ALLIED FARMERS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the 6 months ended 31 December 2018 (Unaudited)

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Consolidated Statement of Profit or Loss

Allied Farmers Limited and Subsidiaries
For the 6 Months ended 31 December 2018 (Unaudited)

	Note	Dec 2018 $000	Dec 2017 $000
Revenue			
Sale of goods		**7,057**	4,225
Interest income		**473**	336
Commission Income		**5,632**	6,125
Total Revenue		**13,162**	10,686
Other income		**17**	18
Total income		**13,179**	10,704
Expenses			
Cost of inventory sold		**5,637**	3,681
Interest and funding expense	1	**413**	388
Rental and operating leases		**60**	72
Employee benefit expense		**2,955**	2,862
Depreciation and amortisation	5	**325**	336
Other operating expenses		**2,447**	3,036
Total expenses		**11,837**	10,375
Profit before income tax		**1,342**	329
Income tax expense		**(169)**	(81)
		1,173	248
Total comprehensive income		**1,173**	248
Profit Attributable to:			
Owners of the Parent		**815**	83
Non-Controlling Interests		**358**	165
Total earnings per share attributable to the equity holders of the Parent Company:			
Basic (cents per share)		**0.50**	0.05
Diluted (cents per share)		**0.50**	0.05

The notes on pages 10 to 16 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Allied Farmers Limited and Subsidiaries
For the 6 Months ended 31 December 2018 (Unaudited)

	Share Capital	Accumulated losses	Parent Equity Subtotal	Non Controlling Interests	Total Equity
	$000	$000	$000	$000	$000
Opening balance as at 1 July 2017	**151,779**	**(150,756)**	**1,023**	**797**	**1,820**
Comprehensive income					
Net Profit for the 6 months ended 31 December 2017	-	83	83	165	248
Total comprehensive income	-	83	83	165	248
Transactions with owners					
Dividends paid	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Closing balance as at 31 December 2017	**151,779**	**(150,673)**	**1,106**	**962**	**2,068**
Comprehensive income					
Net Profit for the 6 months ended 30 June 2018	-	1,452	1,452	525	1,977
Total comprehensive income	-	1,452	1,452	525	1,977
Transactions with owners					
Dividends paid	-	(323)	(323)	(273)	(596)
Acquisition of Redshaw Livestock Limited	-	-	-	17	17
Total transactions with owners	-	(323)	(557)	(256)	(579)
Closing balance as at 30 June 2018	**151,779**	**(149,544)**	**2,001**	**1,231**	**3,466**
Comprehensive income					
Net Profit for the 6 months ended 31 December 2018	-	815	815	358	1,173
Total comprehensive income	-	815	815	358	1,173
Transactions with owners					
Dividends paid	-	-	-	(163)	(163)
Total transactions with owners	-	-	-	(163)	(163)
Closing balance as at 31 December 2018	**151,779**	**(148,728)**	**2,816**	**1,426**	**4,476**

The notes on pages 10 to 16 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet
Allied Farmers Limited and Subsidiaries
As at 31 December 2018 (Unaudited)

	Note	Dec 2018 $000	June 2018 $000
Equity			
Share capital	2	**151,779**	151,779
Reserves		**(148,728)**	(149,544)
Equity attributable to owners of the Parent		**3,051**	2,235
Non Controlling Interests		**1,426**	1,231
Total equity		**4,476**	3,466
Liabilities			
Current liabilities			
Trade and other payables	3	**8,963**	10,232
Finance receivables borrowings	4	**5,350**	1,500
Borrowings	4	**1,188**	1,439
Taxation		**37**	133
Total current liabilities		**15,538**	13,304
Non-current liabilities			
Borrowing	4	**3,275**	3,551
Total non-current liabilities		**3,275**	3,551
Total liabilities		**18,813**	16,855
Total liabilities and shareholders equity		**23,289**	20,321
Assets			
Current assets			
Cash and cash equivalents	11	**2,174**	569
Trade and other receivables	8,11	**8,028**	9,367
Finance receivables	8,11	**6,609**	4,619
Inventory		**905**	122
Prepayments		**115**	13
Total current assets		**17,831**	14,690
Non-current assets			
Investments		**5**	-
Property, plant and equipment	5	**3,995**	4,190
Intangible assets and Goodwill	6	**769**	751
Deferred tax asset		**689**	690
Total non-current assets		**5,459**	5,631
Total assets		**23,289**	20,321

The notes on pages 10 to 16 are an integral part of these consolidated financial statements.

