PĀMU

FARMS OF
NEW ZEALAND

LANDCORP FARMING LIMITED | HALF YEAR REPORT 2017

BROUGHT TO YOU BY LANDCORP

Pāmu Farms of New Zealand is the brand name for Landcorp Farming Limited, a State Owned Enterprise, one of New Zealand's largest integrated farming businesses.

Pāmu is the Māori word 'to farm' and reflects the deep connection New Zealanders have with the land, born from respect, and a genuine desire to protect and enhance the environments in which the company works. It's a proud provenance that stands behind safe farming and every product bearing the Pāmu name.

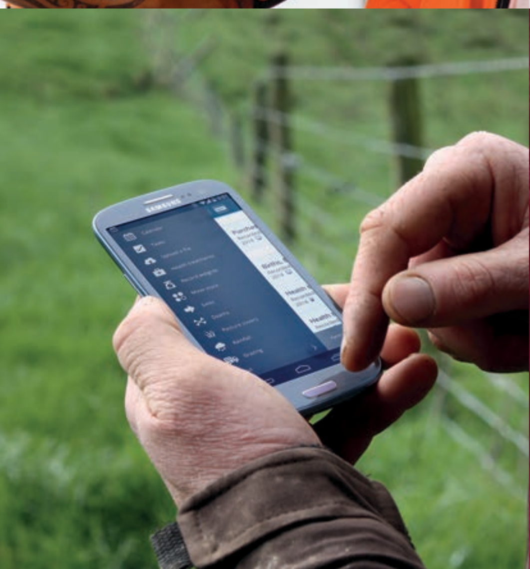
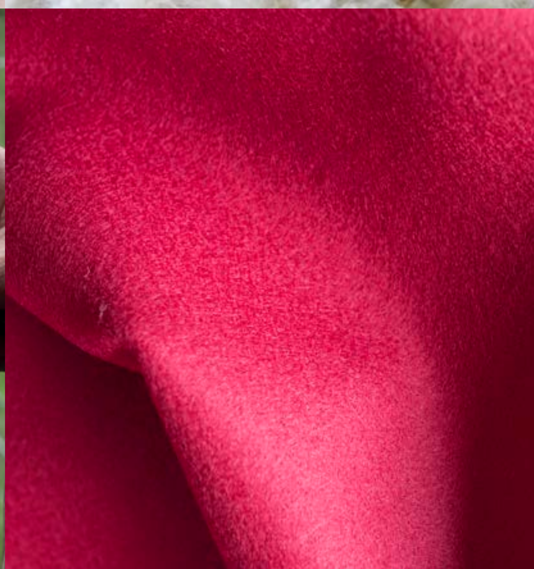
Pāmu also stands for best practice in sustainable and safe farming, and for the unique provenance of New Zealand foods, nutrition products and fibre on global markets.

HALF YEAR REPORT 2017







PĀMU
FARMS OF NEW ZEALAND



HALF YEAR REVIEW
CHAIRMAN AND CHIEF EXECUTIVE

TRACI HOUPAPA
CHAIRMAN

STEVEN CARDEN
CHIEF EXECUTIVE

We have continued to make good progress on our strategy in the last six months with the launch of an exciting new joint venture, and more investment in the Farm IQ business. Revenue from milk was down and this has been offset by strong red meat prices.

The extremely wet winter and spring followed by the severe drought conditions we have experienced over December and into January affected our production and returns.

Pāmu made a net profit after tax ("NPAT") of $21.9 million for the half year ended 31 December 2017. This compares to NPAT of $37.9 million for the half year ended 31 December 2016.

Pāmu uses EBITDAR (earnings before interest, tax, depreciation, amortisation and revaluations) as a key performance measure. This measure excludes components of NPAT such as fair value gains on livestock ($39.0m) and financial instruments ($2.5m), depreciation & amortisation expenses ($7.8m) and net finance expenses ($5.8m). EBITDAR for the half year was a loss of $6.0 million compared to a profit of $6.9 million in the half year to December 2016.

A key driver of the EBITDAR loss is an increase in operating expenses of $6.7 million compared to the prior period. This reflects the impact of a wet spring, followed by drought conditions that have resulted in an increase in on-farm costs, primarily related to consumption of stores on hand and the need to purchase additional feed for stock. The weather conditions also affected milk production resulting in an 8.5% decrease in milk revenue compared to the first six months of last year. A 9.4% rise in red meat revenue has ensured that farm operating revenue is only down by $2.3m or

2.3% compared to the first half of last year, and this rise has helped offset the impact of lower dairy revenue and the climatically driven increase in farm costs.

