

ALLIED FARMERS LIMITED

INTERIM FINANCIAL REPORT - unaudited

For the six months ended 31 December 2014

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For the six months ended 31 December 2014

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Income Statements
Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2014 - Unaudited

	Notes	Group Dec-14 6 Months Unaudited \$000	Group Jun-14 Year Audited \$000	Group Dec-13 6 Months Unaudited \$000
Continuing operations				
Revenue				
Sale of goods		4,583	4,985	4461
Interest income		95	158	-
Fee income		4,493	9,755	4150
		9,171	14,898	8611
Gain on settlement of liability		631	818	-
Other income		279	365	451
		910	1,183	451
Total income		10,081	16,081	9,061
Expenses				
Cost of inventory sold		4,028	4,168	3,679
Fair value loss on derivatives		-	-	81
Interest and funding expense		212	903	440
Rental and operating leases		53	66	61
Employee benefit expense		2,286	4,667	2,005
Depreciation and amortisation		175	362	217
Impairment of ex Hanover Finance and United Finance assets		-	-	70
Other operating expenses		2,333	4,754	2916
Total expenses		9,087	14,920	9469
Profit/(loss) before income tax		994	1,161	(408)
Income tax (expense)/benefit		(87)	-	(60)
Net profit/(loss) for the year from continuing operations		907	1,161	(468)
Profit/(loss) for the year		907	1,161	(468)
Profit/(loss) Attributable to:				
Owners of the Parent		708	1,028	(572)
Non-Controlling Interests		199	133	104
		907	1,161	(468)

Income Statements continued

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2014 - Unaudited

	Group Dec-14 6 Months Unaudited \$000	Group Jun-14 Year Audited \$000	Group Dec-13 6 Months Unaudited \$000
Total earnings per share attributable to the equity holders of the Parent Company:			
Basic (cents per share)	0.67	1.20	(0.01)
Diluted (cents per share)	0.65	1.17	-
Earnings per share from continuing operations attributable to the equity holders of the Parent			
Basic (cents per share)	0.67	1.20	(0.01)
Diluted (cents per share)	0.65	1.17	-
Earnings per share from discontinued operations attributable to the equity holders of the Parent			
Basic and diluted (cents per share)	-	-	-

Statements of Comprehensive Income

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2014 - Unaudited

	Group Dec-14 6 Months Unaudited \$000	Group Jun-14 Year Audited \$000	Group Dec-13 6 Months Unaudited \$000
Profit/(loss) for the year	907	1,161	(468)
Total comprehensive income for the year	907	1,161	(468)
Total Comprehensive Income			
Owners of the Parent	708	1,028	(572)
Non - Controlling Interests	199	133	104
Total comprehensive income for the year	907	1,161	(468)

Statements of Changes in Equity

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2014 - Unaudited

Group	Notes	Share capital \$000	Accumulated losses Restated \$000	Non Controlling Interests Restated \$000	Total equity Restated \$000
6 Months to 31 December 2013					
Closing balance as at 30 June 2013		148,264	(154,178)	446	(5,468)
Comprehensive income					
Net profit for the 6 months ended 31 December 2013		-	(572)	104	(468)
Total comprehensive income		-	(572)	104	(468)
Transactions with owners					
Dividends paid to Non Controlling Interests		-	-	(90)	(90)
Share Based Payments		-	114	-	114
Total transactions with owners		-	114	(90)	24
Closing balance as at 31 December 2013		148,264	(154,636)	460	(5,912)
Year to 30 June 2014					
Closing balance as at 30 June 2013		148,264	(154,178)	446	(5,468)
Comprehensive income					
Net profit for the year ended 30 June 2014		-	1,028	133	1,161
Total comprehensive income		-	1,028	133	1,161
Transactions with owners					
Share capital issued		734	-	-	734
Issue of share options		58	-	-	58
Dividends paid to Non Controlling Interests		-	-	(372)	(372)
Total transactions with owners		792	-	(372)	420
Closing balance as at 30 June 2014		149,056	(153,150)	207	(3,887)
6 Months to 31 December 2014					
Comprehensive income					
Net profit for the 6 months ended 31 December 2014		-	708	199	907
		-	-	-	-
Total comprehensive income		-	708	199	907
Transactions with owners					
Share capital issued		31	-	-	31
Sale of shares to Non Controlling Interests	8	-	-	1,000	1,000
Dividends paid to Non Controlling Interests	10	-	-	(426)	(426)
Total transactions with owners		31	-	574	605
Closing balance as at 31 December 2014		149,087	(152,442)	980	(2,375)

