ALLIED FARMERS LIMITED
ANNUAL REPORT 2014

CONTENTS

OVERVIEW FROM THE CHAIRMAN

The Directors of Allied Farmers Ltd ("Allied") (ALF:NZX) report that Allied has made an audited net profit from continuing operations for the year to June 2014 of $1.16m (2013 loss $4.42m).

Allied has had a successful year in improving the result of the Livestock Division and restructuring some of the outstanding liabilities that existed at the start of the financial year. The result was impacted by a one off gain of $0.8m on the settlement of an historic obligation (announced in December 2013) and the minimal impact of impairment of investments and loans that have been significant in prior years.

The Livestock division, which includes the operation of NZ Farmers Livestock Ltd, owned 67% by Allied as at 30 June 2014, reported a pre-tax profit of $1.55m (2013 $0.66m) on income that was 16% ahead of the prior year. All North Island regions showed growth on the previous year with particularly strong performances in the Taranaki and Waikato regions, and encouraging numbers from the Manawatu. NZ Farmers Livestock online livestock listing service, MyLivestock.co.nz, continued to be well supported. Returns from the meat processing operation were lower than the previous year, and while market share was maintained, margins were lower than the prior year. During the year the transfer of the saleyard assets from the parent company to NZ Farmers Livestock was completed at market value. This was the final stage of the plan to include all of the livestock operations under the NZ Farmers Livestock banner.

The Asset Management Services Division ("AMS"), charged with the recovery of the ex Hanover and United Finance assets, reported a small profit of $0.27m for the year, (2013 $3.7m loss). This reflects some small over-recovery on the disposal of assets less some small write-downs on assets still held. These assets have now largely been sold, with the value of assets still to be recovered now $0.1m. The AMS remains active in pursuing a number of possible avenues for improving the return from these assets.

Corporate interest costs reduced from $0.8m to $0.3m as secured loans continued to be repaid. The balance of secured debt owed to the senior lender was $2.6m at June 2014, down from $5.1m in June 2013.

The listed entity, Allied Farmers Ltd, has shareholders' funds of $3.1m. As in the last year's accounts, the Group accounts still reflect negative equity as the consolidated result does not attribute the full market value of the investment in the NZ Farmers Livestock subsidiary or the saleyard properties held.

The focus for the coming year will be to continue to grow the Livestock business and to leverage off the client relationships and trust that exists with those clients to provide value for money services. The effect of the reduced dairy pay-out is likely to have some uncertain impact on dairy livestock sales going forward and the continuing high dollar is already having some impact on meat exports at the early stage of this season.

After many years of considerable effort re-structuring the Company, the Directors are encouraged that the benefits of this restructuring are now starting to show in the financial performance and financial position of the Company. There is still a lot of work to do and some potentially challenging situations, but considerable progress has been made during the year.

However, shareholders and the various stakeholders should take comfort that after a prolonged period of difficult trading and commercial difficulties the benefits of these efforts are starting to be evident. The Directors wish to highlight the considerable support and loyalty of all of the management and staff of Allied Farmers and its subsidiaries, and the support of its many stakeholders.

ALLIED FARMERS LIMITED

Garry Bluett (Chairman)

FIVE YEAR FINANCIAL SUMMARY

Allied Farmers Limited and Subsidiaries

Five Year Financial Summary

	June-14	June-13 Restated	June-12	June-11	Pro-forma* June-10	June-10
	$000	$000	$000	$000	$000	$000
Profit summary						
Total operating revenue	16,081	27,099	21,452	58,991	66,546	106,732
Depreciation and amortisation	362	498	350	699	746	1,833
Interest expense	903	1,216	4,192	7,970	9,796	32,290
Other expenses	13,655	29,805	30,221	90,243	133,786	142,684
Net surplus (deficit) from continuing operations	1,161	(4,420)	(13,311)	(39,921)	(77,782)	(70,075)
Net deficit from discontinued operations	0	1,750	(550)	(1,061)	-	-
Net surplus (deficit) before tax	1,161	(2,670)	(13,861)	(40,982)	(77,782)	(70,075)
Tax	0	(1)	-	-	(1,361)	(7,512)
Net surplus (deficit) after tax	1,161	(2,671)	(13,861)	(40,982)	(79,143)	(77,587)
Non controlling interests	133	78	(232)	-	-	(967)
Surplus/(deficit) attributable to owners of the Parent	1,028	(2,749)	(14,093)	(40,982)	(79,143)	(78,554)

	June-14	June-13 Restated	June-12	Jun-11	Pro-forma* June-10	June-10
	$000	$000	$000	$000	$000	$000
Statement of Financial Position summary						
Shareholders equity	(3,887)	(5,468)	(2,701)	(5,499)	31,035	44,465
Non current liabilities	4,000	231	2,382	4,590	15,244	95,105
Current liabilities	11,525	16,798	34,170	55,782	97,229	238,817
Total liabilities	15,525	17,029	36,552	60,372	112,473	333,922
Equity and liabilities	11,638	11,561	33,851	54,873	143,508	378,387
Current assets	7,813	7,410	21,183	28,938	47,233	199,072
Fixed assets	3,624	3,815	4,372	3,795	7,832	10,473
Non current assets	190	190	8,100	21,082	45,038	123,331
Investments	0	-	196	196	42,155	44,040
Total tangible assets	11,627	11,415	33,851	54,011	142,258	376,916
Intangibles	11	146	-	862	1,250	1,471
Total assets	11,638	11,561	33,851	54,873	143,508	378,387

	June-14	June-13 Restated	June-12	Jun-11	Pro-forma* June-10	June-10
	$000	$000	$000	$000	$000	$000
Cash Flow summary						
Operating cash flow	248	1,527	(2,905)	33,049	(925)	59,354
Investing cash flow	326	(319)	7,319	15,772	8,739	9,796
Financing cash flow	1,062	(1,808)	(2,705)	(57,572)	(6,251)	(105,943)
Net change in cash	1,636	(600)	1,709	(8,751)	1,563	(36,793)

The amounts shown in this Five Year Financial Summary have been extracted from the audited financial statements of Allied Farmers Limited and subsidiaries for the respective years. The Group comparative numbers for the 2013 year have been restated (see Changes in accounting policy/Prior Year Adjustment sction of the Accounting Policies in the financial statements).