As we have noted in previous reports the fluctuation in revenue across our business highlights our exposure to global commodity prices, volatile climatic conditions, and the need to diversify our business and increasingly move into high value markets and products. Movements in the milk price of $2 per kg of milk solids a year are not uncommon, and this volatility will always be a feature for Pāmu, unless we work to diversify our business and insulate ourselves to some extent from the cyclical nature of commodity pricing.

Farming is the core of what we do, and where the vast majority of our investment goes. However, to secure sustained higher returns for our shareholder, and to lower the risk of these returns, we need to drive value creation for the company beyond the farm gate.

The first half of the financial year has seen further progress on a range of initiatives which are all directed at making this State Owned Enterprise a company with a sustained, proven long term future, achieved in a way that that all New Zealanders can be proud of.

SAFETY LEADERSHIP MOVES UP A GEAR

In December we launched the Pāmu Academy, which marks the next step in our safety leadership journey. The Pāmu Academy is a 50/50 joint venture with Australian health and safety specialists, Wilson Consulting Group, and is a transformative initiative that plugs a gap in the safety leadership market.

We have been on a safety journey that has taken us from the tragedy of deaths on our farms a few years ago to the launch of the Pāmu Academy – which we believe will be a game changer in the agriculture sector.

Prior to the launch, we tested the approach and ran programmes for our own staff and some agri-sector partners. The Pāmu Academy is now taking this approach to the wider agriculture sector and beyond. Initial indications are that demand is very strong for the range of courses on offer in 2018, with some forward bookings already achieved for 2019.

The Pāmu Academy also offers mental wellness programmes and is working with industry leaders on the wider issues of critical risks, the safety of contractors and a competency framework. In the agriculture sector in particular mental health and well-being is a real issue, and the Pāmu Academy is proud to offer specific programmes which deal with this difficult subject.

ENVIRONMENTAL LEADERSHIP

We continued our leadership in the environment sphere with the covenanting, in November 2017, of 1,456 hectares of land at our Mt Hamilton Station, near Te Anau, in partnership with the QEII National Trust. The covenant will protect the wetlands, the red tussock land and the regenerating silver beech forest in perpetuity for the benefit of future generations.

Much work continues on exploring where reforestation opportunities exist across our land portfolio. This aligns with our strategy to increase commercial returns from

HALF YEAR REVIEW CONTINUED

marginal pastoral land, increase biodiversity on our farms, and lower our carbon footprint.
The Environment Reference group (ERG) has met several times in the half year and continues to challenge and guide the company in our environment practice.
Dr. Alison Dewes, who was a member of the ERG, has joined the company as Head of Environment, and will help ensure that we keep our impact on the environment at the forefront of all the decisions we make on our farms.

AWARD WINNING INNOVATION

It was very pleasing to see Spring Sheep Milk Co., fifty percent owned by Pāmu, win the Supreme Award at the New Zealand Food Awards in November 2017. Spring Sheep Milk Co. won the Massey University Supreme Award for its vanilla-flavoured sheep milk powder, as well as the NZTE Export Innovation Award. As a 130 year old farming organisation, we are proud to have helped create one of New Zealand's most exciting young food companies.

Our Spring Sheep Milk Co. joint venture, offering a unique product range, is a great example of the ways we are looking at enhancing shareholder value by partnering with others who share our passion for innovation in the food and farming sector.

Partnerships such as the one we have with Spring Sheep Milk Co., are a key part of our business strategy – our focus is on continuing to be the best farmers we can be while taking unique food and fibre with a fantastic provenance story to niche markets to meet the demands of the most discerning consumers globally.

The Spring Sheep Milk Co. success sits alongside our continuing development of global markets for premium quality venison, lamb, organic milk powder, and fibre which will, in time, provide a reliable bulwark against the notoriously fickle commodity price cycle.

In particular, selling lamb is highly competitive, and we are working to test niche, high value markets to see if there is commercial benefit. We will continue to work closely with our traditional partners who market and sell our lamb under their own brands.

