



Landcorp Farming Limited Statement of Corporate Intent

For the period FY27-FY29

Contents

About Pāmu	3
Nature and scope of activities	4
Strategy and key initiatives	5-7
Performance measures and financial performance targets	8-12
Capital Structure	13
Dividend policy	14
Reporting and disclosures	15
Commercial value and compensation	16
Appendices	
Summary of accounting policies	18-25
Group structure	26

This Statement of Corporate Intent is published by Landcorp Farming Limited in accordance with section 14 of the State Owned Enterprises Act 1986.

About Pāmu

Landcorp Farming Limited, operating under the brand name Pāmu, is a State-Owned Enterprise established under the State-Owned Enterprises Act 1986 and registered under the Companies Act 1993. This Statement of Corporate Intent refers to the company as Pāmu throughout.

Pāmu operates the largest pastoral farming enterprise in Aotearoa, New Zealand. The company manages over 175,000 hectares across more than 110 farms, excluding the leased Molesworth Station, which adds a further 180,000 hectares to its total area. Pāmu employs 630 permanent staff and, over any 12 months, cares for approximately 1.3 million sheep, deer, and cattle. The company's group structure is set out in Appendix 2.

Under the State Owned Enterprise Act, Pāmu is required to operate as a successful business and specifically be:

- As profitable and efficient as comparable businesses that are not owned by the Crown;
- A good employer; and
- An organisation that exhibits a sense of social responsibility, having regard to the interests of the community in which it operates.

Please note that Pāmu's targets and initiatives should be read in the context of ongoing global uncertainty arising from the conflict in the Middle East, including potential volatility in energy, input and supply-chain markets. Pāmu will continue to closely monitor implications for the business and adjust its strategy and operational performance as required.



Nature & Scope of Activities

Pāmu is the kaitiaki/custodian of Crown landholdings across New Zealand. Our role is to steward these assets and generate sustainable financial and wider value for New Zealand by:

- Managing our land portfolio on a commercial basis and continuously improving performance across farms under our management, measured against comparable farmers and relevant industry benchmarks. This includes farms that may be used for settlement of Te Tiriti o Waitangi claims.
- Optimising land use to maximise long-term value, including through:
 - integrating dairy and livestock operations to produce optimal results, for example, our dairy beef strategy;
 - integrating forestry and nature initiatives on lower land class land (especially sheep and beef hill country); and
 - developing horticulture to diversify and improve returns.
- Operating enabling capabilities that lift on-farm productivity and performance, and deliver benefits to the wider sector, including:
 - genetic enhancement in livestock (subsidiary, Focus Genetics Limited);
 - technology systems for data driven decision making to support performance improvement (including through subsidiary Farm IQ Systems Limited); and
 - attracting, developing, and retaining a skilled workforce within a safe and inclusive working environment, to support disciplined execution and continuous improvement across our operations.

The nature and scope of our activities are reflected in our strategy and key initiatives, as outlined in the following section of this Statement of Corporate Intent.



Strategy

The Pāmu FY27-29 Statement of Corporate Intent evidences another step towards being a more profitable and resilient business within the Crown's portfolio, aligned with our shareholding Ministers' expectations.

The strategy continues our focus on core business, operational excellence and land use optimisation. By 2030, Pāmu will achieve a significant turnaround in its performance, forecasting to deliver:

- Net operating profit (NOP) of \$100m and foundations for this this be achieved on a sustainable basis
- Total shareholder return (TSR) of 8.8%

Achieving these turnaround targets builds a resilient business and mitigates the challenges of operating an agricultural commodity-based system. Successful delivery drives sustainable distributions and increased value for the Crown's investment.



Key initiatives

Focus on core business and lifting profitability

Pāmu will convert turnaround momentum into enduring commercial performance, meeting shareholder expectations while protecting long-term Crown land value and resilience.

Key Initiatives:

1. Deliver Consistent Core Farming Performance

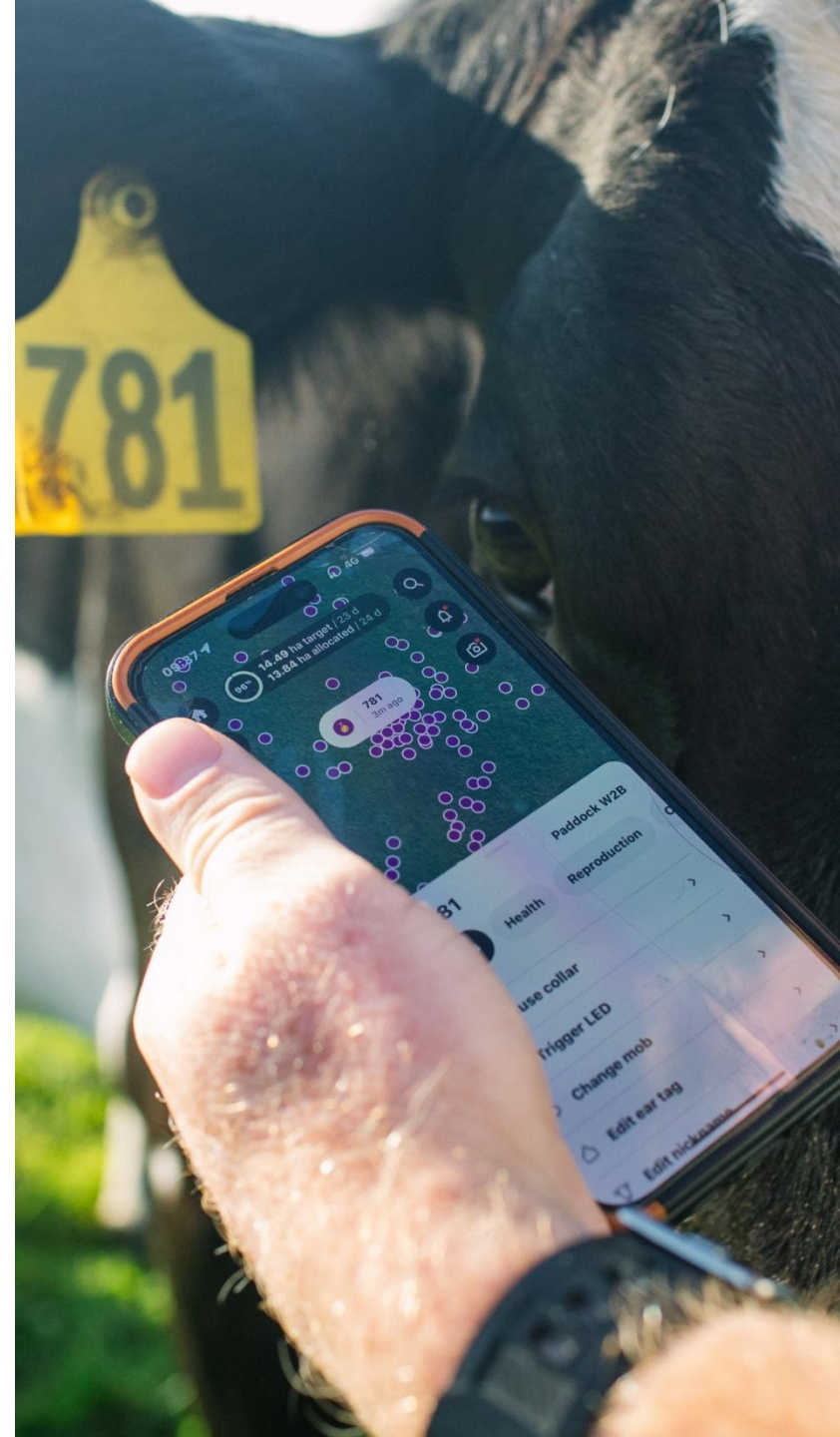
- Embed standardised operational disciplines across pasture, animals, wastage and value-stream optimisation.
- Lift performance on our farms through consistent planning and review (including benchmarking against comparable farmers).
- Use innovative solutions (including Halter wearable collars) and scale data-led decision-making to improve operational performance and drive sustainable financial outcomes.

2. Build Safe, Capable and Productive People

- Embed best-practice critical risk standards, assurance and visible safety leadership across all operations.
- Continue delivering structured capability and succession pathways including through the Pamu Apprenticeship Scheme and hybrid operating models (sharemilking and equity opportunities).
- Lift leadership, technical and digital capability to support reliable execution at scale.

3. Optimise Land Use and Recycle Capital

- Actively optimise land to its highest and best use through integrated farming systems and selective land-use change.
- Optimise investment to manage execution, labour and balance-sheet risk.
- Execute capital recycling and selective divestments where assets do not meet return thresholds or constrain performance of the portfolio.



Key initiatives

4. Capture Market Value through Assurance and Partnerships

- Grow market premiums and market access through verified assurance, traceability and specification attainment.
- Scale targeted commercial partnerships where they accelerate core farming performance (for example, our partnership with LIC on Synergizer).