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

DIRECTORS

Mr Garry C Bluett - Chairman

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

Mr Philip C Luscombe

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

Mr G Andrew McDouall

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

Mr Jeffrey W Keenan

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

DISCLOSURES

The following particulars are taken from the Interests Register as at 30 June 2014 (excluding directorships of Allied Farmers group companies).

DISCLOSURE OF INTEREST

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

There were no details included in the Interests Register as at 30 June 2013, or entered during the year ended 30 June 2014, that have been removed during the year ended 30 June 2014.

DIRECTORS' HOLDINGS OF ALLIED FARMERS SECURITIES AS AT 30 JUNE 2014

Directors disclosed, pursuant to section 148 of the Companies Act 1993 and rule 10.4.5 of the NZX Listing Rules, the following acquisitions and disposals of relevant interests in Allied Farmers equity securities during the period to 30 June 2014, as set out below.

Director	Ordinary Shares	Share Options	Acquisition /Disposal during period		
			Date	Consideration NZ$	Number of securities acquired (disposed)
G C Bluett	1,034				nil
		1,450,000*	13-Sep-13	Pursuant to Bond Issue**	1,450,000
P C Luscombe	1,597				nil
G A McDouall	44,794				nil
J W Keenan	27,918				nil

** 1,160,000 share options held by Arcos Investments Limited, of which Mr Bluett is a director and 50 percent shareholder. 290,000 share options held legally and beneficially by Mr Bluett.*

*** Pursuant to a bond issue by Allied Farmers Rural Limited, Arcos Investments subscribed for 200,000 bonds, and Garry Bluett subscribed for 50,000 bonds. The subscription price for the bonds was $1 per bond, plus an option to purchase 58 ordinary shares of Allied Farmers Limited for every 10 Bond issued to that Bondholder at an exercise price per ordinary share equal to the volume weighted average market price of Allied Farmers Limited ordinary shares, as quoted by NZX Limited, over the 20 Business Days prior to the earlier of the date the issue of Options is made or publicly announced.*

DIRECTORS' REMUNERATION

Director	2014	2013
Garry Bluett	$6,250	-
Philip Luscombe	$5,833	$9,333
Andrew McDouall	$13,000	$27,500
Jeff Keenan	$4,667	$9,333
Total	$29,750	$46,166

The above table reflects what has been paid out by the Company. As per note 31 of the accounts a total of $149,000 has been accrued for Directors fees for payment in the financial year. Shareholders approved a cap on directors' fees of $332,000 p.a. at the AGM in 2007. This cap includes all directors fees paid in relation to Group subsidiary companies as well as for the Parent.

PARTICULAR DISCLOSURES

Loans to Farmers Meat Export Limited

Mr Bluett is one of the parties lending working capital to (previously) NZ Farmers Meat Export Limited and (now) Farmers Meat Export Limited to enable those companies to undertake bobby calf processing. The working capital facilities were and are provided pursuant to three separate arrangements for 2011, 2012 and 2013-14:

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

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

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

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

A working capital facility was entered into with Farmers Meat Export Limited on 23 August 2013 and has the following terms:

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

Sale of Saleyards to NZ Farmers Livestock

On 6 September 2013 Allied Farmers Limited sold its saleyards interests in Taranaki, Manawatu, Waikato and King Country (“Saleyards”) to its joint venture subsidiary, NZ Farmers Livestock Limited (NZFL) for $3,643,000, being the registered valuation.

The purchase of the Saleyards was funded by debt from the ANZ Bank and Linda Morrison, an associated party of NZFL’s Chief Executive, Steve Morrison, respectively.

Inter alia, pursuant to the NZX listing rules the following people were considered to be related parties of Allied Farmers in connection with the Saleyards Sale and funding:

- Oliver Carruthers, as a director of NZFL and also an indirect shareholder in NZFL;
- Simon Williams, as a director of NZFL and also an indirect shareholder in NZFL; and
- Linda Morrison, as an associated person of Steve Morrison, an executive officer of NZFL and AFRL and also an indirect shareholder in NZFL.

Bond Issue

On 13 September 2013 Allied Farmers Rural Limited issued 200,000 Bonds to Arcos Investments Limited, a related party of Garry Bluett, and issued 50,000 Bonds to Garry Bluett personally. The subscription price for the Bonds was $1 per Bond, plus an option to purchase 58 ordinary shares of Allied Farmers Limited for every 10 Bond issued to that Bondholder at an exercise price per ordinary share of $0.027, being the volume weighted average market price of Allied Farmers Limited ordinary shares, as quoted by NZX Limited, over the 20 Business Days prior to the earlier of the date the issue of the options was made or publicly announced.

The key terms of the Bonds are as follows:

- secured by way of a second ranking charge over the shares Allied Farmers Rural Limited holds in NZ Farmers Livestock Limited;
- a guarantee of the Bonds from Allied Farmers Limited;
- the obligations of Allied Farmers Limited and Allied Farmers Rural Limited are secured by way of a general security over all of the assets of Allied Farmers Limited and Allied Farmers Rural Limited, fully subordinated to the rights of Crown Asset Management Limited;
- interest of 12% per annum, payable quarterly in arrears; and
- maturity date of 31 August 2014 (subsequently extended to 31 August 2015 on the same terms) .

In accordance with the terms of the Bond issue, Arcos Investments Limited subscribed for and currently holds 1,160,000 share options, and Mr Bluett subscribed for and currently holds 290,000 share options. As at the date of this Annual Report neither Arcos Investments Limited nor Garry Bluett has exercised any of the share options. The share options can be exercised any time up to 31 August 2018.

Speirs Settlement

On 20 December 2013 Allied Farmers Limited and Speirs Group entered into a Settlement Deed in relation to obligations arising from an Option Agreement dated 29 September 2008. Nelson Speirs was a director of a subsidiary of Allied Farmers, NFA Limited (in liquidation), until 31 October 2013 and therefore a related party of Allied Farmers. Because Mr Speirs is also a director of Speirs Group Limited, pursuant the NZX Listing Rules, Speirs Group Limited was also deemed to be a related party of Allied Farmers in relation to this transaction.

NZX Waivers in relation to Disclosures

NZX granted waivers in relation to each of the above disclosures – see section headed "NZX Regulation Waivers" below.

