



ALLIED FARMERS LIMITED

NOTICE OF ANNUAL MEETING 2013

Notice is hereby given that the Annual Meeting of Shareholders of Allied Farmers Limited (“the Company”) will be held at the TSB Hub, Camberwell Road, Hawera (entrance from either Waihi Road or Camberwell Road) on Tuesday 26 November 2013 at 11.00am.

Business

The business of the meeting will be:

Financial Statements and Reports

To receive and consider the Annual Report including the Financial Statements and the Auditor’s Report for the period ended 30 June 2013.

Resolution 1: Re-election of Garry Bluett as a Director

To consider, and if thought fit, to pass the following Ordinary Resolution pursuant to NZSX Listing Rule 3.3.11:

“That Garry Bluett be re-elected as a Director of the Company.”

(See Explanatory Notes)

Resolution 2: Payment of Auditors

To record that the Company’s Auditors, PricewaterhouseCoopers, are automatically reappointed as auditors pursuant to Section 200 of the Companies Act 1993 and to consider, and if thought fit, to pass the following Ordinary Resolution:

“That the Directors be authorised to fix the auditor’s fees and expenses for the ensuing year”.

(See Explanatory Notes)

Resolution 3: Approve professional investor placement of 13 September 2013

“To approve and ratify, for all purposes (including NZSX Listing Rule 7.3.5(a)(iii)) the issue on 13 September 2013 of 3,480,000 share options in the Company to professional investors granting the holder the right, upon exercise, to purchase one fully paid ordinary share in the Company at an exercise price equal to \$0.027, payable on exercise of the share options, and which, if all were exercised, would require the Company to issue 3,480,000 ordinary shares”.

(See Explanatory Notes)

Resolution 4:

“To approve and ratify for the purposes of Listing Rule 9.2.1 the entry into of a loan on 23 August 2013 from Garry Bluett, and an unrelated person, to Farmers Meat Export Limited of up to \$1,500,000 on the terms further described in the Explanatory Notes for the purpose of funding working capital for the 2014 bobby calf business”.

(See Explanatory Notes)

All resolutions are required to be passed as Ordinary Resolutions, being resolutions passed by a simple majority of votes of holders of ordinary shares entitled to vote and voting.

Other Business

To consider any other ordinary business that may be properly brought before the meeting.

Attendance and Voting

Your rights to vote may be exercised by:

- (a) attending and voting in person; or
- (b) appointing a proxy (or representative) to attend and vote in your place.

The proxy need not be a shareholder of the Company and the form of appointment of a proxy and voting instructions accompanies this Notice of Annual Meeting. The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose and, except in relation to resolutions 3 and 4 where he is precluded from exercising a Proxy Discretion, he intends to vote in favour of all resolutions where he is given a “Proxy Discretion”. If shareholders wish to appoint a “Proxy Discretion” for resolutions 3 and 4, each director other than Mr Bluett is willing to act as proxy for this purpose, and they intend to vote in favour of resolutions 3 and 4. Shareholders wishing to appoint a proxy (or representative) must complete and send the proxy form so that it is received by Link Market Services no later than 12:00pm on Friday 22 November 2013.

Corporate Representatives

A corporation which is a Shareholder may appoint a person to attend the meeting on its behalf in the same manner as that in which it could appoint a proxy.

By order of the Board of Directors

Garry Bluett
Chairman
25 October 2013

EXPLANATORY NOTES

Resolution 1: Re-election of Garry Bluett as a Director

Pursuant to NZSX Listing Rule (**Listing Rule**) 3.3.11, one third of the Company's Directors must retire by rotation at each annual meeting. Garry Bluett retires in accordance with Listing Rule 3.3.11 and offers himself for re-election.

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

The Board considers all current Directors, with the exception of Andrew McDouall, to be independent directors. Mr Bluett was determined to be an independent director by the Board of Allied Farmers on 10 November 2010, being a date prior to the provision by Mr Bluett of the funding referred to in the Explanatory Notes below relating to Resolutions 3 and 4.

Resolution 2: Payment of auditor's fees

PricewaterhouseCoopers are automatically reappointed as auditors under section 200 of the Companies Act 1993. Resolution 2 authorises the Directors to fix the fees and expenses of the auditors for the ensuing year.

Resolution 3: Approve professional investor placement of 13 September 2013

The Listing Rules provide that Allied Farmers can undertake placements without shareholder approval, as described below.

