

LANDCORP FARMING LIMITED

HALF-YEAR REPORT FOR
THE 6 MONTHS ENDED
31 DECEMBER 2021



Mason Jones, deer milk specialist, at Aratiatia, Pāmu's new deer milk farm near Taupō



HALF-YEAR REVIEW

CHAIR AND CHIEF EXECUTIVE

We are pleased to present the 2021/22 half-year report for Pāmu (Landcorp Farming Limited).

It has been a successful half year for the company as we have managed the ongoing impact of Covid-19 and its disruption to our people as well as labour shortages and the logistics, processing and availability of farm input challenges.

FINANCIAL

Pāmu has declared a net profit after tax (NPAT) of \$41 million for the half year ended 31 December 2021. Pāmu's earnings before interest, tax, depreciation, amortisation and revaluations (EBITDAR), which is its preferred financial measure, saw a gain of \$16 million compared to a gain of \$14 million in the half year to December 2020. The slightly higher EBITDAR included an increase of \$10 million in farm operating revenue, driven by higher prices for milk and red meat products. This increase was largely offset by a \$7 million rise in farm working and maintenance costs due to inflationary cost increases in areas such as fertiliser and feed. There was also an increase in the loss incurred by equity accounted investments as they continue their growth phases in a Covid-affected environment and require investment support. Personnel and other costs remained flat, in part due to the reversal of a \$2 million holiday pay provision that was created in June 2020.

SUSTAINABILITY

A significant development occurred in October when Westpac NZ and Pāmu signed New Zealand's most comprehensive sustainability-linked loan (SLL) to date, also the largest in the agricultural sector and the first involving a state-owned enterprise.

This SLL converted existing borrowing of \$85 million from Westpac NZ over 3 years to a loan structure that incentivised the company to continue to improve sustainability performance across a range of metrics in all six capitals we monitor (see our 2021 Integrated Report for metrics).

Significantly, it was the first SLL in the agricultural sector to include a 2050 1.5°C science-based emissions reduction target that will be validated against global best practices. This is consistent with the science-based targets¹ set by some of the leading export customers (such as Sainsbury and Carrefour) and is a challenging stretch target for us to achieve.

Pāmu knows that sustainability and innovation are key to ensuring 'future fit' farming systems, and the signing of this SLL will make sure Pāmu continues to innovate and provide leadership in this area with a financial incentive for success.

The SLL signalled another step on our journey of constant improvement in the stewardship of resources and people across our farms and cognisance of the wellbeing of the communities they are located in. It provides a real incentive for the business to continue to build on the farm performance improvement plans we have in place across our farm network and provides stretch goals across the perspectives of climate, environment, people, animal welfare and community (social licence).

ON FARM

The first half of the season saw challenging climatic conditions with all regions experiencing higher than average rainfall and cooler soil temperatures. This resulted in lower than predicted pasture growth rates and pasture quality and an increase in supplement feeding, which



DR WARREN PARKER
CHAIR



MARK JULIAN
ACTING CHIEF EXECUTIVE

¹ Science-based targets are an ambitious decarbonisation roadmap, aligned with the 2015 Paris Agreement, to achieve a global net-zero energy system. Over 2,500 companies have signed up to a 2050 target, and of these, 1,246 are aiming for an increase of no more than 1.5°C. For details, see <https://sciencebasedtargets.org>.

HALF-YEAR REVIEW CONTINUED

collectively contributed to a decline in peak milk production. Timing of calving and mastitis (also impacted by inclement weather) exacerbated the drop in milk production.

However, record milk and red meat prices have helped offset a decrease in milk production.

A cold and wet spring also impacted lamb growth rates, with North Island East Coast lambing percentages particularly hard hit. Overall, the lack of sunshine and warmth throughout the country during spring saw reduced performance from animals and pastures, but warmer weather at the end of December helped animal welfare considerably and the residual soil moisture saw good pasture growth, offsetting some of the impacts of the extreme heat from late December.

Red meat pricing has been buoyant, and lambing, calving and fawning performance was in line with recent year averages.

PARTNERSHIPS

We announced a strategic parentship with Miraka in October, formalising a growing relationship between the two companies over the last few years.

We share Miraka's business approach based on our shared values around kaitiakitanga and innovation, and we are working together to build the presence of speciality New Zealand dairy products in the international market. The partnership enables the two companies to share production capacity and access to new customers.