General

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

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

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

EMPLOYEE REMUNERATION

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

Remuneration range		Number of Employees 2014	2013
100,000	110,000	4	1
110,001	120,000	1	
120,001	130,000	2	2
130,001	140,000	1	
140,001	150,000		1
150,001	160,000	1	1
160,001	170,000	2	
170,001	180,000	1	2
180,001	190,000	3	1
190,001	200,000		1
200,001	210,000	1	
210,001	220,000		1
220,001	230,000		1
230,001	240,000		1
240,001	250,000		
250,001	260,000		
260,001	270,000		
270,001	280,000		
280,001	290,000		1
290,001	300,000	1	
		17	13

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

The 2014 year includes 16 livestock employees who are remunerated on a commission basis (2013: 12). These remuneration levels fluctuate significantly from year to year. The table does not include independent contractors.

SUBSTANTIAL SECURITY HOLDERS

The following notices were given under the Securities Markets Act 1988 up to the date of this Annual Report:

Holder	Relevant Interest	Disclosure	Date
Donald Clifton Jacobs and Ngaruawahia.com Ltd	5,085,645 (5.011%)	On market purchase of 200,000 shares	1 May 2014
Speirs Group Limited	14,678,487 (13.917%)	Private Placement pursuant to terms of a Settlement Deed dated 20 December 2013	30 January 2014

The total number of issued voting securities of Allied Farmers Limited as at 17 September 2014 was 105,470,925 ordinary shares.

SUBSIDIARY COMPANIES

Directors of subsidiary companies as at 30 June 2014 were as follows:

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

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

1

POLITICAL DONATIONS

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

SHAREHOLDER INFORMATION

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

The shareholder information in the following disclosures has been taken from the Company's share register at 17 September 2014.

RIGHTS ATTACHING TO SECURITIES

Ordinary Shares

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

On 30 January 2014, pursuant to a Settlement Deed dated 20 December 2013, the Company issued 14,678,487 new ordinary shares in the Company to Speirs Group Limited by way of a private placement. The new ordinary shares rank parri passu with the existing ordinary shares of the company. No other ordinary shares were issued by the Company during the 2014 Financial Year, and the total number of issued ordinary shares is 105,470,925.

Share Options

On 13 September 2013, to support a bond issue by Allied Farmers Rural Limited, Allied Farmers Limited issued non listed options to acquire 3,480,000 ordinary shares for an exercise price of $0.027, being the volume weighted average market price of ordinary shares as quoted by the NZX over the 20 business days prior to the announcement date or issue date.

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

TWENTY LARGEST REGISTERED SHAREHOLDERS as at 13 August 2014

Rank	Investor Name	Total Units	% Issued Capital
1	Speirs Group Limited	14,678,487	13.92
2	Donald Clifton Jacobs	5,215,761	4.95
3	Leh Soon Yong	4,372,794	4.15
4	New Zealand Central Securities Depository Limited	3,969,043	3.76
5	Ronald Alfred Brierley	3,031,591	2.87
6	Albany Braithwaite Holdings Limited	2,906,414	2.76
7	ASB Nominees Limited	2,400,005	2.28
8	Stuart David Hynes	2,251,600	2.13
9	Probatus Investments Limited	1,085,937	1.03
10	Rees Hollier John Jones & Moira Marguerite Jones & Walter Mick George Yovich	848,331	0.8
11	James Field Seerup & Jeanette Elizabeth Seerup	802,311	0.76
12	Adrian James Sprott	754,072	0.71
13	FNZ Custodians Limited	734,661	0.7
14	Francis John Halewood	659,813	0.63
15	Richard John Nowacki	630,184	0.6
16	Richard John Otley Ellis	600,000	0.57
17	Adam Kaan & Anneke Blackwood & Irene Eades	500,000	0.47
18	James Daniel Weir & Gillian Faye Weir & David George Knightley	471,295	0.45
18	Jean Paul Margot & Monique Arlette Margot	471,295	0.45
18	Nediljko Yovich & Madeline Mary Yovich & Walter Mick George Yovich	471,295	0.45
18	Jeremy Howard Kippenberger & Michael David Friend & Suzanne Mary Clother	471,295	0.45
18	Andrew Julian Wiig & Catherine Jane Wiig	471,295	0.45
18	Norma Grace Mcdermott	471,295	0.45
18	Douglas Stewart Cowley & Karen Vilma Cowley & Ralph David Berry	471,295	0.45
18	Vanessa Char Wei Lim	471,295	0.45
18	Clarissa Char Shin Lim	471,295	0.45
18	Carolyn Ann Quinnell & Rodney Quinnell	471,295	0.45
19	Andrew Buttle	400,000	0.38
19	Lee Athol Wilson & Shirley Ann Wilson	400,000	0.38
19	David Vater Pearce	400,000	0.38
19	Colin Stuart Loveday	400,000	0.38
19	Graham John Harding	400,000	0.38
20	David John Woolley	380,528	0.36

ANALYSIS OF SHAREHOLDING

Range	Holders	Holders %	Issued Capital	Issued Capital %
1-1000	14,708	72.77	4,774,388	4.53
1001-5000	4,515	22.34	8,985,391	8.52
5001-10000	340	1.68	2,372,375	2.25
10001-50000	400	1.98	10,701,532	10.15
50001-100000	118	0.58	9,325,975	8.84
Greater than 100000	130	0.64	69,311,264	65.72
Total	**20,211**	**99.99**	**105,470,925**	**100.01**

SHAREHOLDER ENQUIRIES

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

ANNUAL MEETING OF SHAREHOLDERS

Allied Farmers Limited's Annual Meeting of shareholders will be held in the TSB Hub, Hawera, on Tuesday 25 November 2014 from 11am. A Notice of Annual Meeting and Proxy Form will be circulated to shareholders prior to the meeting.

REGISTERED OFFICE

The registered office of Allied Farmers Limited is:

201 Broadway
Stratford 4332
PO Box 304
Stratford 4352

DIVIDENDS PAID

The following is a summary of all dividends paid by Allied Farmers Limited since listing on NZX on 9 May 2002. No dividends have been paid in the financial year ended 30 June 2014.

