ALLIED FARMERS LIMITED
ANNUAL REPORT 2018

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This report is dated 29 August 2018 and is signed on behalf of the Board of Allied Farmers Limited:

Garry Bluett	Philip Luscombe
Chairman	Director

OVERVIEW FROM THE CHAIRMAN

The Directors of Allied Farmers Ltd (“Allied”) (ALF:NZX) are pleased to report an audited net profit before tax for the year to 30 June 2018 of $2.44m (2017 $2.39m). Allied has had a reduced performance from the Livestock Division offset by a significant one-off recovery from the Asset Management Services Division. The after tax share of the profit attributable to the Allied shareholders is $1.54m (2017 $1.55m) It was always going to be difficult to replicate the exceptional growth in livestock sales of last year and the margins on meat processing are continually subject to international fluctuations.

The Livestock Division, which includes the operation of 66% owned NZ Farmers Livestock Ltd (NZFL) reported a net profit before tax of $2.63m (2017 $2.70m). The reported shortfall in the interim financial statements for the period ended 31 December 2017 of $0.2m, did not repeat, with the second half Livestock Division result actually slightly ahead of last year’s strong second half. Livestock sales were steady with commissions up 1% on the prior year. Returns from the meat processing business were lower than the previous year with turnover lower due to the impact of decreased international selling prices and margins reduced as costs of processing increased. While the margins in this business can fluctuate, NZFL is seeking to grow this business and trialled handling Autumn calves during the year.

On 1 July 2017 the final tranche of shares in Redshaw Livestock Ltd on the East Coast was acquired taking NZFL’s shareholding to 52%. This year’s result includes the full year consolidated result of Redshaws compared to last year’s equity accounted result.

The newly established financing subsidiary of the Livestock Division performed creditably – ahead of the budgets set. Initially focussing on financing service bulls, it has expanded into general livestock financing and at year end had receivables of $4.6m (2017 $2.1m)

The Asset Management Services Division (“AMS”) had been wound down as all assets of any significant value have been realised. However, AMS had one significant recovery. AMS received net proceeds of $441,000 from litigation relating to a loan asset that had previously being assigned to a third party.

During the year there was a reduction in corporate interest costs due to a reduction in the Bond interest rate.

The coming year will see challenges for the Livestock Division with the spread of M Bovis and the steps to contain it. While the planned eradication program will see a demand for livestock and possible opportunities, the uncertainties around livestock movements could cause some general slowdown in ordinary livestock transactions. At this stage it is too early to assess any financial impact. The initial outlook for the calf processing is positive with international prices starting to improve for calf products. Additionally, an expansion to handle calves in the Manawatu region has commenced, for review at season end.

The livestock business will be the prime focus of management in this uncertain market and the company is evaluating opportunities to expand from its current activities. Again, the Directors wish to highlight and acknowledge the considerable support and loyalty of all of the wider Allied Farmers stakeholders, particularly the team and our many clients.

Allied Farmers Limited and Subsidiaries

Five Year Financial Summary

	June-18	June-17	June-16	June-15	June-14
	$000	$000	$000	$000	'$000
Profit summary					
Total operating income	18,683	17,478	16,040	15,342	16,081
Depreciation and amortisation	546	523	532	378	362
Interest expense	594	496	658	875	903
Other expenses	15,108	14,072	13,276	12,974	13,655
Net surplus (deficit) from continuing operations	2,435	2,387	1,574	1,115	1,161
Net deficit from discontinued operations	-	-	-	-	-
Net surplus (deficit) before tax	2,435	2,387	1,574	1,115	1,161
Tax	210	158	182	460	-
Net surplus (deficit) after tax	2,225	2,229	1,392	655	1,161
Non controlling interests	690	677	687	527	133
Surplus/(deficit) attributable to owners of the Parent	1,535	1,552	705	128	1,028

	June-18	June-17	June-16	June-15	June-14
	$000	$000	$000	$000	$000
Statement of Financial Position summary					
Shareholders equity	3,466	1,820	105	(1,475)	(3,887)
Non current liabilities	3,551	2,977	3,782	5,208	4,000
Current liabilities	13,304	9,719	8,841	8,148	11,525
Total liabilities	16,855	12,696	12,623	13,356	15,525
Equity and liabilities	20,321	14,516	12,728	11,881	11,638
Current assets	14,690	9,748	8,297	7,771	7,813
Fixed assets	4,190	3,539	3,642	3,967	3,624
Non current assets	690	667	475	134	190
Investments	0	411	232	-	-
Total tangible assets	19,570	14,365	12,646	11,872	11,627
Intangibles	751	151	82	9	11
Total assets	20,321	14,516	12,728	11,881	11,638

	June-18	June-17	June-16	June-15	June-14
	$000	$000	$000	$000	$000
Cash Flow summary					
Operating cash flow	1,785	2,961	1,518	(929)	248
Investing cash flow	(2,865)	(2,467)	(466)	997	326
Financing cash flow	72	(1,395)	(859)	(665)	1,062
Net change in cash	(1,008)	(901)	193	(597)	1,636

The amounts shown in this Five Year Financial Summary have been extracted from the audited financial statements of Allied Farmers Limited and subsidiaries for the respective years.

DIRECTORS

Mr Garry C Bluett - Chairman

Mr Bluett was appointed a Director of Allied Farmers Limited in October 2004. He has been Finance Director of a major New Zealand retail group and has broad experience in the finance company and corporate finance sectors. He currently has an ownership interest in a dairy operation in the Waikato. Mr Bluett is an independent Director of Allied Farmers Limited. He has the following qualifications: BMS, CA.

Mr Philip C Luscombe

Mr Luscombe was appointed a Director of Allied Farmers Limited in December 2005. He is an experienced farmer with interests in dairy farms in Taranaki and Otago, and in farm forestry. He is a Director of PKW Farms GP Limited, as well as a number of private companies. He is a trustee of The Massey-Lincoln and Agricultural Industry Trust and a former trustee of the Massey University Agricultural Research Foundation. He is a former director of Kiwi Cooperative Dairies Limited, Kiwi Milk Products Limited, Dairy InSight and industry research company Dexcel. Mr Luscombe is an independent director of Allied Farmers Limited. He has the following qualification: BAgSci(Hons).

Mr G Andrew McDouall

Mr McDouall was appointed a Director of Allied Farmers Limited in October 1999. He is Managing Director of the stockbroking and investment banking group McDouall Stuart Group Limited, MSL Capital Markets, and a director of a number of private companies. Mr McDouall is an independent director of Allied Farmers Limited. He has the following qualifications: BCA, DipNZSE.

Mr Mark W Benseman

Mr Benseman was appointed a Director of Allied Farmers Limited in October 2015. Mr Benseman is an experienced manager and financial analyst, with over 25 years' experience in the investment industry. Mark is currently the Principal of Fraters Group in New Zealand and in the past had a role as a senior analyst with ABN AMRO New Zealand, was Director and Head of Research with Citigroup Smith Barney in New Zealand, and similarly with Merrill Lynch (NZ). Mr Benseman is not an independent director. He has the following qualifications: BA (Hons in Economics).

SHAREHOLDER INFORMATION

DISCLOSURES OF INTEREST

Directors disclosed, pursuant to section 140 of the Companies Act 1993, changes in interests in the following entities during FY18 (excluding directorships of wholly owned subsidiaries) in the Interests Register:

Name	Entity	Relationship
Mark Benseman	Andrea Moore & Co Ltd Roholm Limited	Director resigned 17 October 2017 Indirect Shareholder
Garry Bluett	Hot Lime Labs Limited Aisleworx Group Limited	Appointed Director 17 January 2018 Resigned director 30 April 2018
Stephen Morrison	Saleyard Management Limited	Appointed Director 20 February 2018

Except as disclosed above, there were no details included in the Interests Register as at 30 June 2017, or entered during the year ended 30 June 2018, that have been removed during the year ended 30 June 2018.

DIRECTORS' SHARE TRADING AND HOLDINGS

Between the 8 March 2018 and 12 March 2018, Mark William Benseman sold 210,000 ordinary shares at an average price of 9.5cps.

Except as disclosed above, Directors disclosed there were no acquisitions and disposals of relevant interests in Allied Farmers Limited shares during FY18 pursuant to section 148 of the Companies Act 1993.

As at 30 June 2018 directors, or entities related to them, held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Allied Farmers Limited Securities as follows:

Name	Number of Shares and percentage of shares on issue
Garry Bluett	4,249,711 (2.63%)
Mark Benseman	19,996,656 (12.38%)
Andrew McDouall	111,290 (0.068%)
Philip Luscombe	1,295,634 (0.80%)

. DIRECTORS' REMUNERATION

Director	2018	2017	2016	
	Cash	Cash**	Shares*	Cash
Garry Bluett	$50,000	$81,458	2,498,677	$29,166
Philip Luscombe	$28,000	$44,667	1,294,037	$19,833
Andrew McDouall	$28,000	$46,760	1,059,393	$24,833
Jeff Keenan	nil	nil	1,287,032	nil
Mark Benseman	$28,000	$31,208	nil	$9,625
Total	**$134,000**	**$204,093**	**6,139,139**	**$83,457**

* On 26 November 2015 Allied Farmers Limited issued 6,139,139 fully ordinary shares at $0.053265 per share to directors Garry Bluett, Philip Luscombe, Andrew McDouall and former director Jeff Keenan in satisfaction of $327,001 of accrued and unpaid directors' fees owing to them.

** The above table reflects what has been paid out by the Company. The $204,093 of directors fees actually paid in FY17 included the cash payment of $55,292 accrued but unpaid from the previous year. Shareholders approved a cap on directors' fees of $332,000 p.a. at the AGM in 2007. This cap includes all directors fees paid in relation to Group subsidiary companies as well as for the Parent. In addition to the above payments, Oliver Carruthers, a director of NZ Farmers Livestock Limited received total remuneration and benefits from NZ Farmers Livestock Limited of $213,377.20, and Simon Williams, a director of NZ Farmers Livestock Limited and NZ Farmers Livestock Finance Limited, received total remuneration and benefits from NZ Farmers Livestock Limited of $104,068.29. In neither case did this remuneration and benefits include any director's fees.

PARTICULAR DISCLOSURES

Bonds

020 Bond

Albany Braithwaite Holdings Limited, an Associated Person of Director Mark Benseman, is currently the holder of 600,000 first ranking bonds issued in a $1 million bond issue on 9 October 2014 ("**020 Bond**"). The 020 Bond was due to mature on 31 September 2017, but the 020 Bondholders, including Albany Braithwaite Holdings Limited, agreed among other things, to extend the maturity date to 30 September 2021.

030 Bond

Albany Braithwaite Holdings Limited is currently the holder of 150,000 second ranking bonds issued in a $550,000 bond issued on 31 August 2016 ("**030 Bond**"). The 030 Bonds are due to mature on 30 September 2018. Two bondholders, one of whom is Albany Braithwaite Holdings Limited, will be repaid in full on maturity date. The remaining two 030 Bondholders, holding 300,000 bonds, have agreed among other things, to extend the maturity date for their 030 Bonds to 31 March 2019.

General

Except to the extent described above, no Director has entered into any transactions with the Company or its subsidiaries other than in the normal course of business, on the Company's normal terms of trade, and on an arms-length basis.

No Director issued a notice requesting to use Group information received in their capacity as a Director which would not otherwise have been available to them.

During the year the Company paid premiums on contracts insuring directors and officers in respect of liability and costs permitted to be insured against in accordance with Section 162 of the Companies Act 1993 and the Company's constitution.

No new ordinary shares were issued during the financial year, and the Company no longer has any share options on issue.