5. Integrate Climate and Nature to Strengthen Resilience

- Execute our Climate Transition Plan to reduce emissions while maintaining productivity and securing interest cost savings under sustainability linked loans.
- Invest in climate adaptation, including water security and infrastructure resilience.
- Sustain and enhance the natural assets we steward by collaborating for a nature positive future, valuing those assets and enabling new capital flows to fund their long-term health.



Performance measures

This section of the Statement of Corporate Intent sets out the primary turnaround performance measures for the FY27-FY29 period.

Performance measures are split into three sections:

1. Key financial and non-financial performance measures to measure progress against the Pāmu strategy
2. On-farm operational performance measures. Pāmu has set a stretching but realistic and sustainable farm improvement plan to lift core farming performance. Core measures at a business level are set out on page 10. These are set with reference to prior year performance and appropriate industry benchmarking. The measures contribute directly to improving financial returns (as reflected in our “farming excellence metric” on the key financial and non-financial measures table
3. Standard SOE reporting measures

Pāmu reports its results on these performance measures in its quarterly reports to shareholding Ministers and its annual Integrated Report.



Financial and Non-Financial Measures

	FY26	FY27	FY28	FY29
Financial performance measures				
Net operating profit (NOP) NOP is our preferred financial metric as it measures factors within our control and excludes, for example, revaluations in biological assets (livestock)	\$109m	\$82.3m	\$82.3m	\$88.7m
Return on Assets (ROA) Measure the efficiency with which the company uses total assets to generate profits	4.5%	3.3%	3.2%	3.5%
Total Shareholder Return (Closing equity less opening equity plus dividends paid)/opening equity	6.6%	3.3%	5.9%	5.8%
Interest cover (As agreed with Bank) This treats the WPL lease as off-balance sheet, calculated as the EBITDAR-to-net interest expense ratio.	9.3x	7.5x	8.7x	11.1x
Ratio of net debt including leased liability to EBITDAR Measures the size of debt and lease liability relative to earnings	3.2x	3.9x	3.1x	2.8x
Progress against farming excellence Farm improvement plan metrics focus on delivering core farming metrics against industry benchmarks (assuming static milk/livestock prices to ensure clarity of performance versus FY23 baseline). See page 10 for the metrics driving this financial performance lift (upside to NOP)	\$17m	\$26m	\$31m	\$35m
Optimising land use aligned to market drivers (dairy beef) Increasing calves reared in line with consumer expectations and improving profitability through integrated livestock and dairy systems	69%	78%	85%	92.5%
Dividend Cash return to our shareholder (forecast, subject to approval in accordance with the Companies Act)	\$25m	\$10m	\$10m	\$37m
Non financial performance measures				
People, health & safety <ul style="list-style-type: none"> • Complete critical risk standards • TRIFR rate • Employee net promoter score 	100% 18 +16	16 +18	14 +20	12 +24
Net greenhouse gas reduction Meeting market expectations and contributing to reducing New Zealand emissions (reducing Pāmu greenhouse gas emissions from a FY21 baseline). This will drive interest cost savings under Pāmu's Sustainability linked loans	8.3%	10%	12.5%	18.14%
Meeting regulatory and market requirements (Farm Environment Plans) All farms have a fit-for-purpose plan to meet applicable regulatory requirements and maximise profitability (processor premiums)	85%	100%	100%	100%

Core-farming performance measures

Farm improvement measures (benchmarked to industry) to lift financial performance

	FY2024 Pāmu	FY2025 Pāmu	FY2026 Industry Forecast	FY2026 March Budget	FY2026 Forecast	FY2027 target	FY2028 target	FY2029 target
Total kg milk solids	14.2 m	14 m	n/a	14.7 m	15.8 m	15.7m	15.85 m	16 m
Total livestock production (m KG) ¹	20.7 m	21.8 m	n/a	23.3 m	22.5 m	24.1 m	24.4 m	24.6 m
Six-week in-calf rate (%)	68%	71%	69.8%	72%	71%	73%	74%	75%
Lambing percentage (%)	132.4%	134.6%	132.4%	141.6%	130.7%	145%	146%	147%
Dairy feed conversion efficiency ²	13.6	13.9	⁴	13.2	13.3	13	12.85	12.7
Livestock feed conversion efficiency	30.9	29.8	⁴	27.6	27.1	27.45	27.36	27.27
Weighted average animal loss rate (%)	5.7%	5.86%	³	5.4%	5.94%	4.1%	4.04%	4%
Bulk somatic cell count	153,792	151,471	157,000	150,000	155,000	150,000	150,000	150,000
Cost of production (Dairy - Conventional)	\$7.00	\$7.49	\$6.33 ⁵	\$7.15	\$7.03	\$7.43	\$7.16	\$7.23
Cost of production (Dairy - Organic)	\$6.98	\$6.81	⁴	\$7.23	\$7.43	\$7.51	\$7.46	\$7.53
Cost of production (Livestock)	\$4.95	\$4.60	⁴	\$4.88	\$5.07	\$5.18	\$5.13	\$5.18

FY26 industry averages are forecasts for FY25 sourced from DairyNZ and Beef + Lamb

¹ Total kilograms produced on all farms of live weight converted to carcass weight equivalent, wool and velvet.