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

NZX REGULATION WAIVERS

The Company was granted the following waivers:

Date of Decision	Applicable Rule	Reason
23 August 2013	9.2.1	To enable Related Party, Mr Garry Bluett, to enter into a Material Transaction with the Company. The Material Transaction was for the provision of a working capital facility to a subsidiary of the Company, Farmers Meat Export Limited, to enable ongoing funding of its bobby calf business.
6 September 2013	9.1.1(b) and 9.2.1	To enable Related Parties, being NZ Farmers Livestock Limited, Oliver Carruthers, Simon Williams and Linda Morrison to directly or indirectly be parties to inter-related Material Transactions being the sale of certain stockyards by Allied Farmers Limited to NZ Farmers Livestock Limited, the provision of funding by Linda Morrison to NZ Farmers Livestock Limited, and the re-advance of funds to Allied Farmers Limited by Crown Asset Management Limited.
13 September 2013	9.2.1	To enable Related Party, Garry Bluett, to enter into a Material Transaction with Allied Farmers Rural Limited, being a participant in the issue of bonds that include an option for shares in Allied Farmers Limited, secured by charges over Allied Group assets, in order to raise funds to assist with the settlement of a debt owed to the Inland Revenue Department and for working capital purposes.
23 October 2013	9.2.5	To enable Allied Farmers to issue its 2013 Notice of Annual Meeting without it having to be accompanied by an Appraisal Report.
15 January 2014	9.2.1	To enable Allied Farmers to enter into a Material Transaction with Speirs Group Limited, being a Settlement Deed with Speirs Group Limited in relation to a 29 September 2008 Option Agreement between Allied Farmers Limited and Speirs Group Limited. Nelson Speirs was a director of NFA Limited (in Liquidation), a subsidiary of Allied Farmers, until 31 October 2013. Because Mr Speirs is also a director of Speirs Group Limited, pursuant the NZX Listing Rules, Speirs Group Limited is deemed to be a related party of Allied Farmers in relation to the transaction.
31 July 2014	9.2	To enable Related Party, Mr Garry Bluett, to participate with other bondholders on the same terms in a Material Transaction with Allied Farmers Rural Limited. The Material Transaction was the extension of the maturity date from 29 August 2014 to 29 August 2015 for the Bonds issued 13 September 2013 that included an option for shares in Allied Farmers secured by charges over Allied Group assets. To enable 1,026 shares held by Allied Farmers Rural Limited in NZ Farmers Livestock Limited to be sold without shareholder approval to Agent Company Limited and Stockmans Holdings Limited to raise $1,000,000 to partially settle debt owed to Crown Asset Management Limited by Allied Group.

GOVERNANCE

NZX BEST PRACTICE CODE

The NZSX listing rules require the Company to include in each annual report a statement disclosing the extent to which it has followed the NZX Corporate Governance Best Practice Code for the reporting period. Due to a number of factors, including the Company's small market capitalisation, limited free cash, and the fact that its primary operations are undertaken by a joint venture subsidiary with a separate Board, in a number of areas the Code is not complied with. Accordingly, the Company considers its governance practices have complied with the Code for the year to 30 June 2014 except to the extent highlighted below.

THE BOARD OF DIRECTORS

Role of the Board and Responsibility

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

Board Membership, Size and Composition

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

When appropriate, the Board reviews the criteria for the selection of Directors to ensure the Board comprises the right mix of skills and experience to meet the needs of the Company. No review has taken place in the reporting period.

Selection and Role of Chairman

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

Director Independence

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

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

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

Conflicts of Interest

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

Nominations and Appointment of New Directors

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

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

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

Director Education

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

Board's Performance Review

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

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

Retirement and Re-election of Directors

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

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

Board Access to Information and Advice

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

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

Directors' Share Ownership

Due to its very small market capitalisation, and thin trading, the Company does not operate a performance based equity security compensation plan and does not actively encourage directors to invest a portion of their director's remuneration in shares in the Company. However, all directors do hold shares in the Company. Directors' disclosures of their shareholdings pursuant to section 148 of the Companies Act 1993 and NZSX listing rule 10.4.5 are shown in the Disclosures section of this annual report.

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

Indemnities and Insurance

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

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

Meetings of the Board and Conduct of Meetings

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

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

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

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

ATTENDANCE AT BOARD MEETINGS FOR THE YEAR 1 JULY 2013 TO 30 JUNE 2014

Board Meetings

The full board held 17 Board meetings during the year ended 30 June 2014. The table below shows Directors' attendance at these Board meetings. Mr Keenan's absences were due to illness.

Philip Luscombe	16
Garry Bluett	16
Andrew McDouall	17
Jeffrey Keenan	7

Board Committees

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

Committee Composition

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

COMMITTEE ROLES AND OPERATIONS

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

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

Audit Committee

The Audit Committee includes members who have appropriate financial experience and an understanding for the industry in which the Company operates. A majority of the Audit Committee members are independent and all are financially literate. The Chairman of the Audit Committee, Garry Bluett, is a chartered accountant (CA). The Board considers that, whilst Mr Bluett is also Chairman of the Board, he is the most suitably qualified and experienced director to Chair the Audit Committee, and therefore on balance the Board considers this appointment to be in the best interests of the Company.

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

Responsibilities

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

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

Remuneration Committee

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

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

Finance Committee

Responsibilities

- Provide direction to the Board for fiscal responsibility and corporate finance strategies
- Ensure the maintenance of an appropriate capital structure

- Review Treasury function and investment management decisions
- Provide strategic oversight on financial matters

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

CONTROLLING AND MANAGING RISKS

Approach to Risk Management

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

Due to its small size and limited operations, risk management is monitored directly by the Board predominantly by reviewing budget and forecasting

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

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

ASSURANCE

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

EXTERNAL AUDIT INDEPENDENCE

The Audit Committee is responsible for making recommendations to the Board concerning the appointment of the Company's external auditors and their terms of engagement. At the annual meeting in November 2013, directors confirmed the automatic reappointment of PricewaterhouseCoopers as the Company's external auditors pursuant to Section 200 of the Companies Act 1993, and shareholders approved the Board setting the remuneration of the auditors.

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

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

PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR

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

INTERNAL POLICIES AND PROCEDURES

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

INSIDER TRADING AND TRADING IN COMPANY SHARES

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

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

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

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

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

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

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

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

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

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

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

DIVERSITY

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

GENDER

As at 30 June 2014 all four of the Allied Farmers Limited Board are male.
The one Officer of the Allied Farmers Group is also male.