EMPLOYEE REMUNERATION

The number of employees whose remuneration and benefits were over $100,000 is within the specified bands as follows:

Remuneration range		**2017**	**2018**
100,000	110,000	2	8
110,001	120,000	4	1
120,001	130,000	-	3
130,001	140,000	2	1
140,001	150,000	1	3
150,001	160,000	1	3
160,001	170,000	-	-
170,001	180,000	2	1
180,001	190,000	1	-
190,001	200,000	3	-
200,001	210,000	-	1
210,001	220,000	-	3
220,001	230,000	-	1
230,001	240,000	-	-
240,001	250,000	1	2
250,001	260,000	-	-
260,001	270,000	-	-
270,001	280,000	-	-
280,001	290,000	-	-
290,001	300,000	-	-
300,001	310,000	-	-
310.001	320,000	-	1
320,001	330,000	1	-
Total		**18**	**28**

The remuneration figures shown in the above table include all monetary remuneration actually paid, plus the cost of all benefits provided, during the year. The table does not include independent contractors.

SUBSTANTIAL PRODUCT HOLDERS

The following notices were given under the Financial Markets Conduct Act 2013 up to the date of this Annual Report:

Holder	Relevant Interest	Date
Albany Braithwaite Holdings Limited	20,206,556 (12.48%)	5 April 2017
Deborah Lee Seerup as beneficial owner via ASB Nominees as registered holder	11,850,005 (7.34%)	22 February 2018
Stockmans Holdings Limited	19,267,822 (12.104%)	4 December 2015

The total number of issued voting securities of Allied Farmers Limited as at 7 August 2018 was 161,505,350 ordinary shares. The ownership percentages referred to above are as disclosed in the relevant notice, and may have changed as a result of the issue of further shares, or share transfers below the threshold for filing a notice, subsequent to the date of the relevant disclosure.

SUBSIDIARY COMPANIES

Directors of subsidiary companies as at 30 June 2018 were as follows:

Subsidiaries of the Parent	Principal Activity	Directors
Allied Farmers Rural Limited	Rural Services	GC Bluett, PC Luscombe, GA McDouall, MW Benseman
ALF Nominees Limited	Nominee company	GC Bluett
Allied Farmers Investments Limited	Asset Management Services	GC Bluett, PC Luscombe, GA McDouall, MW Benseman
Allied Farmers (New Zealand) Limited	Non-trading	GC Bluett
Subsidiaries of Allied Farmers Investments Limited		
Allied Farmers Property Holdings Limited	Non-trading	GC Bluett
QWF Holdings Limited	Non-trading	GC Bluett
Lifestyles of New Zealand Queenstown Limited	Non-trading	GC Bluett
LONZ 2008 Limited	Non-trading	GC Bluett
LONZ 2008 Holdings Limited	Non-trading	GC Bluett
Matarangi Beach Estates Limited*	Non-trading	GC Bluett
Clearwater Hotel 2004 Limited	Non-trading	GC Bluett
Subsidiaries of Allied Farmers Property Holdings Limited		
UFL Lakeview Limited	Non-trading	GC Bluett
5M No 2 Limited	Non-trading	GC Bluett
Subsidiaries of Allied Farmers Rural Limited		
NZ Farmers Livestock Limited	Livestock Trading	PC Luscombe, GC Bluett, S Williams, M W Benseman, OJ Carruthers
Subsidiaries of NZ Farmers Livestock Limited		
Farmers Meat Export Limited	Meat Processing and Trading	SKW Morrison, WB Sweeney, PC Luscombe
NZ Farmers Livestock Finance Limited	Rural Finance	PC Luscombe, GC Bluett, S Williams
Redshaw Livestock Limited	Livestock Trading	DA Freeman, AD Hiscox, MD MacDonald, WB Sweeney

*Removed from Companies Office register on 1 August 2017

DONATIONS

The Company made no donations to any political party during the year.

SHAREHOLDER INFORMATION

The ordinary shares of Allied Farmers Limited are listed on the NZX Main Board. The NZX share code is 'ALF'.

The shareholder information in the following disclosures has been taken from the Company's share register at 6 August 2018.

TWENTY LARGEST REGISTERED SHAREHOLDERS as at 6 August 2018

Rank	Investor Name	Total Units	% Issued Capital
1	Albany Braithwaite Holdings Limited	19996556	12.38
2	Stockmans Holdings Limited	19267822	11.93
3	Deborah Lee Seerup	12000005	7.43
4	Donald Clifton Jacobs	6362327	3.94
5	Garry Charles Bluett	3089711	1.91
6	Ronald Alfred Brierley	3031591	1.88
7	Stuart David Hynes	2551600	1.58
8	Ross Phillip Drew	2500000	1.55
9	Maurice Duncan Priest	2000000	1.24
10	John Drakley Moore	1900068	1.18
11	Leh Soon Yong	1694282	1.05
12	Custodial Services Limited	1343445	0.83
13	Philip Charles Luscombe & Ainsley Jocelyn Luscombe	1295566	0.8
14	New Zealand Central Securities Depository Limited	1259019	0.78
15	James Field Seerup & Jeanette Elizabeth Seerup	1235750	0.77
16	Omaio Investments Limited	1196550	0.74
17	Peter`S Island Limited	1182193	0.73
18	Arcos Investments Limited	1160000	0.72
19	Lee Athol Wilson & Shirley Ann Wilson	1100000	0.68
19	Colin Stuart Loveday	1100000	0.68
20	Probatus Investments Limited	1085937	0.67

ANALYSIS OF SHAREHOLDING as at 6 August 2018

Range	Holders	Holders %	Issued Capital	Issued Capital %
1-1000	282	5.14	169908	0.11
1001-5000	4038	73.58	8086371	5.01
5001-10000	330	6.01	2392808	1.48
10001-50000	497	9.06	13004416	8.05
50001-100000	157	2.86	12321322	7.63
Greater than 100000	184	3.35	125530525	77.73

SHAREHOLDER ENQUIRIES

Shareholders should send changes of address, dividend queries, and instructions and shareholding information requests to Link Market Services Limited, which acts as the Company's share registrar. These notifications and requests should be by signed letter.

ANNUAL MEETING OF SHAREHOLDERS

Allied Farmers Limited's Annual Meeting of shareholders is proposed to be held in the TSB Hub, Hawera, on Tuesday 27 November 2018 from 11am. A Notice of Annual Meeting and Proxy Form will be circulated to shareholders prior to the meeting.

REGISTERED OFFICE

The registered office of Allied Farmers Limited is:

201 Broadway
Stratford 4332
PO Box 304
Stratford 4352

DIVIDENDS PAID

A fully imputed dividend of $0.002 per share (2017: nil) was paid to eligible shareholders on 19 January 2018.

NZX REGULATION WAIVERS

The Company has not sought or been granted any waivers in the 12 months preceding 30 June 2018.

CORPORATE GOVERNANCE REPORT

The objective of the Board is to enhance shareholder value. The Board considers there is a strong link between good corporate governance and the achievement of this objective.

The Board considers that its corporate governance framework complies with the 2017 NZX Corporate Governance Code (**NZSX Code**), except as stated within this report. The exceptions arise because aspects of the Code are either not relevant or appropriate for Allied Farmers given it is primarily a holding company of shares in a majority owned subsidiary, NZ Farmers Livestock Limited.

The information in this report is current as at the date of release of this Annual Report and has been approved by the Board of Allied Farmers.

The key corporate governance documents referred to in this report are available on Allied Farmers' website at www.alliedfarmers.co.nz.

Allied Farmers is listed on the NZX's Main Board and is subject to regulatory control and monitoring by both the NZX and the Financial Markets Authority.

Principle 1 – Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Allied Farmers is committed to maintaining the highest ethical standards by Directors, staff, suppliers and customers/clients. Allied Farmers has a Code of Ethics to guide executives, management and employees in carrying out their duties and responsibilities. A copy of this is available on Allied Farmers' website. The Code covers such matters as:

- Expected conduct;
- Confidentiality;
- Use of assets;
- Corporate social responsibility; and
- Acceptance of gifts

The Code of Ethics requires Directors and employees to promptly report material breaches of the Code. In addition, Allied Farmers has adopted a Whistle Blowing Policy that sets out the processes by which suspected serious wrongdoing can be reported, and the whistle blower is protected.

Allied Farmers has in place processes to enable all new and existing employees to be aware of and understand the Code.

Allied Farmers has a Securities Trading Policy to explain expectations and requirements for dealing in Allied Farmers securities, and to protect from the risk of breaching insider trading laws. A copy of this is available on Allied Farmers' website.

Details of Directors' share dealings are in the Shareholder Information section of the 2018 Annual Report.

Principle 2 – Board Composition and Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The business and affairs of Allied Farmers are managed directly by the Board of Directors. The Board:

- establishes long-term goals and strategic plans to achieve those goals;
- reviews and adopts the annual budgets for financial performance and monitors results monthly;
- ensures preparation of the annual and half-yearly financial statements;
- manages risk by ensuring that Allied Farmers has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- works with management to create shareholder value.

Allied Farmers' Board operates under a written Board Charter which sets out the structure of the Board; the procedures for the nomination, resignation and removal of Directors; outlines the responsibilities and roles of the Chairman and Directors; and identifies procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each Director is fully empowered to perform his or her duties as a Director of the Company and to fully participate in meetings of the Board. A copy of the Charter is available on Allied Farmers' website.

Management of Allied Farmers is undertaken by the executive team under the leadership of the Chief Executive, through a set of delegated authorities.

Directors have direct access to and may rely upon Allied Farmers' senior management and external advisers. Directors have the right, with the approval of the Chairman to seek independent legal or financial advice at the expense of Allied Farmers for the proper performance of their duties.

Board Composition and Appointment

The number of elected Directors and the procedure for their retirement and re-election at Annual Shareholders' Meetings are set out in the Constitution of the Company.

The Board reviews the criteria for selection of Directors to ensure the most appropriate balance of skills, qualifications, experience and background to effectively govern Allied Farmers.

At each Annual Shareholders' Meeting, one-third of the current Directors retire by rotation and are eligible for re-election. Any Directors appointed since the previous annual meeting must also retire and are eligible for election.

The Board currently comprises of four Directors: an independent non-executive Chairman, two independent non-executive Directors, and one non-executive Director. The Chief Executive is not a member of the Board.

The Board supports the separation of the roles of Chairman and CEO and the appointment of a non-executive chairman.

In order for a director to be independent, the Board has determined that he or she must not be an executive of Allied Farmers and must have no disqualifying relationships as defined by the NZX Listing Rules.

Information on each Director is available on the Allied Farmers website. Director's interests are disclosed in the Shareholder Information section of the 2018 Annual Report.

In compliance with the new NZX Code, Allied Farmers will provide written agreements to any new Directors appointed during and from FY2019.

The Company encourages all Directors to undertake appropriate training and education so that they may best perform their duties. This includes attending presentations on changes in governance, legal and regulatory frameworks; attending technical and professional development courses; and attending presentations from industry experts and key advisers. In addition, updates are provided to the Board on relevant industry and Company issues.

At appropriate times the Board considers individual and collective performance, together with the skill sets, training and development and succession planning required to govern the business. An evaluation of Board performance will be undertaken in FY2019.

Diversity

Allied Farmers recognises the value of diversity of thinking and skills. This can arise through several different characteristics including but not limited to the following; gender, ethnic background, religion, age, marital status, culture, disability, economic background, education, language, physical appearance and sexual orientation. Different backgrounds, sector experience, communication styles, life-skills and interpersonal skills are also considered of value in building diverse leadership teams.

