

ALLIED FARMERS LIMITED

INTERIM FINANCIAL REPORT - Unaudited

For the six months ended 31 December 2012

Contents	Page
Consolidated Income Statement	1
Consolidated Statement of Comprehensive Income	2
Consolidated Statement of Changes in Equity	3
Consolidated Balance Sheet	4
Consolidated Statement of Cash Flows	5-6
Statement of Accounting Policies	7-8
Notes to the Financial Statements	9-19

Consolidated Income Statement

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2012 - (Unaudited)

	Note	Group Dec 2012 6 Months \$000	Group Jun 2012 12 Months \$000	Group Dec 2011 6 Months \$000
Continuing operations				
Revenue				
Sale of goods		17,406	6,167	3,895
Interest and fee income		5,178	14,567	5,600
		<u>22,584</u>	<u>20,734</u>	<u>9,495</u>
Fair value gain (loss) on derivatives		(38)	(230)	-
Other income		10	948	79
		<u>(28)</u>	<u>718</u>	<u>79</u>
Total income		<u>22,556</u>	<u>21,452</u>	<u>9,584</u>
Expenses				
Cost of inventory sold		16,077	5,489	3,500
Interest and funding expense		1,211	4,192	2,466
Rental and operating leases		10	691	512
Employee benefit expense		2,197	5,144	2,500
Depreciation and amortisation		262	1,116	522
Impairment of goodwill		-	765	765
Impairment of ex Hanover Finance and United Finance assets	2	4,059	10,260	3,612
Other operating expenses		4,144	7,106	3,988
Total expenses		<u>27,960</u>	<u>34,763</u>	<u>17,865</u>
Loss before income tax		(5,404)	(13,311)	(8,291)
Income tax expense on continuing operations		125	-	-
Net loss for the period from continuing operations		(5,529)	(13,311)	(8,291)
Discontinued operations*				
Revenue		-	3,457	3,447
Expenses		-	4,007	4,142
		<u>-</u>	<u>(550)</u>	<u>(695)</u>
Loss on receivership of discontinued operations		-	-	-
Loss before income tax		-	(550)	(695)
Net loss for the period from discontinued operations		-	(550)	(695)
Profit for the Year		(5,529)	(13,861)	(8,981)
Profit Attributable to:				
Owners of the Parent		(5,578)	(14,093)	(8,986)
Non-Controlling Interests		49	232	5
Net loss for the period attributable to the equity holders of the Parent Company		(5,529)	(13,861)	(8,981)

Consolidated Income Statement continued
Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2012 - (Unaudited)

	Group Dec 2012 6 Months \$000	Group Jun 2012 12 Months \$000	Group Dec 2011 6 Months \$000
Total earnings per share attributable to the equity holders of the Parent Company			
Basic (cents per share)	(0.06)	(21.55)	(0.10)
Diluted (cents per share)	(0.06)	(21.55)	(0.10)
Earnings per share from continuing operations attributable to the equity holders of the Parent Company			
Basic (cents per share)	(0.06)	(20.70)	(0.09)
Diluted (cents per share)	(0.06)	(20.70)	(0.09)
Earnings per share from discontinued operations attributable to the equity holders of the Parent Company			
Basic (cents per share)	-	(0.85)	(0.01)
Diluted (cents per share)	-	(0.85)	(0.01)

Consolidated Statement of Comprehensive Income
Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2012 - (Unaudited)

	Group Dec 2012 6 Months \$000	Group Jun 2012 12 Months \$000	Group Dec 2011 6 Months \$000
Net loss for the period attributable to the equity holders of the Parent Company	(5,529)	(13,861)	(8,981)
Total comprehensive income for the period attributable to the equity holders of the Parent Company	(5,529)	(13,861)	(8,981)

Consolidated Statement of Changes in Equity

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2012 - (Unaudited)