Income Statements

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2014

	Note	**Group 2014 Year $000**	Group 2013 Year Restated $000	**Parent 2014 Year $000**	Parent 2013 Year Restated $000
Continuing operations					
Revenue					
Sale of goods		**4,985**	18,105	**-**	-
Interest income	2	**158**	670	**-**	-
Fee income	2	**9,755**	7,868	**-**	-
		14,898	26,643	**-**	-
Gain on settlement of liability	18	**818**	-	**818**	-
Other income	3	**365**	456	**1,271**	1,081
		1,183	456	**2,089**	1,081
Total income		**16,081**	27,099	**2,089**	1,081
Expenses					
Cost of inventory sold		**4,168**	16,566	**-**	-
Fair value loss on derivatives		**-**	55	**-**	55
Interest and funding expense	4	**903**	1,216	**253**	827
Rental and operating leases		**66**	294	**-**	103
Employee benefit expense	5	**4,667**	4,412	**-**	-
Depreciation and amortisation	6	**362**	498	**-**	111
Impairment of investment in and loans to subsidiaries	7	**-**	-	**85**	7,761
Impairment of ex Hanover Finance and United Finance assets	8	**-**	3,393	**-**	-
Other operating expenses	9	**4,754**	5,085	**303**	664
Total expenses		**14,920**	31,519	**641**	9,521
Profit/(loss) before income tax		**1,161**	(4,420)	**1,448**	(8,440)
Income tax (expense)/benefit	11	**-**	(1)	**-**	190
Net profit/(loss) for the year from continuing operations		**1,161**	(4,421)	**1,448**	(8,250)
Discontinued operations					
Revenue		**-**	2,448	**-**	-
Expenses		**-**	698	**-**	-
Profit before income tax		**-**	1,750	**-**	-
Net profit for the year from discontinued operations	1	**-**	1,750	**-**	-
Profit/(loss) for the year		**1,161**	(2,671)	**1,448**	(8,250)
Profit/(loss) Attributable to:					
Owners of the Parent		**1,028**	(2,749)	**1,448**	(8,250)
Non-Controlling Interests		**133**	78	**-**	-
		1,161	(2,671)	**1,448**	(8,250)

Income Statements continued
Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2014

	Group 2014 Year	Group 2013 Year Restated
Total earnings per share attributable to the equity holders of the Parent Company:		
Basic (cents per share)	**1.20**	(2.94)
Diluted (cents per share)	**1.17**	(2.94)
Earnings per share from continuing operations attributable to the equity holders of the Parent Company:		
Basic (cents per share)	**1.20**	(4.87)
Diluted (cents per share)	**1.17**	(4.87)
Earnings per share from discontinued operations attributable to the equity holders of the Parent Company:		
Basic and diluted (cents per share)	**-**	1.93

Statements of Comprehensive Income
Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2014

	Note	Group 2014 Year $000	Group 2013 Year Restated $000	Parent 2014 Year $000	Parent 2013 Year Restated $000
Profit/(loss) for the year		**1,161**	(2,671)	**1,448**	(8,250)
Total comprehensive income for the year		**1,161**	(2,671)	**1,448**	(8,250)
Total Comprehensive Income					
Owners of the Parent		**1,028**	(2,749)	**1,448**	(8,250)
Non - Controlling Interests	14	**133**	78	**-**	-
Total comprehensive income for the year		**1,161**	(2,671)	**1,448**	(8,250)

Statements of Changes in Equity

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2014

Group	Note	Share capital $000	Accumulated losses Restated $000	Non Controlling Interests Restated $000	Total equity Restated $000
Opening balance as at 1 July 2012		**148,264**	**(151,429)**	**464**	**(2,701)**
Comprehensive income					
Net (loss)/profit for the year ended 30 June 2013		-	(2,749)	78	(2,671)
Total comprehensive income		-	(2,749)	78	(2,671)
Transactions with owners					
Dividends paid to Non Controlling Interests	14	-	-	(185)	(185)
Transaction with Non Controlling Interests	14	-	-	89	89
Total transactions with owners		-	-	(96)	(96)
Closing balance as at 30 June 2013		**148,264**	**(154,178)**	**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	12	734	-	-	734
Issue of share options	12	58	-	-	58
Dividends paid to Non Controlling Interests	14	-	-	(372)	(372)
Total transactions with owners		792	-	(372)	420
Closing balance as at 30 June 2014		**149,056**	**(153,150)**	**207**	**(3,887)**

Statements of Changes in Equity continued

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2014

Parent	Note	Share capital $000	Accumulated losses Restated $000	Total equity Restated $000
Opening balance as at 1 July 2012		**148,264**	**(139,197)**	**9,067**
Comprehensive income				
Net loss for the year ended 30 June 2013		-	(8,250)	(8,250)
Total comprehensive income		-	(8,250)	(8,250)
Closing balance as at 30 June 2013		**148,264**	**(147,447)**	**817**
Comprehensive income				
Net profit for the year ended 30 June 2014		-	1,448	1,448
Total comprehensive income		-	1,448	1,448
Transactions with owners				
Share capital issued	12	734	-	734
Issue of share options		58	-	58
Total transactions with owners		792	-	792
Closing balance as at 30 June 2014		**149,056**	**(145,999)**	**3,057**

Balance Sheets

Allied Farmers Limited and Subsidiaries
As at 30 June 2014

	Note	**Group 2014 $000**	Group 2013 Restated $000	**Parent 2014 $000**	Parent 2013 Restated $000
Equity					
Share capital	12	**149,056**	148,264	**149,056**	148,264
Reserves	13	**(153,150)**	(154,178)	**(145,999)**	(147,447)
		(4,094)	(5,914)	**3,057**	817
Non Controlling Interests	14	**207**	446	**-**	-
Total equity (deficit)		**(3,887)**	(5,468)	**3,057**	817
Liabilities					
Current liabilities					
Trade and other payables	16	**6,760**	8,504	**478**	344
Borrowings	15	**3,849**	5,444	**1,910**	5,105
Provisions	17	**916**	916	**413**	395
Advances from subsidiaries	23	**-**	-	**77**	1,414
Derivative financial instruments	18	**-**	1,934	**-**	1,934
Total current liabilities		**11,525**	16,798	**2,878**	9,192
Non-current liabilities					
Borrowings	15	**3,260**	231	**-**	-
Trade and other payables	16	**740**	-	**390**	-
Total non-current liabilities		**4,000**	231	**390**	-
Total liabilities		**15,525**	17,029	**3,268**	9,192
Total liabilities and shareholders equity		**11,638**	11,561	**6,325**	10,009
Assets					
Current assets					
Cash and cash equivalents	27	**2,882**	1,246	**6**	50
Trade and other receivables	28	**4,778**	5,338	**76**	76
Loans and advances	24	**-**	533	**-**	-
Inventory	29	**-**	48	**-**	-
Assets held for sale	20	**-**	-	**-**	2,901
Other Investments	30	**90**	242	**-**	-
Advances to subsidiaries	23	**-**	-	**-**	739
Current taxation	11	**63**	3	**3**	3
Total current assets		**7,813**	7,410	**85**	3,769
Non-current assets					
Investments in subsidiaries	22	**-**	-	**6,050**	6,050
Deferred tax asset	11	**190**	190	**190**	190
Property, plant and equipment	19	**3,624**	3,815	**-**	-
Intangible assets	21	**11**	146	**-**	-
Total non-current assets		**3,825**	4,151	**6,240**	6,240
Total assets		**11,638**	11,561	**6,325**	10,009