Given that Allied Farmers only has two employees (being the Chief Executive Officer and the Chief Financial Officer) and one contractor (being the Company Secretary), the Board has determined that the compliance costs of adopting and reporting the outcomes of a formal Diversity and Inclusion Policy do not outweigh any potential benefits of such a Policy, and therefore have decided to not adopt a formal Diversity and Inclusion Policy. This will be reviewed if circumstances change.

As at 30 June 2018, females represented 0% (FY17: 0%) of Directors and Officers of Allied Farmers. Officers are defined as being the Chief Executive Officer and specific direct reports of the CEO having key functional responsibility.

	Current Year		**Previous Year**	
	Male	**Female**	**Male**	**Female**
Number of Directors	4	0	4	0
Percentage of Directors	100%	0%	100%	0%
Number of Officers	2	0	1	0
Percentage of Officers	100%	0%	100%	0%

Board Meetings and Attendance

The Board meets as often as it deems appropriate, including sessions to review the performance of the business versus plans and to consider the strategic direction of Allied Farmers and its forward-looking business plans. Video and/or phone conferences are also used as required.

The table below sets out Director attendance at Board and committee meetings during FY2018. In total, there were 13 Board meetings and two Audit and Risk Management Committee meetings.

	Board	**Audit and Risk**
Total number of meetings	**13**	**2**
Garry Bluett	13	2
Andrew McDouall	13	2
Philip Luscombe	13	2
Mark Benseman	13	2

Principle 3 – Committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

The Board has delegated a number of its responsibilities to the Audit and Risk Committee to assist in the execution of the Board’s responsibilities.

The Audit and Risk Committee reviews and analyses policies and strategies that are within its terms of reference. It examines proposals and, where appropriate, make recommendations to the full Board. The Audit and Risk Committee does not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

The Audit and Risk Committee meets as required and has a Charter which is approved and reviewed by the Board. A copy of the Audit and Risk Committee Charter is on the Allied Farmers website.

Minutes of each committee meeting are forwarded to all members of the Board, who are all entitled to attend any committee meeting.

The Audit and Risk Committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

The membership and performance of the Audit and Risk Committee is to be evaluated as part of the Board performance evaluation, to be undertaken in FY2019.

Due to the modest size of Allied Farmers, the desire to contain compliance costs, the fact that Allied Farmers has only two senior executive (being the Chief Executive and Chief Financial Officer), and neither of them are members of the Board of Allied Farmers, the Board has determined that a separate Remuneration and/or Nominations Committee is not required. The Board considers that the purpose and roles performed by a separate Remunerations and/or Nomination Committee can be appropriately performed by the full Board without compromising the probity of its decision making. The Board has determined to review this decision from time to time, and in particular has agreed to form a Remuneration Committee and/or Nomination Committee if the Board considers that, for reasons such as ensuring independent and non-conflicted decision making, such a committee is necessary.

From time to time, other special purpose committees may be formed to review and monitor specific projects with senior management.

In the case of a takeover offer, Allied Farmers will form an Independent Takeover Committee to oversee disclosure and response and engage expert legal and financial advisors to provide advice on procedure. Formal Takeover Response protocols have not yet been adopted.

Audit and Risk Management Committee

The Audit and Risk Committee provides a forum for the effective communication between the Board and external auditors. The Committee reviews the annual and half-yearly financial statements prior to their approval by the Board, the effectiveness of internal control and management information systems and the efficiency and effectiveness of the audit function.

The Committee must be comprised solely of Directors of Allied Farmers, have a minimum of three members, have a majority of independent Directors and have at least one Director with an accounting or financial background. The makeup of the current members of this committee complies with this recommendation.

Members as at 30 June 2018 were Garry Bluett (Chair), Andrew McDouall and Philip Luscombe. The Audit and Risk Committee Chair, Garry Bluett, is also the Chair of the Board. The Board considers that, whilst Mr Bluett is also Chairman of the Board, he is the most suitably qualified and experienced director to Chair the Audit and Risk Committee. Furthermore Mr Bluett is both an independent and non-executive Chairman. Therefore, on balance, the Board considers this appointment to be in the best interests of the Company.

Management may attend meetings only at the invitation of the Committee and the Committee routinely has committee-only time with the external auditors without management present.

Principle 4 – Reporting and Disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Allied Farmers' Directors are committed to keeping investors and the market informed of all material information about the Company and its performance, in a timely manner. Allied Farmers has adopted a Continuous Disclosure Policy to ensure that material information is identified, reported, assessed and, where required, disclosed to the market in a timely manner.

In addition to all information required by law, Allied Farmers also seeks to provide sufficient meaningful information to ensure stakeholders and investors are well informed, including financial and non-financial information.

Financial Information

Senior Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies, and internal controls designed to ensure compliance with accounting standards and applicable laws and regulations.

The Board's Audit and Risk Management Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews Allied Farmers' full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit.

For the financial year ended 30 June 2018, the Directors believe that proper accounting records have been kept that enable the determination of the Company's financial position with reasonable accuracy, and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013. The Chief Executive Officer and Chief Financial Officer have confirmed in writing to the Board that Allied Farmers' external financial reports present a true and fair view in all material aspects.

Allied Farmers' full and half year financial statements are available on the Company's website.

Non-financial information

The Board recognises the importance of non-financial disclosure. Whilst the Company has a governance framework, given its small size the Board has decided not to adopt a formal environmental code. NZ Farmers Livestock does however invest in social responsibility initiatives that support staff, customers and the communities in which it operates.

Allied Farmers discusses its strategic objectives and its progress against these in the Chair and CEO's commentary in shareholder reports and at the Annual Shareholders Meeting. Allied Farmers supports NZ Farmers Livestock's commitment to using its resources responsibly and identification of opportunities to reduce any negative environmental risk or impact from business operations, products and services. NZ Farmers Livestock is also committed to providing fair and responsible products and services that includes adherence to the Responsible Lending Code, the Responsible Credit-Related Insurance Code, Insurance (Prudential Supervision) Act 2010 and various other Acts.

Principle 5 – Remuneration

The remuneration of Directors and executives should be transparent, fair and reasonable.

Remuneration of Directors and senior executives is the Board's responsibility. In recent years, Allied Farmers has only appointed one new senior executive – the Chief Financial Officer in March 2018. The Board takes account of external market factors and internal factors in determining the remuneration of senior executives. Given that Allied Farmers has only two senior executives, it has not considered it necessary to adopt a formal Remuneration Policy, but will review this in FY19.

Director Remuneration

The total remuneration pool available for Directors has been fixed by shareholders at a maximum of $332,000 per annum for all non-executive Directors. The Board determines the level of remuneration paid to Directors from that pool. Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties.

Allied Farmers may appoint additional non-executive directors in due course. The Directors' potential fee pool includes future directors' fees and has been fixed.

Any proposed increases in non-executive Director fees and remuneration will be put to shareholders for approval. If independent advice is sought by the Board, it will be disclosed to shareholders as part of the approval process.

Board Role Approved Remuneration

Directors' fees are currently allocated by the Directors per annum as follows:

- Chairman appointed prior to 2018 - $50,000 plus retirement allowance after seven years of service;
- Other Directors appointed prior to 1 October 2015 - $28,000 plus retirement allowance after seven years of service; and
- Other Directors appointed after 1 October 2015 - $30,000 with no retirement allowance.

Details of individual Directors' remuneration are detailed in the Shareholder Information section of the 2018 Annual Report.

Executive Remuneration

In general, executive remuneration comprises a fixed base salary and an at-risk short-term incentive payable annually. At-risk incentives are paid against targets agreed with executives and are based on financial measures including earnings targets and progress against objectives related to the strategic plan and other personal objectives.

CEO Remuneration

The review and approval of the CEO's remuneration is the responsibility of the Board.

The CEO's remuneration comprises a fixed base salary, fringe benefits and an at-risk short-term incentive payable annually. At-risk incentives are paid against targets agreed with the CEO, and are based on financial measures including earnings targets and progress against objectives related to the strategic plan and other personal objectives.

	Salary	**Benefits**	**Performance - Short term Incentive**	**Staff Profit Share**	**Total Remuneration**
FY18	$250,000	$15,000	$43,332.00 being 72% of maximum achievable for FY17	$451.02	$308,788.02
FY17	$250,000	$15,000	$55,000 being 92% of maximum achievable for FY16	$202.24	$320,202.24

Principle 6 – Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

The Board has overall responsibility for the Company's system of risk management and internal control. The Board delegates day to date management of the risk to the Chief Executive Officer. The Audit and Risk Management Committee provides an additional and more specialised oversight of Company risks in addition to the oversight provided by the Board. The Audit and Risk Management Committee's Charter details the specific responsibilities of the Committee in regard to risk assurance.

The executive team and senior management are required to regularly identify the major risks affecting the business and develop structures, practices and processes to manage and monitor these risks.

The Board is satisfied that major risks are reviewed and intends to implement a more detailed risk management framework in FY2019.

Allied Farmers maintains insurance policies that it considers adequate to meet its insurable risks.

More details of Allied Farmers' financial risk management are available in the FY18 Financial Statements.

Health and Safety

Allied Farmers is a holding company and does not undertake any operations in the context of a health and safety environment. Allied Farmers' majority owned subsidiary, NZ Farmers Livestock Limited, and its wholly owned subsidiaries are operational businesses, and the Board of Directors of NZ Farmers Livestock is responsible for ensuring that the systems used to identify and manage health and safety risks are fit for purpose, effectively implemented, regularly reviewed and continuously improved. The NZ Farmers Livestock Board recognises that effective management of health and safety is essential for the operation of a successful business, and its intent is to prevent harm and promote wellbeing for employees, contractors and customers.

NZ Farmers Livestock has adopted a Health and Safety Policy and a Health and Safety Handbook and Policy Manual, continues to drive increasing focus on health and safety objectives, and holds regular health and safety meetings for each saleyard at which it operates. Minutes of these meetings, health and safety audits and all significant injuries are reported to the NZ Farmers Livestock Board.

Principle 7 – Auditors

The Board should ensure the quality and independence of the external audit process.

The Allied Farmers Board is committed to ensuring audit independence, both in fact and appearance, so that Allied Farmers' external financial reporting is viewed as being highly objective and without bias.

The Audit and Risk Management Committee (ARMC) reviews the quality and cost of the audit undertaken by the Company's external auditors and provides a formal channel of communication between the Board, senior management and external auditors.

The ARMC approves the auditor's terms of engagement, audit partner rotation (at least every five years) and audit fee, and reviews and provides feedback in respect of the annual audit plan. The Committee periodically has time with the external auditor without management present. The ARMC also assesses the auditor's independence on an annual basis.

An External Auditor Independence Policy has been adopted and sets out the services that may or may not be performed by the external auditor.

For the financial year ended 30 June 2018, PricewaterhouseCoopers (PWC) was the external auditor for Allied Farmers Limited. PWC was reappointed under the Companies Act 1993 at the 2017 Annual Meeting. The last audit partner rotation was in 2015.

All audit work at Allied Farmers is fully separated from non-audit services, to ensure that appropriate independence is maintained. No non-audit services were provided by PWC in FY2018.The amount of fees paid to PWC for audit work in FY2018 are identified in note 3 of the consolidated financial statements.

PWC has provided the ARMC with written confirmation that, in its view, it was able to operate independently during the year.

Given the cost, PWC has not attended recent Annual Shareholders' Meeting, but are available to do so if requested. PWC are available by telephone during the meeting to answer any questions if required. In recent years, there have not been any questions asked at the Annual Shareholders' Meeting that have not satisfactorily being answered or addressed by management or the Chairman. If circumstances changed (for example, a complex or controversial matter was to be considered or presented to the meeting) the PWC lead partner would be required to attend the meeting.

