C.27

PĀMU

FARMS OF
NEW ZEALAND

LANDCORP FARMING LIMITED
HALF YEAR REPORT
FOR THE SIX MONTHS
ENDED 31 DECEMBER 2016

Landcorp Farming Limited is a State Owned Enterprise and New Zealand's largest farming organisation. Landcorp (Pāmu) strives for best practice and sustainable dairy, sheep, beef and deer farming. Landcorp's Pāmu Farms of New Zealand brand means "to farm" and reflects its commitment to natural, quality products.

HALF YEAR REVIEW

Chair and Chief Executive

We have continued to make good progress on our strategy in the last six months with new products, changes to our farm and asset configuration, and improvements in our safety and business practices.

The lift in dairy prices has also seen an improvement in the financial outlook.

Landcorp made a net profit after tax of $37.9 million for the half year ended 31 December 2016. This included $45.4 million of livestock and financial instrument revaluations.

Excluding these valuation gains, Landcorp made a net operating loss of $8.9 million for the half year ended 31 December 2016. This is the same result as in the corresponding period last year. Landcorp's half year revenues were $109.3 million (slightly up from $108.8 million in the six months to December 2015) and comprise a 22% increase in milk revenue, offset by a 20% reduction in livestock revenue compared to the last six months of 2015.

While the shift in milk is in the right direction, the fluctuation in revenue across our business highlights our exposure to global prices and the need to diversify our business and increasingly move into high value markets and products. Our future is in being a high quality producer of food and natural products rather than a commodity farmer.

The first half of the financial year has seen a number of initiatives progressed to make this strategic shift.

Preparations are now well underway for our exit from the Tahi farms with the conclusion of our share milking agreement with Shanghai Pengxin on 31 May. We also began the process of selling some livestock properties to recycle capital and ensure our farm investments better align with our future direction. Two properties, one a support block, were successfully marketed during the half year.

Another five farms will be put on the market early in 2017. Our footprint at the end of this financial year will be significantly different than the current configuration.

More importantly, we have progressed initiatives around how we use our land and what will provide future growth, margins and opportunity. We began the conversion of two dairy units, Earnslaw and Tasman, to organics – the start of a two-year transition – and announced that all farms would exit the use of palm kernel extract (PKE) from the end of the financial year.

These decisions reflect shifting consumer expectations on how their food is produced and growing interest globally in grass-fed animals. We want our partners and customers to know they can trust that we farm sustainably and care for the environment.

To support this and identify potential new opportunities, we have begun a formal project to look at potential alternative land use, including growing various crops, across all of our properties.

One of these non-traditional operations, our Spring Sheep Milk Company joint venture, has made some significant steps in the past six months. It formally released two sheep milk powder products into Taiwan in July and was successful in securing a Primary Growth Partnership with government to support the market-led growth of New Zealand's sheep milking industry.

Landcorp's own Pāmu brand also continues to grow. Pāmu product has become available domestically, and to household consumers, through our partnership with Duncan Venison NZ. A trial also saw Pāmu branded lamb in a local supermarket. With the growth of Pāmu products and the brand being used to capture the value of our farming and practices, we will increasingly use this brand to talk about ourselves and build partnerships and the Landcorp business.

HALF YEAR REVIEW CONTINUED

In addition to our Pāmu brand and other value-added initiatives, we continue to manage volatility through fixed price contracts and the milk futures market. Internally, the changes we are driving to improve performance across all of our farms is taking place under the umbrella of Pāmu Promise. This new quality framework covers the four key aspects of our farms and work – people, the environment, animals, and systems.

A key area of focus is health and safety. We are determined to lift our standards and support the necessary culture change so that our people are safe at work. Following a review of Landcorp's safety, a 'Safety Forum' was established for staff to help drive improvements. This group devised a set of expectations around how each employee approaches work each day. These expectations and other safety initiatives will be launched early in 2017. We also need to provide the right tools and through the end of the calendar year we concluded a review of our farm vehicles.

This involved looking at our vehicle types and what they were used for and over two years saw us reduce the number of quad bikes on our farms by two-thirds as well as introduce new safety equipment.

At the end of 2016 we also concluded an IT upgrade which featured touchscreens for all larger farms, and finished the roll-out of Farm Store, a new electronic purchasing and procurement system. This process and our continued shift to more technology-based farming means we are now investigating upgrading broadband connections to our farms.