Group	Attributable to the equity holders of the Parent Company				
	Share capital \$000	Accumulated losses \$000	Cash flow hedge reserve \$000	Non Controlling Interests \$000	Total equity \$000
Opening balance as at 1 July 2011	134,422	(139,921)	-	-	(5,499)
Comprehensive income					
Net loss for the six months ended 31 December 2011	-	(8,981)	-	-	(8,981)
Total comprehensive income	-	(8,981)	-	-	(8,981)
Transactions with owners					
Share capital issued	13,842	-	-	-	13,842
Unpresented dividend payments forfeited	-	40	-	-	40
Total transactions with owners	13,842	40	-	-	13,882
Non Controlling Interests arising on the acquisition of New Zealand Farmers Livestock Ltd				2,341	2,341
Closing Balance 31 December 2011	148,264	(148,862)	-	2,341	1,743
Opening balance as at 1 July 2011	134,422	(139,921)	-	-	(5,499)
Comprehensive income					
Net loss 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	13,842	-	-	-	13,842
Unpresented dividend payments forfeited	-	40	-	-	40
	13,842	40	-	-	13,882
Non Controlling Interest arising on the formation of NZ Farmers Livestock Ltd		2,545		232	2,777
Total transactions with owners	148,264	(151,429)	-	464	(2,701)
Closing balance as at 30 June 2012	148,264	(151,429)	-	464	(2,701)
Comprehensive income					
Net loss for the six months ended 31 Dec 2012	-	(5,578)	-	49	(5,529)
Total comprehensive income	-	(5,578)	-	49	(5,529)
Transactions with owners					
Dividends paid to Non Controlling Interests				(112)	(112)
Total transactions with owners	-	-	-	(112)	(112)
Closing balance as at 31 December 2012	148,264	(157,007)	-	401	(8,342)

Consolidated Balance Sheet

Allied Farmers Limited and Subsidiaries

As at 31 December 2012 - (Unaudited)

	Note	Group Dec 2012 \$000	Group June 2012 \$000	Group Dec 2011 \$000
Equity				
Share capital	3	148,264	148,264	148,264
Reserves		(157,007)	(151,429)	(148,862)
		(8,743)	(3,165)	(598)
Non Controlling Interests		401	464	2,341
Total equity (deficit)		(8,342)	(2,701)	1,743
Liabilities				
Current liabilities				
Bank overdraft (secured)	5	-	229	-
Trade and other payables	4	9,734	10,766	11,378
Trade and other payables (Secured)	4	500	500	500
Borrowings - Crown Asset Management Ltd(secured)	6	6,979	18,214	14,054
Borrowings - Property assets (secured)	7	-	4,037	4,658
Provisions		916	920	1,934
Total current liabilities		18,129	34,666	32,524
Non-current liabilities				
Borrowings - Property assets (secured)	7	-	-	668
Derivative financial instruments		1,924	1,886	1,649
Total non-current liabilities		1,924	1,886	2,317
Total liabilities		20,053	36,552	34,841
Total liabilities and shareholders equity		11,711	33,851	36,584
Assets				
Current assets				
Cash and cash equivalents		977	2,075	1,019
Trade and other receivables		4,197	5,581	5,909
Loans and advances	9	4,748	7,977	7,279
Inventory - Livestock		561	46	846
Inventory - Property	10	-	6,134	9,155
Derivative financial instruments		7	7	-
Assets held for sale		-	-	261
Other Assets		510	321	-
Current taxation		3	3	3
Total current assets		11,003	22,144	24,472
Non-current assets				
Loans, advances and finance leases	9	-	-	2,894
Inventory - Property	10	-	7,143	5,575
Investments accounted for using the equity method		180	196	196
Property, plant and equipment		4,093	4,372	3,447
Intangible assets	17	166	-	-
Total non-current assets		4,439	11,711	12,112
Total assets		15,442	33,855	36,584

Consolidated Statement of Cash Flows

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2012 - (Unaudited)

	Note	Group Dec 2012 6 months \$000	Group June 2012 Year \$000	Group Dec 2011 6 months \$000
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from customers		24,439	23,964	13,564
Interest received		-	-	621
Net decrease in loans and advances**		3,330	1,604	2,538
		27,769	25,568	16,723
Cash was applied to:				
Payments to suppliers and employees		(11,541)	(24,150)	(15,669)
Interest paid		(1,220)	(4,323)	(1,879)
Taxation Paid		(125)		
		(12,886)	(28,473)	(17,548)
Net cash flows from (used in) operating activities		14,883	(2,905)	(825)
Cash Flows from Investing Activities				
Cash was provided from:				
Asset sales			6,359	7,637
Impact of Formation of New Zealand Farmers Livestock Ltd			2,346	
			-	8,705
			8,705	7,637
Cash was applied to:				
Purchase of property, plant and equipment and intangible assets			(1,386)	-
			(115)	-
Net cash flows from (used in) investing activities		(115)	7,319	7,637
Cash Flows from Financing Activities				
Cash was provided from:				
Issue of ordinary shares		89	-	-
		89	-	-
Cash was applied to:				
Dividends Paid		(112)		
Borrowings		(15,613)	(2,705)	(5,930)
		(15,725)	(2,705)	(5,930)
Net cash flows from (used in) financing activities		(15,636)	(2,705)	(5,930)
Net increase (decrease) in cash and cash equivalents		(869)	1,709	882
Add opening cash and cash equivalents brought forward		1,846	137	137
Ending cash and cash equivalents carried forward		977	1,846	1,019
Cash consists of:				
Bank overdraft (secured) in Consolidated Balance Sheet		-	(229)	-
Cash and cash equivalents in Consolidated Balance Sheet		977	2,075	1,019
		977	1,846	1,019

** These items are respectively netted in the cash flow statement above. The reason for this is that they are significant cash flows that reflect the activities of the Group's customers rather than those of the Group itself.