In the period under review we also lifted our stake in Farm IQ Systems Limited as part of their capital raising exercise. Farm IQ had its origins in a primary growth partnership and provides Farm Management System (FMS) software. Increasing our investment in Farm IQ is a vote of confidence in the future of the company. FMS has been instrumental in connecting our day to day operations with the rest of our business. Farming businesses of all sizes are now adopting FMS as their digital information hub and we are pleased to see the whole farming ecosystem starting to share their information through the Farm IQ platform. Innovation like that being driven by Farm IQ is changing the face of farming and Pāmu will continue to be at the forefront of this change.

DEVELOPMENTS ON FARM

We have experienced one of the wettest winter and spring periods in recent memory in some parts of the country, and this has impacted our farming operations. This has been followed by drought like conditions in November and December. The rate at which some properties have gone from excessively wet to exceedingly dry has been alarming, and is a reminder that climate change is not an abstract concept for our farms, but something that impacts our operations on a daily basis.

We continue to review and balance our stocking numbers and ratios to enable implementation of restorative strategies to mitigate these weather extremes. The way our on farm staff have dealt with the extremely challenging weather conditions is something we are very proud of.

The prolonged wet season resulted in some pasture damage and lower autumn and winter crop yields, with a compounding effect on spring sown summer and winter crops being planted late and then struggling to germinate in the rapid change to dry weather. Also the lower overall pasture growth rates over the spring period has meant minimal amounts of grass silage have been made which is having an impact on winter feed planning.

The weather conditions mean we expect dairy production to be approximately 5% down on our initial forecast. There is also likely to be an impact to the bottom line as a result of the increase in stock feed costs and significant decrease in feed inventory balances on hand at the end of the half year.

Our livestock performance and overall production efficiency continues to be enhanced with the use of sires that are generated out of our subsidiary company Focus Genetics.

We were heartened by the increase in venison returns in the half year, which was a signal that the market is willing to pay for the superior quality of Pāmu venison. We are also seeing better returns from prime lamb and continued firm beef prices, which will help to mitigate the costs of managing extreme dry weather conditions and the disappointing returns from the auction sales of our crossbred wool. The forward contracting of some of our wool production to our valued wool customers offsets to some extent the impact of low prices at auction.

We continue to learn from our journey into organics with the conversion of two dairy units, Earnslaw and Tasman, 18 months into a three year organic conversion. Prior to the dry weather both farms were performing above expectations and signal an exciting future for Pāmu in organic milk products.

OUTLOOK

For the full year 2017/18 we expect to report EBITDAR of between $33 million and $38 million.

The 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.

Our dedicated and committed people are working hard to continue to keep farming in a way that is both profitable and innovative, while mindful of the health of our people, our animals and our environment. Added to this, we look forward to ongoing developments beyond the farm gate – as we see further penetration of quality Pāmu branded products in key markets.

TRACI HOUPAPA
CHAIRMAN MNZM, JP, CFInstD

STEVEN CARDEN
CHIEF EXECUTIVE

FINANCIAL STATEMENTS AND NOTES

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Note	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Revenue				
Farm operating	4	99.2	218.8	101.5
Other business activities		7.2	12.1	8.0
		106.4	230.9	109.5
Operating expenses				
Farm working and maintenance		61.9	96.0	55.8
Personnel		31.9	64.8	31.0
Other		16.8	33.9	17.1
		110.6	194.7	103.9
Income from equity accounted investments		(1.8)	(1.8)	(0.2)
Profit on sale of farm and forestry land		–	1.2	1.5
Earnings before interest, tax, depreciation, amortisation and revaluations		**(6.0)**	**35.6**	**6.9**
Depreciation and amortisation		(7.8)	(17.1)	(8.3)
Net finance expenses		(5.8)	(11.6)	(6.0)
Fair value gain in financial instruments		2.5	2.5	1.7
Fair value gain in biological assets		39.0	42.7	43.7
Net Profit before Tax		**21.9**	**52.1**	**38.0**
Tax expense		–	0.2	0.1
Net Profit after Tax		**21.9**	**51.9**	**37.9**
Other Comprehensive Income				
Gain on revaluation of land and improvements		–	0.2	–
Gain on revaluation of available-for-sale financial assets		–	3.3	3.5
Gain/(loss) due to price changes on intangible assets		1.6	(0.4)	(0.4)
Income tax on income and expense recognised in equity		–	1.8	–
Total Comprehensive Income		**23.5**	**56.8**	**41.0**