While we are busy improving our systems, as a farming business we are still dependent on nature. The spring conditions were generally favourable across many of our properties apart from excessive rain reducing spring milk production in the Waikato and affecting lambing on the East Coast of the North Island. There was less snow in the South Island, but the winter snow bomb in the central plateau through to the Hawkes Bay was significant with severe infrastructure damage and loss of services, including downed powerlines and restricted access. Recovery was rapid when the weather allowed safe operations to resume, which was testament to the resilience, capability and dedication of all staff.

We were also lucky that there was not more significant damage on Molesworth Station or our other leased properties at Hanmer following the Kaikoura earthquakes. Our close neighbours were not as fortunate. Overall, lambing was successful and for the first time, four properties achieved over 160% and 12 properties over 150% lambing rates. This shows material gains in animal performance from improvements in livestock genetics and farm systems.

OUTLOOK

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 people continue to adjust to these changes and work with real commitment and care. We thank them for a huge contribution in the half year.

For the full year 2016/17, we expect to report a net operating profit in the range of $2 million to $7 million.

Traci Houpapa MNZM JP
Chairman

Steven Carden
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2016

	Note	Unaudited 6 months to 31 Dec 16 $m	Audited 12 months to 30 Jun 16 $m	Unaudited 6 months to 31 Dec 15 $m
Revenue				
Livestock	4	40.4	104.7	50.9
Milk		58.9	75.2	48.2
Wool		2.1	10.4	2.4
Forestry		0.1	4.0	1.5
Other produce		0.7	1.0	0.5
		102.2	**195.3**	**103.5**
Income from equity accounted investments		(0.2)	(1.0)	(0.4)
Genetic income		2.1	6.2	2.1
Other income		5.2	8.5	3.6
		109.3	**209.0**	**108.8**
Expenses				
Farm working expenses		49.0	84.0	50.8
Personnel		31.0	61.7	30.6
Depreciation and amortisation		8.3	16.0	7.6
Maintenance		6.8	13.0	6.6
Other expenses		17.1	32.2	16.1
		112.2	**206.9**	**111.7**
Net (Loss)/Profit before Interest, Property Sales and Revaluations		**(2.9)**	**2.1**	**(2.9)**
Interest expense		(6.0)	(11.5)	(6.0)
Net Finance Costs		**(6.0)**	**(11.5)**	**(6.0)**
Net Operating (Loss)		**(8.9)**	**(9.4)**	**(8.9)**
Profit on sale of land		1.5	7.4	0.4
Revaluation Gains and Losses				
(Loss) due to price changes on forests		-	(0.7)	-
Gain due to price changes on livestock	4	43.7	23.4	43.0
Gain/(Loss) due to price changes on financial instruments		1.7	(5.3)	(0.6)
(Loss) on revaluation of property, plant and equipment		-	(3.9)	-
Net Profit/(Loss) before Tax		**38.0**	**11.5**	**33.9**
Tax income/(expense)		(0.1)	-	3.6
Net Profit after Tax		**37.9**	**11.5**	**37.5**

	Note	Unaudited 6 months to 31 Dec 16 $m	Audited 12 months to 30 Jun 16 $m	Unaudited 6 months to 31 Dec 15 $m
Other Comprehensive Income				
(Loss) on revaluation of land and improvements		-	(24.8)	-
Revaluation losses transferred to and recognised in profit and loss		-	1.1	-
Gain on revaluation of available-for-sale financial assets		3.5	3.7	7.8
(Loss)/Gain due to price changes on intangible assets		(0.4)	5.3	1.3
Income tax on income and expense recognised in equity		-	0.3	-
Total Comprehensive Income		**41.0**	**(2.9)**	**46.6**

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 2016 as reported under NZ IFRS includes significant revaluation gains and losses on livestock and financial instruments used for interest rate and commodity 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 2016

	Unaudited 6 months to 31 Dec 16 $m	Audited 12 months to 30 Jun 16 $m	Unaudited 6 months to 31 Dec 15 $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	126.8	130.9	130.9
Net profit after tax	37.9	11.5	37.5
Transfers (from) revenue reserves	(45.4)	(18.1)	(42.4)
Other movements	4.6	2.5	3.3
Balance end of year	**123.9**	**126.8**	**129.3**
Revenue Reserves			
Biological assets revaluation reserve			
Balance beginning of year	129.0	105.6	105.6
Transfers from retained earnings	43.7	23.4	43.0
Balance end of year	**172.7**	**129.0**	**148.6**
Financial assets revaluation reserve			
Balance beginning of year	(28.2)	(22.9)	(22.9)
Transfers from/(to) retained earnings	1.7	(5.3)	(0.6)
Balance end of year	**(26.5)**	**(28.2)**	**(23.5)**
Fair Value Reserve			
Balance beginning of year	12.8	9.1	9.1
Revaluation of available-for-sale financial assets	3.5	3.7	7.8
Balance end of year	**16.3**	**12.8**	**16.9**
Asset Revaluation Reserves			
Intangible assets			
Balance beginning of year	4.8	(0.5)	(0.5)
Net value change during year	(0.4)	5.3	1.3
Balance end of year	**4.4**	**4.8**	**0.8**
Freehold land and improvements			
Balance beginning of year	701.6	769.7	769.7
Transfers to property held for sale	-	(42.2)	-
Transfers to other equity on sale	-	0.2	-
Net value change during year	-	(24.7)	-
Revaluation losses recognised in profit and loss	-	1.1	-
Tax effect of reserve movements	-	0.3	-
Other movements	(1.0)	(2.8)	(2.8)
Balance end of year	**700.6**	**701.6**	**766.9**

