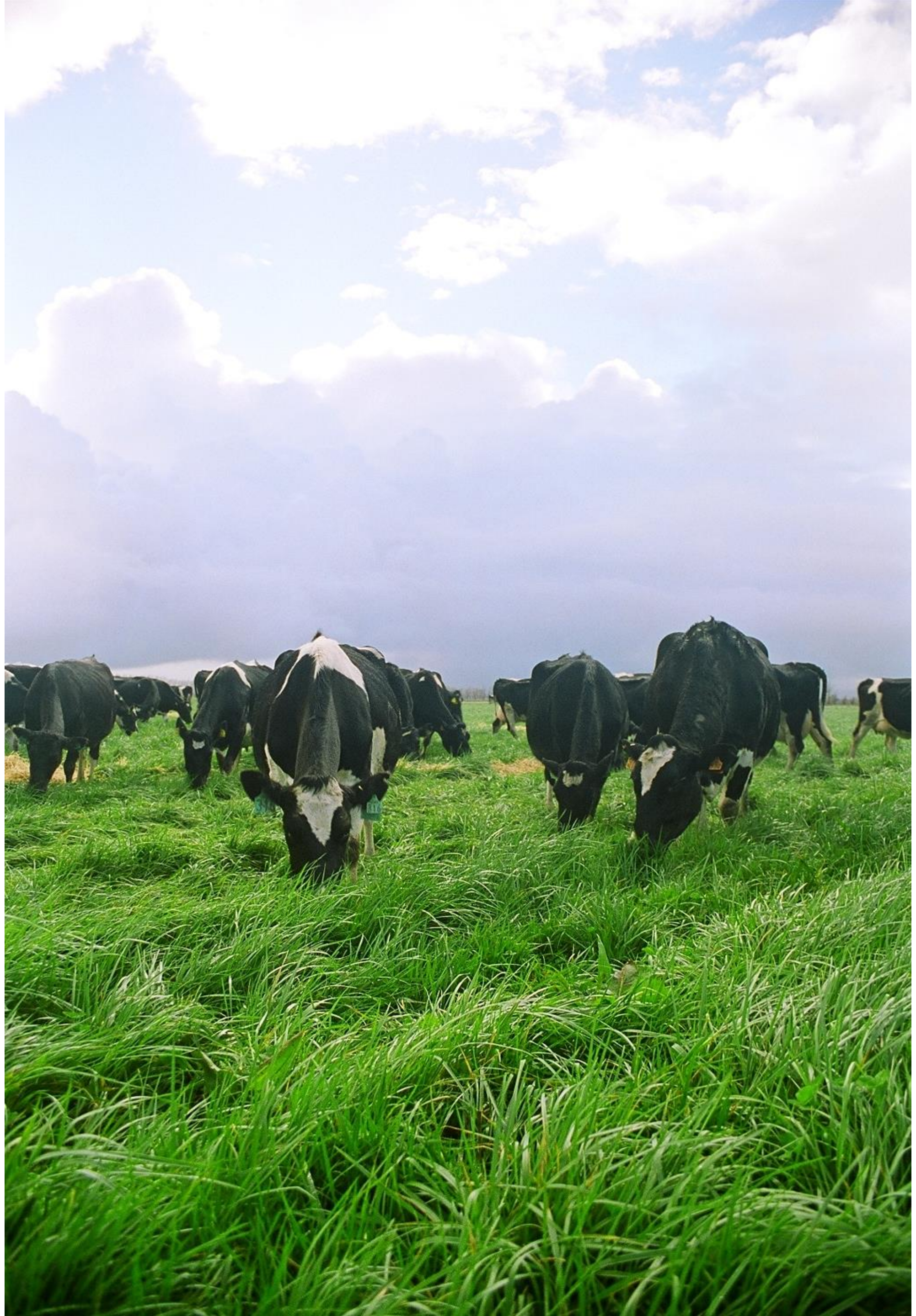


Landcorp Farming Limited

Statement of Corporate Intent

“Leading the Way"

2014-2017

Quick Facts – 2013/14

Livestock numbers (as at 30 June 2014)	
Total Animals	844,529
Sheep	579,871
Beef cattle	82,078
Dairy Cattle	77,526
Deer	105,054

Production in 2013/14 (Tonnes)	
Milksolids	18,616
Venison*	2,272
Sheep meat*	8,840
Beef*	6,632
Shorn Wool	2,752
Velvet	10.8

*Carcass weight

Hectares owned, leased or managed (as at 30 June 2014)	Owned	Leased/ Managed
North Island	76,863	44,128
South Island	81,531	182,564
TOTAL	**158,394**	**226,692**

Permanent Staff (as at 30 June 2014)	
People	692

Introduction

This year we are taking a different approach to our Statement of Corporate Intent.

The Board and Leadership Team of Landcorp Farming Limited (“Landcorp”) have recently completed a new Strategic Plan, based on an extensive strategic planning process. The Strategic plan provides a clear direction for Landcorp’s future, and we want to draw an obvious line of sight from what we will deliver this year to our broader strategic aspirations.

This 2014-17 Statement of Corporate Intent is intended to provide that line of sight. It sets out the activities that are at the core of our business, as well as new initiatives that are designed to deliver a step change in our performance, and bring us closer to achieving our strategic aims. They can be categorised into five primary areas of endeavour:

1. Volume – expand the quantity of livestock we are responsible for supplying, in partnership with others
2. Value – ensure we extracting as much value from every hectare of land we farm, within and beyond the farm gate
3. Efficiency – ensure we are running a cost-effective operation at both the farm and office level
4. People – lead the industry in people practices
5. Environment-showcase the rejuvenation and profitability potential of environmentally-savvy farming

Each area is important, but our execution of them will be sequenced based on their strategic importance and our organisational capability. As you would expect, our 2014-15 funding priorities are aligned to the priorities set out in this 2014-15 Statement of Corporate Intent. These are also outlined in this document.

Steven Carden
Chief Executive Officer

Objectives, nature and scope

Objectives

Under the State Owned Enterprises Act 1986, Landcorp is required to operate as a successful business and specifically to be:

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

Within this statutory context, Landcorp defines its vision and purpose:

Our vision: To become the premium supplier of meat, milk and fibre for niche markets globally

Our purpose: To transform NZ farming

Nature and Scope of business

The Landcorp group comprises Landcorp Farming Limited, its wholly owned subsidiaries – Landcorp Estates Limited, Landcorp Holdings Limited and Landcorp Pastoral Limited, and its partnership interest in Focus Genetics Limited Partnership. Landcorp runs 1.6 million stock units (sheep, beef deer and dairy) on 137 properties throughout New Zealand. The Quick Facts on Page 2 provide a snapshot of our business as at 30 June 2014. The nature and scope of our business activities over the next three years are reflected in our strategy and performance targets described in more detail in the following sections of this document.

