

ALLIED FARMERS LIMITED

FINANCIAL REPORT - Unaudited

For the six months ended 31 December 2017

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Statement of Profit or Loss and Other Comprehensive Income - Unaudited

Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2017

| | Note | December 6 months 2017 \$000 | June Year 2017 \$000 | December 6 months 2016 \$000 |
|---|------|---------------------------------------|-------------------------------|---------------------------------------|
| Revenue | | | | |
| Sale of goods | | 4,225 | 4,765 | 4,420 |
| Interest income | | 336 | 240 | 33 |
| Commission Income | | 6,125 | 12,246 | 5,446 |
| | | 10,686 | 17,251 | 9,899 |
| Other income | | 11 | 227 | 134 |
| | | 11 | 227 | 134 |
| Total income | | 10,696 | 17,478 | 10,033 |
| Expenses | | | | |
| Cost of inventory sold | | 3,681 | 4,090 | 3,719 |
| Interest and funding expense | | 388 | 496 | 282 |
| Rental and operating leases | | 72 | 126 | 54 |
| Employee benefit expense | | 3,445 | 7,129 | 2,952 |
| Depreciation and amortisation | 5 | 336 | 523 | 275 |
| Other operating expenses | | 2,446 | 2,727 | 2,194 |
| Total expenses | | 10,367 | 15,091 | 9,475 |
| Profit before income tax | | 329 | 2,387 | 558 |
| Income tax expense | | 81 | 182 | 82 |
| Profit for the period | | 248 | 2,229 | 476 |
| Total comprehensive income | | 248 | 2,229 | 476 |
| Profit/(loss) Attributable to: | | | | |
| Owners of the Parent | | 83 | 1,552 | 281 |
| Non-Controlling Interests | | 165 | 677 | 195 |
| Total earnings per share attributable to the equity holders of the Parent Company: | | | | |
| Basic (cents per share) | | 0.05 | 0.97 | 0.17 |
| Diluted (cents per share) | | 0.05 | 0.97 | 0.17 |

The notes on pages 9 to 16 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity - Unaudited

Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2017

| | Note | Share Capital \$000 | Accumulated losses \$000 | Non Controlling \$000 | Total Equity \$000 |
|--|------|---------------------------|--------------------------------|-----------------------------|--------------------------|
| Opening balance as at 1 July 2016 | | 151,779 | (152,328) | 654 | 105 |
| Comprehensive income | | | | | |
| Net profit for the 6 months ended 31 December 2016 | | - | 281 | 195 | 476 |
| Total comprehensive income | | - | 281 | 195 | 476 |
| Transactions with owners | | | | | |
| Share capital issued | | - | - | - | - |
| Purchase of shares in NZ Farmers Livestock Ltd | | - | - | - | - |
| Dividends paid to Non Controlling Interests | | - | - | (146) | (146) |
| Total transactions with owners | | - | - | (146) | (146) |
| Closing Balance as at 31 December 2016 | | 151,779 | (152,047) | 703 | 435 |
| Opening Balance as at 1 July 2016 | | 151,779 | (152,328) | 654 | 105 |
| Comprehensive income | | | | | |
| Net profit for the year ended 30 June 2016 | | - | 1,552 | 677 | 2,229 |
| Total comprehensive income | | - | 1,552 | 677 | 2,229 |
| Transactions with owners | | | | | |
| Dividends paid to Non Controlling Interests | | - | - | (514) | (514) |
| Purchase of shares in N Z Farmers Livestock Ltd | | - | 20 | (20) | - |
| Total transactions with owners | | - | 20 | (534) | (514) |
| Closing balance as at 30 June 2017 | | 151,779 | (150,756) | 797 | 1,820 |
| Comprehensive income | | | | | |
| Comprehensive Income for the six months ended 31 December 2017 | | - | 83 | 165 | 248 |
| Total comprehensive income | | - | 83 | 165 | 248 |
| Transactions with owners | | | | | |
| Recognition Redshaw Non Controlling Interests | | - | - | 659 | 659 |
| Total transactions with owners | | - | - | 659 | 659 |
| Closing balance as at 31 December 2017 | | 151,779 | (150,673) | 1,621 | 2,727 |

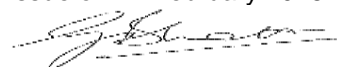
The notes on pages 9 to 16 are an integral part of these financial statements.