Listing Rule 7.3.5 permits Allied Farmers to issue equity securities without obtaining shareholder approval where (in broad terms) the total number of equity securities issued during the 12 month period preceding the date of issue does not exceed 20% of the total number of equity securities on issue at the start of that period.

Listing Rule 7.3.5 also allows Allied Farmers to renew this capacity to issue securities within the applicable limit, when part or all of that capacity has been used, by obtaining subsequent shareholder ratification of equity security issues which have already been made.

The resolution proposed is for Allied Farmers' shareholders to ratify the issue of share options by Allied Farmers so that Allied Farmers can refresh its capacity to issue further equity securities under NZSX Listing Rule 7.3.5 in the future.

Key details of the share option issue to be ratified are:

- As a term of a Bond issue by Allied Farmers Rural Limited (**AFRL**), on 13 September 2013 Allied Farmers issued to certain professional investors 3,480,000 share options (**Options**) granting the holder the right, upon exercise, to purchase one fully paid ordinary share in Allied Farmers at an exercise price equal to \$0.027 (being the volume weighted average market price of Allied Farmers' ordinary shares over the 20 Business Days prior to the announcement of the issue of the Options on 9 September 2013, as quoted by NZX Limited). On 13 September 2013, being the date of issue of the Options, Allied Farmers' closing share price was \$0.030.
- The Options can be exercised at any time for up to 5 years from the date of issue, with the exercise price payable on exercise of the Options.
- If all of the Options are exercised, 3,480,000 ordinary shares in Allied Farmers will be issued.
- 600,000 second ranking Bonds were issued at a price of \$1.00 per Bond. On allotment of the Bonds each subscriber, for nil consideration, was provided with 58 Options issued by Allied Farmers to acquire ordinary shares in Allied Farmers for every 10 Bonds held (or part thereof). The proceeds of the Bond issue were used to partially settle the first tranche of AFRL's obligations to Inland Revenue.
- The ordinary shares to be issued in the event that any of the Options are exercised will rank equally with all other issued ordinary shares in Allied Farmers.

Professional investors who participated in the Bond issue included Garry Bluett, a Director of Allied Farmers, and Arcos Investments Limited, an Associated Person of Garry Bluett. Garry Bluett and Arcos Investments Limited are Related Parties of Allied Farmers.

Listing Rule 9.2.1 prohibits an issuer from entering into a Material Transaction with a Related Party unless it is approved by shareholders. The issue of the Bonds and associated Options were a Material Transaction of Allied Farmers. On 13 September 2013 NZX Regulation granted a waiver from the requirement to seek shareholder approval in relation to the participation by Garry Bluett and Arcos Investments for the following reasons:

- Allied Farmers urgently required the proceeds of the Bond issue to enable it to partially settle the first tranche of its obligations to Inland Revenue, and calling a shareholders meeting to consider the Bond issue would have delayed the receipt of funding and would have had an adverse effect;
- It was unlikely that the funding could be obtained from another source in the urgent timeframe;
- Garry Bluett and the Associated Person of Garry Bluett only agreed to participate after the terms of the Bonds were set and it became apparent there would be a shortfall in the amount that could be raised from the issue of the Bonds;
- Garry Bluett and the Associated Person of Garry Bluett purchased Bonds on the same terms as the other funders; and
- Allied Farmers' Directors (excluding Garry Bluett) certified that the Bonds were being issued on commercial and arms' length terms, their issue was in the best interests of Allied Farmers and its shareholders, and was not influenced by Garry Bluett.

A copy of the waiver decision is available at: <https://nzx.com/markets/NZSX/securities/ALF>.

The \$600,000 of proceeds received from the Bond issue were applied by Allied Farmers towards the repayment of debt to the Inland Revenue, and for working capital purposes.

The Options represent approximately 3.7% of both the total equity securities (both ordinary shares and Options), in Allied Farmers on issue as at the date of this Notice of Annual Meeting. If all of the Options were exercised, the 3,480,000 ordinary shares issued would represent approximately 3.7 percent of the total equity securities in Allied Farmers on issue at the date of this Notice of Annual Meeting. If this resolution is not approved by shareholders, Allied Farmers will not be able to issue more equity securities without shareholder approval than it is currently permitted to under Listing Rule 7.3.5