Allied Farmers has a number of internal controls overseen by the ARMC and/or the Board of either Allied Farmers or NZ Farmers Livestock (as appropriate). These include controls for computerised information systems, cyber risk and information security, business continuity management, insurance, health and safety, conflicts of interest, and prevention and identification of fraud. The Company does not have an internal audit function.

Principle 8 – Shareholder Rights and Relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

The Board is committed to open and regular dialogue and engagement with shareholders. Allied Farmers seeks to ensure that investors understand its activities by communicating effectively with them and giving them access to clear and balanced information.

Allied Farmers has a calendar of communications and events for shareholders, including but not limited to:

- Annual and Interim Reports
- Market announcements
- Annual Shareholders' Meeting
- Easy access to information through the Allied Farmers website www.alliedfarmers.co.nz
- Access to management and the Board via the "Contact Us" facility on the Allied Farmers website

Shareholders are actively encouraged to attend the Annual Shareholders' Meeting and may raise matters for discussion at this event, and may vote on major decisions that affect Allied Farmers. Voting is by poll, upholding the 'one share, one vote' philosophy.

In accordance with the Companies Act 1993, Allied Farmers' Constitution and the NZX Main Board Listing Rules, Allied Farmers refers major decisions that may change the nature of the Company to shareholders for approval.

All shareholders are given the option to elect to receive electronic communications from the Company.

Exercise of disciplinary powers

No disciplinary action has been taken by either the NZX or the FMA against the Company during the financial year ended 30 June 2018.

ALLIED FARMERS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2018

	Note	June 2018 $000	June 2017 $000
Revenue			
Sale of goods		**4,685**	4,765
Interest income		**676**	240
Commission Income		**12,852**	12,246
Total Revenue		**18,213**	17,251
Other income		**470**	227
Total income		**18,683**	17,478
Expenses			
Cost of inventory sold		**4,165**	4,090
Interest and funding expense	2	**594**	496
Rental and operating leases		**141**	126
Employee benefit expense		**7,667**	7,129
Depreciation and amortisation	11, 12	**546**	523
Other operating expenses	3	**3,135**	2,727
Total expenses		**16,248**	15,091
Profit before income tax		**2,435**	2,387
Income tax expense	5	**210**	158
Profit for the year		**2,225**	2,229
Total comprehensive income		**2,225**	2,229
Profit Attributable to:			
Owners of the Parent		**1,535**	1,552
Non-Controlling Interests		**690**	677
Total earnings per share attributable to the equity holders of the Parent Company:			
Basic (cents per share)	4	**0.95**	0.97
Diluted (cents per share)	4	**0.95**	0.97

The notes on pages 28 to 48 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2018

	Note	Share Capital $000	Accumulated losses $000	Parent Equity Subtotal $000	Non Controlling Interests $000	Total Equity $000
Closing balance as at 30 June 2016		**151,779**	**(152,328)**	**(549)**	**654**	**105**
Comprehensive income						
Net profit for the year ended 30 June 2017		-	1,552	1,552	677	2,229
Total comprehensive income		-	1,552	1,552	677	2,229
Transactions with owners						
Dividends paid		-	-	-	(514)	(514)
Purchase of shares in N Z Farmers Livestock Limited	8	-	20	20	(20)	-
Total transactions with owners		-	20	20	(534)	(514)
Closing balance as at 30 June 2017		**151,779**	**(150,756)**	**1,023**	**797**	**1,820**
Comprehensive income						
Net Profit for the year ended 30 June 2018		-	1,535	1,535	690	2,225
Total comprehensive income		-	1,535	1,535	690	2,225
Transactions with owners						
Dividends paid		-	(323)	(323)	(273)	(596)
Acquisition of Redshaw Livestock Limited	8,13	-	-	-	17	17
Total transactions with owners		-	(323)	(323)	(256)	(579)
Closing balance as at 30 June 2018		**151,779**	**(149,544)**	**2,235**	**1,231**	**3,466**

The notes on pages 28 to 48 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet
Allied Farmers Limited and Subsidiaries
As at 30 June 2018

	Note	June 2018 $000	June 2017 $000
Equity			
Share capital	6	**151,779**	151,779
Reserves	7	**(149,544)**	(150,756)
Equity attributable to owners of the Parent		**2,235**	1,023
Non Controlling Interests	8	**1,231**	797
Total equity		**3,466**	1,820
Liabilities			
Current liabilities			
Trade and other payables	10	**10,232**	7,744
Finance receivables borrowings	9	**1,500**	-
Borrowings	9	**1,439**	1,835
Taxation	5	**133**	140
Total current liabilities		**13,304**	9,719
Non-current liabilities			
Borrowing	9	**3,551**	2,977
Total non-current liabilities		**3,551**	2,977
Total liabilities		**16,855**	12,696
Total liabilities and shareholders equity		**20,321**	14,516
Assets			
Current assets			
Cash and cash equivalents	21.1	**569**	1,577
Trade and other receivables	16	**9,367**	5,984
Finance receivables	16	**4,619**	2,074
Inventory	17	**122**	18
Prepayments	16	**13**	95
Total current assets		**14,690**	9,748
Non-current assets			
Investment	15	**-**	411
Advances	15	**-**	136
Property, plant and equipment	11	**4,190**	3,539
Intangible assets and Goodwill	12	**751**	151
Deferred tax asset	5	**690**	531
Total non-current assets		**5,631**	4,768
Total assets		**20,321**	14,516

The notes on pages 28 to 48 are an integral part of these consolidated financial statements.

The Board of Directors of Allied Farmers Limited authorised these financial statements for issue on 29 August 2018.

Director

Director

Consolidated Statement of Cash Flows

Allied Farmers Limited and Subsidiaries

For the year ended 30 June 2018

	Note	June 2018 $000	June 2017 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		**17,806**	16,739
Asset Management Income		**451**	-
Interest received		**553**	202
		18,810	16,941
Cash was applied to:			
Payments to suppliers and employees		**(16,108)**	(13,191)
Interest paid		**(594)**	(496)
Taxation paid		**(323)**	(293)
		(17,025)	(13,980)
Net cash flows from operating activities		**1,785**	2,961
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant and equipment		**73**	-
Realisation of Investment		-	77
		73	77
Cash was applied to:			
Investing in associate company	15	-	(212)
Purchase of shares in New Zealand Farmers Livestock Limited		-	(20)
Loan to associate company		-	(68)
Increase in finance receivables		**(2,545)**	(1,982)
Acquisition of subsidiary net of cash acquired	13	**(145)**	(100)
Purchase of property, plant and equipment		**(248)**	(162)
		(2,938)	(2,544)
Net cash flows (used in) investing activities		**(2,865)**	(2,467)

Cash Flows from Financing Activities			
Cash was provided from:			
Increase in finance receivables borrowings	9	**1,500**	-
Increase in vehicle finance borrowings	9	**-**	550
		1,500	550
Cash was applied to:			
Repay livestock trading borrowings	10	**(360)**	(600)
Repayment of vehicle finance borrowings		**(472)**	(831)
Dividends paid		**(596)**	(514)
		(1,428)	(1,945)
Net cash flows from / (used in) from financing activities		**72**	(1,395)
Net (decrease) in cash and cash equivalents		**(1,008)**	(901)
Cash and cash equivalents at beginning of year		**1,577**	2,478
Cash and cash equivalents at end of year		**569**	1,577

The notes on pages 28 to 48 are an integral part of these consolidated financial statements.

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2018

GENERAL INFORMATION

These Consolidated Financial Statements ("Financial Statements") have been approved for issue by the Board of Directors on 29th August 2018.

The Board of Directors do not have the power to amend the financial statements after they have been issued.

Allied Farmers Limited and Subsidiaries (together "the Group") are a "for profit" rural services group, with its predominant activities comprising the sale of livestock agency services, the procurement and processing of calves, the provision of livestock financing, and the provision of asset management services.

Allied Farmers Limited ("the Parent Company") is a limited liability company, incorporated and domiciled in New Zealand. The Parent Company's registered address is:

201 Broadway
Stratford
New Zealand

Allied Farmers Limited is a public company listed on the New Zealand Stock Exchange Main Board (NZX code: ALF).

BASIS OF PREPARATION

The Group's 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 for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS).

Allied Farmers Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

The financial statements have been presented on the basis of historical cost.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. Amounts have been rounded to the nearest thousand.

These financial statements are prepared on a going concern basis.

Changes in accounting policy and disclosures

(a) There have been no changes in accounting policies.

(b) New standards and interpretations not yet adopted by the Group.

Certain new standards, amendments and interpretations to existing standards have been published by the External Reporting Board (XRB) that are mandatory for future periods and which the Group will adopt when they become mandatory.

Amendments to NZ IAS 7, 'Disclosure Initiative', the adoption of this amendment did not have any impact on the amounts recognised in prior periods. The amendments to NZ IAS 7 require disclosure of changes in liabilities arising from financing activities. See Note 18.

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling through Profit or Loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018 and the Group intends to adopt NZ IFRS 9 for the year ending 30 June 2019. The Group has provisionally established that given the nature of the Group's business and the instruments currently utilised by the Group the impact of this standard is unlikely to have any material effect on the annual financial statements. The Group intends to adopt the modified retrospective adoption method.

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 the Group intends to adopt NZ IFRS 15 for the year ending 30 June 2019. The Group is currently assessing its full impact on the Group's revenue streams. Initial assessment suggests that there will not be any material impact on the Group's annual financial statements however the assessment of impact on the interim financial statements remains ongoing. The Company intends to adopt the modified retrospective adoption method.

NZ IFRS 16, 'Leases', which replaces the current guidance in NZ IAS 17, was published by the International Accounting Standards Board (IASB) in January 2016. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee, was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use-asset' for virtually all lease assets. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. The Group intend to adopt NZ IFRS 16 for the first period beginning after its effective date. The Group's initial assessment has determined that there will be a significant increase in both Total Assets and Total Liabilities as well as significant increases in interest and amortisation together with a significant decrease in rental expenses however these are yet to be quantified. Consideration of which transition option to utilise is to be considered.

There are no other NZ IFRSs or NZ IFRIC (International Financial Reporting interpretations Committee) interpretations advised to date that are not yet effective that would be expected to have a material impact on the Group.

BASIS OF CONSOLIDATION

The financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at balance date and the results of all subsidiaries for the year then ended.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to or assumed from the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Joint arrangements
The Group applies NZ IFRS 11 to all joint arrangements. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations. As joint operations, the Group accounts for its share of the revenue, expenses, assets and liabilities.

Associates
Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. Under the equity method the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investors share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

Business combinations

Business combination are accounted for using the purchase method. The cost of a business combination is an aggregate of the fair value of assets purchased, liabilities assumed or incurred and any equity issued in exchange for consideration received.

OPERATING REVENUE AND EXPENSES

Sales of goods
Revenue from the sale of goods (primarily the sale of calf meat and skins) is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Interest income and interest funding expense
Interest income and expense for all interest bearing financial instruments are recognised within "Interest income" and "Interest and funding expense" in the consolidated statement of profit or loss and other comprehensive income using the effective interest method.

Facility fee recognition
Facility fees are recognised within "Other Income" in the consolidated statement of profit or loss and other comprehensive income. These fees are an integral part of generating an involvement with the resulting financial instrument and are deferred and recognised as an adjustment to the effective interest rate.

Commission income
Commission income includes commission and other fees charged on livestock sales transactions. Commission income is recognised on a net basis as the Group acts as an agent to the customer in facilitating the livestock sales. Judgement has been exercised in determining that the Group are an agent as opposed to a principal in these transactions.

Commission income which is non-yield related is recognised on an accrual basis once the underlying service has been provided. All fees and commission income are recognised within "Commission Income".

