ALLIED FARMERS LIMITED
ANNUAL REPORT 2013

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OVERVIEW FROM THE CHAIRMAN

The 2013 financial year has been a year in which Allied Farmers Limited has continued to focus on reducing debt, realising underperforming and non core assets, and growing the livestock business.

Significant milestones worth highlighting have included:
• Significant reductions in the secured debt levels to the senior lender
• Continued realisation of property assets and sale of the Real Estate business to management; and
• A profitable year for the Livestock business, with continued growth in the business.

For the year the Group reported an audited loss of $2.5m (last year $13.9m).

The Livestock Division, which comprises the operation of NZ Farmers Livestock Ltd, owned 67% by Allied, traditionally has strongest sales in the autumn and it had a profitable second half of $1.0m resulting in a full year result of earnings before tax of $0.9m. This result reflects the strong loyalty of clients and the work ethic of the management team and agents. 2013 saw continuation of the efforts to rebuild this business with most regions performing well and in particular good growth in the Waikato and Taranaki regions. NZ Farmers Livestock online livestock listing service, MyLivestock.co.nz, continues to be well supported. During the year the company acquired the balance of King Country Livestock that it did not already own with the vendors of that stake becoming shareholders in NZ Farmers Livestock.

After careful consideration the Real Estate division was sold to management during the year. This business has had fluctuating results over the years and the Board was not confident it would continue to generate appropriate returns to the parent in the short and medium term, and believe that management team and agents were the best drivers of the future of that business.

The Asset Management Services Division, charged with the recovery of the ex Hanover and United Finance assets, reported a loss of $3.7m for the year, (2012 $7.8m) This reflects both realised losses and gains on disposal of assets as well as further writedowns on assets still held. The NZ based assets have now largely been sold, with a major sale during the year being the disposal of all of the sections held at Jacks Point in Queenstown. This allowed a meaningful repayment of the debt to the senior lender. The value of assets still to be recovered is now under $1m and the bulk of this is expected to be realised during the current year.

Total Group interest costs reduced from $4.2m to $1.2m as secured loans continued to be repaid. The balance of secured debt owed to the senior lender was $5.1m at June 2013, down from $17m in June 2012.

The listed entity, Allied Farmers Ltd, now has shareholders funds of $1.1m. During the year the parent company had writedowns of intercompany balances and goodwill relating to subsidiaries of $7.8m. As in the last year's accounts, the Group accounts still reflect negative equity as the consolidated result does not attribute the full market value of the investment in the NZ Farmers Livestock subsidiary and the saleyard properties held.

The focus for the coming year will be to grow the Livestock business as well as continuing to repay debt. Although liabilities have reduced significantly there is still pressure to repay the secured debt. The Directors and Management continue to monitor and consider all ways that it can earn funds and/or realise assets to free cash to repay the remaining debt to the senior lender and other creditors.

The Directors acknowledge the considerable support and loyalty of all of the staff of Allied Farmers and its subsidiaries, and the support of its many stakeholders. There is still considerable work to be undertaken but meaningful steps have been made by the Company and the positive impact of those steps is now starting to show through to the Company's results.

ALLIED FARMERS LIMITED

Garry Bluett (Chairman)

FIVE YEAR FINANCIAL SUMMARY

Five Year Financial Summary

				Pro-forma*		
	June-13	June-12	June-11	June-10	June-10	June-09
	$000	$000	$000	$000	$000	$000
Profit summary						
Total operating revenue	27,099	21,452	58,991	66,546	106,732	110,875
Depreciation and amortisation	467	350	699	746	1,833	2,397
Interest expense	1,216	4,192	7,970	9,796	32,290	33,462
Other expenses	29,636	30,221	90,243	133,786	142,684	108,777
Net surplus (deficit) from continuing operations	(4,220)	(13,311)	(39,921)	(77,782)	(70,075)	(33,761)
Net deficit from discontinued operations	1,750	(550)	(1,061)	-	-	-
Net surplus (deficit) before tax	(2,470)	(13,861)	(40,982)	(77,782)	(70,075)	(33,761)
Tax	(1)	-	-	(1,361)	(7,512)	(437)
Net surplus (deficit) after tax	(2,471)	(13,861)	(40,982)	(79,143)	(77,587)	(34,198)
Minority interests	(144)	(232)	-	-	(967)	(819)
Net surplus (deficit) after tax and minorities	(2,615)	(14,093)	(40,982)	(79,143)	(78,554)	(35,017)
Dividend paid	(185)	-	-	-	-	-
Surplus/(deficit) attributable to owners of the Parent	(2,800)	(14,093)	(40,982)	(79,143)	(78,554)	(35,017)
				Pro-forma*		
	June-13	June-12	Jun-11	June-10	June-10	June-09
	$000	$000	$000	$000	$000	$000
Statement of Financial Position summary						
Shareholders equity	(5,268)	(2,701)	(5,499)	31,035	44,465	10,007
Non current liabilities	231	2,382	4,590	15,244	95,105	131,643
Current liabilities	16,559	34,170	55,782	97,229	238,817	250,705
Total liabilities	16,790	36,552	60,372	112,473	333,922	382,348
Equity and liabilities	11,522	33,851	54,873	143,508	378,387	392,355
Current assets	7,295	21,183	28,938	47,233	199,072	235,946
Fixed assets	3,711	4,372	3,795	7,832	10,473	11,636
Non current assets	190	8,100	21,082	45,038	123,331	110,991
Investments	180	196	196	42,155	44,040	2,151
Total tangible assets	11,376	33,851	54,011	142,258	376,916	360,724
Intangibles	146	-	862	1,250	1,471	31,631
Total assets	11,522	33,851	54,873	143,508	378,387	392,355
				Pro-forma*		
	June-13	June-12	Jun-11	June-10	June-10	June-09
	$000	$000	$000	$000	$000	$000
Cash Flow summary						
Operating cash flow	1,435	(2,905)	33,049	(925)	59,354	62,070
Investing cash flow	(319)	7,319	15,772	8,739	9,796	9,848
Financing cash flow	(1,808)	(2,705)	(57,572)	(6,251)	(105,943)	(51,633)
Net change in cash	(692)	1,709	(8,751)	1,563	(36,793)	20,285

The amounts shown in this Five Year Financial Summary have been extracted from the audited financial statements of Allied Farmers Limited and subsidiaries for the respective years.

* The Group Pro-forma column represents the consolidated Group without Allied Nationwide Finance Limited which was placed in receivership on 20 August 2010. It provides a more relevant reflection of the consolidated Group.

DIRECTORS

Mr Garry C Bluett - Chairman

Mr Bluett was appointed a Director of Allied Farmers Limited in October 2004. He has been Finance Director of a major New Zealand retail group and has broad experience in the finance company and corporate finance sectors. He currently has an ownership interest in a large dairy operation in the Waikato. Mr Bluett is an independent Director of Allied Farmers Limited. He has the following qualifications: BMS, CA.

Mr Philip C Luscombe

Mr Luscombe was appointed a Director of Allied Farmers Limited in December 2005. He is an experienced farmer with interests in dairy farms in Taranaki and Otago, and in farm forestry. He is a Director of PKW Farms GP Limited, as well as a number of private companies. He is a trustee of The Massey-Lincoln and Agricultural Industry Trust and a former trustee of the Massey University Agricultural Research Foundation. He is a former director of Kiwi Cooperative Dairies Limited, Kiwi Milk Products Limited, Dairy InSight and industry research company Dexcel. Mr Luscombe is an independent director of Allied Farmers Limited. He has the following qualification: BAgSci(Hons).

Mr G Andrew McDouall

Mr McDouall was appointed a Director of Allied Farmers Limited in October 1999. He is Managing Director of the stockbroking and investment banking group McDouall Stuart Group Limited, and a director of a number of private companies. He has the following qualifications: BCA, DipNZSE

Mr Jeffrey W Keenan

Mr Keenan was appointed a Director of Allied Farmers Limited in November 2010. He is a former senior executive in the manufacturing sector, including Human Resources and Fund Management roles with Pilkington, Chief Executive of Mitchell Rubber Company, and Managing Director of Synapco Industries Limited, a custom moulding and plastics and rubber manufacturer, from which he retired in 1997. Mr Keenan is an independent director of Allied Farmers Limited. Mr Keenan is currently president of the Multiple Sclerosis Society – Central Districts, and farms a 40 acre property with sheep and cattle at Manakau, just outside of Levin.

DISCLOSURES

The following particulars are taken from the Interests Register as at 30 June 2013 (excluding directorships of Allied Farmers group companies).

DISCLOSURE OF INTEREST

Name	Entity	Relationship
Garry C Bluett	Arcos Investments Limited	Director
	Aylesbury Farms Limited	Director
	Bostonian Group Limited	Director
	Farmers Meat Export Limited	Lender
Philip C Luscombe	Argyll Dairy Farm Limited	Chairman
	Hinemoa Downs (2005) Limited	Chairman
	Te Rua O Te Moko Limited	Chairman
	Hendham Farm Company Limited	Director
	Kingfisher Escape Limited	Director
	Koki South Farms Limited	Director
	Mairangi Investments Limited	Director
	Par Farms Limited	Director
	PKWF 2013 Limited	Director
	PKW Farms GP Limited	Director
	Luscombe Partnership	Partner
	USlus Partnership	Partner
	Hendham Trust	Trustee
	Massey-Lincoln and Agricultural Industry Trust	Trustee
	Pharm Trust	Trustee
G Andrew McDouall	McDouall Stuart Group Limited and Subsidiaries	Managing Director & beneficial shareholding interest
	Nessock Custodians Limited	Director
	Logan Nominees Limited	Director
	MSL Capital Markets Limited	Director & Beneficial Shareholding interest

There were no details included in the Interests Register as at 30 June 2012, or entered during the year ended 30 June 2013, that have been removed during the year ended 30 June 2013.

DIRECTORS' HOLDINGS OF ALLIED FARMERS SECURITIES AS AT 30 JUNE 2013

Directors disclosed, pursuant to section 148 of the Companies Act 1993 and rule 10.5.5 of the NZX Listing Rules, the following acquisitions and disposals of relevant interests in Allied Farmers equity securities during the period to 30 June 2013, as set out below.

		Acquisition /Disposal during period		
Director	**Ordinary Shares Held**	Date	Consideration NZ$	Number of equity securities acquired (disposed)
G C Bluett	1,034			nil
P C Luscombe	1,597			nil
G A McDouall	44,794			nil
J W Keenan	27,918			nil

DIRECTORS' REMUNERATION

Director		**2013**		**2012**
R M Alloway	$	-	$	60,000
G C Bluett	$	-	$	37,500
P C Luscombe	$	9,333	$	25,666
G A McDouall	$	27,500	$	30,250
J W Keenan	$	9,333	$	25,666
TOTAL	**$**	**46,166**	**$**	**179,082**

The above table reflects what has been paid out by the Company. As per note 31 of the accounts a total of $103,000 has been accrued for Directors fees for payment in the financial year. Shareholders approved a cap on directors' fees of $332,000 pa at the AGM in 2007. This cap includes all directors fees paid in relation to group subsidiary companies as well as for the parent.

PARTICULAR DISCLOSURES

Mr Bluett noted his interest as one of the parties lending working capital to NZ Farmers Meat Export Limited and Farmers Meat Export Limited to enable those companies to undertake bobby calf processing. Mr Bluett did not participate in the discussion or vote on these transactions. The working capital facilities were provided pursuant to three separate arrangements for 2011, 2012 and 2013:

A working capital facility was entered into with NZ Farmers Meat Export Limited on 5 August 2011 and had the following terms:

- Up to $850,000 at 12% per annum, repayable in full on or before 31 December 2011;
- Supported by a General Security Deed over all of the assets of NZ Farmers Meat Export Limited.

A working capital facility was entered into with Farmers Meat Export Limited on 30 June 2012* and has the following terms:

- Up to $1,200,000 at 12% per annum, repayable in full on or before 31 December 2012;
- Supported by a General Security Deed over all of the assets of Farmers Meat Export Limited.

A working capital facility was entered into with Farmers Meat Export Limited** on 22 August 2013 and has the following terms:

- Up to $1,500,000 at 10.9% per annum;
- Supported by a General Security Deed over all of the assets of Farmers Meat Export Limited;
- The funders may advance funding of up to an additional $1.5 million for the 2014 season provided that the 2013 season funding plus interest and costs have been fully repaid;
- Loan funds advanced for the 2013 season will be repayable by 31 December 2013; and
- Loan funds advanced for the 2014 season will be repayable by 31 December 2014

Except to the extent described above, no Director has entered into any transaction with the Company or its subsidiaries other than in the normal course of business, on the Company's normal terms of trade, and on an arms-length basis.

No Director issued a notice requesting to use Group information received in their capacity as a Director which would not otherwise have been available to them.

During the year the Company paid premiums on contracts insuring directors and officers in respect of liability and costs permitted to be insured against in accordance with Section 162 of the Companies Act 1993 and the Company's constitution.

**A waiver from Listing Rule 9.2.1 was granted by the NZX Regulation on 25 July 2012 in relation to Mr Bluett's participation in this transaction – see further information under the heading "NZX Waivers" below.*

***A waiver from Listing Rule 9.2.1 was granted by the NZX Regulation on 22 August 2013 in relation to Mr Bluett's participation in this transaction – see further information under the heading "NZX Waivers" below.*

EMPLOYEE REMUNERATION

The number of employees whose remuneration and benefits were over $100,000 is within the specified bands as follows:

Remuneration Range ($)		Number of Employees 2013	2012
100,000	110,000	1	-
110,001	120,000	-	-
120,001	130,000	2	-
130,001	140,000	-	-
140,001	150,000	1	2
150,001	160,000	1	1
160,001	170,000	-	1
170,001	180,000	2	2
180,001	190,000	1	3
190,001	200,000	1	-
200,001	210,000	-	-
210,001	220,000	1	1
220,001	230,000	1	-
230,001	240,000	1	-
240,001	250,000	-	-
250,001	260,000	-	1
260,001	270,000	-	-
270,001	280,000	-	
280,000	290,000	1	-
		13	**11**

The remuneration figures shown in the above table include all monetary payments actually paid, plus the cost of all benefits provided, during the year.

The 2013 year includes 12 livestock and real estate employees who are remunerated on a commission basis (2012: 9). These remuneration levels fluctuate significantly from year to year. The table does not include independent contractors.

SUBSTANTIAL SECURITY HOLDERS

No notices were given under the Securities Markets Act 1988 for the reporting period up to the date of this Annual Report.

The total number of issued voting securities of Allied Farmers Limited as at 17 September 2013 was 90,792,438 ordinary shares.

