

LANDCORP
NEW ZEALAND

PĀMU
FARMS OF
NEW ZEALAND



**LANDCORP FARMING LIMITED
HALF YEAR REPORT
FOR THE SIX MONTHS
ENDED 31 DECEMBER 2015**



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Landcorp Farming Limited is a State Owned Enterprise and one of New Zealand's largest farming organisations, farming approximately 140 properties. Landcorp is a leader in New Zealand agriculture and strives for best practice in dairy, sheep, beef and deer farming, for sustainable use of resources and continuous improvement in livestock genetics and farm systems. Landcorp's Pāmu Farms of New Zealand brand simply means "to farm" and reflects the provenance and quality of Landcorp's products and its commitment to productive partnerships.

HALF YEAR REVIEW

Chairman and Chief Executive

Despite challenging conditions we have continued to make good progress on our strategy.

Landcorp made a net operating loss of \$8.9 million for the half year ended 31 December 2015. This compares to a \$1.0 million profit in the corresponding period last year. Landcorp's half year revenues were \$108.8 million (down from \$115.1 million), due for the most part to a 22% contraction in milk revenue in the corresponding period.

The fall in milk prices illustrates the extent to which New Zealand agriculture is vulnerable to the vagaries of the global market. We expect this current financial year to remain challenging for our business, as it will be for the entire dairy sector.

Landcorp's participation in Fonterra's Guaranteed Milk Price (GMP) scheme has reduced the revenue impact of lower milk prices by securing us a price that is currently in excess of Fonterra's latest forecast pay-out for a sizeable portion of this year's milk production.

Overall milk volumes rose by 1% due to increased production from new farms. However, in response to market conditions we have introduced changes to our dairy farm systems. Changes have included revising stocking rates, less reliance on purchased feed, more effective use of dairy support and an increase in on-farm cropping. These system changes have led to a reduced milk output on a same farm basis, with volumes currently running at around 8% below last year's levels.

The red meat side of our business continues to perform well. We have achieved a lambing rate of 141% for 2015/16, the same as the previous year and in line with our budgeted expectations. Our lambing result was challenged by adverse spring weather events at lambing time, particularly on the East Coast of the North Island. Our properties remain focused on genetic gain across all livestock enterprises as well as building resilience to climatic variations nationwide.

HALF YEAR REVIEW CONTINUED

A significant amount of our revenue for 2015/16 is underpinned by fixed price contracts. Beef price schedules generally remain positive or flat while lamb and mutton are down which is disappointing given industry figures reporting a smaller lamb crop nationally and a favourable currency. Venison prices are up 10% on last year, and with Landcorp comprising 10% of the New Zealand deer industry, this is an area where we will continue to expand the business. Wool prices are 12% higher than last year, although volumes are behind last year due to timing of shearing activity and some wool being held back from the market in December.

Farm managers have once again been proactive in addressing the potential for extended dry conditions. A working group was formed to look at strategies to manage the El Niño weather event. Farm Managers remain vigilant for signs of any late summer dry conditions that may affect autumn, a critical season prior to going into winter.

OUTLOOK

The challenging conditions we face reinforce the strategic direction the company is taking to derive more value for products, reduce our exposure to commodity price volatility and constantly look at ways to innovate and farm more effectively and efficiently.



OUTLOOK CONTINUED

For full year 2015/16, we expect to report a net operating loss of between \$8 million and \$12 million. This result will be below that of the previous year when a net operating profit of \$4.9 million was achieved, with the deterioration predominantly attributable to lower milk prices. Such commodity price volatility underscores our imperative to look for new opportunities and innovations.

To assist with the implementation of our strategy, we have introduced a new role to the company - General Manager of Innovation and Technology. Rob Ford has been appointed to the role, which will look at new sciences and technologies to help us improve our operations. We also take the opportunity to introduce our new General Manager of Commercial Development, Andrew Sliper who will work to expand our partnerships across the country.

