

# ALLIED FARMERS LIMITED

## INTERIM FINANCIAL REPORT - unaudited

For the six months ended 31 December 2013

ALLIED FARMERS LIMITED

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For the six months ended 31 December 2013

<b>Contents</b>	<b>Page</b>
Consolidated Income Statement	1-2
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 Interim Accounts	9-16
Directory	17

# Income Statements

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2013 - unaudited

	Note	Group Dec-13 6 Months \$000	Group Jun-13 12 Months \$000	Group Dec-12 6 Months \$000
<b>Continuing operations</b>				
<b>Revenue</b>				
Sale of goods		4,461	18,105	17,406
Interest and fee income		4,150	8,538	5,187
		<b>8,611</b>	<b>26,643</b>	<b>22,584</b>
Other income		451	456	10
		<b>451</b>	<b>456</b>	<b>(28)</b>
Total income		<b>9,061</b>	<b>27,099</b>	<b>22,556</b>
<b>Expenses</b>				
Cost of inventory sold		3,679	16,597	16,077
Fair value loss on derivatives		81	55	38
Interest and funding expense		440	1,216	1,211
Rental and operating leases		61	294	10
Employee benefit expense		2,005	4,412	2,197
Depreciation and amortisation		217	467	262
Impairment of ex Hanover Finance and United Finance assets	3	70	3,393	4,059
Share of Loss from Associates		-	16	-
Other operating expenses		2,916	4,869	4,144
Total expenses		<b>9,469</b>	<b>31,319</b>	<b>27,960</b>
<b>(Loss) before income tax</b>		<b>(408)</b>	<b>(4,220)</b>	<b>(5,404)</b>
Income tax expense		60	1	125
<b>Net (Loss) for the period from continuing operations</b>		<b>(468)</b>	<b>(4,221)</b>	<b>(5,529)</b>
<b>Discontinued operations</b>				
Revenue		-	2,448	-
Expenses		-	698	-
<b>Net Profit/(loss) for the period from discontinued</b>		<b>-</b>	<b>1,750</b>	<b>-</b>
<b>(Loss) for the Period</b>		<b>(468)</b>	<b>(2,471)</b>	<b>(5,529)</b>
<b>(Loss)/Profit Attributable to:</b>				
Owners of the Parent		(572)	(2,615)	(5,578)
Non-Controlling Interests		104	144	49
		<b>(468)</b>	<b>(2,471)</b>	<b>(5,529)</b>

## Income Statements continued

Allied Farmers Limited and Subsidiaries  
For the six months ended 31 December 2013 - unaudited

	<b>Group Dec-13 6 Months</b>	Group Jun-13 12 Months	Group Dec-12 6 Months
<b>Total earnings per share attributable to the equity holders of the Parent Company:</b>			
Basic (cents per share)	(0.01)	(2.72)	(0.10)
Diluted (cents per share)	-	-	(0.10)
<b>Earnings per share from continuing operations attributable to the equity holders of the Parent Company:</b>			
Basic (cents per share)	(0.01)	(4.65)	(0.09)
Diluted (cents per share)	-	-	(0.09)
<b>Earnings per share from discontinued operations attributable to the equity holders of the Parent Company:</b>			
Basic (cents per share)	-	1.93	(0.01)
Diluted (cents per share)	-	-	(0.01)

## Statements of Comprehensive Income

Allied Farmers Limited and Subsidiaries  
For the six months ended 31 December 2013 - unaudited

	Note	<b>Group Dec-13 6 Months \$000</b>	Group Jun-13 12 Months \$000	Group Dec-12 6 Months \$000
<b>(Loss) for the period</b>		<u>(468)</u>	(2,471)	(5,529)
<b>Total comprehensive loss for the period</b>		<u>(468)</u>	(2,471)	(5,529)
<b>(Loss) attributable to:</b>				
Owners of the Parent		(572)	(2,615)	-5578
Non-Controlling Interests		104	144	49
<b>Total comprehensive(Loss) for the period</b>		<u>(468)</u>	(2,471)	(5,529)