In some circumstances the Group acts as an agent in conjunction with another agent company. In these circumstances the commission earned is shared. The cost paid to the sharing agent company has been netted off the commission received.

TAXATION

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets or liabilities are determined using tax rates that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Any current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

FOREIGN CURRENCY TRANSLATION

The functional currency utilised in the preparation of these financial statements is the New Zealand dollar. There are no transactions in foreign currencies.

FINANCIAL ASSETS

Purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset.

The Group classifies their financial assets as loans and receivables.

The Group does not engage in any speculative transactions or hold derivative financial instruments for trading purposes.

Derecognition
Financial assets are derecognised when the rights to the cash flows of the assets have expired or the rights to receive the cash flows of the assets and substantially all the risks and rewards of the assets have been transferred.

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Receivables are impaired if management considers that all practical recovery action will result in less than the full amount receivable being recovered.

INVENTORY

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing locations and condition being the acquisition cost, freight, duty, and other inward charges. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

LEASES

Operating lease assets
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. Items of equipment leased to clients under operating leases are included as fixed assets in the consolidated balance sheet.

Finance leases
The Group leases certain assets where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in Borrowings. The interest element of the finance cost is charged to the consolidated profit or loss statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the leased asset and the lease term.

IMPAIRMENT OF FINANCIAL ASSETS

The impairment assessment of the Group's finance receivables is based on management's assessment of any objective evidence of impairment on an individual basis which takes into account historical loss experience.

The impairment of the Group's intangible assets and goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount is estimated at each reporting date. An impairment loss is recognised in the consolidated profit or loss if the carrying amount of the asset exceeds the recoverable amount.

TESTING FOR IMPAIRMENT OF NON FINANCIAL ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the case of goodwill, this is also impairment tested at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Impairment losses recognised in prior periods, other than those related to goodwill, are assessed at each reporting date for any indications that the loss has decreased or no longer exists, and where the impairment loss may be reversed.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at historical or deemed cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit or loss statement during the financial period in which they are incurred.

Land is not depreciated.

All other property, plant and equipment are depreciated on a straight line basis at rates over their estimated useful lives, as follows:

Asset class	Estimated Useful Life
Buildings	8 - 30 years
Plant and Equipment	1 - 30 years
Motor Vehicles	3 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the consolidated statement of profit or loss and other comprehensive income.

INTANGIBLE ASSETS

Goodwill

Goodwill on acquisitions of subsidiaries is included in "Intangible Assets" and "Goodwill". Goodwill on acquisitions of associates is included in "Investments in associates" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those generating units or groups of cash-generating units that are expected to benefit from the business combination on which the goodwill arose.

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives, which is estimated to be between one and six years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products and websites controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives (not exceeding three years).

TRADE AND OTHER PAYABLES

Trade and other payables are substantially the liability that exists to the vendor of livestock as a result of livestock sales on the vendors behalf. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

EMPLOYEE BENEFITS

Liabilities for wages and salaries, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

BORROWINGS AND BORROWING COSTS

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they were incurred.

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 balance sheet date.

GOODS AND SERVICES TAX (GST)

The operations of the Group comprise taxable and exempt supplies. All balances in the consolidated balance sheet are stated net of GST with the exception of trade receivables and payables which are shown inclusive of GST, and fixed assets which may be shown inclusive or exclusive of GST depending on whether or not the GST was recoverable at time of purchase.

Where goods and services are purchased that relate to exempt supplies, the amounts recognised are inclusive of non-recoverable GST.

DIVIDENDS

Dividends are recognised as a liability in the period in which they are approved by the Board. Dividends that are approved after balance date but prior to the financial statements being authorised for issue are disclosed as a subsequent event.

EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has no category of dilutive potential ordinary shares.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions about the future in preparing their financial statements that affect the reported amounts of assest and liabilities. The actual results will often differ from the estimates made. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are:

The assessment that there was no impairment of the goodwill in the Redshaws CGU ('cash generating unit') at 30 June 2018. The valuation of the CGU is based on management forecasts of future financial performance and therefore there is inherent estimation uncertainty. Assumptions made in the valuation and the underlying financial forecasts are detailed in Note 12 - Intangible assets and Goodwill.

Other Judgements include:

The assessment that there was no impairment of the Group's finance receivables based on a review of historical loss

The fair value of business assets acquired in a business combination, particularly the identification of intangible assets acquired as part of the business combination

Comparative Figures
Certain comparatives have been restated to ensure consistent presentation of financial information for this period.

1. Financial information on segments of the business

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. The Board of Directors considers the livestock operations nationally as a distinctly separate activity from other operations including the recently ceased Asset Management Services and the activity associated with being a listed entity and some Group funding which is regarded as Corporate Services.

The Asset Management Services segment managed the assets previously acquired from Hanover Finance Limited, United Finance Limited and their subsidiary companies. The Asset Management Services activities are carried out by Allied Farmers Investments Limited and subsidiary companies.

The Livestock Services segment predominantly relates to livestock sales activities and calf procurement, processing and sales carried out nationally. The Livestock activities are influenced by seasonality. Livestock Sales are normally stronger in the Autumn season and calf sales traditionally occur in the first half of the financial year.

Corporate activities comprise the corporate activities of the Group including the remaining activities of the holding company and Allied Farmers Rural Limited.

The segment results for the year ended 30 June 2018 are as follows:

		Asset Management Services	Livestock Services	Corporate Services	Total
		$000	$000	$000	$000
Sales of goods		-	4,685	-	4,685
Commission Income		-	12,852	-	12,852
Interest Income		-	676	-	676
Other Income	(a)	451	19	-	470
Total income		451	18,232	-	18,683
Cost of Inventory sold		-	(4,165)	-	(4,165)
Depreciation and amortisation		-	(546)	-	(546)
Interest and funding expense		-	(501)	(93)	(594)
Rental and operating leases		-	(139)	(2)	(141)
Employee benefit expense		-	(7,614)	(53)	(7,667)
Other operating expenses		(2)	(2,634)	(499)	(3,135)
Profit / (loss) before income tax		449	2,633	(647)	2,435
Inter-segmental transfers		-	(1,519)	1,519	-
Income tax		-	(210)	-	(210)
Profit after income tax		449	904	872	2,225

(a) $441,000 is from a debt previously written down to nil book value

The segment assets and liabilities as at 30 June 2018 are as follows:

	Asset Management Services	Livestock Services	Corporate Services	Total
	$000	$000	$000	$000
Current Assets	-	14,513	177	14,690
Non Current Assets	-	5,631	-	5,631
Assets	-	20,144	177	20,321
Current Liabilities	-	(12,344)	(960)	(13,304)
Non Current Liabilities	-	(2,551)	(1,000)	(3,551)
Liabilities	-	(14,895)	(1,960)	(16,855)

The segment results for the year ended 30 June 2017 are as follows:

	Asset Management Services	Livestock Services	Corporate Services	Total
	$000	$000	$000	$000
Sales of goods	-	4,765	-	4,765
Commission Income	-	12,246	-	12,246
Interest Income	-	240	-	240
Other Income	32	91	104	227
	32	**17,342**	**104**	**17,478**
Cost of Inventory sold	-	(4,090)	-	(4,090)
Depreciation and amortisation	-	(523)	-	(523)
Interest and funding expense	-	(359)	(137)	(496)
Rental and operating leases	-	(124)	(2)	(126)
Employee benefit expense	-	(7,090)	(39)	(7,129)
Other operating expenses	(2)	(2,455)	(270)	(2,727)
Profit / (loss) before income tax	**30**	**2,701**	**(344)**	**2,387**
Inter-segmental transfers	-	(1,816)	1,816	-
Income tax	-	(158)	-	(158)
Profit after income tax	30	727	1,472	2,229

The segment assets and liabilities as at 30 June 2017 are as follows:

	Asset Management Services	Livestock Services	Corporate Services	Total
	$000	$000	$000	$000
Current Assets	32	8,841	875	9,748
Non Current Assets	-	4,768	-	4,768
Assets	32	13,609	875	14,516
Current Liabilities	-	(8,119)	(1,600)	(9,719)
Non Current Liabilities	-	(2,427)	(550)	(2,977)
Liabilities	-	(10,546)	(2,150)	(12,696)

Segment assets and liabilities are disclosed net of intercompany balances.

Income received by one member of the Group from another member of the Group is accounted as income in the recipient company for the purposes of reporting the segment results. That income and expense is eliminated on consolidation.

There are no major customers as defined in NZIFRS 8, being customers that contribute to 10% or more of commission income.

	Note	Group June 2018 $000	Group June 2017 $000
2 Interest and funding expense			
Borrowings - Other bank borrowings		**197**	205
Borrowings - Finance Receivables		**142**	38
Borrowings - Finance lease		**137**	116
Borrowings - Bonds		**118**	137
		594	496
3 Other operating expenses			
Included in other operating expenses are:			
PricewaterhouseCoopers - audit fees		**110**	130
Directors' fees	20	**141**	138
Contractors and consultants		**282**	289
Information systems expenses		**61**	54
Compliance costs		**103**	96
Loss on sale of fixed assets		**59**	63
Insurance		**140**	114
Software and hardware maintenance		**76**	58
Storage		**138**	136
Marketing and advertising		**408**	354
Telecommunications		**227**	219
Vehicle expenses		**676**	541
Other expenses		**714**	535
		3,135	2,727

4 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 June 2018 for total, continuing operations was based on the following profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	June 2018	June 2017
Profit attributable to owners of the parent from continuing operations ($000)	**1,535**	1,552
Weighted average number of ordinary shares on issue (thousands)	**161,505**	160,594
Basic earnings per share (cents)	**0.95**	0.97

(b) Diluted Earnings per share

There are no dilutive instruments in 2018. All share options which had a dilutive effect in 2017 were exercised during the year ended 30 June 2017.

	June 2018	June 2017
Profit attributable to the owners of the parent from continuing operations ($000)	**1,535**	1,552
Weighted average number of ordinary shares on issue (thousands)	**161,505**	160,494
Diluted earnings per share (cents)	**0.95**	0.97

5 Taxation

	Group June 2018 $000	Group June 2017 $000
Current tax:		
Current tax on profits for the year	**369**	282
Deferred tax:		
Recognition of deferred tax asset	**(159)**	(124)
Income tax expense	**210**	158
Profit from continuing operations before income tax	**2,435**	2,387
Prima facie income tax expense at 28%	**682**	668
Plus/(less) tax effect of permanent and temporary differences:		
Non-deductible expenditure	**9**	16
Timing differences	**13**	8
Recognition of deferred tax asset	**(159)**	(124)
Use of Group tax losses	**(335)**	(410)
Effect of current year tax loss not available for off-set against Group	**-**	-
Income tax expense	**210**	158

Deferred tax balances:		
Opening balance	**531**	407
Recognition of tax losses not previously recognised		
Deferred tax impact of temporary provisions	**28**	-
Recognition of tax losses	**131**	124
Closing balance	**690**	531

Deferred tax is made up of the following temporary differences:

Deferred tax assets:		
Doubtful debt provision	**6**	-
Employee provisions recovered	**156**	134
Tax losses expected to be recovered in future periods	**528**	397
	690	531

Group unrecognised deferred tax assets comprised of unused tax losses as at 30 June 2018 total $45,751,628 gross (June 2017: $47,072,778).

Deferred income tax assets are recognised for tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable. The tax losses are available to be offset against the future taxable profits of the Group, subject to the shareholder continuity requirements of the tax legislation being met.

As at 30 June 2018 the balance of imputation credits available to the shareholders of the Parent Company were $237,799 (June 2017: $226,610).