Sharing Pāmu's farm and production synergies with Miraka means Pāmu Foods can be nimble in our approach to our markets and offer a stronger connection back to the farm – bringing customers closer to the source of their food.

We also signed a memorandum of understanding with Scion (New Zealand Forest Research Institute), which will enable Pāmu to utilise Scion's world-

leading forestry and biomaterials science as we continue to expand our forestry programme. Pāmu and Scion have a long history of working together on projects such as the Puruki Forest demonstration trial near Taupō, which has led to industry adopting higher stocking rates and higher-yielding silvicultural regimens. Working together should increase industry spillover benefits on how to best integrate pastoral and forestry portfolios on farm.

INNOVATION

We were pleased to host a range of guests to our newly established deer milking plant at Aratiatia near Taupō in December. As we continue to grow our understanding of the unique characteristics of deer milk, this production capability will complement our partnership with Gore-based deer farmers, Peter and Sharon McIntyre. Deer milk continues to excite domestic and offshore market interest – we expanded our deer milk sales with the inking of a deal with Vietnam-based food company Ciels in December. This relationship was brokered by New Zealand Trade and Enterprise, which plays a critical role in export market development, especially during this period of restrictions posed by Covid-19. We are also participating in a Massey University study into the potential muscle benefits of deer milk in older persons, which is being funded by the High-Value Nutrition Ko Ngā Kai Whai Painga National Science Challenge. It is a further example of how we are partnering with others to explore potential new areas for primary sector growth. As with our role in establishing Spring Sheep Milk, our focus on deer milk, while still at an early stage, holds exciting possibilities for Pāmu and the wider sector.

PEOPLE

Our people continued to be our top priority during this period of high uncertainty due to Covid-19. Our health and safety performance improved for the half year relative to prior years, with

attention given to specific safety issues such as manual handling in this half year. We also continued our focus on mental health leadership training and relaunched our confidential 0508 SPEAK UP service to encourage our staff to report substandard practices in the workplace. We have commenced the rollout of our Leadership Development programme as we continue to prioritise growing great farmers and empowering our farm managers and senior business managers to cope with the significant changes under way in the primary sector to meet environmental and climate targets and societal expectations.

BOARD AND EXECUTIVE CHANGES

Our Chief Executive of 8 years Steve Carden departed on 17 December to lead Delekat Group. Steve was instrumental in the fundamental shift in the way Pāmu operated, with a focus on sustainability and the environment, a compete shift in our health and safety culture and a focus on innovation and adding value across the livestock and dairy value chains. Steve's impact across the business was immense and he will be missed.

We undertook an extensive search for a new Chief Executive and have been very pleased to recruit Mark Leslie to the position. With his deep knowledge of the sector from key executive roles in New Zealand dairy and livestock businesses, Mark will continue to drive the strategic focus and operational excellence of the company.

We also farewelled three directors during the half year. Chris Day has been on the Pāmu board for a decade, including a stint as acting Chair in 2019. Chris brought a rigour to our discussions, particularly on the financial side of the business, which was highly valued as we underwent significant changes during this time. Hayley Gourley has stood down from the Board to pursue her executive career and we have appreciated her deep agri-business knowledge and insights. Doug Woolerton has finished his term on the

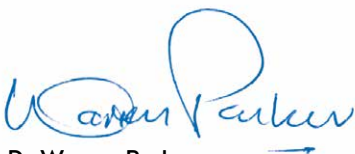
HALF-YEAR REVIEW CONTINUED

Board and we will miss his wise counsel and contributions to Board deliberations. We thank all three former directors for their contributions and approach to the governance of the company, which has been much appreciated by their colleagues on the Board and the management team.

OUTLOOK

Pāmu is currently forecasting a full-year EBITDAR of \$83-88 million, compared to our original budget of \$73 million. The increased forecast milk payments are the key driver of this increase.

We want to thank our fellow directors and management colleagues and the entire Pāmu team for their contribution to a successful half-year result. Our people on farm and in our corporate office have worked hard through this first half of the year to address the challenges thrown at us by weather, Covid-19 and markets to ensure Pāmu continues to be a company that New Zealanders can be truly proud of.



