2021 (Audited)</b>	<b>Expiry date</b>	<b>Effective interest rate</b>	<b>Total \$'000</b>	<b>Undrawn facility \$'000</b>	<b>Drawn amount \$'000</b>	<b>Fair value \$'000</b>
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. The facility agreement has increased during the period to a limit of \$88,500,000 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 31 December 2021 reporting period.

**12 Issued capital**

	\$'000	No. of ordinary shares
<b>Authorised and issued</b>		
Balance as at 31 December 2020 (Unaudited)	73,242	60,460,000
Rights issue to existing shareholders	20,318	18,470,970
Transaction costs arising on issue of shares	(46)	-
<b>Balance as at 30 June 2021 (Audited)</b>	<b>93,514</b>	<b>78,930,970</b>
Rights issue to existing shareholders	18,486	16,805,868
Transaction costs arising on issue of shares	(158)	-
Performance fee issued in ordinary shares	1,625	1,163,162
<b>Balance as at 31 December 2021 (Unaudited)</b>	<b>113,467</b>	<b>96,900,000</b>

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 interim financial statements**  
**For the 6 month period ended 31 December 2021**

**13 Related parties**

**13.1 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 to the Manager:

	(Unaudited) 6 month period ended 31 December 2021 \$'000	(Unaudited) 11 September 2020 to 31 December 2020 \$'000
Basic management services fee	301	-
Land transaction fees	758	-
Leasing fees	30	-
<b>Total</b>	<b>1,089</b>	<b>-</b>

**Management fee**

A monthly management fee is payable equal to 0.5% per annum of the Group's Net Asset Value, calculated on a monthly basis. The total management fees for the period ended 31 December 2021 were \$0.3 million.

**Transaction fee**

A fee is payable for the following transactions:

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

Transaction fees incurred for the period ended 31 December 2021 were \$0.758 million and \$0.03 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 performance fee in the 2022 financial year will be calculated after the financial year end. The shares will be issued to the Manager subsequent to balance date.

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**14 Non-GAAP measures**

**14.1 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.

		(Unaudited)	(Unaudited)
		6 month period ended 31 December 2021	11 September 2020 to 31 December 2020
	Notes	\$'000	\$'000
<b>Net profit / (loss) after tax</b>		3,168	(209)
<i>Adjustments</i>			
Unrealised net gain on derivatives		(930)	-
Deferred tax expense	8	351	-
Capitalised incentive adjustments		88	-
Amortisation of lease fee		15	-
<b>Funds from operations ('FFO')</b>		<b>2,692</b>	<b>(209)</b>
<b>FFO per share (cents)</b>		<b>2.78</b>	<b>(0.35)</b>
<i>Adjustments</i>			
Incentives and leasing costs		(498)	-
Future maintenance capital expenditure <sup>1</sup>		(141)	-
<b>Adjusted funds from operations ('AFFO')</b>		<b>2,053</b>	<b>(209)</b>
<b>AFFO per share (cents)</b>		<b>2.12</b>	<b>(0.35)</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.



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**14.2 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:

	(Unaudited) As at 31 December 2021 \$'000	(Audited) As at 30 June 2021 \$'000
Total assets	221,374	164,937
(Less): Total liabilities	(89,624)	(54,683)
<b>Net assets</b>	<b>131,750</b>	<b>110,254</b>
(Less): Deferred tax asset	(171)	(522)
(Less) / Add: Derivative (asset) / liability	(809)	121
<b>Net tangible assets</b>	<b>130,770</b>	<b>109,853</b>
<b>Number of shares issued ('000)</b>	<b>96,900</b>	<b>78,931</b>
<b>Net assets per share (\$)</b>	<b>1.3596</b>	<b>1.3968</b>
<b>Net tangible assets per share (\$)</b>	<b>1.3495</b>	<b>1.3918</b>

**15 Earnings per share**

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	(Unaudited) 6 month period ended 31 December 2021	(Unaudited) 11 September 2020 to 31 December 2020
Profit after income tax (\$'000)	3,168	(209)
Weighted average number of shares for the purpose of basic and diluted EPS ('000)	89,186	59,600
<b>Basic and diluted earnings per share (cents)</b>	<b>3.55</b>	<b>(0.35)</b>

**16 Contingent liabilities and contingent assets**

There are no contingent liabilities or assets as at 31 December 2021.

**17 Capital commitments**

The Group has no capital commitments as at 31 December 2021.

**18 Subsequent events**

There were no material adjusting events subsequent to balance date.