6 Share capital	**Group 2018 $000**	Group 2017 $000
Ordinary shares (fully paid)		
Balance at beginning of year	**151,779**	151,740
Transfer due to exercise of options	**-**	39
Balance at end of year	**151,779**	151,779
Total	**151,779**	151,779
	000's	000's
Number of shares issued and fully paid		
Balance at beginning of year	**161,505**	159,185
Issue of ordinary shares	**-**	2,320
Balance at end of year	**161,505**	161,505

The total number of shares on issue as at 30 June 2018 is 161,505,350 (June 2017: 161,505,350).

Ordinary shares in the Parent do not have a par value. All ordinary shares rank equally as to voting, dividends and distribution of capital on liquidation.

7 Accumulated Losses	**Group 2018 $000**	Group 2017 $000
Balance at beginning of year	**(150,756)**	(152,328)
Net profit for the year	**1,535**	1,552
Dividends Paid (a fully imputed 0.2 cents per share was paid in January 2018)	**(323)**	-
(Purchase)/Sale of shares in subsidiary New Zealand Farmers Livestock Ltd	**-**	20
Balance at end of year	**(149,544)**	(150,756)

8 Non Controlling Interest	**2018 $000**	2017 $000
Balance at the beginning of the year	**797**	654
Current year profit	**690**	677
Acquisition of shares in Redshaw Livestock Limited	**17**	-
Sale of NZFL Shares	**-**	(20)
Dividend paid to Non Controlling Interests	**(273)**	(514)
Balance at end of year	**1,231**	797

The summarised financial information for the subsidiaries that have Non Controlling Interests that are material to the Group is found in Note 1 to these consolidated financial statements and is shown as the Livestock Services segment, with the exception of summarised cash flows which are shown below.

The summarised financial information in Note 1 is disclosed net of intercompany balances. The intercompany balances within the Livestock Services segment that have been eliminated are an intercompany current account balance of $0 from the Current Assets (2017: $1,430,684) and $2,319,197 from the Current Liabilities (2017: $374,000).

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

8 Non Controlling Interest (Continued)

	Livestock Services 2018 $000	2017 $000
Cash flows generated from operating activities		
Cash generated from operations	**3,714**	2,433
Interest paid	**(500)**	(359)
Income tax paid	**(323)**	(293)
Net cash generated from operating activities	**2,891**	1,781
Net cash (used in) investing activities	**(2,865)**	(1,460)
Net cash generated from/(used in) financing activities	**(730)**	(1,345)
Net (decrease)/increase in cash and cash equivalents	**(704)**	(1,024)
Cash and cash equivalents at beginning of year	**1,087**	2,111
Cash and cash equivalents at end of year	**383**	1,087

9 Borrowings

	Group 2018 $000	Group 2017 $000
Current		
Bank borrowings - Finance Receivables (secured)	**1,500**	-
Bank borrowings - Trading (secured)	**417**	517
Bonds (secured)	**550**	1,000
Finance leases	**472**	318
	2,939	1,835
Non Current		
Bank borrowings - Trading (secured)	**1,940**	2,199
Bonds (secured)	**1,000**	550
Finance Leases	**611**	228
	3,551	2,977

Bank borrowings - Trading

New Zealand Farmers Livestock Limited borrowed $3,050,000 on 3 September 2013 from the ANZ Bank New Zealand Limited to part finance the acquisition of the sale yards purchased from Allied Farmers Limited. There were 3 loans secured by way of a first mortgage charge over the sale yards concerned. On 29 May 2018 the ANZ Bank New Zealand Limited reset the loan terms in the amount of $2,388,400 with the current interest rate on two of the the loans as at 30 June 2018 being the one month commercial loan fixed rate plus a margin of 2.15% p.a with the third incurring interest at 6.25% per annum. The loans are due for repayment on 6 September 2021. Principal reductions are being made at at $42,868 per month. The balance owing at 30 June 2018 is $2,357,757 (30 June 2017: $2,716,277) see note 20.2.

Overdraft Facilities

NZ Farmers Livestock Limited has an overdraft facility of $1,000,000 which has not been drawn down as at 30 June 2018 (June 2017: Overdrawn $Nil). This facility has an interest rate of 6.9% p.a. and is secured over the assets of NZ Farmers Livestock Limited and subsidiaries Farmers Meat Export Limited and NZ Farmers Livestock Finance Limited.

A subsidiary, Farmers Meat Export Limited has, from 1 July 2018, an undrawn seasonal overdraft facility of $2,700,000 (2017 $1,500,000) which is on demand. This facility has an interest rate of 6.9% p.a.

The creation of the Farmers Meat Export Limited facility has created the following additional securities granted in favour of the ANZ Bank New Zealand Limited - A cross guarantee between New Zealand Farmers Livestock Limited and Farmers Meat Export Limited, a first ranking General Security Agreement over all the assets of Farmers Meat Export Limited, and a first ranking General Security Agreement of all the assets of New Zealand Farmers Livestock Limited.

Bank Borrowings - Finance Receivables

A subsidiary New Zealand Farmers Livestock Finance Limited has two on demand facilities of $3,000,000 (Bull Financing Facility) and $2,000,000 (General Livestock Financing Facility) which were not drawn down as at 30 June 2018. The facilities have an interest rate of 6.9% p.a. If either of the facilities have a balance of $1,500,000 or more New Zealand Farmers Livestock Finance Limited will supply to the bank a schedule of details of the individual bull loans or livestock loans outstanding as at that date.

A subsidiary New Zealand Farmers Livestock Finance Limited has a general financing livestock loan commercial loan facility of $1,500,000. This is due for renewal on 31 May 2019 and has an interest rate of 5.75% p.a.

Bonds
Allied Farmers Rural Limited issued $550,000 of Bonds on 29 August 2016. The Bonds are secured by way of a second charge General Security Agreement over all of the assets and undertakings of Allied Farmers Limited and subsidiaries excluding New Zealand Farmers Livestock Limited and subsidiaries and a specific security over the shares held by Allied Farmers Rural Limited in New Zealand Farmers Livestock Limited plus a guarantee from Allied Farmers Limited and subsidiaries. The bonds have an interest rate of 7.75%. There are no specific financial covenants. The bonds were due to mature on 30 September 2018 however subsequent to balance date the repayment of $300,000 has been deferred until 31st March 2019. Refer Note 25 for further details.

Allied Farmers Rural Limited also issued $1,000,000 of Bonds on 30 September 2014. The Bonds are secured by way of a first charge General Security Agreement over all of the assets and undertakings of Allied Farmers Limited and subsidiaries excluding New Zealand Farmers Livestock Limited and subsidiaries and a specific security over the shares held by Allied Farmers Rural Ltd in New Zealand Farmers Livestock Limited plus a guarantee from Allied Farmers Limited and subsidiaries. The Bonds repayment date is 30 September 2021 and have an interest rate of a 450 basis point margin over the 4 year swap rate as at 30 September 2017 as advised in writing to the Company by ANZ Bank New Zealand Limited, but not less than 6.50% per anum and not more than 7.50% per anum. At 30 June 2018 the interest rate on the Bonds was 7.3% p.a. There are no specific financial covenants.

Borrowing Covenants

ANZ Bank New Zealand Limited

The bank applies a financial covenant annually that the New Zealand Farmers Livestock Limited EBITDA (earnings before interest, taxation, depreciation and amortisation) must be at least 3 times the interest cost expense. The Company has complied with this covenant throughout the year. In addition the Group must provide annual financial statements within 5 months after balance date.

Finance Leases	**Group 2018 $000**	Group 2017 $000
Finance Lease Liabilities		
Lease liabilities are effectively secured as the right to the leased asset revert to the lessor in the event of default		
Gross Finance Lease Liabilities - minimum lease payments		
No later than 1 year	**539**	347
Later than 1 year and no later than 5 years	**648**	243
	1,187	590
Future Finance Charges of Finance Lease Liabilities	**(105)**	(44)
Present Value of Finance Lease Liabilities	**1,082**	546
The present value of finance lease liabilities is as follows:		
No later than 1 year	**472**	318
Later than 1 year and no later than 5 years	**611**	228
	1,083	546

Finance Lease liabilities have arisen on the financing of the acquisition of motor vehicles. The Finance Leases provide for the ownership of the vehicle to remain with the Lessor and New Zealand Farmers Livestock Limited (the Lessee) has a commitment to pay monthly installments. The security for the Finance Leases is the motor vehicle. The lessee has also committed to meet further obligations relating to distance covered and condition of the vehicle on the expiry of the Finance Lease. Under the terms of the finance lease New Zealand Farmers Livestock Limited has the option to purchase in respect of motor vehicles held under finance leases.

10 Trade and other payables	**Group 2018 $000**	Group 2017 $000
Trade creditors	**8,525**	6,134
Employee benefits, profit share and commissions	**1,180**	1,412
Other creditors and payables	**527**	198
	10,232	7,744

In the event of liquidation of the Parent, unless statutorily required otherwise, all creditors within this class will rank in priority ahead of shareholders.

Employee benefits
Employee benefit entitlements consist of holiday pay provisions and provisions for staff bonus payments. Holiday pay is provided for at contractual pay rates and is paid to staff in accordance with statutory terms as and when annual leave is taken during the financial period. Bonus payments are based on staff performance against key indicators and are paid within three months following the end of the Group's financial year.

11 Property, plant and equipment

	Group 2018 $000	Group 2017 $000
Freehold land		
Cost at beginning of year	**2,019**	2,019
Additions	**-**	-
Disposals	**-**	-
Cost at end of year	**2,019**	2,019
Buildings		
Cost at beginning of year	**1,030**	1,003
Purchases	**11**	27
Cost at end of year	**1,041**	1,030
Accumulated depreciation at beginning of year	**(237)**	(176)
Depreciation charged to consolidated profit or loss statement	**(62)**	(61)
Accumulated depreciation at end of year	**(299)**	(237)
Buildings net book value	**742**	793
Motor vehicles		
Cost at beginning of year	**1,412**	1,289
Additions	**1,139**	435
Reclassification	**-**	14
Disposals	**(822)**	(326)
Cost at end of year	**1,729**	1,412
Accumulated depreciation at beginning of year	**(835)**	(624)
Depreciation charged to consolidated profit or loss statement	**(387)**	(394)
Disposals	**690**	183
Accumulated depreciation at end of year	**(532)**	(835)
Motor vehicles net book value	**1,197**	577
Plant and equipment		
Cost at beginning of year	**305**	266
Additions	**131**	45
Disposals	**(10)**	(6)
Cost at end of year	**426**	305
Accumulated depreciation at beginning of year	**(155)**	(135)
Depreciation charged to consolidated profit or loss statement	**(46)**	(20)
Disposals	**7**	-
Accumulated depreciation at end of year	**(194)**	(155)
Plant and equipment net book value	**232**	150
Property, plant and equipment cost at end of year	**5,215**	4,766
Property, plant and equipment accumulated depreciation at end of year	**(1,025)**	(1,227)
Total property, plant and equipment net book value	**4,190**	3,539

Vehicles include the following amounts where the Group is a leasee under a Capitalised Finance Lease:

Cost Capitalised Finance Lease	1,730	1,412
Accumulated Depreciation	(532)	(835)
Net Book Amount	1,198	577

12 Intangible assets and Goodwill

	Group 2018 $000	Group 2017 $000
Computer software		
Cost at beginning of year	**225**	218
Additions	**9**	7
Cost at end of year	**234**	225
Accumulated amortisation at beginning of year	**(174)**	(136)
Amortisation charged to profit or loss statement	**(51)**	(47)
Disposals	**-**	9
Accumulated amortisation at end of year	**(225)**	(174)
Computer software net book value	**9**	51

Goodwill

Cost at beginning of year	**100**	-
Additions	**642**	100
Cost at end of year (Refer also Note 13)	**742**	100
Total Intangible Assets and Goodwill	**751**	151

A Cash Generating Unit ("CGU") level summary of the goodwill allocation is presented below.

