

LANDCORP FARMING LIMITED
HALF-YEAR REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2023

PĀMU™
FARMS OF
NEW ZEALAND





ABOUT PĀMU

Pāmu is the brand name for Landcorp Farming Limited. We are a State Owned Enterprise and the largest pastoral farmer in Aotearoa New Zealand managing nearly 360,000ha over 110 farms across the motu.

Pāmu exists today to enhance the future of agriculture for generations of New Zealanders to come, return land under Treaty of Waitangi settlements, and produce a financial return. Our purpose

is to enrich our land, our people and the future of food and fibre for Aotearoa New Zealand.

Our government shareholders expect us to be profitable and efficient; an exemplar in employment and uncompromising animal welfare practices; to demonstrate and enable environmentally sustainable pastoral farming; and to demonstrate sector leadership by accelerating on-farm emissions reductions.

These expectations with our purpose shape our strategy and direction.

The New Zealand Government benefits from its investment in Pāmu through equity growth. When profits allow, and the outlook is good, we pay a dividend. Pāmu must finance its operations and capital spend like any other farmer, either by profits from operations or using bank financing. As landowners, Pāmu is a ratepayer.

HALF-YEAR REVIEW

ACTING CHAIR AND CHIEF EXECUTIVE

Pāmu strives for operational excellence. Over the past six months, we have continued to make progress on our strategy and adjust our practices to increase profitability and efficiency.

We are working hard to meet our sustainability objectives and to exceed expectations around safe and capable people, biodiversity, animal health and welfare, care for land, water quality and climate change adaptation.

FINANCIALS

Challenges posed by a sharp reversal in global dairy prices, plummeting lamb prices and adverse weather events have impacted profitability and seen us review budgeted operating expenses.

Net operating profit (NOP), our preferred financial measure, was \$3 million for the half-year to 31 December 2023 compared to \$15 million in the comparable half-year.

This lower profitability comes at a time when we are rebuilding from last summer's cyclones. It will continue to impact our bottom line as we reinstate infrastructure and work to grass lost pasture, repair or replace damaged fences, clear slips and maintain farm tracks.

Total income was \$7 million (4%) lower than the prior period which included a fair-value gain on milk futures of \$13 million. Other components of the variance were a reduction in farm operating revenue of \$13 million (down 10%) and a \$19 million (136%) increase in other business activities.

The reduction in farm operating revenue reflects lower livestock revenue (\$6 million) due to weaker commodity prices and a slow spring resulting in lower animal weights and delayed sales for cattle. Surplus grass has meant we have retained cattle to higher weights, and that return will be reflected in higher per-head returns in early autumn.

Milk revenue was \$7 million (9%) lower than the prior year due to a fall in the farm gate milk price from \$9 to \$7.50 as at the end of December.

The \$19 million increase in other business activities income reflects higher income attributable to carbon credits (\$22 million) offset by reduced income from Pāmu Foods (\$3 million) as we close this small division of our business. Revenue reductions from livestock and milk are therefore being offset by carbon income, reflecting the value of our strategy.

Like many in the industry, we are closely watching expenditure.

Operating expenses were \$3 million (2%) less than the six months to December 2022. Farm working and maintenance expenses decreased by \$4 million (5%) year on year through a combination of careful control over the application of seasonal fertiliser and some reduction in its market price. Offsetting this was personnel and other costs, which increased by \$1 million (2%) due to higher salary costs and accrual of entitlements.

The tax expense for the period was \$3 million (December 2022: \$1 million) with the increase due to movements in deferred tax.

Other comprehensive income has remained steady at \$6 million (December 2022: \$6 million) with the reduction in NOP offset mainly by a \$16 million fair value gain on the value of carbon credits held by the company.



NIGEL ATHERFOLD
ACTING CHAIR



MARK LESLIE
CHIEF EXECUTIVE

Farming excellence lies at the core of our strategy and will be the key to unlocking additional potential.



HALF-YEAR REVIEW *continued*

OPERATIONAL EXCELLENCE

Farming excellence lies at the core of our strategy and will be the key to unlocking additional potential. We are strongly focused on lifting farm productivity through the application of core farming principles: soil health and pasture production, animal health and welfare, nutrition and best-practice management. An unrelenting focus on these will generate gains in farm output and cost efficiency.

CLIMATE ACTION

We are committed to reducing the impact of our activities on the climate through greenhouse gas reduction measures and strengthening climate resilience through adaptation.