	Unaudited 6 months to 31 Dec 16 $m	Audited 12 months to 30 Jun 16 $m	Unaudited 6 months to 31 Dec 15 $m
Property held for sale			
Balance beginning of year	43.8	12.6	12.6
Transfers from freehold land and improvements	-	42.2	-
Transfers to other equity on sale	(0.2)	(10.9)	-
Value change during year	-	(0.1)	-
Balance end of year	**43.6**	**43.8**	**12.6**
Other Equity			
Balance beginning of year	295.6	283.4	283.4
Transfers from assets revaluation reserves	0.2	10.7	-
Capital expenditure reimbursed by the Crown	(0.4)	1.5	0.8
Assets transferred to the Crown	(1.4)	-	-
Balance end of year	**294.0**	**295.6**	**284.2**
Total Equity			
Balance beginning of year	1,411.2	1,412.9	1,412.9
Net profit/(loss) after tax	37.9	11.5	37.5
Other comprehensive income:			
Gain/(loss) on revaluation of land and improvements	-	(24.8)	-
Revaluation losses transferred to and recognised in profit and loss	-	1.1	-
Gain/(loss) on revaluation of available-for-sale financial assets	3.5	3.7	7.8
Gain on revaluation of intangible assets	(0.4)	5.3	1.3
Income tax on income and expense recognised in equity	-	0.3	-
Other movements	3.6	(0.3)	0.5
Capital expenditure reimbursed by the Crown	(0.4)	1.5	0.8
Assets transferred to the Crown	(1.4)	-	-
Balance end of year	**1,454.0**	**1,411.2**	**1,460.8**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the six months ended 31 December 2016

	Note	Unaudited 6 months to 31 Dec 16 $m	Audited 12 months to 30 Jun 16 $m	Unaudited 6 months to 31 Dec 15 $m
Operating Activities				
Cash was received from:				
Receipts from customers				
Livestock		35.2	126.6	36.5
Milk		42.6	74.3	36.8
Other receipts from customers		12.8	24.6	13.1
Dividends received from equity accounted investments		-	0.4	0.4
Other dividends received		0.1	0.1	0.1
Income tax received		0.4	0.3	0.5
Net GST received/(paid)		0.6	(0.6)	(0.2)
		91.7	**225.7**	**87.2**
Cash was applied to:				
Payments to suppliers		80.4	150.0	75.5
Payments to employees		31.2	57.2	29.7
Interest paid		5.7	11.0	4.5
		117.3	**218.2**	**109.7**
Net Cash Flows from Operating Activities		**(25.6)**	**7.5**	**(22.5)**
Investing Activities				
Cash was received from:				
Sale of land and improvements		4.1	27.9	5.4
Sale of other property, plant and equipment		1.6	1.4	1.7
		5.7	**29.3**	**7.1**
Cash was applied to:				
Purchase and development of land		8.2	32.0	16.2
Purchase of other property, plant and equipment		6.1	14.3	5.3
Purchase of intangible assets		0.1	0.2	-
Purchase of shares and advances		3.7	1.7	1.9
Purchase of livestock		-	1.0	1.0
		18.1	**49.2**	**24.4**
Net Cash Flows from Investing Activities		**(12.4)**	**(19.9)**	**(17.3)**

