

NEW ZEALAND RURAL LAND CO.

SUSTAINABLE AOTEAROA

2021 Annual Report

for the period ended 30 June 2021



www.nzrlc.co.nz

Listed on:



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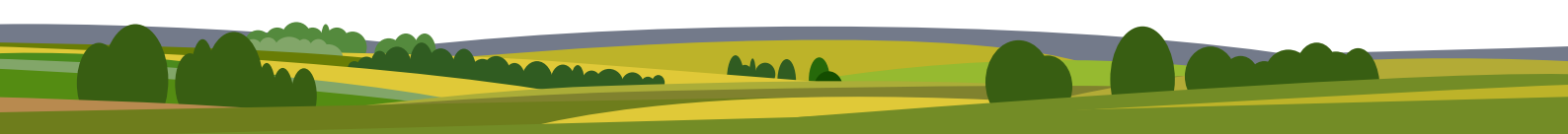
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Chair Letter

The 2021 financial year was New Zealand Rural Land Company's (**NZL**) inaugural year as an NZX listed company. Since concluding NZL's initial public offering at the end of 2020 NZL's focus has been on establishing a rural asset portfolio in the New Zealand dairy sector to lease to experienced farmer tenants.

Traditional investments in the rural sector involve direct exposure to traditional agricultural risks, such as commodity price volatility. NZL's strategy is investing in rural land as an asset class of its own. This strategy reduces exposure to those direct risks, builds predictable revenues from the rental income and gives an opportunity for capital growth where the value of NZL's rural asset portfolio increases over time.

NZL is managed under a management agreement with New Zealand Rural Land Management Limited Partnership (the **Manager**) and governed by a Board comprised of a majority of independent directors.

Financial Performance/Summary for Period Ending 30 June 2021

Net Profit After Tax	\$ 15.115M
Total Assets	\$ 164.937M
Total Liabilities	\$ 54.683M
Net Assets	\$ 110.254M
Net Asset Value (NAV) Per Share	\$ 1.3968

Acquisitions

NZL issued a product disclosure statement in November 2020 for an initial public offering (**IPO**). In December 2020, the IPO closed having secured the minimum target of \$75 million to be raised. The IPO was novel as NZL had no assets or business but a strategy to offer rural land as an investment class with an initial focus on the New Zealand dairy sector. Complementing the support of investors in the IPO was strong support from Jarden, Elevation Capital and NZX who helped ensure the IPO's success.

The first quarter of 2021 was a preparatory phase for NZL to secure opportunities to deploy its capital. Extensive work was undertaken by the Manager conducting due diligence on targeted assets and working with potential tenants. These investigations led to contracting our first acquisition in mid-March, a 456 hectare dairy farm in Southland.

The acquisition of NZL's Southland farm settled on 1 June 2021 for a purchase price of \$10.3 million. The farm contains a 64 Bale Rotary Dairy Shed, a 13 Bay Purpose Built Calf Shed, 4 houses, and other ancillary buildings. The farm has close proximity to two dairy factories, high quality soil and water sourced for the property from a bore. At settlement a 10 year lease of the dairy farm commenced with Fortuna Group. Fortuna is a Southland based company that operates more than 18 (wholly-owned and majority-owned) dairy farms in the Southland region, running more than 10,000 dairy cows over 3,626 hectares and operating 920 hectares of support land over three farms. A gross lease rate of 4.97% per annum was secured.

The Manager then recommended a large scale transaction to the Board – a transaction with Van Leeuwen Group and associated entities (**VLG**) and their primary financier to acquire fourteen large scale dairy assets in South Canterbury and North Otago totalling approximately 6,350 hectares for approximately \$114 million*. At the time certain entities comprising VLG had been placed in receivership due to capital structure issues. The NZL structure of owning land and not operations was a way to resolve those issues.

The VLG farms are a mixture of seasonal supply pastoral dairy farms, hybrid grass based grazing and cut and carry winter barn farms, and dairy support blocks. Due diligence investigations suggested these farms were of a very high quality with access to irrigation schemes, supply options available to three major dairy companies, soils well suited to dairy farming and a good quantity of support land for grazing animals when they are not in milk.

After NZL shareholders approved these transactions NZL acquired these assets on 1 June 2021. From settlement leases to three new tenants that derived from VLG came into effect. Each tenant entity has independent directors and satisfies NZL's security criteria for tenants. The leases deliver a gross lease rate of over 5% per annum to NZL.

At balance date NZL owned 15 dairy assets in the South Island comprising approximately 6,800 hectares. Aggregate annual income for these assets is approximately \$6.68 million. The aggregate purchase price paid for these assets was just under \$125 million. These assets have been revalued for financial reporting purposes and now have a carrying value of approximately \$143 million.

Subsequent Acquisition

To secure agreement to acquire the VLG farms, NZL also entered conditional agreements to acquire a further three farms if they were not otherwise sold or refinanced under pre-existing arrangements. Two of these farms did sell to third parties. The third farm, located at Makikihi in South Canterbury was not refinanced by VLG as intended and NZL acquired this farm on 1 August, subsequent to balance date.

Makikihi farm is a 493 hectare dairy farm possessing the same positive attributes of the other VLG farms that were acquired. Makikihi farm has been leased to one of NZL's existing tenants from the main transaction for a gross lease rate of 5.34% per annum. This property is subject to put and call options where VLG may acquire it back for the purchase price plus a 4.66% per annum premium.

Financing

NZL's acquisitions were funded by IPO proceeds and new bank debt. In May 2021, NZL secured a \$65 million revolving credit facility with Rabobank which still offers NZL some capacity to debt fund further acquisitions. The key banking covenant agreed with Rabobank was that NZL must maintain a loan to value ratio (**LVR**) of no greater than 40%. NZL is comfortably in compliance with this covenant with an LVR below 30.0% as at 30 August 2021.

NZL does have an internal debt policy of having a gearing ratio (debt to total assets) of 30.0%. The Board considers this to be a 'steady state' target for NZL which it may exceed to implement a transaction that it considers likely to deliver value to shareholders providing there is a strategy to restore gearing to 30% or less in the medium term. As advised to shareholders NZL did exceed this internal policy target to facilitate the VLG transaction.

To restore debt levels and give capacity for additional acquisitions, NZL launched a rights issue in June. This raised approximately \$20 million which the Board considered was a positive result given the proximity of the rights issue to the IPO and the need for NZL to continue to broaden its shareholding base.

*In aggregate NZL purchased dairy assets totalling ~6,800 Hectares, which ~6,222 is considered effective or dairy platform. All land is owned by NZL but 50 Hectares, is subject to a put and call option, and subsequently NZL recognises this as a loan with a carrying value of \$5.4 million.

Management and Board

The Board is very pleased with the work of the Manager. It has taken a lot of analysis, time and negotiations to secure NZL's acquisitions in addition to establishing processes and reporting for a newly listed company.

We recently announced that Tia Greenaway joined the Board on 1 September as an additional independent director. Tia brings a new skillset and perspective to the Board which we believe will strengthen NZL's governance.

Outlook

Our ambition for NZL remains for it to be a large scale owner of New Zealand rural land. The Manager continues to investigate new, potential acquisitions. NZL continues to have a core focus on dairy assets for its acquisition programme but is also investigating rural land assets in other industry sectors with a view to diversifying its rural asset portfolio over time.

As NZL is now firmly established and delivering on its strategy, the management and the Board is focused on its sustainability initiatives and advantages. Investors should expect NZL to articulate further on this over the balance of 2021.

With a solid base of lease revenue being earned, NZL is on course to start paying dividends in the 2022 financial year as was targeted in the IPO documentation. The Board will look to declare a dividend when it releases its half year results to 31 December 2021.

The Board of Directors of New Zealand Rural Land Company Limited authorised the Annual Report for issue on 30 September 2021.



Rob Campbell
Independent Chair

Highlights

for the period ended 30 June 2021

01

NZL reported an inaugural net profit after tax of \$15.115M as at 30 June 2021 after successfully completing an IPO in December 2020 and acquiring \$124.25M of rural assets within 6 months.

02

NZL now owns a total of 6,797 Hectares of premium rural assets in Canterbury, Otago and Southland.

03

NZL reiterates its belief that it can continue to deliver NAV growth as the short to long-term macro story for New Zealand's agricultural industry, and in particular dairy, remains positive. Fonterra is currently forecasting a 2021/2022 milk price between \$7.25 and \$8.75 per kgMS, which is ~30% above the 10 year average.

04

NZL confirms a large and attractive acquisition opportunity set in front of it with assets of approximately NZ\$ 80M in late-stage due diligence.

05

NZL's audited NAV was \$1.3968/share as at 30 June 2021. NZL highlights that it has one of the longest Weighted Average Lease Term (**WALT**) and highest forecast dividend yields in the NZ listed property sector.