The Board of Directors of Allied Farmers Limited authorised these financial statements for issue on 30 September 2014.
Signed on behalf of the Board of Directors:

Director

Director

Statement of Cash Flows

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2014

	Note	**Group 2014 Year $000**	Group 2013 Year Restated $000	**Parent 2014 Year $000**	Parent 2013 Year Restated $000
Cash Flows from Operating Activities					
Cash was provided from:					
Receipts from customers*		**15,460**	18,012	**618**	1,126
Subvention receipt		**-**	-	**653**	-
Net decrease in loans and advances		**-**	891	**-**	-
		15,460	18,903	**1,271**	1,126
Cash was applied to:					
Payments to suppliers and employees		**(14,610)**	(16,987)	**(1,175)**	(1,413)
Interest paid		**(542)**	(198)	**-**	(827)
Taxation Paid		**(60)**	(191)	**-**	-
		(15,212)	(17,376)	**(1,175)**	(2,240)
Net cash flows from (used in) operating activities		**248**	1,527	**96**	(1,114)
Cash Flows from Investing Activities					
Cash was provided from:					
Asset sales		**-**	-	**3,653**	25
Dividend received		**362**	-	**-**	-
Subvention receipt		**-**	-	**-**	-
Advances from subsidiaries		**-**	-	**739**	1,133
		362	-	**4,392**	1,158
Cash was applied to:					
Repayment to subsidiaries		**-**	-	**(1,337)**	-
Purchase of property, plant and equipment and intangible assets		**(36)**	(319)	**-**	-
		(36)	(319)	**(1,337)**	-
Net cash flows from (used in) investing activities		**326**	(319)	**3,055**	1,158
Cash Flows from Financing Activities					
Cash was provided from:					
Issue of bonds and share options		**600**	-	**-**	-
Borrowings		**4,742**	-	**-**	-
		5,342	-	**-**	-
Cash was applied to:					
Borrowings		**(3,908)**	(1,623)	**(3,195)**	-
Dividends paid to non controlling interests		**(372)**	(185)	**-**	-
		(4,280)	(1,808)	**(3,195)**	-
Net cash flows from (used in) financing activities		**1,062**	(1,808)	**(3,195)**	-
Net increase (decrease) in cash and cash equivalents		**1,636**	(600)	**(44)**	44
Add opening cash and cash equivalents brought forward		**1,246**	1,846	**50**	6
Ending cash and cash equivalents carried forward		**2,882**	1,246	**6**	50
Cash consists of:					
Cash and cash equivalents in Balance Sheet	27	**2,882**	1,246	**6**	50
		2,882	1,246	**6**	50

* 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 year ended 30 June 2014

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

	Note	**Group 2014 Year $000**	Group 2013 Year Restated $000	**Parent 2014 Year $000**	Parent 2013 Year Restated $000
Net profit/(loss) after tax for the period		**1,161**	(2,671)	**1,448**	(8,250)
Adjustments for;					
Fair value (gain)/ loss on derivatives		**-**	55	**-**	55
Gain on settlement of liability	18	**(818)**	-	**(818)**	**-**
Gain on sale of assets		**43**	-	**(786)**	-
Depreciation		**310**	452	**-**	111
Amortisation of intangibles		**52**	46	**-**	-
Recognition of tax losses		**-**	(190)	**-**	(190)
Loss on impairment of assets		**-**	3,393	**-**	-
Impairment of investment and loans to subsidiary		**-**	-	**85**	7,761
Doubtful debts on trade receivables		**5**	(111)	**-**	-
Non cash Subvention Income		**-**	-	**(205)**	-
Capitalisation of interest expense		**361**	1,018	**253**	-
Capitalisation of interest earned		**-**	(540)	**-**	-
Dividend Received treated as Investing activity		**(362)**	-	**-**	-
		(409)	4,123	**(1,471)**	**7,737**
Movement in working capital					
Decrease in loans and advances		**533**	891	**-**	-
(Increase)/decrease in trade and other receivables		**611**	262	**-**	45
Increase/(decrease) in payables and provisions		**(1,695)**	(3,004)	**119**	(646)
Decrease in inventory		**48**	1,926	**-**	-
		(503)	75	**119**	(601)
Net cash inflows / (outflows) from operating activities		**248**	1,527	**96**	(1,114)

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2014

GENERAL INFORMATION

These financial statements have been approved for issue by the Board of Directors on 30 September 2014.
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

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

The Company has adopted XRB A1 For-profit entities update (XRB A1). For the purposes of complying with NZ GAAP, the Company is eligible to report in accordance with Tier 1 for-profit accounting standards.

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

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

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

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

Changes in accounting policy and disclosures

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

- NZ IFRS 10 Consolidated Financial Statements replaces all of the guidance on control and consolidation in NZ IAS 27 Consolidated and Separate Financial Statements, and NZ IFRIC 12 Consolidation – Special Purpose Entities. The standard introduces a single definition of control that applies to all entities. The new standard does not have significant impact on the financial statements. The Group has adopted this standard from 1 July 2013.

- NZ IFRS 11 Joint Arrangements affects all entities that hold investments in other entities. The standard introduces a principles based approach to accounting for joint arrangements. The application of the standard has had some impact on the Group as some joint arrangements are now accounted for as joint operations rather than joint ventures (Refer to note 26).