SUBSIDIARY COMPANIES

Directors of subsidiary companies as at 30 June 2013 were as follows:

Subsidiaries of the Parent	Principal Activity	Directors
Allied Farmers Rural Limited	Rural Services	G C Bluett, P C Luscombe, G A McDouall, J W Keenan
NFA Limited (in Liquidation) (formerly Allied Nationwide Finance Limited (In Receivership))	Financial Services	G C Bluett, P C Luscombe, R N Speirs
The West Coast Mortgage and Deposit Company Limited	Holding company	G C Bluett
Allied Farmers Option Scheme Limited	Non-trading	P C Luscombe
ALF Nominees Limited	Nominee company	G C Bluett[1]
Allied Farmers Investments Limited	Asset Management Services	G C Bluett, J W Keenan, P C Luscombe, G A McDouall
Subsidiaries of Allied Farmers Investments Limited		
Allied Farmers Property Investments Limited	Holding company	G C Bluett
Allied Farmers Property Holdings Limited	Holding company	G C Bluett
Subsidiaries of Allied Farmers Property Investments Limited		
QWF Holdings Limited	Property Investment	G C Bluett
HPL Rhode Island (2008) Limited	Financial Services to North America	G C Bluett
Clearwater Avenue Holdings Limited	Non-trading	G C Bluett
Clearwater Hotel 2004 Limited	Property development and investment	G C Bluett
Lifestyles of New Zealand Queenstown Limited	Property investment	G C Bluett
LONZ 2008 Limited	Property investment	G C Bluett
LONZ 2008 Holdings Limited	Property investment	G C Bluett
Matarangi Beach Estates Limited (In Receivership)	Non-trading	G C Bluett
Subsidiaries of Allied Farmers Property Holdings Limited		
UFL Lakeview Limited	Non-trading	G C Bluett

5M No 2 Limited	Non-trading	G C Bluett
Subsidiaries of Matarangi Beach Estates Limited (in Receivership)		
Matarangi Farm Lot 1 Limited	Non-trading	G C Bluett
Matarangi Farm Lot 2 Limited	Non-trading	G C Bluett
Matarangi Farm Lot 3 Limited	Non-trading	G C Bluett
Matarangi Reserve Limited	Non-trading	G C Bluett
Matarangi Villas Management Limited	Non-trading	G C Bluett
Matarangi Farm Developments Limited	Non-trading	G C Bluett
Allied Farmers Property Holdings Limited	Holding company	G C Bluett
UFL Lakeview Limited	Non-trading	G C Bluett
5M No 2 Limited	Non-trading	G C Bluett
Subsidiary of Clearwater Hotel 2004 Limited		
Clearwater Hotel Management 2004 Limited	Non-trading	G C Bluett
Subsidiaries of The West Coast Mortgage and Deposit Company Limited		
Allied Farmers Finance Limited	Non-trading	G C Bluett
Allied Farmers Livestock Limited	Non-trading	G C Bluett
Allied Farmers (New Zealand) Limited	Non-trading	G C Bluett
Allied Finance Limited	Non-trading	G C Bluett
Allied Prime Finance Limited	Non-trading	G C Bluett
Allied Rural Limited	Non-trading	G C Bluett
Nationwide Finance Limited	Non-trading	G C Bluett
Prime Finance Limited	Non-trading	G C Bluett
Taranaki Farmers Limited	Non-trading	G C Bluett
Speirs Finance Limited	Non-trading	G C Bluett
Subsidiaries of Allied Farmers Rural Limited		
NZ Farmers Meat Export Limited Formerly Farmers Meat Export Limited)	Bobby Calf Exporting	P C Luscombe, S K W Morrison
NZ Farmers Livestock Limited	Livestock Trading	P C Luscombe, G C Bluett, C W Morrison[2], O J Carruthers, S Williams[3]
Farmers Meat Export Limited	Bobby Calf Exporting	S K W Morrison, C W Morrison[2], P C Luscombe[4]

1 *Appointed 31 July 2012*
2 *Resigned 9 November 2012*
3 *Appointed 11 July 2013*
4 *Appointed 14 December 2012*

POLITICAL DONATIONS

The Company made no donations to any political party during the year.

SHAREHOLDER INFORMATION

The ordinary shares of Allied Farmers Limited are listed on the NZSX. The NZX share code is 'ALF'.

The shareholder information in the following disclosures has been taken from the Company's share register at 17 September 2013.

RIGHTS ATTACHING TO SECURITIES

Ordinary Shares

The Company's ordinary shares carry a right to vote on any resolution on a poll at a meeting of shareholders. Holders of ordinary shares may vote at a meeting in person or by proxy, representative, or attorney. Voting may be conducted by voice, show of hands, or poll.

Share Options

On 13 September 2013, to support a bond issue by Allied Farmers Rural Limited, Allied Farmers Limited issued non listed options to acquire 3,480,000 ordinary shares for an exercise price equal to the volume weighted average market price of ordinary shares as quoted by the NZX over the 20 business days prior to the announcement date or issue date.

The share options must be exercised within five years from the issue date. If the option is exercised, the exercise price is payable immediately. The issued shares will rank pari passu with existing ordinary shares.

TWENTY LARGEST REGISTERED SHAREHOLDERS

Rank	Investor Name	Total Units	% Issued Capital
1.	Donald Clifton Jacobs	4,256,975	4.69
2.	Leh Soon Yong	3,851,669	4.24
3.	HSBC Nominees (New Zealand) Limited	3,392,769	3.74
4.	Nessock Custodians Limited	3,031,591	3.34
5.	Albany Braithwaite Holdings Limited	2,194,087	2.42
6.	Stuart David Hynes	1,801,600	1.98
7.	Forsyth Barr Custodians Limited	1,649,532	1.82
8.	JPMORGAN Chase Bank	1,190,909	1.31
9.	Tea Custodians Limited	1,085,937	1.2
9.	Probatus Investments Limited	1,085,937	1.2
10.	Michael Lookman & Marilyn Somerville	1,015,000	1.12
11.	ASB Nominees Limited	1,000,006	1.1
12.	Rees HJ Jones & Moira M Jones & Walter MG Yovich	848,331	0.93
13.	Brian Arthur Paradine	830,534	0.91
14.	Adrian James Sprott	754,072	0.83
15.	Francis John Halewood	659,813	0.73
16.	Richard John Nowacki	630,184	0.69
17.	Concrete Direct Limited	538,049	0.59
18.	FNZ Custodians Limited	513,338	0.57
19.	Adam Kaan & Anneke Blackwood & Irene Eades	500,000	0.55
20.	Jean Paul Margot & Monique Arlette Margot	471,295	0.52
20.	Nediljko Yovich & Madeline M Yovich & Walter MG Yovich	471,295	0.52
20.	Jeremy H Kippenberger & Michael D Friend & Suzanne M Clother	471,295	0.52
20.	Andrew Julian Wiig & Catherine Jane Wiig	471,295	0.52
20.	Norma Grace Mcdermott	471,295	0.52
20.	Douglas St Cowley & Karen V Cowley & Ralph D Berry	471,295	0.52
20.	Vanessa Char Wei Lim	471,295	0.52
20.	Clarissa Char Shin Lim	471,295	0.52
20.	Carolyn Ann Quinnell & Rodney Quinnell	471,295	0.52
20.	ASB Nominees Limited	471,295	0.52

ANALYSIS OF SHAREHOLDING

Ranges	Investors	Holding	% Issued Capital
1 – 1,000	15,026	4,892,344	5.39
1,001 – 5,000	4,663	9,332,790	10.28
5,001 – 10,000	356	2,473,754	2.72
10,001 – 50,000	385	10,400,247	11.45
50,001 – 100,000	121	9,660,271	10.64
100,001 and Over	132	54,033,032	59.51
TOTAL	**20,683**	**90,792,438**	**100**

SHAREHOLDER ENQUIRIES

Shareholders should send changes of address, dividend queries, and instructions and shareholding information requests to Link Market Services Limited, which acts as the Company's share registrar. These notifications and requests should be by signed letter.

ANNUAL MEETING OF SHAREHOLDERS

Allied Farmers Limited's Annual Meeting of shareholders will be held in the TSB Hub, Hawera, on Tuesday 26 November 2013 from 11am. A Notice of Annual Meeting and Proxy Form will be circulated to shareholders prior to the meeting.

REGISTERED OFFICE

The registered office of Allied Farmers Limited is:

201 Broadway
Stratford 4332
PO Box 304
Stratford 4352

DIVIDENDS PAID

The following is a summary of all dividends paid by Allied Farmers Limited since listing on NZX on 9 May 2002. No dividends have been paid in the financial year ended 30 June 2013.

Payment date	NZ cents per share
16 May 2002	7.0
11 October 2002	9.0
28 March 2003	6.0
3 October 2003	5.0
26 March 2004	5.5
2 April 2004 (taxable bonus issue)	50.0
1 October 2004	5.0
24 March 2005	5.0
30 September 2005	10.0
24 March 2006	5.0
29 September 2006	2.0
23 March 2007	4.0
16 June 2008	2.5

NZX REGULATION WAIVERS

The Company was granted the following waivers:

Date of Decision	Applicable Rule	Reason
25 July 2012	9.2.1	To enable Related Party, Mr Garry Bluett, to enter into a Material Transaction with the Company. The Material Transaction was for the provision of a working capital facility to a subsidiary of the Company, Farmers Meat Export Limited, to enable ongoing funding of its bobby calf business.
21 December 2012	9.1.1	To enable the Company to enter into a Major Transaction with Crown Asset Management Limited involving sale of assets at book value to reduce secured debt and to enable a funding facility to be provided to the Company.
23 August 2013	9.2.1	To enable Related Party, Mr Garry Bluett, to enter into a Material Transaction with the Company. The Material Transaction was for the provision of a working capital facility to a subsidiary of the Company, Farmers Meat Export Limited, to enable ongoing funding of its bobby calf business.
6 September 2013	9.1.1(b) and 9.2.1	To enable Related Parties, being NZ Farmers Livestock Limited, Oliver Carruthers, Simon Williams and Linda Morrison to directly or indirectly be parties to inter-related Material Transactions being the sale of certain stockyards by Allied Farmers Limited to NZ Farmers Livestock Limited, the provision of funding by Linda Morrison to NZ Farmers Livestock Limited, and the re-advance of funds to Allied Farmers Limited by Crown Asset Management Limited.
13 September 2013	9.2.1	To enable Related Party, Garry Bluett, to enter into a Material Transaction with Allied Farmers Rural Limited, being a participant in the issue of bonds that include an option for shares in Allied Farmers Limited, secured by charges over Allied Group assets, in order to raise funds to assist with the settlement of a debt owed to the Inland Revenue Department and for working capital purposes.

Details of the waivers can be found by following the link under the “Shareholder Information” section of the Company’s website, www.alliedfarmers.co.nz.

NZX WAIVERS EXERCISE OF NZX POWERS

The NZX imposed a short trading halt on 27 May 2013 so that the NZX could understand the implications of an announcement made on that date by ALF in relation to a liquidation notice served by the Inland Revenue.

GOVERNANCE

NZX BEST PRACTICE CODE

The NZSX listing rules require the Company to include in each annual report a statement disclosing the extent to which it has followed the NZX Corporate Governance Best Practice Code for the reporting period. Due to a number of factors, including the Company’s small market capitalisation and the fact that its primary operations are undertaken by a joint venture subsidiary with a separate Board, in a number of areas the Code is not complied with. Accordingly, the Company considers its governance practices have complied with the Code for the year to 30 June 2013 except to the extent highlighted below.

THE BOARD OF DIRECTORS

Role of the Board and Responsibility

The Board of Directors is elected by shareholders to govern the Company in the interests of shareholders, and to protect and enhance the value of the assets of the Company in the interests of the Company and its shareholders. The Board is the overall and final body responsible for all decision making within the Company. The Board Charter describes the Board's role and responsibilities and regulates internal Board procedure. The Board has also delegated a number of its responsibilities to its committees. The role of the committees is described below.

Board Membership, Size and Composition

The Board currently comprises four Directors – a non-executive Chairman, and three non-executive Directors. The Board has a broad range of financial, farming, and business skills as well as other relevant experience and expertise required to meet its objectives.

When appropriate, the Board reviews the criteria for the selection of Directors to ensure the Board comprises the right mix of skills and experience to meet the needs of the Company.

Selection and Role of Chairman

The Chairman is elected by the Board from the non-executive Directors. The Board supports the separation of the role of Chairman and senior management. The Chairman's role is to manage and provide leadership to the Board and to facilitate the Board's interface with senior management.

Director Independence

The Board is committed to having a majority of Directors who are judged by the Board to be independent in terms of the NZSX listing rules.

The Board considers all the Company's Director relationships on a case-by-case basis and, as a general policy, follows the NZSX listing rules' definition. The Board considers that Andrew McDouall can be precluded from being reasonably perceived as an independent director of the Company due to his relationship with the Company as provider of investment banking services to the Company from time to time. All other Directors of the Company are considered independent.

The Board will review any determination it makes on a Director's independence on a regular basis and on becoming aware of any information that indicates the Director may have a relevant material relationship with the Company. For this purpose, Directors are required to ensure that they immediately advise of any new or changed relationships so the Board can consider and determine how material the relationship is to a Director's independence.

Conflicts of Interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duty to the Company and their own interests. Where conflicts of interest do exist at law then the Director must disclose their interest, excuse themselves from any Board discussions if appropriate, not receive any Board papers in respect of those interests, and in accordance with the relevant stock exchange listing rules not exercise their right to vote in respect of such matters.

Nominations and Appointment of New Directors

Procedures for the appointment and removal of Directors are ultimately governed by the Company's constitution.

Recommendations for nominations of new Directors are made by the Directors individually and considered by the Board as a whole. Although this has not occurred in recent times, external consultants may be used to access a wide base of potential candidates and to review the suitability of candidates for appointment based on pre-established criteria. When recommending candidates to act as Director, the Board takes into account such factors it deems appropriate. These factors include their background, experience, professional skills and personal qualities, whether their skills and experience will augment the existing Board, and their availability to commit themselves to the role. Due to its size, the Company does not have a Nomination Committee.

If the Board appoints a new Director during the year, that person will stand for election by shareholders at the next annual meeting. Shareholders are provided with relevant information on the candidates for election.

Director Education

All Directors are encouraged and if requested supported to receive regular updates on relevant industry and Company issues, which include visits to the Company's operations. The Board expects all Directors to undertake continuous education so that they may appropriately and effectively perform their duties.

Board's Performance Review

The Board does not formally review its own performance as a whole against the Board Charter, but will do if circumstances require. However, the Board discusses governance and performance issues from time to time. In particular, the Board has carefully considered the qualifications and skills of appointees to the Board of its subsidiary, NZ Farmers Livestock Limited, given the importance of this subsidiary to the Group.

A Board-evaluation survey may be undertaken from time to time to seek Director feedback on a range of matters relating to Board performance including its role and composition, procedures, practices, and administration. The Chairman reports the collective results of this evaluation to the Board. Given the small size of the Board and the regular contact between them, the Board has not considered it necessary to undertake a formal evaluation in the period.

Retirement and Re-election of Directors

NZSX rule 3.3.11 requires at least one third of the Directors to retire from office at the annual meeting each year, but they are eligible for re-election at that meeting.

Garry Bluett is required to retire and is eligible, if he chooses to do so, to stand for re-election at this year's annual meeting.

Board Access to Information and Advice

All Directors have access to management, to discuss issues or obtain information on specific areas or items to be considered at the Board meeting or other areas they consider appropriate. Further, Directors have unrestricted access to Company records and information.

The Board, the Board committees and each Director have the right, subject to the approval of the Chairman, to seek independent professional advice at the Company's expense to assist them in carrying out their responsibilities. Further, the Board and Board committees have the authority to secure the attendance at meetings of outsiders with relevant experience and expertise.