Consolidated Balance Sheet - Unaudited
Allied Farmers Limited and Subsidiaries
As at 31 December 2017

| | Note | December 2017 \$000 | June 2017 \$000 | December 2016 \$000 |
|--|------|---------------------------|-----------------------|---------------------------|
| Equity | | | | |
| Share capital | 2 | 151,779 | 151,779 | 151,779 |
| Reserves | | (150,673) | (150,756) | (152,047) |
| | | <u>1,106</u> | <u>1,023</u> | <u>(268)</u> |
| Non Controlling Interests | | 1,621 | 797 | 703 |
| Total equity (deficit) | | <u>2,727</u> | <u>1,820</u> | <u>435</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Bank Overdraft | | 3,736 | - | 453 |
| Trade and other payables | 3 | 7,625 | 7,744 | 6,397 |
| Borrowings | 4 | 1,434 | 1,835 | 1,894 |
| Taxation | | - | 140 | 2 |
| Total current liabilities | | <u>12,795</u> | <u>9,719</u> | <u>8,746</u> |
| Non-current liabilities | | | | |
| Borrowings | 4 | 3,521 | 2,977 | 3,151 |
| Total non-current liabilities | | <u>3,521</u> | <u>2,977</u> | <u>3,151</u> |
| Total liabilities | | <u>16,316</u> | <u>12,696</u> | <u>11,897</u> |
| Total liabilities and shareholders equity | | <u>19,043</u> | <u>14,516</u> | <u>12,332</u> |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | - | 1,577 | - |
| Trade and other receivables | 8 | 12,324 | 8,058 | 7,208 |
| Prepayments | | 111 | 95 | 92 |
| Inventory | | 526 | 18 | 340 |
| Taxation | | 116 | - | - |
| Total current assets | | <u>13,077</u> | <u>8,297</u> | <u>7,640</u> |
| Non-current assets | | | | |
| Deferred tax asset | | 531 | 531 | 407 |
| Investment | | - | 411 | 455 |
| Advances | | - | 136 | 136 |
| Property, plant and equipment | 5 | 4,062 | 3,539 | 3,519 |
| Intangible assets | 6 | 1,373 | 151 | 175 |
| Total non-current assets | | <u>5,966</u> | <u>4,768</u> | <u>4,692</u> |
| Total assets | | <u>19,043</u> | <u>14,516</u> | <u>12,332</u> |

The notes on pages 9 to 16 are an integral part of these financial statements.

The Board of Directors of Allied Farmers Limited authorised these financial statements for issue on 21 February 2018.



.....Director



..... Director

Consolidated Statement of Cash Flows - Unaudited
Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2017

| | Note | December 6 months 2017 \$000 | June Year 2017 \$000 | December 6 months 2016 \$000 |
|---|------|---------------------------------------|-------------------------------|---------------------------------------|
| Cash Flows from Operating Activities | | | | |
| Cash was provided from: | | | | |
| Receipts from customers | | 12,638 | 16,739 | 8,658 |
| Interest Received | | 336 | 202 | - |
| | | 12,974 | 16,941 | 8,658 |
| Cash was applied to: | | | | |
| Payments to suppliers and employees | | (13,750) | (13,191) | (10,094) |
| Interest paid | | (388) | (496) | (282) |
| Taxation paid | | (266) | (293) | (231) |
| | | (14,405) | (13,980) | (10,607) |
| Changes in operating assets and liabilities arising from cash flow movements | | | | |
| Cash was provided/(applied) from | | | | |
| Receipts from repayment of loans and advances | 8 | 3,004 | 3,483 | - |
| Payments for loans made | 8 | (5,939) | (5,465) | - |
| | | (4,365) | 979 | (1,949) |
| Cash Flows from Investing Activities | | | | |
| Cash was provided from: | | | | |
| Sale of property, plant and equipment | 5 | 103 | - | - |
| Realisation of Investment | | - | 77 | - |
| Dividend received | | - | - | 25 |
| | | 103 | 77 | 25 |
| Cash was applied to: | | | | |
| Investing in associate company | | - | (212) | (213) |
| Purchase of shares in New Zealand Farmers Livestock Limited | | - | (20) | - |
| Loan to associate company | | - | (68) | (68) |
| Purchase of Subsidiaries | 7 | (225) | (100) | - |
| Purchase of property, plant and equipment and intangible assets | 5 | (950) | (162) | (245) |
| | | (1,175) | (562) | (526) |
| | | (1,072) | (485) | (501) |
| Cash Flows from Financing Activities | | | | |
| Cash was provided from: | | | | |
| Borrowings finance leases | 4 | 187 | - | - |
| Borrowings | 4 | - | 550 | - |
| | | 187 | 550 | - |
| Cash was applied to: | | | | |
| Borrowings | 4 | (143) | (600) | (333) |
| Repayment of finance principal | | - | (831) | - |
| Dividends paid to non controlling interests | | - | (514) | (146) |
| | | (143) | (1,945) | (479) |
| | | 44 | (1,395) | (479) |
| Net (decrease)/ increase in cash and cash equivalents | | (5,393) | (901) | (2,931) |
| Cash and cash equivalents at beginning of year | | 1,577 | 2,478 | 2,478 |
| Adjustment for Redshaw Livestock Limited acquisition as subsidiary | | 80 | - | - |
| Cash and cash equivalents at end of year | | (3,736) | 1,577 | (453) |