A summary of our strategy

Our vision: To become the premium supplier of meat, milk and fibre for niche markets globally

Our purpose: To transform NZ farming

Our aims to achieve our vision:

1. Deliver 12% total shareholder return **sustainably** over the business cycle
2. Help supply 5% of NZ's meat and fibre production, of the highest quality, to partners in **premium value chains** around the world
3. Become the **partner of choice** for Maori, external investors, and other organisations investing in the growth of NZ farming
4. **Lead the industry** in our care for, and investment in, the people we employ, the animals under our care and the environment we are entrusted to farm in

Our key strategies to achieve our aims:

What we will farm

Volume

In partnership with Maori and others, significantly expand the quantity of livestock farmed, across an integrated portfolio of farms nationwide

Value

Integrate our products into value chains focussed on niche markets, driven by a deep understanding of future consumer requirements

How we will farm

Efficiency

Drive adoption of science, systems and new thinking that will boost the cost-effectiveness and efficiency of our farm operations

Environment

Lead the industry on showcasing rejuvenation and profitability potential of environmentally-savvy farming

People

Lead the industry in people practices, providing the safest, most enriching work environment for talented and motivated people.

Strategic Purpose:

Volume: Increase our value to the supply chain and spread our overhead across more farms.

Value: Increase operating margins, reduce revenue volatility and / or secure more certainty over pricing.

Efficiency: Reduce corporate overheads and on-farm costs of production. Boost on-farm productivity. Rationalise portfolio

Environment: Minimise reputational & regulatory risk. Reduce costs of production.

People: Develop a workforce capable of delivering all other components of strategy. Minimise reputational risks.

Initiatives:

Volume:
- Existing portfolio improvement
- Investment models
- Maori land owners strategy

Value:
- Red meat value chain
- Sheep milk

Efficiency:
- Project Simple
- Back to Black
- Farming models

Environment:
- Environmental rejuvenation

People:
- Play it Safe
- Leadership capability
- Redefine Landcorp brand

Our headline targets

Result Area	Key Performance Indicator	Target for 2014-15
Financial	EBIT	$31.7m
	Interest cover ratio	> 3 : 1
	Cost of Production - Livestock Cost of Production - Dairy	≥ 2% improvement on FY14 p.a.
Our Customers	Delivery to customer specifications	100% livestock delivered to processor spec
Our People	Recordable (ACC) injuries	15% improvement on FY14
Our Animals	Animal welfare	100% animal welfare code requirements met
Our Environment	Agreed and costed environmental strategies	100% of Landcorp-owned farms
Production	Production of meat, milk and fibre	Average 5% increase (across portfolio as at 1 July)
Efficiency	Effective utilisation of FMS	100% of farms reporting two-monthly performance

Volume

In partnership with Maori and others, significantly expand the quantity of livestock farmed, across an integrated portfolio of farms nationwide

Grow volume: Meet 5% of supply

Our strategy is to optimise productivity and increase kilograms of live weight, milk and fibre on our existing properties. We will also invite investors including Maori land owners to take an interest in our livestock properties and dairy expansion - through sound investment vehicles.

Grow volume within existing portfolio

- Target capital investment to fencing, water, fertiliser and buildings on livestock properties
- Enhance existing and initiate new farm systems through extension programmes
- Transition new dairy conversions at Wairakei Pastoral Limited and achieve production targets
- Ensure expertise in the Farm Performance Group to investigate new partnerships

Add volume through new partnerships

- Manage farms on behalf of agricultural land investors
- Develop new business models for initiatives around traditional livestock enterprises

Volume

In partnership with Maori and others, significantly expand the quantity of livestock farmed, across an integrated portfolio of farms nationwide

Grow volume: Running our business

In 2014-15 we will…
Target 141.1% lambing
Target 91.2% calving
Target 89.3% fawning
Optimise all enterprises to achieve:
434,014 lambs and hoggets to sale
26,876 beef cattle to sale
42,232 deer to sale
20,340,000 kg milk solids
2,788 tonnes of wool

Volume

In partnership with Maori and others, significantly expand the quantity of livestock farmed, across an integrated portfolio of farms nationwide

Strategic initiative: Investment models

Landcorp has an aspiration to increase our share of the NZ pastoral livestock supply from 1.5% to 5% by 2019. To achieve this increase we need to develop partnership models that scale our production base. The final choice of investment vehicle, and partners with whom we do this, are mission critical. Whilst Landcorp is well positioned to do this, developing and launching investment vehicles is difficult and resource hungry. Meticulous preparation and research are paramount.

In 2014-15 we will…
Define our target investment market
Test the value proposition
Develop a revenue model and pricing structure
Develop the implementation plan
Develop partner selection process
Implement go-to-market strategy
Develop investor support capability

Volume

In partnership with Maori and others, significantly expand the quantity of livestock farmed, across an integrated portfolio of farms nationwide

Strategic initiative: Maori partnerships

Landcorp will work with Maori land owners and others to form partnerships that will significantly expand the quantity of livestock that Landcorp will manage. Landcorp will form a network of integrated farms nationwide to increase the amount of stock supplied representing Landcorp genetics and quality systems.

In 2014-15 we will…
Establish a Maori land owners strategic advisory group
Grow Maori land owners relationships with two preferred future commercial partners
Develop an investible proposition for a Maori land owners group and commence negotiations
Build network of Maori land owners farms to adopt Landcorp systems and genetics and oversee supply of animals to the processors
Build a model for Maori land owners economic development using external funds and Landcorp's Farm Operations Group

Value

Integrate our products into value chains focussed on niche markets, driven by a deep understanding of future consumer requirements

Premium value: Identify niche markets

Our strategy is to integrate our current (and potential new) products into value chains focussed on niche markets, driven by a deeper understanding of future consumer requirements.

More value from current products:

- Tesco through consumer insights and stronger relationships
- Dairy through defining the destination of Wairakei Pastoral Limited's milk
- Partner with those capable of communicating market insights

Potential new products - evaluate:

- Sheep's milk – current operators and genetics requirements
- Manuka honey – expansion potential
- Cropping – market and species
- Renewable energy – where we have geographical advantage

Value

Integrate our products into value chains focussed on niche markets, driven by a deep understanding of future consumer requirements

Strategic initiative: Prototypes

Landcorp aspires to increase the value available to participants in the value chain. To do this our products need to be integrated into high value niche markets. We need to gain a detailed understanding of consumer requirements, niche markets currently being supplied, and new markets that offer scale and value potential. Landcorp will look to apply design thinking and prototype high value products driven by known or anticipated consumer demand. We supply a premium product and want to understand how we can help processors to extract a premium price for Landcorp.