- NZ IFRS 12 Disclosure of Interests in Other Entities applies to entities that have an interest in a subsidiary, a joint venture arrangement, an associate or an unconsolidated structured entity. The NZ IFRS became effective for financial periods beginning on or after 1 January 2013. The adoption of this standard has resulted in changes to the disclosures within the financial statements.

- NZ IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other NZ IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other NZ IFRSs, including NZ IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in the consolidated financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard in note 36. In accordance with the transitional provisions of NZ IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Group's assets and liabilities.

- NZ IFRS 7 Offsetting Assets and Liabilities, and Income and Expenses, are not offset unless required or permitted by an NZ IFRS. An example of assets and liabilities that are required or permitted to be offset is:
  - Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses.

- XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 reporting entity. There are no impacts on the current or prior year financial statements.

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

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

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.

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 NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets

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

Joint arrangements
The Group has applied NZ IFRS 11 to all joint arrangements. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations. As joint operations, the Group accounts for its share of the revenue, expenses, assets and liabilities.

OPERATING REVENUE AND EXPENSES

Sales of goods
Revenue from the sale of goods (primarily the sale of calf meat and skins is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

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

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

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

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

INVENTORIES

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

TAXATION

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

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

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

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

FOREIGN CURRENCY TRANSLATION

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

FINANCIAL ASSETS

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

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

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

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables include loans and advances, cash and cash equivalents, and trade receivables.

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

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

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

LEASES

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

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

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

TESTING FOR IMPAIRMENT

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

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

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

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

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Land is not depreciated.

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

Asset class	**Estimated Useful Life**
Buildings	14 - 30 years
Plant and Equipment	1 - 30 years
Motor Vehicles	3 - 15 years

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

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

INTANGIBLE ASSETS

Software

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

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

TRADE AND OTHER PAYABLES

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

PROVISIONS

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

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

EMPLOYEE BENEFITS

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

BORROWINGS AND BORROWING COSTS

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

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

GOODS AND SERVICES TAX (GST)

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

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

DIVIDENDS

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

FAIR VALUE ESTIMATION

NZ IFRS 13 defines fair value as the market price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

Fair value measurement requires determination of the following:

(a) the particular asset or liability being measured;

(b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand alone basis;

(c) the market in which an orderly transaction would take place for the asset or liability; and

(d) the appropriate valuation technique(s) to use when measuring fair value. The valuation techniques(s) used should maximise the use of relevant observable inputs and minimise unobservable inputs. Those inputs should be consistent with the inputs a market would use when pricing the asset or liability.

EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year (note 10).

Diluted earnings per share
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares being share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Parent's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options (note 10).

Change in accounting policy/prior year adjustment

Group

The Group has adopted NZ IFRS 11 'Joint Arrangements' during the current year which has resulted in the Group classifying certain joint arrangements, as outlined in note 26, as joint operations under NZ IFRS11 and therefore has recognised its share of the assets, liabilities, revenue and expenses of the joint operations in these financial statements. The Group previously accounted for these arrangements as jointly controlled entities under NZ IAS 31 'Interests in Joint Ventures' and applied the equity method of accounting.

The comparatives of these financial statements have also been adjusted to transfer a $200,000 expense for the year ended 30 June 2013 that was included in 'Trade creditors' to 'Other expenses' in the Income Statement. This has resulted in basic loss per share for the year ending 31 June 2013 being restated to 2.94 cents per share for Total Operations and 4.87 cents per share for Continuing Operations. The Directors believe that the impact to the current year financial statements would have been material had this adjustment not been made.

The effect of this change in accounting policy on the comparative period is shown below:

	Before Adjustment	NZ IFRS 11	Accounts Payable	After Adjustment
Income Statement 2013				
Share of profit/loss from Associates	16	(16)	-	-
Other Expenses	4,869	16	200	5,085
Balance Sheet 2013				
Property, plant and equipment	3,711	104	-	3,815
Cash and cash equivalent	1,154	92	-	1,246
Trade and Other Receivables	5,315	23	-	5,338
Investments accounted for using equity method	180	(180)	-	-
Trade and Other Payables	(8,265)	(39)	(200)	(8,504)
Equity 2013				
Reserves	154,044	-	134	154,178
Non Controlling Interests	512	-	66	446
Earnings Per Share				
Total Operations	(2.72)	-	(0.22)	(2.94)
Continuing Operations	(4.65)	-	(0.22)	(4.87)

The Directors have judged that these prior year adjustments do not have a material effect on the information in the statement of financial position at the beginning of the preceding period and as such have not prepared a third statement of financial position.

Parent

The comparatives of the Parent have been adjusted in these financial statements for the year ended 30 June 2013 as the Directors have assessed that a provision of $270,000 that had been released to the Income Statement should have remained in the Parent entity. This adjustment has the effect of increasing Other expenses in the Income Statement and Provisions on the Balance Sheet. There is no impact to the Group financial statements. The Directors believe that the impact to the current year financial statements would have been material had this adjustment not been made.

The Directors have judged that this prior year adjustment does not have a material effect on the information in the statement of financial position at the beginning of the preceding period and as such have not prepared a third statement of financial position.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions
The Group and Parent make estimates and assumptions about the future in preparing their financial statements that effect the reported amounts of assets and liabilities. The actual results in the future will often differ from the estimates made. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

- agreement of arrangements with certain creditors for repayment of outstanding balances over the next 24 months;
- continued support from the Group's first ranking secured lender (refer note 15);
- timely receipt of dividends from New Zealand Farmers Livestock Limited;
- continued realisation of the Group’s assets and/or successful fund raising through debt or equity issues;
- compliance with the financial covenants on the Group's borrowings;
- achievement of the key assumptions underpinning the 2015 financial performance and cash flow forecasts;
- further reduction in administration costs and no new liabilities being incurred; and
- no deterioration in the prevailing economic environment.

In approving these financial statements for issue the Directors consider the adoption of the going concern assumption to be appropriate having taken account of the matters listed above and their ability to undertake the actions necessary to meet those assumptions. To this end the directors are negotiating with the first ranking secured lender about a repayment plan or extension of the facility; seeking to confirm arrangements with other creditors; have planned a series of dividends from NZ Farmers Livestock Ltd; are planning to raise additional funds through debt or equity in 2015 and continuing to look for growth opportunities for NZ Farmers Livestock Ltd. Whilst the Directors forecast that they can generate sufficient cash flows to meet their obligations as they fall due, this forecast is subject to significant uncertainty.