The notes on pages 9 to 16 are an integral part of these financial statements.

Reconciliation of Operating Cash Flows - Unaudited

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2017

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

| | Note | December 6 months 2017 \$000 | June Year 2017 \$000 | December 6 months 2016 \$000 |
|--|------|---------------------------------------|-------------------------------|---------------------------------------|
| Net profit after tax for the period | | 248 | 2,229 | 476 |
| Adjustments for: | | | | |
| Gain on settlement of liability | | - | (223) | - |
| Share of profit equity accounted | | - | (10) | 11 |
| (Profit)/Loss on sale of assets | | 2 | 53 | - |
| Depreciation and amortisation | 5 | 336 | 523 | 275 |
| Interest paid capitalised | | - | - | - |
| Movement in impairment provisions on trade receivables | 8 | 28 | 22 | - |
| Movement in deferred tax assets | | - | (124) | - |
| | | 366 | 241 | 286 |
| Movement in working capital: | | | | |
| (Increase)/Decrease in trade and other receivables | | (2,180) | (2,267) | (1,698) |
| Increase/(Decrease) in payables and provisions | | (1,962) | 804 | (674) |
| (Increase)/decrease in inventory | | (653) | (17) | (339) |
| (Increase) in tax payable | | (185) | (11) | - |
| | | (4,980) | (1,491) | (2,711) |
| Net cash (outflows)/inflows from operating activities | | (4,365) | 979 | (1,949) |

The notes on pages 9 to 16 are an integral part of these financial statements.

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries

For the 6 months ended 31 December 2017 - unaudited

GENERAL INFORMATION

These financial statements have been approved for issue by the Board of Directors on 21 February 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 is a rural services group, with its predominant activities comprising livestock agency services, the procurement and processing of calves, the financing of livestock purchases, 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 4332

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 comply with International Financial Reporting Standards (IFRS).

The interim financial statements of the Group have been prepared in accordance with the requirements of New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting (NZ IAS 34), as appropriate for profit oriented entities. These financial statements are in compliance with IAS 34: Interim Financial Reporting. The Group interim financial statements do not include all of the information required for full annual financial statements.

Where necessary, the amounts shown for the previous periods have been reclassified to facilitate comparison.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for the year ended 30 June 2016

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

The Group is a Tier 1 for profit entity in terms of XRBA1.

Significant transactions and events for the current period

Dividends

On the 28 November 2017 the directors declared a fully imputed dividend of \$323,011 being 0.2 cents per share. The dividend was paid on 19 January 2018.

Variation to bond terms

The one million first ranking \$1 bonds issued by Allied Farmers Rural Limited on 9 October 2014 matured on 30 September 2017. Allied Farmers Rural Limited and all of the holders of these bonds agreed to extend the maturity date of the bonds to 30 September 2021 (see note 4).