2018	**NZFL**	**Redshaw**	**Total**
	$000	**$000**	**$000**
Redshaw	0	642	642
NZFL	100	0	100
Total	100	642	742

2017	NZFL	Redshaw	Total
	$000	$000	$000
Redshaw	-	-	-
NZFL	100	0	100
Total	100	-	100

Impairment Tests For Goodwill - Redshaw
Goodwill arose on the acquisition of a controlling interest in Redshaw Livestock Limited. On an annual basis, the recoverable amount of Goodwill is determined based on value in use calculations specific to the Redshaw CGU. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five year period. Cash flows beyond the five year period are extrapolated by way of a terminal value calculation using the estimated growth rates stated below.

Revenue Growth Rate	5.0%
Long Term Growth Rate	2.5%
Pre Tax Discount Rate	15.0%

The growth rates adopted are consistent with internal forecasts and budgets. The discount rate reflects the specific risks relating to the cash flow being discounted. As a result no impairment charge was recognised in the financial statements.

Impact of possible changes in key assumptions

Below is a sensitivity analysis showing the impact on value of changes to the key variables:

The recoverable amount of the Redshaw CGU is estimated to have exceeded the carrying amount of the CGU at 30 June 2018 by $127,000.

The recoverable amount of this CGU would equal its carrying amount if any of the key assumptions were to change as follows:

	2018	
	From	To
Revenue Growth Rate (%)	5.0%	1.9%
Long Term Growth Rate (%)	2.5%	-1.1%
Pre-tax discount rate (%)	15.0%	16.9%

The Directors and Management have considered and assessed reasonably possible changes for other key assumptions and have not identifited any instances that could cause the carrying amount of the Redshaw CGU to exceed its recoverable amount.

Impairment Test for Goodwill - NZFL
Goodwill of $100,000 arose on the acquisition of a finance book from Stock Plan Limited previously supplying finance to a number of New Zealand Farmers Livestock Limited customers. On an annual basis the recoverable amount of this goodwill is tested by undertaking an assessment of its fair value less costs of disposal specific to the NZFL CGU (comprising the Livestock Services business excluding Redshaw and the meat processing and trading business). No impairment charge was required to be recognised in the financial statements. There are no forseeable changes in assumptions which could result in a material impairment.

13 Investment in subsidiaries

		2018	2017
Subsidiaries of the Parent			
Allied Farmers Investments Limited	Investment	**100%**	100%
Allied Farmers Rural Limited	Investment	**100%**	100%
ALF Nominees Limited	Non-Trading	**100%**	100%
Allied Farmers (New Zealand) Ltd	Non-Trading	**100%**	100%
Subsidiaries of Allied Farmers Rural Limited			
NZ Farmers Livestock Limited	Livestock Agency and Finance	**66%**	66%

Subsidiary of NZ Farmers Livestock Limited			
Farmers Meat Exports Limited	Meat Processing and Trading	**100%**	100%
NZ Farmers Livestock Finance Ltd	Livestock Finance	**100%**	100%
Redshaw Livestock Limited	Livestock Agency	**52%**	34%
Subsidiaries of Allied Farmers Investments Limited			
Allied Farmers Property Holdings Limited	Non trading	**100%**	100%
QWF Holdings Limited	Non trading	**100%**	100%
Clearwater Hotel 2004 Limited	Non trading	**100%**	100%
Lifestyles of New Zealand Queenstown Limited	Non trading	**100%**	100%
LONZ 2008 Limited	Non trading	**100%**	100%
LONZ 2008 Holdings Limited	Non trading	**100%**	100%
Subsidiaries of Allied Farmers Property Holdings Limited			
UFL Lakeview Limited	Non trading	**100%**	100%
5M No. 2 Limited	Non trading	**100%**	100%

All companies within the Group are incorporated in and have their principal place of business in New Zealand, and have a balance date of 30 June.

Business combination

On 1st July 2017 New Zealand Farmers Livestock Limited settled its obligation to purchase the third tranche of shares in Redshaw Livestock Ltd. From that date New Zealand Farmers Livestock owned 52% of the shares on issue of Redshaw Livestock Limited. Details of the purchase consideration are as follows:

Purchase consideration	$000
Fair Value as at 1 July 2017 of the 34% already acquired	436
Cash	225
Total consideration	661

The assets and liabilities recognised as a result of the acquisition are as follows:

Cash and Cash Equivalents	80
Receivables	1,927
Tax	(6)
Property, plant and equipment	21
Payables	(1,456)
Borrowings	(530)
	36
Less: Non Controlling Interests	(17)
Goodwill	642
Net assets acquired	661

Goodwill is attributable to the profitability of the business including the access to the Stortford Lodge facility, intellectual property, and the trading reputation.

Goodwill is not tax deductible.

14 Joint Arrangements

The Group's subsidiary New Zealand Farmers Livestock Limited owns a proportion of various sale yard tangible assets and has joint arrangements in relation to the operation of these sale yards (referred to as 'Associated Auctioneers').

These joint operations are in place over 5 different locations. These joint operations are charged with the operating activities of the sale yards including conducting sales of livestock via the auction process, maintaining the sale yards, collecting levies on livestock sales and meeting operating costs of the yards. If there is a shortfall in the income to meet the operating costs in any one year then the joint operation's parties are required to contribute to the shortfall in the proportion of their ownership of the sale yards.

The various joint operations are:

	Share of Joint Operation	**Location**	**2018**	2017
- Associated Auctioneers	33%	Te Kuiti	**$000**	$000
Summarised Balance Sheet				
Current Assets			**81**	107
Current Liabilities			**53**	55
Net Assets			**28**	52

Summarised statement of profit or loss				
Income			**280**	291
Expenses			**304**	275
Profit (Loss) before taxation			**(24)**	16
- Associated Auctioneers	50%	Stratford		
Summarised Balance Sheet				
Current Assets			**147**	121
Current Liabilities			**12**	11
Non current assets			**23**	18
Net assets			**158**	128
Summarised statement of profit or loss				
Income			**297**	273
Expenses			**219**	236
Profit			**78**	37
- Associated Auctioneers	50%	Frankton		
Summarised Balance Sheet				
Current Assets			**111**	123
Current Liabilities			**17**	27
Non current assets			**112**	96
Net assets			**206**	192
Summarised statement of profit or loss				
Income			**618**	524
Expenses			**363**	382
Profit			**255**	142
- Associated Auctioneers	50%	Taumarunui		
Summarised Balance Sheet				
Current Assets			**-**	7
Current Liabilities			**-**	3
Net assets			**-**	4
Summarised statement of profit or loss				
Income			**-**	-
Expenses			**-**	1
Loss			**-**	(1)
- Associated Auctioneers	25%	Morrinsville		
Summarised Balance Sheet				
Current Assets			**174**	111
Current Liabilities			**20**	20
Non current assets			**217**	251
Net assets			**371**	342
Summarised statement of profit or loss				
Income			**334**	361
Expenses			**275**	308
Profit			**59**	53

There are various contractual restrictions in relation to the assets and liabilities of these joint operations, such as requiring unanimous agreement in relation to accessing the bank accounts.

The joint operation of the sale yards is strategically vital to the interests of New Zealand Farmers Livestock Limited as the sale yards activity provide significant income to New Zealand Farmers Livestock Limited via commission on the sale of livestock handled through the sale yards.

Note: the Taumarunui saleyard was closed during the 2017 financial year.

15 Investments accounted for using the equity method

The amounts recognised in the consolidated balance sheet are as follows:	**2018 $000**	2017 $000
Redshaw Livestock Ltd original cost including legal expenses of 17% shareholding	**-**	232
Additional cost of further 17% shareholding	**-**	212
Fair value adjustment recognised in other operating expense in	**-**	(38)
Share of profit for year (net of dividend)	**-**	5
Total	**-**	411
Working capital loan	**-**	136
The amounts recognised in the consolidated profit or loss are as follows;		
Redshaw Livestock Ltd	**-**	5

The associate listed below has share capital consisting solely of ordinary shares, which are held directly by the Group:

Name of entity	Place of	Nature of	Measurement
Redshaw Livestock	New Zealand	Livestock	Equity

	2018 $000	2017 $000
Summarised Balance Sheet		
Current Assets	-	2,057
Current Liabilities	-	2,042
Non current assets	-	1,266
Net assets	-	1,281
Summarised statement of profit or loss		
Income	-	488
Expenses	-	286
Profit before Tax	-	202
Reconciliation of summarised financial information		
Opening net assets at 1 July 2017	1,281	1,348
Profit for period after tax	-	145
Tax on previous year	-	(72)
Dividend	-	(140)
Net assets at Date of acquisition of controlling interest	1,281	1,281
Interest in associate at 34%	436	436
Amount brought to account on acquisition majority shareholding (Refer Note 13)	(436)	-
	-	436

16 Trade and other receivables

	2018 $000	2017 $000
Trade receivables livestock (gross)	9,390	5,986
Trade receivables finance (gross) - refer below	4,619	2,074
Provision for impaired assets	(23)	(2)
Trade receivables (net of provision)	13,986	8,058
Prepayments	13	95
	13,999	8,153
Aging of Past Due Receivables that are not impaired		
1-30 days	852	301
31-60 days	123	93
61-90 days	246	104
Total Past Due Receivables	1,221	498

It is expected that all trade receivables will be collected within 12 months of the balance date.

There are also Finance Receivables totaling $379,444 which are past their due date at 30 June 2018 (2017 nil as the busienss commenced that year). None are considered impaired and, apart from one account of $14,575 all are less than 4 months past due.

17 Inventories

These comprise finished goods related to the meat trading and processing business	122	18

18 Net Debt Reconciliation

This section sets out an analysis of net debt and movements in net debt for the year ended 30 June 2018.

	2018 $000	2017 $000
Borrowings - repayable within 1 year	(2,939)	(1,835)
Borrowings - repayable after 1 year	(3,551)	(2,977)
Less: Cash and cash equivalents	569	1577
Net debt	(5,922)	(3,235)
Cash and Bank Balances	569	1,577
Gross debt - fixed interest rates	(3,441)	(3,262)
Gross debt - variable interest rates	(3,050)	(1,550)
Net debt	(5,922)	(3,235)

	Cash/Bank Overdraft	Finance Leases	Secured Debt	Bonds	Total
Net debt as at 1 July 2017	1,577	(546)	(2,716)	(1,550)	(3,235)
Cash Flows	(1,008)	609	524	107	232
Cash Flows from Finance Receivables	-	-	(1,500)	-	(1,500)
Other non cash	-	(1,146)	(166)	(107)	(1,419)
Net debt as at 30 June 2018	569	(1,083)	(3,858)	(1,550)	(5,922)

19 Reconciliation of net profit after tax for the year with cash flow from operating activities

	Note	June 2018 $000	June 2017 $000
Net profit after tax for the period		**2,225**	2,229
Gain on settlement of liability		**-**	(223)
Impairment of debtors		**(21)**	22
Share of profit equity accounted		**-**	(10)
(Profit)/Loss on sale of assets		**59**	53
Depreciation	11, 12	**546**	523
Movement in deferred tax assets	5	**(159)**	(124)
		425	241
Movement in working capital:			
(Increase)/Decrease in trade and other receivables	16	**(3,242)**	(2,267)
Increase/(Decrease) in payables and provisions	10	**2,488**	804
(Increase) in inventory	17	**(104)**	(17)
Decrease in tax payable		**(7)**	(11)
		(865)	(1,491)
Net cash (outflows)/inflows from operating activities		**1,785**	979

20 Related party transactions

Overview of related party transactions
All transactions with related parties are entered into in the ordinary course of business.