**Reconciliation of net loss after tax for the six months ended 31 December 2012
with cash flow from operating activities**

	Group Dec 2012 6 months \$000	Group June 2012 Year \$000	Group Dec 2011 6 months \$000
Net loss after tax for the period	(5,504)	(13,861)	(8,981)
Add (less) non cash items			
Fair value (gain) loss on derivatives	38	230	-
Depreciation	263	253	47
Amortisation of intangibles	-	97	475
Intercompany interest	20	-	-
Loss on revaluation of investment property / Impairment of assets/bad debt provision	4,059	9,260	3,642
Impairment of goodwill	-	765	765
Doubtful Debts on Trade Receivables	-	(261)	-
Non controlling interest share of profit/loss	-	-	(5)
Amortisation of capital notes expenses	-	-	57
Onerous lease recognition	-	-	(25)
Unrealised foreign exchange (gain)/loss - reval	16	-	-
Capitalisation of Interest Earned	-	(3,327)	-
Other	-	-	(726)
	4,396	7,017	4,255
Items classified as investing activities			
Capitalisation of interest earned	(456)	-	-
(Profit) loss on asset sales	12	(935)	(638)
Investment in associates / other	-	-	239
Dividends	-	-	-
	(444)	(935)	(399)
Movement in working capital			
Decrease in loans, advances and finance leases	3,330	1,604	7
Decrease (increase) in trade and other receivables	1,381	2,953	4,810
Increase (decrease) in payables	(1,038)	(2,554)	(1,256)
Decrease (increase) in inventory	12,762	2,871	739
	16,435	4,874	4,300
Net cash inflows (outflows) from operating activities	14,883	(2,905)	(825)
	Group Dec 2012 6 months \$000	Group June 2012 Year \$000	Group Dec 2011 6 months \$000
Cash flows from operating activities	14,883	(550)	18,045
Cash flows from investing activities	(115)	2,314	(6,267)
Cash flows from financing activities	(15,636)	-	(21,696)
	(869)	1,764	(9,918)

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2012 - (Unaudited)

GENERAL INFORMATION

Allied Farmers Limited and Subsidiaries predominant activities comprise the provision of asset management services, the sale of livestock, and a real estate business.

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

201 Broadway
Stratford
New Zealand 4332

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

BASIS OF PREPARATION

The Group's interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The interim financial statements of the Group have been prepared in accordance with the requirements of New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting (NZ IAS 34), as appropriate for profit oriented entities. These financial statements are in compliance with IAS 34: Interim Financial Reporting. The Group interim financial statements do not include all of the information required for full annual financial statements.

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

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for the year ended 30 June 2012.

There are no new accounting standards or amendments to standards that became mandatory during the reporting period that impact the Group interim financial statements for the period ended 31 December 2012.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group 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 reporting period are discussed below:

Impairment of loans and advances

The Group review their portfolio of loans and advances periodically to assess it for impairment. In determining whether an impairment loss should be recorded in the income statement, the Group 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. No updated independent valuations have been obtained during the six month period.

Investment and inventory properties

The Group annually obtains valuation of its investment and inventory properties by an independent registered valuer. Updated valuations have not been obtained for the six monthly interim financial statements. In determining whether an impairment loss should be recorded in the income statement, the Group make judgments as to whether there is any observable data indicating that there is a measurable decrease in value of the asset.

Going concern and liquidity

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

- continued realisation of group assets;
- agreement of arrangements with rural merchandise suppliers and other creditors;
- collection of the balance of the Allied Farmers Rural Limited revolving credit facilities;
- other initiatives being pursued;

In approving these financial statements for issue the Directors consider the adoption of the going concern assumption appropriate having taken account of the following:

- financial covenants on the Group's borrowings for the period to 31 December 2012 and up to the date of this report;
- obligations owed to Crown Asset Management Ltd (refer note 6) and their continued support;
- reasonableness of the key assumptions underpinning the 2012 financial performance and cash flow forecasts;
- the Group's progress with its funding initiatives up to the date of this report;
- the Group's ability to realise financial assets; and
- prevailing economic environment including relevant market indicators

Notes to the Financial Statements

Allied Farmers Limited and Subsidiaries
For the half year ended 31 December 2012

1. Financial information on segments of the business

For the half year ended 31 December 2012, the Group was organised into two main business segments, Asset Management Services and Rural 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 Group's Rural Services activities are predominantly carried out in Taranaki, Waikato, King Country, Manawatu and the South Island. The Rural Services activities are influenced by seasonality. Livestock sales are stronger in the autumn season.