Balance Sheets

Allied Farmers Limited and Subsidiaries
As at 31 December 2014 - Unaudited

	Notes	Group December 2014 Unaudited \$000	Group June 2014 Audited \$000	Group December 2013 Unaudited \$000
Equity				
Share capital	2	149,087	149,056	148,264
Reserves		(152,442)	(153,150)	(154,636)
		(3,355)	(4,094)	(6,372)
Non Controlling Interests		980	207	460
Total equity (deficit)		(2,375)	(3,887)	(5,912)
Liabilities				
Current liabilities				
Trade and other payables	3	6,131	6,760	6,200
Borrowings	4,5,6	1,600	3,849	3,496
Provisions		956	916	1,116
Derivative financial instruments		-	-	2,000
Total current liabilities		8,687	11,525	12,812
Non-current liabilities				
Borrowings	4,5,6	3,906	3,260	3,807
Trade and other payables	3	775	740	-
Total non-current liabilities		4,681	4,000	3,807
Total liabilities		13,368	15,525	16,619
Total liabilities and shareholders equity		10,993	11,638	10,707
Assets				
Current assets				
Cash and cash equivalents		1,337	2,882	1,312
Trade and other receivables		4,768	4,778	4,774
Inventory		576	-	462
Other Investments		159	90	323
Current taxation		-	63	3
Total current assets		6,840	7,813	6,652
Non-current assets				
Deferred tax asset		508	190	190
Property, plant and equipment		3,639	3,624	3,534
Intangible assets	13	6	11	109
Total non-current assets		4,153	3,825	4,055
Total assets		10,993	11,638	10,707

The Board of Directors of Allied Farmers Limited authorised these financial statements for issue on 26 February 2015.

Signed on behalf of the Board of Directors:



Director



Director

Statement of Cash Flows

Allied Farmers Limited and Subsidiaries

For the six months ended 31 December 2014 - Unaudited

	Notes	Group December 2014 6 Months Unaudited \$000	Group 2014 Year Restated Audited \$000	Group December 2013 6 Months Unaudited \$000
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from customers*		9,460	15,460	9,691
Net decrease in loans and advances		-	-	533
		<u>9,460</u>	<u>15,460</u>	<u>10,224</u>
Cash was applied to:				
Payments to suppliers and employees		(9,376)	(14,610)	(11,063)
Interest paid		(212)	(542)	(440)
Taxation Paid		(87)	(60)	(60)
		<u>(9,675)</u>	<u>(15,212)</u>	<u>(11,533)</u>
Net cash flows from (used in) operating activities		<u>(215)</u>	<u>248</u>	<u>(1,339)</u>
Cash Flows from Investing Activities				
Cash was provided from:				
Share sales	8	1,000	-	-
Dividend received		-	362	-
		<u>1,000</u>	<u>362</u>	<u>-</u>
Cash was applied to:				
Investment in Joint Operations		(69)	-	-
Purchase of property, plant and equipment and intangible assets		(263)	(36)	(40)
		<u>(332)</u>	<u>(36)</u>	<u>(40)</u>
Net cash flows from (used in) investing activities		<u>668</u>	<u>326</u>	<u>(40)</u>
Cash Flows from Financing Activities				
Cash was provided from:				
Issue of bonds	2,6	1,000	600	-
Share Issue		31	-	-
Borrowings		-	4,742	1,628
		<u>1,031</u>	<u>5,342</u>	<u>1,628</u>
Cash was applied to:				
Borrowings		(2,603)	(3,908)	-
Dividends paid to non controlling interests	10	(426)	(372)	(90)
		<u>(3,029)</u>	<u>(4,280)</u>	<u>(90)</u>
Net cash flows from (used in) financing activities		<u>(1,998)</u>	<u>1,062</u>	<u>1,538</u>
Net increase (decrease) in cash and cash equivalents		<u>(1,545)</u>	<u>1,636</u>	<u>158</u>
Add opening cash and cash equivalents brought forward		<u>2,882</u>	<u>1,246</u>	<u>1,154</u>
Ending cash and cash equivalents carried forward		<u>1,337</u>	<u>2,882</u>	<u>1,312</u>
Cash consists of:				
Cash and cash equivalents in Balance Sheet		<u>1,337</u>	<u>2,882</u>	<u>1,312</u>
		<u>1,337</u>	<u>2,882</u>	<u>1,312</u>