Financial and Portfolio Highlights

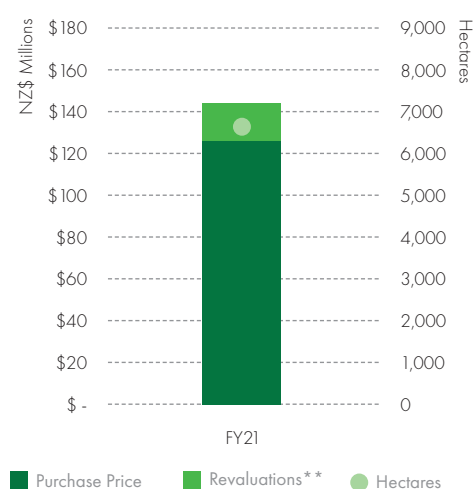
for the period ended 30 June 2021

Portfolio Overview

As at 30 June 2021 (Financial Year End) NZL had acquired a rural assets portfolio of 6,797 Hectares with a total value of \$ 143.153M*.

NZL continues to have a solid pipeline of opportunities with approximately \$ 80M of assets under late-stage due diligence by its Manager.

NZL Total Rural assets value/Hectares



* Includes FY21 Revaluations which totalled \$ 16.525M, and loan of \$ 5.4M
 ** FY21 Revaluations totalled \$ 16.525M

Portfolio as at 30 June 2021



OTAGO/SOUTHLAND



CANTERBURY



TOTAL

LOCATION	OTAGO/SOUTHLAND	CANTERBURY	TOTAL
LAND AREA (HA)	960	5,837	6,797 ¹
RURAL ASSET CLASS	Dairy	Dairy	Dairy
PURCHASE PRICE ²	\$ 22.97M	\$ 113.68M	\$ 124.25M
WEIGHTED AVERAGE CAP RATE ³	5.05%	5.45%	5.37%
WALT (YEARS)	10.48	10.92	10.84
# TENANTS	2	3	4 ⁴
OCCUPANCY	100%	100%	100%

¹ Includes 50 Hectares subject to put and call option carried as a loan.

² Excluding transaction costs

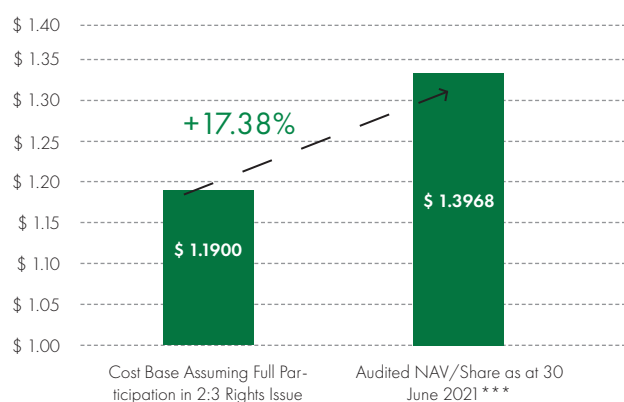
³ Weighted Average Portfolio Cap Rate Based on Purchase Price excluding Transaction Costs

⁴ One of our tenants lease farms in both Canterbury and North Otago

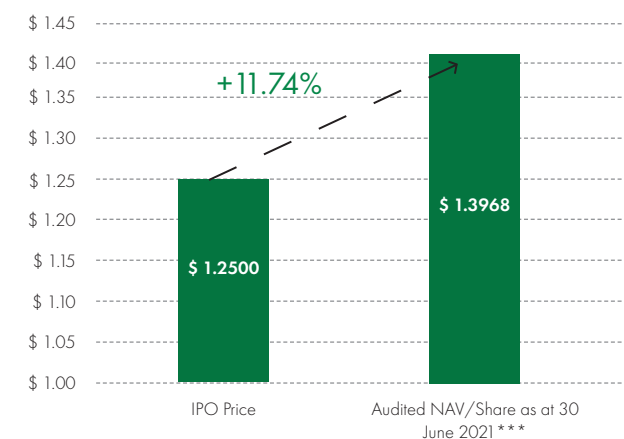
Growth in NAV Per Share

Growth in NAV highlights a combination of attractive large scale acquisitions and industry tailwinds for high-quality rural properties.

NAV Growth per Share - Assuming Full Rights Issue Participation



NAV Growth Per Share - Assuming No Rights Issue Participation



*** Based on 78,930,970 shares on issue

Leases and Debt Facility Highlights

For the period ended 30 June 2021

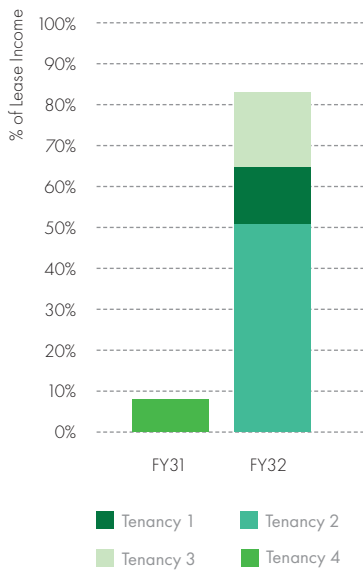
10.84 YEARS

NZL's WALT
(Weighted Average Lease Term)

Leases

NZL's leases all have 3, 6, and 9 year CPI increases with rights of renewal in years 10 and 11 (tenancy dependent).

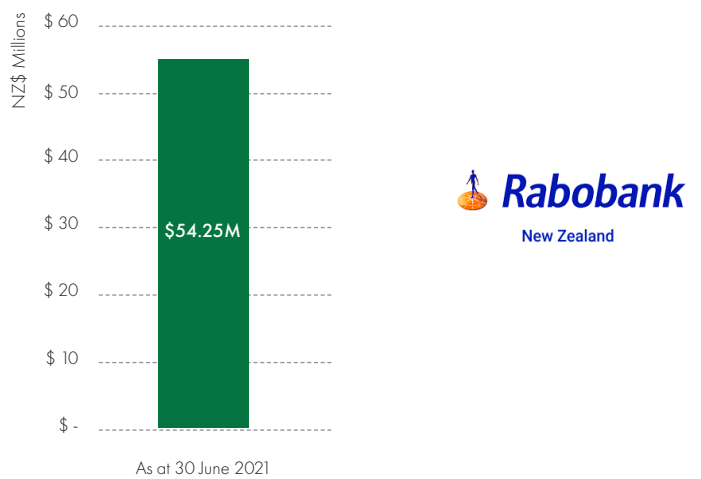
NZL Lease Expiry by Tenant



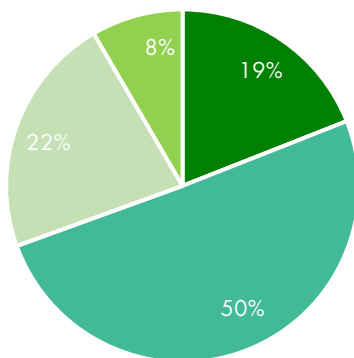
Debt Facility

As at 30 June 2021, NZL had drawn \$ 54.2M of its \$ 65.0M lending facility with Rabobank.

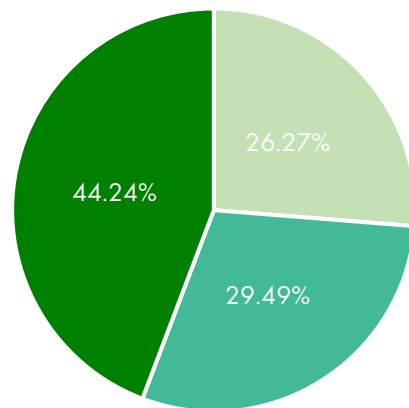
NZL Debt



NZL Tenant Concentration as a % of Lease Value



NZL Debt Facility Tranches as at 30 June 2021



■ Tenancy 1 ■ Tenancy 2 ■ Tenancy 3 ■ Tenancy 4 ■ 2 Year (Facility A) ■ 3 Year (Facility B) ■ 5 Year (Facility C)

SECTION **2** TIMELINE & BACKGROUND

Timeline



21 December 2020

Completed \$ 75M IPO and listed on the NZX.

23 March 2021

Announced first \$10.24M unconditional acquisition in Southland, New Zealand.

01 June 2021

Settled \$124.25M of acquisitions in North Otago, South Canterbury and Southland New Zealand.

04 June 2021

Announced 2:3 Rights Issue at \$ 1.10 / share to raise \$44.3M.



23 September 2021

NZL closed rights issue shortfall placement raising \$18.48M.

30 August 2021

NZL releases Annual Result for the period ending 30 June 2021.

01 August 2021

Completed \$12M acquisition in South Canterbury, New Zealand.

28 June 2021

Closed 2:3 Rights Issue raising \$20.32M.

Background

NZL was incorporated for the purpose of acquiring rural land across New Zealand's agricultural sector and is the only agricultural land based listed property company on the NZX.