Dr Warren Parker
Chair









Mark Julian
Acting Chief Executive



Delicious deer milk ice cream

FINANCIAL STATEMENTS AND NOTES

HALF-YEAR REPORT DECEMBER 2021

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

	Note	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Revenue				
Farm operating	3	122	232	112
Other business activities		6	18	5
		128	250	117
Operating expenses				
Farm working and maintenance		67	102	60
Personnel and other		43	83	43
		110	185	103
(Loss) from equity accounted investments		(2)	(4)	-
Earnings before interest, tax, depreciation, amortisation and revaluations		16	61	14
Depreciation and amortisation		(14)	(27)	(13)
Net finance expenses		(11)	(21)	(11)
Fair value gain/(loss) on financial instruments		1	(4)	2
Fair value gain on biological assets		50	25	17
Net profit before tax		42	34	9
Tax (expense)		(1)	(5)	(1)
Net profit after tax		41	29	8
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Fair value (loss)/gain on share investments		(4)	-	4
Fair value gain on carbon credits		25	11	6
Tax (expense) recognised in equity		(6)	(3)	(2)
Total comprehensive income		56	37	16

The accompanying notes form part of these financial statements

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

	Share capital \$m	Retained earnings \$m	Share revaluation reserve \$m	Asset revaluation reserve \$m	Total equity \$m
Balance at 1 July 2021	125	642	2	611	1,380
Net profit after tax	-	41	-	-	41
Dividend paid	-	(5)	-	-	(5)
Fair value movement	-	-	(4)	25	21
Tax expense recognised in equity	-	-	1	(7)	(6)
Realised loss on share sales	-	(1)	1	-	-
Realised gain on carbon credit sales	-	2	-	(2)	-
Unaudited balance at 31 December 2021	125	679	-	627	1,431

	Share capital \$m	Retained earnings \$m	Share revaluation reserve \$m	Asset revaluation reserve \$m	Total equity \$m
Balance at 1 July 2020	125	613	1	608	1,347
Net profit after tax	-	29	-	-	29
Dividend paid	-	(5)	-	-	(5)
Fair value movement	-	-	-	11	11
Tax expense recognised in equity	-	-	-	(3)	(3)
Realised loss on share sales	-	(1)	1	-	-
Realised gain on carbon credit sales	-	5	-	(5)	-
Net transfers under Protected Land Agreement	-	1	-	-	1
Balance at 30 June 2021	125	642	2	611	1,380

	Share capital \$m	Retained earnings \$m	Share revaluation reserve \$m	Asset revaluation reserve \$m	Total equity \$m
Balance at 1 July 2020	125	613	1	608	1,347
Net profit after tax	-	8	-	-	8
Dividend paid	-	(5)	-	-	(5)
Fair value movement	-	-	4	6	10
Tax expense recognised in equity	-	-	(1)	(1)	(2)
Realised gain on carbon credit sales	-	1	-	(1)	-
Unaudited balance at 31 December 2020	125	617	4	612	1,358

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Cash flows from operating activities			
Receipts from customers:			
Livestock	45	136	42
Milk	48	102	51
Other receipts from customers	10	17	11
Payments to suppliers	(85)	(136)	(72)
Payments to employees	(35)	(63)	(34)
Interest paid	(4)	(10)	(5)
Net cash inflows/(outflows) from operating activities	(21)	46	(7)
Cash flows from investing activities			
Proceeds from sale of other property, plant and equipment	2	4	3
Proceeds from sale of carbon credits	6	6	1
Proceeds from sale of share investments	2	1	-
Purchase and development of land and forestry	(12)	(21)	(13)
Purchase of other property, plant and equipment and intangibles	(8)	(13)	(5)
Purchase of shares and net interests in joint venture investments	(9)	(3)	(1)
Net cash (outflows) from investing activities	(19)	(26)	(15)
Cash flows from financing activities			
Net borrowing (repayments)/receipts	52	3	34
Payment of lease liabilities	(8)	(15)	(7)
Dividends paid	(5)	(5)	(5)
Net cash inflows/(outflows) from financing activities	39	(17)	22
Net change in cash and cash equivalents	(1)	3	-
Cash and cash equivalents at beginning of year	8	5	5
Cash and cash equivalents at end of year	7	8	5

RECONCILIATION OF PROFIT AND OPERATING CASH FLOWS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Net profit after tax	41	29	8
Non-cash items			
Non-cash livestock growth and aging	(20)	11	(15)
Milk futures realised loss	10	2	-
Carbon credit allocation	-	(8)	-
Depreciation and amortisation	14	27	13
Fair value movements	(50)	(21)	(19)
Milk futures unrealised loss	(13)	(13)	(3)
Interest expense on lease liability	6	11	6
Tax expense	1	5	1
Movements in working capital	(12)	1	-
Items classified as investing activities	2	2	2
Net cash flows from operating activities	(21)	46	(7)