In 2014-15 we will…
Work with Tesco to deepen Landcorp's connection with UK consumers
Build understanding of sheep milk market and operations, to business case if viable
Investigate options for lactation genetics development in NZ
Get closer to our meat processing partners, and find partners able to share market insights
Implement Manuka partnership and research planting

Efficiency

Drive adoption of science, systems and new thinking that will boost the cost-effectiveness and efficiency of our farm operations

Efficiency: Farming models

Our strategy is to lead the industry in developing new thinking on driving performance through tightly integrated large-scale corporate farming models. At the same time we will focus effort on the rehabilitation of under-performing farms.

Optimise our pastoral system

- Increase the commercial and financial acumen of our Farm Managers
- Ensure a high level of uptake and skill in using our systems (including the Farm Management System (“FMS”))to drive on-farm performance
- Further develop knowledge and capability through a structured and well-resourced extension programme
- Unleash the full capability of a high calibre Farm Performance Group including a technically-savvy farm systems team

Efficiency

Drive adoption of science, systems and new thinking that will boost the cost-effectiveness and efficiency of our farm operations

Efficiency: Running our business

In 2014-15 we will…
Train the Trainer courses
Continue to delegate financial budgeting function to farm
Develop the national "Grass Factory" monitoring format
Continue Farmax training to Farm Managers in conjunction with FMS
Continue financial training courses at Farm Manager level
New grass and crop management
Optimised feed planning
Managing quantity and quality pastures
Facilitate Land and Environment Plan adoption

Efficiency

Drive adoption of science, systems and new thinking that will boost the cost-effectiveness and efficiency of our farm operations

Strategic initiative: Future farming at scale

The global demand for protein is growing, and the world needs more efficient ways of producing increasingly larger quantities of nutritious, safe food. New Zealand has traditionally been a thought leader in farming systems, and while we are still at the forefront of agricultural research and development in many areas, large scale commercialisation is lagging, and in some cases developing countries are advancing their farming systems while New Zealand is effectively standing still. Landcorp needs to tap into the latest in agricultural thinking, and position ourselves as a leader in the commercialisation of new thinking.

In 2014-15 we will…
Critically evaluate our current model
Identify new tools for re-thinking our farming operations
Investigate alternative models
Optimise our hub-and-spoke structure

Efficiency

Drive adoption of science, systems and new thinking that will boost the cost-effectiveness and efficiency of our farm operations

Efficiency: Keeping it Simple

Our strategy is to drive the adoption of tools, systems and new thinking that will boost the precision and efficiency of our farm and corporate operations.

Core systems

Implement:

- FMS – leverage business intelligence and integration
- On-farm technology
- Intranet upgrade and redesign
- Document management system

New ways of doing business

Implement:

- Automated accounts payable
- Electronic purchase card system
- Electronic time recording
- Strategic procurement

Efficiency

Drive adoption of science, systems and new thinking that will boost the cost-effectiveness and efficiency of our farm operations

Efficiency: Running our business

In 2014-15 we will…
Integrate farm technology with the FMS
Implement phase 1 electronic time recording
Intranet upgrade and redesign
Implement automated AP solution
Implement new procurement processes
Implement Navision upgrade
Roll out electronic purchase card system
Implement electronic records management system
Review effective and efficient collection and storage of key operational data
Find better ways of presenting and analysing data and information for our customers

Efficiency

Drive adoption of science, systems and new thinking that will boost the cost-effectiveness and efficiency of our farm operations

Strategic initiative: Project Simple

Many of our processes are manual, time-consuming and clunky, and we cannot always see how they add value to our business. Project Simple will introduce a methodology we will use to identify opportunities to stream-line our core business processes. We aim to reduce or eliminate time and cost wastage associated with administration and/or reporting, and ensure that only the process steps that add real value are retained.

In 2014-15 we will…
Agree scope and identify resources
Review current core processes
Identify priority improvement opportunities
Re-design processes to make them simple and eliminate wastage
Implement priority improvements
Review impact of improvements

Environment

Lead the industry on showcasing rejuvenation and profitability potential of environmentally-savvy farming

Our environment: Rejuvenation

Our strategy is to lead the industry on showcasing rejuvenation and the profitability potential of our environmentally-savvy farming.

Environmental stewardship

- Compliance is the minimum standard
- Close engagement with regulators
- Ongoing implementation of Land and Environment Plans
- Ongoing protection of high conservation value areas
- Optimising land use to ensure efficient livestock production systems are enabled

Industry leadership

- Move from a culture of conservation to systemic environmental rejuvenation
- Proactive nutrient and water quality management
- Transparent reporting of our environmental footprint
- Environmental considerations an integral part of business decision-making

Environment

Lead the industry on showcasing rejuvenation and profitability potential of environmentally-savvy farming

Our environment: Running our business

In 2014-15 we will…
Manage our existing forestry resource both harvest and planting
Manage existing QEII covenants, Habitat Enhancement and Land Improvement Agreements
Ongoing Stakeholder engagement with statutory authorities
Ongoing engagement with industry good organisations
Complete 27 outstanding Land and Environment Plans
Annual review of existing Land and Environment Plans

Environment

Lead the industry on showcasing rejuvenation and profitability potential of environmentally-savvy farming

Strategic initiative: Rejuvenation

Our reputation as a leading New Zealand business will be built on the best possible enhancement of our environment combined with sustainable commercial returns. We will identify areas within farms and regions where we can farm more efficiently to both improve production and environmental care. This includes key areas where we can have significant impact by implementing new or improved processes, including collaboration to solve catchment and industry issues. We will prototype rejuvenation initiatives including linkages with partnerships, value, diversity, efficiency and people and capability initiatives.

In 2014-15 we will…
Finalise the strategic framework with a focus on key areas (climate smart, water, land optimisation, biodiversity)
Develop a broad base collaborative network with commercial organisations, CRIs and Universities
Develop an environmental reporting framework both spatial and financial
Put a nutrient management model in place
Integrate Land and Environment plans with FarmPride and Farm Business plans

Environment

Lead the industry on showcasing rejuvenation and profitability potential of environmentally-savvy farming

Our Property Portfolio

Our strategy is to achieve the highest and best use for our land, including opportunities other than livestock or forestry, or in covenants. Land that has a higher potential than farming may be developed and sold via subsidiary company Landcorp Estates. Land may be held in Landcorp Holdings. Land may also be sold. Partnerships with others are a priority rather than further land purchases.

Complementary land uses

- More than 100 separate leases / licences and legal instruments are negotiated each year
  - Grazing
  - Communication sites
  - Short term cropping
  - Mineral exploration and mining
  - Miscellaneous

Landcorp Estates (subsidiary)

- Seven separate projects are consented, comprising a mix of lifestyle and residential property

Landcorp Holdings (subsidiary)

- Seven farms are held for potential future sales as part of the settlement process under the Treaty of Waitangi claims settlement process

Environment

Lead the industry on showcasing rejuvenation and profitability potential of environmentally-savvy farming

Our property portfolio: Running our business

In 2014-15 we will…
Operationalise Wellington office earthquake strengthening and refurbishment
Continued rationalisation and reconfiguration of land portfolio
Enter into leases, licences and easements as required
Sell 18 sections in Landcorp Estates
Liaise with Office of Treaty Settlements regarding Landcorp Holdings and other properties

People

Lead the industry in people practices, providing the safest, most enriching work environment for talented and motivated people.