The Board of Directors of Allied Farmers Limited authorised these financial statements for issue on 26 February 2019.

Director

Director

Consolidated Statement of Cash Flows

Allied Farmers Limited and Subsidiaries

For the 6 Months ended 31 December 2018 (Unaudited)

	December 2018 $000	December 2017 $000
Cash Flows from Operating Activities		
Cash was provided from:		
Receipts from customers	**14,045**	12,638
Interest received	**473**	336
	14,518	12,974
Cash was applied to:		
Payments to suppliers and employees	**(13,252)**	(13,750)
Interest paid	**(413)**	(388)
Taxation paid	**(265)**	(266)
	(13,930)	(14,405)
Net cash flows from operating activities	**587**	(1,430)
Cash Flows from Investing Activities		
Cash was provided from:		
Sale of property, plant and equipment	**-**	103
	-	103
Cash was applied to:		
Increase in finance receivables	**(1,990)**	(2,935)
Acquisition of subsidiary/investment net of cash acquired	**(5)**	(225)
Purchase of property, plant and equipment	**(147)**	(950)
	(2,142)	(4,110)
Net cash flows (used in) investing activities	**(2,142)**	(4,007)
Cash Flows from Financing Activities		
Cash was provided from:		
Increase in finance receivables borrowings	**3,850**	-
Increase in vehicle finance borrowings	**146**	187
	3,996	187
Cash was applied to:		
Increase (Repay) livestock trading borrowings	**(439)**	(143)
Repayment of vehicle finance borrowings	**(234)**	-
Dividends paid to Minority Shareholders	**(163)**	-
	(837)	(143)
Net cash flows from / (used in) from financing activities	**3,160**	44
Net (decrease) in cash and cash equivalents	**1,605**	(5,393)
Cash and cash equivalents at beginning of year	**569**	1,577
Adjustment for Redshaw Livestock Limited acquisition as subsidiary	**-**	80
Cash and cash equivalents at end of year	**2,174**	(3,736)

The notes on pages 10 to 16 are an integral part of these consolidated financial statements.

Reconciliation of Operating Cash Flows

Allied Farmers Limited and Subsidiaries

For the 6 Months ended 31 December 2018 (Unaudited)

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

	Group December 2018 $000	Group December 2017 $000
Net profit after tax for the period	**1,173**	248
Adjustments for:		
(Profit)/Loss on sale of assets	**-**	2
Depreciation	**325**	336
Movement in impairment provisions on trade receivables	**8**	28
	333	366
Movement in working capital:		
(Increase)/Decrease in trade and other receivables	**1,229**	(1,088)
Increase/(Decrease) in payables and provisions	**(1,269)**	(119)
(Increase)/decrease in inventory	**(783)**	(653)
Increase/(decrease) in tax payable	**(96)**	(185)
	(919)	(2,045)
Net cash (outflows)/inflows from operating activities	**587**	(1,430)

The notes on pages 10 to 16 are an integral part of these consolidated financial statements.

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries

For the 6 months ended 31 December 2018 - unaudited

GENERAL INFORMATION

These financial statements have been approved for issue by the Board of Directors on 26 February 2019.
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 and the financing of livestock purchases.

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 annual 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).

These 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.

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 XRB (External Reporting Board) A1.

The accounting policies applied are consistent with those as described in the annual financial statements for the year ended 30 June 2018, except for the effects of applying NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 9 Financial Instruments as set out below.

Taxes on income in interim periods are accrued for using the tax rate that would have been applicable to expected total annual profit or loss.

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There have been no changes to the areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements from those appearing in the Annual Report for the year ended 30 June 2018, other than as described in recognising impairment under NZIFRS 9 below.

New Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018. Those which are relevant to the Group are set out below with updated accounting policies as necessary.