Business combinations

Redshaw Livestock Limited

On 1 July 2017 New Zealand Farmers Livestock Limited settled its obligation to purchase the third tranche of shares in Redshaw Livestock Ltd. From that date NZ Farmers Livestock Ltd will own 52% of the shares on issue of Redshaw Livestock Ltd. For the years 2016 and 2017 the investment in Redshaws Livestock Ltd has been accounted for using the equity accounting process. For the half year to 31 December 2017 Redshaw Livestock Limited has been consolidated into the Group accounts.

Purchase consideration

| | |
|--|---------|
| Fair Value as at 1 July 2017 of the 34% already acquired | 435,540 |
| Cash paid for 18% on 1 July 2017 | 225,000 |
| | 660,540 |

The determined values of the fair value of assets and liabilities of Redshaw Livestock Ltd as at the date of acquisition are as follows:

| | |
|--------------------------------|-------------|
| Cash and cash equivalents | 80,000 |
| Receivables | 1,927,321 |
| Tax | (6,812) |
| Property, plant and equipment | 20,762 |
| Payables | (1,455,771) |
| Borrowings | (530,278) |
| | <hr/> |
| | 35,222 |
| Less non-controlling interests | (16,906) |
| Add: Goodwill | 642,225 |
| Net assets acquired | 660,540 |

The goodwill is attributable to Redshaw Livestock Ltd's strong position and profitability in trading in the livestock market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

Acquisition-related costs of \$2,000 will be included in other expenses in profit or loss in the reporting period ending 30 June 2018.

The Group has determined the fair value of the investment is \$650,000. This represents no change of value of the investment.

The primary reasons for the business combination is to expand our livestock agency network.

Redshaw Livestock Limited contributed \$254,332 in Revenue and \$113,463 in profit to Allied Farmers Group in the current period.

The directors consider that the values of assets and liabilities of Redshaw Livestock Ltd as at 1 July 2017 are at fair value.

Notes to the Financial Statements

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2017 - unaudited

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 manages 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 Asset Management Services activities were completed during the year with the realisation of the remaining assets.

The Livestock Services segment predominantly relates to livestock sale activities, the financing of livestock sales, and calf procurement, processing and sales. The Livestock activities are influenced by seasonality. Livestock Sales are normally stronger in the Autumn season and calf sales traditionally occur mainly 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 Allied Farmers Rural Limited.

The segment results for the six months ended 31 December 2017 are as follows:

| | Asset Management Services | Livestock Services | Corporate | Total Continuing |
|---|---------------------------------|-----------------------|--------------|---------------------|
| | \$000 | \$000 | \$000 | \$000 |
| Sales of goods | - | 4,225 | - | 4,225 |
| Commission Income | - | 6,125 | - | 6,125 |
| Other Income | 11 | - | - | 11 |
| Interest Income | - | 336 | - | 336 |
| Total Income | 11 | 10,685 | - | 10,696 |
| Depreciation and amortisation | - | (336) | - | (336) |
| Interest and funding expense (external) | - | (334) | (54) | (388) |
| Rental and operating Leases (external) | - | (71) | (1) | (72) |
| Employee benefit expense | - | (3,425) | (20) | (3,445) |
| Net Other expenses (external) | (1) | (5,871) | (255) | (6,126) |
| Profit/Loss before income tax | 10 | 648 | (330) | 329 |
| Income Tax | - | (81) | - | (81) |
| Profit/Loss after Income Tax | 10 | 568 | (330) | 248 |

The segment assets and liabilities as at 31 December 2017 and capital expenditure for the 6 months ended 31 December 2017 are as follows:

| | Asset Management Services | Livestock Services | Corporate | Total Continuing |
|----------------------------|---------------------------------|-----------------------|----------------|---------------------|
| | \$000 | \$000 | \$000 | \$000 |
| Assets | 36 | 18,892 | 115 | 19,043 |
| Liabilities | - | (14,429) | (1,887) | (16,316) |
| Capital Expenditure | - | 466 | - | 466 |