People and capability: Employer of choice

Our strategy is to lead the industry in people practices, providing the safest, most enriching work environment for talented and motivated people.

Create a safer place to work

- Make safety an everyday conversation
- Reduce recordable (ACC) injury frequency
- Be a role model for safe farming practice

Refresh our brand profile

- Tell our story to the outside world

Grow our capability

- Make the quality of our leaders a point of difference for Landcorp
- Position Landcorp as an employer of choice, and recruit the right talent
- Invest in growing our people
- Secure the new capabilities we need to execute our strategic plan

People

Lead the industry in people practices, providing the safest, most enriching work environment for talented and motivated people.

People and capability: Running our business

In 2014-15 we will…
Work safely every day
Put the right people and capability resources in the right places
Develop a rewards strategy and remuneration framework
Review the core training curriculum
Review HR policies and processes
Fully understand the dairy turnover issue and move to improve it
Further improve our recruitment processes
Review casual employment arrangements
Review FarmPride quality management system
Implement phase 1 HRSS

People

Lead the industry in people practices, providing the safest, most enriching work environment for talented and motivated people.

Strategic initiative: Play it Safe

There are too many injuries among people employed in agriculture in New Zealand. We can and must do better. We will know we are where we want to be when our performance is in the top quartile of all NZ companies, when we are hearing safety conversations in all corners of our business, and when we are setting the example for other organisations that want to improve their own safety performance.

In 2014-15 we will…
Implement Play it Safe Phase 2 to plan
Revise the Safety Management System
Build H&S accountability into performance plans
Determine external H&S benchmarks
Review our H&S governance structures
Commence rollout of Farm Angel* - quad bike safety system

*Assumes pilot is successful

People

Lead the industry in people practices, providing the safest, most enriching work environment for talented and motivated people.

Strategic initiative: Build leadership capability

High quality leaders can see the future and inspire others to strive for it. Landcorp wants to be known for the quality of its leaders, and we will achieve this by:

- The enterprise leadership team modelling the behavior we want to see throughout Landcorp
- Building a guiding coalition of leaders who are articulate and passionate about the Landcorp vision and story
- Understanding the strength of our leadership “bench” - in both technical and people leadership
- Holding leaders to account for their own performance and the performance of those they lead

In 2014-15 we will…
Implement the Landcorp leadership development programme
Review and improve the performance management system
Implement a talent review process
Implement a performance calibration process for all Tier 3 managers
Establish NZ Dairy Leadership Academy

People

Lead the industry in people practices, providing the safest, most enriching work environment for talented and motivated people.

Strategic initiative: Redefine our brand

Our reputation as a leading New Zealand business will be built on impeccable performance, and communication. We have a great story to tell, yet few outside our industry have even heard of us. Every employee has a part to play in communicating our story. We will make a significant contribution as a good corporate citizen, supporting causes and organisations that make strategic sense for us. We will redefine what it means to be Landcorp.

In 2014-15 we will…
Complete review of Landcorp brand and brand architecture
Deliver on brand review recommendations
Improve internal communications capability
Select a strategic sponsorship partner
Implement a structured Community Fund

Our full scorecard

Strategic goal	Key Performance Indicator	Target for 2014-15
Financial Performance	EBIT	$31.7m
Banking covenants	Interest cover ratio	> 3 : 1
Operating costs	Cost of Production - Livestock Cost of Production - Dairy	≥ 2% improvement on FY14 p.a.
Capital costs	Robustness of capital management processes	Improve structure for assessment, approval, and benefit realisation review
Grow volume	Production of meat, milk and fibre	Average 5% increase
Supply 5% of NZ pastoral livestock	Lamb supply volume step change	30,000 through new partnerships
Partner of choice	Number of new livestock farming partnerships	1 (preferably with Maori land owners)
Grow value Supply niche markets	Additional niche market supply partnerships	1
Extract premium prices	Premium achieved over spot market	Average 5% for meat and fibre
Potential new products	Business cases completed for new revenue streams	2
Efficiency	Deployment of FMS	100% farms reporting 2 monthly performance
Project Simple	Process improvement and waste elimination	> 3 pilot initiatives
Environmental performance	Goals and metrics fully developed for key strategies	100%
Farm environmental	Agreed and costed farm environmental strategies	100% Landcorp-owned farms
People and Capability	Voluntary turnover %	< 20%
Safer workplace	Near Miss/ Hazard and First Aid Injury reporting	NM/H+FAI reporting > ACC injury claims
Injury rates	ACC Injury claims*	15% improvement on FY14

*Total Recordable Injuries: sum of fatalities, serious harm, lost time, restricted work and medical treatment injuries

Landcorp's forecast results for 2013/14 and targets for 2014/15, 2015/16 and 2016/17 are:

	Forecast 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
Shareholder Returns				
Total Shareholder Return after tax / average shareholders' equity	1.6%	8.7%	5.7%	4.8%
Total Shareholder Return after tax / Opening shareholders' equity (company measure)	1.6%	9.1%	5.9%	4.9%
Dividend Yield (Ordinary)	0.5%	0.4%	0.3%	1.3%
Dividend Yield (Ordinary + Special)	0.5%	0.4%	0.3%	1.3%
Dividend Payout (Ordinary)	21.7%	94.4%	23.7%	86.1%
Dividend Payout (Ordinary + Special)	21.7%	94.4%	23.7%	86.1%
Profitability/Efficiency				
Economic Value Added	(4.53%)	2.63%	0.09%	(0.70%)
Dividends – Group (including recommended final) ($m)	7.0	5.0	5.0	20.0
Leverage/Solvency				
Gearing Ratio (net)	11.2%	13.4%	14.2%	13.3%
Interest Cover (Times) (EBITDA / Interest) [1]	6.00	4.96	3.97	4.08
Capital Expenditure				
Net Capital Expenditure ($m)	6.6	(45.5)	(58.8)	(20.3)

[1] Includes profit on land sales.

Financial performance measures as required by the Owner's Expectations Manual are set out in **Appendix 3**

Capital Structure

The issued share capital of Landcorp Farming Ltd as at 30th June 2014 is 125 million ordinary shares at $1.00 each ($125 million) and 107,661,000 redeemable preference shares of $1.00 each, giving a total share capital of $232,661,000.

Under the Protected Land Agreement ("PLA"), the shareholder has purchased redeemable preference shares in Landcorp up to the agreed market value of land that has been protected from sale. This share capital has been provided by a combination of one-off capital injection ($52.2 million) with the balance ($52.347 million) being achieved by 31st October 2010 through dividend diversions.