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under NZ IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in the exchange for acting as agent in a livestock transaction or transferring goods or services to a customer.

The adoption of NZ IFRS 15 did not have any material affect for the Group, and no restatement to the prior year was made. The Group’s major revenue streams under NZ IFRS 15 are the sale of livestock agency services ("Commission income") and the procurement and processing of calves ("Sale of goods") as detailed below:

Revenue from Contracts with Customers

Commission income:The Group earns commissions from facilitating livestock sales between purchasers and vendors on an agency basis. The Group has concluded that revenue from this revenue stream is recognised as agent at point in time upon the completion of the livestock sale.

Sale of Goods:The Group contracts with customers to supply them processed livestock and this arrangement generally includes a performance obligation. The Group has concluded that revenue from sale of processed livestock should be recognised at the point in time when control of the asset is transferred to the customer.

NZ IFRS 9 Financial Instruments

NZ IFRS 9 applies to the accounting for financial instruments, in particular classification and measurement of financial assets, the impairment of financial assets and hedge accounting. The adoption of NZIFRS 9 did not have any material effect for the Group and no restatement for the prior year has been made.

Classification and Measurement

NZ IFRS 9 changes the classification criteria and category names of the following financial assets:

- Cash and cash equivalents
- Trade and other receivables
- Finance Business receivables

From 1 July 2018 the Group has classified the above financial assets as at amortised cost. Until June 2018 the Group fclassified its financial assets as loans and receivables. There was no change in the carrying amount of the financial assets as a result of reclassification.

At initial recognition, the Group measures its financial instruments, excluding derivatives, at their fair value plus transaction costs that are directly attributed to the acquisition or issue of the financial asset or financial liability. The Group subsequently measures all financial instruments at amortised cost, both on initial recognition and impairment.

Impairment of Financial Assets

Under the previous accounting standard, impairment was recognised when, and only when, loss events occurred. However under NZ IFRS 9 impairment is recognised based on the loss that the group expects, considering both historical loss experience and an assessment of forward-looking impairment indicators.

Accordingly, as at and from 1 July 2018 the Group assessed on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The methodology applied in determining the amount of the impairment provision depends on whether there has been a significant increase in credit risk as well as default.

The Group considers a broad range of information when assessing credit risk and measuring external credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For financial assets (excluding trade and other receivables), a distinction is made between:
- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”);
- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”); and
- Financial assets that have objective evidence of impairment at the reporting date - i.e. in default (“Stage 3”)

The term of the Group's finance receivables is typically less than 12 months. Accordingly provisioning is based on borrower specific factors in conjunction with any macro economic factors contributing to the definition of "significant increase in credit risk being met", whilst also factoring in any cash flows from collateral held as security for the financial assets.

’12 month expected credit losses’ are recognised for Stage 1 while ‘lifetime expected credit losses’ are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition.

For cash and cash equivalents held with financial institutions, no deterioration in credit quality since initial recognition is presumed to have occurred to the extent that the financial institutions have "investment grade" ratings.

For trade and other receivables the Group makes use of a simplified approach, as permitted by NZ IFRS 9, and records the loss allowances as lifetime expected credit losses from initial recognition. This is expected credit losses that result from all possible default events over the life of the financial instrument.

New Standards and Interpretations Not Yet Adopted

NZ IFRS 16 Leases

The new standard NZ IFRS 16 Leases was released by IASB in January 2016 and adopted by the External Reporting Board in New Zealand in February 2016. The standard requires lease agreements to be recognised on the balance sheet as a right to use asset, with a corresponding liability.

The company intends to adopt NZ IFRS 16 for the annual period beginning on 1 July 2019. The Group's assessment is that there may be an increase in Total Assets and Total Labilities and increases in interest and amortisation together with a decrease in rental expenses. However these impacts have yet to be quantified. Consideration of which transition option to utilise is to be considered.

The Group does not plan to adopt this standard early.

Notes to the Financial Statements

Allied Farmers Limited and Subsidiaries
For the 6 Months ended 31 December 2018 (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 activities were completed during the previous 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 Livestock Services holding company Allied Farmers Rural Limited.