The accompanying notes form part of these financial statements

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $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	134.8	126.8	126.8
Net profit after tax	21.9	51.9	37.9
Transfer to revenue reserves	(41.5)	(45.7)	(45.4)
Other movements	1.7	1.8	4.6
Balance end of year	**116.9**	**134.8**	**123.9**
Revenue Reserves			
Balance beginning of year	146.5	100.8	100.8
Transfer from retained earnings	41.5	45.7	45.4
Balance end of year	**188.0**	**146.5**	**146.2**
Fair Value Reserve			
Balance beginning of year	16.2	12.8	12.8
Revaluation of available-for-sale financial assets	–	3.3	3.5
Other movements	2.6	0.1	–
Balance end of year	**18.8**	**16.2**	**16.3**
Asset Revaluation Reserves			
Balance beginning of year	745.3	750.2	750.2
Net value change during year	1.6	(0.2)	(0.4)
Tax effect of reserve movements	–	1.8	–
Transfers to other equity on sale	(0.1)	(4.3)	(0.2)
Other movements	(2.7)	(2.2)	(1.0)
Balance end of year	**744.1**	**745.3**	**748.6**

The accompanying notes form part of these financial statements

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Other Equity			
Balance beginning of year	297.8	295.6	295.6
Transfers from assets revaluation reserves	0.1	4.3	0.2
Capital expenditure reimbursed by the Crown	–	0.8	(1.4)
Assets transferred to the Crown	–	(2.9)	(0.4)
Balance end of year	**297.9**	**297.8**	**294.0**
Total Equity			
Balance beginning of year	1,465.6	1,411.2	1,411.2
Net profit after tax	21.9	51.9	37.9
Other comprehensive income:			
Gain on revaluation of land and improvements	–	0.2	–
Gain on revaluation of available-for-sale financial assets	–	3.3	3.5
Gain/(loss) on revaluation of intangible assets	1.6	(0.4)	(0.4)
Income tax on income and expense recognised in equity	–	1.8	–
Capital expenditure reimbursed by the Crown	–	0.8	(0.4)
Assets transferred to the Crown	–	(2.9)	(1.4)
Other movements	1.6	(0.3)	3.6
Balance end of year	**1,490.7**	**1,465.6**	**1,454.0**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Operating Activities			
Cash was received from:			
Receipts from customers			
Livestock	43.7	138.9	35.2
Milk	49.8	94.3	42.6
Other receipts from customers	13.3	17.1	12.8
Dividends received	0.1	1.4	0.1
Income tax received	-	0.4	0.4
	106.9	252.1	91.1
Cash was applied to:			
Payments to suppliers	96.5	148.3	80.4
Payments to employees	36.6	61.5	31.2
Interest paid	5.6	11.4	5.7
Net GST received	(0.4)	(1.4)	(0.6)
	138.3	219.8	116.7
Net Cash Flows from Operating Activities	**(31.4)**	**32.3**	**(25.6)**
Investing Activities			
Cash was received from:			
Sale of land and improvements	4.8	15.0	4.1
Sale of other property, plant and equipment	0.6	4.3	1.6
	5.4	19.3	5.7
Cash was applied to:			
Purchase and development of land	2.2	19.1	8.2
Purchase of other property, plant and equipment	8.3	11.4	6.1
Purchase of intangible assets	-	-	0.1
Purchase of shares and advances	3.7	3.8	3.7
Net joint venture investment	1.5	2.0	-
	15.7	36.3	18.1
Net Cash Flows from Investing Activities	**(10.3)**	**(17.0)**	**(12.4)**