Landcorp's target debt level is set by direct reference to ensuring Landcorp meets its banking covenants. In setting the target debt level, it is necessary to factor in a "buffer" to provide Landcorp with sufficient surplus borrowing capacity to enable it to "ride out" reasonably foreseeable adverse scenarios.

Dividends are paid subject to ensuring compliance with banking covenants and other fiduciary requirements.

The Business Plan balances operating, capital, dividend cash flows producing closing interest bearing debt of:

- 30th June 2015 $218.4M
- 30th June 2016 $245.9M
- 30th June 2017 $239.2M

Landcorp targets a capital structure and debt level based on an interest cover ratio of 3:1 with an expected range between 2.75:1 and 3.25:1. This was agreed as part of the Protected Land Agreement.

The target capital structure of subsidiary companies is as follows:

- Landcorp Estates	**25% debt**	**75% equity**
- Landcorp Holdings	**15% debt**	**85% equity**

The estimated Landcorp Group capital structure at 30th June 2014 and for the next three years is as follows:

Landcorp Group Capital Structure

	Forecast 2013/14 ($m)	**Budget 2014/15 ($m)**	**Budget 2015/16 ($m)**	**Budget 2016/17 ($m)**
Total assets	1,629	1,780	1,889	1,954
Liabilities	318	373	401	394
Equity	1,311	1,407	1,488	1,560
Interest bearing debt to debt plus equity	11.2%	13.4%	14.2%	13.3%
Equity to total assets	80.4%	79.1%	78.8%	79.8%

Dividend Policy

Landcorp's dividend policy is to pay up to 75% of Net Operating Profit after tax. In addition, the Company will pay 100% of profits realised by Landcorp Estates from land development for highest value urban use.

The Board will consider the payment of special dividends where surpluses arise from non-core activities or from one-off profit realisation.

The payment of dividends is subject to the Board first meeting all fiduciary and commercial responsibilities. Consideration of fiduciary responsibilities includes ensuring Landcorp meets all relevant legal obligations and satisfies its obligations to lenders, including compliance with banking covenants.

In determining dividends payable to its shareholders, Landcorp will follow the procedure laid down in its Constitution and the Companies Act 1993.

As a farming company, most of Landcorp's revenue flows are in the second half of each financial year. This means that in the absence of extraordinary circumstances, farming operations are not in a position to fund an interim dividend. This mismatch is disclosed in the Half Yearly Report.

Accordingly, dividends are normally paid in October following financial year end. Landcorp will disclose its performance against the dividend targets in its annual report. Any change in the milk payout, lamb schedule or exchange rates will have a significant impact on Landcorp's ability to pay a dividend.

Accounting Policies

Landcorp's financial statements are prepared in accordance with the Financial Reporting Act 1993 and generally accepted accounting practice, using a fair value basis, except for an historical cost basis for certain assets and liabilities. The financial statements also comply with the New Zealand equivalent to International Financial Reporting Standards (NZIFRS)

The policies are also consistent with the legal requirements of the Companies Act and any other relevant legislation; and generally accepted accounting principles.

Landcorp’s detailed accounting policies are attached as **Appendix 2**.

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

Compensation from the Crown

As provided in section 7 of the SOE Act 1986, where the Crown wishes Landcorp to undertake activities or assume obligations which will have a negative effect on Landcorp's profit or net worth, or are of a non-commercial nature, Landcorp will seek compensation to ensure its commercial position is maintained. This includes compensation for retaining properties normally intended for sale but which might be required by the Crown to fulfil Treaty of Waitangi obligations. In particular Landcorp Estates Ltd would seek redress for the full marketable value of any completed development unable to be sold due to such requirements.

Reporting and Disclosure

- To enable the shareholding Ministers to make an informed assessment of the governance, performance and value of Landcorp, meaningful and timely disclosure of relevant information is presented to them. Annual and half-yearly reports are submitted in accordance with the SOE Act 1986 and tabled in Parliament. Quarterly financial reports and commentary are also provided within one month after the end of each quarter.

- Half-yearly reports include unaudited statements of financial performance, movements in equity, financial position and cash flows, and such details as are necessary to permit an informed assessment of Landcorp's performance during that reported period.

- Landcorp has regular meetings with officials and one-off meetings with shareholding Ministers on an as-needed basis.

- A summary of Landcorp’s governance policies is set out in **Appendix 1** including the consultation procedures followed on the sale and purchase of assets by Landcorp.

Continuous Disclosure

- Landcorp is subject to “SOE Continuous Disclosure Rules”. Under these rules once Landcorp becomes aware of any “Material Information” concerning it, then Landcorp shall immediately release that information to the public through its own and the Treasury’s website after ensuring that shareholding Ministers are aware of that information.

- Material Information requiring disclosure includes matters that may have a material effect on the current commercial value of Landcorp, dividend declarations or a transaction representing 5% or more of Landcorp’s current commercial value. Exceptions to the disclosure rules include breach of an obligation of confidentiality, trade secrets, incomplete proposals or negotiations, matters of supposition and information generated for internal management purposes.

Commercial Value of the Crown's Investment

Commercial Value

The Board's estimate of the current commercial value of the Crown's investment in the Landcorp Group as at 30th June 2014 is $1.42 billion. This is based on the estimated market value of Landcorp assets and liabilities as assessed each year. This includes external valuation of land and buildings, forests, and market prices for livestock, shares and financial instruments. The value of liabilities (excluding the redeemable preference shares issued to the Crown) is deducted from the value of the assets to determine the commercial value. This approach is considered by the Board to fairly reflect the commercial value of the Crown's investment.

The commercial value of Landcorp is lower than the $1.44 billion at 30th June 2013. This is the result of decrease in the market value of sheep, beef and dairy cattle and deer. As the majority of these gain arise on livestock held for breeding and/or production, rather than sale, these gains are stated at a particular time and do not represent cash flows that are yet realised in the ordinary course of livestock farming.

Discounted Cash (DCF) Valuation

In addition, at the request of the shareholder, the Board commissioned a value analysis of the Company based on the same Discounted Cash Flow (DCF) methodology used to complete the full valuation analysis. This analysis assesses the potential value of Landcorp's future cash flows over a 10 year time frame using a discount rate of 6.53% and simulated over a range of possible scenarios using "Monte Carlo" analysis.

As was the case in June 2013, an independent review found no evidence to suggest that the 30th June 2014 DCF valuation of Landcorp would be materially different if a full valuation were undertaken. There have however been significant changes to the forecast to reflect the change in the current economic climate and outlook for future years. The negative impact on the DCF valuation of these changes have been offset by an improvement in productivity. The change of assumptions applied to the model results in a midpoint of the current assessed DCF valuation $79m higher than the midpoint assessed in 2013.

The implied equity value of Landcorp using this approach is estimated to be between $0.5 billion and $2.0 billion within an 80% confidence interval and an average of $1.2 billion. The distribution of values and the assumptions on which these values are based are outlined in the histogram on page 40.