NZL separates land ownership and operations. NZL is a change agent within the agricultural sector seeking to improve capital efficiency for its tenants while offering its investors a clear separation from traditional on-farm risks:



NO DIRECT EXPOSURE

to on-farm risks

(via either sharemilker or operational partner)



NO DIRECT EXPOSURE

to volatile commodity prices



LIMITED EXPOSURE

to environmental risks



NO DIRECT EXPOSURE

to animal health risks



NO DIRECT EXPOSURE

to farmer co-ops

NZL as at 30 June 2021 owned 6,797* Hectares of premium dairy assets in the South Island of New Zealand with some of the most experienced farmers in the country as long-term tenants.

NZL in less than 7 months has achieved a NAV growth per share of +17.38% (assuming full participation in rights issue). NZL's audited NAV was NZ\$ 1.3968 per share as at 30 June 2021.

* Includes 50 Hectares subject to put and call option carried as a loan.

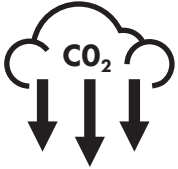
A Rural Land Owner in a World Leading Agricultural Economy



1ST COUNTRY PARTNER OF THE GLOBAL FARM 2050 INITIATIVE

The Farm 2050 Initiative is a global programme focused on feeding the world's population in a sustainable way.

Source: farm2050.com



1ST NEW ZEALAND DAIRY FARMERS HAVE THE WORLD'S LOWEST CARBON FOOTPRINT

AgResearch found that New Zealand is the most efficient producer at 0.77 kg CO₂e per kg Fat and Protein Corrected Milk (FPCM) - this is 48% less than the average of countries studied.

Source: DairyNZ



100 YEARS OF RESEARCH HAS LED TO WORLD-LEADING DAIRY PRODUCTS

Through innovation New Zealand turns milk into more than 1,500 products and product specifications. Almost a hundred years of research has led to a number of 'firsts' for breakthrough products.

Source: New Zealand Dairy Research Institute: A History of the First Fifty Years, 1927-1977



90^M PEOPLE COULD GET ALL THEIR DAIRY FROM NEW ZEALAND

New Zealand farmers and dairy companies produce the equivalent to two and a half serves of milk per day for around 90 million people each year.

Source: Dairy Companies Association of New Zealand



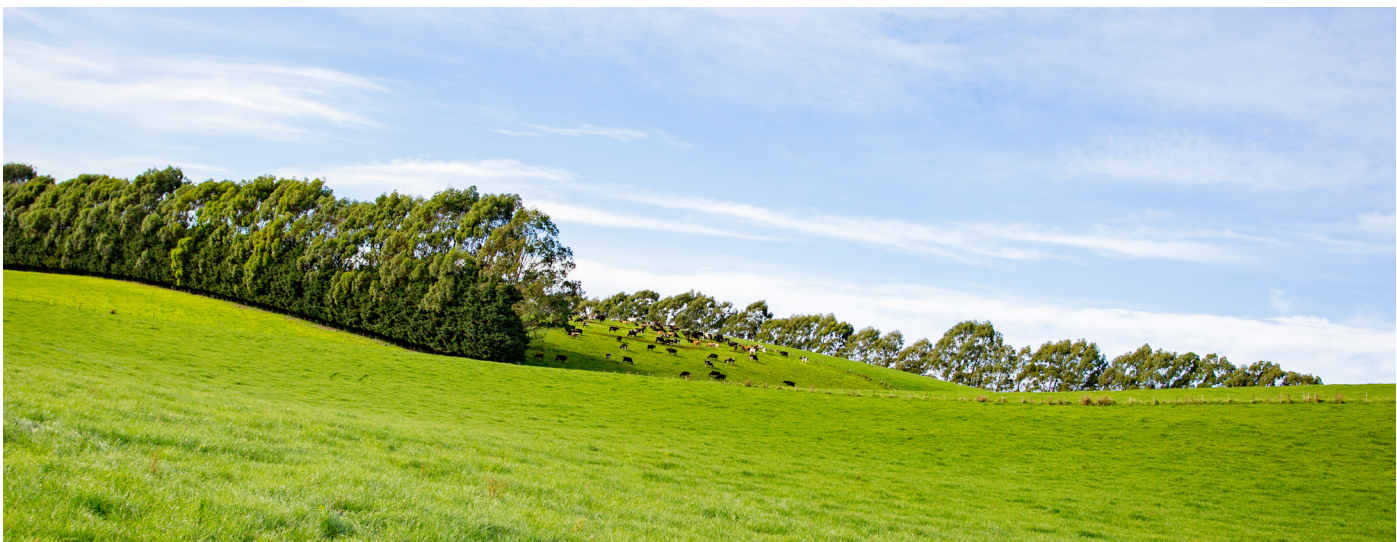
2ND OUT OF 181 COUNTRIES FOR CLIMATE CHANGE READINESS

New Zealand is ranked 2nd on the Notre Dame Global Adaptation Country Index. The index summarises a country's economic, governance and social readiness and its exposure, sensitivity and capacity to adapt to the negative effects of climate change.

Source: University of Notre-Dame, ND-GAIN Index 2017



SECTION **3** OUR PROPERTIES
& TENANTS





Tenant Spotlight: Fortuna Group

Fortuna Group is one of our tenants in Southland and provides a fine example of industry leadership with regard to a consistent focus on sustainability and environmental impact minimisation.

The initiative detailed in this recent press article (below) to pelletise bale wrap and enable recycling of the product is just one example of our tenants looking to implement equipment and processes which continue to reduce environmental impacts and improve sustainability.

New Zealand Rural Land Company also supported this initiative with a donation.

Plan to solve bale wrap waste problem in Southland

Diane Bishop · 14:04, Jul 02 2021

[f](#) [t](#) [r](#) [e](#) [m](#)



DIANE BISHOP

Fortuna Group chief executive Matthew Richards is urging farmers to support a new project aimed at dealing with bale wrap problem.

Stuff - <https://bit.ly/3xF8cto>



SECTION 4 STATUTORY INFORMATION

for the period ended 30 June 2021

DIRECTORS

NZL's shareholders elect Directors to look after their interests. Directors are expected to:

- Ensure the strategic goals of NZL are clearly established and strategies are in place to achieve them;
- Approve and monitor NZL's financial statements, corporate governance and other reporting, including reporting to Shareholders and other stakeholders in accordance with its statutory functions;
- Establish procedures and systems to promote a culture and remuneration practice within NZL which facilitates the recruitment, professional development and retention of staff;
- Ensure that NZL has appropriate risk management and regulatory compliance policies in place and monitor the integrity of these policies;
- Familiarise itself with issues of concern to Shareholders and significant Stakeholders, including customers, staff, lessee's and the community; and
- Monitor the performance of NZL's Manager.

Rob Campbell, appointed in September 2020, has more than 30 years' experience in investment management and corporate governance. He is the chair of SkyCity Entertainment Group, WEL Networks and Health NZ. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

Sarah Kennedy, appointed in September 2020, is also currently an independent director of NZX-listed Comvita and the Founder & CEO of Calocurb Limited, a direct to consumer company selling internationally. She is the former CEO of Lifestream International, a New Zealand-owned company specialising in bioavailable, ethical, plant-based health foods; Sarah has also been chief executive of Designer Textiles International. From 2011 to 2014, she held a number of senior roles with Fonterra, such as vice president of international farming based in China, managing director of dairy nutrition, and managing director of RD1 — Fonterra's chain of rural retail stores. Before that, Sarah was managing director of Healtheries/Vitaco for a decade. Sarah is a veterinarian by training.

Christopher Swasbrook, appointed in September 2020, is one of the founders of New Zealand Rural Land Management. He is also the founder and managing director of Elevation Capital Management. He was previously a Partner of Goldman Sachs JBWere Pty, co-head of institutional equities at Goldman Sachs JBWere (NZ) and a foundation broker of the NZX. He has been a board member of the Financial Markets Authority since 2019, a member of the NZ Markets Disciplinary Tribunal since 2013 and a member of the NZX Listing Sub-Committee since 2008. He is also a director of Allied Farmers Limited, Bethunes Investments Limited and SwimTastic Limited.

Tia Greenaway, appointed in September 2021, currently leads the Rautaki Māori team for He Pou a Rangi, Climate Change Commission and is responsible for delivering the Iwi/Māori aspects of the Commission’s work programme. Tia has broad experience in the Māori sector and holds various roles on Iwi and Ahu Whenua Trusts and Committees operating mainly in farming and forestry. Tia is passionate about improving wellbeing outcomes for our taiao and our mokopuna and has been a key contributor to the development of the wellbeing framework He Ara Waiora - A Pathway towards Wellbeing, a collaboration between Māori thought-leaders and the Treasury. Tia a member of Chartered Accountants Australia and New Zealand.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

NZL conducted an IPO and listed on the New Zealand stock exchange at the end of 2020. With the proceeds of the IPO, NZL acquired its first assets on 1 June, being 15 quality dairy farms located in the South Island. Now as a landowner, the Board has in its work plan over the current year to develop Environmental, Social and Governance (**ESG**) initiatives and to adopt those ESG initiatives in consultation with its tenants. NZL anticipates being able to report more fully on this in its Annual Report next year.