Categories of related party relationships
Related party transactions are detailed by reference to the following categories:

(a) Key management personnel: those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors.

(b) Other related parties: Other related parties including entities that may have directors who are also directors of the Company.

(a) Key management personnel

	2018 $000	2017 $000
Salaries and other short term benefits	**354**	309
Directors fees	**141**	138
Total key management personnel compensation	**495**	447
Directors long service leave entitlement	**218**	211

There are no directors fees unpaid as at 30 June 2018 (2017: nil).

Certain directors and key management of the Allied Farmers Limited Group of companies have completed livestock trading transactions with the Group's subsidiary, New Zealand Farmers Livestock Limited, which over the year that totalled $534,163 in sales (2017 $504,534), $424,553 in purchases (2017 $314,747), and $20,650 in commission (2017 $33,829).

As at 30 June 2018 those directors and key management owed the group $226,781 (2017: $10,482) which has since been settled and the group owed those parties $34,044 (2017: nil). There have been no bad debts written off any of these amounts.

(b) Other related parties

Albany Braithwaite Holdings an associated person of Director Mark Benseman is the holder of $750,000 in bonds.

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21 Financial risk management

21.1 Credit risk

Credit risk is the risk that a counterparty to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, and trade and other receivables.

Credit risk is actively managed by the Group for both Trade Receivables and Finance Receivables to ensure individual counterparty as well as industry exposures are monitored. Risk is measured by continual evaluation of counterparty exposures with regard to changes in the economic circumstances of the counterparty, the counterparty's industry, and wider macro-economic influences.

Risk exposures by class of financial instrument

The Group's financial assets are categorised into cash and cash equivalents, trade and other receivables, and advances.

Cash and cash equivalents
The Group is exposed to the risk of default by placing cash deposits with banks.The maximum credit risk is the face value of its cash deposits. The Group's exposure to banks is unsecured. To manage this risk, the Group only deposits cash with New Zealand registered banks.

Trade and other receivables
For all trade and other receivables, there is the risk that the counterparty to the receivables may not settle its obligations when they fall due. The maximum credit risk is the face value of the trade and other receivables. The exposures are largely unsecured except for receivables for livestock finance which are secured over the livestock. Risk exposures in trade and other receivables are managed on a case-by-case basis depending on the materiality of the exposure.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

Credit quality of financial assets	**2018 $000**	2017 $000
Cash at bank		
ANZ Bank New Zealand Limited	**264**	1,452
Westpac New Zealand Limited	**-**	33
Bank of New Zealand	**240**	39
TSB Bank Limited	**65**	53
	569	1,577

All banks have a minimum rating of A- or higher.

Trade and Finance Receivables	**2018 $000**	2017 $000
Counterparties without external credit rating		
Group 1	**2,697**	2,065
Group 2	**11,289**	5,993
	13,986	8,058
Trade and Finance Receivables written off at year end	**31**	30

Group 1 - new customers less than six months
Group 2 - existing customers more than six months with no defaults in the past

The Group has no credit rating for Trade and Finance Receivables. The Group continually assesses the Trade and Finance Receivables credit risk and measures the risk against receipts that may not have been paid on time. The Group's experience is that the rates of default by Trade and Finance Receivables is minimal.

21 Financial risk management (continued)

21.2 Liquidity risk

Liquidity risk is reviewed on an ongoing basis and managed to meet requirements. Cash flow forecasting is performed in the operating entities of the Group and aggregated at Group level. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 9) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The amounts disclosed in the tables below show the contractual undiscounted cash flows due on financial liabilities. The amounts below also reflect the contractual repricing timing on financial liabilities, if applicable.

30 June 2018	Total	Under 6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years
$000						
Financial liabilities						
Trade and other payables	10,232	10,232	-	-	-	-
Borrowings - ANZ Bank New Zealand Ltd	4,299	300	1,793	514	1,692	-
Borrowings - Finance Leases	1,187	270	263	461	193	-
Borrowings - Bonds	1,815	319	326	73	1,097	-
Gross payable on financial liabilities	17,533	11,121	2,382	1,048	2,982	-

30 June 2017	Total	Under 6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years
$000						
Financial liabilities						
Trade and other payables	7,744	7,744	-	-	-	-
Borrowings - ANZ Bank New Zealand Ltd	2,716	259	259	518	1,680	-
Borrowings - Finance Leases	546	159	159	228	-	-
Borrowings - Bonds	1,550	1,000	-	550	-	-
Gross payable on financial liabilities	12,556	9,162	418	1,296	1,680	-

21.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The Group is not exposed to other price risk or currency risk.

Market risk sensitivity analysis

If market interest rates for borrowings - other assets (secured) were to increase or decrease by 50 basis points (bps) the affect on net profit after tax, and equity, for the year as applied to year end balances would be as follows:

	2018 $000	2017 $000
Borrowings - ANZ Bank Limited and bonds (secured)		
If interest rates for the year were 50 bps higher		
Effect on net profit for the year / equity	**(31)**	(21)
If interest rates for the year were 50 bps lower		
Effect on net profit for the year / equity	**31**	21

21.4 Capital management

The Group's capital is its equity on the consolidated balance sheet, including its share capital and accumulated losses.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, sell assets, seek new debt funding, or adjust the amount of dividends paid to shareholders.

21.5 Offsetting financial assets and liabilities

The ANZ Bank New Zealand Limited in accordance with the mortgage over the New Zealand Farmers Livestock Limited sale yards assets may (but is not obliged to) debit any of the Borrower's other bank accounts with the ANZ Bank New Zealand Limited with any amount payable by the Borrower under that mortgage agreement.
The result of this arrangement is that the ANZ Borrowings of $3,857,757 (2017 $2,716,277) could be settled by realising the assets over which they are secured. Refer also Note 9.

22 Contingent assets and liabilities

There were no material contingent assets or liabilities outstanding as at 30 June 2018 for the Group (2017: nil).

23 Commitments

The following amounts have been committed by the Group but not recognised in the financial statements:	**2018**	2017
	$000	$000
Operating lease commitments		
Not later than one year	**119**	93
Later than one year and not later than five years	**137**	6
Later than five years	**-**	-
	256	99

The Group leases premises, plant and equipment and motor vehicles. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases. There are options to purchase in respect of motor vehicles held under finance leases (refer note 9). There are also options to purchase Land and Buildings currently leased if certain criteria are met.

24 Financial assets and liabilities

The table below sets out the Group's classification of each class of financial asset and liability.
The fair value of the financial assets and liabilities approximates their carrying value.

	Loans and receivables	**Other amortised cost**	**Total**
30 June 2018	**$000**	**$000**	**$000**
Assets per balance sheet			
Cash and cash equivalents	569	-	569
Trade and other receivables	13,986	-	13,986
	14,555	-	14,555
Liabilities per balance sheet			
Trade and other payables	-	10,231	10,231
Borrowings - Bank	-	3,857	3,857
Borrowings - Bonds	-	1,550	1,550
Borrowings - Finance Leases	-	1,083	1,083
	-	16,720	16,720
30 June 2017	**$000**	**$000**	**$000**
Assets per balance sheet			
Cash and cash equivalents	1,577	-	1,577
Trade and other receivables	8,058	-	8,058
	9,635	-	9,635
Liabilities per balance sheet			
Trade and other payables			
Borrowings - Bank	-	7,744	7,744
Borrowings - Bonds	-	2,716	2,716
Borrowings - Finance Leases	-	1,550	1,550
	-	546	546
	-	12,556	12,556

Financial Assets pledged as collateral for bank facilities

	2018	2017
	$000	$000
Cash and cash equivalents	**397**	1,465
Trade and other receivables	**13,986**	8,058
	14,383	9,523

The pledged assets are secured to ANZ Bank New Zealand Ltd under the following securities;
(a) Cross guarantee and indemnity between NZ Farmers Livestock Limited, Farmers Meat Export Limited, and NZ Farmers Livestock Finance Limited.
(b) Registered first ranking general security agreement over the present and after acquired property of Farmers Meat Export Limited.
(c) Registered first ranking general security agreement over the present and after acquired property of NZ Farmers Livestock Limited.
(d) Registered first ranking general security agreement over the present and after acquired property of NZ Farmers Livestock Finance Limited.

25 Subsequent Events

Variation to bond terms
The first ranking $550,000 bonds issued by Allied Farmers Rural Limited on 29 August 2016 are due to mature on 30 September 2018. Allied Farmers Rural Limited has offered the holders the option of full repayment or to extend the maturity date of the bonds to 31 March 2019 with no amendment to the interest rate.

The holders of these bonds to the value of $300,000 have agreed to extend the maturity date of the bonds to 31 March 2019.

Independent auditor's report

to the shareholders of Allied Farmers Limited

The consolidated financial statements comprise:

- the consolidated balance sheet as at 30 June 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of accounting policies; and
- the notes to the consolidated financial statements.

Our opinion

In our opinion, the consolidated financial statements of Allied Farmers Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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 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.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

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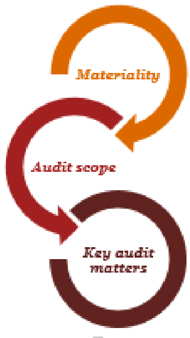
Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Overall group materiality: $117,900, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there is one key audit matter: the assessment of goodwill for impairment.

Materiality

The scope of our audit was influenced by our application of materiality.

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.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. 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.

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 industries in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. We have one key audit matter: the assessment of goodwill for impairment. 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.

Key audit matter	*How our audit addressed the key audit matter*
Assessment of goodwill for impairment As disclosed in Note 12 to the consolidated financial statements, the Group has $742,000 of goodwill, comprising $100,000 relating to NZ Farmers Livestock Limited (NZFL) and $642,000 relating to Redshaw Livestock Limited (Redshaw). Management is required to undertake an impairment assessment of goodwill at least annually. No impairment charge has been recorded against goodwill in the current financial year. The impairment assessment of goodwill involves valuing the cash generating unit(s) (CGUs), including goodwill. Management has identified two CGUs: NZFL and Redshaw. While judgement underpins any impairment assessment, the Redshaw CGU is the only CGU requiring significant judgement due to the nature of the assessment and the significant value attributed to goodwill. Therefore, the goodwill impairment assessment for Redshaw was considered a key audit matter. Management has prepared a goodwill impairment assessment using a discounted cash flow model to determine a value in use for the Redshaw CGU. The valuation requires the use of judgements and estimates in forecasting future cash flows including revenue growth rates, the discount rate and the terminal growth rate. Management has assessed that the goodwill is able to be supported by the budgeted cash flows over a five year forecast period.	Our audit procedures included the following: • We understood and evaluated the Group's processes and controls relating to the goodwill impairment assessment. • We obtained management's valuation of the relevant CGU's and undertook the following: o Tested the mathematical accuracy of the goodwill impairment model; o Compared forecast results to the Board-approved budget; o Challenged management on key assumptions including forecast revenue growth rates and the terminal value growth rate; o Used an in-house valuation expert to assess the reasonableness of the discount rate; and o Assessed management's forecasting accuracy by comparing historical forecasts to actual results. • We also assessed whether management's disclosures relating to the impairment assessment, including disclosures of the sensitivities of key assumptions, were consistent with the requirements of accounting standards. The audit procedures performed responded to the heightened risk surrounding the judgements and estimates made by management in reaching their conclusion that there was no impairment of the carrying value of goodwill.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, express any form of assurance conclusion on the other information.

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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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/standards-for-assurance-practitioners/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 Christopher Ussher.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
29 August 2018

Wellington

COMPANY DIRECTORY

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