# Statements of Changes in Equity

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2013 - unaudited

Group	Note	Attributable to the equity holders of the Parent Company			Total equity \$000
		Share capital \$000	Accumulated losses \$000	Non Controlling Interests \$000	
<b>Opening Balance 1 July 2012</b>		148,264	(151,429)	464	(2,701)
Comprehensive Income					
Net Loss for 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)
<b>Closing balance as at 31 December 2012</b>		<b>148,264</b>	<b>(157,007)</b>	<b>401</b>	<b>(8,342)</b>
<b>Opening balance as at 1 July 2012</b>		148,264	(151,429)	464	(2,701)
Comprehensive income					
Net (loss)/profit for the year ended 30 June 2013		-	(2,615)	144	(2,471)
Prior Period Adjustment	2	-	(134)	(66)	(200)
Total comprehensive income		-	(2,749)	78	(2,671)
Transactions with owners					
Dividends paid to Non Controlling Interests		-	-	(185)	(185)
Transaction with Non Controlling Interests		-	-	89	89
Total transactions with owners		-	-	(96)	(96)
<b>Closing balance as at 30 June 2013</b>		<b>148,264</b>	<b>(154,178)</b>	<b>446</b>	<b>(5,468)</b>
Comprehensive income					
Net (loss)/profit for the 6 months ended 31 Dec 2013		-	(572)	104	(468)
Total comprehensive income		-	(572)	104	(468)
Transactions with owners					
Dividends paid to Non Controlling Interests		-	-	(90)	(90)
Share Based Payments	4	-	114	-	114
Total transactions with owners		-	114	(90)	24
<b>Closing balance as at 31 December 2013</b>		<b>148,264</b>	<b>(154,636)</b>	<b>460</b>	<b>(5,912)</b>

## Balance Sheets

Allied Farmers Limited and Subsidiaries  
As at 31 December 2013 - unaudited

	Note	Group Dec 2013 \$000	Group Jun 2013 \$000	Group Dec 2012 \$000
<b>Equity</b>				
Share capital	4	148,264	148,264	148,264
Reserves		(154,636)	(154,178)	157,007
		(6,372)	(5,914)	(8,743)
Non Controlling Interests		460	446	401
<b>Total equity (deficit)</b>		<b>(5,912)</b>	<b>(5,468)</b>	<b>(8,342)</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	5	6,200	8,465	9,734
Trade and Other Payables (Secured)		-	-	500
Borrowings - Crown Asset Management Ltd (secured)	7	2,652	5,110	6,979
Borrowings - Finance leases		244	334	-
Provisions		1,116	916	916
Bonds (Secured)		600	-	-
Speirs Group Ltd		2,000	1,934	-
<b>Total current liabilities</b>		<b>12,812</b>	<b>16,759</b>	<b>18,129</b>
<b>Non-current liabilities</b>				
Borrowings - Finance Leases		112	231	-
Borrowings - Property assets (secured)	8	3,695	-	-
Speirs Group Ltd		-	-	1,924
<b>Total non-current liabilities</b>		<b>3,807</b>	<b>231</b>	<b>1,924</b>
<b>Total liabilities</b>		<b>16,619</b>	<b>16,990</b>	<b>20,053</b>
<b>Total liabilities and shareholders equity</b>		<b>10,707</b>	<b>11,522</b>	<b>11,711</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		1,312	1,154	977
Trade and other receivables		4,774	5,315	4,197
Loans, advances and finance leases	3,9	-	533	1,017
Inventory - Livestock		462	48	561
Derivative financial instruments		-	-	7
Other Assets		101	242	510
Current taxation		3	3	3
<b>Total current assets</b>		<b>6,652</b>	<b>7,295</b>	<b>7,272</b>
<b>Non-current assets</b>				
Investments accounted for using the equity method		222	180	180
Deferred Tax Asset		190	190	-
Property, plant and equipment		3,534	3,711	4,093
Intangible assets	16	109	146	166
<b>Total non-current assets</b>		<b>4,055</b>	<b>4,227</b>	<b>4,439</b>
<b>Total assets</b>		<b>10,707</b>	<b>11,522</b>	<b>11,711</b>