	Note	Unaudited 6 months to 31 Dec 16 $m	Audited 12 months to 30 Jun 16 $m	Unaudited 6 months to 31 Dec 15 $m
Financing Activities				
Cash was received from:				
Net borrowing receipts		41.1	11.2	40.2
		41.1	**11.2**	**40.2**
Cash was applied to:				
Dividends paid	8	-	-	-
		-	**-**	**-**
Net Cash Flows from Financing Activities		**41.1**	**11.2**	**40.2**
Net Change in Cash and Cash Equivalents		**3.1**	(1.2)	**0.4**
Cash and cash equivalents at beginning of year		(1.0)	0.2	0.2
Cash and Cash Equivalents at End of Year		**2.1**	**(1.0)**	**0.6**
Cash and cash equivalents comprises cash balances held with registered New Zealand banks -				
Cash at bank/(bank overdraft)		**2.1**	**(1.0)**	**0.6**
Reconciliation of Profit and Operating Cash Flow				
Net Profit/(Loss) after Tax		37.9	11.5	37.5
Non cash items				
Depreciation and amortisation		8.3	16.0	7.6
Revaluation gains		(45.4)	(13.5)	(42.4)
Change in deferred tax asset/liability		(0.5)	(0.1)	(3.7)
Deferred tax on revaluation of assets		-	0.3	-
Other non cash items		(15.4)	4.5	(23.5)
Movement in working capital items				
Inventories		(0.5)	(2.2)	1.6
Accounts receivable		(14.0)	0.6	(5.4)
Accounts payable and accruals		2.6	(5.9)	2.9
Employee entitlements		(1.3)	2.5	(0.1)
Items classified as investing or financing activities				
Net loss on movement of assets		(2.6)	(8.0)	(0.4)
Change in accounts receivable due to capital items		1.3	0.9	(0.4)
Change in accounts payable due to capital items		4.0	(0.1)	2.8
Purchase of livestock		-	1.0	1.0
Net Cash Flows from Operating Activities		**(25.6)**	**7.5**	**(22.5)**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Note	Unaudited 31 Dec 16 $m	Audited 30 Jun 16 $m	Unaudited 31 Dec 15 $m
Assets				
Cash and Cash Equivalents		2.1	(1.0)	0.6
Accounts Receivable	5	40.2	26.2	32.2
Inventories		10.7	10.2	6.4
Property Held for Sale		86.1	88.5	27.2
Biological Assets				
Livestock	4	348.6	288.5	337.2
Forests		26.1	27.5	26.2
Total Biological Assets		374.7	316.0	363.4
Equity Accounted Investments		6.2	5.9	7.8
Other Financial Assets	6	57.9	54.1	57.9
Intangible Assets		10.9	11.8	7.8
Property, Plant and Equipment				
Land and improvements		1,117.4	1,110.4	1,201.1
Protected land		104.1	111.4	110.7
Plant		22.7	24.1	23.7
Motor vehicles		23.3	25.5	21.3
Furniture and equipment		2.0	2.1	2.0
Computer equipment		1.0	1.1	0.3
Total Property, Plant and Equipment		1,270.5	1,274.6	1,359.1
Total Assets		**1,859.2**	**1,786.3**	**1,862.4**

	Note	Unaudited 31 Dec 16 $m	Audited 30 Jun 16 $m	Unaudited 31 Dec 15 $m
Liabilities				
Accounts Payable and Accruals		20.6	18.0	26.8
Employee Entitlements		8.9	10.2	7.6
Deferred Tax Liability		1.3	0.8	(3.0)
Other Financial Liabilities	7	274.7	238.4	262.5
Redeemable Preference Shares		99.7	107.7	107.7
Total Liabilities		**405.2**	**375.1**	**401.6**
Shareholders' Funds				
Share capital		125.0	125.0	125.0
Retained earnings		123.9	126.8	129.3
Revenue reserves		146.2	100.8	125.1
Fair value reserve		16.3	12.8	16.9
Asset revaluation reserves		748.6	750.2	780.3
Other equity		294.0	295.6	284.2
Total Shareholders' Funds		**1,454.0**	**1,411.2**	**1,460.8**
Total Equity		**1,455.0**	**1,411.2**	**1,460.8**
Total Equity and Liabilities		**1,859.2**	**1,786.3**	**1,862.4**

The accompanying notes form part of these financial statements.

Landcorp's Board of Directors authorised the financial statements for issue on 9 February 2017.

Signed on behalf of the Board

Traci Houpapa MNZM JP
Chairman
9 February 2017

Chris Day
Director
9 February 2017

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 31 December 2016

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 2016. 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 2016.

The financial information contained in this report has not been audited by Landcorp's auditors. The financial information for the year ended 30 June 2016 has been extracted from Landcorp's audited financial statements for the year ended 30 June 2016.

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 2016 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 2016 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 commodity price 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 2016 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 2016, therefore, the half year financial statements do not reflect any changes in market values of land and buildings from 1 July 2016 to 31 December 2016.