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

| | Asset Management Services \$000 | Livestock Services \$000 | Corporate \$000 | Total Continuing \$000 |
|---|--|--------------------------------|--------------------|------------------------------|
| Sales of goods | - | 4,765 | - | 4,765 |
| Commission Income | | 12,246 | | 12,246 |
| Other Income | 32 | 91 | 104 | 227 |
| Interest Income | - | 240 | - | 240 |
| Total Income | 32 | 17,342 | 104 | 17,478 |
| Cost of Inventory | - | (4,090) | - | (4,090) |
| Depreciation and amortisation | - | (523) | - | (523) |
| Interest and funding expense (external) | - | (359) | (137) | (496) |
| Rental and operating leases | - | (124) | (2) | (126) |
| Employee benefit expense | - | (7,090) | (39) | (7,129) |
| Net Other expenses (external) | (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/Loss after Income Tax | 30 | 727 | 1,472 | 2,229 |

The segment assets and liabilities as at 30 June 2017 and capital expenditure for the 12 months ended 30 June 2017 are as follows:

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

The segment results for the six months ended 31 December 2016 are as follows:

| | Asset Management Services \$000 | Livestock Services \$000 | Corporate \$000 | Total Continuing \$000 |
|--|--|--------------------------------|--------------------|------------------------------|
| Sales of goods and interest and fee income | 32 | 9,999 | 2 | 10,033 |
| Total Income | 32 | 9,999 | 2 | 10,033 |
| Depreciation and amortisation | - | (275) | - | (275) |
| Interest and funding expense (external) | - | (350) | (68) | (418) |
| Rental and operating expense | | (53) | (1) | (54) |
| Employee benefit expense | | (2,932) | (20) | (2,952) |
| Net Other expenses (external) | (1) | (5,539) | (236) | (5,776) |
| Profit/Loss before income tax | 31 | 850 | (323) | 558 |
| Inter-segmental income | - | (193) | 193 | - |
| Income Tax | - | (82) | - | (82) |
| Profit/Loss after Income Tax | 31 | 575 | (130) | 476 |

The segment assets and liabilities as at 31 December 2016 and capital expenditure for the 6 months ended 31 December 2016 are as follows:

| | Asset Management Services \$000 | Livestock Services \$000 | Corporate \$000 | Total Continuing \$000 |
|---------------------|--|--------------------------------|--------------------|------------------------------|
| Assets | 33 | 12,177 | 122 | 12,332 |
| Liabilities | - | (9,630) | (2,267) | (11,897) |
| Capital Expenditure | - | 169 | - | 169 |

2 Share capital

| | Group Dec-17 6 Months \$000 | Group Jun-17 12 months \$000 | Group Dec-16 6 months \$000 |
|--|--------------------------------------|---------------------------------------|--------------------------------------|
| Ordinary shares | | | |
| Ordinary shares (fully paid) | | | |
| Balance at beginning of period | 151,779 | 151,740 | 151,740 |
| Issue Ordinary Shares | - | - | - |
| Transfer due to exercise of options | - | 39 | 25 |
| Balance at end of period | 151,779 | 151,779 | 151,765 |
| Share options | | | |
| Balance at beginning of year | - | 39 | 39 |
| Transfer due to issue of options | - | (39) | (25) |
| Balance at end of year | - | - | 14 |
| | 151,779 | 151,779 | 151,779 |
| Number of shares issued and fully paid | | | |
| Balance at beginning of period | 161,505 | 159,185 | 159,185 |
| Issue of ordinary shares | - | 2,320 | 1,450 |
| Balance at end of period | 161,505 | 161,505 | 160,635 |

The total number of shares on issue as at 31 December 2017 is 161,505,350 (December 2016: 160,635,3650).

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

3. Trade and other payables

| | Group Dec-17 6 Months \$000 | Group Jun-17 12 months \$000 | Group Dec-16 6 months \$000 |
|------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| Trade creditors | 5,550 | 6,134 | 5,014 |
| Employee entitlements | 1,287 | 1,412 | 776 |
| Other creditors and payables | 788 | 198 | 608 |
| | 7,625 | 7,744 | 6,397 |

4 Borrowings - Secured

| | Group Dec-17 6 Months \$000 | Group Jun-17 12 months \$000 | Group Dec-16 6 months \$000 |
|-----------------------|--|---------------------------------------|--------------------------------------|
| Current | | | |
| Borrowings - ANZ Bank | 517 | 517 | 517 |
| Bonds | 550 | 1,000 | 1,000 |
| Finance Leases | 367 | 318 | 377 |
| | 1,434 | 1,835 | 1,894 |
| Non Current | | | |
| Borrowings - ANZ Bank | 2,023 | 2,199 | 2,371 |
| Bonds | 1,000 | 550 | 550 |
| Finance Leases | 498 | 228 | 230 |
| | 3,521 | 2,977 | 3,151 |