CORPORATE GOVERNANCE

The Board is committed to the highest standard of corporate governance as established by recognised best practice. The Board is responsible for establishing and implementing NZL’s corporate governance frameworks. NZL’s corporate governance practices have been prepared in accordance with the Financial Markets Authority’s Corporate Governance Handbook, the requirements of the NZX Listing Rules and the recommendations in the NZX Corporate Governance Code (**NZX Code**).

As at 30 June 2021, the Board has implemented governance principles and processes to establish, shape and maintain appropriate governance standards and behaviours throughout NZL that align with the NZX Code. The adoption of governance principles ensures that the Board act in accordance with agreed standards of ethical and moral behaviour, including observing NZL’s Code of Ethics.

Copies of NZL’s key corporate governance documents, including NZL’s Board Charter and Code of Ethics, are available at NZL Policy Documents & Constitution section of NZL’s website:

<https://nzrlc.co.nz/company-policy-documents>.

Corporate Governance Structure

The Board are elected by Shareholders of NZL. The Board has overall responsibility for the governance of NZL, while the day-to-day management of NZL has been delegated to the Manager. The respective roles of the Board and the Manager within this corporate governance structure are summarised below.

Role of the Board

The primary role of the Board is to approve and monitor the strategic direction of NZL that is recommended by the Manager and to add long-term value to NZL's shares, whilst having appropriate regard to the interests of all material Stakeholders. Further information on the Board's role and responsibilities is set out in the Board Charter.

Board Committees

The Board may establish a committee to consider certain issues and functions in more detail. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities. The Board has established two standing committees, and other committees may be established on a case-by-case basis where the Board considers it appropriate to do so.

Audit and Risk Committee

The Board has established an Audit and Risk Committee (Sarah Kennedy and Rob Campbell), with the role of overseeing financial reporting, accounting policies, financial management, and internal control systems. The Audit and Risk Committee responsibilities are outlined in the Audit and Risk Committee Charter available on NZL's website.

Remuneration Committee

The Board has established a Remuneration Committee, with the role of recommending Director remuneration packages to Shareholders. The Remuneration Committee responsibilities are outlined in the Remuneration Committee Charter available on NZL's website.

Board Membership

The Board shall comprise of at least three Directors, with at least two independent Directors, and an intention that one Director is nominated and appointed as a representative of the Manager. The composition of the Board reflects the duties and responsibilities it is required to perform in setting NZL's strategy and ensuring it is implemented.

At the date of this Annual Report, the Board comprises four Directors (three independent Directors and one non-independent Director).

Independence

The Board Charter of NZL sets out the standards for determining whether a Director is independent for the purposes of service on the Board and committees. These standards reflect the requirements of the NZX Listing Rules. A Director is independent if the Board affirmatively determines that the Director has satisfied these standards. As at 30 June 2021, the Board has determined that:

- Sarah Kennedy and Rob Campbell are Independent Directors; and
- Christopher Swasbrook is a non-Independent Director.

Tia Greenaway was appointed to the Board on 1 September 2021. The Board has determined that she is an independent Director.

Tenure

Directors are not appointed for fixed terms. However, the Constitution and the NZX Listing Rules require all Directors to stand for re-election at the third annual meeting after appointment or after three years (whichever is longer). A Director appointed by the Board to fill a casual vacancy must also stand for election at the following annual meeting.

Board and Committee Meetings

The Board holds at least eight meetings per year, and additional Board meetings are held where necessary in order to prioritise and respond to issues as they arise. The Board and committee meetings and attendance in Financial Year 2021 are set out below:

Attendee	Board Meetings	Audit and Risk Committee	Remuneration Committee
Rob Campbell	10/10	3/3	-
Sarah Kennedy	10/10	3/3	-
Christopher Swasbrook	10/10	-	-

Independent Professional Advice

Directors are entitled to seek independent professional advice on any aspect of the Directors' duties at NZL's expense, with the approval of the Chair.

Director Performance Policy

The Board is developing a performance policy to ensure that regular, rigorous and formal processes for evaluating the performance of the Board, committees and individual Directors are in place.

Directors' and Officers' Insurance

While acting in their capacities as Directors, NZL provides indemnity and insurance cover for Directors to the fullest extent permitted by law. As permitted by its Constitution, NZL has entered into a deed of indemnity, insurance and access indemnifying each Director for potential liabilities, losses, costs and expenses they may incur for acts or omissions in their capacity as Director, and agreeing to effect directors' and officers' liability insurance for those persons, in each case subject to the limitations set out in the Companies Act 1993.

Role of New Zealand Rural Land Management Limited Partnership

The day-to-day management responsibilities for NZL have been delegated to the Manager under a long-term Management Agreement. The Management Agreement details a comprehensive list of the Manager's duties and responsibilities, and the fees payable to the Manager (which are summarised in the Financial Statements at page 38-39 of this report). Under the Management Agreement, the Manager is responsible for the:

- Management and administration of NZL;
- Management of properties owned by NZL;
- Sourcing of sale and purchase opportunities, including overseeing the due diligence and execution processes;
- Operation of lease arrangements;
- Communication with investors; and
- Administration of dividends and distributions.

Manager Performance

A key role of the Board is to monitor the performance of the Manager. NZL benefits from having a management team with a great breadth and depth of skills, however the Board recognises that the interests of the Manager and the interests of NZL's Shareholders have the potential to conflict.

The Board is responsible for identifying, assessing and resolving any potential conflicts in relation to NZL's structure, NZL's adopted strategies and the resulting potential fees payable to the Manager. Any matters to be considered under the Management Agreement by NZL are considered and determined by the independent Directors on the Board. Where the Board must vote on any matter relating to the Manager, Chris Swasbrook is interested and must not vote on that matter.

Diversity

NZL has a Diversity Policy, which describes NZL's approach to diversity and inclusion. NZL believes that building and celebrating diversity in the workplace creates an inclusive workplace culture and delivers enhanced business performance. The Diversity Policy applies to the Board and the Manager and should be read in conjunction with NZL's Code of Ethics and all other policies that cover areas such as values, culture and employee expectations. A copy of the Diversity Policy is available on NZL's website. As NZL has not yet been operating for a full year, the Board has not at this time completed an evaluation of performance against the diversity policy.

The following table provides a quantitative breakdown as at 30 June 2021 as to the gender composition of the Board and NZL's Officers:

2021 Position	Female	Male	Proportion female	Proportion Male
Board	1	2	33.3%	66.6%
Officers	0	3	0%	100%

NZX Corporate Governance Code

NZL considers that during the Financial Year 2021, NZL materially complied with the Code. NZL does deviate from the Code, by not having a formally established Nominations Committee. Given the current nature and structure of NZL, the Board considers the matters related to nominations are best undertaken by the entire Board.

Risk Management

The Audit and Risk Committee ensures that NZL fulfils its responsibilities in all matters related to risk management. The Committee is responsible for overseeing financial reporting, accounting policies, financial management and internal control systems. Formal control and reporting processes have been introduced to ensure the Board is properly and regularly informed on corporate financial matters. The Board is currently developing risk assessment and compliance programmes for NZL following its first acquisition of assets in June 2021.

Directors' Relevant Interests

As at 30 June 2021, the Directors of NZL who have relevant interests (as defined in the Financial Market Conduct Act 2013) in quoted financial products of NZL are as follows:

NZL Ordinary Shares	Beneficial interests	Non-beneficial interests
Rob Campbell	66,666	-
Sarah Kennedy	33,333	-
Christopher Swasbrook	130,000	1,733,333

As at 30 June 2021, the Directors of NZL held, in aggregate, 2.49% of NZL's ordinary shares.

Interests Register

The following are the relevant interests of the Directors of NZL and its subsidiaries as at 30 June 2021:

Rob Campbell

Director of Ake Ake Limited
 Chancellor of Auckland University of Technology
 Director of Fast Fibre Bidco NZ Limited
 Director of Precinct Properties
 Director of RC Custodian Limited
 Director of Serica Credit Balanced Fund
 Director of Skycity Entertainment Group Limited
 Director of Tourism Holdings Limited
 Director of Tutanekai Investments
 Director of UFF Holdings Limited
 Director of WEL Networks Limited

Sarah Kennedy

Founder and CEO of Calocurb Limited
 Director of Comvita Limited
 Director of Final Mile Holdings Limited
 Director of Lanaco Limited
 Director of Lifestream International Limited

Christopher Swasbrook

Director of Allied Farmers Limited
 Director of Bethunes Investments Limited
 Director of SwimTastic Limited
 Director of Elevation Capital Management Limited
 Board Member of Financial Markets Authority
 Member of New Zealand Markets Disciplinary Tribunal
 Member of NZX Sub-Listing Committee

Directors' Remuneration

The remuneration paid to NZL and its subsidiaries' Directors in respect of the year ended 30 June 2021 was as follows (these amounts exclude GST, where appropriate):

Director	Financial Year 2021 (NZD)
Rob Campbell	106,875*
Sarah Kennedy	62,916*
Christopher Swasbrook	Nil
Total	169,791

*Rob Campbell and Sarah Kennedy did not commence receiving Directors fees until 1 December 2020. In consideration of their time spent assisting NZL with its establishment and initial public offering they were each issued shares for no payment. Rob Campbell was issued 40,000 shares at an issue price of \$1.25 per share. Sarah Kennedy was issued 20,000 shares at an issue price of \$1.25 per share. The value of these issuances (\$50,000 and \$25,000 respectively) are included in the sums set out above. Also included in the figures above are committee fees of \$5,000 per annum for each of Rob Campbell and Sarah Kennedy.