Directors' Share Ownership

Due to its very small market capitalisation, very low share price, and thin trading, the Company does not operate a performance based equity security compensation plan and does not actively encourage directors to invest a portion of their director's remuneration in shares in the Company. However, all directors do hold shares in the Company. Directors' disclosures of their shareholdings pursuant to section 148 of the Companies Act 1993 and NZSX listing rule 10.5.5 are shown in the Disclosures section of this annual report.

Directors are required to comply with the Company's Securities Trading Policy and Guidelines in undertaking any trading in Allied Farmers Limited shares.

Indemnities and Insurance

As permitted by the Company's constitution, deeds of indemnity have been given to Directors for potential liabilities and costs they may incur for acts or omissions in their capacity as Directors. In addition, deeds of indemnity have been given to certain senior staff and contractors for potential liabilities and costs they may incur for acts or omissions in their capacities as employees or contractors of the Company or as Directors of Company subsidiaries.

During the year the Directors and Officers liability insurance was renewed to cover risks normally covered by such policies arising out of acts or omissions of Directors and Officers in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious, or wilful acts or omissions.

Meetings of the Board and Conduct of Meetings

The Board has a minimum of ten scheduled meetings each year. In addition, it meets whenever necessary between the scheduled meetings (such as to discuss key strategic issues or urgent business).

The Chairman establishes meeting agendas to ensure adequate coverage of key issues during the year.

Executives and other senior management regularly attend Board meetings and are also available to be contacted by Directors between meetings.

The Board meets occasionally in executive session, without management present. Such sessions deal in particular with management performance and remuneration issues, Board performance evaluation issues, and discussions with the Group external auditors to promote a robust independent audit process.

ATTENDANCE AT BOARD MEETINGS FOR THE YEAR 1 JULY 2012 TO 30 JUNE 2013

Board Meetings

The full board held 21 Board meetings during the year ended 30 June 2013. The table below shows Directors' attendance at these Board meetings.

Philip Luscombe	21
Garry Bluett	21
Andrew McDouall	19
Jeffrey Keenan	14

Board Committees

Two Board committees assist in the execution of the Board's responsibilities: the Audit Committee and the Finance Committee. The committees have a number of scheduled meetings each year to coincide with the timing of the various responsibilities of each particular committee. Other committees may be established to consider matters of special importance or to exercise the delegated authority of the Board, as required.

Committee Composition

The Board is responsible for appointing committee members according to the skills, experience and other qualities they bring to a committee.

COMMITTEE ROLES AND OPERATIONS

All Directors are entitled to receive all committee papers and can attend all committee meetings. As soon as possible after each committee meeting the Board is given a verbal report by the Chair of the committee on the outcomes of the meeting.

The structure, membership and responsibilities of the Board's committees are summarised below.

Audit Committee

The Audit Committee includes members who have appropriate financial experience and an understanding for the industry in which the Company operates. A majority of the Audit Committee members are independent and all are financially literate. The Chairman of the Audit Committee, Garry Bluett, is a chartered accountant (CA).

The industry knowledge and financial experience of other members of the Audit Committee are set out in the biographies of the Directors.

Responsibilities

- Provide an open avenue of communication between the external auditors and the Board.
- Recommend to the Board the nomination, terms of engagement and remuneration of the external auditors.
- Review and participate in the process of appointment, replacement, reassignment, or dismissal of the internal auditor (if any).
- Confirm and assure the independence of the external auditors.
- Inquire of management, and the external auditor about significant risks or exposures to the Company.
- Review the audit scope and plan to assure completeness of coverage, reduction of redundant effort, and the effective use of audit resources.
- Consider and review with auditors the adequacy of the Company's internal controls and compliance with the Company's policies and delegated authorities.
- Review at the completion of the annual audit the Company's Financial Statements and Notes, the auditors' report, and any recommendations; and recommend to the full Board that these be accepted.

Members of the Audit Committee are: Garry Bluett (Chair), Andrew McDouall and Philip Luscombe.

Remuneration Committee

The Company does not currently have a Remuneration Committee because of its size and the fact that it has very few employees and contractors, and therefore matters pertaining to the remuneration of employees and contractors can and are dealt with by the full Board. Most employees and contractors are employed by or contracted to NZ Farmers Livestock Limited, which has a separate Board that deals with the remuneration of its employees and contractors.

The Board will establish committee members as appropriate ahead of any need for the Remuneration Committee to meet.

Finance Committee

Responsibilities

- Provide direction to the Board for fiscal responsibility and corporate finance strategies
- Ensure the maintenance of an appropriate capital structure
- Review Treasury function and investment management decisions
- Provide strategic oversight on financial matters

Members of the Finance Committee are: Garry Bluett (Chair) and G. Andrew McDouall.

CONTROLLING AND MANAGING RISKS

Approach to Risk Management

The Company identifies, assesses and manages risks which affect its business.

Risk management is monitored through business processes such as business planning, investment analysis, project management, and operations management.

In managing financial risk around treasury transactions, the Board has approved principles and policies that specify who may authorise transactions under delegated authority and also the segregation of duties of those carrying out such transactions.

External audit reports to the Audit Committee comment on the adequacy and effectiveness of the Company's internal controls. The Audit Committee in turn reports this information to the Board.

ASSURANCE

During the most recent financial year, management has reported to the Board on the effectiveness of the company's management of its material business risks. As part of that report, appropriate assurances were received from management that the system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks.

EXTERNAL AUDIT INDEPENDENCE

The Audit Committee is responsible for making recommendations to the Board concerning the appointment of the Company's external auditors and their terms of engagement. At the annual meeting in November 2012, directors confirmed the automatic reappointment of PricewaterhouseCoopers as the Company's external auditors pursuant to Section 200 of the Companies Act 1993, and shareholders approved the Board setting the remuneration of the auditors.

The Company is committed to auditor independence. The Audit Committee reviews the independence and objectivity of the external auditors. For this reason the work of PricewaterhouseCoopers is limited to audit, related assurance, and taxation; and the Audit Committee or its Chair is required to pre-approve all audit and related assurance services. The External Audit Independence Policy requires rotation of audit partners every five years.

The external auditors review all Board minutes and attend Audit Committee meetings. The Audit Committee also meets with the external auditors without management present and meets with management without the external auditors being present. Committee members may contact the external auditors directly at any time.

PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR

The Company expects all its employees and Directors to maintain the highest ethical standards. The Company's employees are expected to conduct their professional lives by facilitating behaviour and decision making that meets the Company's business goals and also is consistent with the values, policies, and legal obligations of the Company.

INTERNAL POLICIES AND PROCEDURES

All staff are responsible for ensuring that the Company carries out its business activities in a way that gives due consideration to all applicable legal requirements, minimises the cost of legal risk, and maximises business opportunities. Managers are responsible for making sure their staff understand what compliance means in their particular areas, by ensuring appropriate training and compliance information is available.

INSIDER TRADING AND TRADING IN COMPANY SHARES

Directors and employees are subject to 'insider trading' restrictions under the law relating to dealing in securities and other related derivatives if they are in possession of inside information. Inside information is information that is not generally available to the public and, if it were generally available, would be expected by a reasonable person to have a material effect on the price or value of those securities.

To ensure compliance with these legal requirements the Company specifies that certain "Restricted Persons" are prohibited from trading in any Restricted Securities during specific "black-out" periods, unless the Board provides a specific exemption. These include 30 days prior to Allied Farmers Limited half-year and year end balance dates until the first trading day after the results are released to NZX, or 30 days prior to release of a prospectus for a general public offer of the same class of Restricted Securities. In addition, Restricted Persons who hold material information must not trade Restricted Securities at any time - regardless of these periods.

Within the framework of New Zealand's insider trading laws, the Board has resolved that prior consent of such transactions must be granted by the Chairman.

The completion of any such transaction must also be notified to the Chairman.

In addition, as required by the Securities Markets Act 1988 and the Securities Markets (Disclosure of Relevant Interests by Directors and Officers) Regulations 2003, all trading by Directors and senior management is reported to NZX.

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

The Company is committed to providing comprehensive continuous disclosure to shareholders and other stakeholders, and complying with the NZX listing rules.

The Company requires certain senior management and in some cases the Chairman, to discuss whether information is material prior to its release.

The Board is responsible for ensuring that all material information is lodged as soon as practicable with NZX and has put in place processes to ensure that such information is published on the Company's website where appropriate, with further dissemination through broadcast emails to news agencies and other market commentators if appropriate.

The Company has appointed the Chairman as authorised spokesperson who is required to ensure that all proposed public comments either contain information already in the public domain or are not material. The Company's website contains information about the Company and/or relevant reference to the NZX website where market disclosures are made.

Full participation of shareholders at the annual meeting is encouraged. Shareholders will have the opportunity to ask questions of the Chairman, management, Directors and auditors at the Annual General Meeting.

DIVERSITY

Allied has not developed a diversity policy, as the current employee numbers and the challenges of attracting new directors to the Board means that such a policy is not worthwhile at this time. The Board will review this position if circumstances change.

GENDER

As at 30 June 2013 all four of the Allied Farmers Limited Board are male.
The one Officer of the Allied Farmers Group is also male.

Income Statements

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2013

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Continuing operations					
Revenue					
Sale of goods		**18,105**	6,167	**-**	-
Interest and fee income	2	**8,538**	14,567	**-**	-
		26,643	20,734	**-**	-
Other income	3	**456**	718	**1,081**	685
		456	718	**1,081**	685
Total income		**27,099**	21,452	**1,081**	685
Expenses					
Cost of inventory sold		**16,597**	5,489	**-**	-
Fair value loss on derivatives		**55**	230	**55**	230
Interest and funding expense	4	**1,216**	4,192	**827**	3,098
Rental and operating leases		**294**	691	**103**	-
Employee benefit expense	5	**4,412**	5,144	**-**	24
Depreciation and amortisation	6	**467**	350	**111**	120
Impairment of investment in and loans to subsidiaries	7	**-**	-	**7,761**	7,348
Impairment of goodwill		**-**	765	**-**	-
Impairment of ex Hanover Finance and United Finance assets	8	**3,393**	9,260	**-**	-
Share of Loss from Associates	26	**16**	-	**-**	-
Other operating expenses	9	**4,869**	8,642	**394**	2,319
Total expenses		**31,319**	34,763	**9,251**	13,139
Loss before income tax		**(4,220)**	(13,311)	**(8,170)**	(12,454)
Income tax expense/(credit) on continuing operations	11	**1**	-	**(190)**	-
Net loss for the year from continuing operations		**(4,221)**	(13,311)	**(7,980)**	(12,454)
Discontinued operations					
Revenue		**2,448**	3,457	**-**	-
Expenses		**698**	4,007	**-**	-
Profit/(loss) before income tax		**1,750**	(550)	**-**	-
Income tax expense on discontinued operations	11	**-**	-	**-**	-
Net Profit/(loss) for the year from discontinued	1	**1,750**	(550)	**-**	-
Loss for the Year		**(2,471)**	(13,861)	**(7,980)**	(12,454)
Loss Attributable to:					
Owners of the Parent		**(2,615)**	(14,093)	**(7,980)**	(12,454)
Non-Controlling Interests		**144**	232	**-**	-
		(2,471)	(13,861)	**(7,980)**	(12,454)

Income Statements continued

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2013

	Note	**Group 2013**	Group 2012
Total earnings per share attributable to the equity holders of the Parent Company:	10		
Basic (cents per share)		**(2.72)**	(21.55)
Earnings per share from continuing operations attributable to the equity holders of the Parent Company:			
Basic (cents per share)		**(4.65)**	(20.70)
Earnings per share from discontinued operations attributable to the equity holders of the Parent Company:			
Basic (cents per share)		**1.93**	(0.85)

Statements of Comprehensive Income

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2013

	Note	**Group 2013 $000**	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Loss for the year		**(2,471)**	(13,861)	**(7,980)**	(12,454)
Total comprehensive loss for the year		**(2,471)**	(13,861)	**(7,980)**	(12,454)
Loss attributable to:					
Owners of the Parent		**(2,615)**	(14,093)	**(7,980)**	(12,454)
Non-Controlling Interests	14	**144**	232	**-**	-
Total comprehensive loss for the year		**(2,471)**	(13,861)	**(7,980)**	(12,454)

Statements of Changes in Equity

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2013

Group	Note	Share capital $000	Accumulated losses $000	Non Controlling Interests $000	Total equity $000
		Attributable to the equity holders of the Parent Company			
Opening balance as at 1 July 2011		**134,422**	**(139,921)**	**-**	**(5,499)**
Comprehensive income					
Net (loss)/profit for the year ended 30 June 2012		-	(14,093)	232	(13,861)
Total comprehensive income		-	(14,093)	232	(13,861)
Transactions with owners					
Share capital issued	12	13,842	-	-	13,842
Unpresented dividend payments forfeited	13	-	40	-	40
Total transactions with owners		13,842	40	-	13,882
Impact of the sale to Non Controlling Interest arising on the formation of NZ Farmers Livestock Ltd	14	-	2,545	232	2,777
Closing balance as at 30 June 2012		**148,264**	**(151,429)**	**464**	**(2,701)**
Comprehensive income					
Net (loss)/profit for the year ended 30 June 2013		-	(2,615)	144	(2,471)
Total comprehensive income		-	(2,615)	144	(2,471)
Transactions with owners					
Dividends paid to Non Controlling Interests	14	-	-	(185)	(185)
Transaction with Non Controlling Interests	14	-	-	89	89
Total transactions with owners		-	-	(96)	(96)
Closing balance as at 30 June 2013		**148,264**	**(154,044)**	**512**	**(5,268)**

Statements of Changes in Equity continued

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2013

Parent	Note	**Share capital $000**	**Accumulated losses $000**	**Total equity $000**
Opening balance as at 1 July 2011		**134,422**	**(126,783)**	**7,639**
Comprehensive income				
Net loss for the year ended 30 June 2012		-	(12,454)	(12,454)
Total comprehensive income		-	(12,454)	(12,454)
Transactions with owners				
Share capital issued	12	13,842	-	13,842
Unpresented dividend payments forfeited	13	-	40	40
Total transactions with owners		13,842	40	13,882
Closing balance as at 30 June 2012		**148,264**	**(139,197)**	**9,067**
Comprehensive income				
Net loss for the year ended 30 June 2013		-	(7,980)	(7,980)
Total comprehensive income		-	(7,980)	(7,980)
Closing balance as at 30 June 2013		**148,264**	**(147,177)**	**1,087**