The Group's Rural Services business had borrowings from The ANZ Bank Ltd which total \$2,540,097 as at 31 December 2017 (December 2016: \$2,887,830). The average interest rate on these bank borrowings is 6.97% per annum. These borrowings were raised to settle the sale yards property assets acquired from the Parent. The loan facility is secured by registered first mortgage over the sale yards and a First Charge General Security Agreement over the assets of New Zealand Farmers Livestock Ltd. The loan facility agreements with the bank require certain financial covenants to be met, which included:

- a) Interest Cover; and
- b) Dividends; and
- c) Reporting Requirements.

The Group has complied with these financial covenants for the six month period ended 31 December 2017. The loan is repayable September 2019.

Allied Farmers Rural Ltd has extended the maturity date of \$1,000,000 of Bonds from 31 August 2016 to 30 September 2021. The Bonds carry an interest rate of the one year interest rate swap mid-rate per annum as determined by Westpac New Zealand Ltd on 30 September each year plus a margin of 6 percentage points. The current interest rate is 7.3% per annum. The Bond is secured by way of a first charge General Security Agreement over all the assets and undertakings of Allied Farmers Ltd and subsidiaries (excluding New Zealand Farmers Livestock Ltd and subsidiaries) and a specific security over the shares held by Allied Farmers Rural Ltd in New Zealand Farmers Livestock Ltd plus a guarantee from Allied Farmers Ltd and subsidiaries.

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% and mature on 30 September 2018. There are no specific financial covenants.

5 Property Plant and Equipment

| | Group Dec-17 6 Months \$000 | Group Jun-17 12 Months \$000 | Group Dec-16 6 months \$000 |
|---|--|---------------------------------------|--------------------------------------|
| Freehold land | | | |
| Cost at beginning of year | 2,019 | 2,019 | 2019 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Cost at end of year | 2,019 | 2,019 | 2,019 |
| Buildings | | | |
| Cost at beginning of year | 1,030 | 1,003 | 1,003 |
| Additions | - | 27 | - |
| Disposals | - | - | - |
| Reclassification | - | - | - |
| Cost at end of year | 1,030 | 1,030 | 1,003 |
| Accumulated depreciation at beginning of year | (237) | (176) | (176) |
| Depreciation charged to income statement | (31) | (61) | (31) |
| Reclassification | - | - | - |
| Accumulated depreciation at end of year | (268) | (237) | (207) |
| Buildings net book value | 762 | 793 | 796 |
| Motor vehicles | | | |
| Cost at beginning of year | 1,412 | 1,289 | 1,289 |
| Additions | 694 | 435 | 149 |
| Reclassifications | - | 14 | - |
| Disposals | (103) | (326) | (114) |
| Cost at end of year | 2,003 | 1,412 | 1,324 |
| Accumulated depreciation at beginning of year | (835) | (624) | (624) |
| Depreciation charged to income statement | (247) | (394) | (212) |
| Disposals | - | 183 | 73 |
| Accumulated depreciation at end of year | (1,082) | (835) | (763) |
| Motor vehicles net book value | 921 | 577 | 561 |
| Plant and equipment | | | |
| Cost at beginning of year | 305 | 266 | 266 |
| Additions | 226 | 45 | 20 |
| Disposals | - | (6) | (1) |
| Reclassification | - | - | - |
| Cost at end of year | 531 | 305 | 285 |
| Accumulated depreciation at beginning of year | (155) | (135) | (135) |
| Depreciation charged to income statement | (16) | (20) | (10) |
| Disposals | - | - | 3 |
| Accumulated depreciation at end of year | (171) | (155) | (142) |
| Plant and equipment net book value | 360 | 150 | 143 |
| Property, plant and equipment cost at end of year | 5,583 | 4,766 | 4,631 |
| Property, plant and equipment accumulated depreciation at end of year | (1,521) | (1,227) | (1,112) |
| Total property, plant and equipment net book value | 4,062 | 3,539 | 3,519 |