Resolution 4: Approval of Farmers Meat Export Limited Loan

On 23 August 2013 Garry Bluett and another funder who is not otherwise a Related Party (as joint lenders) entered into a related party loan with Farmers Meat Export Limited (**FMEL**), a wholly owned subsidiary of Allied Farmers' livestock joint venture subsidiary, NZ Farmers Livestock Limited (the **Loan**). The Loan is in the nature of a working-capital facility for not more than \$1.5 million per annum. Mr Bluett's proportion of the joint lending is 15 per cent or less. The purpose of the Loan is to fund the working capital of FMEL, which is required to purchase inventory (being bobby calves) and cover costs related to such inventory for the 2013 and, if required, the 2014 season. The Loan includes the following principal terms:

- Security by way of a charge over the product inventories. No other securities or guarantees have been provided by Allied Farmers or any group companies;
- The funders may at their unfettered option advance funding of up to an additional \$1.5 million for the 2014 season provided that the 2013 season funding plus interest and costs has been fully repaid (the intention being that the liability to the funders will not at any one time exceed \$1.5 million plus interest and costs);
- Interest of 10.9% per annum, payable monthly in arrears;

- Default interest of 17% per annum;
- Repayment Date for the Loan funds advanced for the 2013 season - 31 December 2013; and
- Repayment Date for the Loan funds advanced for the 2014 season - 31 December 2014.

The providers of the Loan were the same as for the 2012 season, which was subject of an NZX waiver decision. Garry Bluett is the Chairman of Allied Farmers and is therefore a Related Party of Allied Farmers.

Listing Rule 9.2.1 prohibits an issuer from entering into a Material Transaction with a Related Party unless it is approved by shareholders. The entry into of the Loan was a Material Transaction of Allied Farmers. NZX Regulation on 22 August 2013 granted Allied Farmers a waiver from Listing Rule 9.2.1 to enable FMEL to enter into the Loan without the prior approval of shareholders (the **Decision**). Resolution 4 is being tabled because one of the conditions of the Decision was that Allied Farmers obtain shareholder approval before FMEL makes any drawdowns under the Loan for the 2014 season (the **Condition**). Allied Farmers wishes to satisfy the Condition by seeking shareholder approval for the drawdown under the Loan for the 2014 Season at the Annual Meeting as set out in Resolution 4.

If the Resolution 4 approval is not obtained, Allied Farmers will be not be in a position to obtain funding from alternative sources for the 2014 season, and FMEL will be unable to operate. Given the bobby calf business is a significant contributor of revenue, that outcome would have a significant negative impact on the financial position of NZ Farmers Livestock and its parent company, Allied Farmers.

The reasons for the Decision included the following:

- The terms of the Loan are substantially similar to (and no more onerous than) the terms of arrangements between Allied Farmers and NZ Farmers Livestock and third party debt providers;
- The 2013 season funding was urgently required for FMEL's operation of the already commenced 2013 bobby calf business. The bobby calf business is a significant contributor to the Allied Farmers' group revenues. Without the Loan, the bobby calf business would have been unable to operate for the 2013-14 seasons, which could have resulted in Allied Farmers becoming insolvent, which would not be in the best interests of shareholders;
- On balance NZX Regulation considered that the benefits of calling a shareholders' meeting to consider entry into the Loan were outweighed by the adverse effects on the financial position of the Allied Farmers group that would likely eventuate if FMEL's receipt of the funding had been delayed; and
- Allied Farmers is required to seek the Resolution 4 approval, which will ensure that Allied Farmers' shareholders have an opportunity to consider and approve the funding arrangements for 2014.

NZX Regulation required certain certifications to be provided by the Allied Farmers' directors as a condition of its Decision. The certifications provided by Allied Farmers' Directors (excluding Garry Bluett) provide shareholders with comfort that the Loan was on commercial and arms' length terms, was in the best interests of Allied Farmers and its shareholders, and was not influenced by Garry Bluett. A copy of these certifications is **attached** to this Notice. A copy of the 22 August 2013 waiver decision is available at: <https://nzx.com/markets/NZSX/securities/ALF>

Rule 9.2.5 requires that Resolution 4 be accompanied by an Appraisal Report and contain such other material as is necessary to enable shareholders to decide whether the terms of the Loan are fair. NZX

Regulation on or about 23 October 2013 granted Allied Farmers a waiver from Rule 9.2.5 so that Allied Farmers is not required to obtain an Appraisal Report to accompany the Notice of Annual Meeting. In coming to the decision to provide the waiver, NZX Regulation has included in its consideration that:

- On the basis of the certifications relating to the 22 August 2013 Decision, NZX is comfortable that the Loan has been provided on commercial and arms' length terms, is in the best interests of and fair and reasonable to Allied Farmers' shareholders, and was not influenced by Garry Bluett. NZX has previously waived the application of Rule 9.2.1 in these circumstances. Nevertheless, NZX considers it appropriate that shareholders be provided with an opportunity to consider the ratification of the Loan and the entry into the 2014 drawdown, given that this is a seasonal transaction;
- NZX Regulation is satisfied that the information contained in this Notice is adequate. In addition, Allied Farmers has provided the market with information as to other rounds of funding that were provided by Mr Bluett in relation to the bobby calf business. Allied Farmers has provided its shareholders with ongoing opportunity to ask questions regarding similar loans and to provide feedback to Allied Farmers regarding those financing arrangements, including at the 2012 Annual Meeting;
- The costs of preparing an Appraisal Report are significant to Allied Farmers given its current financial position, where Allied Farmers working capital is fully committed to existing and forecast obligations; and
- NZX considers that the costs of Allied Farmers' providing its shareholders with an Appraisal Report are disproportionate to the benefits of that information.

NZX Regulation required as a condition of the 23 October 2013 (or thereabouts) waiver that a certificate be provided from the non-interested directors that the 2014 drawdown under the Loan is fair and reasonable to shareholders. A copy of this certificate is **attached** to this Notice. A copy of the waiver decision is available at: <https://nzx.com/markets/NZSX/securities/ALF>.

Voting Exclusions for Resolutions 3 and 4:

Listing Rule 9.3.1 requires Allied Farmers to disregard any votes cast on Resolution 3 by any person who participated in the Bond issue or any Associated Person of that person, and cast on Resolution 4 by any person who is a party to the Loan or any Associated Person of that person. In particular, this precludes Mr Bluett from voting or acting as a discretionary proxy on Resolutions 3 and 4. However, Allied Farmers need not disregard a vote if it is cast by a person, including the Chairman/Mr Bluett, as proxy for a person who is entitled to vote, in accordance with the express directions on the proxy form.

ALLIED FARMERS LIMITED (ALF) - NZX CERTIFICATE

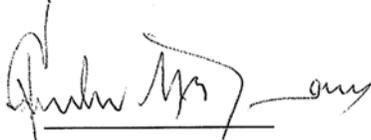
This Certificate is provided to NZX Regulation (NZXR) pursuant to the conditions of the waiver decision by NZXR dated on or about 22 August 2013 granting ALF a waiver from the requirements of NZSX Listing Rule 9.2.1 (the Rules) to obtain shareholder approval for a loan of not more than \$1.5 million to be made to one of ALF's subsidiaries, Farmers Meat Export Limited (FMEL), from Garry Bluett (a director of ALF) and another person who is not a Related Party (as joint lenders) (the Loan). The purpose of the Loan is to fund the working capital of FMEL.

We, being the directors of ALF (noting that one of the directors of ALF, Jeff Keenan, is incapacitated and is unable to certify, and further noting to the exclusion of Garry Bluett) that:

1. Garry Bluett took no part in the negotiation of the Loan on behalf of ALF or FMEL;
2. the terms and conditions of the Loan were negotiated on a commercial and arms' length basis, and reflect standard terms for such agreements;
3. the Loan was entered into at not more than a market price, and is in the best interests of shareholders of ALF; and
4. neither ALF nor FMEL was influenced in its decision to enter into the Loan by the relationship between ALF, FMEL and Garry Bluett.



Philip Luscombe (Director)



Andrew McDouall (Director)

Dated: 22 August 2013

ALLIED FARMERS LIMITED (ALF) - NZX CERTIFICATE

*This Certificate is provided to NZX Regulation (NZXR) pursuant to the conditions of the waiver decision by NZXR dated on or about 23 October 2013 granting ALF a waiver from the requirements of NZSX Listing Rule 9.2.5 to obtain an Appraisal Report to accompany a Notice of Meeting requesting shareholder approval for a proposed drawdown of not more than \$1.5 million (the **Drawdown**) pursuant to a loan dated 23 August 2013 from Garry Bluett (a director of ALF) and another person who is not a Related Party (as joint lenders) to one of ALF's subsidiaries, Farmers Meat Export Limited (FMEL) (the **Loan**). The purpose of the Drawdown is to fund the working capital of FMEL for the 2014 bobby calf season.*

We, being the directors of ALF (noting that one of the directors of ALF, Jeff Keenan, is incapacitated and is unable to certify, and further noting the exclusion of Garry Bluett) certify that the Drawdown under the Loan is fair and reasonable to shareholders.



Philip Luscombe (Director)



Andrew McDouall (Director)

Dated: 23 October 2013