* During the prior year the Group sold several property assets with the proceeds being primarily used to repay external liabilities. The proceeds in relation to several of those 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 six months ended 31 December 2014 - Unaudited

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

Notes	Group 2014 6 Months \$000	Group 2014 Year Restated \$000	Group December 2013 6 Months \$000
Net profit/(loss) after tax for the period	907	1,161	(468)
Adjustments for;			
Fair value (gain)/ loss on liability	35	-	-
Gain on settlement of liability	(631)	(818)	-
Gain on sale of assets	57	43	-
Depreciation	170	310	217
Amortisation of intangibles	5	52	251
Recognition of tax losses	-	-	-
Loss on impairment of assets	-	-	70
Impairment of investment and loans to subsidiary	-	-	-
Doubtful debts on trade receivables	-	5	(30)
Non cash Subvention Income	-	-	-
Capitalisation of interest expense	103	361	-
Capitalisation of interest earned	-	-	-
Dividend Received treated as Investing activity	-	(362)	-
	(261)	(409)	508
Movement in working capital			
Decrease in loans and advances	-	533	533
(Increase)/decrease in trade and other receivables	10	611	541
Increase/(decrease) in payables and provisions	(295)	(1,695)	(2,039)
(Increase)/Decrease in inventory	(576)	48	(414)
	(861)	(503)	(1,379)
Net cash inflows / (outflows) from operating activities	(215)	248	(1,339)

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries

For the 6 months ended 31 December 2014 - unaudited

GENERAL INFORMATION

These financial statements have been approved for issue by the Board of Directors on 26 February 2015. The Board of Directors do not have the power to amend the financial statements after they have been issued.

Allied Farmers Limited and Subsidiaries is a rural services group, 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 4332

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

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 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 2014.

These financial statements are prepared in New Zealand dollars (\$), which is the company's functional currency. Amounts have been rounded to the nearest thousand.

Accounting Standards

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for later periods and which the Group has not early adopted. These will be applied by the Group in the mandatory periods listed below. The key items applicable to the Group are:

NZ IFRS 9, 'Financial instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess NZ IFRS 9's full impact.

There are no other standards, amendments or interpretations to existing standards which have been issued, but are not yet effective, which are expected to impact the Group significantly.

NZ IFRS 15, 'Revenue from contracts with customers', addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess NZ IFRS 15's full impact. The Group will apply this standard from its effective date 1 July 2017.

There are no other standards, amendments or interpretations to existing standards which have been issued, but are not yet effective, which are expected to impact the Group significantly.

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.