The accompanying notes form part of these financial statements

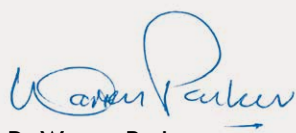
STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

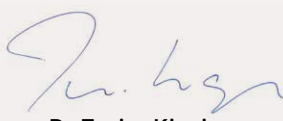
	Note	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Assets				
Cash and cash equivalents		7	8	5
Accounts receivable	4	60	42	46
Inventories		11	12	10
Property held for sale	5	35	27	27
Livestock	6	356	286	304
Forestry and carbon assets	7	118	94	81
Equity accounted investments		29	22	25
Share investments	8	30	37	42
Other assets		3	3	3
Property, plant and equipment		1,213	1,216	1,209
Leased assets	9	225	228	233
Total assets		2,087	1,975	1,985
Liabilities				
Bank loans	10	269	217	247
Accounts payable and accruals		26	19	21
Employee entitlements		10	13	12
Interest rate derivatives		2	5	9
Deferred tax liability		18	11	6
Lease liabilities	9	244	243	245
Redeemable preference shares		87	87	87
Total liabilities		656	595	627
Shareholders' funds				
Share capital		125	125	125
Retained earnings		679	642	617
Share revaluation reserve		-	2	4
Asset revaluation reserve		627	611	612
Total shareholders' funds		1,431	1,380	1,358
Total equity		1,431	1,380	1,358
Total equity and liabilities		2,087	1,975	1,985

Landcorp's Board of Directors authorised the financial statements for issue on 16 February 2022.

Signed on behalf of the Board



Dr Warren Parker
Chair
16 February 2022



Dr Tanira Kingi
Acting Chair of Audit and Risk Committee
16 February 2022

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

NOTE 1: BASIS OF ACCOUNTING

REPORTING ENTITY

The condensed consolidated interim financial statements presented are those of Landcorp Farming Limited (“Landcorp”) together with its subsidiaries, joint ventures and associates (the “Group”). Landcorp is a profit-oriented company incorporated and domiciled in New Zealand. Landcorp was established under the State-Owned Enterprises Act 1986 and registered under the Companies Act 1993. Landcorp’s ultimate parent is the Crown, which owns 100% of Landcorp’s shares, held beneficially by the Minister of Finance (50%) and the Minister for State Owned Enterprises (50%).

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

BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. These financial statements are unaudited and do not include all of the information and disclosures required in the annual financial statements. Accordingly, these financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2021. Accounting policies used are consistent. Where necessary, comparative information has been reclassified to achieve consistency with the current period’s presentation.

COVID-19 PANDEMIC

Landcorp has experienced both positive and negative impacts as a result of the Covid-19 pandemic. While the impact on milk prices has been positive, general inflationary pressures combined with supply chain disruptions have increased the costs of the business and our ability to procure goods and services. In some cases, this has meant that goods and services are no longer available or only available in smaller quantities. This has been particularly notable in fertiliser prices, which have increased substantially.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

NOTE 2: SEASONALITY OF OPERATIONS

Landcorp's operations are seasonal and are largely a function of the annual farming cycle. The 6 months from July to December covered by these financial statements primarily reflect the cessation of winter and commencement of spring conditions when the majority of livestock births occur.

Statement of profit or loss and other comprehensive income

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

- Landcorp's sheep, beef and deer operations follow a cycle where the bulk of livestock is reared in spring and conditioned for sale over the late summer and autumn period. This means that a large portion of Landcorp's livestock income is not generated until the second half of the financial year. The sale prices for processed livestock will be a function of market conditions at the time of sale and will reflect the prevailing impact of international commodity prices, exchange rates and any local climatic considerations.
- Harvested feed, comprising hay, silage and baleage, is generally harvested in late summer, during the second half of the financial year, and consumed in winter and early spring, in the first half of the financial year. Consequently, the 6 months to 31 December 2021 reflect the cost of the seasonal consumption of this feed. The second half of the financial year will reflect the benefit of rebuilding feed stocks for consumption early in the following financial year.
- Under NZ IFRS, Landcorp revalues livestock at each balance date and includes the revaluation gain or loss within profit. The value of livestock will reflect market conditions at the time and is likely to change between balance dates. Hence, any profit or loss arising from livestock revaluations at 31 December 2021 may not reflect the market conditions prevailing at the financial year end.