Corporate and funding costs comprise the corporate activities of the Group.

The segment results for the six months ended 31 December 2012 are as follows:

	Revenue (external) \$000	Revenue (inter- segmental) \$000	Depreciation and amortisation \$000	Net impairment loss on financial assets \$000	Interest and funding expense (external) \$000	Impairment of Intangibles and loss on disposal \$000	Other expenses (external) \$000	Share of profit (loss) from Associates \$000	Profit (loss) before income tax \$000	Income tax \$000	Profit after income tax \$000
Continuing operations											
Operating activities											
Asset Management Services	13,797	-	-	(4,059)	(194)	-	(13,300)	-	(3,756)	-	(3,756)
Rural Services	8,795	-	(196)	-	-	-	(9,271)	-	(673)	(125)	(798)
Total operating activities	<u>22,592</u>	<u>-</u>	<u>(196)</u>	<u>(4,059)</u>	<u>(194)</u>	<u>-</u>	<u>(22,572)</u>	<u>-</u>	<u>(4,428)</u>	<u>(125)</u>	<u>(4,553)</u>
Corporate and funding costs											
Corporate	(38)	360	(58)	-	(598)	-	(593)	-	(927)	-	(927)
Intragroup adjustments*	-	(360)	-	-	-	-	360	-	-	-	-
Total corporate and funding costs	<u>(38)</u>	<u>-</u>	<u>(58)</u>	<u>-</u>	<u>(598)</u>	<u>-</u>	<u>(233)</u>	<u>-</u>	<u>(927)</u>	<u>-</u>	<u>(927)</u>
Group continuing activities	<u>22,554</u>	<u>-</u>	<u>(254)</u>	<u>(4,059)</u>	<u>(791)</u>	<u>-</u>	<u>(22,805)</u>	<u>-</u>	<u>(5,355)</u>	<u>(125)</u>	<u>(5,480)</u>
Share of Non Controlling Interests									49		49
Total Group	<u>22,554</u>	<u>-</u>	<u>(254)</u>	<u>(4,059)</u>	<u>(791)</u>	<u>-</u>	<u>(22,805)</u>	<u>-</u>	<u>(5,404)</u>	<u>(125)</u>	<u>(5,529)</u>

* The intragroup adjustments relate to intercompany charges and intercompany rents. (see Note 13)

The segment assets and liabilities as at 31 December 2012 and capital expenditure for the twelve months are as follows:

	Assets \$000	Investment in Associates \$000	Total assets \$000	Liabilities \$000	Capital expenditure \$000
Continuing operations					
Operating activities					
Asset Management Services	4,753	-	4,753	(1,286)	-
Rural Services	7,521	196	7,717	(9,444)	-
Total operating activities	12,274	196	12,470	(10,730)	-
Corporate and funding					
Corporate	12,672	-	12,672	(9,323)	-
Intragroup adjustment	(9,700)	-	(9,700)	-	-
Total corporate and funding	2,972	-	2,972	(9,323)	-
Group continuing operations	15,246	196	15,442	(20,053)	-
Total Group	15,246	196	15,442	(20,053)	-

Financial information on segments of the business (continued)

The segment results for the six months ended 31 December 2011 are as follows:

	Revenue (external) \$000	Revenue (inter- segmental) \$000	Depreciation and amortisation \$000	Net impairment loss on financial assets \$000	Interest and funding expense (external) \$000	Impairment of Intangibles and loss on disposal \$000	Other expenses (external) \$000	Share of profit (loss) from Associates \$000	Profit (loss) before income tax \$000	Income tax \$000	Profit after income tax \$000
Continuing operations											
Operating activities											
Asset Management Services	2,329	-	(4)	(3,612)	(292)	-	(2,633)	-	(4,212)	-	(4,212)
Rural Services	7,235	-	(455)	-	(245)	(765)	(7,235)	-	(1,465)	-	(1,465)
Total operating activities	9,564	-	(459)	(3,612)	(537)	(765)	(9,868)	-	(5,677)	-	(5,677)
Corporate and funding costs											
Corporate	10	287	(63)	-	(1,929)	-	(1,290)	-	(2,985)	-	(2,985)
Intragroup adjustments*	-	(287)	-	-	-	-	287	-	-	-	-
Total corporate and funding costs	10	-	(63)	-	(1,929)	-	(1,003)	-	(2,985)	-	(2,985)
Group continuing activities	9,574	-	(522)	(3,612)	(2,466)	(765)	(10,495)	-	(8,286)	-	(8,286)
Discontinued operations											
Rural Merchandise	3,447	-	-	-	-	-	(4,142)	-	(695)	-	(695)
Non Controlling Interest											5
Total Group	13,021	-	(522)	(3,612)	(2,466)	(765)	(14,637)	-	(8,981)	-	(8,981)

* The intragroup adjustments relate to intercompany interest and rents and charges.