Employee Remuneration

NZL, including its subsidiaries, have no employees. NZL is managed by the Manager under the Management Agreement. Details of the fees paid to the Manager are included in the Financial Statements on pages 38-39.

Subsidiaries

NZL has one subsidiary, NZRLC Dairy Holdings Limited, a company incorporated in New Zealand in March 2021. As at 30 June 2021, the Directors of NZRLC Dairy Holdings Limited are Rob Campbell, Sarah Kennedy and Christopher Swasbrook.

Donations

NZL, including its subsidiaries, did not make any donations made donations during the year ended 30 June 2021.

NZX Waivers

During the Financial Year 2021, NZL did not apply for any waivers to be granted or published by the NZX, nor did NZL rely on any waivers irrespective of whether the waiver was granted or published.

Credit Rating

NZL does not have a credit rating.

Continuing Share Buyback Programme

NZL maintains an ongoing share buyback programme, as outlined in its Capital Management Policy available on NZL's website. NZL did not repurchase any shares during the Financial Year 2021 pursuant to that programme (which allows up to 6,046,000 shares to be bought back).

Substantial Product Holders

The following information is pursuant to section 293 of the Financial Markets Conduct Act 2013. The total number of voting securities of NZL on issue as at 30 June 2021 was 78,930,970. According to notices received by NZL, the following persons were substantial product holders in NZL as at 30 June 2021:

Ordinary shares	Number held
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited	10,507,585
Jarden Securities Limited and Harbour Asset Management Limited	6,399,128
Clyde and Rena Holland	5,960,000
Vaulterra Holdings LLC	5,960,000
Janice Cather Walker, Sinya Jane Walker and Duncan Varnhan Fea as trustees of the Bill & Jan Walker Family Trust	4,000,000

Spread of Shareholders

The spread of the Shareholders of NZL as at 31 August 2021 is as follows:

Number of Shares	Number of Holders	Total Shares Held	Percentage (%)
1 - 1,000	143	115,018	0.15
1,001 – 5,000	414	1,195,160	1.51
5,001 – 10,000	214	1,719,567	2.18
10,001 – 50,000	258	5,831,061	7.39
50,001 – 100,000	36	2,798,159	3.55
100,001 and over	41	67,272,005	85.23
Total	1,106	78,930,970	100.0

Twenty Largest Shareholders

The twenty largest Shareholders of NZL as at 31 August 2021 are as follows:

Shareholders	Number held
New Zealand Permanent Trustees Limited	15,995,000
Premier Nominees Limited	5,884,902
Forsyth Barr Custodians Limited	4,900,000
Citibank Nominees (Nz) Ltd	4,152,391
FNZ Custodians Limited	4,079,431
Janice Cather Walker, Sinya Jane Walker and Duncan Varnhan Fea as trustees of the Bill & Jan Walker Family Trust	4,000,000
MFL Mutual Fund Limited	3,667,173
New Zealand Depository Nominee	2,868,474
Accident Compensation Corporation	2,568,796
Investment Custodial Services Limited	2,357,372
HSBC Nominees (New Zealand) Limited	1,413,701
Premier Nominees Ltd Armstrong Jones Property Securities Fund	1,246,681
Tea Custodians Limited	1,116,708
JPMORGAN Chase Bank	1,022,651
Custodial Services Limited	972,607
Allied Farmers Limited	900,000
Kim Christopher Wilkinson & Marie Eleanor Wilkinson	800,000
Public Trust Rif Nominees Limited	773,442
Kiwigold.Co.Nz Limited	666,666
FNZ Custodians Limited	583,536

SECTION **5** FINANCIAL STATEMENTS

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

The directors are pleased to present the financial statements of New Zealand Rural Land Company Limited and its subsidiary for the 292 day period ended 30 June 2021.

The Board of Directors of New Zealand Rural Land Company Limited authorised the financial statements for issue on 29 August 2021.

For and on behalf of the Board



Director



Director

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary
Consolidated statement of comprehensive income
For the period ended 30 June 2021

	Notes	Period ended 30 June 2021 \$'000
Gross rental income		
Rental income		498
Net rental income		498
Less overhead costs		
Directors fees		(170)
Insurance		(31)
Marketing expenses		(125)
Management fees	18	(99)
Professional and consulting fees		(200)
Performance fee	18	(1,625)
Other expenses		(68)
Total overhead costs		(2,318)
Loss before net finance expense, other income and income tax		(1,820)
Finance income		122
Finance expense		(234)
Net finance expense	6	(112)
Loss before other income and income tax		(1,932)
Other income		
Change in fair value of investment property	5	16,525
Profit before tax		14,593
Income tax benefit	7.1	522
Profit and total comprehensive income for the period		15,115
		Cents
Basic and diluted earnings per share	23	37.49

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary
Consolidated statement of financial position
At 30 June 2021

	Notes	2021 \$'000
Current assets		
Cash and cash equivalents	8	20,496
Trade and other receivables	9	668
Current tax receivable		23
Total current assets		21,187
Non-current assets		
Investment property	5	137,678
Loan receivable	10	5,475
Deferred tax assets	7.2	522
Other non-current assets		75
Total non-current assets		143,750
Total assets		164,937
Current liabilities		
Trade and other payables	12	308
Total current liabilities		308
Non-current liabilities		
Borrowings	13	54,254
Derivative liabilities	11	121
Total non-current liabilities		54,375
Total liabilities		54,683
Net assets		110,254
Share capital	14	93,514
Share based payment reserve	15	1,625
Retained earnings		15,115
Total equity		110,254
		\$
Net Assets Value (NAV) per share	20.2	1.3968
Net Tangible Assets (NTA) per share	20.2	1.3918

These financial statements are to be read in conjunction with the accompanying notes



New Zealand Rural Land Company Limited and its subsidiary
Consolidated statement of changes in equity
For the period ended 30 June 2021

		Share capital	Share based payment reserve	Retained earnings	Total
	Notes	\$'000	\$'000	\$'000	\$'000
Comprehensive Income					
Profit for the period		-	-	15,115	15,115
Total comprehensive income		-	-	15,115	15,115
Transactions with shareholders					
Contributed capital	14	95,893	-	-	95,893
Transaction costs	14	(2,379)	-	-	(2,379)
Performance fee payable in ordinary shares	15	-	1,625	-	1,625
Balance at 30 June 2021		93,514	1,625	15,115	110,254

These financial statements are to be read in conjunction with the accompanying notes



New Zealand Rural Land Company Limited and its subsidiary
Consolidated statement of cash flows
For the period ended 30 June 2021

	Notes	Period ended 30 June 2021 \$'000
Cash flows from operating activities		
Lease income received		23
Payments to suppliers		(716)
Management fees paid		(70)
Income taxes paid		(23)
Interest paid		(117)
Interest received		77
Net cash used in operating activities		(826)
Cash flows from investing activities		
Payment for NZX listing bond		(75)
Payments for investment properties		(120,685)
Payment for loan receivable		(5,430)
Net cash used in investing activities		(126,190)
Cash flows from financing activities		
Proceeds from convertible loan		375
Proceeds from issue of ordinary shares		95,249
Payment of transaction costs on issue of ordinary shares		(2,366)
Proceeds from borrowings		54,254
Net cash generated by financing activities		147,512
Net increase in cash and cash equivalents		20,496
Cash and cash equivalents at incorporation		-
Cash and cash equivalents at the end of the period	8	20,496

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary

Notes to the financial statements

For the period ended 30 June 2021

1 Reporting entity

The consolidated financial statements for New Zealand Rural Land Company Limited and its subsidiary (the "Group") are for the economic entity comprising New Zealand Rural Land Company Limited (the "Company" or "Parent") and its subsidiary. The Group's principal activity is investment in New Zealand rural farmland.

The Company is incorporated in New Zealand and registered under the Companies Act 1993. The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The Company was incorporated on 11 September 2020 and is domiciled in New Zealand. The Company is listed on the New Zealand Stock Exchange (NZX Limited) with ordinary shares listed on the NZX Main Board.