² Feed conversion efficiency (kg dry matter/production).

³ Data on industry death rates are often not captured due to difficulty in differentiating between observed deaths and lost animals. Pāmu calculates deaths and losses from an on-farm perspective using the formula: $((\text{Deaths} + \text{Losses} - \text{Found}) / \text{Net Total}) * 100$. Net Total includes 1 July Opening Tallies + Purchases + Transfers + Grazed On + Births. Deaths exclude those killed for use.

⁴ Data not available at the time of publication

⁵ Dairy operating expenses per KgMS, minus depreciation per KgMS as an approximate calculation from industry data to Pāmu's calculation where depreciation is held centrally.

SOE portfolio measures

	Budget FY27	Business Plan FY28	Business Plan FY29
Shareholder Returns			
Return on Equity %	0.6%	2.5%	2.9%
Total Shareholder Return %	3.3%	5.9%	5.8%
Dividend Yield %	0.5%	0.5%	1.8%
Profitability & Efficiency			
Operating Margin %	27.5%	29.7%	30.3%
Return on Invested Capital %	5.6%	5.8%	6.3%
Capital Structure			
Leverage x (Net debt / operating EBITDAR)	1.8x	1.0x	1.0x
Gearing (Net Debt/Net debt plus equity) %	9.4%	5.6%	5.2%
Interest Cover x (Operating EBIT / Net Interest)	6.4x	7.5x	9.4x
Growth			
Revenue Growth %	-2.5%	-4.4%	3.4%
Earnings Growth %	-19.0%	3.3%	5.4%
Reinvestment			
Capital Replacement (x)	1.5x	1.0x	1.0x
Payout Ratio %	8.2%	82.3%	76.3%

Note: Interest Cover calculation is based on the Owners' Expectation Manual methodology. For its reporting to lenders, Pāmu uses EBITDAR before the application of IFRS16 Leases.

Performance measure descriptors

Shareholder return	Description	Calculation
Return on equity	How much profit a company generates with the funds the shareholder has invested in the company	Net profit after tax / Average equity minus average non-controlling interests
Total shareholder return	Performance from an investor perspective - dividends and investment growth	(Commercial value-end less Commercial value-beginning plus dividends paid less equity injected) / Commercial value-beginning
Dividend yield	The cash return to the shareholder	Dividends paid / Average commercial value
Profitability/efficiency	Description	Calculation
Operating margin	The profitability of the company per dollar of revenue	EBITDAR less non-operating items / Total revenue
Return on invested capital	The efficiency and profitability of a company's capital from both debt and equity sources	EBIT less non-operating items / Average interest-bearing debt plus Average interest-bearing lease obligations plus average share capital (including RPS) plus average retained earnings plus average other equity
Capital Structure	Description	Calculation
Leverage	Size of debt relative to earnings	Net debt / EBITDAR less non-operating items
Gearing ratio (net)	Measure of financial leverage - the ratio of debt (liabilities on which a company is required to pay interest) less cash, to debt less cash plus equity	Net debt / Net debt plus equity
Interest cover	The number of times that earnings can cover interest	EBIT less non-operating items / Net bank interest
Growth	Description	Calculation
Revenue growth	Measure of growth	Current year revenue / previous year revenue – 1
Earnings growth	Change in EBITDAR	Current year EBITDAR less non-operating items / previous year EBITDAR less non-operating items – 1
Reinvestment	Description	Calculation
Capital replacement	Measure of capital investment relative to maintenance investment levels	Asset expenditure / depreciation and amortisation less lease amortisation
Payout Ratio	The cash dividend as a proportion of net profit after tax	Current year dividend paid / previous year NPAT

Note: Non-operating items include fair value adjustments and other gains/losses. Asset expenditure excludes non-depreciable land development expenditure.

Capital structure

The issued share capital of Pāmu as at 30 June 2026 is 125,000,000 ordinary shares at \$1.00 each (\$125 million) and 83,883,000 redeemable preference shares of \$1.00 each, giving a total share capital of \$208.9m.