Vehicles include the following amounts where the Group is a lessee under a Capitalised Finance

| | | | |
|--------------------------------|----------------|-------|-------|
| Cost Capitalised Finance Lease | 2,003 | 1,412 | 1324 |
| Accumulated Depreciation | (1,082) | (835) | (763) |
| Net Book Amount | 921 | 577 | 561 |

6 Intangible assets

| | Group Dec-17 6 Months \$000 | Group Jun-17 12 Months \$000 | Group Dec-16 6 months \$000 |
|---|--|---------------------------------------|--------------------------------------|
| Computer software | | | |
| Cost at beginning of year | 225 | 218 | 218 |
| Additions | 30 | 7 | - |
| Reclassification | - | - | 15 |
| Cost at end of year | <u>255</u> | <u>225</u> | <u>233</u> |
| Accumulated amortisation at beginning of year | (174) | (136) | (136) |
| Amortisation charged to income statement | (42) | (47) | (22) |
| Reclassification | (12) | 9 | - |
| Accumulated amortisation at end of year | <u>(228)</u> | <u>(174)</u> | <u>(158)</u> |
| Computer software net book value | <u>27</u> | <u>51</u> | <u>75</u> |
| Goodwill | | | |
| Cost at beginning of year | 100 | - | - |
| Additions | 1,246 | 100 | 100 |
| Cost at end of year | <u>1,346</u> | <u>100</u> | <u>100</u> |
| Total intangibles | <u>1,373</u> | <u>151</u> | <u>175</u> |

7 Investments accounted for using the business combination method previously accounted for using the equity method

| | Group Dec-17 \$000 | Group June-17 \$000 | Group Dec-16 \$000 |
|--|-----------------------------------|---------------------------|--------------------------|
| The amounts recognised in the balance sheet are as follows; | | | |
| Redshaws Livestock Ltd original cost including legal expenses | 411 | 232 | 232 |
| Additions | 225 | 212 | 212 |
| Dividends received to year end | (69) | (69) | (25) |
| Net cost of investment | <u>567</u> | <u>375</u> | <u>419</u> |
| Fair value assessment | 708 | 435 | 434 |
| Fair value adjustment reversal recognised in Other operating expenses in Statement of profit or loss and other comprehensive | 38 | (38) | - |
| Share of profit for period | 59 | 5 | 11 |
| Working capital loan | 204 | 136 | 136 |
| The amounts recognised in the financial statements for the first time are as follows; | | | |
| Statement of Profit and Loss and Other Comprehensive Income | 113 | 5 | 11 |
| Balance Sheet | | | |
| Cash and cash equivalents | 70 | - | - |
| Trade and other receivables | 937 | - | - |
| Inventory | 125 | - | - |
| Property, plant and equipment | 27 | - | - |
| Intangible assets | 1,246 | - | - |
| Trade and other payables | 1,057 | - | - |

8 Trade and other receivables

| | | | |
|--------------------------------------|--------|-------|-------|
| Trade receivables livestock (gross) | 7,315 | 5,986 | 4,794 |
| Trade receivables finance (gross) | 5,038 | 2,074 | 2,422 |
| Provision for impaired assets | (30) | (2) | (8) |
| Trade receivables (net of provision) | 12,324 | 8,058 | 7,208 |
| Prepayments | 111 | 95 | 92 |
| | 12,435 | 8,153 | 7,300 |

Aging of Past Due Receivables that are not impaired

| | | | |
|-----------------------------------|------------|------------|------------|
| 1-30 days | 315 | 301 | 447 |
| 31-60 days | 94 | 93 | 73 |
| 61-90 days | 106 | 104 | 49 |
| Total Past Due Receivables | 515 | 498 | 569 |

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

9 Related Party Transactions

Overview of related party

All transactions with related parties are entered into in the ordinary course of business. No related party debts have been written off or forgiven during the period.

Categories of related party relationships

Related party transactions are detailed by reference to the following

- Group companies: all wholly owned subsidiaries of Allied Farmers Limited. For subsidiary companies of the Parent refer to note 12.
- 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.
- Other related parties: Other entities that may have directors who are also directors of the Company.