These financial statements are for the 292 day period from incorporation to 30 June 2021.

2 Basis of preparation

2.1 Statement of compliance and reporting framework

The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate. These financial statements comply with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. For the purposes of complying with NZ GAAP, the Group is a for-profit entity. These financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and on a going concern basis.

2.2 Functional and presentation currency

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

2.3 Basis of measurement

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

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

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

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary

Notes to the financial statements

For the period ended 30 June 2021

2.4 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of a subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.5 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments are classified into the following specified categories: 'fair value through profit or loss' (FVTPL), and 'at amortised cost'. The classification depends on the business model and nature of the cash flows of the financial instrument and is determined at the time of initial recognition.

The Group's financial assets consist of cash, trade receivables and loan receivable.

Financial assets - Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets - Impairment of financial assets

Impairment of financial assets are recorded through a loss allowance account (bad debt provision). The amount of the loss allowance is based on the simplified Expected Credit Loss (ECL) approach which involves the Group estimating the lifetime ECL at each balance date. The lifetime ECL is calculated using a provision matrix based on historical credit loss experience and adjusted for forward looking factors specific to the debtors and the economic environment.

Financial liabilities - Amortised cost

Financial liabilities at amortised cost (including borrowings, related party payables and trade and other payables) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary

Notes to the financial statements

For the period ended 30 June 2021

2.5 Financial instruments (continued)

Financial liabilities - Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3 Critical accounting estimates and judgements

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

- Fair valuation of investment property (note 5)
- Deferred tax on investment property (note 7.2)
- Recognition of loan receivable (note 10)

3.1 Fair value estimation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Derivative financial instruments are measured using level 2 valuation techniques, which is based on inputs other than quoted prices in an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates. The derivatives are valued based on the mark to market valuations of the interest rate swaps on 30 June 2021.

The carrying value of all other financial assets and liabilities held at amortised cost reasonably approximates the fair value due to the short term nature of the financial instruments.

4 Segment information

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

Included in the Group's total revenue, more than 10% was received from one significant customer. The total revenue derived in the period ended 30 June 2021 from this single customer was \$0.468 million. No other single customers contributed 10% or more of the Group's total revenue.

These financial statements are to be read in conjunction with the accompanying notes



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New Zealand Rural Land Company Limited and its subsidiary
Notes to the financial statements
For the period ended 30 June 2021

5 Investment properties

Investment property is property held either to earn rental income, for capital appreciation or for both.

Investment property is initially measured at cost and subsequently measured at fair value with any change therein recognised in profit or loss. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Initial direct costs incurred in negotiating and arranging operating leases and lease incentives granted are added to the carrying amount of the leased asset.

Property valuations will be carried out at least annually by independent registered valuers.

Investment properties are derecognised when they have been disposed of and any gains or losses incurred on disposal are recognised in profit or loss in the year of derecognition.

Fair value of rural land investment properties:

30 June 2021

Farm group	Location	Land area Hectares	Additions ¹ \$'000	Capitalised	Revaluation	Carrying value \$'000
				lease incentive \$'000	gain \$'000	
Tenant 1	Canterbury	873	21,285	97	4,187	25,569
Tenant 2	Canterbury / Otago	1,967	58,953	258	8,728	67,939
Tenant 3	Canterbury	2,926	30,035	113	2,925	33,073
Tenant 4	Southland	456	10,412	-	685	11,097
Fair value of investment properties			120,685	468	16,525	137,678

¹ Includes directly attributable acquisition costs.

5.1 Fair value measurement, valuation techniques and inputs

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

The Group's investment properties were valued by Colliers International, with values applicable as at 30 June 2021.

Investment properties are classified as level 3 (inputs are unobservable for the asset or liability) under the fair value hierarchy on the basis that adjustments must be made to observable data of similar properties to determine the fair value of an individual property.

During the year there were no transfers of investment properties between levels of the fair value hierarchy. The valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used are as follows:

The investment property have been assessed on a fair value basis utilising the income approach for the Group's interest as lessor and a market approach to assess the reversionary value of the assets at the expiry of the current lease terms.

The net present value of the income provided under the lease agreements have been assessed to be above prevailing market leases for similar assets. This results in the Group's interest assessment in the leases being greater than the current fair value for the asset on the basis of the fee simple valuation.

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary

Notes to the financial statements

For the period ended 30 June 2021

5.1 Fair value measurement, valuation techniques and inputs (continued)

Key inputs used to measure fair value:

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

5.2 Valuation methodology

Key valuation input	Description	Measurement sensitivity	
		Increase in input	Decrease in input
Land growth rate	The rate applied to the expected land value growth. Used in the income approach.	Increase	Decrease
CPI	The expected inflation increase applied to the lease income every two years. Used in the income approach.	Increase	Decrease
Discount rate	The rate applied to discount future cashflows, it reflects transactional evidence from similar types of property assets. Used in the income approach.	Decrease	Increase
Terminal rate	The rate used to assess the terminal value of the property. Used in the income approach.	Decrease	Increase
Market rental assessment	The valuer's assessment of the annual net market income per hectare attributable to the property. Used in the income approach.	Increase	Decrease

6 Finance income and expense

Finance income includes interest income derived from financial assets. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance expense includes interest expense incurred on borrowings and the loss on fair value of derivative instruments. Interest expense is recognised using the effective interest method. Loss on fair value of derivative instruments details are included in note 11.

	2021
	\$'000
Finance income	
Interest income	122
Finance expense	
Interest expense	(113)
Loss on fair value of derivative instruments	(121)
Net finance expense	(112)

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary

Notes to the financial statements

For the period ended 30 June 2021

7 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

7.1 Income tax recognised in statement of comprehensive income

	2021 \$'000
Current tax expense	-
Deferred tax (benefit)	(522)
Income tax (benefit)	(522)

Reconciliation of income tax expense to prima facie tax payable:

Profit before tax	14,593
Income tax expense calculated at 28%	4,086
Effect of expenses that are not deductible in determining taxable profit	19
Effect of income that is not assessable in determining taxable profit	(4,627)
Income tax (benefit)	(522)

7.2 Deferred tax assets

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2021 Group	Recognised in profit or loss \$'000	Closing balance \$'000
Lease fees	(42)	(42)
Lease incentives	(131)	(131)
Tax losses	807	807
Depreciation on investment property	(112)	(112)
Total deferred tax asset/(liability)	522	522

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary
Notes to the financial statements
For the period ended 30 June 2021

7.2 Deferred tax assets (continued)

Key Judgement

The Group has chosen not to rebut the presumption in NZ IAS 12 *Income taxes* that the carrying value of investment properties will be recovered through sale.

8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2021
	\$'000
Cash at bank	20,496
Total cash and cash equivalents	20,496

9 Trade and other receivables

Trade receivables are non-derivative financial assets and measured at amortised cost less impairment.

	2021
	\$'000
Trade receivables	65
Prepayments	269
GST receivable	334
Other receivables	-
Total trade and other receivables	668

10 Loan receivable

	2021
	\$'000
Non-current:	
McNaughtons home block	5,475
Total loan receivable	5,475

On 1 June 2021, the Group acquired land at 30 Cooneys Road, Morven for \$5.4 million and simultaneously entered into a lease and a put and call agreement with Performance Dairy Limited (PDL), a related entity to the vendor. Under the call agreement, PDL can acquire the land on 31 May in any year (providing a minimum 90 days notice has been provided) from the Group for \$5.4 million plus 10% interest compounding annually. Under the put agreement, from 1 June 2023 the Group can require PDL to acquire the land on 31 May any year under the same pricing mechanism and notice requirements. The put and call option have a 99 year life.

Key Judgement

The Group has determined that this arrangement has the substance of a loan with a 10% market interest rate per annum.

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

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

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary
Notes to the financial statements
For the period ended 30 June 2021

11 Derivatives

Derivative financial instruments, comprising interest rate swaps are classified as fair value through profit or loss ("FVTPL"). Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in the Statement of Comprehensive Income in finance expense.

	2021
	\$'000
Derivative liabilities	121

12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days from recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

	2021
	\$'000
Trade payables and accruals	308
Total trade and other payables	308

13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	2021
	\$'000
Non-current:	
Rabobank facility	54,254
Total borrowings	54,254

2021	Expiry date	Effective interest rate	Total \$'000	Undrawn facility \$'000	Drawn amount \$'000	Fair value \$'000
Bank facility A	1 June 2023	2.05%	25,000	10,746	14,254	14,254
Bank facility B	1 June 2024	2.19%	16,000	-	16,000	16,000
Bank facility C	1 June 2026	2.49%	24,000	-	24,000	24,000
			65,000	10,746	54,254	54,254

The Group has entered into a revolving credit facility agreement with Rabobank on 21 May 2021. The facility agreement has a limit of \$65,000,000 with floating interest rates ranging over the three tranches of the debt. Interest is payable quarterly in arrears.