Unfortunately, we tragically lost an employee, Jamie van der Kuijl, in a fatal accident on Omoeroa Station in October 2015. This tragedy has been devastating for our organisation and strengthens our commitment to make Landcorp a safer workplace. As we look ahead to the rest of this year and into the next, reviewing and improving our health and safety culture and systems is our first priority.

Our people continue to rise to the challenges posed by commodity prices and weather events. We thank them sincerely for a huge contribution in the latest half year and for their efforts in tight cost control during this time.



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Traci Houpapa MNZM JP
Chairman



A stylized, handwritten signature in black ink, consisting of a large 'S' and 'C' followed by a wavy line.

Steven Carden
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2015

	Note	Unaudited 6 months to 31 Dec 15 \$m	Audited 12 months to 30 Jun 15 \$m	Unaudited 6 months to 31 Dec 14 \$m
Revenue				
Livestock	4	50.9	111.3	44.7
Milk		48.2	88.1	61.5
Wool		2.4	10.7	3.2
Forestry		1.5	2.4	0.3
Other produce		0.5	1.0	0.1
		103.5	213.5	109.8
Share of (loss)/profit from equity accounted investments		(0.4)	-	-
Other gains and losses		1.2	0.2	(0.1)
Other income		4.5	10.6	5.4
		108.8	224.3	115.1
Expenses				
Farm working expenses		50.8	91.1	49.1
Personnel		30.6	57.6	30.0
Depreciation and amortisation		7.6	15.4	7.1
Maintenance		6.6	14.0	7.1
Other expenses		16.1	30.7	15.4
		111.7	208.8	108.7
Net (Loss)/Profit before Interest, Property Sales and Revaluations		(2.9)	15.5	6.4
Interest expense		(6.0)	(10.6)	(5.4)
Net Finance Costs		(6.0)	(10.6)	(5.4)
Net Operating (Loss)/Profit		(8.9)	4.9	1.0
Profit/(Loss) on sale of land		0.4	-	-
Revaluation Gains and Losses				
Gain due to price changes on forests		-	1.9	-
Gain/(Loss) due to price changes on livestock	4	43.0	(21.6)	62.6
(Loss)/Gain due to price changes on financial instruments		(0.6)	(6.8)	(3.9)
Gain/(Loss) on revaluation of property, plant and equipment		-	(2.8)	-
Net Profit/(Loss) before Tax		33.9	(24.4)	59.7
Tax income (expense)		3.6	4.4	3.0
Net Profit/(Loss) after Tax		37.5	(20.0)	62.7

Note	Unaudited 6 months to 31 Dec 15 \$m	Audited 12 months to 30 Jun 15 \$m	Unaudited 6 months to 31 Dec 14 \$m
Other Comprehensive Income			
Gain on revaluation of land and improvements	-	11.7	-
Revaluation losses transferred to and recognised in profit and loss	-	2.8	-
Gain/(loss) on revaluation of available-for-sale financial assets	7.8	(4.0)	3.6
Gain due to price changes on intangible assets	1.3	0.6	0.5
Income tax on income and expense recognised in equity	-	0.5	-
Total Comprehensive Income	46.6	(8.4)	66.8

The accompanying notes form part of these financial statements.

The Directors note that the Net Profit/(Loss) after Tax for the six months to 31 December 2015 as reported under NZ IFRS includes significant revaluation gains and losses on livestock and financial instruments used for interest rate hedging. These gains and losses are valued at a particular point in time and do not represent cash flows that are received in the ordinary course of business.