Appropriate Valuation Methodology

The Board notes that it is normal to observe material shortfalls in calculated DCF values relative to market prices, with respect to rural land. This shortfall reflects the combination of non-pecuniary and pecuniary benefits of owning rural land that cannot be captured by a DCF approach. This conclusion was supported by an independent review of Landcorp's commercial value in 2011/12 by PricewaterhouseCoopers. Given these limitations, the Board considers the market value of Landcorp to most appropriately represent the commercial value of the Company.

Background Information – 2014 DCF Valuation of Landcorp

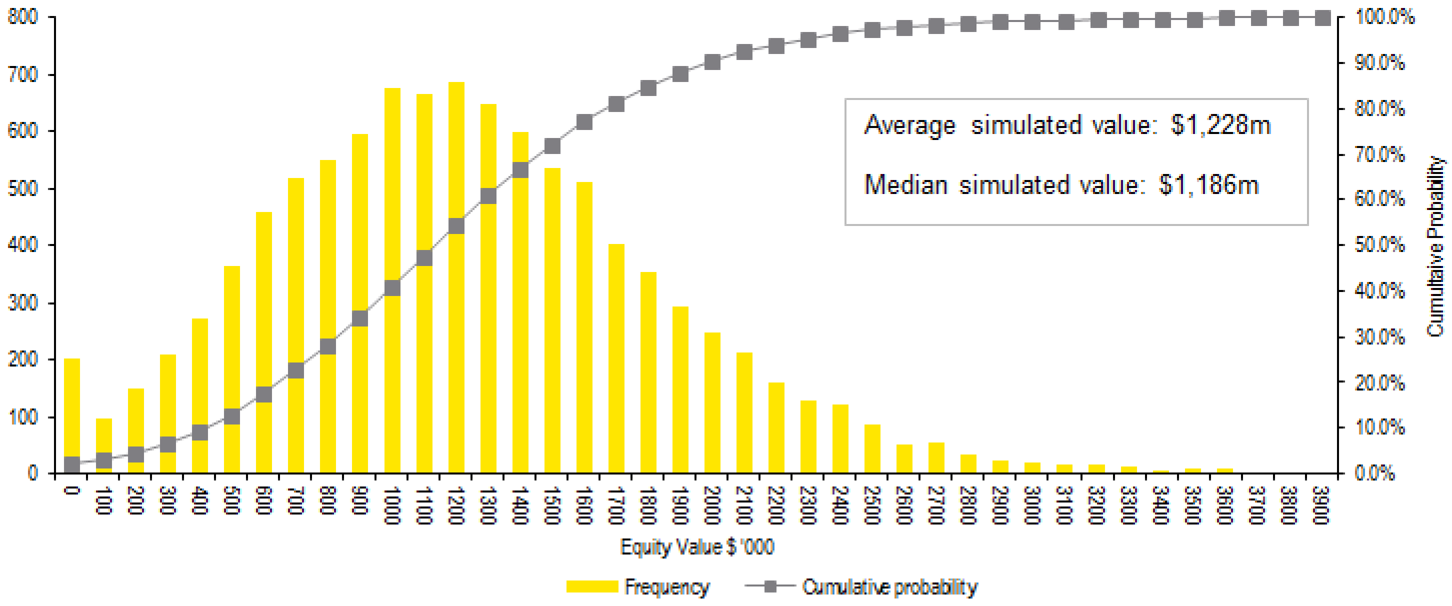
EYTAS note that for Landcorp, a DCF valuation will not necessarily capture all sources of potential future value even under an assumption of indefinite Crown ownership.

Among other things, a conventional DCF analysis will not assign any value to any “real options” attaching to rural land, such as the ability to switch use in response to changes in relative returns to alternative forms of land use or zoning restrictions. A DCF analysis may also fail to adequately account for a rural land owner’s ability to vary output levels and cost structures in response to changing price signals. Further, uncertainty surrounding future NZ dollar commodity returns is such that it will in general be possible to support a wide range of outcomes using a DCF methodology.

- The DCF valuation was calculated as at 30th June 2014.
- The DCF valuation was based on the Landcorp Group excluding Landcorp Holdings Limited. Landcorp Holdings was excluded as the net gain or loss for Landcorp Holdings reverts to the shareholder under the Protected Land Agreement.
- The DCF methodology was used to construct a range of Net Present Values using Monte Carlo analysis.
- A discount rate of 6.53% was assumed.
- The DCF was based on a 10-year financial model of Landcorp’s Business units (excluding Landcorp Holdings). The 10 year financial model forecast future cash flows based on Landcorp’s five year business plan, with forward projections for years five to 10.
- The terminal value is calculated under the assumption that Landcorp's assets are retained in perpetuity, and is based on the forecast cashflows in year 10 and a terminal growth rate of between 2.0% and 2.5%.
- Other material factors are:
  - Constant land holdings (I.e. except for known Wairakei Pastoral commitments)
  - 2.4% pa production improvement for livestock for years 1 to 5 and 1% for years 6 to 10
  - 2.2% p.a. production improvement for dairy for years 1 to 5 and .1.4% for years 6 to 10.
  - Product price and cost growth in line with general inflation (ie constant margin).
  - Capital expenditure marginally above depreciation.

EYTAS advise that the fair market value of Landcorp is likely to be materially different to the DCF valuation due to the limitations as outlined above of applying the DCF methodology in respect of valuing rural farm land.

Histogram – DCF valuation (equity value) - Landcorp



Appendix 1

Summary of Governance Policies

A. Board Charter

The Charter adopted by the Board on 30 January 2012 sets out the authority, responsibilities, membership and operation of the Board of Directors in the governance of Landcorp. Specifically, it requires directors to embrace the following principles:

- To observe high standards of ethical and moral behaviour.
- To act in the best interests of the Shareholders.
- To ensure that Landcorp acts as a good corporate citizen, taking into account environmental, social and economic issues.
- To recognise the legitimate interest of all stakeholders.
- To ensure that staff are remunerated and promoted fairly and responsibly.

The primary responsibility of the directors is to exercise their business judgement to act in what they believe to be the best interests of the Company and its Shareholders and to take appropriate steps to protect and enhance the value of the assets of the Company in the best interests of the Shareholders. They will ensure that at the heart of the organisation there is a culture of honesty, integrity, and excellent performance.

B. Code of Practice

In addition to the Board Charter, the Code of Practice for Directors issued by the Institute of Directors in New Zealand (Inc) provides guidance to Directors to assist them in carrying out their duties and responsibilities in accordance with the highest professional standards. The values which guide behaviour and performance are integrity, enterprise, fairness, transparency, accountability and efficiency. The principles applied also include those set out below in Section C issued by the Financial Markets Authority.