The segment results for the six months ended 31 December 2018 are as follows:

	Asset Management Services $000	Livestock Services $000	Corporate $000	Total Continuing $000
Sales of goods	-	7,057	-	7,057
Commission Income	-	5,632	-	5,632
Other Income	-	17	-	17
Interest Income	-	473	-	473
Total Income	-	13,179	-	13,179
Cost of Inventory sold	-	(5,637)	-	(5,637)
Depreciation and amortisation	-	(325)	-	(325)
Interest and funding expense (external)	-	(360)	(53)	(413)
Rental and operating Leases (external)	-	(59)	(1)	(60)
Employee benefit expense	-	(2,908)	(47)	(2,955)
Net Other expenses (external)	-	(2,388)	(58)	(2,447)
Profit/Loss before income tax	-	1,501	(159)	1,342
Income Tax	-	(169)	-	(169)
Profit/Loss after Income Tax	-	1,333	(159)	1,173

The segment assets and liabilities as at 31 December 2018 for the 6 months ended 31 December 2018:

	Asset Management Services $000	Livestock Services $000	Corporate $000	Total Continuing $000
Current Assets	-	16,752	1,078	17,831
Non Current Assets	-	5,459	-	5,459
Assets	-	22,211	1,078	23,289
Current Liabilities	-	(14,772)	(766)	(15,538)
Non Current Liabilities	-	(2,275)	(1,000)	(3,275)
Liabilities	-	(17,047)	(1,766)	(18,813)

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

	Asset Management Services $000	Livestock Services $000	Corporate $000	Total Continuing $000
Sale of goods	-	4,225	-	4,225
Commission Income	-	6,125	-	6,125
Interest Income	-	336	-	336
Other Income	11	-	-	11
Total Income	11	10,685	-	10,696
Cost of Inventory Sold	-	(3,681)	-	(3,681)
Depreciation and amortisation	-	(336)	-	(336)
Interest and funding expense (external)	-	(334)	(54)	(388)
Rental and operating expense	-	(71)	(1)	(72)
Employee benefit expense	-	(3,425)	(20)	(3,445)
Net Other expenses (external)	(1)	(2,189)	(255)	(2,444)
Profit/Loss before income tax	10	648	(330)	329
Inter-segmental income	-	-	-	-
Income Tax	-	(81)	-	(81)
Profit/Loss after Income Tax	10	568	(330)	248

The segment assets and liabilities as at 31 December 2017 are as follows:

	Asset Management Services $000	Livestock Services $000	Corporate $000	Total Continuing $000
Current Assets	36	13,433	115	13,584
Non Current Assets	-	5,459	-	5,459
Assets	36	18,892	115	19,043
Current Liabilities	-	(12,266)	(887)	(13,153)
Non Current Liabilities	-	(2,163)	(1,000)	(3,163)
Liabilities	-	(14,429)	(1,887)	(16,316)

2 Share capital

The total number of shares on issue as at 31 December 2018 is 161,505,350 (December 2017: 161,505,350).

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-18 $000	**Group Jun-18 $000**
Trade creditors	**3,829**	8,525
Employee entitlements	**2,955**	1,180
Other creditors and payables	**2,179**	527
	8,963	10,232

4 Borrowings

	Group Dec-18 $000	Group Jun-18 $000
Current		
Bank borrowings - Finance Receivables (secured)	**5,350**	1,500
Bank borrowings - Trading (secured)	**384**	417
Bonds (secured)	**300**	550
Finance leases	**504**	472
	6,538	2,939
Non Current		
Bank borrowings - Finance Receivables (secured)	**-**	
Bank borrowings - Trading (secured)	**1,786**	1,940
Bonds (secured)	**1,000**	1,000
Finance Leases	**489**	611
	3,275	3,551

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 three 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 loans as at 31 December 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 $31,972 per month. The balance owing at 31 December 2018 is $2,169,211 (30 June 2018: $2,357,757).

Overdraft Facilities

NZ Farmers Livestock Limited has an overdraft facility of $1,000,000 which is not drawn down as at 31 December 2018 (Dec 2017: $Nil, June 2018: $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, a seasonal overdraft facility of $2,700,000 (2018 $1,500,000). This facility has an interest rate of 6.9% p.a. The amount drawn at 31 December 2018 is $450,000 (June 2018 nil).