STATEMENT OF MOVEMENTS IN EQUITY

for the six months ended 31 December 2015

	Unaudited 6 months to 31 Dec 15 \$m	Audited 12 months to 30 Jun 15 \$m	Unaudited 6 months to 31 Dec 14 \$m
Ordinary Shares			
Balance beginning of year	125.0	125.0	125.0
Balance end of year	125.0	125.0	125.0
Retained Earnings			
Balance beginning of year	130.9	129.5	129.5
Net profit/(loss) after tax	37.5	(20.0)	62.8
Transfers (from)/to revenue reserves	(42.4)	28.4	(58.7)
Other movements	3.3	-	(0.5)
Dividends paid	-	(7.0)	(7.0)
Balance end of year	129.3	130.9	126.1
Revenue Reserves			
Biological assets revaluation reserve			
Balance beginning of year	105.6	127.2	127.2
Transfers from/(to) retained earnings	43.0	(21.6)	62.6
Balance end of year	148.6	105.6	189.8
Financial assets revaluation reserve			
Balance beginning of year	(22.9)	(16.1)	(16.1)
Transfers (to)/from retained earnings	(0.6)	(6.8)	(3.9)
Balance end of year	(23.5)	(22.9)	(20.0)
Fair Value Reserve			
Balance beginning of year	9.1	12.9	12.9
Revaluation of available-for-sale financial assets	7.8	(4.0)	3.6
Net tax effect on revaluation	-	0.2	-
Balance end of year	16.9	9.1	16.5
Asset Revaluation Reserves			
Intangible assets			
Balance beginning of year	(0.5)	(1.1)	(1.1)
Net value change during year	1.3	0.6	0.5
Balance end of year	0.8	(0.5)	(0.6)
Freehold land and improvements			
Balance beginning of year	769.7	747.0	747.0
Transfers from property held for sale	-	8.0	-
Net value change during year	-	11.6	-
Revaluation losses recognised in profit and loss	-	2.8	-
Tax effect of reserve movements	-	0.3	-
Other movements	(2.8)	-	-
Balance end of year	766.9	769.7	747.0

	Unaudited 6 months to 31 Dec 15 \$m	Audited 12 months to 30 Jun 15 \$m	Unaudited 6 months to 31 Dec 14 \$m
Property held for sale			
Balance beginning of year	12.6	20.5	20.5
Transfers to freehold land and improvements	-	(8.0)	-
Value change during year	-	0.1	-
Balance end of year	12.6	12.6	20.5
Other Equity			
Balance beginning of year	283.4	282.5	282.5
Capital expenditure reimbursed by the Crown	0.8	0.9	0.6
Balance end of year	284.2	283.4	283.1
Non-Controlling Interest			
Balance beginning of year	-	0.9	0.9
Net loss after tax	-	-	(0.1)
Acquisition of subsidiary with non-controlling interests	-	(0.9)	-
Other movements	-	-	(0.8)
Balance end of year	-	-	-
Total Equity			
Balance beginning of year	1,412.9	1,428.3	1,428.3
Net profit/(loss) after tax	37.5	(20.0)	62.7
Other comprehensive income:			
Gain/(loss) on revaluation of land and improvements	-	11.7	-
Revaluation losses transferred to and recognised in profit and loss	-	2.8	-
Gain/(loss) on revaluation of available-for-sale financial assets	7.8	(4.0)	3.6
Gain on revaluation of intangible assets	1.3	0.6	0.5
Income tax on income and expense recognised in equity	-	0.5	-
Other movements	0.5	(0.9)	(1.3)
Dividends paid	-	(7.0)	(7.0)
Capital expenditure reimbursed by the Crown	0.8	0.9	0.6
Balance end of year	1,460.8	1,412.9	1,487.4

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the six months ended 31 December 2015

Note	Unaudited 6 months to 31 Dec 15 \$m	Audited 12 months to 30 Jun 15 \$m	Unaudited 6 months to 31 Dec 14 \$m
Operating Activities			
Cash was received from:			
Receipts from customers			
Livestock	36.5	134.6	35.1
Milk	36.8	99.2	57.5
Other receipts from customers	13.1	24.0	14.9
Dividends received from equity accounted investments	0.4	-	-
Other dividends received	0.1	-	-
Income tax received	0.5	0.3	0.5
Net GST (paid)/received	(0.2)	0.8	1.3
	87.2	258.9	109.3
Cash was applied to:			
Payments to suppliers	75.5	161.1	85.4
Payments to employees	29.7	57.0	30.7
Interest paid	4.5	11.3	5.5
	109.7	229.4	121.6
Net Cash Flows from Operating Activities	(22.5)	29.5	(12.3)
Investing Activities			
Cash was received from:			
Sale of land and improvements	5.4	4.9	1.1
Sale of other property, plant and equipment	1.7	(0.4)	0.3
	7.1	4.5	1.4
Cash was applied to:			
Purchase and development of land	16.2	42.5	15.3
Purchase of other property, plant and equipment	5.3	15.5	4.7
Purchase of intangible assets	-	0.1	0.1
Purchase of shares and advances	1.9	5.3	2.0
Purchase of livestock	1.0	1.8	1.7
	24.4	65.2	23.8
Net Cash Flows from Investing Activities	(17.3)	(60.7)	(22.4)