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:

- successful capital raising or 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 2014 and up to the date of this report;
- reasonableness of the key assumptions underpinning the 2014/15 financial performance and 2014/15 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 2014 - unaudited

1. Financial information on segments of the business

For the half year ended 31 December 2014, 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 2014 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	631	9,172	280	-	10,083	-	-
Total Income	631	9,172	280	-	10,083	-	-
Depreciation and amortisation	-	175	-	-	175	-	-
Net impairment loss on financial assets	-	-	-	-	-	-	-
Interest and funding expense (external)	18	61	132	-	211	-	-
Net Other expenses (external)	23	8,188	492	-	8,703	-	-
Profit/Loss before income tax	590	748	(344)	-	994	-	-
Income Tax	-	170	(83)	-	87	-	-
Profit/Loss after Income Tax	590	578	(261)	-	907	-	-

The segment assets and liabilities as at 31 December 2014 and capital expenditure for the 6 months ended 31 December 2014 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
Assets	102	16,749	386	-	17,237	-	-
Liabilities	215	9,150	3,802	-	13,167	-	-
Capital Expenditure	-	263	-	-	263	-	-

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
Total Income	347	8,714	261	(261)	9,061	-	9,061
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	-	-	-	-	-	-	-
Profit/Loss before income tax	169	375	(691)	(261)	(408)	-	(408)
Income Tax	-	(60)	-	-	(60)	-	(60)
Profit/Loss after Income Tax	169	315	(691)	(261)	(468)	-	(468)

1 Financial information on segments of the business (continued)

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

The segment results for the twelve months ended 30 June 2014 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 fee income	373	14,737	3,776	(2,963)	15,923	-	15,923
Interest Income	25	133	-	-	158	-	158
Total Income	398	14,870	3,776	(2,963)	16,081	-	16,081
Depreciation and amortisation	-	(362)	-	-	(362)	-	(362)
Net impairment loss on financial assets	-	-	-	-	-	-	-
Interest and funding expense (external)	(74)	(450)	(321)	-	(845)	-	(845)
Net Other expenses (external)	(55)	(12,512)	(1,146)	-	(13,713)	-	(13,713)
Profit/Loss before income tax	269	1,546	2,309	(2,963)	1,161	-	1,161
Income Tax	-	(190)	190	-	-	-	-
Profit/Loss after Income Tax	269	1,356	2,499	(2,963)	1,161	-	1,161

The segment assets and liabilities as at 30 June 2014 and capital expenditure for the 12 months ended 30 June 2014 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
Assets - Current	103	7,320	390	-	7,813	-	-
Assets - Non Current	-	6,631	194	-	6,825	-	-
	103	13,951	584	-	14,638	-	-
Liabilities Current	942	6,756	3,827	-	11,525	-	-
Liabilities - Non Current	-	3,260	740	-	4,000	-	-
	942	10,016	4,567	-	15,525	-	-
Capital Expenditure	-	3,833	-	-	3,833	-	-

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

	Group Dec-14 6 Months \$000	Group Dec-13 6 Months \$000
Cash flows from operating activities	331	(1,339)
Cash flows from investing activities	668	(40)
Cash flows from financing activities	(2,544)	1,538
Net cash flows	(1,545)	158

2 Share capital

	Group Dec-14 6 Months \$000	Group Jun-14 12 months \$000	Group Dec-13 6 months \$000
Ordinary shares			
Ordinary shares (fully paid)			
Balance at beginning of period	149,056	148,264	148,264
Issue Ordinary Shares	31	734	
Issue Share Options	-	58	
Balance at end of period	<u>149,087</u>	<u>149,056</u>	<u>148,264</u>
Number of shares issued and fully paid			
Balance at beginning of period	105,471	90,793	90,793
Balance at end of period	<u>106,631</u>	<u>105,471</u>	<u>90,793</u>

The total number of shares on issue as at 31 December 2014 is 106,630,925 (December 2013: 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.