Balance Sheets

Allied Farmers Limited and Subsidiaries
As at 30 June 2013

	Note	**Group 2013 $000**	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Equity					
Share capital	12	**148,264**	148,264	**148,264**	148,264
Reserves	13	**(154,044)**	(151,429)	**(147,177)**	(139,197)
		(5,780)	(3,165)	**1,087**	9,067
Non Controlling Interests	14	**512**	464	**-**	-
Total equity (deficit)		**(5,268)**	(2,701)	**1,087**	9,067
Liabilities					
Current liabilities					
Bank overdraft (secured)	27	**-**	229	**-**	-
Trade and other payables	17	**8,265**	11,710	**344**	1,340
Borrowings - Crown Asset Management Ltd (secured)	15	**5,110**	17,006	**5,105**	15,337
Borrowings - Finance leases	16	**334**	268	**-**	-
Borrowings - Property assets (secured)	16	**-**	4,037	**-**	-
Provisions	18	**916**	920	**125**	45
Advances from subsidiaries	23	**-**	-	**1,414**	2,576
Derivative financial instruments	19	**1,934**	-	**1,934**	-
Total current liabilities		**16,559**	34,170	**8,922**	19,298
Non-current liabilities					
Borrowings - Finance Leases	16	**231**	496	**-**	-
Derivative financial instruments	19	**-**	1,886	**-**	1,886
Total non-current liabilities		**231**	2,382	**-**	1,886
Total liabilities		**16,790**	36,552	**8,922**	21,184
Total liabilities and shareholders equity		**11,522**	33,851	**10,009**	30,251
Assets					
Current assets					
Cash and cash equivalents	27	**1,154**	2,075	**50**	6
Trade and other receivables	28	**5,315**	5,577	**76**	121
Loans, advances and finance leases	24	**533**	7,020	**-**	-
Inventory - Livestock	29	**48**	46	**-**	-
Inventory - Property	30	**-**	6,134	**-**	-
Derivative financial instruments	19	**-**	7	**-**	7
Assets held for sale	21	**-**	-	**2,901**	-
Other Assets		**242**	321	**-**	-
Investments in and advances to subsidiaries	23	**-**	-	**739**	10,388
Current taxation	11	**3**	3	**3**	3
Total current assets		**7,295**	21,183	**3,769**	10,525
Non-current assets					
Loans, advances and finance leases	24	**-**	957	**-**	-
Inventory - Property	30	**-**	7,143	**-**	-
Investments in and advances to subsidiaries	23	**-**	-	**6,050**	16,689
Investments accounted for using the equity method	26	**180**	196	**-**	-
Deferred Tax Asset	11	**190**	-	**190**	-
Property, plant and equipment	20	**3,711**	4,372	**-**	3,037
Intangible assets	22	**146**	-	**-**	-
Total non-current assets		**4,227**	12,668	**6,240**	19,726
Total assets		**11,522**	33,851	**10,009**	30,251

The Board of Directors of Allied Farmers Limited authorised these financial statements for issue on 30 September 2013.
Signed on behalf of the Board of Directors:

Director

Director

Statement of Cash Flows

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2013

	Group 2013 $000	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from customers*	**17,920**	23,964	**1,126**	325
Net decrease in loans and advances	**891**	1,604	**-**	-
	18,811	25,568	**1,126**	325
Cash was applied to:				
Payments to suppliers and employees	**(16,987)**	(24,150)	**(1,413)**	(1,999)
Interest paid	**(198)**	(4,323)	**-**	(3,214)
Taxation Paid	**(191)**	-	**-**	-
	(17,376)	(28,473)	**(1,413)**	(5,213)
Net cash flows from (used in) operating activities	**1,435**	(2,905)	**(287)**	(4,888)
Cash Flows from Investing Activities				
Cash was provided from:				
Asset sales	**-**	6,359	**25**	-
Net advances from subsidiaries	**-**	-	**1,133**	1,554
Impact of forming NZ Farmers Livestock Ltd	**-**	2,346	**-**	-
	-	8,705	**1,158**	1,554
Cash was applied to:				
Purchase of property, plant and equipment and intangible assets	**(319)**	(1,386)	**-**	-
	(319)	(1,386)	**-**	-
Net cash flows from (used in) investing activities	**(319)**	7,319	**1,158**	1,554
Cash Flows from Financing Activities				
Cash was applied to:				
Borrowings	**(1,623)**	(2,705)	**-**	3,300
Dividends Paid	**(185)**	-	**-**	-
	(1,808)	(2,705)	**-**	3,300
Net cash flows from (used in) financing activities	**(1,808)**	(2,705)	**-**	3,300
Net increase (decrease) in cash and cash equivalents	**(692)**	1,709	**44**	(34)
Add opening cash and cash equivalents brought forward	**1,846**	137	**6**	40
Ending cash and cash equivalents carried forward	**1,154**	1,846	**50**	6
Cash consists of:				
Bank overdraft (secured) in Balance Sheet	**-**	(229)	**-**	-
Cash and cash equivalents in Balance Sheet	**1,154**	2,075	**50**	6
	1,154	1,846	**50**	6

* During the year the Group sold several property assets with the proceeds being primarily used to repay external liabilities. The proceeds in relation to several of these sales were remitted directly to external creditors and as such are not shown in the Statement of Cash Flows in these financial statements.

Reconciliation of Operating Cash Flows

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2013

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

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Net loss after tax for the period	**(2,471)**	(13,861)	**(7,980)**	(12,414)
Add / (less) non cash items				
Fair value loss on derivatives	**55**	230	**55**	230
Depreciation	**452**	253	**111**	119
Amortisation of intangibles	**46**	97	**-**	1
Recognition of tax losses	**(190)**	-	**(190)**	-
Loss on revaluation of investment property / Impairment of assets/bad debt provision	**3,393**	9,260	**-**	-
Impairment of goodwill	**-**	765	**-**	-
Impairment of investment and loans to subsidiary	**-**	-	**7,761**	7,348
Doubtful debts on Trade Receivables	**(111)**	(261)	**-**	-
Capitalisation of interest expense	**1,018**	-	**827**	-
Capitalisation of interest earned	**(540)**	(3,327)	**-**	-
	4,123	7,017	**8,564**	7,698
Items classified as investing activities				
Profit on asset sales	**-**	(935)	**-**	-
Recharge to subsidiary	**-**	-	**-**	(468)
	-	(935)	**-**	(468)
Movement in working capital				
Decrease in loans, advances and finance leases	**891**	1,604	**-**	-
Decrease in trade and other receivables	**262**	2,953	**45**	545
Decrease in payables	**(3,296)**	(2,554)	**(916)**	(209)
Decrease in inventory	**1,926**	2,871	**-**	-
	(217)	4,874	**(871)**	336
Net cash inflows / (outflows) from operating activities	**1,435**	(2,905)	**(287)**	(4,888)

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2013

GENERAL INFORMATION

These financial statements have been approved for issue by the Board of Directors on 30 September 2013. The Board of Directors does not have the power to amend the financial statements after they have been issued.

Allied Farmers Limited and Subsidiaries is a diversified rural services company, with its predominant activities comprising the sale of livestock including bobby calves and the provision of asset management services.

Allied Farmers Limited ("the Parent Company") is a limited liability company, incorporated and domiciled in New Zealand. The Parent Company's registered address is:

201 Broadway
Stratford
New Zealand

Allied Farmers Limited is a public company listed on the New Zealand Stock Exchange (NZX code: ALF).

The consolidated financial statements of the Group for the year ended 30 June 2013 comprise Allied Farmers Limited (the "Parent") and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.
Items included in the financial statements of each of the Group's entities are measured using New Zealand Dollars, being the functional currency of each entity. The consolidated financial statements are presented in New Zealand Dollars, which is the Group's presentational currency

BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards (IFRS).

The consolidated financial statements of the Group have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The reporting entity is an issuer under the Financial Reporting Act 1993 and the Securities Act 1978.

The consolidated financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are applied as identified below.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

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

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group.

The Group adopted NZ IAS 1, Amendments Presentation of Items of Other Comprehensive Income, on 1 July 2012. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This did not affect the measurement of any items recognised in the balance sheet or income statement in the current period.

(b) New standards and interpretations not yet adopted by the Group.

Certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) and the External Reporting Board (XRB) that are mandatory for future periods and which the Group will adopt when they become mandatory. The Group has identified the following standards described below as relevant:

- NZ IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments.The group is yet to assess NZ IFRS 9’s full impact and intends to adopt NZ IFRS 9 no later than the accounting period beginning on or after 30 June 2016. The group will also consider the impact of the remaining phases of NZ IFRS 9 when completed by the Board.

- NZ IFRS 10 Consolidated Financial Statements and NZ IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013). NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 Consolidated and Separate Financial Statements, and NZ IFRIC 12 Consolidation – Special Purpose Entities. The standard introduces a single definition of control that applies to all entities. NZ IFRS 12 sets out the required disclosures for entities reporting under the new standard, NZ IFRS 10. The Group does not expect the new standards to have a significant impact on the financial statements. The Group will adopt this standard from 1 July 2013.

- NZ IFRS 13 Fair Value Measurement (effective 1 January 2013). NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group has not adopted the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014. The Group expects there to be no material impact from the application of this standard. The Group will adopt this standard from 1 July 2013.

There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

BASIS OF CONSOLIDATION

Subsidiaries
Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group and Parent. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group and Parent's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains.

Associates
Associates are entities in which the Group, either directly or indirectly, has a significant but not controlling interest. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of the associates post acquisition results are included in the income statement from the date of acquisition up until the date of disposal.

BUSINESS COMBINATIONS

Common control transactions
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combinations are recognised as common control transactions. In common control transactions the Group incorporates the assets and liabilities at the amounts recorded at the level of common control prior to acquisition.

OPERATING REVENUE AND EXPENSES

Sales of goods
Sales of goods are recognised as revenue when the Group and Parent sells a product to a customer in the ordinary course of business. Revenue is stated net of Goods and Services Tax (GST) collected from customers. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income and expense
Interest income and expense for all interest bearing financial instruments are recognised within "interest and fee income" and "interest and funding expense" in the income statement using the effective interest method.

Fee and commission income
Fees that are received in relation to the provision of a loan or advance, and thus deemed to be yield-related, are recognised as an adjustment to the effective interest rate. Other fees and commission income which are non-yield related are recognised on an accrual basis once the underlying service has been provided. All fees and commission income are recognised within "interest and fee income".

The Group and Parent acts as an agent for livestock transactions, for which the commission income is recognised in the income statement on an accrual basis when the service has been provided and the commission earned.

Management fees
Management fees are recognised in the income statement on an accrual basis.

INVENTORIES

Rural Inventories
Rural Inventories are recorded at cost including the direct cost of purchase, costs of conversion and other costs of bringing the inventories to their present location and condition.

Property inventories
Property inventory is held for sale in the ordinary course of business and comprises titled sections. The property inventories are valued at the lower of cost or net realisable value. Any impairment in value is charged to the income statement. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

TAXATION

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets or liabilities are determined using tax rates that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Any current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement. At balance date, foreign denominated monetary assets and liabilities are translated at the closing exchange rate, with exchange variations arising from these translations being recognised in the income statement.

FINANCIAL ASSETS

Purchases and sales of financial assets are recognised on the trade date, the date on which the Group and Parent commits to purchase or sell the asset.

The Group and Parent classify their financial assets into the following: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading, or designated as such on initial recognition on the basis that the financial asset is part of a group of financial assets and whose performance is evaluated on a fair value basis in accordance with the documented risk management or investment strategy of the Group and Parent and information about the group of financial assets is provided on a fair value basis to the Group and Parent's key management personnel.

Derivatives are categorised as held for trading unless they are designated as hedging instruments. Subsequent to initial measurement financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

The Group and Parent do not engage in any speculative transactions or hold derivative financial instruments for trading purposes.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Loans and receivables include loans and advances, cash and cash equivalents, trade receivables and tax receivables.

Loans and advances are carried at amortised cost using the effective interest method, less provisions for impairment raised in accordance with the policy note set out for Impairment of financial and non-financial assets.

Derecognition
Financial assets are derecognised when the rights to the cash flows of the assets have expired or the rights to receive the cash flows of the assets and substantially all the risks and rewards of the assets have been transferred.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS

The Parent Company has a series of Options relating to a transaction with Spiers Group Ltd. These derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained by using discounted cash flow models. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair values are negative.

LEASES

Operating lease assets
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. Items of equipment leased to clients under operating leases are included as fixed assets in the balance sheet.

Finance Leases
The Group leases certain items of assets where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the leases commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and the finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the leased asset and the lease term.

Testing for impairment

Assets carried at amortised cost
The Group and Parent assess at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group and Parent use to determine that there is objective evidence of an impairment loss
- delinquency in contractual payments of principal and interest
- cash flow difficulties experienced by the borrower
- breach of covenants or conditions
- initiation of bankruptcy proceedings

The Group and Parent first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group and Parent determine that no objective evidence of impairment exists for an individually assessed financial asset, it is included in a collective assessment of impairment.

For individually impaired assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within expenses.

All cash received is applied against costs, outstanding interest, and then the principal amount of the asset.

When a financial asset is uncollectible, it is written off against the related provision for impairment. Amounts required to bring provisions for impairment to their assessed levels are recognised in the income statement. Any future recoveries of amounts provided for are also recognised in the income statement.

Financial assets that were subject to individual assessment for impairment but are then restructured are no longer considered to be impaired, but are treated as new assets. In subsequent periods the new assets will be assessed for impairment.

Investments in and Advances to Subsidiaries
The carrying amounts of the Parent's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If such evidence exists the recoverable amount is estimated.

Non-financial assets
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists, and then the impairment loss may be reversed.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at historical or deemed cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Parent and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Land is not depreciated.

All other property, plant and equipment are depreciated on a straight line basis at rates that will write off the cost of the assets over their estimated useful lives, as follows:

Asset class	**Estimated Useful Life**
Buildings	13 - 100 years
Plant and Equipment	3 - 55 years
Motor Vehicles	3 - 15 years
Operating lease assets	1 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the income statement.

INTANGIBLE ASSETS

Software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which is estimated to be between one and six years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products and websites controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

PROVISIONS

Provisions are recognised when the Group or Parent have a present obligation (legal or constructive) as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of expenditure expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an expense.

EMPLOYEE BENEFITS

Liabilities for wages and salaries, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

BORROWINGS AND BORROWING COSTS

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

GOODS AND SERVICES TAX (GST)

The operations of the Group and Parent comprise taxable, exempt and zero-rated supplies. All balances in the balance sheet are stated net of GST with the exception of trade receivables and payables which are shown inclusive of GST, and fixed assets which may be shown inclusive or exclusive of GST depending on whether or not the GST was recoverable at time of purchase.

Where goods and services are purchased that relate to exempt supplies, the amounts recognised are inclusive of non-recoverable GST.

DIVIDENDS

Dividends are recognised as a liability in the period in which they are approved by the Parent Company's Board. Dividends that are approved after balance date are noted as a subsequent event.

FAIR VALUE ESTIMATION

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group and Parent use a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date. Techniques include estimated discounted cash flows.

Loans and advances are recognised at amortised cost using the effective interest rate, less provisions for impairment. The fair value of these financial assets held by Allied Farmers Investments Limited is approximately equal to their carrying value.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group and Parent make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The Group and Parent make estimates and assumptions about the future in preparing their financial statements. The actual results in the future will often differ from the estimates made. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Going concern and liquidity
The financial statements have been presented on a going concern basis. The cash flow forecasts of the Parent and Group indicate that, in order for there to be a reasonable expectation that the Parent and Group have adequate resources to continue operations for the foreseeable future, there will need to be:

- agreement of arrangements with certain creditors for repayment of outstanding balances over the next 24 months;
- successfully cancelling or reaching a commercially acceptable settlement with Speirs Group Limited regarding the outstanding option obligation (refer note 19)
- continued support from the Group's first ranking secured lender (refer note 15);
- receipt of dividends from subsidiaries, in particular New Zealand Farmers Livestock Limited;
- continued realisation of the Group's assets and/or successful equity raising;
- compliance with the financial covenants on the Group's borrowings;
- achievement of the key assumptions underpinning the 2014 financial performance and cash flow forecasts;
- further reduction in head office costs and no new liabilities being incurred; and
- no further deterioration in the prevailing economic environment.