The accompanying notes form part of these financial statements

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Financing Activities			
Cash was received from:			
Net borrowing (payments)/receipts	44.6	(15.1)	41.1
Net Cash Flows from Financing Activities	**44.6**	**(15.1)**	**41.1**
Net Change in Cash and Cash Equivalents	**2.9**	**0.2**	**3.1**
Cash and cash equivalents at beginning of year	(0.8)	(1.0)	(1.0)
Cash and Cash Equivalents at End of Year	**2.1**	**(0.8)**	**2.1**
Cash and cash equivalents comprises cash balances held with registered New Zealand banks -			
Cash at bank/(bank overdraft)	2.1	(0.8)	2.1
Reconciliation of Profit and Operating Cash Flow			
Net Profit after Tax	**21.9**	**51.9**	**37.9**
Non cash items			
Depreciation and amortisation	7.8	17.1	8.3
Revaluation gains and losses	(41.5)	(45.2)	(45.4)
Change in deferred tax asset/(liability)	0.8	0.5	(0.5)
Deferred tax on revaluation of assets	–	1.8	–
Other non cash items	(21.5)	13.5	(15.4)
Movement in working capital items			
Inventories	4.4	(5.4)	(0.5)
Accounts receivable	(12.5)	(8.2)	(14.0)
Accounts payable and accruals	8.7	(0.6)	2.6
Employee entitlements	(3.0)	2.8	(1.3)
Items classified as investing or financing activities			
Net (loss) on movement of assets	(0.6)	(1.5)	(2.6)
Change in accounts receivable due to capital items	5.1	2.9	1.3
Change in accounts payable due to capital items	(1.0)	2.7	4.0
Net Cash Flows from Operating Activities	**(31.4)**	**32.3**	**(25.6)**

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Assets				
Cash and cash equivalents		2.1	(0.8)	2.1
Accounts receivable	5	46.9	34.4	40.2
Inventories		11.2	15.6	10.7
Property held for sale		68.7	59.1	86.1
Biological Assets				
Livestock	4	377.3	318.9	348.6
Forests		28.9	26.8	26.1
Total Biological Assets		406.2	345.7	374.7
Equity accounted investments		3.8	4.7	6.2
Other financial assets	6	64.5	58.1	57.9
Intangible assets		11.8	10.6	10.9
Property, Plant and Equipment				
Land and improvements		1,121.7	1,135.1	1,117.4
Protected land		105.1	104.6	104.1
Plant		21.3	21.3	22.7
Motor vehicles		22.8	22.3	23.3
Furniture and equipment		1.9	1.9	2.0
Computer equipment		1.4	1.6	1.0
Total Property, Plant and Equipment		1,274.2	1,286.8	1,270.5
Total Assets		**1,889.4**	**1,814.2**	**1,859.2**

The accompanying notes form part of these financial statements

	Note	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Liabilities				
Accounts payable and accruals		26.2	17.5	20.6
Employee entitlements		10.0	13.0	8.9
Deferred tax liability/(asset)		(0.5)	0.3	1.3
Other financial liabilities	7	263.3	218.1	274.7
Redeemable preference shares		99.7	99.7	99.7
Total Liabilities		**398.7**	**348.6**	**405.2**
Shareholders' Funds				
Share capital		125.0	125.0	125.0
Retained earnings		116.9	134.8	123.9
Revenue reserves		188.0	146.5	146.2
Fair value reserve		18.8	16.2	16.3
Asset revaluation reserves		744.1	745.3	748.6
Other equity		297.9	297.8	294.0
Total Shareholders' Funds		**1,490.7**	**1,465.6**	**1,454.0**
Total Equity		**1,490.7**	**1,465.6**	**1,454.0**
Total Equity and Liabilities		**1,889.4**	**1,814.2**	**1,859.2**

Landcorp's Board of Directors authorised the financial statements for issue on 12 February 2018.

Signed on behalf of the Board

Traci Houpapa
Chairman

12 February 2018

Pauline Lockett
Chair of Audit Committee

12 February 2018

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

STATEMENT OF ACCOUNTING POLICIES

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 2017. 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 2017.

The financial information contained in this report has not been audited by Landcorp's auditors. The financial information for the year ended 30 June 2017 has been extracted from Landcorp's audited financial statements for the year ended 30 June 2017.

Certain reclassifications of prior year balances have been made to conform with current year classifications.

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 net profit before tax 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 2017 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 2017 may not reflect the market conditions prevailing at the financial year end.

Landcorp employs various derivative financial instruments for financial risk management. These are mainly used to hedge interest rate 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 2017 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 did not revalue its land and buildings at 31 December 2017, therefore, the half year financial statements do not reflect any changes in market values of land and buildings from 1 July 2017 to 31 December 2017.

Landcorp's Statement of Financial Position at 31 December 2017 reflects the following seasonal factors:

- Land and buildings are based on 30 June 2017 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
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

NOTE 4: FARM OPERATING REVENUE

A - Nature of activities

Landcorp is primarily a pastoral farming company. Sheep, deer and beef cattle are mainly grown to produce meat. These animals may also provide ancillary income from various agricultural produce such as wool and velvet. Dairy cattle are predominantly held to produce milk. Landcorp also derives income from forestry on land unsuitable for farming.