C. Principles for Corporate Governance issued by the Financial Markets Authority

1. Directors should observe and foster high ethical standards.
2. There should be a balance of independence, skills, knowledge, experience, and perspectives among directors so that the Board works effectively.
3. The Board should use committees where this would enhance its effectiveness in key areas while retaining Board responsibility.
4. The Board should demand integrity both in financial reporting and in the timeliness and balance of disclosures on entity affairs.
5. The remuneration of directors and executives should be transparent, fair and reasonable.
6. The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.
7. The Board should ensure the quality and independence of the external audit process.
8. The Board should foster constructive relationships with shareholders that encourage them to engage with the entity.
9. The Board should respect the interests of stakeholders within the context of the entity's ownership type and its fundamental purpose.

D. Professional Development

Professional development of Landcorp's Directors is encouraged through education and training. During their three year term, each director is entitled to an allowance of up to $3,000 for such purposes.

E. Subsidiaries

The terms "Share", "Shareholding Ministers" and "Subsidiary" have the same meanings as in section 2 of the SOE Act 1986.

Landcorp shall ensure at all times that:

- Control of the affairs of every subsidiary of Landcorp is exercised by a majority of the directors appointed by Landcorp; and that
- A majority of the directors of every subsidiary of Landcorp are persons who are also directors or employees of Landcorp, or who have been approved by Landcorp's Board for appointment as directors of the subsidiary.

F. Consultation

Landcorp will in relation to any single or connected series of transactions, consult with shareholding Ministers on items outside normal operations and having a material impact on the Landcorp's financial position not contemplated in the Business Plan including:

(a) any substantial capital investment in activities within the scope of its core business;

(b) any substantial expansion of activities outside the scope of its core business into new business areas;

(c) subscriptions for, sale of, shares in any company or equity interests in any other organisation which are material, involve a significant overseas equity investment, or are outside Landcorp's scope of business;

(d) the sale or other disposal of the whole or any substantial part of the business or undertaking of Landcorp; and

(e) where Landcorp holds 20 per cent or more of the shares in any company or other body corporate (not being a subsidiary of Landcorp), the sale or disposal of any shares in that company.

In reference to (a), (d) and (e) above, Landcorp will consult on investment or divestment decisions with a gross value of $15 million or more and for (b) and (c) Landcorp will consult on transactions of $5 million or more.

Landcorp will also consult on specific items included in the Business Plan as agreed between Landcorp and shareholding Ministers from time to time.

Appendix 2

Summary of Financial Accounting Policies

Basis of Preparation

Statement of compliance

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

Measurement base

The financial statements have been prepared using a historic cost basis, modified by the revaluation to fair value of certain assets and liabilities as disclosed below.

Functional and presentation currency

The financial statements are presented in New Zealand dollars (NZ$) and all values are rounded to the nearest million dollars ($m). The functional currency of Landcorp is NZ$.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Comparative information

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure

Significant Accounting Policies

Basis of consolidation

Subsidiaries

Subsidiaries are companies controlled by Landcorp and are included in the consolidated financial statements using the purchase method of consolidation. In the Parent, subsidiaries are valued at cost.

All significant intercompany balances and transactions are eliminated on consolidation. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of Landcorp's interest in the entity.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Livestock sales
Livestock sales, and sales of other agricultural produce, are recognised upon receipt by the customer when the risks and rewards of ownership have been transferred.

Agricultural produce
Agricultural produce, including milk and wool, is recognised at the point-of-harvest at its fair value less estimated point-of-sale costs.

Accounts receivable

Accounts receivable are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. An allowance for irrecoverable amounts is recognised in the Statement of Comprehensive Income when there is objective evidence that a receivable is impaired.

Property held for sale

Property held for sale comprises property that has been identified for sale and development land. Properties that have been identified for sale are classified as property held for sale when a sales plan has been implemented and an unconditional sales contract is expected to be signed within a year. Development land is held for sale to development joint venture entities.

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 biological assets

Livestock are recorded at fair value less estimated point-of-sale costs.

Changes in the value of livestock are recognised in the Statement of Comprehensive Income. Value changes that form part of Landcorp’s livestock management policies, including animal growth and changes in livestock numbers, are recognised in the Statement of Comprehensive Income within revenue. Changes in value due to general livestock price movements are beyond Landcorp’s control and do not form part of Landcorp’s livestock management policies. These value changes are recognised in the Statement of Comprehensive Income as gain/loss due to price changes on livestock.

Other financial assets

(a) Investments in subsidiaries
Investments in subsidiaries are recorded at cost.

(b) Loans to subsidiaries and other loans and receivables
Loans to subsidiaries and other loans and receivables are recorded at amortised cost, using the effective interest method.

Other financial assets (continued)

(c) Held-for-trading instruments

Derivative financial instruments are used by Landcorp to hedge interest-rate, foreign currency and commodity risks. Landcorp's financial management policies explicitly prohibit trading in financial instruments. The Group has elected not to apply hedge accounting. This means that all derivative financial instruments must be classified as held-for-trading for the purpose of NZ IFRS.

Held-for-trading instruments are recognised in the Statement of Financial Position as either assets or liabilities at fair value on trade date, with changes in fair value reported as revaluation gains and losses in the Statement of Comprehensive Income. The cash-flows arising from interest-rate derivatives are reported as a component of net finance costs in the Statement of Comprehensive Income.

(d) Available-for-sale investments

The Group is required to hold certain shares and investments in cooperative processing companies to facilitate farming operations. As such, the Group is normally unable to sell these investments without disrupting the Group's business operations. Under NZ IFRS, Landcorp's portfolio of shares and other investments in various cooperative and processing companies is classified as available-for-sale.

Available-for-sale investments are valued at fair value. Other changes in value are reported as other comprehensive income in the Statement of Comprehensive Income. On sale the revaluation component is recognised within operating profit in the Statement of Comprehensive Income.

(e) Impairment of financial assets

All financial assets are reviewed at balance date for indications of impairment. Where objective evidence of impairment exists, an investment is written down to the present value of expected cash flows, with the reduction in value being reported within operating profit in the Statement of Comprehensive Income. Subsequently, if the impairment diminishes for non-equity financial instruments, the appreciation in value is reported in the Statement of Comprehensive Income, to the extent that it reverses previous impairment losses.

Intangible assets

(a) Genetics Royalties
The Genetics Royalty is recorded at cost, less accumulated impairment losses.

(b) Impairment
If the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income. Recoverable amount is the greater of fair value less costs to sell and value in use.

Property, plant and equipment

Property, plant and equipment consists of land and improvements, protected land and improvements, plant, motor vehicles, furniture and equipment and computer equipment.

Land is measured at fair value and buildings are measured at fair value less accumulated depreciation and impairment losses. Protected land (including buildings on protected land) is valued at fair value at the time it is classified as protected land. Buildings are stated at this value less accumulated depreciation.