## Statement of Cash Flows

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2013 - unaudited

	Group Dec-13 6 Months \$000	Group Jun-13 12 Months \$000	Group Dec-12 6 Months \$000
<b>Cash Flows from Operating Activities</b>			
<b>Cash was provided from:</b>			
Receipts from customers*	9,603	17,843	24,439
Interest received	88	77	-
Net decrease in loans and advances	533	891	3,330
	<b>10,224</b>	<b>18,811</b>	<b>27,769</b>
<b>Cash was applied to:</b>			
Payments to suppliers and employees	(11,063)	(16,987)	(11,541)
Interest paid	(440)	(198)	(1,220)
Taxation Paid	(60)	(191)	(125)
	<b>(11,563)</b>	<b>(17,376)</b>	<b>(12,886)</b>
<b>Net cash flows from (used in) operating activities</b>	<b>(1,339)</b>	<b>1,435</b>	<b>14,883</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment and intangible assets	(40)	(319)	(115)
	<b>(40)</b>	<b>(319)</b>	<b>(115)</b>
<b>Net cash flows from (used in) investing activities</b>	<b>(40)</b>	<b>(319)</b>	<b>(115)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Cash was provided from:</b>			
Issue of ordinary shares in Subsidiary	-	-	89
Borrowings	1,628	-	-
	<b>1,628</b>	<b>-</b>	<b>89</b>
<b>Cash was applied to:</b>			
Borrowings	-	(1,623)	(15,613)
Dividends Paid	(90)	(185)	(112)
	<b>(90)</b>	<b>(1,808)</b>	<b>(15,725)</b>
<b>Net cash flows from (used in) financing activities</b>	<b>1,538</b>	<b>(1,808)</b>	<b>(15,636)</b>
Net increase (decrease) in cash and cash equivalents	<b>158</b>	<b>(692)</b>	<b>(869)</b>
Add opening cash and cash equivalents brought forward	<b>1,154</b>	<b>1,846</b>	<b>1,846</b>
Ending cash and cash equivalents carried forward	<b>1,312</b>	<b>1,154</b>	<b>977</b>
<b>Cash consists of:</b>			
Bank overdraft (secured) in Balance Sheet	-	-	-
Cash and cash equivalents in Balance Sheet	<b>1,312</b>	<b>1,154</b>	<b>977</b>
	<b>1,312</b>	<b>1,154</b>	<b>977</b>

## Reconciliation of Operating Cash Flows

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2013 - unaudited

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

	<b>Group Dec-13 6 Months \$000</b>	Group Jun-13 12 Months \$000	Group Dec-12 6 Months \$000
Net (loss)/Profit after tax for the period	<b>(468)</b>	(2,471)	(5,504)
Add / (less) non cash items			
Fair value (Gain)/loss on derivatives	-	55	38
Depreciation	<b>217</b>	452	263
Amortisation of intangibles	<b>251</b>	46	-
Recognition of tax losses	-	(190)	-
Intercompany Interest	-	-	20
Loss on revaluation of investment property / Impairment of assets/bad debt provision	<b>70</b>	3,393	4,059
Impairment of goodwill	-	-	-
Doubtful debts on Trade Receivables	<b>(30)</b>	(111)	-
Capitalisation of interest expense	-	1,018	-
Capitalisation of interest earned	-	-	-
Unrealised foreign exchange (gain)/loss - reval	-	-	16
	<b>508</b>	4,663	4,396
Items classified as investing activities			
Capitalisation of interest earned	-	(540)	(456)
Profit on asset sales	-	-	12
	-	(540)	444
Movement in working capital			
Decrease in loans, advances and finance leases	<b>533</b>	891	3,330
Decrease in trade and other receivables	<b>541</b>	262	1,381
Decrease in payables	<b>(2,039)</b>	(3,296)	(1,038)
(Increase)/Decrease in inventory	<b>(414)</b>	1,926	12,762
	<b>(1,379)</b>	(217)	16,435
Net cash inflows / (outflows) from operating activities	<b>(1,339)</b>	1,435	14,883
Cah Flows from operating activities	(1,339)	1,435	14,883
Cah Flows from investing activities	(40)	(319)	(115)
Cash Flows from financing activities	1,538	(1,808)	(15,636)

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# Statement of Accounting Policies

## Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2013 - unaudited

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### GENERAL INFORMATION

Allied Farmers Limited and Subsidiaries predominant activities comprise the provision of rural services and 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 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 2013.