The redeemable preference shares holding reflects the commercial arrangement with the Crown under which the shareholder of Pāmu purchased redeemable preference shares in an amount equal to the agreed market value of designated land that has been protected from sale. This land is held by Pāmu subsidiary, Landcorp Holdings Limited, for the purpose of future historical Treaty of Waitangi settlements by the Crown.

After balancing operating, capital, and dividend cash flows, the estimated closing interest-bearing debt for the next three years is: \$199m (30 June 2027) and \$118m (30 June 2028) and \$113m (30 June 2029).

The estimated Pāmu Group capital structure for the next three years is as follows:

	Budget FY27	Business Plan FY28	Business Plan FY29
Total Assets	2,539	2,538	2,622
Total Liabilities	616	538	544
Total Equity	1,923	1,999	2,078
Interest Bearing Debt / Total Funding	9.4%	5.6%	5.2%
Total Equity / Total Assets	75.8%	78.8%	79.2%

Note: Interest bearing debt includes bank loans and the carbon repurchase liability, minus the cash balance

Dividend policy

The dividend policy for Pāmu is to make distributions at a dividend pay-out ratio within an average, over time of 80% to 100% of Free Cash Flow. Due to the seasonality of its underlying cashflows Pāmu does not normally pay interim dividends.

Free Cash Flow is calculated as net cash flows from operating activities less payment of lease liabilities, maintenance capital expenditure and investment required to address strategic opportunities and risks. Cash flow created from asset divestments will be considered as a source of funding for dividends only after consideration of Pāmu's portfolio optimisation strategy.

In determining dividend payments Pāmu will consider its current and forecast leverage ratio compared to its target of 4.5X to 5.0X.



Reporting & Disclosure

Reporting to Shareholding Ministers

Pāmu presents the following reports in accordance with the Act and requirements of shareholding Ministers:

- Annual Report: within three months of the end of each financial year and including audited financial statements of the year and a report from the Chairman and Chief Executive;
- Half-Yearly Report: within two months of the end of each half-year, including unaudited financial statements, and a qualitative report from the Chairman and Chief Executive on the company's performance; and
- Quarterly Reports: within one month of the end of each quarter and comprising a commentary and summary of financial performance and progress against performance measures/targets and expectations.
- Annual benchmarking reports: each year, Pāmu benchmarks its operational performance against appropriate regional and national results and shares the findings with Ministers..

In addition, Pāmu has regular meetings with officials and occasional meetings with shareholding Ministers on an as-needed basis to ensure shareholding Ministers are appraised of the Pāmu strategy and performance.

Consultation

Pāmu will consult with shareholding Ministers on transactions:

- involving investing, by one or more related transactions, \$20m or more in any activity within the nature and scope of its core business (including the acquisition or disposal of shares in another company or organisation);
- outside the nature and scope of its core business;
- which meet any applicable criteria for consultation as set out in the current letter of expectations to Pāmu from shareholding Ministers;
- involving diversification or overseas expansion (including offshore investments); and
- Represents a matter that, in the view of the Pāmu board, is likely to attract media or public attention.

Commercial value and compensation

Commercial value

The Pāmu Board considers the commercial value of the company (including subsidiaries) to be \$1.9 billion as at 30 June 2026, subject to audit review.

This valuation is based on the estimated market value of Pāmu assets and liabilities. The valuation includes:

- external assessment of land and buildings, and forests; and
- market prices for livestock, shares and financial instruments.

The value of liabilities is deducted from the value of the assets to determine the commercial value.

Compensation from the Crown

Section 7 of the Act allows for the Crown to enter into an agreement with Pāmu under which the Crown would pay Pāmu for undertaking a non-commercial activity.

If the Crown wishes or requires Pāmu to undertake activities or assume obligations which constrain Pāmu from acting in a normal, business-like manner or which will or could impact on Pāmu profit or value, Pāmu will seek compensation in accordance with section 7 of the Act. This includes compensation for retaining properties normally intended for sale but which might be required by the Crown to fulfil Treaty of Waitangi settlement obligations. As at the date of publication of this Statement of Corporate Intent, Pāmu has no, and has not sought any, section 7 agreements.

Appendices

Appendix 1. Pāmu accounting policies

Appendix 2. Group structure

Appendix 1: Accounting policies

Statement of compliance

The financial statements are prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZ GAAP) under the Companies Act 1993 and the Financial Reporting Act 2013. NZ GAAP consists of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards, as appropriate for profit-oriented entities.

NZ IFRS can significantly impact on reported income for Pāmu through the requirement to include material unrealised gains and losses within reported profits. This can substantially increase the volatility of reported income. In addition, forecast profits for Pāmu can be significantly different to actual results, depending on changes in the fair value of livestock, forests, land and buildings, investments and income tax as calculated under NZ IFRS.