All other items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Property, plant and equipment (continued)

(a) Revaluations
Freehold land and improvements (including buildings) are valued annually on 30 June at fair value by independent registered valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the assets revalued amount. Changes in valuation are taken to the freehold land and improvements revaluation reserve using the net revaluation method. Where an assets downwards revaluation exceeds previous positive revaluations, the amount of the revaluation is reported within profit or loss in the Statement of Comprehensive Income.

(b) Additions
An item of property, plant and equipment is initially recognised at cost plus directly attributable costs of bringing the item to working condition for its intended use.

(c) Disposal
Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains or losses on disposal of land are recognised as profit or loss on sale of land and gains and losses on disposal of other items of property, plant and equipment are recognised as gain or loss on disposal of property, plant and equipment in the Statement of Comprehensive Income. When revalued areas are sold, the revaluation reserve attributable to that item is transferred from the asset revaluation reserve to other equity.

(d) Depreciation
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 on freehold land	30 - 60 years
Buildings on leased land	30 - 60 years
Buildings on protected land	30 - 60 years
Plant	3 -10 years

(e) Impairment
If the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down to its estimated recoverable amount. For property, plant and equipment that are revalued annually, this difference is accounted for in the same manner as a downwards revaluation. For property, plant and equipment recorded at depreciated historical cost an impairment loss is recognised in the Statement of Comprehensive Income. Recoverable amount is the greater of fair value less costs to sell and value in use.

Other financial liabilities

(a) Bank loans
Bank loans are initially recognised at their fair value. After initial recognition, all bank loans are measured at amortised cost using the effective interest method.

(b) Financial guarantees
Financial guarantees are recognised at the higher of the initial fair value less, where appropriate, accumulated amortisation and the best estimate of expenditure required under the financial guarantee contract.

Income tax

Income tax reported comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income, except where it relates to an item recognised directly in equity, where the income tax is recognised directly in equity.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the tax base of those assets and liabilities. The amount of deferred tax provided is based on the difference between the tax base and the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent it is probable that future taxable benefits will be available against which the asset can be utilised. Deferred tax assets and liabilities are offset when there is a legal right to offset tax liabilities with tax assets and when the Group intends to settle on a net basis.

Provision for dividends

Dividends are recognised in the period that they are authorised and declared.

Appendix 3

This Appendix sets out financial performance measures based on standardised reporting and definitions requested by the Shareholder for all SOEs in the Owner's Expectation Manual.

	Forecast 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
Shareholder Returns				
Total Shareholder Return [1]	1.1%	2.6%	6.9%	5.6%
Dividend Yield (Ordinary) [2]	0.4%	0.5%	0.3%	0.3%
Dividend Yield (Ordinary + Special) [2]	0.4%	0.5%	0.3%	0.3%
Dividend Payout (Ordinary) [2]	15.5%	132.2%	23.7%	21.5%
Dividend Payout (Ordinary + Special) [2]	15.5%	132.2%	23.7%	21.5%
Return on Equity	1.6%	8.7%	5.7%	4.8%
Return on Equity adjusted for IFRS fair value movements	9.1%	7.3%	5.1%	6.1%
Profitability/Efficiency				
Return on capital employed	9.5%	8.4%	6.3%	7.3%
Operating Margin	22.5%	22.8%	20.9%	22.9%
Leverage/Solvency				
Gearing Ratio (net)	11.2%	13.4%	14.2%	13.3%
Interest Cover (Times) (EBITDA / Interest)	6.00	4.96	3.97	4.08
Solvency	2.08	2.31	2.32	2.33

[1] Under this approach, Shareholder return is calculated by using the movement in commercial value (as estimated in the SCI) plus dividends.
Landcorp's approach is to use actual audited change in Shareholders equity (Total Comprehensive Income) divided by average Shareholder Equity.
Landcorp considers Total Comprehensive Income to more accurately reflect the actual return to the Shareholder.

[2] Under this approach, Dividend Yield and Dividend Payout is calculated by using actual dividends paid within the financial year.
Landcorp pays dividends in October, from profit generated in the previous financial year. Therefore the Landcorp method more accurately reflects the dividend to the appropriate financial year.

Description of calculation of Financial Performance Measures for SOE Portfolio

Shareholder's return		
Measure	Description	Calculation
Total shareholder return	Performance from an investor perspective - dividends and investment growth	(Commercial value-end less Commercial value-beg plus dividends paid less equity injected)/Commercial value-beginning
Dividend yield	The cash return to the shareholder	Dividends paid/Average commercial value
Dividend payout	Proportion of an SOEs net operating cash flows less allowance for capital maintenance paid out as a dividend to the shareholder	Dividends paid/Net cash flow from operating activities less depreciation expense
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
Return on equity adjusted for IFRS fair value movements and asset revaluations	Return on equity after removing the impact of IFRS fair value movements and asset revaluations	Net profit after tax adjusted for IFRS fair value movements (net of tax)/Average of share capital plus retained earnings
Profitability/efficiency		
Measure	Description	Calculation
Return on capital employed	The efficiency and profitability of a company's capital from both debt and equity sources	EBIT adjusted for IFRS fair value movements/Average capital employed
Operating margin	The profitability of the company per dollar of revenue	EBITDAF/Revenue
Leverage/solvency		
Measure	Description	Calculation
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	EBITDAF/Interest paid
Solvency	Ability of the company to pay its debts as they fall due	Current assets/current liabilities

Definitions of key terms used in calculations	
Term	Definition
Capital employed	Interest-bearing debt plus share capital plus retained earnings
Capital expenditure	Payments for the purchase of property, plant and equipment items taken from the cash flow statement
Commercial value	This is the board's estimate of the current commercial value of the Crown's investment in the Group as per the company's SCI
Depreciation expense	Depreciation expense per the profit and loss account
Dividends paid	Dividends paid to the shareholder during the financial year per the cash flow statement
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest and taxation, depreciation and amortisation
EBITDAF	Earnings before interest and taxation, depreciation and amortisation and fair value adjustments
Equity	Total shareholder's equity taken from the balance sheet
Fair value adjustments	Includes unrealised fair value gains/losses on derivatives or all fair value gains/losses on derivatives where the entity does not separately identify unrealised items. Also includes changes in the fair value of biological assets and investment properties
Interest paid	Interest paid for the financial year on interest-bearing debt per the company's cash flow statement
Net cash flow from operating activities	Taken directly from the cash flow statement - this is cash flows from operating activities less cash flows to operating activities. Ensure that interest paid is included in operating activities
Net debt	Interest-bearing debt such as loans, bonds and commercial paper plus interest-bearing finance leases less cash
Retained earnings	Profits retained in the business (ie, after dividends to the shareholder)
Revaluation reserve	When an asset is re-valued to fair market value for accounting purposes the increase in the value of the asset is reflected in a revaluation reserve within equity
Revenue	Revenue from the operations of the business. Interest revenue should be excluded
Share capital	The amount of capital originally invested by the shareholder and any subsequent equity injections
Tax on fair value adjustments	This is the tax effect relating to the changes in the fair values of financial instruments