NZIFRS 13 Fair Value Measurement has applied to all accounting statements effective from 1 January 2013. This standard was applied to the financial statements prepared as at 30 June 2013 and have continued to be applied to these financial statements. There are no further 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 2013.

### 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 has adequate resources to continue operations for the foreseeable future there will need to be:

- continued realisation of group assets;
- continued support of rural merchandise suppliers and other creditors;
- continued distribution from subsidiaries;
- 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 2013 and up to the date of this report;
- obligations owed to Crown Asset Management Ltd (refer note 7) and their continued support;
- reasonableness of the key assumptions underpinning the 2013 financial performance and 2014 cash flow forecasts;
- the Group's proposed fund raising initiatives; 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 2013 - unaudited

### 1. Financial information on segments of the business

For the half year ended 31 December 2013, 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, predominantly 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 2013 are as follows:

	Continuing Operations				Discontinued Operations		Total Group
	Asset Management Services	Livestock Services	Corporate and Rural Services Residual	Intra Group Adjustments	Total Continuing	Rural Services	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sales of goods and interest and fee income	347	8,714	261	(261)	9,061	-	9,061
<b>Total Income</b>	<b>347</b>	<b>8,714</b>	<b>261</b>	<b>(261)</b>	<b>9,061</b>	<b>-</b>	<b>9,061</b>
Depreciation and amortisation	-	(215)	(2)	-	(217)	-	(217)
Net impairment loss on financial assets	(70)	-	-	-	(70)	-	(70)
Interest and funding expense (external)	(41)	(232)	(167)	-	(440)	-	(440)
Net Other expenses (external)	(67)	(7,892)	(783)	-	(8,742)	-	(8,742)
Share of loss from Associates	-	-	-	-	-	-	-
<b>Profit/Loss before income tax</b>	<b>169</b>	<b>375</b>	<b>(691)</b>	<b>(261)</b>	<b>(408)</b>	<b>-</b>	<b>(408)</b>
Income Tax	-	(60)	-	-	(60)	-	(60)
<b>Profit/Loss after Income Tax</b>	<b>169</b>	<b>315</b>	<b>(691)</b>	<b>(261)</b>	<b>(468)</b>	<b>-</b>	<b>(468)</b>

The segment assets and liabilities as at 31 December 2013 and capital expenditure for the 6 months ended 31 December 2013 are as follows:

	Continuing Operations				Discontinued Operations		Total Group
	Asset Management Services	Livestock Services	Corporate	Intra Group Adjustments	Total Continuing	Rural Services	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>	183	10,829	6,725	(7,030)	10,707	-	-
<b>Liabilities</b>	(1,090)	(11,032)	(4,497)	-	(16,619)	-	-
<b>Capital Expenditure</b>	-	(40)	-	-	(40)	-	-

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

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

	Continuing Operations					Discontinued	
	Asset Management Services	Livestock Services	Corporate	Intra Group Adjustments	Total Continuing	Rural Services	Total Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sales of goods and interest and fee income	13,979	12,773	1,081	(734)	27,099	2,448	29,547
<b>Total Income</b>	<b>13,979</b>	<b>12,773</b>	<b>347</b>	<b>-</b>	<b>27,099</b>	<b>2,448</b>	<b>29,547</b>
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)	(11,629)	(758)	-	(26,427)	(667)	(27,094)
Share of loss from Associates	-	-	(16)	-	(16)	-	(16)
<b>Profit/Loss before income tax</b>	<b>(3,730)</b>	<b>675</b>	<b>(1,365)</b>	<b>-</b>	<b>(4,420)</b>	<b>1,750</b>	<b>(2,670)</b>
Income Tax	-	(191)	190	-	(1)	-	(1)
<b>Profit/Loss after Income Tax</b>	<b>(3,730)</b>	<b>484</b>	<b>(1,175)</b>	<b>-</b>	<b>(4,421)</b>	<b>1,750</b>	<b>(2,671)</b>