	Note	Unaudited 6 months to 31 Dec 15 \$m	Audited 12 months to 30 Jun 15 \$m	Unaudited 6 months to 31 Dec 14 \$m
Financing Activities				
Cash was received from:				
Net borrowing receipts		40.2	38.1	42.1
		40.2	38.1	42.1
Cash was applied to:				
Dividends paid	8	-	7.0	7.0
		-	7.0	7.0
Net Cash Flows from Financing Activities		40.2	31.1	35.1
Net Change in Cash and Cash Equivalents		0.4	(0.1)	0.4
Cash and cash equivalents at beginning of year		0.2	0.3	0.3
Cash and Cash Equivalents at End of Year		0.6	0.2	0.7
Cash and cash equivalents comprises cash balances held with registered New Zealand banks -		-	-	-
Cash at bank		0.6	0.2	0.7
Reconciliation of Profit and Operating Cash Flow				
Net Profit/(Loss) after Tax		37.5	(20.0)	62.7
Non cash items				
Depreciation and amortisation		7.6	15.4	7.1
Revaluation gains and losses		(42.4)	29.3	(58.7)
Change in deferred tax asset/liability		(3.7)	(4.1)	(2.9)
Deferred tax on revaluation of assets		-	0.3	-
Other non cash items		(23.5)	1.0	(21.2)
Movement in working capital items				
Inventories		1.6	2.9	3.6
Accounts receivable		(5.4)	6.2	(0.3)
Accounts payable and accruals		2.9	3.1	(1.4)
Employee entitlements		(0.1)	(2.7)	(2.8)
Items classified as investing or financing activities				
Net loss on movement of assets		(0.4)	(0.3)	(0.1)
Change in accounts receivable due to capital items		(0.4)	0.4	(0.3)
Change in accounts payable due to capital items		2.8	(3.8)	0.3
Purchase of livestock		1.0	1.8	1.7
Net Cash Flows from Operating Activities		(22.5)	29.5	(12.3)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

for the six months ended 31 December 2015

	Note	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
Assets				
Cash and Cash Equivalents		0.6	0.2	0.7
Accounts Receivable	5	32.2	26.8	33.3
Inventories		6.4	8.0	7.3
Property Held for Sale		27.2	31.5	50.5
Biological Assets				
Livestock	4	337.2	270.9	378.1
Forests		26.2	25.4	21.9
Total Biological Assets		363.4	296.3	400.0
Equity Accounted Investments		7.8	5.8	2.5
Deferred Tax Asset		3.0	-	-
Other Financial Assets	6	57.9	50.1	57.7
Intangible Assets		7.8	6.5	5.8
Property, Plant and Equipment				
Land and improvements		1,201.1	1,189.5	1,133.3
Protected land		110.7	110.2	109.7
Plant		23.7	24.3	23.0
Motor vehicles		21.3	23.0	20.3
Furniture and equipment		2.0	2.1	2.0
Computer equipment		0.3	0.4	0.3
Total Property, Plant and Equipment		1,359.1	1,349.5	1,288.6
Total Assets		1,865.4	1,774.7	1,846.4

	Note	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
Liabilities				
Accounts Payable and Accruals		26.8	23.9	19.8
Employee Entitlements		7.6	7.7	6.8
Deferred Tax Liability		-	0.7	1.9
Other Financial Liabilities	7	262.5	221.8	222.8
Redeemable Preference Shares		107.7	107.7	107.7
Total Liabilities		404.6	361.8	359.0
Shareholders' Funds				
Share capital		125.0	125.0	125.0
Retained earnings		129.3	130.9	126.1
Revenue reserves		125.1	82.7	169.8
Fair value reserve		16.9	9.1	16.5
Asset revaluation reserves		780.3	781.8	766.9
Other equity		284.2	283.4	283.1
Total Shareholders' Funds		1,460.8	1,412.9	1,487.4
Total Equity		1,460.8	1,412.9	1,487.4
Total Equity and Liabilities		1,865.4	1,774.7	1,846.4

The accompanying notes form part of these financial statements.