Statement of financial position

Landcorp's statement of financial position at 31 December 2021 reflects the following seasonal factors:

- Landcorp's policy is to review the fair value of land and improvements annually. If there is a material change in fair values, a revaluation is performed. At a minimum, a revaluation of the portfolio is performed every 3 years. The last revaluation of the portfolio took place in June 2019.
- In accordance with the company's accounting policy, a revaluation of the property portfolio is currently being undertaken, and the results of this exercise will be reflected in the value of land and improvements in June 2022. The half-year financial statements do not reflect any changes in the market value of land and improvements since 1 July 2021.
- Term debt is seasonal as much of Landcorp's revenue is not received in cash until the second half of the financial year. This reflects both the timing of livestock sales and the date at which milk solids revenue is received.
- Inventories of harvested feed reflect the seasonal consumption/production cycle.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

NOTE 3: FARM OPERATING REVENUE

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

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Livestock	54	112	47
Milk	67	115	64
Wool	1	3	1
Forestry	-	2	-
Total farm operating revenue	122	232	112

Livestock revenue

Livestock sales are measured at the transaction price specified in the customer contract.

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Sheep	22	43	20
Beef	16	40	16
Dairy	11	17	7
Deer	5	12	4
Total livestock revenue	54	112	47

Livestock sales	46	138	44
Livestock purchases	(12)	(15)	(11)
Birth of animals	27	33	25
Growth of animals	29	75	27
Livestock losses	(6)	(11)	(6)
Book value of livestock purchased	7	9	6
Book value of livestock sold	(37)	(117)	(38)
Total livestock revenue	54	112	47

Milk revenue

Milk revenue is measured at the latest currently available farmgate milk prices as advertised by milk processors.

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Milk revenue	77	117	66
Realised milk futures losses from fair value gain (loss) on financial instruments	(10)	(2)	(2)
Total milk revenue	67	115	64

Fair value movements on financial instruments at 31 December 2021 included \$13m of unrealised fair value losses from milk price futures relating to current and future seasons (Jun 21: \$13m loss, Dec 20: \$3m loss).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

NOTE 4: ACCOUNTS RECEIVABLE

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Trade debtors	7	7	3
Milk income receivable	38	23	30
Other receivables and prepayments	15	12	14
Total accounts receivable	60	42	47

NOTE 5: PROPERTY HELD FOR SALE

During the 6 months to December 2021, Landcorp determined that Raft Creek and Mawheraiti Farms were to be sold. The properties have consequently been transferred to property held for sale at their carrying values of \$2m (Raft Creek) and \$5m (Mawheraiti) respectively. A partial sale of blocks of Cape Foulwind Farm (carrying value: \$1m) was also undertaken during the period and is expected to be settled in February 2022.

NOTE 6: 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 and other comprehensive income. Changes in value due to general livestock price movements are recognised in the statement of profit or loss and other comprehensive income within fair value movement in biological assets. Livestock valuations at 31 December 2021 were provided by an independent valuer. These market values reflect livestock of similar weight and age throughout New Zealand.

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Livestock value at start of year	286	273	273
Birth and growth of animals	56	108	52
Livestock losses	(6)	(11)	(6)
Book value of livestock purchased and sold	(30)	(108)	(32)
Fair value gain	50	24	17
Balance at end of period	356	286	304

Livestock numbers comprise:

	Unaudited 6 months ended 31 Dec 21	Audited 12 months ended 30 Jun 21	Unaudited 6 months ended 31 Dec 20
Sheep	725,187	419,659	744,352
Beef	90,389	77,394	93,322
Dairy	85,696	72,976	84,702
Deer	56,615	78,349	64,710
Total livestock on hand	957,887	648,378	987,086

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

NOTE 7: FORESTRY AND CARBON ASSETS

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Carbon credits	67	47	39
Forests	50	46	42
Orchards	1	1	-
Total forestry and carbon assets	118	94	81

NOTE 8: SHARE INVESTMENTS

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Share investments at fair value through profit or loss:			
Other	2	1	1
Share investments at fair value through other comprehensive income:			
Fonterra Co-operative Group Limited	16	23	29
Waimakariri Irrigation Limited	10	10	10
Other	2	3	2
Total share investments	30	37	42

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

NOTE 9: 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 Landcorp's incremental borrowing rate. Thereafter, leased assets are depreciated over the life of the lease, and lease liabilities reduce as lease payments are made. After commencement of a lease, any subsequent changes to the lease payments are reflected as a lease remeasurement adjustment.