In approving these financial statements for issue the Directors consider the adoption of the going concern assumption to be appropriate having taken account of the matters listed above and their ability to undertake the actions necessary to meet those assumptions. Whilst the Directors forecast that they can generate sufficient cash flows to meet their obligations as they fall due, this forecast is subject to significant uncertainty.

These financial statements do not include any adjustments that may need to be made to reflect the situation should the Company and Group be unable to continue as a going concern. Such adjustments may include assets being realised at other than the amounts at which they are currently recorded in the balance sheet. In addition, the Company and Group may have to provide for further liabilities that might arise and to reclassify certain non-current assets and liabilities as current.

Impairment of Loans and advances and Advances to subsidiaries
The Group and Parent review their portfolio of loans and advances and advances to subsidiaries monthly to assess them for impairment. In determining whether an impairment loss should be recorded in the income statement, the Group and Parent make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows expected from individual assets. Where considered appropriate, for loans secured by property, a current valuation of the property is obtained from an independent valuer to provide the basis for determining the level of any impairment. The amount of prior charge holders and any associated country risk are also factors taken into this consideration. The Group and Parent also assess the assets collectively to ascertain whether there is any observable data indicating a change in the future estimated cash flows from them.

This evidence may include observable data concerning changes in the payment status of borrowers, individually or collectively, the net value of underlying collateral or economic indicators.

Management use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of Investments in subsidiaries
The Parent reviews the carrying value of investments in subsidiaries on a six monthly basis. The recoverable amount has been determined based on fair value calculations. A loss is recognised if the carrying amount of the investment in subsidiaries exceeds the valuation of the subsidiary. Refer to note 23 for details of the Parent's assessment of its investment in subsidiaries and the critical estimates and assumptions adopted.

Fair value of derivative financial instruments
The fair value of the derivative financial instruments as at 30 June 2013 have been determined using a discounted cash flow (refer note 19 for details).

1. Financial information on segments of the business

For the year ended 30 June 2013, the Group was organised into three main business segments, Asset Management Services, Real Estate Services and Livestock Services.

The Asset Management Services segment comprises the assets acquired from Hanover Finance Limited, United Finance Limited and their subsidiary companies. The Asset Management Services activities are carried out by Allied Farmers Investments Limited and subsidiary companies, predominately in New Zealand. The Asset Management Services activities are not subject to seasonality.

The Livestock Services activities are predominantly carried out in Taranaki, Waikato, King Country, Manawatu and the South Island. The Livestock activities are influenced by seasonality. Livestock Sales are normally stonger in the Autumn season and Bobby Calf sales traditionally occur in the first half of the financial year.

Corporate and funding costs comprise the corporate activities of the Group including the remaining activities of the holding company Allied Farmers Rural Ltd.

Real Estate Services comprise the commission selling of residential and rural properties. It also has a property rental management business. The business was sold in April 2013 to the Real Estate Managers employed by Allied Farmers Rural Ltd including the Fixed Assets and Goodwill.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The segment results for the year ended 30 June 2013 are as follows:

	Continuing operations				Discontinued operations	
	Asset Management Services $000	Livestock Services $000	Corporate $000	Total Continuing $000	Rural Services* $000	Total Group $000
Sales of goods and interest and fee income	13,979	12,773	1,081	27,833	2,448	30,281
Inter-segmental income	-	-	(734)	(734)	-	(734)
Total income	**13,979**	**12,773**	**347**	**27,099**	**2,448**	**29,547**
Depreciation and amortisation	-	(356)	(111)	(467)	(31)	(498)
Net impairment loss on financial assets	(3,393)	-	-	(3,393)	-	(3,393)
Interest and funding expense (external)	(276)	(113)	(827)	(1,216)	-	(1,216)
Net other expenses (external)	(14,040)	(11,429)	(758)	(26,227)	(667)	(26,894)
Share of Loss from Associates	-	-	(16)	(16)	-	(16)
Profit / (loss) before income tax	**(3,730)**	**875**	**(1,365)**	**(4,220)**	**1,750**	**(2,470)**
Income tax	-	(191)	190	(1)	-	(1)
Profit / (loss) after income tax	**(3,730)**	**684**	**(1,175)**	**(4,221)**	**1,750**	**(2,471)**

*Rural Services includes Real Estate, residual interest costs and Rural Group costs associated with Past Discontinued Operations and other costs incurred across all rural sectors. It also includes settlement of various outstanding obligations of the rural business.

The segment assets and liabilities as at 30 June 2013 and capital expenditure for the twelve months to 30 June 2013 are as follows:

	Continuing operations				Discontinued operations	
	Asset Management Services $000	Livestock Services $000	Corporate $000	Total Continuing $000	Rural Services $000	Total Group $000
Assets	775	7,527	3,220	11,522	-	11,522
Liabilities	(1,207)	(8,075)	(7,508)	(16,790)	-	(16,790)
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**

Segment assets and liabilities are disclosed net of intercompany balances.

1. Financial information on segments of the business (continued)

The net cash flows attributable to the operating, investing and financing activities of discontinued operations are as follows:

	Group 2013 $000	Group 2012 $000
Cash flows from operating activities	**(1,869)**	(550)
Cash flows from investing activities	**450**	2,314
Cash flows from financing activities	**(315)**	-
Net cash flows from discontinued operations	**(1,734)**	1,764

The segment results for the year ended 30 June 2012 are as follows:

	Continuing operations					**Discontinued operations**	
	Asset Management Services	Rural Services	Livestock Services	Corporate	Total Continuing	Merchandise Business	Total Group
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Sales of goods and interest and fee income	6,758	1,654	13,040	685	22,137	3,457	25,594
Inter-segmental income	-	-	-	(685)	(685)	-	(685)
Total income	**6,758**	**1,654**	**13,040**	**-**	**21,452**	**3,457**	**24,909**
Depreciation and amortisation	-	-	(229)	(121)	(350)	-	(350)
Net impairment loss on financial assets	(9,260)	-	-	-	(9,260)	-	(9,260)
Impairment of Intangibles and loss on disposal	-	-	(765)	-	(765)	-	(765)
Interest and funding expense (external)	(577)	(517)	-	(3,098)	(4,192)	-	(4,192)
Net other expenses (external)	(4,692)	(2,576)	(11,706)	(1,222)	(20,196)	(4,007)	(24,203)
Profit / (loss) before income tax	**(7,771)**	**(1,439)**	**340**	**(4,441)**	**(13,311)**	**(550)**	**(13,861)**
Income tax	-	-	-	-	-	-	-
Profit / (loss) after income tax	**(7,771)**	**(1,439)**	**340**	**(4,441)**	**(13,311)**	**(550)**	**(13,861)**

The segment assets and liabilities as at 30 June 2012 and capital expenditure for the year ended are as follows:

	Continuing operations				**Discontinued operations**	
	Asset Management Services	Rural and Livestock Services	Corporate	Total Continuing	Merchandise Business	Total Group
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Assets	22,418	8,275	3,158	33,851	-	33,851
Liabilities	(6,519)	(11,441)	(18,593)	(36,553)	-	(36,553)
Capital expenditure	-	-	-	-	-	-

Segment assets and liabilities are disclosed net of intercompany balances.

2. Interest and fee income

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Interest income					
Loans, advances and finance leases		**213**	243	**-**	-
Individually impaired assets		**327**	3,084	**-**	-
Fee income					
Commission income		**7,998**	11,240	**-**	-
		8,538	14,567	**-**	-

3. Other income

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Rental income		**-**	-	**374**	325
Recharge Costs to subsidiary		**-**	-	**360**	360
Other income		**456**	718	**347**	-
		456	718	**1,081**	685

4. Interest and funding expense

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Capital notes interest		**-**	550	**-**	550
Borrowings - Westpac New Zealand Limited interest		**-**	9	**-**	-
Borrowings - NFA Limited (in Liquidation) interest		**-**	2,548	**-**	2,548
Borrowings - Crown Asset Management Ltd		**827**	-	**827**	-
Borrowings - Property assets interest		**276**	577	**-**	-
Borrowings - Finance lease		**113**	-	**-**	-
Other		**-**	508	**-**	-
		1,216	4,192	**827**	3,098

5. Employee benefit expense

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Wages and salaries		**4,412**	5,144	**-**	24
		4,412	5,144	**-**	24

6. Depreciation and amortisation

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Depreciation					
Buildings	20	**113**	110	**110**	110
Motor vehicles	20	**302**	116	**-**	-
Plant and equipment	20	**37**	27	**1**	9
		452	253	**111**	119
Amortisation of intangible assets					
Computer software	22	**46**	97	**-**	1
		498	350	**111**	120

7. Impairment of investment in and loans to subsidiaries

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Impairment of investments in subsidiaries	23,25	**-**	-	**3,650**	-
Impairment of loans to subsidiaries	23,25	**-**	-	**4,111**	7,348
		-	-	**7,761**	7,348

8. Impairment of ex Hanover Finance and United Finance assets

The Hanover Finance and United Finance assets were acquired in previous years by the asset management services subsidiary of Allied Farmers Ltd. The assets have been impaired in line with valuations and realisations.

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Impairment of loans and advances		**3,499**	7,974	**-**	-
Bad debt recoveries		**(509)**	(47)	**-**	-
Net impairment of loans and advances		**2,990**	7,927	**-**	-
Impairment of inventory property		**-**	1,333	**-**	-
Impairment of investments		**403**	-	**-**	-
		3,393	9,260	**-**	-

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000

9. Other operating expenses

Included in other operating expenses are:	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
PricewaterhouseCoopers audit fees (continuing operations)		**145**	165	**75**	123
PricewaterhouseCoopers other accounting and tax advisory fees		**-**	7	**-**	7
Commission paid to agents		**2,081**	2,237	**-**	-
Directors' fees	31	**166**	164	**156**	149
Decrease in provision for impaired trade receiveables	25	**(111)**	(261)	**-**	-
Information systems		**98**	23	**-**	-
(Gain) / loss on sale of fixed assets		**(8)**	(935)	**19**	-
Marketing and advertising		**87**	29	**-**	-

10. Earnings per share

Basic earnings per Share

The calculation of basic earnings per share at 30 June 2013 for total, continuing and discontinued operations was based on the following loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2013	Group 2012
Total operations		
Loss attributable to equity holders of the company from continuing operations ($000)	**(4,221)**	(13,311)
Profit/(Loss) attributable to equity holders of the company from discontinued operations ($000)	**1,750**	(550)
Loss attributable to equity holders of the company from total operations ($000)	**(2,471)**	(13,861)
Weighted average number of ordinary shares on issue (thousands)	**90,793**	64,307
Basic earnings per share (cents)	**(2.72)**	(21.55)
Continuing operations		
Loss attributable to equity holders of the company ($000)	**(4,221)**	(13,311)
Weighted average number of ordinary shares on issue (thousands)	**90,793**	64,307
Basic earnings per share (cents)	**(4.65)**	(20.70)
Discontinued operations		
Profit/(Loss) attributable to equity holders of the company ($000)	**1,750**	(550)
Weighted average number of ordinary shares on issue (thousands)	**90,793**	64,307
Basic earnings per share (cents)	**1.93**	(0.85)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares. The Company had no categories of diluted potential ordinary shares at 30 June 2013.

11. Taxation

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Current tax:					
Current tax on profits for the year		**191**	-	**-**	-
Deferred tax:					
Origination and reversal of temporary differences		**(190)**	-	**(190)**	-
Income tax expense/(credit)		**1**	**-**	**(190)**	**-**
Loss from continuing operations before income tax		**(4,220)**	(13,311)	**(8,170)**	(12,454)
Profit / (loss) from discontinued operations before income tax	1	**1,750**	(550)	-	-
	1	**(2,470)**	(13,861)	**(8,170)**	(12,454)
Prima facie income tax expense at 28%		**(692)**	(3,881)	**(2,288)**	(3,487)
Plus/(less) tax effect of permanent and temporary differences:					
Non-deductible expenditure		**-**	-	**2,173**	2,057
Timing differences not recognised		**883**	2,593	**-**	-
Property inventory cost adjustment		**-**	(1,500)	**-**	-
Tax losses not recognised		**-**	2,788	**115**	1,430
Recognition of tax losses		**(190)**	-	**(190)**	-
Income tax expense/(credit)		**1**	-	**(190)**	-

11. Taxation (continued)

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Current tax receivable:					
Balance at beginning and end of the year		**3**	3	**3**	3
Deferred tax balances:					
Opening balance		**-**	-	**-**	-
Deferred tax credited to Income Statement		**190**	-	**190**	-
Closing balance		**190**	-	**190**	-

Deferred tax is made up of the following temporary differences:

Deferred tax assets:				
Tax losses	**190**	-	**190**	-
	190	-	**190**	-

Parent unrecognised deferred tax assets as at 30 June 2013 total $651,000 (June 2012: $589,000), comprising unused tax losses of $651,000 (June 2012: $589,000) and deductible temporary differences of nil (June 2012: nil).

Group unrecognised deferred tax assets as at 30 June 2013 total $860,000 (June 2012: $1,921,000), comprising unused tax losses of $860,000 (June 2012: $1,897,000) and deductible temporary differences of $nil (June 2012: $nil).

Deferred income tax assets are recognised for tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable.The tax losses are available to be offset against the future taxable profits of the Group, subject to the shareholder continuity requirements of the tax legislation being met.

As at 30 June 2013 the balance of imputation credits available to the shareholders of the Parent Company were nil (June 2012: nil).

12. Share capital

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Ordinary shares					
Ordinary shares (fully paid)					
Balance at beginning of year		**148,264**	134,422	**148,264**	134,422
Issue of Ordinary Shares		**-**	13,842	**-**	13,842
Balance at end of year		**148,264**	148,264	**148,264**	148,264

Number of shares issued and fully paid	**000's**	000's
Balance at beginning of year	**90,793**	2,042,295
Issue of ordinary shares	**-**	7,036,112
Consolidation of Shares 1:100	**-**	(8,987,614)
Balance at end of year	**90,793**	90,793

The total number of shares on issue as at 30 June 2013 is 90,792,438 (June 2012: 90,792,438).