In September, we published our first climate-related disclosure report. Our commitment to greenhouse gas accounting will remain robust, and we will continue to have organisational data verified as we track against our emissions reduction plan.

We are targeting 40% of farms to have farm environment plans/integrated farm plans by June 2024. These are predominantly in Southland and Waikato, the first regions required under farm environment plan regulations.

Through our joint venture with Focus Genetics (100% owned by Pāmu) and AgResearch, we are breeding low-methane livestock, developing the genetics for 'sheep of the future' to tolerate high summer temperatures and associated disease risk and working with meat and dairy processors, genetic providers and technology firms to test and accelerate the development of low-emissions tools and techniques for pastoral farm systems.

DIGITALISATION

Due to the scale and reach of Pāmu, we are often called on to consider opportunities to demonstrate sector leadership and support research and development of new technologies. We assess the prudence of these opportunities as to whether they will enhance our principal objective of operating a successful and profitable business.

A formal project to pilot four different wearable e-collars and tags is currently underway. We are measuring the benefits of different offerings on our dairy (with a focus on animal reproduction and health) and livestock (with a focus on virtual fencing technology) systems. These technologies enable personalised management of animals, improved management of reproduction and health, and virtual fencing. They present an important opportunity to lift farm productivity.

SPECIALITY DAIRY

Pāmu decided to cease Pāmu Foods' operations in mid-2023, including marketing and distribution of bovine milk products in China by the end of June 2024. Looking forward, we couldn't ensure a competitive edge and sustainable margin from selling the Pāmu-linked bovine milk products. The decision reflects our refreshed strategy and focus on core business and farming excellence.

We are working with our joint venture partner SLC Ventures on our Spring Sheep business reaching profitability and complementary business Melody Dairies. With our joint venture partner Nu-Mega, we have completed the purchase of New Zealand Food Innovation Waikato's 11% stake in the Melody Dairies joint venture. The three shareholders are now Pāmu and Nu Mega (each with 44%) and Dairy Nutraceuticals with 12%.

PEOPLE, HEALTH AND SAFETY

Health, safety, and wellbeing are at the heart of the way we operate. We aim to ensure all our people and contractors get home safely every night, and we continually look to enhance best-practice programmes and systems to ensure safe behaviour is embedded in everything we do.

One of our goals in the people space is to provide development programmes for our leaders and future leaders. We are pleased to report that this has seen us reach our goal of 40% internal promotions into promotable roles for the financial year to date. We have set stretch targets for future years, and our Nature of Leadership programme and newly introduced Second In Charge programme will assist in achieving this.

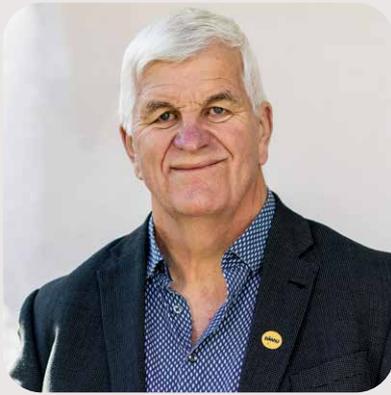
We achieved an important milestone in December with the last of our company quadbikes leaving farms. This was achieved in the same month as media reports of several fatalities involving quads highlighting the risk in these vehicles and corroborating our decision to exit them from the business. While not without some challenges and costs, removing quads from a peak of 440 nationwide is a major milestone in our health and safety journey.

We are in the final stages of a reorganisation of the operational divisions at Pāmu following the appointment of the Chief Operations Officer role. This is largely complete and will see greater integration across the dairy and livestock portfolios to optimise performance across the whole business and improve consistency in operational management on farm and supply chains.

HALF-YEAR REVIEW *continued*

BOARD CHANGES

A tribute to Pāmu Board Chair Dr Warren Parker



Pāmu Chair Dr Warren Parker passed away suddenly on 29 December 2023. His loss is keenly felt at Pāmu and within the wider industry. Warren was appointed Chair of the Pāmu Board on 1 January 2019. He was a highly respected primary sector leader and made significant contributions to our organisation over his five years of dedicated service as Pāmu Board Chair. Warren will be remembered for his vision, wisdom, and experience as well as his kindness, which together have ensured a strong culture and clear strategic path for our organisation. Deputy Chair Nigel Atherfold is now Acting Chair.