The segment assets and liabilities as at 30 June 2013 and capital expenditure for the 12 months ended 30 June 2013 are as follows:

	Continuing Operations					Discontinued Operations	
	Asset Management Services	Livestock Services	Corporate	Intra Group Adjustments	Total Continuing	Rural Services	Total Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>	775	7,527	3,220	-	11,522	-	11,522
<b>Liabilities</b>	(1,207)	(8,075)	(7,508)	-	(16,790)	-	(16,790)
<b>Capital Expenditure</b>	-	-	-	-	-	-	-

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

	Continuing Operations					Discontinued Operations	
	Asset Management Services	Livestock Services	Corporate	Intra Group Adjustments	Total Continuing	Rural Services	Total Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sales of goods and interest and fee income	13,797	8,795	322	(360)	22,554	-	22,554
<b>Total Income</b>	<b>13,797</b>	<b>8,795</b>	<b>322</b>	<b>(360)</b>	<b>22,554</b>	<b>-</b>	<b>22,554</b>
Depreciation and amortisation	-	(196)	(58)	-	(254)	-	(254)
Net impairment loss on financial assets	(4,059)	-	-	-	(4,059)	-	(4,059)
Interest and funding expense (external)	(194)	(113)	(598)	-	(791)	-	(791)
Net Other expenses (external)	(13,300)	(9,158)	(593)	360	(22,805)	-	(22,805)
<b>Profit/Loss before income tax</b>	<b>(3,756)</b>	<b>(798)</b>	<b>(927)</b>	<b>-</b>	<b>(5,480)</b>	<b>-</b>	<b>(5,480)</b>
Income Tax	-	-	-	-	-	-	-
<b>Profit/Loss after Income Tax</b>	<b>(3,756)</b>	<b>(798)</b>	<b>(927)</b>	<b>-</b>	<b>(5,480)</b>	<b>-</b>	<b>(5,480)</b>

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

	Continuing Operations					Discontinued Operations	
	Asset Management Services	Livestock Services	Corporate	Intra Group Adjustments	Total Continuing	Rural Services	Total Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>	4,753	7,717	12,672	(9,700)	15,442	-	15,442
<b>Liabilities</b>	(1,286)	(9,444)	(9,323)	-	(20,053)	-	(20,053)
<b>Capital Expenditure</b>	-	-	-	-	-	-	-

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

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

	Group Dec-13 6 Months \$000	Group Dec-12 6 Months \$000
Cash flows from operating activities	(1,339)	14,883
Cash flows from investing activities	(40)	(115)
Cash flows from financing activities	1,538	(15,636)
<b>Net cash flows</b>	<b>158</b>	<b>(869)</b>

## 2 Prior Period Adjustment

During January 2013 New Zealand Farmers Livestock Ltd purchased the remaining 50% of a livestock business that they had committed to acquiring when New Zealand Livestock Ltd was created. When the payment which was made in cash for the 50% being \$200,000 it was incorrectly charged to Trade Payables whereas it should have been charged to Goodwill and amortised. The amount of correction required to be made to the accounts to 30 June 2013 is \$200,000 which is to be expensed and added to the reduction in Trade Payables. The comparative numbers for the year ended 30 June 2013 have been altered to reflect the correction of \$200,000 by a charge to the Movements in Equity for that period and a restating of the Trade Payables.

## 3 Impairment of ex Hanover Finance and United Finance assets

	Group Dec-13 6 Months \$000	Group Jun-13 12 months \$000	Group Dec-12 6 months \$000
Impairment of loans and advances	70	3,499	4,059
Impairment of inventory property	-	-	-
Impairment of investments	-	403	-
Bad Debt Recovered	-	(509)	-
	<b>70</b>	<b>3,393</b>	<b>4,059</b>

## 4 Share capital

	Group Dec-13 6 Months \$000	Group Jun-13 12 months \$000	Group Dec-12 6 months \$000
<b>Ordinary shares</b>			
Ordinary shares (fully paid)			
Balance at beginning of period	148,264	148,264	148,264
Balance at end of period	<b>148,264</b>	<b>148,264</b>	<b>148,264</b>
Number of shares issued and fully paid			
Balance at beginning of period	90,793	90,793	90,793
Balance at end of period	<b>90,793</b>	<b>90,793</b>	<b>90,793</b>