Statement of Financial Position

Landcorp's Statement of Financial Position at 31 December 2016 reflects the following seasonal factors:

- Land and buildings are based on 30 June 2016 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 16 $m	Audited 12 months to 30 Jun 16 $m	Unaudited 6 months to 31 Dec 15 $m
Livestock sales	35.1	126.4	36.2
Birth of animals	23.0	40.1	25.8
Growth of animals	23.2	65.1	29.5
Livestock losses	(10.7)	(14.1)	(10.0)
Book value of livestock sold	(30.2)	(112.8)	(30.6)
Total Livestock Revenue	**40.4**	**104.7**	**50.9**

B – Value of Livestock

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

	Unaudited 31 Dec 16 $m	Audited 30 Jun 16 $m	Unaudited 31 Dec 15 $m
Livestock value at start of year	288.5	270.9	270.9
Value changes caused by:			
Birth and growth of animals	46.2	105.2	55.3
Purchases	11.1	15.9	8.6
Livestock losses	(10.7)	(14.1)	(10.0)
Livestock available for sale or production	**335.1**	**377.9**	**324.8**
Book value of livestock sold	(30.2)	(112.8)	(30.6)
Effect of price changes	43.7	23.4	43.0
Livestock Value at End of Year	**348.6**	**288.5**	**337.2**

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 2016.

The effect of price changes for the six months ended 31 December 2016 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 31 Dec 16 $m	Audited 30 Jun 16 $m	Unaudited 31 Dec 15 $m
Trade debtors	9.4	10.9	7.2
Milk income receivable	27.3	10.6	21.6
Other receivables and prepayments	3.5	4.7	3.4
Gross Accounts Receivable	40.2	26.2	32.2
Individual impairment	-	-	-
Total Accounts Receivable	**40.2**	**26.2**	**32.2**

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 16 $m	Audited 30 Jun 16 $m	Unaudited 31 Dec 15 $m
Available-for-sale financial assets			
Share investments	57.9	54.0	57.9
Held-for-trading financial assets			
Milk future derivatives	-	0.1	-
Total Other Financial Assets	**57.9**	**54.1**	**57.9**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NOTE 7 – OTHER FINANCIAL LIABILITIES

	Unaudited 31 Dec 16 $m	Audited 30 Jun 16 $m	Unaudited 31 Dec 15 $m
Financial liabilities measured at amortised cost			
Bank loans	260.7	219.6	250.9
Other loans	2.4	2.4	-
Held-for-trading financial liabilities			
Interest-rate derivatives	11.6	16.4	11.6
Total Other Financial Liabilities	**274.7**	**238.4**	**262.5**

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 2016. Interest rate derivatives are valued on an 'exit price' basis. Accrued interest is calculated based on the 90 day market rate and is removed from the revaluation provided by each swap provider.

Cash advance facilities have been drawn as follows:

	Unaudited 31 Dec 16 $m	Audited 30 Jun 16 $m	Unaudited 31 Dec 15 $m
Drawn	260.7	219.6	250.9
Undrawn	54.3	75.4	44.1
Total	**315.0**	**295.0**	**295.0**

Cash advance facilities are committed to:

	Unaudited 31 Dec 16 $m	Audited 30 Jun 16 $m	Unaudited 31 Dec 15 $m
6-12 months	90.0	70.0	70.0
One to two years	135.0	140.0	90.0
Two to five years	90.0	85.0	135.0
Total	**315.0**	**295.0**	**295.0**

NOTE 8 – DIVIDENDS

No dividends have been paid during the 2015/16 or 2016/17 years.

NOTE 9 – CONTINGENT ASSETS AND LIABILITIES

At 31 December 2016 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 2016 Landcorp held 280,365 post-1989 NZUs and 148,229 pre-1990 NZUs.

NOTE 10 – COMMITMENTS

	Unaudited 31 Dec 16 $m	Audited 30 Jun 16 $m	Unaudited 31 Dec 15 $m
Contracted capital commitments	7.6	1.0	4.1

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

DIRECTORY

CORPORATE/REGISTERED OFFICE

15 Allen Street
PO Box 5349
Wellington 6140
Tel: (04) 381 4050

WEBSITE

www.landcorp.co.nz

DIRECTORS

Traci Houpapa MNZM, 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
Graeme Mulligan, GM Livestock Operations
Mark Julian, GM Dairy Operations
Phil McKenzie, GM Environment
Sarah Risell, GM Sales & Marketing
Andrew Sliper, GM Commercial Development
Lucy Wills, GM People & Safety
Rob Ford, GM Innovation & 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