In August 2023, Belinda Storey announced she would be leaving the Pāmu Board on 30 September to pursue other opportunities having served two terms as a director. Belinda was appointed to the Pāmu Board in May 2018. As a climate economist and Managing Director of Climate Sigma, her experience, insights and knowledge in scenario analysis and asset valuation on the physical and transition risk from climate change have been invaluable to us in getting ahead of current and emerging risks.

OUTLOOK

The primary sector has gone through turbulent periods before, and although farmers are resilient, it must be said that these are challenging times.

The global outlook remains fragile, and while demand for red meat is expected to recover slightly, prices are expected to remain soft compared to the highs of two years ago, especially for lamb and mutton.

Pāmu is currently forecasting an improved full-year NOP of between \$9 million and \$19 million compared to its original forecast of between \$1 million and \$10 million.

The change to forecast is largely a result of the positive uplift in global dairy prices since December and returns from our wider forestry business. It assumes no change in the exchange rate and that livestock prices hold through the season.

Our business plan seeks to balance short-term financial performance and investing for the future. It positions Pāmu to perform in an environment of heightened global uncertainty, inflationary and interest rate pressures and commodity price volatility.

A handwritten signature in blue ink that reads "Nigel Atherfold."

Nigel Atherfold

Acting Chair

A handwritten signature in blue ink that reads "Mark Leslie."

Mark Leslie

Chief Executive

Financial statements and notes

HALF-YEAR REPORT DECEMBER 2023

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Statement of profit or loss and other comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Note	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Income				
Farm operating	3	116	236	129
Other business activities		33	34	14
Fair value gain on milk futures		-	20	13
		149	290	156
Operating expenses				
Farm working and maintenance		74	125	78
Personnel and other		56	107	55
		130	232	133
Profit/(loss) from equity accounted investments		(2)	2	5
Depreciation		(14)	(27)	(13)
Net operating profit¹		3	33	15
Gain/(loss) on sale of property, plant and equipment		1	-	1
Impairment of assets		(1)	(2)	-
Net finance expenses		(13)	(23)	(11)
Fair value gain/(loss) on financial instruments		(2)	1	1
Realised gain on share acquisition		1	-	-
Fair value gain/(loss) on biological assets		6	(26)	(1)
Net profit/(loss) before tax		(5)	(17)	5
Tax benefit/(expense)		(3)	8	(1)
Net profit/(loss) after tax		(8)	(9)	4
Profit/(loss) attributable to:				
Owners of the company		(8)	(9)	4
Non-controlling interest		-	-	-

¹ Net operating profit is a non-GAAP measure. However, Pāmu considers it to be an appropriate measure of returns from core activities. Net operating profit does not have a standardised meaning and should not be viewed in isolation nor considered a substitute for measures reported in accordance with NZ IFRS as it may not be comparable to similar financial information presented by other entities. Net operating profit does not include gains on sale of property, plant and equipment; impairment; financing costs; fair value movements on financial instruments; shares and biological assets.

The accompanying notes form part of these financial statements.

Statement of profit or loss and other comprehensive income (continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value gain/(loss) on land and improvements	-	-	1
Fair value gain/(loss) on share investments	(1)	2	(2)
Fair value gain/(loss) on carbon credits	16	(33)	-
Tax benefit/(expense) recognised in equity	(1)	10	3
Total comprehensive income	6	(30)	6
Total comprehensive income attributable to:			
Owners of the company	6	(30)	6
Non-controlling interest	-	-	-

The accompanying notes form part of these financial statements.

Statement of movements in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Share capital \$m	Retained earnings \$m	Share revaluation reserve \$m	Asset revaluation reserve \$m	Non-controlling interest \$m	Total equity \$m
Balance at 1 July 2023	125	729	1	917	-	1,772
Net profit/(loss) after tax	-	(8)	-	-	-	(8)
Fair value movements	-	-	(1)	16	-	15
Tax benefit/(expense) recognised in equity	-	3	-	(4)	-	(1)
Transfer of revaluation reserves on carbon sales	-	5	-	(5)	-	-
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	4	4
Unaudited balance at 31 December 2023	125	729	-	924	4	1,782