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Revenue			
Livestock	44.2	108.7	40.4
Milk	53.9	101.5	58.9
Wool	1.0	6.3	2.3
Forestry	0.1	2.3	0.1
	99.2	**218.8**	**101.5**

B - Livestock revenue

Landcorp's livestock revenue by species/composition was:

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Sheep	20.2	41.9	15.8
Beef	19.4	51.1	18.8
Deer	4.6	15.7	5.8
Total livestock revenue	**44.2**	**108.7**	**40.4**
Livestock sales	41.0	138.2	35.1
Birth of animals	26.1	43.4	23.0
Growth of animals	19.1	66.4	17.9
Livestock losses	(5.4)	(13.4)	(5.4)
Book value of livestock sold	(36.6)	(125.9)	(30.2)
Total livestock revenue	**44.2**	**108.7**	**40.4**

Livestock revenue includes the recognition of net profit or loss arising from changes in livestock numbers due to the birth, growth, death and sale of livestock. The value change arising from the change in livestock numbers and growth is calculated by assigning an internally assessed annual value for each livestock class.

C - Value of livestock

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

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Livestock value at start of year	318.9	288.5	288.5
Value changes caused by:			
Birth and growth of animals	45.2	109.8	40.9
Purchases	16.2	16.8	11.1
Livestock losses	(5.4)	(13.4)	(5.4)
Livestock available for sale or production	**374.9**	**401.7**	**335.1**
Book value of livestock sold	(36.6)	(125.9)	(30.2)
Effect of price changes	39.0	43.1	43.7
Closing livestock value	**377.3**	**318.9**	**348.6**

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 2017.

The effect of price changes for the six months ended 31 December 2017 was due to an increase in the market value of sheep, beef and deer. 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 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Trade debtors	6.1	12.4	9.4
Milk income receivable	27.0	18.1	27.3
Other receivables and prepayments	13.8	3.9	3.5
Total Accounts Receivable	**46.9**	**34.4**	**40.2**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Available-for-sale financial assets			
Share investments	64.5	58.1	57.9
Total Other Financial Assets	**64.5**	**58.1**	**57.9**

NOTE 7: OTHER FINANCIAL LIABILITIES

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Financial liabilities measured at amortised cost			
Bank loans	251.6	206.9	260.7
Loans of non-wholly owned subsidiaries	–	–	2.4
Held-for-trading financial liabilities			
Interest-rate derivatives	11.7	11.2	11.6
Total Other Financial Liabilities	**263.3**	**218.1**	**274.7**

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 2017. 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 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Drawn	251.6	206.9	260.7
Undrawn	63.4	108.1	54.3
Total	**315.0**	**315.0**	**315.0**

Cash advance facilities are committed to:

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
0-6 months	30.0	90.0	–
6-12 months	85.0	–	90.0
One to two years	90.0	135.0	135.0
Two to five years	110.0	90.0	90.0
Total	**315.0**	**315.0**	**315.0**

NOTE 8: CONTINGENT ASSETS AND LIABILITIES

At 31 December 2017 Landcorp had no contingent assets and the following contingent liabilities:

As a forester, Landcorp has gained emission credits (”New Zealand Units” or ”NZU”) 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 2017 Landcorp held 285,381 post-1989 NZUs and 178,227 pre-1990 NZUs.

NOTE 9: COMMITMENTS

	Unaudited 6 months to 31 Dec 17 $m	Audited 12 months to 30 Jun 17 $m	Unaudited 6 months to 31 Dec 16 $m
Contracted capital commitments	2.1	1.8	7.6

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

DIRECTORY

CORPORATE AND REGISTERED OFFICE

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WEBSITES

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John Brakenridge

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Pauline Lockett

David Nelson

Tony Reilly

Eric Roy

LEADERSHIP TEAM

Steven Carden
Chief Executive Officer

Rob Ford
GM Innovation and Technology

Mark Julian
GM Dairy Operations

Steven McJorrow
Chief Financial Officer

Graeme Mulligan,
GM Livestock Operations

Sarah Risell
GM Sales & Marketing

Peter Simone
GM People, Safety and
the Environment

Andrew Sliper
GM Commercial Development

AUDITOR

Graeme Edwards, KPMG

Under appointment by the Auditor-General

BANKERS

Westpac New Zealand Limited

ANZ Bank New Zealand Limited

ASB Bank Limited