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

### Options

#### Share Based Payments

Allied Farmers Rural Ltd issued \$600,000 of Bonds during September 2013. The Bonds contain a provision that for every 10 Bonds the Bondholder has the right to 58 ordinary shares in Allied Farmers Ltd. This option can be exercised at any time within 5 years of the Bonds being issued. The issue price for the options was 2.7 cents per share. The fair value of the options is recognised as an expense to the group. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example, an entity's share price)

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

The group assessed the fair value of the options as at 31 December 2013 using the Black Scholes model. The group has recognised an expense of \$114,000 and a corresponding adjustment to equity.

## 5. Trade and other payables

	Group Dec-13 6 Months \$000	Group Jun-13 12 months \$000	Group Dec-12 6 months \$000
Trade creditors	6,200	6,111	9,060
Accrued interest payable on borrowings	-	-	-
Employee entitlements	662	551	357
Hanover Finance Limited payable (secured)*	-	-	500
Other creditors and payables	9,757	1,603	317
	<u>16,619</u>	<u>8,265</u>	<u>10,234</u>
<i>Classified as:</i>			
Current	12,812	8,265	10,234
Non-current	3,807	-	-
	<u>16,619</u>	<u>8,265</u>	<u>10,234</u>

## 6. Borrowings - ANZ National Bank Limited (secured)

New Zealand Farmers Livestock Limited has a secured overdraft facility of \$250,000 (December 2012: \$nil). As at 31 December 2013 no amount was drawn on overdraft facility.

## 7. Borrowings Crown Asset Management Ltd (formerly borrowed from NFA Ltd (in liquidation))

These facilities were originally established with NFA Ltd (in liquidation). The assets of NFA Ltd (in liquidation) were acquired by Crown Asset Management Ltd on 1 August 2012

	Group Dec-13 6 Months \$000	Group Jun-13 12 months \$000	Group Dec-12 6 months \$000
Borrowings Crown Asset Management Ltd (formerly borrowed from NFA Ltd (in liquidation))	2,652	5,110	6,979
<i>Classified as:</i>			
Current	2,652	5,110	6,979
Non-current	-	-	-
	<u>2,652</u>	<u>5,110</u>	<u>6,979</u>

The parent company's credit enhancement and related party loan arrangements were converted to a loan facility, balance owing as at 31 December 2013 \$2,652,000 (30 June 2013: \$5,110,000, 31 December 2012: \$6,979,000). The interest rate on this loan is 8.0% per annum, capitalising monthly for the term of the loan. The loan facility is repayable on demand.

These facilities were originally established with NFA Ltd (in liquidation). The assets of NFA Ltd (in liquidation) were taken over by Crown Asset Management Ltd on 1 August 2012

The Group has complied with the principal repayment requirements during the period to 31 December 2013.

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.

## 8. Borrowings

### Borrowings - Property assets (secured)

	Group Dec-13 6 Months \$000	Group Jun-13 12 months \$000	Group Dec-12 6 months \$000
Borrowings - Bank	2,995	-	-
Borrowings - Other	700	-	-
Borrowings - Property assets	3,695	-	-
<i>Classified as:</i>			
Current	-	-	-
Non-current	3,695	-	-
	<u>3,695</u>	<u>-</u>	<u>-</u>

## 8. Borrowings (continued)

### Borrowings - Bank

The Group's Rural Services business had borrowings from one bank which total \$3,050,000 as at 31 December 2013 (December 2012: Nil). The average interest rate on these bank borrowings was 6.03% per annum. These borrowings were raised to settle the sale yards property assets acquired from the Parent. The loan facility is secured by registered first mortgage over the sale yards and a First Charge General Security Agreement over the assets of New Zealand Farmers Livestock Ltd. The loan facility agreements with the bank require certain financial covenants to be met, which included:

- a) Interest Cover; and
- b) Dividends; and
- c) Reporting Requirements.

The Group has complied with these financial covenants for the six month period ended 31 December 2013. The loan is repayable September 2016.