	Share capital \$m	Retained earnings \$m	Share revaluation reserve \$m	Asset revaluation reserve \$m	Non-controlling interest \$m	Total equity \$m
Balance at 1 July 2022	125	715	-	966	-	1,806
Net profit/(loss) after tax	-	(9)	-	-	-	(9)
Dividend paid	-	(5)	-	-	-	(5)
Fair value movements	-	-	2	(33)	-	(31)
Tax benefit/(expense) recognised in equity	-	(2)	(1)	13	-	10
Transfer of revaluation reserves on property sales	-	18	-	(18)	-	-
Transfer of revaluation reserves on carbon sales	-	11	-	(11)	-	-
Net transfers under Protected Land Agreement	-	1	-	-	-	1
Balance at 30 June 2023	125	729	1	917	-	1,772

	Share capital \$m	Retained earnings \$m	Share revaluation reserve \$m	Asset revaluation reserve \$m	Non-controlling interest \$m	Total equity \$m
Balance at 1 July 2022	125	715	-	966	-	1,806
Net profit/(loss) after tax	-	4	-	-	-	4
Dividend paid	-	(5)	-	-	-	(5)
Fair value movements	-	-	(2)	1	-	(1)
Tax benefit/(expense) recognised in equity	-	(1)	1	3	-	3
Transfer of revaluation reserves on carbon sales	-	11	-	(11)	-	-
Net transfers under Protected Land Agreement	-	3	-	(3)	-	-
Unaudited balance at 31 December 2022	125	727	(1)	956	-	1,807

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Cash flows from operating activities			
Receipts from customers:			
Livestock	37	133	47
Milk	69	128	69
Other receipts from customers	14	44	23
Payments to suppliers	(91)	(177)	(98)
Payments to employees	(38)	(73)	(38)
Interest paid	(4)	(12)	(5)
Net cash inflows/(outflows) from operating activities	(13)	43	(2)
Cash flows from investing activities			
Proceeds from sale of land and other property, plant and equipment	2	23	5
Proceeds from sale of carbon credits	41	21	21
Proceeds from sale of share investments	2	1	1
Purchase and development of land and forestry	(15)	(25)	(15)
Purchase of other property, plant and equipment and intangibles	(15)	(21)	(9)
Purchase of subsidiary, net of cash acquired	1	-	-
Purchase of shares and net interests in joint venture investments	(7)	(11)	(9)
Net cash inflows/(outflows) from investing activities	9	(12)	(6)
Cash flows from financing activities			
Net borrowing receipts/(repayments)	17	(11)	20
Redemption of preference shares	-	(3)	(3)
Payment of lease liabilities	(8)	(17)	(8)
Dividends paid	-	(5)	(5)
Net cash inflows/(outflows) from financing activities	9	(36)	4
Net change in cash and cash equivalents	5	(5)	(4)
Cash and cash equivalents at beginning of year	2	7	7
Cash and cash equivalents at end of year	7	2	3

The accompanying notes form part of these financial statements.

Reconciliation of profit and operating cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Note	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Net profit/(loss) after tax		(8)	(9)	4
Non-cash items				
Non-cash livestock growth and ageing	3	(16)	8	(18)
Non-cash forestry growth		-	(4)	-
Carbon credit allocation		(8)	(12)	-
Depreciation		14	27	13
Fair value movements		(4)	25	-
Interest expense on lease liability		6	12	6
Asset impairment		1	2	-
Equity accounted investment earnings		2	(2)	(5)
Tax expense/(benefit)		3	(8)	1
Adjusting items				
Milk futures settlement		11	(14)	(7)
Equity accounted investment distributions		2	14	-
Gain on sale of property, plant and equipment		(1)	-	-
Gain on sale of carbon credits		(16)	(2)	-
Movements in working capital		1	6	4
Net cash inflows/(outflows) from operating activities		(13)	43	(2)

The accompanying notes form part of these financial statements.

Statement of financial position

AT 31 DECEMBER 2023

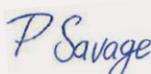
	Note	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Assets				
Cash and cash equivalents		7	2	3
Accounts receivable	4	36	34	50
Inventories		14	18	12
Property held for sale		3	3	3
Livestock	5	290	268	315
Forestry, carbon and orchard assets	6	109	104	121
Equity accounted investments		28	27	39
Share investments	8	26	30	26
Other assets		11	2	1
Derivative asset		3	16	9
Property, plant and equipment	9	1,607	1,596	1,603
Leased assets	10	229	229	224
Total assets		2,363	2,329	2,406
Liabilities				
Bank loans	11	197	179	211
Accounts payable and accruals		20	22	26
Employee entitlements		10	9	7
Deferred tax liability		8	4	20
Lease liabilities	10	262	259	251
Redeemable preference shares		84	84	84
Total liabilities		581	557	599
Shareholders' funds				
Share capital		125	125	125
Retained earnings		729	729	727
Share revaluation reserve		-	1	(1)
Asset revaluation reserve		924	917	956
Total shareholders' funds		1,778	1,772	1,807
Non-controlling interest		4	-	-
Total equity		1,782	1,772	1,807
Total equity and liabilities		2,363	2,329	2,406

Landcorp's Board of Directors authorised the financial statements for issue on 14 February 2024.