The segment assets and liabilities as at 31 December 2011 and capital expenditure for the six months ended are as follows:

	Assets \$000	Investment in Associates \$000	Total assets \$000	Liabilities \$000	Capital expenditure \$000
Continuing operations					
Operating activities					
Asset Management Services	25,659	-	25,659	(8,271)	-
Rural Services	6,983	196	7,179	(10,370)	-
Financial Services	-	-	-	-	-
Total operating activities	<u>32,642</u>	<u>196</u>	<u>32,838</u>	<u>(18,641)</u>	<u>-</u>
Corporate and funding					
Corporate	13,446	-	13,446	(17,438)	-
Intragroup adjustment	(9,700)	-	(9,700)	-	-
Total corporate and funding	<u>3,746</u>	<u>-</u>	<u>3,746</u>	<u>(17,438)</u>	<u>-</u>
Group continuing operations	<u>36,388</u>	<u>196</u>	<u>36,584</u>	<u>(36,079)</u>	<u>-</u>
Discontinued operations					
Financial Services	-	-	-	-	-
Total Group	<u>36,388</u>	<u>196</u>	<u>36,584</u>	<u>(36,079)</u>	<u>-</u>

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

	Group Dec-12 6 Months \$000	Group Dec-11 6 months \$000
Cash flows from operating activities	14,883	(825)
Cash flows from investing activities	(115)	7,637
Cash flows from financing activities	<u>(15,636)</u>	<u>(5,930)</u>
Net cash flows from discontinued operations	<u>(869)</u>	<u>882</u>

2 Impairment of ex Hanover Finance and United Finance assets

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
Impairment of loans and advances	4,059	7,974	3,627
Impairment of inventory property	-	(47)	15
Impairment of investment property	-	1,333	1,143
Bad Debt Recovered	-	-	(30)
	<u>4,059</u>	<u>9,260</u>	<u>4,755</u>

3 Share capital

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
Ordinary shares			
Ordinary shares (fully paid)			
Balance at beginning of period	148,264	134,422	131,114
Issue of ordinary shares at fair value and acquisition date fair value adjustments	-	13,842	1,305
Ordinary Shares to be Issued	-	-	-
Share based payments	-	-	-
Balance at end of period	<u>148,264</u>	<u>148,264</u>	<u>132,419</u>
Number of shares issued and fully paid			
Balance at beginning of period	90,793	2,042,295	2,042,295
Issue of ordinary shares	-	7,036,112	7,036,112
Total	-	9,078,407	9,078,407
Consolidation of shares at 1 share for each existing 100	-	(8,987,622)	(8,987,622)
Rounding	-	8,369	8,369
Balance at end of period	90,793	90,793	90,793

The total number of shares on issue as at 31 December 2012 is 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.

Capital Notes Conversion into Shares

On 15 November 2011 Allied Farmers Ltd converted The Capital Notes owing to Capital Note holders into ordinary shares by issuing 5,940,671,290 ordinary shares.

Consolidation of Shares

On 15 November 2011 Allied Farmers Ltd elected to consolidate the number of shares on issue by consolidating every 100 shares on issue for 1 share.

4. Trade and other payables

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
Trade creditors	9,060	9,802	10,117
Accrued interest payable on borrowings	-	-	52
Employee entitlements	357	315	406
Hanover Finance Limited payable (secured)*	500	500	500
Other creditors and payables	317	1,093	803
	10,234	11,710	11,878
<i>Classified as:</i>			
Current	10,234	11,710	11,878
Non-current	-	-	-
	10,234	11,710	11,878

*The Hanover Liability is secured over a loan asset of the Asset Management Services Group.

5. Borrowings - ANZ National Bank Limited (secured)

New Zealand Farmers Livestock Limited has a secured overdraft facility of \$250,000 (December 2011: \$nil). As at 31 December 2012 no amount was drawn on overdraft facility.