### Borrowings - Other

The Group's Rural Services Business had borrowings from one other source being a relation of a senior manager which total \$700,000 as at 31 December 2013 (December 2012: Nil). The average interest rate on these borrowings was 12.0% per annum. These borrowings were attached to the property assets acquired as part of the acquisition of the sale yard assets from the Parent. The borrowings were secured by registered second mortgage over the property and a second charge General Security Agreement over the assets of New Zealand Farmers Livestock Ltd. The financial covenants on these borrowings related to reporting requirements. The Group has complied with all the financial covenants related to these borrowings and made the interest payments on the due dates. The loan is repayable September 2016.

## 8 Loans and advances

	Group Dec-13 6 Months \$000	Group Jun-13 12 months \$000	Group Dec-12 6 months \$000
<b>Loans and advances</b>			
Loans and advances at amortised cost	-	46,930	1,017
Provision for impaired assets	-	(46,397)	-
Net loans and advances	-	533	1,017
Classified as:			
Current	-	533	1,017
Non-current	-	-	-
	-	533	1,017

As at 31 December 2013 loans and advances of Nil (June 2013: \$533,000, Dec 2012: \$1,017,000) are past due and impaired, loans and advances of \$nil (June 2013: Nil Dec ,2012: Nil) were performing.

## 9 Disposal of Items of Property, Plant and Equipment

During the six months ended 31 December 2013 the Parent company Allied Farmers Ltd sold it's interests in the sale yards to it's subsidiary New Zealand Farmers Livestock Ltd at independent valuation. There is no impact on the Group Accounts as a result of this sale. New Zealand Farmers Livestock Ltd raised a first mortgage from the ANZ Bank and a second mortgage from a relation of a senior executive to pay for the purchase.

## 10 Transfer of Financial Assets

On 1 August 2012 all assets that were under the control of NFA Ltd (in liquidation) were transferred to Crown Asset Management Ltd (CAML). The transfer included all obligations that Allied Farmers Ltd and it's subsidiaries had to NFA Ltd (in liquidation). CAML assumed all the same terms and conditions that existed between Allied Farmers Ltd and it's 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 it's subsidiaries entered into an agreement with CAML to sell all it's 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 NFA Ltd (in liquidation).

## 11 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.

## 11 Related Party Transactions (continued)

	Group Dec-13 6 Months \$000	Group Jun-13 12 months \$000	Group Dec-12 6 months \$000
<b>Related party revenue / (expense)</b>			
(a) Group companies - with the Parent			
<i>Allied Farmers Rural Limited/NZ Farmers Livestock Ltd</i>			
Rental income (expense)	77	374	218
Recharge of costs	180	360	180
Interest income (expense)	-	-	-
Subvention Payment	260	-	315

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

	Group Dec-13 6 Months \$000	Group Jun-13 12 months \$000	Group Dec-12 6 months \$000
(b) Key management personnel			
Salaries and other short term benefits	203	271	125
Share based payment	-	-	-
Directors fees	55	166	55
Directors Retirement Allowance	140	112	112
Total key management personnel compensation	<u>398</u>	<u>549</u>	<u>292</u>

### 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.

Allied Farmers Rural Ltd issued Bonds on the 29 August 2013 with an interest rate of 12% p.a. and a maturity date of 24 August 2014. Some of the Bonds were subscribed to by a director of Allied Farmers Ltd. The Bonds carry a second ranking security by way of General Security Agreement over the assets of Allied Farmers Ltd and is guaranteed by Allied Farmers Ltd and Allied Farmers Investments Ltd and its subsidiaries.

New Zealand Farmers Livestock Ltd has borrowed a second mortgage from a relation of a senior executive of New Zealand Livestock Ltd. (see note 7)

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 2013 a director and senior executive had advanced \$ Nil (December 2012: \$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 2013: \$374,000; Dec 2012: \$180,000) to Allied Farmers Rural Limited and New Zealand Farmers Livestock Ltd and property rental expenses totalling \$76,919 (June 2013: \$107,460; December 2012: \$217,896).

## 12 Dividends

Dividends were declared during the period by subsidiary New Zealand Farmers Livestock Ltd to the minority shareholders of \$90,271 (Jun 2013: \$185,000; Dec 2012: \$112,000).