Signed on behalf of the Board



Nigel Atherfold
Acting Chair
14 February 2024



Paula Savage
Chair of Audit and Risk Committee
14 February 2024

The accompanying notes form part of these financial statements.

Notes to the financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

NOTE 1: BASIS OF ACCOUNTING

REPORTING ENTITY

The condensed consolidated interim financial statements presented are those of Landcorp Farming Limited (“Landcorp”) and its subsidiaries, joint ventures and associates (together “Pāmu” or the “Group”). Established under the State-Owned Enterprises Act 1986 and registered under the Companies Act 1993, Landcorp is a profit-oriented company incorporated and domiciled in New Zealand. The ultimate shareholder of the Group is the Crown.

Pāmu is primarily a pastoral farming company with a growing focus on exploring alternative uses for land in its portfolio, including forestry and horticulture. Pāmu also has a developing foods business marketing premium dairy products. Subsidiaries and associates are involved in land development, land management, farm technology and developing genetically superior sheep, cattle and deer breeds.

BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. These financial statements are unaudited and do not include all of the information and disclosures required in the annual financial statements. Accordingly, these financial statements should be read in conjunction with the annual report for the year ended 30 June 2023. Accounting policies used are consistent. Where necessary, comparative information has been reclassified to achieve consistency with the current period’s presentation.

Notes to the financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

NOTE 2: SEASONALITY OF OPERATIONS

Pāmu's operations are seasonal and are largely a function of the annual farming cycle. The six months from July to December covered by these financial statements primarily reflect the cessation of winter and commencement of spring conditions when the majority of livestock births occur.

Statement of profit or loss

The overall half-year net profit after tax is seasonal and reflects the following:

- Pāmu's sheep, beef and deer operations follow a cycle where the bulk of livestock is reared in spring and conditioned for sale over the late summer and autumn period. This means that a large portion of Pāmu's livestock income is not generated until the second half of the financial year. The sale prices for processed livestock will be a function of market conditions at the time of sale and will reflect the prevailing impact of international commodity prices, exchange rates and any local climatic considerations.
- Harvested feed, comprising hay, silage and baleage, is generally harvested in late summer, during the second half of the financial year, and consumed in winter and early spring, in the first half of the financial year. Consequently, the six months to 31 December 2023 reflect the cost of the seasonal consumption of this feed. The second half of the financial year will reflect the benefit of rebuilding feed stocks for consumption early in the following financial year.
- Under NZ IFRS, Pāmu revalues livestock at each balance date and includes the revaluation gain or loss within profit. The value of livestock will reflect market conditions at the time and is likely to change between balance dates. Hence, any profit or loss arising from livestock revaluations at 31 December 2023 may not reflect the market conditions prevailing at the financial year end.

Statement of financial position

Pāmu's statement of financial position at 31 December 2023 reflects the following seasonal factors:

- Term debt is seasonal as much of Pāmu's revenue is not received in cash until the second half of the financial year. This reflects both the timing of livestock sales and the date at which milk solids revenue is received.
- Inventories of harvested feed reflect the seasonal consumption/production cycle.

Notes to the financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

NOTE 3: FARM OPERATING REVENUE

Farm operating revenue is derived from the sale of livestock, milk and other agricultural produce such as wool and forestry logs.

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Livestock	46	107	52
Milk	69	120	76
Wool	1	2	1
Forestry	-	7	-
Total farm operating revenue	116	236	129

Livestock revenue

Livestock sales revenue is recognised following delivery to customers. Sales contracts either fix prices in advance or allow livestock to be sold at the prevailing spot rate. Each year, the Board approves a standard value for each livestock class. Changes in the value and volume of livestock arising from purchases, sales, births, deaths and ageing are determined using standard values.