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 on demand facilities of $3,000,000 (Bull Financing Facility) and $2,000,000 (General Livestock Financing Facility). The facilities have an interest rate of 6.9% p.a. If either of the facilities have a balance of $1,500,000 at the end of each month 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. The Bull Financing Facility balance owing at 31 December 2018 is $1,850,000 (June 2018 nil). The General Livestock Financing Facility balance owing at 31 December 2018 is $2,000,000 (June 2018 nil).

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 5.85% p.a. The balance owing at 31 December 2018 is $1,500,000 (June 2018 $1,500,000).

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. The balance owing at 31 December 2018 is $300,000 (June 18 $550,000). The repayment of $300,000 has been extended until 31st March 2019.

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 31 December 2018 the interest rate on the Bonds was 7.3% p.a (June 2018: same). There are no 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**	Group
	Dec-18	Jun-18
Finance Lease Liabilities	**$000**	$000
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	**594**	539
Later than 1 year and no later than 5 years	**481**	648
	1,075	1,187
Future Finance Charges of Finance Lease Liabilities	**(80)**	(104)
Present Value of Finance Lease Liabilities	**994**	1,083
The present value of Finance Lease liabilities is as follows:		
No later than 1 year	**504**	472
Later than 1 year and no later than 5 years	**489**	611
	994	1,083

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 instalments. 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.

5 Property Plant and Equipment

	Group Dec-18 6 Months $000	Group Jun-18 12 Months $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	**1,041**	1,030
Additions	**-**	11
Cost at end of year	**1,041**	1,041
Accumulated depreciation at beginning of year	**(299)**	(237)
Depreciation charged to income statement	**(33)**	(62)
Accumulated depreciation at end of year	**(332)**	(299)
Buildings net book value	**709**	742
Motor vehicles		
Cost at beginning of year	**1,729**	1,412
Additions	**133**	1,139
Disposals	**(157)**	(822)
Cost at end of year	**1,705**	1,729
Accumulated depreciation at beginning of year	**(532)**	(835)
Depreciation charged to income statement	**(273)**	(387)
Disposals	**118**	690
Accumulated depreciation at end of year	**(687)**	(532)
Motor vehicles net book value	**1,018**	1,197
Plant and equipment		
Cost at beginning of year	**426**	305
Additions	**23**	131
Disposals	**-**	(10)
Cost at end of year	**449**	426
Accumulated depreciation at beginning of year	**(194)**	(155)
Depreciation charged to income statement	**(19)**	(46)
Disposals	**13**	7
Accumulated depreciation at end of year	**(200)**	(194)
Plant and equipment net book value	**249**	232
Property, plant and equipment cost at end of year	**5,214**	5,215
Property, plant and equipment accumulated depreciation at end of year	**(1,219)**	(1,025)
Total property, plant and equipment net book value	**3,995**	4,190

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

Cost Capitalised Finance Lease	**1,592**	1,730
Accumulated Depreciation	**(707)**	(532)
Net Book Amount	**884**	1,198

6 Intangible assets

	Group Dec-18 6 Months $000	Group Jun-18 12 Months $000
Computer software		
Cost at beginning of year	234	225
Additions	19	9
Disposals	-	-
Cost at end of year	**253**	234
Accumulated amortisation at beginning of year	**(225)**	(174)
Amortisation charged to income statement	**-**	(51)
Disposals	**-**	-
Accumulated amortisation at end of year	**(225)**	(225)
Computer software net book value	**28**	9
Goodwill		
Cost at beginning of year	**742**	100
Additions	**-**	642
Cost at end of year	**742**	742
Total intangibles	**769**	751