Measurement base

The financial statements have been prepared using a historic cost basis, modified by the revaluation of certain assets, investments and financial instruments as disclosed below. The functional and reporting currency used to prepare the financial statements is New Zealand dollars, rounded to the nearest million dollars (\$m).

Basis of consolidation

The consolidated financial statements use the acquisition method of consolidation for Pāmu and its subsidiaries. Associates and joint ventures are accounted for using the equity method. All material intercompany balances and transactions are eliminated on consolidation. Transactions with jointly controlled entities are eliminated to the extent of Pāmu interest in the entity.

Appendix 1: Accounting policies

Significant accounting policies

There have been no changes in accounting policies during the financial year. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the periods presented. Where necessary, comparative information has been reclassified to achieve consistency with the current period's presentation.

Revenue

Farm operating revenue is derived from the sale of livestock, milk and other agricultural produce such as wool and forestry logs. Revenue is measured at the transaction price specified in the customer contract.

Livestock 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.

Milk revenue is recognised following collection by the milk processor using the processor's most recent forecast price and dividend information. Pāmu holds milk price derivative contracts to manage commodity price risk. Fair value gains or losses are reported within the Statement of Profit or Loss.

Wool revenue is recognised following delivery to the wool broker. Contracts are held that either fix prices in advance or allow the wool to be sold at the prevailing spot rate.

Forestry revenue is recognised from the sale of logs together with revenue attributable to the growth of forest stands. Carbon revenue is recognised upon the initial allocation of carbon credits (NZUs) at the prevailing market price on the day of allocation. NZUs are revalued at each reporting date and any fair value movement is reflected in comprehensive income. Any gain on the sale of NZUs is recognised in revenue.

Appendix 1: Accounting policies

Accounts receivable

Trade and other receivables are recognised at cost, less any provision for lifetime expected credit losses.

Property held for sale

Properties are identified for sale when a sales plan has been implemented and an unconditional sales contract is expected to be signed within a year or a property is subject to a Treaty settlement sale. Properties held for sale comprise farmland and associated buildings. Properties subject to Treaty settlements may be classified as held for sale for periods greater than one year while settlement terms are negotiated. These properties are still likely to be purchased by claimants, and it is probable that their value will be recovered by way of sale rather than ongoing operations. Property held for sale is measured at the lower of the carrying value of the property when it was classified as property held for sale and fair value less sales costs.

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 aging are recognised within revenue in the Statement of Profit or Loss. Changes in value due to general livestock price movements are recognised in the Statement of Profit or Loss within fair value movement in biological assets. Livestock valuations are provided by independent valuers. These market values reflect livestock of similar weight and age throughout New Zealand.

Appendix 1: Accounting policies

Forestry and carbon assets

Forest establishment and direct management expenses are recorded as planting costs and capitalised to forestry stands. Forestry stands below ten years of age are valued at cost. After ten years, forestry stands are recorded at fair value. Changes to value due to forestry growth are recognised within revenue in the Statement of Profit or Loss. Changes due to movements in forestry prices are recognised in the Statement of Profit or Loss within fair value movement in biological assets.

As a forester, Pāmu is allocated emission credits (NZUs) and will incur liabilities through the ETS. Pāmu holds credits for forestry plantations. Should these plantations be harvested and/or deforested, a liability would be incurred up to a maximum of the credits received. NZUs are revalued at each reporting date and any fair value movement is reflected within Other Comprehensive Income.

Equity accounted investments

Equity-accounted investments are initially recognised at cost and the carrying value is increased or decreased to recognise the Pāmu share of surplus or deficit of the investee after the date of acquisition. Cash contributions made to the investee increase the carrying amount of the investment. Distributions received from the investee reduce the carrying amount of the investment. If the Pāmu share of losses exceeds its investment, a liability is recognised to the extent that Pāmu has incurred a constructive or legal obligation. The carrying values of investments are reviewed annually for indicators of impairment, and carrying values are adjusted accordingly if required.

Share investments

The Group is required to hold certain shares and investments in co-operative companies to facilitate farming operations. Shares are held as a consequence of business operations and 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. Any dividends from share investments are recognised in the Statement of Profit or Loss.

Appendix 1: Accounting policies

Property, plant and equipment

Property, plant and equipment consists of land and improvements, protected land and plant and equipment.