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Sheep	15	35	20
Beef	23	62	20
Dairy	3	(3)	7
Deer	5	13	5
Total livestock revenue	46	107	52

Cash items

Livestock sales	38	129	43
Livestock purchases	(8)	(14)	(9)

Non-cash items

Birth of animals	23	34	27
Growth of animals	29	79	31
Livestock losses	(6)	(16)	(6)
Book value of livestock purchased	5	9	4
Book value of livestock sold	(35)	(114)	(38)
Total livestock revenue	46	107	52

Milk revenue

Milk revenue is recognised following collection by the milk processor using the processor's most recent forecast price.

Notes to the financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

NOTE 4: ACCOUNTS RECEIVABLE

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Trade debtors	6	6	7
Milk income receivable	27	19	35
Other receivables and prepayments	3	9	8
Total accounts receivable	36	34	50

NOTE 5: LIVESTOCK

Livestock are recorded at fair value less estimated point-of-sale costs. Changes in the value and volume of livestock arising from purchases, sales, births, deaths and ageing are recognised within revenue in the statement of profit or loss and other comprehensive income. Changes in value due to general livestock price movements are recognised in the statement of profit or loss and other comprehensive income within fair value movement in biological assets. Livestock valuations at 31 December 2023 were provided by an independent valuer. These market values reflect livestock of similar weight and age throughout New Zealand.

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Livestock value at start of year	268	298	298
Birth and growth of animals	52	113	58
Livestock losses	(6)	(16)	(6)
Book value of livestock purchased and sold	(30)	(105)	(34)
Fair value gain	6	(22)	(1)
Balance at end of period	290	268	315

Livestock numbers comprise:

	Unaudited 6 months ended 31 Dec 23	Audited 12 months ended 30 Jun 23	Unaudited 6 months ended 31 Dec 22
Sheep	625,522	368,623	686,624
Beef	112,563	93,216	85,451
Dairy	58,618	52,352	82,977
Deer	34,322	50,299	44,851
Total livestock on hand	831,025	564,420	899,903

Livestock numbers are subject to seasonal variation, with numbers increasing through spring due to the birth of animals. Livestock on hand in December contains a greater proportion of trading stock, which will be sold later in the financial year.

Notes to the financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

NOTE 6: FORESTRY, CARBON AND ORCHARD ASSETS

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Carbon credits	44	46	67
Forests	62	55	51
Orchards	3	3	3
Total forestry, carbon and orchard assets	109	104	121

NOTE 7: ACQUISITION OF SUBSIDIARY

On September 2023, Pāmu increased its shareholding in Farm IQ Systems Limited (FarmIQ) to 69% and there was a change to the board composition. In light of these changes, Directors have determined that Pāmu now controls FarmIQ due to the provisions of the pre-existing shareholders' agreement.

Prior to September, Pāmu's investment in FarmIQ was equity accounted under NZ IAS 28 Investments in Associates and Joint Ventures. As a result of Pāmu's increased ownership, Pāmu is required to consolidate FarmIQ from the acquisition date. NZ IFRS 3 Business Combinations requires that the acquisition of the FarmIQ stake is recognised as an acquisition achieved in stages ("step acquisition"). Under the step acquisition method, the fair value of the initial investment has been calculated as \$8.4 million. As at September 2023, the carrying value of Pāmu's investment in FarmIQ was \$4.6 million. Comparing the carrying value of Pāmu's investment immediately before obtaining control to the fair value results in no gain on acquisition.

NZ IFRS 3 Business Combinations requires that the identifiable assets and liabilities acquired as part of a business combination are measured at fair value at the date of acquisition, with any deficit between the consideration paid (including the previously held equity investment at fair value) and the value of the net identifiable assets (or liabilities) acquired and any non-controlling interest recognised as goodwill, with any gain recognised through profit or loss. The acquisition accounting required under NZ IFRS 3 has not been finalised as at 31 December 2023, and therefore the amounts recorded in the financial statements are reported as provisional. This primarily relates to the requirement that the identifiable assets and liabilities acquired as part of a business combination are measured at fair value at the date of acquisition as well as any other identified intangible assets.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition. All the amounts in the below table are provisional at 31 December 2023.