3. Trade and other payables

	Group Dec-14 6 Months \$000	Group Jun-14 12 months \$000	Group Dec-13 6 months \$000
Trade creditors	6,109	5,348	5,409
Employee entitlements	731	658	662
Other creditors and payables	66	1,494	129
	<u>6,906</u>	<u>7,500</u>	<u>6,200</u>
<i>Classified as:</i>			
Current	6,131	6,760	6,200
Non-current	775	740	-
	<u>6,906</u>	<u>7,500</u>	<u>6,200</u>

4. Borrowings - ANZ National Bank Limited (secured)

New Zealand Farmers Livestock Limited has a secured overdraft facility of \$1,000,000 (December 2013: \$nil). As at 31 December 2014 no amount was drawn on overdraft facility (Dec 13: \$nil).

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

	Group Dec-15 6 Months \$000	Group Jun-14 12 months \$000	Group Dec-13 6 months \$000
Borrowings Crown Asset Management Ltd (formerly borrowed from NFA Ltd (in liquidation))	-	238	2,652
<i>Classified as:</i>			
Current	-	238	2,652
Non-current	-	-	-
	<u>-</u>	<u>238</u>	<u>2,652</u>

The parent company's credit enhancement and related party loan arrangements were converted to a loan facility, balance owing as at 31 December 2014 \$nil (June 2014: \$1,910,000, 31 December 2013: \$2,652,000). The interest rate on this loan was 8.0% per annum, capitalising monthly for the term of the loan. The loan facility was 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 2014.

6. Borrowings

Borrowings - Secured

	Group Dec-14 6 Months \$000	Group Jun-14 12 months \$000	Group Dec-13 6 months \$000
Borrowings - ANZ Bank	2,746	2,872	2,995
Borrowings - Other	2,760	1,667	700
Borrowings - Property assets	-	2,570	2,652
	<u>5,506</u>	<u>7,109</u>	<u>6,347</u>
<i>Classified as:</i>			
Current	1,431	3,849	2,652
Non-current	4,075	3,260	3,695
	<u>5,506</u>	<u>7,109</u>	<u>6,347</u>

6. Borrowings (continued)

Borrowings - ANZ Bank Ltd

The Group's Rural Services business had borrowings from one bank which total \$2,746,000 as at 31 December 2014 (December 2013:\$2,995,000). 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 2014. 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 executive which total \$700,000 as at 31 December 2014 (December 2013:\$700,000). 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.

Allied Farmers Rural Ltd issued \$1,000,000 worth of Bonds on 30 September 2014 with a maturity date of 30 September 2017. The Bonds carry an interest rate of the one year interest rate swap mid-rate per annum as determined by Westpac New Zealand Ltd on the 30 September each year plus a margin of 6 percentage points. The initial interest rate will not be less than 9.87% per annum.

7 Loans and advances

	Group Dec-14 6 Months \$000	Group Jun-14 12 months \$000	Group Dec-13 6 months \$000
Loans and advances			
Loans and advances at amortised cost	43,705	43,705	43,705
Provision for impaired assets	(43,705)	(43,705)	(43,705)
Net loans and advances	<u>-</u>	<u>-</u>	<u>-</u>

8 Disposal of shares in New Zealand Farmers Livestock Ltd by Allied Farmers Rural Ltd

During the six months ended 31 December 2014 Allied Farmers Rural Ltd sold 10% of New Zealand Farmers Livestock Ltd total shareholding for \$1,000,000. This reduced Allied Farmers Ltd shareholding in New Zealand Farmers Livestock Ltd from 67% to 57% a reduction of 15% of its shareholding. Allied Farmers Rural Ltd continuing shareholding meets the definitions of control over New Zealand Farmers Livestock Ltd and therefore New Zealand Farmers Livestock Ltd is consolidated within the Group accounts.