Land is measured at fair value and buildings are measured at fair value less accumulated depreciation and any impairment after the date of valuation. The fair value of land and buildings within each of the four property portfolios is reviewed by an independent valuer at a minimum every three years, and more frequently where there are indications of a material movement in values. During a revaluation, the valuer will estimate the value of each property within a portfolio by considering a range of operational data for the property concerned together with information relating to sales of comparable properties. Additions to land and buildings after the most recent valuation are recorded at cost less accumulated depreciation for buildings.

A valuation of North Island Dairy and South Island Livestock properties was performed on 30 June 2025, with North Island Livestock and South Island Dairy being subject to a desktop valuation on 30 June 2024. In years where there is not a full valuation, a material change assessment of the property portfolio is performed by an independent valuer.

Revaluations are undertaken using a level 2 fair value methodology. They employ a market approach and take into account general factors that influence farm land prices as well as market evidence such as recent farm sales in the relevant regions. The valuation also considers the price effects of various legal obligations placed on Pāmu land ownership. The impact of the Conservation Act 1987 relating to the establishment of marginal strips and conservation management plans is considered where applicable. In the North Island, deductions of 0–6% have been made for the effects of the Treaty of Waitangi (State Enterprises) Act 1988 and the memorials pertaining to section 27B of the State Owned Enterprises Act 1986, which provides for the resumption of land on the recommendation of the Waitangi Tribunal. The South Island properties include a deduction of up to 5% to reflect the effect of the Right of First Refusal memorial granted to Ngāi Tahu under the Ngāi Tahu Claims Settlement Act 1998.

Improvements on leased land are held at cost.

Protected land is defined in the Agreement Concerning Pāmu Land Protected from Sale, signed with the Crown in 2007 and amended in June 2013 (the Protected Land Agreement) and relates to land that the Crown wishes to protect from sale for public policy reasons. Protected land (including buildings on protected land) was valued at fair value at the time it was classified as protected land as this is the ongoing fair value of the land to Pāmu. Buildings are measured at this value less accumulated depreciation.

Appendix 1: Accounting policies

Property, plant and equipment (continued)

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and land improvements. Depreciation rates are used to allocate the cost or revalued amount of the assets to their estimated residual values over their useful lives. The useful lives of major classes of property, plant and equipment have been estimated as follows:

Buildings	30 - 60 years
Leasehold improvements	lease term
Plant	3 -10 years

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 the Pāmu incremental borrowing rate. Thereafter leased assets are depreciated over the life of the lease, and lease liabilities reduce as lease payments are made. After the 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 farmland in Wairakei, northeast 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. Other leases are also held for office buildings and telecommunications equipment.

Pāmu acts as a lessor of farmland provided under operating leases. Income from operating lease agreements is recognised as lease income on a straight-line basis over the term of the lease. Lease terms are of various lengths, and some leases include rights of renewal.

Appendix 1: Accounting policies

Bank loans

Bank loans are the drawn components of 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.

Carbon credit repurchase payable

The Group may from time to time enter into carbon credit repurchase agreements. Under the terms of the contract, carbon credits are temporarily transferred to a third party with a contractual obligation to repurchase the carbon credits back at a fixed price. As the Group retains substantially all of the risks and rewards of ownership of the carbon credits — the transaction does not qualify as a sale under NZIFRS 15. Accordingly, the carbon credits remain recognised on the balance sheet and a repurchase liability has been recorded at amortised cost to reflect the obligation to repurchase the credits.

Redeemable preference shares

Redeemable preference shares were issued as a capital injection under the terms of the Protected Land Agreement. They carry no voting rights and are not eligible for dividends or any share of net assets on wind-up. When requested, Pāmu will transfer properties referred to in the Protected Land Agreement to the Crown. On transfer, the redeemable preference shares are redeemed at the initial value of the property.

Appendix 1: Accounting policies

Capital management

Share capital

Under the State-Owned Enterprises Act 1986, Pāmu's ordinary shares are held equally by the Minister of Finance and the Minister for State-Owned Enterprises. This prevents Pāmu from raising capital from other sources. Ordinary shares carry one vote per share and carry the right to participate in dividends. All shares are fully paid up.

Retained earnings

Retained earnings comprise Pāmu's accumulated net profits including transfers from revaluation reserves when the underlying asset has been sold, less any dividends paid. Retained earnings also includes any payment from the Crown for additional capital expenditure incurred on the properties defined in the Protected Land Agreement.

Share revaluation reserve

The share revaluation reserve comprises the cumulative net change in the fair value of share investments, until the investment is sold.

Asset revaluation reserve

The asset revaluation reserve is used to record changes in the fair value of land and buildings and intangible assets. Revaluations are reflected in the asset revaluation reserve and included in Other Comprehensive Income, with any revaluations below cost or recoveries to cost being recognised in the Statement of Profit or Loss.