	Unaudited \$m
Cash and cash equivalents	0.9
Trade and other receivables	0.7
Intangibles	8.5
Property, plant and equipment and right-of-use asset	0.3
Other assets	0.1
Trade and other payables	(0.5)
Employee entitlements	(1.0)
Other liabilities	(0.3)
Lease liability	(0.3)
Total	8.4

Notes to the financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

NOTE 8: SHARE INVESTMENTS

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Share investments at fair value through profit or loss:	2	2	2
Share investments at fair value through other comprehensive income:			
Fonterra Co-operative Group Limited	12	16	12
Waimakariri Irrigation Limited	10	10	10
Other	2	2	2
Total share investments	26	30	26

The Group is required to hold certain shares in co-operative companies to facilitate farming operations. These are not held for trading. Share investments are initially recognised at cost and subsequently revalued to fair market value. Pāmu has elected to account for fair value changes through other comprehensive income except in cases where the shares can be redeemed at par value from the issuer. In such cases, any value change will be accounted for through the statement of profit or loss and other comprehensive income. Any dividends from share investments are recognised in the statement of profit or loss and other comprehensive income.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Pāmu's policy is to review the fair value of land and improvements annually. If there is a material change in fair values, a revaluation is performed. At a minimum, a revaluation of the portfolio is performed every three years. The last revaluation of the portfolio took place in June 2022.

The statement of financial position at 31 December 2023 does not reflect any changes in the market value of land and improvements since 1 July 2022. Directors continually monitor activity in the rural property to identify any indication that values have moved significantly. In recent months, the volume of sales transactions has declined substantially compared to the comparable six-month period in 2022, making it difficult to assess any movement in market values. Advice from the company's valuers has suggested the lack of activity combined with other factors such as volatility in the carbon price during 2023 and an absence of overseas buyers may be signs that values are declining in some areas. Pāmu has therefore engaged with valuers to review the carrying value of land and buildings in portfolios where there are indications of material movements in market values to establish appropriate carrying values for those assets in the full-year accounts.

Notes to the financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

NOTE 10: LEASES

Leased assets and liabilities are initially recognised in the statement of financial position at the present value of remaining unpaid lease payments discounted by Pāmu's incremental borrowing rate. Thereafter, leased assets are depreciated over the life of the lease, and lease liabilities reduce as lease payments are made. After commencement of a lease, any subsequent changes to the lease payments are reflected as a lease remeasurement adjustment.

Leased assets are largely made up of farm land in Wairākei, north east of Taupō. The lease was entered into in 2004 and expires in 2049. The lease requires Pāmu to convert what was previously forestry land into pastoral farming land. At 31 December 2023, approximately 12,580 hectares had been leased. A total of 12,611 hectares of land is expected to be leased by the conclusion of the lease term. Other leases are also held for office buildings and telecommunications equipment.

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Opening balance	274	264	264
Lease remeasurement adjustment	5	10	-
Balance at end of year	279	274	264
Accumulated depreciation			
Opening balance	(45)	(34)	(34)
Depreciation	(5)	(11)	(6)
Balance at end of year	(50)	(45)	(40)
Total leased assets	229	229	224

The undiscounted maturity analysis of lease liabilities is as follows:

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Lease payments:			
Less than one year	17	16	16
Two to five years	71	69	65
More than five years	362	366	361
	450	451	442
Interest expense on lease liability:			
Less than one year	(12)	(12)	(12)
Two to five years	(46)	(46)	(45)
More than five years	(130)	(134)	(134)
	(188)	(192)	(191)
Total lease liabilities	262	259	251

Notes to the financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

NOTE 11: BANK LOANS

Cash advance facilities available to Pāmu at 31 December 2023 were \$315m (Jun 23: \$315m, Dec 22: \$315m). Bank loans are the drawn components of these bank cash advance facilities. Facilities may be borrowed against or repaid at any time by Pāmu and are subject to a negative pledge agreement, which means that Pāmu may not grant a security interest over its assets without the consent of its lenders. Facilities are either on a daily floating interest rate or a short-term fixed rate and therefore carrying value approximates fair value.

	Unaudited 6 months ended 31 Dec 23 \$m	Audited 12 months ended 30 Jun 23 \$m	Unaudited 6 months ended 31 Dec 22 \$m
Within one year	72	1	38
Two to five years	125	178	273
Total bank loans	297	179	211

NOTE 12: DIVIDENDS PAID

There was no final dividend for the 2022/23 financial year (2021/22: \$5m).