6. Borrowings Crown Asset Management Ltd (formerly borrowed from Allied Nationwide Finance Ltd (in receivership))

These facilities were originally established with Allied Nationwide Finance Ltd (in receivership). The assets of Allied Nationwide Finance Ltd (in receivership) were acquired by Crown Asset Management Ltd on 1 August 2012

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
Borrowings Crown Asset Management Ltd (formerly borrowed from Allied Nationwide Finance Ltd (in receivership))	6,979	17,006	14,054
<i>Classified as:</i>			
Current	6,979	17,006	14,054
Non-current	-	-	-
	6,979	17,006	14,054

The parent company's credit enhancement and related party loan arrangements were converted to a loan facility, balance owing as at 31 December 2012 \$6,979,000 (30 June 2012: \$17,006,000). The interest rate on this loan is 8.0% per annum, capitalising monthly for the term of the loan. The loan facility has a 1 July 2013 expiry date and a portion of any property and loan asset realisations is required to be applied to principal repayments.

The Rural Services division purchased their factored debtors back from Allied Nationwide Finance Limited (in receivership), now Crown Asset Management Ltd partly financed by a secured loan from Allied Nationwide Finance Limited (in receivership). The balance owing on this loan facility as at 31 December 2012 is \$nil (30 June 2012 \$1,081,851).

The Group has complied with the principal repayment requirements during the period to 31 December 2012.

The 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, and cross guarantees from the Group companies excluding New Zealand Farmers Livestock Ltd and Farmers Meat Export Ltd.

7. Borrowings - Property assets (secured)

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
Borrowings - Bank	-	1,600	2,568
Borrowings - Other financial institutions	-	2,437	2,758
Borrowings - Property assets	-	4,037	5,326
<i>Classified as:</i>			
Current	-	4,037	4,658
Non-current	-	-	668
	-	4,037	5,326

Borrowings - Bank

The Group's Asset Management Services business had borrowings from one bank which total \$nil as at 31 December 2012 (June 2012: \$1,600,000). The average interest rate on these bank borrowings was 6.7% (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. The loan facility agreements with the bank(s) require certain financial covenants to be met, which included:

- a) Loan to value ratios; and
- b) Periodic loan amortisation.

The Group has complied with these financial covenants for the six month period ended 31 December 2012.

Borrowings - Other financial institutions

The Group's Asset Management Services business had borrowings from one other financial institution which total \$nil as at 31 December 2012 (June 2012: \$2,437,000). The average interest rate on these borrowings was 12.0% (June 2011: 14.8%) 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 related 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.

8. Provisions for Share allocation adjustments

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
Bonus securities			
Opening balance	-	4,300	-
Acquisition date fair value	-	(3,454)	-
Discount at acquisition date	-	(1,180)	-
Discount unwind for the period	-	334	-
Closing balance	-	-	-
Price adjustment rights			
Opening balance	-	1,237	1,237
Transfer to Share Capital	-	(1,237)	(1,237)
Closing balance	-	-	-

9 Loans and advances

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
Loans and advances			
Loans and advances at amortised cost	4,748	50,981	48,715
Provision for impaired assets	-	(43,004)	(38,542)
Net loans and advances	<u>4,748</u>	<u>7,977</u>	<u>10,173</u>
 Classified as:			
Current	4,748	7,020	7,279
Non-current	-	957	2,894
	<u>4,748</u>	<u>7,977</u>	<u>10,173</u>

As at 31 December 2012 loans and advances of \$4,748,000 (June 2012: \$7,977,000, Dec 2011: \$10,173,000) are past due and impaired, loans and advances of \$nil (June 2012: \$3,602,000, Dec 2011: \$3,479,000) were performing.

10. Property Inventory

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
Property Inventory	-	13,277	14,730
Current	-	6,134	9,155
Non-current	-	7,143	5,575
	<u>-</u>	<u>13,277</u>	<u>14,730</u>

As at 31 December 2012 inventory property totalling \$nil (June 2012: \$13,227,000, Dec 2011: \$14,730,000) was provided as first mortgage security for the borrowings.

11 Disposal of Items of Property, Plant and Equipment

During the six months ended 31 December 2011 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.

12 Transfer of Financial Assets

On 1 December 2011 the subsidiary Allied Farmers Rural Ltd sold its Livestock Business to a new subsidiary company New Zealand 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 New Zealand 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 New Zealand 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 68% of New Zealand Farmers Livestock Ltd. As a result of that transaction the Allied Farmers Group incurred an Impairment on the loss of Goodwill \$765,000 and an Impairment to Computer Software of \$39,000.

On 1 August 2012 all assets that were under the control of Allied Nationwide Finance Ltd (in Receivership) were transferred to Crown Asset Management Ltd (CAML). The transfer included all obligations that Allied Farmers Ltd and its subsidiaries had to Allied Nationwide Finance Ltd (in Receivership). CAML assumed all the same terms and conditions that existed between Allied Farmers Ltd and its subsidiaries except that the interest rate charged on the loan facilities were reduced from 12%pa to 8%pa from 1 August 2012.