Related party revenue / (expense)

- Key management personnel

| | Group Dec-16 6 Months \$000 | Group Jun-17 12 Months \$000 | Group Dec-16 6 months \$000 |
|---|--------------------------------------|---------------------------------------|--------------------------------------|
| Salaries and other short term benefits | 173 | 309 | 182 |
| Total key management personnel compensation | 173 | 309 | 182 |
| Directors Retirement Allowance | 7 | 211 | 14 |

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 Ltd, which over the six months to December 2017 totalled \$148,277 in sales, \$190,063 in purchases and \$10,120 in commission, resulting in gross transactions of \$348,460 (December 2016: \$183,791 June 17: \$504,534). These transactions took place on normal trading terms. The commission earned by New Zealand Farmers Livestock Ltd for the six months to December 2017 was \$9,485 (2016: \$9,485 June 17: \$33,829).

- Other related parties

The Group conducts transactions with associated persons of related parties in the course of its rural activities, which take place on normal trading terms and are on an arms length basis. The value of these transactions is not material.

10 Contingent Assets and Liabilities

There are no contingent assets or liabilities as at 31 December 2017.

11 Events subsequent to balance date

There are no material events subsequent to 31 December 2017.

12 Group Companies

The subsidiary companies comprising the Group are:

| | | Group Dec-16 6 Months | Group Jun-17 12 Months | Group Dec-16 6 months |
|---|---------------------------|--------------------------------------|------------------------------|-----------------------------|
| Subsidiaries of the Parent | | | | |
| Allied Farmers Investments Limited | Asset management Services | 100% | 100% | 100% |
| Allied Farmers Rural Limited | Corporate Services | 100% | 100% | 100% |
| ALF Nominees Limited | Non-trading | 100% | 100% | 100% |
| Allied Farmers (New Zealand) Limited | Non-trading | 100% | 100% | 100% |
| Subsidiaries of Allied Farmers Rural Limited | | | | |
| New Zealand Farmers Livestock Ltd | Rural Services | 66% | 66% | 66% |
| Subsidiaries of NZ Farmers Livestock Ltd | | | | |
| Farmers Meat Export Ltd | Calf Processing | 100% | 100% | 100% |
| NZ Farmers Livestock Finance Ltd | Livestock Finance | 100% | 100% | 100% |
| Redshaws Livestock Limited (Equity accounted) | Rural Services | 52% | 34% | 34% |
| Subsidiaries of Allied Farmers Investments Limited | | | | |
| Allied Farmers Property Holdings Limited | Non trading | 100% | 100% | 100% |
| QWF Holdings Limited | Non trading | 100% | 100% | 100% |
| Clearwater Hotel 2004 Limited | Non trading | 100% | 100% | 100% |
| Lifestyles of New Zealand Queenstown Limited | Non trading | 100% | 100% | 100% |
| LONZ 2008 Limited | Non trading | 100% | 100% | 100% |
| LONZ 2008 Holdings Limited | Non trading | 100% | 100% | 100% |
| Subsidiaries of Allied Farmers Property Holdings Limited | | | | |
| UFL Lakeview Limited | Non trading | 100% | 100% | 100% |
| 5M No. 2 Limited | Non trading | 100% | 100% | 100% |

All companies within the Group were incorporated in New Zealand, and have a balance date of 30 June.

COMPANY DIRECTORY

Directors of the Company

Garry C Bluett BMS, CA (Chairman)

8 St Leonards Road
Takapuna
North Shore City 0740

Philip C Luscombe BAgSci (Hons)

199 Palmer Road
RD 28
Hawera 4678

G Andrew McDouall BCA, Dip NZX

5 Fancourt Street
Karori
Wellington 6012

Mark Benseman BA (Hons)

2B/3 Clyde Quay Wharf
Te Aro
Wellington 6011

Registered Office of the Company

201 Broadway
Stratford 4332

Postal Address of the Company

PO Box 304
Stratford 4352
Ph: 06 765 6199

Website

www.alliedfarmers.co.nz

Auditors

PricewaterhouseCoopers

188 Quay Street
Private Bag 92162
Auckland 1142

Share Registrar

Link Market Services Limited
PO Box 91976
Auckland 1142

Shareholder Enquiries

Link Market Services Limited
Ph: 09 375 5998
Fax: 09 375 5990
Email: Lmsenquiries@linkmarketservices.com
PO Box 91976
Auckland 1142