Valuation of financial instruments

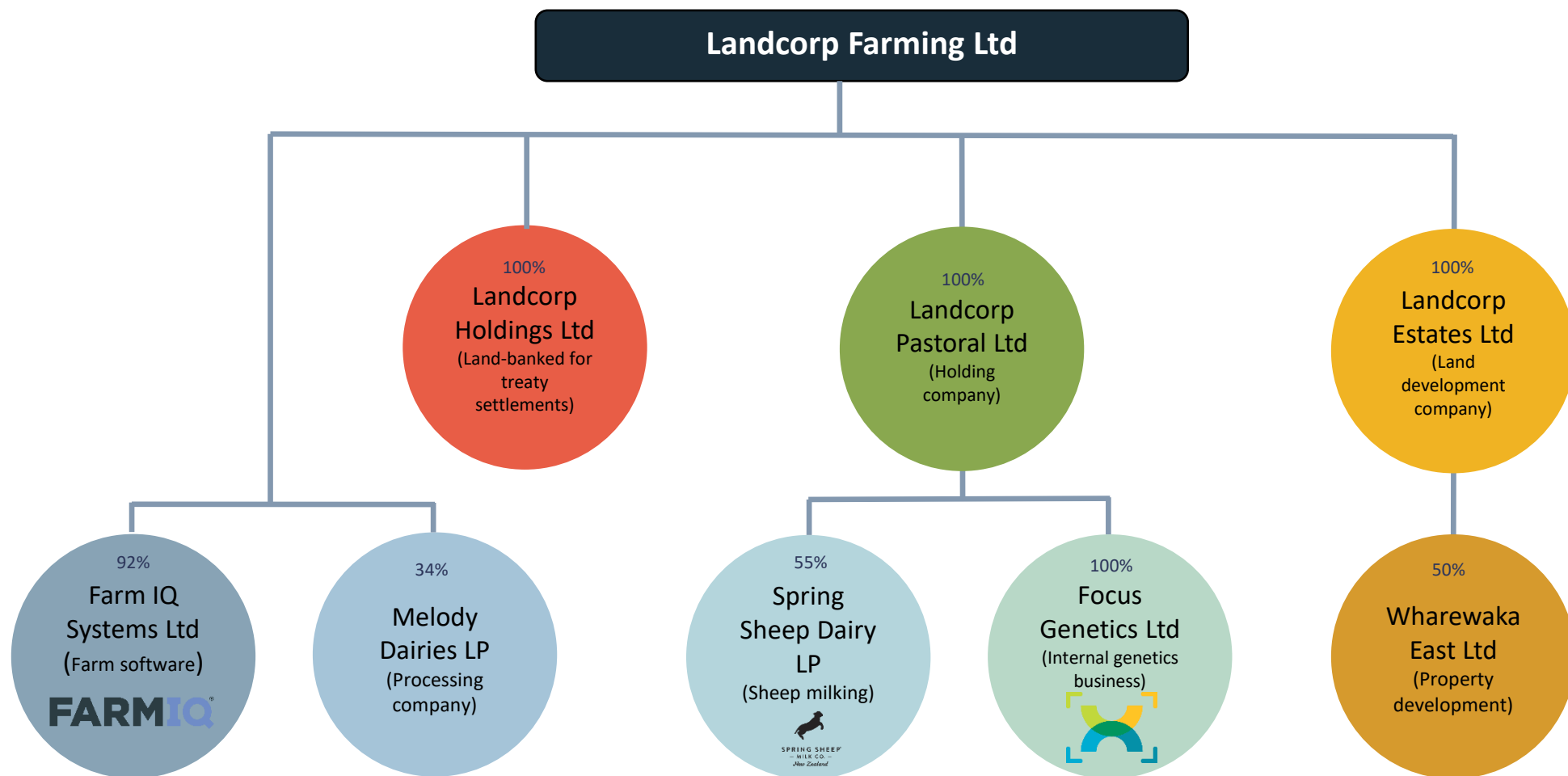
Pāmu is a party to financial instruments as part of its normal operations. Financial assets and liabilities carried at fair value are categorised into a fair value hierarchy based on the observability of inputs used to measure fair value as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: unobservable inputs for the asset or liability that are not based on observable market data.

Appendix 2: Pāmu group structure and strategic interests



Supporting functions essential to core business delivery: **Focus Genetics**, which delivers livestock breeding and genetic gains directly to Pāmu farms, improving animal performance and enabling commercialisation; and **FarmIQ**, which provides farm management software and benchmarking tools critical for continuous improvement, regulatory reporting, and performance transparency.



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