Landcorp's Board of Directors authorised the financial statements for issue on 9 February 2016

Signed on behalf of the Board



Traci Houpapa MNZM JP
Chairman
9 February 2016



Pauline Lockett
Chairman of Audit Committee
9 February 2016

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 31 December 2015

NOTE 1 - REPORTING ENTITY

Landcorp Farming Ltd (“Landcorp”) is a profit-oriented company, incorporated and domiciled in New Zealand. Landcorp was established under the State-Owned Enterprises Act 1986 and registered under the Companies Act 1993. Landcorp’s ultimate parent is the Crown, which owns 100% of Landcorp’s shares, held beneficially by the Minister of Finance (50%) and the Minister for State-Owned Enterprises (50%).

Condensed consolidated interim financial statements are presented, comprising Landcorp Farming Ltd, subsidiaries and jointly-controlled entities (the “Group”).

Landcorp is primarily involved in pastoral farming and provision of farm management services within New Zealand. Subsidiary companies are involved in land development, land management, farm technology and developing genetically superior sheep, cattle and deer breeds. All material subsidiaries, associates and jointly controlled entities are incorporated or formed and domiciled in New Zealand.

NOTE 2 - STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting for interim financial statements.

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. Accordingly, these financial statements should be read in conjunction with the annual report for the year ended 30 June 2015. The accounting policies used in the preparation of these financial statements are consistent with those used in the annual report for the year ended 30 June 2015.

The financial information contained in this report has not been audited by Landcorp’s auditors. The financial information for the year ended 30 June 2015 has been extracted from Landcorp’s audited financial statements for the year ended 30 June 2015.

NOTE 3 - SEASONALITY OF OPERATIONS

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

Operating Results

The overall half year operating profit is seasonal and reflects the following:

- Landcorp’s sheep, beef and deer operations follow a cycle where the bulk of slaughter livestock is reared in spring and conditioned for sale over the late summer and autumn period. This means that a large portion of Landcorp’s livestock income is not generated until the second half of the financial year. The sale prices for the slaughter livestock will be a function of market conditions at the time of sale and will reflect the prevailing impact of international commodity prices, exchange rates and any local climatic considerations.
- Harvested feed, comprising hay, silage and baleage, is generally harvested in late summer, during the second half of the financial year, and consumed in winter and early spring, in the first half of the financial year. Consequently, the six months to 31 December 2015 reflect the cost of the seasonal consumption of this feed. The second half of the financial year will reflect the benefit of rebuilding feed stocks for consumption early in the following financial year.
- Income from equity accounted joint investments includes the profits from sales of sections through joint venture companies. The timing of these profits depends on the timing of the land sale settlement.

Profits from Land Sales

Landcorp's profits from land sales arise from the sale of Landcorp farms as part of capital recycling within the farm portfolio. The recognition of profit is seasonal and mainly depends on the timing of land sales settlement. Settlements of land sales occur irregularly throughout the financial year.

Net Profit after Tax

Under NZ IFRS, Landcorp revalues livestock at each balance date and includes the revaluation gain or loss within profit. The value of livestock will reflect market conditions at the time and is likely to change between balance dates. Hence, any profit or loss arising from livestock revaluations at 31 December 2015 may not reflect the market conditions prevailing at the financial year end.