Effective 21 December 2012 Allied Farmers Investments Ltd and its subsidiaries entered into an agreement with CAML to sell all its property assets and some of its Loans and Advances to CAML at book value. The total consideration for the sale was \$13,484,462. This consideration was used to partly repay the secured loans that CAML acquired from Allied Nationwide Finance Ltd (in Receivership).

13 Related Party Transactions

Overview of related party transactions

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

Categories of related party relationships

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

- (a) Group companies: all wholly owned subsidiaries of Allied Farmers Limited. For subsidiary companies of the Parent refer to note 12.
- (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.

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
Related party revenue / (expense)			
(a) Group companies - with the Parent			
<i>Allied Farmers Rural Limited/NZ Farmers Livestock Ltd</i>			
Rental income (expense)	218	107	129
Recharge of costs	180	360	180
Interest income (expense)	-	-	(39)
Subvention Payment	315	-	-
<i>Allied Nationwide Finance Limited</i>			
Interest and finance lease income (expense)	-	-	(223)
Recharge of costs	-	-	57
Other Group companies - with Allied Farmers Rural Limited			
<i>Allied Nationwide Finance Limited</i>			
Interest and finance lease income (expense)	-	-	(254)

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

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
(b) Key management personnel			
Salaries and other short term benefits	125	461	250
Directors fees	55	143	44
Directors Retirement Allowance	112	21	105
Total key management personnel compensation	292	625	399

Related party transactions

- (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 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 six months ending 31 December 2011 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 six months ended 31 December 2011 as a wholly owned subsidiary of Allied Farmers Rural Ltd. Farmers Meat Export Ltd was formed to conduct the Bobby Calf business of Allied Farmers Rural Ltd. During the six months 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. All borrowed monies have subsequently been repaid.

During June 2012 New Zealand Farmers Livestock Ltd created a new subsidiary Farmers Meat Export Ltd for the purpose of conducting the bobby calf business and the subsidiary of Allied Farmers Rural Ltd of the same name changed its name to NZ Farmers Meat Export Ltd. As at 31 December 2012 a director and senior executive had advanced \$395,000 to Farmers Meat Export Ltd on normal commercial terms.

Income tax obligations of subsidiaries are managed at a Group level.

During the period ended 31 December 2012 Allied Farmers Limited recharged management expenses totalling \$180,000 (Jun 2012: \$360,000; Dec 2011: \$25,961) to Allied Farmers Rural Limited and New Zealand Farmers Livestock Ltd and property rental expenses totalling \$217,896 (June 2012: \$107,460; December 2011: \$nil).

During the 6 months ended 31 December 2011 a new company New Zealand Farmers Livestock Ltd was formed and the livestock business owned by Allied Farmers Rural Ltd was sold to New Zealand Farmers Livestock Ltd. Contemporaneously 32% of the shares were sold to companies associated with various livestock agents employed by Allied Farmers Rural Ltd.

14 Dividends

Dividends were declared during the period by subsidiary New Zealand Farmers Livestock Ltd to the minority shareholders of \$112,000 (Jun 2012: nil; Dec 2011: nil).

15 Events subsequent to balance date

Two Companies within the Group have received statutory demands from two creditors totalling \$4,213,808 since 31 December 2012. The amounts claimed within the statutory demands are included in the financial statements liabilities. The first statutory demand expires 4 March 2013 and the second expires on the 15 March 2013.

16 Group Companies

The subsidiary companies comprising the Group are:

	Principal activity	Interest held by Group		
		Dec-12 6 Months	Jun-12 12 months	Dec-11 6 months
Subsidiaries of the Parent				
Allied Farmers Investments Limited	Asset Management	100%	100%	100%
Allied Farmers Rural Limited	Rural Services	100%	100%	100%
The West Coast Mortgage and Deposit Company	Holding company	100%	100%	100%
Allied Farmers Option Scheme Limited	Non-trading	100%	100%	100%
Subsidiaries of Allied Farmers Rural Limited				
New Zealand Farmers Livestock Ltd	Rural Services	68%	68%	68%
NZ Farmers Meat Export Ltd formerly (Farmers Meat Export Ltd)	Rural Services	100%	100%	100%
Subsidiaries of NZ Farmers Livestock Ltd				
Farmers Meat Export Ltd	Rural Services	100%	100%	-
Subsidiaries of Allied Farmers Investments Limited				
Allied Farmers Property Investments Limited	Holding company	100%	100%	100%
Allied Farmers Property Holdings Limited	Holding company	100%	100%	100%
Subsidiaries of Allied Farmers Property Investments Limited				
QWF Holdings Limited	Non-trading	100%	100%	100%
HPL Rhode Island (2008) Limited	Non-trading	100%	100%	100%
Clearwater Avenue Holdings Limited	Non-trading	100%	100%	100%
Clearwater Hotel 2004 Limited	Non-trading	100%	100%	100%
Lifestyles of New Zealand Queenstown Limited	Non-trading	100%	100%	100%
LONZ 2008 Limited	Non-trading	100%	100%	100%
LONZ 2008 Holdings Limited	Non-trading	100%	100%	100%
Subsidiaries of Matarangi Beach Estates Ltd (in Receivership)				
Matarangi Farm Lot 1 Limited	Non-trading	100%	100%	100%
Matarangi Farm Lot 2 Limited	Non-trading	100%	100%	100%
Matarangi Farm Lot 3 Limited	Non-trading	100%	100%	100%
Matarangi Farm Developments Limited	Non-trading	100%	100%	100%
Subsidiaries of Allied Farmers Property Holdings Limited				
UFL Lakeview Limited	Non-trading	100%	100%	100%
5M No. 2 Limited	Non-trading	100%	100%	100%
Subsidiary of Clearwater Hotel 2004 Limited				
Clearwater Hotel Management 2004 Limited	Non-trading	100%	100%	100%
Subsidiaries of The West Coast Mortgage and Deposit Company Limited				
Allied Farmers Finance Limited	Non-trading	100%	100%	100%
Allied Farmers Livestock Limited	Non-trading	100%	100%	100%
Allied Farmers (New Zealand) Limited	Non-trading	100%	100%	100%
Allied Finance Limited	Non-trading	100%	100%	100%
Allied Prime Finance Limited	Non-trading	100%	100%	100%
Allied Rural Limited	Non-trading	100%	100%	100%
Nationwide Finance Limited	Non-trading	100%	100%	100%
Prime Finance Limited	Non-trading	100%	100%	100%
Speirs Finance Limited	Non-trading	100%	100%	100%
Taranaki Farmers Limited	Non-trading	100%	100%	100%

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

New Zealand Farmers Livestock Ltd was formed to acquire the livestock trading assets of Allied Farmers Rural Ltd which was completed on 1st December 2011. At the same time 32% of the shares in New Zealand Farmers Livestock Ltd were sold to companies associated with various livestock agents who were employees of the company.

Farmers Meat Export Ltd was formed during the six months ending 31 December 2011 for the purposes of conducting the Bobby Calf business. During June 2012 New Zealand Farmers Livestock Ltd created a new subsidiary Farmers Meat Export Ltd and the subsidiary of Allied Farmers Rural Ltd of the same name changed its name to NZ Farmers Meat Export Ltd.

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

	Date of Receivership	Principal activity	Interest held by Group		
			Dec-12	Jun-12	Dec-11
Allied Nationwide Finance Limited (in Receivership and Liquidation)	20 August 2010	Financial Services	100%	100%	100%
Matarangi Beach Estates Limited	18 November 2010	Property development	100%	100%	100%

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

The net investment in Allied Nationwide Finance Limited (in receivership) is valued at nil in the Group financial statements as at 31 December 2012.

17 Intangible assets

	Group Dec-12 6 Months \$000	Group Jun-12 12 months \$000	Group Dec-11 6 months \$000
<i>Goodwill</i>			
Goodwill at beginning of period	-	765	765
Goodwill (gross) impairment charge*	-	(765)	(765)
Goodwill (gross) at end of period	-	-	-
<i>Computer software</i>			
Cost at beginning of period	-	589	589
Cost at end of period	-	589	589
Accumulated amortisation at beginning of period	-	(492)	(492)
Amortisation charged to income statement	-	-	(39)
Disposals	-	(97)	(58)
Accumulated amortisation at end of period	-	(589)	(589)
Software work in progress	166	-	-
Computer software net book value	166	-	-
Total intangibles	166	-	-

COMPANY DIRECTORY

Directors of the Company

Garry C Bluett BMS, CA (Chairman)
8 St Leonards Road
Takapuna
North Shore City 0740

Philip C Luscombe BAgSci (Hons)
199 Palmer Road
RD 28
Hawera 4678

G Andrew McDouall BCA, DipNZX
5 Fancourt Street
Karori
Wellington 6012

Jeffrey W Keenan
50 Wi Tako Street
Manakau
RD 31
Levin

Registered Office of the Company
201 Broadway
Stratford 4332

Postal Address of the Company
PO Box 423
Hawera 4640
Ph: 06 278 0800

Website

www.alliedfarmers.co.nz

Auditors

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland 1142

Share Registrar

Link Market Services Limited
PO Box 91976
Auckland 1142

Shareholder Enquiries

Link Market Services Limited
Ph: 09 375 5998
Fax: 09 375 5990
PO Box 91976
Auckland 1142