## 13 Events subsequent to balance date

The parent was indebted for \$2,000,000 via a Derivative Financial Instrument that expired during September 2013. In December 2013 the parent has agreed conditionally with Speirs Group Ltd (the creditor) that it will settle the outstanding liability for \$1,500,000 by a payment in cash of \$500,000 on 30 April 2016 and the settlement of 14,678,487 shares in Allied Farmers Ltd on Speirs Group Ltd. If \$500,000 is not paid in full on 30 April 2016 the amount owing to Speirs Group Ltd reverts to \$1,000,000. The agreement became unconditional on 26 January 2014. The share issue became valued at \$719,000 on the date of issue of the shares. The remaining \$500,000 has a Net Present Value of \$361,000. This has the effect in January 2014 of an income to the parent of the difference between \$2,000,000 and \$1,080,000 being \$920,000 and an increase in the Equity of \$719,000 with the equivalent decrease in liabilities.

## 14 Group Companies

The subsidiary companies comprising the Group are:

	Principal activity	Interest held by Group		
		Dec-13 6 Months	Jun-13 12 months	Dec-12 6 months
<b>Subsidiaries of the Parent</b>				
Allied Farmers Investments Limited	Asset Management	100%	100%	100%
Allied Farmers Rural Limited	Rural Services	100%	100%	100%
The West Coast Mortgage and Deposit	Holding company	100%	100%	100%
Allied Farmers Option Scheme Limited	Non-trading	100%	100%	100%
<b>Subsidiaries of Allied Farmers Rural Limited</b>				
New Zealand Farmers Livestock Ltd	Rural Services	67%	67%	67%
NZ Farmers Meat Export Ltd formerly (Farmers Meat Export)	Rural Services	100%	100%	100%
<b>Subsidiaries of NZ Farmers Livestock Ltd</b>				
Farmers Meat Export Ltd	Rural Services	100%	100%	100%
<b>Subsidiaries of Allied Farmers Investments Limited</b>				
Allied Farmers Property Investments Limited	Holding company	100%	100%	100%
Allied Farmers Property Holdings Limited	Holding company	100%	100%	100%
<b>Subsidiaries of Allied Farmers Property Investments Limited</b>				
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%
<b>Subsidiaries of Matarangi Beach Estates Ltd (in Receivership)</b>				
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%
<b>Subsidiaries of Allied Farmers Property Holdings Limited</b>				
UFL Lakeview Limited	Non-trading	100%	100%	100%
5M No. 2 Limited	Non-trading	100%	100%	100%
<b>Subsidiary of Clearwater Hotel 2004 Limited</b>				
Clearwater Hotel Management 2004 Limited	Non-trading	100%	100%	100%
<b>Subsidiaries of The West Coast Mortgage and Deposit Company Limited</b>				
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.

### 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	20 August	Financial Services	100%	100%	100%
Matarangi Beach Estates Limited	18 Novem	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 2013.



## 15 Intangible assets

	Group Dec-13 6 Months \$000	Group Jun-13 12 months \$000	Group Dec-12 6 months \$000
<i>Computer software</i>			
Cost at beginning of period	781	589	-
Additions	44	192	-
Cost at end of period	<u>825</u>	<u>781</u>	-
Accumulated amortisation at beginning of period	635	(589)	-
Amortisation charged to income statement	-	(46)	-
Accumulated amortisation at end of period	<u>635</u>	<u>(635)</u>	-
Software work in progress	-	-	166
Computer software net book value	<u>190</u>	<u>146</u>	<u>166</u>
Total intangibles	<u><u>190</u></u>	<u><u>146</u></u>	<u><u>166</u></u>

## COMPANY DIRECTORY

### Directors of the Company

**Garry C Bluett** BMS, CA (Chairman)  
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Takapuna  
North Shore City 0740

**Philip C Luscombe** BAgSci (Hons)  
199 Palmer Road  
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**G Andrew McDouall** BCA, Dip NZX  
5 Fancourt Street  
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**Jeffrey W Keenan**  
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Levin

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### Auditors

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#### Share Registrar

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