9 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-14 6 Months \$000	Group Jun-14 12 months \$000	Group Dec-13 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)	-	53	77
Recharge of costs	180	360	180
Subvention Payment	65	858	260
Gain on sale of asset	-	786	-

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

	Group Dec-14 6 Months \$000	Group Jun-14 12 months \$000	Group Dec-13 6 months \$000
(b) Key management personnel			
Salaries and other short term benefits	148	299	203
Directors fees	69	179	55
Directors Retirement Allowance	14	134	140
Total key management personnel compensation	<u>231</u>	<u>612</u>	<u>398</u>

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 13 September 2013 with an interest rate of 12% p.a. and a maturity date of 29 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. These Bonds have been renewed until 29 August 2015 on the same terms.

Allied Farmers Rural Ltd issued \$1,000,000 worth of Bonds on 30 September 2014 with a maturity date of 30 September 2017. The Bonds carry an interest rate of the one year interest rate swap mid-rate per annum as determined by Westpac New Zealand Ltd on the 30 September each year plus a margin of 6 percentage points. The initial interest rate will not be less than 9.87% per annum.

New Zealand Farmers Livestock Ltd has borrowed a second mortgage from a relation of a senior executive of New Zealand Livestock Ltd. (see note 6)

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

During the period ended 31 December 2014 Allied Farmers Limited recharged management expenses totalling \$180,000 (Jun 2014: \$360,000; Dec 2013: \$180,000) to Allied Farmers Rural Limited and New Zealand Farmers Livestock Ltd and property rental expenses totalling \$nil (June 2014: \$53,000; December 2013: \$76,919).

10 Dividends

Dividends were declared during the period by subsidiary New Zealand Farmers Livestock Ltd to the minority shareholders of \$426,000 (Jun 2014: \$372,000; Dec 2013: \$90,271).

11 Events subsequent to balance date

The following non trading companies were amalgamated on 15 January 2015 with Allied Farmers (New Zealand) Ltd

Allied Farmers Finance Limited
 Allied Farmers Livestock Limited
 Allied Farmers Option Scheme Limited
 Allied Finance Limited
 Allied Prime Finance Limited
 Allied Rural Limited
 Nationwide Finance Limited
 NZ Farmers Meat Export Limited
 Prime Finance Limited
 Speirs Finance Limited
 Taranaki Farmers Limited
 The West Coast Mortgage and Deposit Company Limited

The amalgamation has not had any material effects on Allied Farmers (New Zealand Ltd).

12 Group Companies

The subsidiary companies comprising the Group are:

	Principal activity	Interest held by Group		
		Dec-14 6 Months	Jun-14 12 months	Dec-13 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	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	57%	67%	67%
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%	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.

12 Group companies continued

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

	Date of Receivership	Principal activity	Interest held by Group		
			Dec-14	Jun-14	Dec-13
NFA Limited (in Liquidation)	20 August 2010	Financial Services	100%	100%	100%
Matarangi Beach Estates Limited (in Receivership)	18 November 2010	Property development and investment	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.

13 Intangible assets

	Group Dec-14 6 Months \$000	Group Jun-14 12 months \$000	Group Dec-13 6 months \$000
<i>Computer software</i>			
Cost at beginning of period	698	781	781
Additions	-	4	44
Disposals	-	(87)	-
Cost at end of period	<u>698</u>	<u>698</u>	<u>825</u>
Accumulated amortisation at beginning of period	687	635	635
Amortisation charged to income statement	5	52	-
Accumulated amortisation at end of period	<u>692</u>	<u>687</u>	<u>635</u>
Software work in progress		-	-
Computer software net book value	<u>6</u>	<u>11</u>	<u>190</u>
Total intangibles	<u>6</u>	<u>11</u>	<u>190</u>

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, Dip NZX
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 304
Stratford 4352
Ph: 06 765 6199

Website

www.alliedfarmers.co.nz

Auditors

PricewaterhouseCoopers

188 Quay Street
Private Bag 92162
Auckland 1142
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
Email: lmsenquiries@linkmarketservices.com
PO Box 91976
Auckland 1142