7 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 4 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	Dec-18 6 Months	Jun-18 12 Months
- Associated Auctioneers	33%	Te Kuiti		
Summarised Balance Sheet				
Current Assets			**31**	81
Current Liabilities			**30**	53
Net Assets			**1**	28
Summarised statement of profit or loss				
Income			**97**	280
Expenses			**124**	304
Profit (Loss) before taxation			**(27)**	(24)
- Associated Auctioneers	50%	Stratford		
Summarised Balance Sheet				
Current Assets			**181**	147
Current Liabilities			**17**	12
Non current assets			**21**	23
Net assets			**185**	158
Summarised statement of profit or loss				
Income			**136**	297
Expenses			**108**	219
Profit			**28**	78
- Associated Auctioneers	50%	Frankton		
Summarised Balance Sheet				
Current Assets			**262**	111
Current Liabilities			**42**	17
Non current assets			**113**	112
Net assets			**333**	206
Summarised statement of profit or loss				
Income			**325**	618
Expenses			**199**	363
Profit			**127**	255

- Associated Auctioneers 25% Morrinsville

Summarised Balance Sheet		
Current Assets	**133**	174
Current Liabilities	**13**	20
Non current assets	**212**	217
Net assets	**332**	371
Summarised statement of profit or loss		
Income	**70**	334
Expenses	**110**	275
(Loss) Profit before taxation	**(40)**	59

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.

8 Trade and other receivables

	Group Dec-18 $000	Group Jun-18 $000
Trade receivables livestock (gross)	**8,043**	9,390
Trade receivables finance (gross)	**6,609**	4,619
Provision for impaired assets	**(15)**	(23)
Trade receivables (net of provision)	**14,637**	13,986
Prepayments	**115**	13
	14,752	13,999

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 transactions

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 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

	Group Dec-18 6 Months $000	Group Dec-17 6 months $000
Salaries and other short term benefits	**402**	173
Directors fees	**77**	67
Total key management personnel compensation	**479**	240

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 2018 totalled $183,238 in sales (December 2017: $148,277), $190,063 in purchases (December 2017: $190,063) and $12,233 in commission (December 2017: $10,120), resulting in gross transactions of $392,226 (December 2017: $348,460). These transactions took place on normal trading terms. The commission earned by New Zealand Farmers Livestock Ltd on these transactions for the six months to 31 December 2018 was $12,233 (December 2017: $10,120).

(b) Other related parties

Albany Braithwaite Holdings Limited an associated person of Director Mark Benseman is the holder of $600,000 in bonds. Albany Braithwaite Holdings Limited is also a Substantial Product Holder of Allied Farmers as is Stockmans Holdings Limited a company associated with two senior management employees.

10 Contingent Assets and Liabilities

There are no contingent assets or liabilities as at 31 December 2018.

11 Financial assets and liabilities

The Group’s activities expose it to a variety of financial risks, market risk (including currency and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program seeks to minimise potential adverse effects on the Group’s financial performance.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group’s annual financial statements for the period ending 30 June 2018. There have been no changes in the risk management policies since year end.

Cash and short term deposits

These are short term in nature and their carrying value is equivalent to their fair value.

Trade, related party and other receivables

These assets are short term in nature and are reviewed for impairment; their carrying value approximates their fair value

Trade, related party and other payables

These liabilities are mainly short term in nature with their carrying value approximating their fair value.

Borrowings

Borrowings have fixed and floating interest rates. Fair value is estimated using the discounted cash flow model based on a current market interest rate for similar products; their carrying value approximates their fair value.

Fair Values

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels based on the degree to which the fair value is observable

Level 1 - fair value measurements derived from quoted prices in active markets for identical assets

Level 2 - fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - fair value measurements derived from valuation techniques that include inputs for the asset or laibility which are not based on observable market data.

There have been no transfers between levels or changes in valuation methods used to determine the fair value of the Group's financial instruments during the period.

The Group’s classification of each class of financial assets and their fair values is set out below.

	Group	Group
	Dec-18	Dec-17
	6 Months	12 Months
	$000	$000
Financial Assets classified as at amortised cost (previously loans and receivables)		
Cash and cash equivalents	**2,174**	569
Trade and other receivables	**8,028**	9,367
Finance Receivables	**6,609**	4,619
	16,811	14,555
Financial Liabilities measured at amortised cost		
Trade and other payables	**8,963**	10,232
Borrowings - Bank	**7,519**	3,857
Borrowings - Bonds	**1,300**	1,550
Borrowings - Finance Leases	**994**	1,083
	18,776	16,721

COMPANY DIRECTORY

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