Landcorp uses various derivative financial instruments for financial risk management. These are mainly to hedge interest rate risk and foreign currency risk as part of Landcorp's comprehensive approach to financial risk management within an approved treasury management framework. Landcorp has elected not to hedge account for its financial instruments under NZ IFRS. Consequently, financial instruments are revalued each balance date and any gain or loss is recognised within profit. The value of the financial instruments will reflect the balance date financial market conditions and this value is expected to change between balance dates. Any profit or loss from revaluation of financial instruments at 31 December 2015 may not reflect the market conditions prevailing at the financial year end.

Landcorp's results reflect both the seasonality of farming operations and the timing of land and building valuations. Landcorp revalues land and buildings as at 30 June each financial year. Therefore, the half year financial statements do not reflect any changes in market values of land and buildings from 1 July 2015 to 31 December 2015.

In the June 2015 annual report the company noted that reduced farm gate milk prices could lead to reductions in land values in the dairy sector. Landcorp has closely monitored property transactions during the period covered by this report and also sought advice from independent sources regarding the current state of the agricultural property market. Valuations are undertaken based on a long term horizon, and in light of the absence of any significant market evidence indicating a material reduction in farm values, Landcorp has concluded that there has been no material change in the overall value of Land and Improvements since the June 2015 valuation was carried out.

Statement of Financial Position

Landcorp's Statement of Financial Position at 31 December 2015 reflects the following seasonal factors:

- Land and buildings are based on 30 June 2015 values.
- Term debt is seasonal as much of Landcorp's revenue is not received in cash until the second half of the financial year. This reflects both the timing of livestock sales and the date at which milk solids revenue is received.
- Inventories of harvested feed reflect the seasonal consumption/production cycle.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NOTE 4 - LIVESTOCK

A - Livestock Revenue

Livestock revenue comprises the following:

	Unaudited 6 months to 31 Dec 15 \$m	Audited 12 months to 30 Jun 15 \$m	Unaudited 6 months to 31 Dec 14 \$m
Livestock sales	36.2	134.3	34.8
Birth of animals	25.8	33.5	24.5
Growth of animals	29.5	54.6	22.4
Livestock losses	(10.0)	(12.6)	(10.3)
Book value of livestock sold	(30.6)	(98.5)	(26.7)
Total Livestock Revenue	50.9	111.3	44.7

B - Value of Livestock

The change in the value of livestock owned by Landcorp during the period was due to:

	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
Livestock value at start of year	270.9	294.4	294.4
Value changes caused by:			
Birth and growth of animals	55.3	88.1	46.9
Purchases	8.6	21.1	11.2
Livestock losses	(10.0)	(12.6)	(10.3)
Livestock available for sale or production	324.8	391.0	342.2
Book value of stock sold	(30.6)	(98.5)	(26.7)
Effect of price changes	43.0	(21.6)	62.6
Livestock Value at End of Year	337.2	270.9	378.1

Livestock is valued using a level 2 fair value measurement in accordance with the fair value hierarchy. There were no transfers between levels during the six months to 31 December 2015.

The effect of price changes for the six months ended 31 December 2015 reflects the change to livestock values under the fair value hierarchy. These price changes do not represent cash flows and Landcorp is unable to realise these changes in market values in the ordinary course of ongoing livestock farming.

NOTE 5 - ACCOUNTS RECEIVABLE

	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
Trade debtors	7.2	13.1	4.5
Milk income receivable	21.6	10.2	24.8
Other receivables and prepayments	3.4	3.5	4.0
Gross Accounts Receivable	32.2	26.8	33.3
Individual impairment	-	-	-
Total Accounts Receivable	32.2	26.8	33.3

NOTE 6 - OTHER FINANCIAL ASSETS

Under NZ IFRS, Landcorp's portfolio of shares and other investments in various co-operative and processing companies is classified as available-for-sale. The Group is required to hold these investments to facilitate farming operations. As such, the Group is normally unable to sell these investments without disrupting the Group's business operations.