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

13. Reserves

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Accumulated losses				
Balance at beginning of year	**(151,429)**	(139,921)	**(139,197)**	(126,783)
Net loss for the year	**(2,615)**	(14,093)	**(7,980)**	(12,454)
Unpresented dividend payments forfeited	**-**	40	**-**	40
Impact of the sale to Non Controlling Interest arising on the formation of NZ Farmers Livestock Ltd	-	2,545	**-**	-
Balance at end of year	**(154,044)**	(151,429)	**(147,177)**	(139,197)

14. Non Controlling Interest

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
New Zealand Farmers Livestock Ltd				
Balance at beginning of year	**464**	-	-	-
Non-controlling interest arising on formation of NZ Farmers Livestock Ltd	**-**	232	-	-
Current Year Profit attributable to non controlling interests	**144**	232	-	-
Dividend paid to Non Controlling Interests	**(185)**	-	-	-
Transaction with Non Controlling Interests	**89**	-	-	-
Balance at end of year	**512**	464	**-**	-

On 1 December 2011 the subsidiary Allied Farmers Rural Ltd sold it's Livestock Business to a new subsidiary company NZ Farmers Livestock Ltd. The transfer was for a total consideration of $7,546,030 including Goodwill of $7,266,030 and Fixed Assets of $280,000. Contemporaneously with that transfer NZ Farmers Livestock Ltd issued shares to Allied Farmers Rural Ltd as consideration for the transfer of the Livestock Business. Contemporaneously Allied Farmers Rural Ltd sold some of those shares to a company owned by some of the agents previously employed by Allied Farmers Rural Ltd for cash which was paid to Allied Farmers Rural Ltd, and NZ Farmers Livestock Ltd issued new shares to another company owned by some of the agents previously employed by Allied Farmers Rural Ltd. Consequently, Allied Farmers Rural Ltd now owns 67% of NZ Farmers Livestock Ltd. As a result of that transaction the Allied Farmers Group incurred an Impairment on the loss of Goodwill of $765,000 and an Impairment of Computer Software of $39,000.

During the year consideration of $89,000 was settled in relation to shares held by Non Controlling Interests.

15. Borrowings - Crown Asset Management Ltd (secured)

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Borrowings - Crown Asset Management Ltd (secured)	**5,110**	17,006	**5,105**	15,337
Classified as:				
Current	**5,110**	17,006	**5,105**	15,337
Non-current	**-**	-	**-**	-
	5,110	17,006	**5,105**	15,337

During 2012 NFA Limited (in Liquidation) sold its assets to Crown Asset Management Ltd who assumed all the covenants attached to the loans to the Allied Group of companies.

The parent company's credit enhancement and related party loan arrangements referred to elsewhere as Term Loan 2 has a balance owing as at 30 June 2013 of $5,105,000 (30 June 2012: $15,337,000). The interest rate on this loan is 8.0% per annum capitalising monthly for the term of the loan. The loan facility had a 1 July 2013 expiry date and has been rolled on an on demand basis.

Allied Farmers Rural Limited purchased their factored debtors back from NFA Limited (in Liquidation) partly financed by a secured loan (term loan 1) from NFA Limited (in Liquidation). The balance owing on this loan facility as at 30 June 2013 is $nil (30 June 2012: factored debtors $1,081,851). The interest rate on this loan was 8.0% per annum, payable monthly. The loan facility had a 31 March 2013 expiry date.

Allied Farmers Investments Limited entered into a management agreement with NFA Limited (in Liquidation) now taken over by Crown Asset Management Ltd to manage and realise the assets of Allied Farmers Investments Limited. A working capital facility of $815,000 is available for the purposes of funding normal costs and business expenses incurred in respect of the managed assets. As at 30 June 2013 the balance drawn on the facility was $5,365 (30 June 2012: $587,087). The interest rate on the facility is 8% pa from 1 August 2012 capitalising monthly. The facility is repayable on demand.

The Group has complied with the principal repayment requirements during the year to 30 June 2013.

The two loan facilities from Crown Asset Management Ltd are secured by way of a general security agreement over all of the assets and undertakings of the Allied Farmers Limited Group, registered mortgages over the property of the Allied Farmers Limited Group and cross guarantees from the Group companies, with the exception of NZ Farmers Livestock Limited.

15. Borrowings - Crown Asset Management Ltd (secured) (continued)

Borrowing covenants

The two loans include the following covenants:

- The borrower will apply 100% of the proceeds of all asset sales to the reduction of the term loans.

Further the borrower covenants in relation to all loans that:

- It will notify the lender in the event of a default
- Deliver all legal notices received
- Notify any change of officers
- Comply with all laws
- Maintain all consents
- Pay all taxes
- Comply with all environmental laws
- Allow inspection of the borrowers books
- Maintain Corporate status
- Provide financial information
- Advise any change of control
- Conduct business in a prudent, normal and properly efficient manner

In addition the borrower will maintain adequate insurances.

With the exception of the covenant to pay all taxes the Group has complied with the covenants. As a result of the non payment of taxes the Group is in breach of the covenants and Crown Asset Management Ltd has reserved its rights under the loan agreements and the loan facilities are on demand.

16. Borrowings - Property assets (secured)

	Group 2013 $000	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Borrowings - Bank	**-**	1,600	**-**	-
Borrowings - Other financial institutions	**-**	2,437	**-**	-
Borrowings - Property assets	**-**	4,037	**-**	-
Classified as:				
Current	**-**	4,037	**-**	-
Non-current	**-**	-	**-**	-
	-	4,037	**-**	-

Borrowings - Bank

The Group's Asset Management Services business has no borrowings from (June 2012: one) banks as at 30 June 2013 (June 2012: $1,600,000). The average interest rate on these bank borrowings is nil% (June 2012: 6.7%) per annum. These borrowings were attached to the property assets acquired as part of the Hanover Finance and United Finance asset transaction. The property assets were held within wholly owned subsidiaries of the Asset Management Services business. There were separate loan facility agreements between the relevant subsidiary property holding company and the bank(s). The borrowings were secured by registered first mortgage over the property assets and general security agreement from the property holding subsidiary.

Borrowings - Other financial institutions

The Group's Asset Management Services business has no borrowings from other financial institutions (June 2012: one) at 30 June 2013 (June 2012: $2,437,000). The average interest rate on these borrowings is nil% (June 2012: 12%) per annum. These borrowings were attached to the property assets acquired as part of the Hanover Finance and United Finance asset transaction. The property assets were held within wholly owned subsidiaries of the Asset Management Services business. The borrowings were secured by registered first mortgage over the property assets and general security agreement from the property holding subsidiary. The financial covenants on these borrowings relate to interest payments and application of proceeds from asset sales. The Group has complied with all the financial covenants related to these borrowings and made the interest payments on the due dates.

All of the above borrowings were repaid during the year.

Borrowings - Finance leases (continued)

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Finance Lease Liabilities					
Lease liabilities are effectively secured as the right to the leased asset revert to the lessor in the event of default					
Gross Finance Lease Liabilities - minimum lease payments					
No later than 1 year		**388**	337	**-**	**-**
Later than 1 year and no later than 5 years		**275**	531	**-**	**-**
Later than 5 years		**-**	-	**-**	**-**
		663	868	**-**	**-**
Future Finance Charges of Finance Lease Liabilities		**(98)**	(104)	**-**	**-**
Present Value of Finance Lease Liabilities		**565**	764	**-**	**-**
The present value of finance lease liabilities is as follows:					
No later than 1 year					
Later than 1 year and no later than 5 years		**334**	268	**-**	**-**
Later than 5 years		**231**	496	**-**	**-**
		565	764	**-**	**-**

Finance Lease Liabilities have arisen on the financing of the acquisition of motor vehicles. The Finance Leases provide for the ownership of the vehicle to remain with the Lessor and the Allied Farmers Group (the Lessee) has a comittment to pay monthly installments over a period of years. The security for the Finance Leases is the motor vehicle. The lessee has also comitted to meet further obligations relating to distance covered and condition of the vehicle on the expiry of the Finance Lease. There are options to purchase in respect of motor vehicles held under finance leases.

17. Trade and other payables

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Trade creditors		**6,111**	9,802	**234**	273
Employee entitlements		**551**	315	**110**	-
Other creditors and payables		**1,603**	1,593	**-**	1,067
		8,265	11,710	**344**	1,340
Classified as:					
Current		**8,265**	11,710	**344**	1,340
Non-current		**-**	-	**-**	-
		8,265	11,710	**344**	1,340

In the event of liquidation of the Parent, unless statutorily required otherwise, all creditors within this class will rank in priority ahead of shareholders.

Subsequent to balance sheet date an outstanding historic obligation was settled. Refer to Note 37.

18. Provisions

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Employee benefits					
Opening balance		**315**	723	**2**	2
Additional provisions charged to the income statement		**294**	381	**-**	-
Reclassification from Other Provisions		**256**	-	**-**	-
Amounts charged against the provision during the year		**(348)**	(789)	**-**	-
Closing balance		**517**	315	**2**	2
Other items					
Opening balance		**605**	1,549	**43**	717
Additional provisions during the year		**80**	-	**80**	-
Reclassification to Employee benefits		**(256)**	-	**-**	-
Amounts charged against the provision during the year		**(30)**	(944)	**-**	(674)
Closing balance		**399**	605	**123**	43
		916	920	**125**	45

18. Provisions (continued)

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Classified as:				
Current	**916**	920	**125**	45
Non-current	**-**	-	**-**	-
	916	920	**125**	45

Employee benefits

Employee benefit entitlements consist of holiday pay provisions, long service leave provisions, and provisions for staff bonus payments. Holiday pay is provided for at contractual pay rates and is paid to staff in accordance with statutory terms as and when annual leave is taken during the financial period. Bonus payments are based on staff performance against key indicators and are paid within three months following the end of the Group's financial year.

Other items

Parent other items comprises an onerous lease obligation of $nil (June 2012: $18,000) for premises in Palmerston North which were previously occupied by the Parent's discontinued Manawatu real estate operation and premises in New Plymouth which were previously occupied by the Rural Services segment, directors retirement allowance of $119,000 (June 2012: $105,000), and residual costs of $270,000 (June 2012: $550,000).

In the event of liquidation of the Group and Parent, unless statutorily required otherwise, all creditors within this class will rank in priority ahead of shareholders, but will rank behind secured deposits and secured borrowings. They will rank pari passu with those creditors classified within "trade and other payables".

19. Derivative Financial Instruments

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Granted call / put options (assets)					
Balance at beginning of year		**7**	34	**7**	34
Change in fair value		**(7)**	(27)	**(7)**	(27)
Balance at end of year		**-**	7	-	7
Granted call / put options (liabilities)					
Balance at beginning of year		**(1,886)**	(1,683)	**(1,886)**	(1,683)
Change in fair value		**(48)**	(203)	**(48)**	(203)
Balance at end of year		**(1,934)**	(1,886)	**(1,934)**	(1,886)
Total derivative financial instruments		**(1,934)**	(1,879)	**(1,934)**	**(1,879)**
Derivative financial instruments - assets (current)		**-**	7	**-**	7
Derivative financial instruments - liabilities (current)		**(1,934)**	-	**(1,934)**	-
Derivative financial instruments - liabilities (non current)		**-**	(1,886)	**-**	(1,886)
		(1,934)	(1,879)	**(1,934)**	(1,879)

Granted call / put options

The Parent has entered into a put and call option contract with Speirs Group Limited. Speirs Group Ltd exercised this put option on 26 July 2013 and advised they require payment of $2,000,000 in cash. The agreement has a provision that if certain rights and benefits are not transferred on the exercise date then the agreement can be cancelled by the Parent. Further the contract enables the following:

- Option 1: A Put option enables Speirs Group Limited to sell its unlisted NFA Limited (in Liquidation) Perpetual Bonds to the Parent for either $2,000,000 or a specified investment property in Palmerston North ("Investment Property"). Speirs Group Limited may only exercise this option at least 30 business days, and no more than 60 business days prior to the exercise date (30 September 2013).

- Option 2: A Call option which enables the Parent to buy back from Speirs Group Limited the unlisted NFA Limited (in Liquidation) Perpetual Bonds currently held by Speirs Group Limited, for either $2,000,000 or the Investment Property. The Parent may exercise this option at any time prior to the exercise date (30 September 2013), the payment method is at the discretion of Speirs Group Limited.

- Option 3: A Call option held by Speirs Group Limited which enables Speirs Group Limited to buy back the Investment Property for $2,000,000 at any time prior to the exercise date (30 September 2013).

The Parent has also entered into put and call option contracts with NFA Limited (in Liquidation) which enables the following:
- Option 1: A call option which enables the Parent to buy back the Investment Property for $2,100,000 at any time until 2 February 2014.

- Option 2: A put option which enables NFA Limited (in Liquidation) to require the Parent to buy back the Investment Property for $2,100,000 in the period one calendar month from and including 3 February 2014.

The option valuation assumes the Parent company has a $2,000,000 obligation and a discount rate of 15% (2012: 15%) has been applied to allow for market interest rate and credit rate risks.

The Investment Property was held by NFA Limited (in Liquidation) and NFA Limited (in Liquidation) no longer has access to the property.

20. Fixed assets

	Note	**Group 2013 $000**	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Freehold land					
Cost at beginning of year		**2,023**	2,167	**2,023**	2,167
Disposals		**-**	(144)	**-**	(144)
Reclassified as assets held for sale	21	**-**	-	**(2,023)**	-
Cost at end of year		**2,023**	2,023	**-**	2,023
Buildings					
Cost at beginning of year		**1,371**	2,182	**1,205**	2,016
Disposals		**(337)**	(811)	**(14)**	(811)
Reclassified as assets held for sale	21	**-**	-	**(1,191)**	-
Cost at end of year		**1,034**	1,371	**-**	1,205
Accumulated depreciation at beginning of year		**(212)**	(967)	**(203)**	(911)
Depreciation charged to income statement		**(113)**	(110)	**(110)**	(110)
Disposals		**212**	865	**-**	818
Reclassified as assets held for sale	21	**-**	-	**313**	-
Accumulated depreciation at end of year		**(113)**	(212)	**-**	(203)
Buildings net book value		**921**	1,159	**-**	1,002
Motor vehicles					
Cost at beginning of year		**1,124**	293	**-**	49
Additions		**-**	1,166	**-**	-
Disposals		**(132)**	(335)	**-**	(49)
Cost at end of year		**992**	1,124	**-**	-
Accumulated depreciation at beginning of year		**(95)**	(157)	**-**	(46)
Depreciation charged to income statement		**(302)**	(116)	**-**	-
Disposals		**(51)**	178	**-**	46
Accumulated depreciation at end of year		**(448)**	(95)	**-**	-
Motor vehicles net book value		**544**	1,029	**-**	-
Plant and equipment					
Cost at beginning of year		**297**	568	**106**	106
Additions		**139**	220	**-**	-
Disposals		**(155)**	(491)	**(11)**	-
Cost at end of year		**281**	297	**95**	106
Accumulated depreciation at beginning of year		**(136)**	291	**(94)**	(85)
Depreciation charged to income statement		**(37)**	(27)	**(1)**	(9)
Disposals		**115**	182	**-**	-
Accumulated depreciation at end of year		**(58)**	(136)	**(95)**	(94)
Plant and equipment net book value		**223**	161	**-**	12
Property, plant and equipment cost at end of year		**4,330**	4,815	**-**	3,334
Property, plant and equipment accumulated depreciation at end of year		**(619)**	(443)	**-**	(297)
Total property, plant and equipment net book value		**3,711**	4,372	**-**	3,037

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

Cost Capitalised Finance Lease	**992**	871	-	-
Accumulated Depreciation	**(448)**	(122)	-	-
Net Book Amount	**544**	749	-	-

Disposal of Items of Property, Plant and Equipment

During the year the the subsidiary Allied Farmers Rural Ltd sold the Real Estate Business including some Fixed Assets and Goodwill. There was an impairment of Goodwill as a result of the sale. During the 2012 year the subsidiary company Allied Farmers Rural Ltd sold the business known as the Merchandise Business (including the Mitre 10 business) which included the Land and Buildings the company owned that contained a number of the merchandise stores, the Trading Inventory, and the Fixed Assets including Plant and Equipment. As a result of the sale of the business the carrying value of the Trading Inventory was written down by $293,405. There was no impairment of Intangibles or write down of Fixed Assets as a result of the sale.