There is a general security deed over all of the assets of the Group as security of the borrowings.

The terms of the borrowings includes the following covenants that the Group must ensure at all times:

- Interest coverage ratio is greater than 2.0;
- Loan to valuation ratio does not exceed 40%; and
- Capital expenditure in each financial year shall not exceed 120% of the budgeted forecast capital expenditure.

The Group has complied with the financial covenants of its borrowing facilities during the 2021 reporting period.

13.1 Subsequent events

Bank facility A was repaid in full on 1 July 2021.

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary
Notes to the financial statements
For the period ended 30 June 2021

14 Issued capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

	Notes	2021	
		\$'000	No. of ordinary shares
Authorised and issued			
Share capital issued for assignment of intellectual property	18.1	125	100,000
Share capital issued for director services rendered in relation to IPO		75	60,000
Shares issued on initial public offering		75,000	60,000,000
Loan converted to ordinary shares		375	300,000
Rights issue (2:3) to existing shareholders		20,318	18,470,970
Transaction costs arising on issue of shares		(2,379)	-
Balance at end of period		93,514	78,930,970

In December 2020, 60 million shares were issued in the Company through an initial public offering (IPO) on the New Zealand Stock Exchange (NZX) at a price of \$1.25 per share. In addition, on IPO a convertible loan for \$0.375 million from Allied Farmers Limited converted to 0.3 million ordinary shares at the same price per share. In June 2021, a rights issue to existing shareholders of 2 new shares per 3 existing shares closed with 18.5 million shares being issued at \$1.10 per share.

All shares have equal voting rights, participate equally in any dividend distribution or any surplus on the winding up of the Company. The shares have no par value.

15 Share based payment reserve

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

	2021
	\$'000
Arising on share-based payments (performance fee)	1,625
Balance at end of the period	1,625

The share based payment reserve relates to the Manager's performance fee that is settled through the issue of shares. More details on performance fees are provided in note 18.1.

16 Remuneration of auditors

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers New Zealand as the auditor of the Group:

	2021
	\$'000
Assurance and other services	
Statutory audit services	68
	68

These financial statements are to be read in conjunction with the accompanying notes



New Zealand Rural Land Company Limited and its subsidiary
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17 Rental income

Rental income from investment property leased to clients under operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease, taking into account rent free periods. Where lease incentives are provided to customers, the cost of incentives are recognised over the lease term on a straight-line basis as a reduction to rental income.

The Group has entered into investment property leases (as lessor) which have remaining non-cancellable lease terms of between 10 and 11 years.

Future minimum rental receivables under non-cancellable operating leases are as follows:	2021
	\$'000
Within 1 year	6,137
After 1 year but not more than 5 years	24,550
More than 5 years	36,307
Total property operating lease income	66,994

The commitments above are calculated based on the contract rates using the term certain expiry dates of lease contracts. Actual rental amounts in future may differ due to CPI adjustments within the lease agreements.

18 Related parties

18.1 Remuneration of the Manager

The Group has appointed an external manager, New Zealand Rural Land Management Limited Partnership through a signed management agreement. The Manager is responsible for all management functions of the Group, including:

- Providing administrative and general services;
- Sourcing and securing potential investors and communicating with investors;
- Sourcing opportunities for the sale and purchase of Land, and operators for lease agreements in respect of Land;
- Overseeing due diligence for and executing transactions for the sale and purchase, and leasing, of Land;
- Managing the Group's Property, including Land owned by the Group;
- Arranging regular valuations and audits of the Group; and
- Administering the payment of dividends and distributions in respect of the Group.

The Manager is remunerated via management fees, transaction fees and performance fees.

Fees paid and owing to the Manager:

	2021	
	Fees charged	Owing at 30 June
	\$'000	\$'000
Basic management services fee	99	30
Land transaction fees	1,725	-
Leasing fees	150	-
Performance fee	1,625	1,625
Total	3,599	1,655

Management fee

A monthly management fee is payable equal to 0.5% per annum of the Group's Net Asset Value, calculated on a monthly basis. The total management fees for the period ended 30 June 2021 were \$0.1 million.

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary
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18.1 Remuneration of the Manager (continued)

Transaction fee

A fee is payable for the following transactions:

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

Transactions fee incurred for the period ended 30 June 2021 were \$1.725 million and \$0.150 million in relation to the purchase and lease fee components respectively. The purchase fee was included in the initial carrying amount of the acquired investment property. The leasing fee has been added to the carrying value of the leased asset (being investment properties) as part of the initial direct costs of arranging the lease.

Performance fee

A performance fee is payable to the Manager when the Group's net asset value ('NAV') per share exceeds the Group's NAV per share in the immediately preceding financial year. This annual performance fee is calculated as 10% of the increase in NAV per share and is settled through the issue of ordinary shares based on the NAV per share at that date. NAV per share is adjusted for the impact of capital reconstructions (such as a rights issue at a premium or discount), with the intention of the calculation being neither prejudicial nor advantageous to the Company or the Manager. Half of the ordinary shares issued are held in escrow and cannot be sold for 5 years. The value of the performance fee in the 2021 financial year was \$1.625 million. The shares will be issued to the Manager subsequent to balance date.

Other transactions with parties related to the Manager

On IPO, the Group settled an assignment of intellectual property for \$0.125 million (recognised in marketing expenses in profit or loss) by issuing 73,409, 14,831 and 11,760 shares at \$1.25 per share to Elevation Capital Management Limited, RPMilsom Investments Limited and Hopeton Trustee Company Limited respectively. These entities are related to members of key management personnel of the Manager.

In addition, Elevation Capital Management Limited indirectly received \$0.747 million in brokerage fees representing a portion of brokerage fees charged by Jarden to the Group for capital raising services and recognised as transaction costs in equity.

18.2 Key management personnel compensation

In addition to remuneration of the Manager outlined above, the Group paid directors fees during the period of \$0.170 million, of which \$0.075 million was settled in shares and the remainder in cash. There was no other compensation of key management personnel during the period.

19 Subsidiary

The consolidated Financial Statements incorporate the assets, liabilities and results of the subsidiary in accordance with the accounting policy described in note 2.4.

The following subsidiary has been consolidated in the Financial Statements of the Group:

Name of entity	Country incorporated	2021 Equity holding
NZRLC Dairy Holdings Limited	New Zealand	100%

These financial statements are to be read in conjunction with the accompanying notes



New Zealand Rural Land Company Limited and its subsidiary

Notes to the financial statements

For the period ended 30 June 2021

20 Non-GAAP measures

Non-GAAP measures do not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. These measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS.

20.1 Reconciliation of net profit after tax to adjusted funds from operations (AFFO)

Funds from operations ('FFO') is a non-GAAP financial measure that shows the Group's underlying and recurring earnings from its operations and is considered industry best practice for a property fund to enable investors to see the cash generating ability of the business. This is determined by adjusting statutory net profit (under NZ IFRS) for certain non-cash and other items. FFO has been determined based on guidelines established by the Property Council of Australia and is intended as a supplementary measure of operating performance. The Manager uses and considers Adjusted Funds From Operations ('AFFO') as a measure of operating cash flow generated from the business, after providing for all operating capital requirements including maintenance capital expenditure, tenant improvement works, incentives and leasing costs.

	Notes	2021 \$'000
Net profit after tax		15,115
<i>Adjustments</i>		
Unrealised net (gain) in value of investment properties	5	(16,525)
Performance fee payable in shares	15	1,625
Unrealised net loss on derivatives		121
Deferred tax (benefit)	7.2	(522)
Amortisation of rent free incentives		-
Amortisation of lease fee		1
Funds from operations ('FFO')		(185)
FFO per share (cents)		(0.23)
<i>Adjustments</i>		
Incentives and leasing costs		(618)
Maintenance capital expenditure		-
Adjusted funds from operations ('AFFO')		(803)
AFFO per share (cents)		(1.02)

20.2 Net assets per share and net tangible assets per share

The Group presents net assets per share and net tangible assets per share in these financial statements. The Group believes that these non-GAAP measures provide useful additional information to readers. Net tangibles assets per share is a required disclosure under the NZX Listing Rules and net assets per share is a measure monitored by management and required for calculating the Manager's performance fee. The calculation of the Group's net assets per share, net tangible assets per share, and its reconciliation to the consolidated statement of financial position is presented below:

	Notes	2021 \$'000
Total assets		164,937
(Less): Total liabilities		(54,683)
Net assets		110,254
(Less): Deferred tax asset	7.2	(522)
Add: Derivative liability	11	121
Net tangible assets		109,853
Number of shares issued ('000)		78,931
Net assets per share (\$)		1.3968
Net tangible assets per share (\$)		1.3918

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary
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For the period ended 30 June 2021

21 Financial instruments

Categories of financial instruments:

As at 30 June 2021	Financial assets/ liabilities at FVTPL \$'000	Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
Assets				
Cash and cash equivalents	-	20,496	-	20,496
Trade and other receivables	-	65	-	65
Loan receivable	-	5,475	-	5,475
	-	26,036	-	26,036
Liabilities				
Trade and other payables	-	-	308	308
Borrowings	-	-	54,254	54,254
Derivative liabilities	121	-	-	121
	121	-	54,562	54,683

22 Financial risk management

The use of financial instruments exposes the Group to interest rate, credit and liquidity risks.