	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
Available-for-sale financial assets			
Share investments	57.9	50.1	57.7
Total Other Financial Assets	57.9	50.1	57.7

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NOTE 7 - OTHER FINANCIAL LIABILITIES

	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
Financial liabilities measured at amortised cost			
Bank loans	250.9	210.7	214.5
Loans held by subsidiaries	-	-	0.1
Held-for-trading financial liabilities			
Interest-rate derivatives	11.6	11.1	8.2
Total Other Financial Liabilities	262.5	221.8	222.8

Bank loans are the drawn components of bank cash advance facilities. The facilities may be borrowed against, or repaid, at any time by Landcorp. The facilities are subject to a negative pledge agreement which means that Landcorp may not grant a security interest over its assets without the consent of its lenders. Facilities are either on a daily floating interest rate or short-term fixed rate and therefore carrying value represents fair value. Landcorp manages its overall interest rate risk using interest rate derivatives under a comprehensive treasury management framework.

Interest-rate derivatives held by Landcorp are solely used to hedge interest rate risk. Landcorp does not enter into derivative financial instruments for trading purposes. Landcorp has elected not to use hedge accounting, which, under NZ IFRS, requires all derivative financial instruments to be classified as held-for-trading. Interest rate derivatives are valued using a level 2 fair value hierarchy. There were no transfers between levels during the six months to 31 December 2015. Interest rate derivatives are valued on an 'exit price' basis. Accrued interest is calculated based on the market 90 day rate and is removed from the revaluation provided by each swap provider.

Cash advance facilities have been drawn as follows:

	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
Drawn	250.9	210.7	214.5
Undrawn	44.1	84.3	80.5
Total	295.0	295.0	43.0

Cash advance facilities are committed to:

	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
0-6 months	-	85.0	50.0
6-12 months	70.0	-	85.0
One to two years	90.0	70.0	70.0
Two to five years	135.0	140.0	90.0
Total	295.0	295.0	43.0

NOTE 8 - DIVIDENDS

	Unaudited 31 Dec 15 Cents per share	Audited 30 Jun 15 Cents per share	Unaudited 31 Dec 14 Cents per share	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
Ordinary shares						
Final dividend	-	5.6	5.6	-	7.0	7.0
Total Dividends for period	-	5.6	5.6	-	7.0	7.0

A final dividend for 2014 of \$7.0 million was declared in August 2014 and paid in October 2014.

Redeemable preference shares are not eligible to participate in dividend payments.

NOTE 9 - CONTINGENT ASSETS AND LIABILITIES

At 31 December 2015 Landcorp had no contingent assets and the following contingent liabilities:

As a forester, Landcorp has gained emission credits ("New Zealand Units" or "NZUs") and will incur liabilities through the Emissions Trading Scheme (ETS). Landcorp has applied for and received credits on pre-1990 forestry plantations. In the event that pre-1990 forests are deforested, a deforestation liability would be incurred. Landcorp has also claimed and received credits on its post-1989 forest carbon sequestration. Should these plantations be harvested and/or deforested, a liability would be incurred up to a maximum of the credits received. At 31 December 2015 Landcorp held 285,381 post-1989 NZUs and 178,227 pre-1990 NZUs.

NOTE 10 - COMMITMENTS

	Unaudited 31 Dec 15 \$m	Audited 30 Jun 15 \$m	Unaudited 31 Dec 14 \$m
Contracted capital commitments	4.1	2.0	9.5

Capital commitments mainly arise from land development, building construction contracts and vehicle purchases.

DIRECTORY

COMPANY DIRECTORY

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Wellington 6145
Tel: (04) 381 4050

WEBSITE

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DIRECTORS

Traci Houpapa MNZM JP, Chairman
John Brakenridge
Nikki Davies-Colley
Chris Day
Pauline Lockett
David Nelson
Tony Reilly
Eric Roy

EXECUTIVE TEAM

Steven Carden, Chief Executive Officer
Steven McJorrow, Chief Financial Officer
Lucy Wills, GM People and Safety
Sarah Risell, GM Marketing and Sales
Phil McKenzie, GM Environment
Graeme Mulligan, GM Livestock Operations
Mark Julian, GM Dairy Operations
Andrew Sliper, GM Commercial Development
Rob Ford, GM Innovation and Technology

AUDITOR

Graeme Edwards (under appointment by the
Controller and Auditor-General)
KPMG
Wellington

BANKERS

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



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