21. Assets held for sale

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Net book value at the beginning of the year		**-**	4,502	**-**	-
Net book value reclassified from buildings		**-**	-	**2,023**	-
Net book value reclassified from land		**-**	-	**878**	-
Disposals		**-**	(4,502)	**-**	-
Net book value at the end of the year		**-**	-	**2,901**	**-**

Assets held for sale consist of Land and Buildings in the parent, subsequent to year end that were sold to a subsidiary entity.

22. Intangible assets

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Computer software					
Cost at beginning of year		**589**	589	**3**	3
Additions		**192**	-	**-**	-
Cost at end of year		**781**	589	**3**	3
Accumulated amortisation at beginning of year		**(589)**	(492)	**(3)**	(2)
Amortisation charged to income statement		**(46)**	(97)	**-**	(1)
Disposals		**-**	-	**-**	-
Accumulated amortisation at end of year		**(635)**	(589)	**(3)**	**(3)**
Computer software net book value		**146**	-	-	-
Total intangibles		**146**	-	-	-

23. Investment in and advances to and from subsidiaries

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Investment in subsidiaries					
Opening balance		**-**	**-**	**9,700**	9,700
Impairment of investment	7	**-**	-	**(3,650)**	-
		-	**-**	**6,050**	9,700
Advances to subsidiaries					
Advances to subsidiaries		**-**	-	**64,422**	76,949
Provision for impaired loans	7	**-**	**-**	**(63,683)**	(59,572)
Net advances to subsidiaries	31	**-**	**-**	**739**	17,377
		-	**-**	**6,789**	27,077
Advances from subsidiaries	31	**-**	**-**	**1,414**	2,576
Investments in subsidiaries classified as:					
Non-current		**-**	-	**6,050**	9,700
		-	-	**6,050**	9,700
Advances to subsidiaries classified as:					
Current		**-**	-	**739**	10,388
Non-current		**-**	-	**-**	6,989
		-	-	**739**	17,377
Advances from subsidiaries classified as:					
Current		**-**	-	**1,414**	2,576
		-	-	**1,414**	2,576

The parent's unsecured loans to subsidiaries are valued each year. The net asset value of the subsidiary after secured liabilities is assessed as the amount available for unsecured creditors. That amount is available pro rata to the total unsecured creditors. Allied Farmers Limited's asset is calculated as to it's pro rata share of that amount available to unsecured creditors. The loan is interest free and repayable on demand.

The Parent investment in subsidiaries comprises shares at cost less impairment.

The current/non-current split of advances to subsidiaries reflects the expected realisation of assets from the Asset Management Services Division.

23. Investment in and advances to and from subsidiaries (continued)

	Principal Activity	2013	2012
Subsidiaries of the Parent			
Allied Farmers Investments Limited	Asset Management Services	**100%**	100%
Allied Farmers Rural Limited	Rural Services	**100%**	100%
The West Coast Mortgage and Deposit Company Limited	Holding Company	**100%**	100%
Allied Farmers Option Scheme Limited	Non-Trading	**100%**	100%
Subsidiaries of Allied Farmers Rural Ltd			
NZ Farmers Livestock Ltd	Rural Services	**67%**	67%
Farmers Meat Exports Ltd	Rural Services	**100%**	100%
Subsidiaries of Allied Farmers Investments Limited			
Allied Farmers Property Investments Limited	Holding Company	**100%**	100%
Allied Farmers Property Holdings Limited	Holding Company	**100%**	100%
Subsidiaries of Allied Farmers Property Investments Limited			
QWF Holdings Limited	Property investment	**100%**	100%
HPL Rhode Island (2008) Limited	Finance company lending to North America	**100%**	100%
Clearwater Avenue Holdings Limited	Holding company	**100%**	100%
Clearwater Hotel 2004 Limited	Property development and investment	**100%**	100%
Lifestyles of New Zealand Queenstown Limited	Property investment	**100%**	100%
LONZ 2008 Limited	Property investment	**100%**	100%
LONZ 2008 Holdings Limited	Property investment	**100%**	100%
Subsidiaries of Allied Farmers Property Holdings Limited			
UFL Lakeview Limited	Property investment	**100%**	100%
5M No. 2 Limited	Property investment	**100%**	100%
Subsidiary of Clearwater Hotel 2004 Limited			
Clearwater Hotel Management 2004 Limited	Non-trading	**100%**	100%
Subsidiaries of The West Coast Mortgage and Deposit Company Limited			
Allied Farmers Finance Limited	Non-trading	**100%**	100%
Allied Farmers Livestock Limited	Non-trading	**100%**	100%
Allied Farmers (New Zealand) Limited	Non-trading	**100%**	100%
Allied Finance Limited	Non-trading	**100%**	100%
Allied Prime Finance Limited	Non-trading	**100%**	100%
Allied Rural Limited	Non-trading	**100%**	100%
Nationwide Finance Limited	Non-trading	**100%**	100%
Prime Finance Limited	Non-trading	**100%**	100%
Speirs Finance Limited	Non-trading	**100%**	100%
Taranaki Farmers Limited	Non-trading	**100%**	100%

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

Wholly owned companies of Allied Farmers Limited and that are in receivership or liquidation.

	Date of Receivership/ Liquidation	Principal activity	Interest held by Group	
			2013	2012
NFA Ltd (in Liquidation) formerly called Allied Nationwide Finance Limited (in Liquidation)	8 February 2013	Financial Services	**100%**	100%
Matarangi Beach Estates Limited (in Receivership)	18 November 2010	Property development and investment	**100%**	100%
Matarangi Farm Lot 2 Limited (in Receivership)	10 February 2011	Non-trading	**100%**	100%

Subsequent to the dates of the receivership or liquidation of these companies they have not been consolidated as the Group no longer has direct control over their affairs.

23. Investment in and advances to and from subsidiaries (continued)

Summary of the valuation of Allied Farmers Rural Limited by Parent company

On 30 June 2009, Allied Farmers Limited (the Parent) sold it's rural businesses to its newly created wholly owned subsidiary Allied Farmers Rural Limited (AFRL).

The rural business is now comprised of the livestock and bobby calf operations conducted through AFRL's 67% owned subsidiary NZ Farmers Livestock Limited (NZFLL).

At 30 June 2013, the Directors of Allied Farmers Limited have considered the carrying value of its investment in AFRL. The recoverable amount has been determined based on fair value calculations. These calculations use the Directors assessment of the maintainable earnings (EBITDA) for the rural business taking into account historical and forecast earnings and applying an appropriate earnings multiple. Using an EBITDA multiple of 6 to 7 provides a value of $5,300,000 to $6,300,000 which also takes account of the residual net liabilities in AFRL. The Directors have adopted a carrying value of $6,050,000. The result of this review was a write down in the Parent's investment in Allied Farmers Rural Limited of $3,650,000 to $6,050,000.

This methodology is consistent with that adopted by independent external valuers at the time of the Parent's sale of the rural business to AFRL in 2009 and the subsequent sale of a portion of NZFLL to some of the agents previously employed by AFRL in December 2011.

24. Loans and Advances

	Note	**Group 2013 $000**	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Loans and advances					
Loans and advances at amortised cost		**46,930**	50,981	-	-
Provision for impaired assets	25	**(46,397)**	(43,004)	-	-
Net loans and advances		**533**	7,977	-	-
Classified as:					
Current		**533**	7,020	**-**	-
Non-current		**-**	957	**-**	-
		533	7,977	**-**	-

As at 30 June 2013 loans and advances of $533,000 (June 2012: $4,375,000) are past due and impaired, loans and advances of $nil (June 2012: $3,602,000) are performing.

25. Provision for impaired assets

	Note	**Group 2013 $000**	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Provision for individually impaired assets					
Loans and advances					
Opening balance		**43,004**	35,030	**59,572**	52,224
Movement in impairment provisions charged		**3,902**	7,974	**4,111**	7,348
Bad debt recoveries		**(509)**	-	**-**	-
Closing balance		**46,397**	43,004	**63,683**	59,572
Trade receivables					
Opening balance		**156**	417	**-**	-
Bad debts written off against impairment provisions		**(111)**	(261)	**-**	-
Closing balance		**45**	156	**-**	-
		46,442	43,160	**63,683**	59,572
Provision for impaired assets					
Loans and advances	23, 24	**46,397**	43,004	**63,683**	59,572
Trade receivables	28	**45**	156	**-**	-
		46,442	43,160	**63,683**	59,572

The Parent provision for individually impaired loans and advances relates to the inter company loan receivable from Allied Farmers Investments Limited.

The impairment of these assets has been created by the loss in value of the assets acquired from Hanover Finance Ltd and United Finance Ltd.

26. Investments accounted for using the equity method

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Investments in associates		**180**	196	**-**	-
Total investments accounted for using the equity method		**180**	196	**-**	-
Balance at beginning of the year		**196**	196	**-**	-
Share of net profit (loss) of associates		**(16)**	-	**-**	-
Balance at end of the year		**180**	196	**-**	-

Investments in associates comprise the following:

	Principal Activity	Interest held by Group 2013	Interest held by Group 2012
Associated Auctioneers - Frankton	Saleyard operators	**50%**	50%
Associated Auctioneers - Stratford	Saleyard operators	**50%**	50%
Associated Auctioneers - Taumarunui	Saleyard operators	**50%**	50%
Associated Auctioneers - Te Kuiti	Saleyard operators	**33%**	33%

All companies within the Group were incorporated in New Zealand and have a balance date of 30 June. These companies were sold to subsidiary company NZ Farmers Livestock Limited as part of the sale of the sale yards by Allied Farmers Ltd to NZ Farmers Livestock Limited. Refer to note 37.

27 Cash and cash equivalents

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Bank Overdraft (secured)		**-**	229	-	-
Cash and cash equivalents		**1,154**	2,075	**50**	6

A subsidiary, NZ Farmers Livestock Limited has an overdraft facility of $250,000 which is undrawn at 30 June 2013 (June 2012: undrawn facility of $250,000). This facility has an interest rate of 10.9% and is secured over the assets of NZ Farmers Livestock Limited excluding its subsidiary Farmers Meat Export Limited.

28. Trade and other receivables

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Trade receivables (gross)		**5,247**	5,688	**76**	76
Provision for impaired assets	25	**(45)**	(156)	**-**	-
Trade receivables (net of provision)		**5,202**	5,532	**76**	76
Prepayments		**113**	45	**-**	45
		5,315	5,577	**76**	121

29. Inventory - Livestock

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Finished Goods	**48**	46	**-**	-
	48	46	**-**	-
Inventories stated at net realisable value	**48**	46	**-**	-
Current	**48**	46	**-**	-
Non-current	**-**	-	**-**	-
	48	46	**-**	-

30. Inventory - Property

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Property assets	**-**	13,277	**-**	-
	-	13,277	**-**	**-**
Inventories stated at net realisable value	**-**	13,277	**-**	-
Current	**-**	6,134	**-**	-
Non-current	**-**	7,143	**-**	-
	-	13,277	**-**	-

As at 30 June 2013 inventory property totalling $nil (June 2012: $11,964,000) is provided as first mortgage security for the borrowings referred to in note 16.

31. Related party transactions

Overview of related party transactions

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

Categories of related party relationships

Related party transactions are detailed by reference to the following categories:

(a) Group companies: all wholly owned subsidiaries of Allied Farmers Limited. For subsidiary company's of the Parent refer to note 23.

(b) Key management personnel: those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors.

(c) Other related parties: Other entities that may have directors who are also directors of the Company.

Related party revenue (expense)	**2013 $000**	2012 $000
(a) Group companies - with the Parent		
Allied Farmers Rural Limited		
Rental income (expense)	**374**	107
Recharge of costs	**360**	360
Interest income (expense)	**-**	-

There were transactions between Group companies which have been eliminated upon consolidation.

(b) Key management personnel	**Group 2013 $000**	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Salaries and other short term benefits	**271**	461	**-**	-
Directors fees	**166**	143	**156**	128
Directors retirement allowance	**-**	21	**-**	21
Total key management personnel compensation	**437**	625	**156**	149

	Note	**Group 2013 $000**	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Related party receivables / (payables)					
(a) Group companies - with the Parent					
Allied Farmers Rural Limited					
Subsidiary company advance		**-**	-	**(1,414)**	(2,576)
	23	**-**	-	**(1,414)**	(2,576)
Allied Farmers Investments Limited					
Advance to subsidiary company (net)	23	**-**	-	**739**	17,377
(b) Key management personnel					
Directors long service leave entitlement		**112**	105	**112**	105

All loans are interest free and repayable upon demand.

Related party transactions

(a) Group companies

During the year Allied Farmers Investments Limited repaid $12,527,000 (June 2012: $2,915,636), leaving a gross loan receivable of $64,422,000 (June 2012: $76,949,000). During the year the Parent recorded an impairment against the loan of $4,111,000 (June 2012: $7,348,000), leaving a net loan receivable of $739,000 (June 2012: $17,377,395). The loan is interest free and repayable upon demand.

During the year ended 30 June 2013 Allied Farmers Limited recharged management expenses totalling $360,000 (June 2012: $360,000) to Allied Farmers Rural Limited and property rental expenses totalling $374,000 (June 2012: $325,536).

31. Related party transactions (continued)

(b) Key management personnel

Certain directors of Allied Farmers Limited have trading transactions with the Group. These transactions take place on normal trading terms and are on an arms length basis.

(c) Other related parties

The Group conducts transactions with Associates (refer note 26) in the course of its rural activities, which take place on normal trading terms and are on an arms length basis. The value of these transactions is not material.

During the 2012 year the directors as pre Hanover shareholders in Allied Farmers Ltd received along with all the other pre Hanover shareholders in Allied Farmers Ltd an issue of Bonus Securities.

Farmers Meat Export Ltd was formed during the 2012 year as a wholly owned subsidiary of New Zealand Farmers Livestock Ltd. Farmers Meat Export Ltd was formed to conduct the Bobby Calf business of Allied Farmers Rural Ltd. During the year Farmers Meat Export Ltd borrowed monies from a director of Allied Farmers Ltd and a senior executive of Allied Farmers Rural Ltd on normal commercial terms. As at the 30 June 2013 $nil remains owing by Farmers Meat Export Ltd to the related parties.

During the year Allied Farmers Rural Ltd sold it's Real Estate business to two of the management team in the real estate business. See note 1.

32. FINANCIAL RISK MANAGEMENT

32.1 CREDIT RISK

Credit risk is the risk that a counterparty to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, trade and other receivables, loans, advances and finance leases.

Credit risk is actively managed by the Group to ensure individual counterparty as well as industry exposures are monitored. Risk is measured by continual evaluation of counterparty exposures with regard to changes in the economic circumstances of the counterparty, the counterparty's industry, and wider macro-economic influences.

32.1.1 RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENT

The Group and Parent's financial instruments are classified into cash and cash equivalents, trade and other receivables, derivative financial instruments, and loans, advances and finance leases.