Leased assets are largely made up of farm land in Wairākei, north east of Taupō. The lease was entered into in 2004 and expires in 2049. The lease requires Landcorp to convert what was previously forestry land into pastoral farming land. At 31 December 2021, approximately 12,311 hectares had been leased. A total of 12,715 hectares of land is expected to be leased by the conclusion of the lease term. Other leases are also held for office buildings and telecommunications equipment.

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Opening balance	250	251	251
Lease remeasurement adjustment	-	(2)	(2)
Additions	3	1	1
Balance at end of year	253	250	250
Accumulated depreciation			
Opening balance	(22)	(11)	(11)
Depreciation	(6)	(11)	(6)
Balance at end of year	(28)	(22)	(17)
Total leased assets	225	228	233

The undiscounted maturity analysis of lease liabilities is as follows:

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Lease payments:			
Less than 1 year	16	15	15
2-5 years	61	60	60
More than 5 years	360	367	378
	437	442	453
Interest expense on lease liability:			
Less than 1 year	(11)	(11)	(12)
2-5 years	(44)	(44)	(45)
More than 5 years	(138)	(144)	(151)
	(193)	(199)	(208)
Total lease liabilities	244	243	245

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

NOTE 10: BANK LOANS

Cash advance facilities available to Landcorp at 31 December 2021 were \$315m (Jun 21: \$315m, Dec 20: \$315m). Bank loans are the drawn components of these bank cash advance facilities. Facilities may be borrowed against or repaid at any time by Landcorp and are subject to a negative pledge agreement, which means that Landcorp may not grant a security interest over its assets without the consent of its lenders. Facilities are either on a daily floating interest rate or a short-term fixed rate, and therefore, carrying value approximates fair value.

	Unaudited 6 months ended 31 Dec 21 \$m	Audited 12 months ended 30 Jun 21 \$m	Unaudited 6 months ended 31 Dec 20 \$m
Within 1 year	43	85	115
2-5 years	226	132	132
Total bank loans	269	217	247

NOTE 11: DIVIDENDS PAID

A final dividend for the 2020/21 financial year of \$5m was declared in August 2021 and paid in August 2021 (2019/20: \$5m).

NOTE 12: CONTINGENT LIABILITIES

At 31 December 2021, Landcorp had no contingent assets or liabilities.

NOTE 13: CAPITAL COMMITMENTS

At 31 December 2021, Landcorp had \$1.4m of capital commitments (Jun 21: \$0.4m, Dec 20: \$nil).

NOTE 14: SHAREHOLDING CHANGE IN FARM IQ SYSTEMS LIMITED

On 22 December 2021, Landcorp increased its shareholding in Farm IQ Systems Limited from 26% to 64%. Directors have determined that the majority shareholding does not provide Landcorp with control of the entity due to the provisions of the pre-existing shareholders' agreement. As a result, Landcorp has continued to account for its investment in accordance with NZ IAS 28 and NZ IFRS 11.

DIRECTORY

CORPORATE AND REGISTERED OFFICE

Landcorp Farming Limited
Level 2
15 Allen Street
PO Box 5349
Wellington 6140
Tel: (04) 381 4050

WEBSITES

pamunewzealand.com
pamumilk.com

DIRECTORS

Dr Warren Parker, Chair
Nigel Atherfold
Jo Davidson
Dr Tanira Kingi
Belinda Storey

LEADERSHIP TEAM

Mark Leslie
(commences March 2022)
Chief Executive

Steven McJorrow
Chief Financial Officer

Mark Julian
GM Dairy Operations

Stephen Tickner
GM Livestock Operations

Alistair McMechan
General Counsel and
Company Secretary

Sarah Risell
GM Pāmu Foods

Andrew Sliper
GM Forestry and Horticulture

Bernadette Kelly
GM People, Safety and
Engagement

Lisa Martin
GM Sustainability and
Farm Systems

AUDITOR

Sonia Isaac, KPMG
(under appointment of the
Auditor-General)

BANKERS

Westpac New Zealand Limited
ANZ Bank New Zealand Limited
ASB Bank Limited

FURTHER INFORMATION

If you would like more information
on anything contained in this report,
please contact:

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