NOTE 13: CONTINGENT LIABILITIES

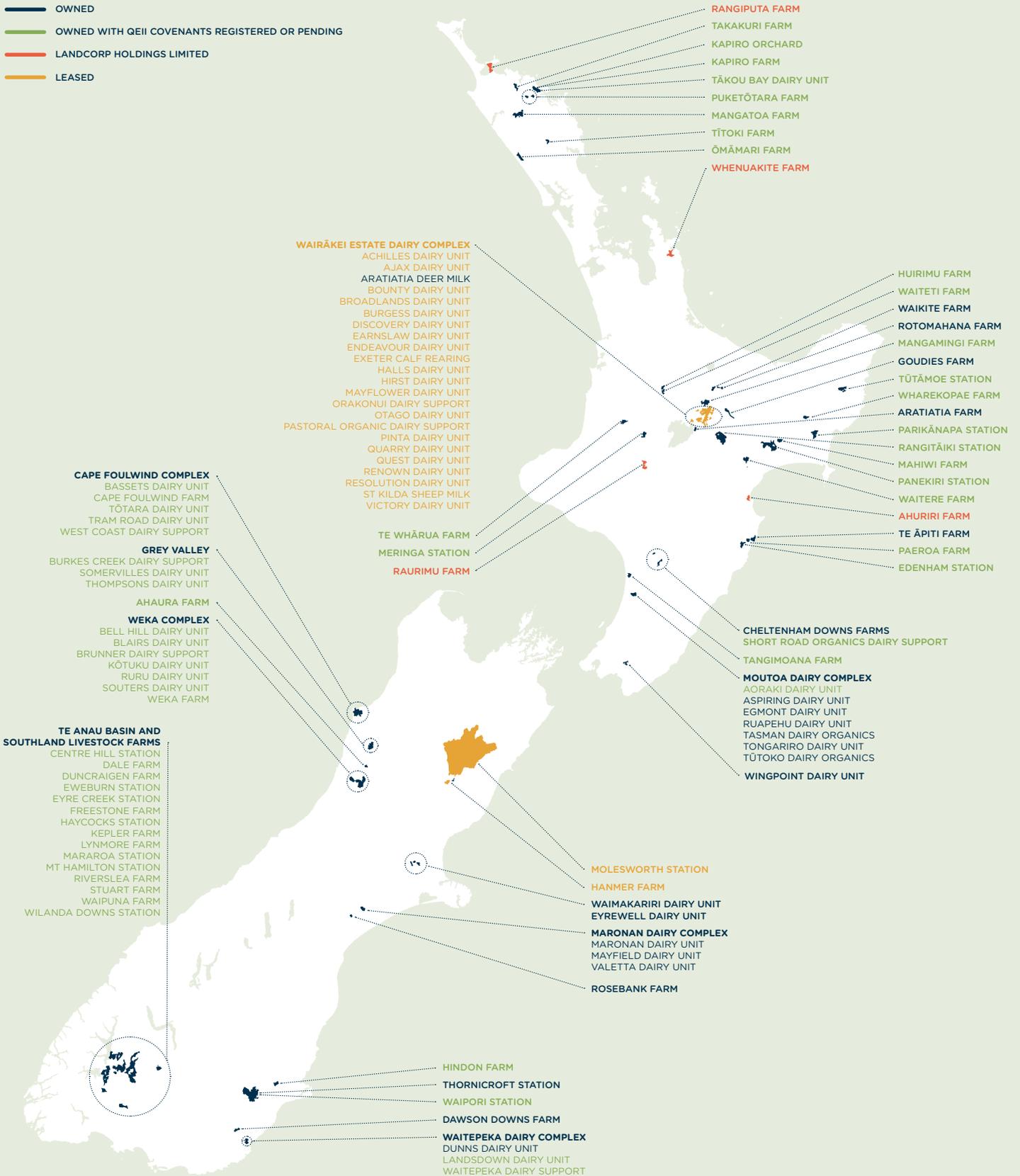
At 31 December 2023, Pāmu had no contingent assets or liabilities.

NOTE 14: CAPITAL COMMITMENTS

At 31 December 2023, Pāmu had \$0.7m of capital commitments (Jun 23: \$4.6m, Dec 22: \$1.8m).

Our farms

- OWNED
- OWNED WITH QEII COVENANTS REGISTERED OR PENDING
- LANDCORP HOLDINGS LIMITED
- LEASED





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FURTHER INFORMATION

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Will Burrett
Chief Operating Officer

Annabel Davies
Chief Sustainability and Risk Officer

Bernadette Kelly
Chief People, Safety and Reputation Officer

Tammy Lemire
Chief Technology and Digital Officer

Steven McJorrow
Chief Financial Officer

Alistair McMechan
Chief Legal Officer

Andrew Sliper
Chief Investment Officer

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