CASH AND CASH EQUIVALENTS
The Group and Parent are exposed to the risk of default by placing cash deposits with banks. The maximum credit risk is the face value of its cash deposits, which is disclosed in note 27. The Group's exposure to banks is unsecured. To manage this risk, the Group only deposits cash with New Zealand registered banks, and has policies governing the maximum counterparty exposure of any individual bank.

TRADE AND OTHER RECEIVABLES
For all trade and other receivables, there is the risk that the counterparty to the receivables may not settle its obligations when they fall due. The maximum credit risk is the face value of the trade and other receivables, which is disclosed in note 28. The exposures are largely unsecured. Risk exposures in trade and other receivables are managed on a case-by-case basis depending on the materiality of the exposure.

DERIVATIVE FINANCIAL INSTRUMENTS
At any one time the amount of the derivative assets that is subject to credit risk is limited to the current fair value of the instruments that are favourable to the Group (i.e. assets where the fair value is positive). This value is disclosed in note 19 relating to the granted call / put options. Collateral is not obtained for this credit risk.

LOANS, ADVANCES AND FINANCE LEASES

The Group has a credit policy, which is used to manage its exposure to credit risk. As part of this policy, limits on exposures have been set, lending is subject to defined criteria, and loans are monitored on a regular basis. The maximum credit risk is the face value of the loans, advances and finance leases net of any recognised impairment losses.

	Group 2013 $000	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Aging of Past Due Assets that are not impaired				
1-30 days	**604**	257	**-**	-
31-60 days	**48**	249	**-**	-
61-90 days	**34**	-	**-**	-
91-120 days	**-**	-	**-**	-
121-150 Days	**-**	-	**-**	-
151-180 days	**-**	-	**-**	-
181 + days	**-**	-	**-**	-
Total Past Due Assets	**686**	506	**-**	-

Of the loans, advances and finance leases held as at 30 June 2013 $46,397,000 (2012 $43,004,000) are deemed to be impaired (refer note 24)

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 MATURITY ANALYSIS

The amounts disclosed in the tables below show the contractual undiscounted cash flows due on financial liabilities. The amounts below also reflect the contractual repricing timing on financial liabilities, if applicable.

Group

30 June 2013	**Total**	**Under 6 Months**	**6-12 Months**	**1-2 Years**	**2-5 Years**	**Over 5 Years**
$000						
Financial liabilities						
Trade and other payables	8,265	8,265	-	-	-	-
Borrowings - Crown Asset Management Ltd (secured) - gross	5,110	5,110	-	-	-	-
Finance Leases	663	194	194	275	-	-
Derivative financial instrument	2,000	2,000	-	-	-	-
Gross payable on financial liabilities	16,038	15,569	194	275	-	-
Cumulative position		15,569	15,763	16,038	16,038	16,038

Group

30 June 2012	Total	Under 6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years
$000						
Financial liabilities						
Bank overdraft (secured)	229	229	-	-	-	-
Trade and other payables	11,710	11,710	-	-	-	-
Borrowings - NFA Ltd (in Liquidation) (secured) - gross payable	18,332	6,567	4,401	7,364	-	-
Borrowings - Finance Leases	868	151	151	353	213	-
Borrowings - Property assets (secured) - gross payable	4,598	2,844	1,687	67	-	-
Derivative financial instrument	2,000	-	-	2,000	-	-
Gross payable on financial liabilities	37,737	21,501	6,239	9,784	213	-
Cumulative position		21,501	27,740	37,524	37,737	37,737

Parent

30 June 2013	**Total**	**Under 6 Months**	**6-12 Months**	**1-2 Years**	**2-5 Years**	**Over 5 Years**
$000						
Financial liabilities						
Trade and other payables	344	344	-	-	-	-
Borrowings - Crown Asset Management Ltd (secured) - gross payable	5,105	5,105	-	-	-	-
Derivative financial instrument	2,000	2,000	-	-	-	-
Subsidiary company advances	1,414	1,414	-	-	-	-
Gross payable on financial liabilities	8,863	8,863	-	-	-	-
Cumulative position		8,863	8,863	8,863	8,863	8,863

Parent

30 June 2012	Total	Under 6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years
$000						
Financial liabilities						
Trade and other payables	1,340	1,340	-	-	-	-
Borrowings - NFA Ltd (in Liquidation) (secured) - gross payable	16,282	4,700	4,218	7,364	-	-
Derivative financial instrument	2,000	-	-	2,000	-	-
Subsidiary company advances	2,576	2,576	-	-	-	-
Gross payable on financial liabilities	22,198	8,616	4,218	9,364	-	-
Cumulative position		8,616	12,834	22,198	22,198	22,198

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet commitments

Liquidity risk is reviewed on an ongoing basis and managed to meet requirements. Cash flow forecasting is performed in the operating entities of the group and aggregated at Group level. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 15) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Refer to the Going Concern and Liquidity disclosures in the Statement of accounting policies for further details on how the Group manages liquidity risk and the basis for adopting the going concern assumption in the preparation of these financial statements.

32.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The Group is not exposed to other price risk.

Market risk sensitivity analysis
If market interest rates for cash and cash equivalents, borrowings - Crown Asset Management Ltd (secured), borrowings - property assets (secured), and derivatives were to increase or decrease by 50 basis points (bps) the affect on net profit after tax, and equity, for the year as applied to year end balances would be as follows:

	Group 2013 $000	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Borrowings - Crown Asset Management Ltd (secured)				
If interest rates for the year were 50 bps higher				
Effect on net profit for the year / equity	**(26)**	(61)	**(25)**	(55)
If interest rates for the year were 50 bps lower				
Effect on net profit for the year / equity	**26**	61	**25**	55
Borrowings - Property assets (secured)				
If interest rates for the year were 50 bps higher				
Effect on net profit for the year / equity	**-**	(15)	**-**	-
If interest rates for the year were 50 bps lower				
Effect on net profit for the year / equity	**-**	15	**-**	-
Currency Risk				
Loans and Advances				
If the cross rates for the year were 1c higher				
Effect on Net Profit for the year				
Australian Dollars	**-**	30	**-**	-
Fijian Dollars	**-**	12	**-**	-
If the cross rates for the year were 1c lower				
Effect on Net Profit for the year				
Australian Dollars	**-**	(30)	**-**	-
Fijian Dollars	**-**	(12)	**-**	-

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.5 CAPITAL MANAGEMENT

The Group's capital is it's equity on the balance sheet, including its share capital and accumulated losses.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, sell assets, seek new debt funding, or adjust the amount of dividends paid to shareholders.

Refer to Critical Accounting Estimates and Judgements disclosures in the Statement of accounting policies for further details of how the Group manages capital and the basis for adopting the going concern assumption.

33. Contingent assets and liabilities

There are no material contingent assets or liabilities outstanding as at 30 June 2013 for the Group or Parent (30 June 2012: nil).

34. Commitments

The following amounts have been committed by the Group or Parent, but not recognised in the financial statements:

	Group 2013 $000	Group 2012 $000	**Parent 2013 $000**	Parent 2012 $000
Operating lease commitments				
Lease				
Not later than one year	**420**	410	**-**	121
Later than one year and not later than five years	**-**	115	**-**	-
Later than five years	**-**	-	**-**	-

The Group and Parent lease premises, plant and equipment and motor vehicles. Operating leases held over properties give the Group and Parent the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases. There are options to purchase in respect of motor vehicles held under finance leases.(refer note 16)

Capital commitments
The Group and Parent have no material capital commitments as at 30 June 2013 (30 June 2012: nil).

35. Financial assets and liabilities

The table below sets out the Group's classification of each class of financial asset and liability.

Group	Financial Instruments at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other amortised cost	Total
	$000	$000	$000	$000	$000
30 June 2013					
Assets per balance sheet					
Cash and cash equivalents	-	-	1,154	-	1,154
Trade and other receivables	-	-	5,201	-	5,201
Loans, advances and finance leases	-	-	533	-	533
Other Assets	242	-	-	-	242
	242	-	6,888	-	7,130
Liabilities per balance sheet					
Trade and other payables	-	-	-	8,265	8,265
Borrowings - Crown Asset Management Limited (secured)	-	-	-	5,110	5,110
Borrowings - Finance Leases	-	-	-	565	565
Derivative financial instruments	1,934	-	-	-	1,934
	1,934	-	-	13,940	15,874

Group	Financial Instruments at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other amortised cost	Total
	$000	$000	$000	$000	$000
30 June 2012					
Assets per balance sheet					
Cash and cash equivalents	-	-	2,075	-	2,075
Trade and other receivables	-	-	5,532	-	5,532
Loans, advances and finance leases	-	-	7,977	-	7,977
Derivative financial instruments	7	-	-	-	7
Shares in other companies	321	-	-	-	321
	328	-	15,584	-	15,912
Liabilities per balance sheet					
Bank overdraft (secured)	-	-	-	229	229
Trade and other payables	-	-	-	11,710	11,710
Borrowings - NFA Limited (in Liquidation) (secured)	-	-	-	17,006	17,006
Finance Leases	-	-	-	268	268
Borrowings - Property assets (secured)	-	-	-	4,037	4,037
Derivative financial instruments	1,886	-	-		1,886
	1,886	-	-	33,250	35,136

The table below sets out the Parent's classification of each class of financial asset and liability.

Parent	Financial Instruments at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other amortised cost	Total
30 June 2103	$000	$000	$000	$000	$000
Assets per balance sheet					
Cash and cash equivalents	-	-	50	-	50
Trade and other receivables	-	-	76	-	76
Advances to subsidiaries	-	-	739	-	739
	-	-	865	-	865
Liabilities per balance sheet					
Trade and other payables	-	-	-	344	344
Borrowings - Crown Asset Management Limited (secured)	-	-	5,105	-	5,105
Derivative financial instruments	1,934	-	-	-	1,934
Subsidiary company advances	-	-	1,414	-	1,414
	1,934	-	6,519	344	8,797

35. Financial assets and liabilities (continued)

Parent	Financial Instruments at fair value through profit or loss $000	Available-for-sale financial assets $000	Loans and receivables $000	Other amortised cost $000	Total $000
30 June 2012					
Assets per balance sheet					
Cash and cash equivalents	-	-	6	-	6
Trade and other receivables	-	-	76	-	76
Advances to subsidiaries	-	-	10,388	-	10,388
Derivative financial instruments	7	-	-	-	7
	7	-	10,470	-	10,477
Liabilities per balance sheet					
Trade and other payables	-	-	-	1,340	1,340
Borrowings - NFA Limited (in Liquidation) (secured)	-	-	-	15,337	15,337
Derivative financial instruments	1,886	-	-	-	1,886
Subsidiary company advances	-	-	2,576	-	2,576
	1,886	-	2,576	16,677	21,139

36. Financial assets and liabilities carried at fair value

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Valuation requires the selection of a method from a variety available and use of assumptions on market conditions existing at balance date. The valuation techniques used for derivative financial instruments presented at fair value are further discussed in note 19.

NZ IFRS 7: *Financial Instruments: Disclosure* requires an entity to classify fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

a) quoted prices (unadjusted) in active markets for identical assets of liabilities (Level 1);
b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c) inputs from the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents those financial assets and liabilities presented at fair value on the balance sheet and their classification within the fair value hierarchy above.

	Level 3 $000	**Total $000**
Group 2013		
Assets		
Derivative financial instruments	-	-
Other Assets	242	242
Liabilities		
Derivative financial instruments	1,934	1,934
Group 2012		
Assets		
Derivative financial instruments	7	7
Other Assets	321	321
Liabilities		
Derivative financial instruments	1,886	1,886

	Group 2013 $000	Group 2012 $000
Other assets movement		
Opening balance	**321**	-
Gains and losses recognised in the Income Statement	**(79)**	321
Closing balance	**242**	321

	Level 3 $000	**Total $000**
Parent 2013		
Assets		
Derivative financial instruments	-	-
Liabilities		
Derivative financial instruments	1,934	1,934
Parent 2012		
Assets		
Derivative financial instruments	7	7
Liabilities		
Derivative financial instruments	1,886	1,886

37 Events subsequent to balance date

Subsequent to balance date, the follow events occurred which not otherwise dealt with in the financial statements, that may significantly affect the operations of the Group.

Sale of Saleyards to NZ Farmers Livestock Limited (NZFLL)

On 6 September 2013 the Parent sold its saleyards interests in Taranaki, Manawatu, Waikato and King Country ("Saleyards") to its subsidiary, NZ Farmers Livestock Limited (NZFLL). The sale price for the Saleyards was $3.6m, being the registered valuation. This was above their carrying value of $2.9m. The purchase was debt funded. As at 30 June 2013 the Saleyards have been classified as Held for Sale within the Parent Balance Sheet but because they were sold to a subsidiary company they continue to be recorded as Property, Plant and Equipment in the Group Balance Sheet with no uplift in value being recognised. All of the proceeds of the sale have been used to reduce the debt to Allied Farmers Limited's secured lender, Crown Asset Management Limited.

Settlement of outstanding obligations

On 13 September 2013 Allied Farmers Rural Limited (“AFRL”), agreed a settlement with the Inland Revenue resulting in a repayment plan relating to an overdue tax liability (“Repayment Plan”). The Repayment Plan is subject to various terms and conditions and milestones being achieved. The impact of the Repayment Plan has been reflected in these financial statements. The Directors believe there is a reasonable expectation that the milestones within the Repayment Plan will be achieved.

On 13 September 2013 Allied Farmers Investments Limited reached an agreement to settle an outstanding obligation. The settlement will result in the net loans and advances shown in note 24 being offset against other creditors.

Bond Issue

On 13 September 2013 AFRL completed a $600,000 Bond issue. All of the proceeds of the Bond Issue have been used, together with proceeds of a draw down of funds from an existing funding facility with its secured lender, Crown Asset Management Limited (“CAML”), to fund the initial instalment of the Inland Revenue Repayment Plan. The Bonds have second ranking security arrangements over the Group’s assets. The Bonds also have options attached to them allowing the acquisition of additional shares in Allied Farmers Limited. The Bonds are repayable on 31 August 2014.

Independent Auditors' Report
to the shareholders of Allied Farmers Limited

Report on the Financial Statements

We have audited the financial statements of Allied Farmers Limited on pages 20 to 58, which comprise the balance sheets as at 30 June 2013, the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2013 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, Allied Farmers Limited or any of its subsidiaries other than in our capacity as auditors and providers of tax and accounting advice. These services have not impaired our independence as auditors of the Company and the Group.

Independent Auditors' Report

Allied Farmers Limited

Opinion

In our opinion, the financial statements on pages 20 to 58:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2013, and their financial performance and cash flows for the year then ended.

Emphasis of Matter – Going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures on page 34 of the financial statements for the Company and the Group concerning the ability of the Company and the Group to meet their financial obligations. There are inherent uncertainties as to the outcome of this matter. These financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Company and the Group to generate sufficient future cash flows from asset realisations and trading activities, reach agreement with certain creditors, maintain the continued support of the Group's secured lender, and source new funding.

These financial statements do not include any adjustments that may need to be made to reflect the situation should the Company and the Group be unable to successfully achieve the above outcomes. Such adjustments may include assets being realised at other than the amounts at which they are currently recorded in the balance sheets. In addition, the Company and the Group may have to provide for further liabilities that might arise and to reclassify certain non-current assets and liabilities as current.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2013:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants | Auckland
30 September 2013

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