22.1 Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates impact the Group's financial performance, future cash flows or the fair value of its financial instruments.

The Group's policy is to manage its interest rates using a mix of fixed and variable rate debt. To manage this mix, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rates for interest calculated by reference to an agreed-upon notional principal amount. These swaps are designed to economically hedge underlying debt obligations.

The Group's exposure to variable interest rate risk and the weighted average interest rate for interest bearing financial assets and liabilities as at 30 June 2021 was as follows:

	2021 \$'000
Financial assets	
Cash at bank	20,496
Financial liabilities	
Bank borrowings (net of economic impact of interest rate swaps)	30,254
Interest rate applicable at balance date	
Cash at bank	<1%
Bank borrowings (net of economic impact of interest rate swaps)	2.24%

The following sensitivity analysis represents the change in interest expense if the floating interest rates on bank borrowings (net of economic impact from interest rate swaps) had been 0.25% higher or lower, with other variables remaining constant:

2021	
Interest rate decrease of 0.25% \$'000	Interest rate increase of 0.25% \$'000
(6)	6

Increase/(decrease) in interest expense

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary
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22.2 Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. Financial instruments which are subject to credit risk principally consist of cash, debtors and loans receivable. The Group's exposure to credit risk is equal to the carrying value of the financial instruments.

The Group conducts credit assessments of tenants to determine credit worthiness prior to entering into lease agreements. This includes requiring tenants to have equity at least six times their annual lease obligations or provide other suitable security arrangements. Where appropriate, the Group will include guarantees and/or security from tenants within lease agreements to support rental payments. In addition, debtor balances are monitored on an ongoing basis with the result that exposure to bad debts is not significant.

The risk from financial institutions is managed by placing cash and cash equivalents with high credit quality financial institutions only. The Group has placed its cash and cash equivalents with ASB Bank Limited and Westpac New Zealand Limited, both who are AA-rated (Standard & Poor's).

The Group intends to further mitigate this risk in the future by expanding into other primary sectors in New Zealand, such as horticulture, viticulture, sheep and beef.

22.3 Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly arises from the Group's obligations in respect of long term borrowings, derivatives and trade and other payables.

The Group monitors and evaluates liquidity requirements on an ongoing basis and generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank facilities available to cover potential shortfalls. The Group's approach to managing liquidity risk is to ensure it will always have sufficient liquidity to meet its obligations when they fall due under both normal and stress conditions.

The following table outlines the Groups' liquidity profile, as at 30 June, based on contractual non-discounted cash flows:

As at 30 June 2021	Total \$'000	0-1 year \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000
Trade and other payables	308	308	-	-	-
Derivative liabilities	994	188	253	553	-
Borrowings ¹	58,779	1,240	15,471	42,068	-
Total	60,081	1,736	15,724	42,621	-

¹ Includes contractual interest payments based on drawn down amounts at 30 June 2021 and assuming no repayments of principal prior to expiry date

22.4 Capital risk management

When managing capital risk, the Manager's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other creditors.

The Group meets its objectives for managing capital through its investment decisions on the acquisition and disposal of assets, dividend policy, and issuance of new shares. This includes restricting debt to 30% of total assets and debt will generally be sought on interest-only repayment terms, subject to maintaining the 30% debt limit. The Group will also seek debt with mortgage security over the rural land acquired to secure the borrowings.

These financial statements are to be read in conjunction with the accompanying notes

New Zealand Rural Land Company Limited and its subsidiary

Notes to the financial statements

For the period ended 30 June 2021

23 Earnings per share

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

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

	2021
Profit after income tax (\$'000)	15,115
Weighted average number of shares for the purpose of basic and diluted EPS ('000)	40,315
Basic and diluted earnings per share (cents)	37.49

24 Reconciliation of profit after income tax to net cash flows from operating activities

	2021
	\$'000
Profit for the period	15,115
<i>Add/(less) non-cash items:</i>	
Change in fair value of derivatives	121
Change in fair value of investment property	(16,525)
Performance fee payable in shares	1,625
Interest income accrual	(45)
Deferred tax	(522)
Lease incentives - rent free period	(468)
Directors fees paid in shares	75
Marketing costs paid in shares	125
<i>Movements in working capital items:</i>	
(Increase) in other current assets	(612)
(Increase) in income tax receivable	(23)
Increase in trade and other payables	308
Net cash outflow from operating activities	(826)

25 Contingent liabilities and contingent assets

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

26 Capital commitments

The Group has no capital commitments as at 30 June 2021.

27 Subsequent events

On 2 August 2021, the purchase of Makikihi Farm (see note 25) became unconditional and was completed for \$12 million

Bank facility A was repaid in full (\$14.3m) on 1 July 2021 and then subsequently redrawn for \$7 million for the purchase of Makikihi Farm.

Ms Tia Greenaway was appointed as a new independent director, starting 1 September 2021.

On 17 August 2021, the New Zealand Government announced a move to COVID-19 Alert Level 4 for the whole of New Zealand. This has not resulted in changes to assumptions relating to the Group's key estimates and judgements referred to in these financial statements.

These financial statements are to be read in conjunction with the accompanying notes



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Independent auditor's report

To the shareholders of New Zealand Rural Land Company Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of New Zealand Rural Land Company Limited (the Company), including its subsidiary (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2021, its financial performance and its cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2021;
 - the consolidated statement of comprehensive income for the period then ended;
 - the consolidated statement of changes in equity for the period then ended;
 - the consolidated statement of cash flows for the period then ended; and
 - the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.


Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of investment property</p> <p>As disclosed in note 5, the portfolio of investment properties comprising rural land in the Canterbury, Southland and Otago regions was valued at \$137.7 million as at 30 June 2021.</p> <p>The entire portfolio of investment properties was purchased during the period to 30 June 2021.</p> <p>The valuation of investment properties is inherently subjective. A small difference in any one of the key market inputs, when aggregated, could result in a material misstatement of the valuation of investment properties.</p> <p>The valuations were carried out by an independent registered valuer selected by the Group. The valuer performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The valuer used is a well-known firm, with experience in the market in which the Group operates.</p> <p>In determining a property's valuation, the valuer considers available market evidence, including recent property sales, and property specific information, such as current tenancy agreements and rental income earned by the asset.</p> <p>They then apply assumptions in relation to comparable sales data, land growth rates and discount rates, based on available market data and transactions to determine the overall property valuation.</p> <p>Due to the unique nature of each property, the assumptions applied take into consideration the qualities of the tenant, individual property characteristics, as well as the qualities of the property as a whole. The valuer has performed property inspections of all assets classified as investment property.</p>	<p>The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values.</p> <p>We read the valuation reports and discussed and challenged the valuations with the independent valuer. We gained an understanding of the assumptions used and the valuation methodology applied and confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the carrying value of investment property as at 30 June 2021.</p> <p>We assessed the valuer's qualifications, expertise and their objectivity and found no evidence to suggest that their objectivity was compromised in the performance of their valuation.</p> <p>On a sample basis, with emphasis on properties with significant or unusual key inputs compared to other investment properties held by the Group and in conjunction with our own valuation experts, we performed the following procedures:</p> <ul style="list-style-type: none"> ● obtained an understanding of the key assumptions to the valuation and assessed their appropriateness; ● agreed key inputs to the underlying sale and purchase agreements and lease agreements for the investment properties; ● inspected the valuation models used by the valuers and assessed them for reasonableness; and ● critiqued and independently assessed, based on our experts' market and valuation knowledge, the work performed, including the valuation approach, assumptions and estimates made by the Group's valuer. <p>We found no evidence of bias in determining the values.</p> <p>We considered the adequacy of the disclosures made in note 5 to the financial statements.</p> <p>We obtained all sale and purchase agreements, inspected the details of settlement instructions and tested the purchase payments for the investment properties acquired in the period.</p>

Our audit approach

Overview

	<p>Overall group materiality: \$466,900 which represents approximately 0.5% of net assets excluding movements in the fair value of investment property and financial instruments.</p> <p>We chose net assets excluding movements in the fair value of investment property and financial instruments as the benchmark because, in our view, the objective of the Group in the first year of establishment is on net asset growth.</p> <p>Following our assessment of the risk of material misstatement, a full scope audit was performed over the consolidated Group balances.</p> <p>As reported above, we have one key audit matter, being:</p> <ul style="list-style-type: none"> Valuation and existence of investment property
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.



Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Richard Day.

For and on behalf of:

Chartered Accountants
29 August 2021

Auckland

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