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

Impairment of Loans and advances and Advances to subsidiaries
The Group and Parent review their portfolio of loans and advances and advances to subsidiaries monthly to assess them for impairment. In determining whether an impairment loss should be recorded in the income statement, the Group and Parent make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows expected from individual assets.

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

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

Impairment of Investments in subsidiaries
The Parent reviews the carrying value of investments in subsidiaries on a semi-annual basis. The recoverable amount has been determined based on fair value calculations. A loss is recognised if the carrying amount of the investment in subsidiaries exceeds the valuation of the subsidiary. Refer to note 22 for details of the Parent's assessment of its investment in subsidiaries and the critical estimates and assumptions adopted.

1. Financial information on segments of the business

For the year ended 30 June 2014, the Group was organised into two main business segments, Livestock Services and Asset Management Services.

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

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

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

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

The segment results for the year ended 30 June 2014 are as follows

	Continuing operations			
	Asset Management **$000**	Livestock Services **$000**	Corporate **$000**	Total Continuing **$000**
Sales of goods and fee income	-	14,737	-	14,737
Interest Income	25	133	-	158
Other Income	373	-	3,776	4,149
Inter-segmental income	-	-	(2,963)	(2,963)
Total income	**398**	**14,870**	**813**	**16,081**
Depreciation and amortisation	-	(362)	-	(362)
Interest and funding expense (external)	(74)	(450)	(321)	(845)
Net other expenses (external)	(55)	(12,512)	(1,146)	(13,713)
Profit / (loss) before income tax	**269**	**1,546**	**(654)**	**1,161**
Income tax	-	(190)	190	-
Profit / (loss) after income tax	**269**	**1,356**	**(464)**	**1,161**

The segment assets and liabilities as at 30 June 2014 are as follows

	Asset Management **$000**	Livestock Services **$000**	Corporate **$000**	Total Continuing **$000**
Current Assets	103	7,320	390	7,813
Non Current Assets	-	6,631	194	3,825
Assets	**103**	**10,951**	**584**	**11,638**
Current Liabilities	(942)	(6,756)	(3,827)	(11,525)
Non Current Liabilities	-	(3,260)	(740)	(4,000)
Liabilities	**(942)**	**(10,016)**	**(4,567)**	**(15,525)**
Capital expenditure	**-**	**3,833**	**-**	**3,833**

Segment assets and liabilities are disclosed net of intercompany balances.

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

	Continuing operations				Discontinued	
	Asset Management Services	Livestock Services	Corporate	Total Continuing	Rural Services*	Total Group
		Restated	Restated	Restated		
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Sales of goods and fee income	13,979	12,773	1,081	27,833	2,448	30,281
Inter-segmental income	-	-	(734)	(734)	-	(734)
Total income	**13,979**	**12,773**	**347**	**27,099**	**2,448**	**29,547**
Depreciation and amortisation	-	(356)	(111)	(467)	(31)	(498)
Net impairment loss on financial assets	(3,393)	-	-	(3,393)	-	(3,393)
Interest and funding expense (external)	(276)	(113)	(827)	(1,216)	-	(1,216)
Net other expenses (external)	(14,040)	(11,645)	(758)	(26,443)	(667)	(27,110)
Profit / (loss) before income tax	**(3,730)**	**659**	**(1,349)**	**(4,420)**	**1,750**	**(2,670)**
Income tax	-	(191)	190	(1)	-	(1)
Profit / (loss) after income tax	**(3,730)**	**468**	**(1,159)**	**(4,421)**	**1,750**	**(2,671)**

*Rural Services includes Real Estate, residual interest costs and Rural Group costs associated with Past Discontinued Operations and other costs incurred across all rural sectors. It also includes settlement of various outstanding obligations of the rural business. None of the discontinued operations were attributable to the Parent entity.

The segment assets and liabilities as at 30 June 2013 are as follows:

	Continuing operations				Discontinued Operations	
	Asset Management Services	Livestock Services	Corporate	Total Continuing	Rural Services	Total Group
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Assets	775	7,566	3,220	11,561	-	11,561
Liabilities	(1,207)	(8,314)	(7,508)	(17,029)	-	(17,029)
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**

Segment assets and liabilities are disclosed net of intercompany balances.

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

	Group 2014 $000	Group 2013 $000
Cash flows from operating activities	**-**	(1,869)
Cash flows from investing activities	**-**	450
Cash flows from financing activities	**-**	(315)
Net cash flows from discontinued operations	**-**	(1,734)

2. Interest and fee income

	Note	Group June 2014 $000	Group June 2013 $000	Parent June 2014 $000	Parent June 2013 $000
Loans and advances		**25**	213	**-**	-
Individually impaired assets		**-**	327	**-**	-
Interest income		**133**	670	**-**	-
Commission income		**9,755**	7,328	**-**	-
		9,913	8,538	**-**	-

3. Other income

	Note	Group June 2014 $000	Group June 2013 $000	Parent June 2014 $000	Parent June 2013 $000
Rental income		**-**	-	**53**	374
Recharge costs to subsidiary	31	**-**	-	**360**	360
Subvention income	31	**-**	-	**858**	-
Other income		**365**	456	**-**	347
		365	456	**1,271**	1,081

4. Interest and funding expense

	Note	Group June 2014 $000	Group June 2013 $000	Parent June 2014 $000	Parent June 2013 $000
Borrowings - Crown Asset Management Ltd		**238**	827	**187**	827
Borrowings - Property assets interest		**-**	276	**-**	-
Borrowings - Bank and other borrowings		**219**	-	**-**	-
Borrowings - Finance lease		**107**	113	**-**	-
Borrowings - Bonds		**100**	-	**-**	-
Other		**239**	-	**66**	-
		903	1,216	**253**	827

5. Employee benefit expense

	Note	Group June 2014 $000	Group June 2013 $000	Parent June 2014 $000	Parent June 2013 $000
Wages and salaries		**4,667**	4,412	**-**	-
		4,667	4,412	**-**	-

6. Depreciation and amortisation

	Note	Group June 2014 $000	Group June 2013 $000	Parent June 2014 $000	Parent June 2013 $000
Depreciation					
Buildings	19	**51**	113	**-**	110
Motor vehicles	19	**223**	302	**-**	-
Plant and equipment	19	**36**	37	**-**	1
		310	452	**-**	111
Amortisation of intangible assets					
Computer software	21	**52**	46	**-**	-
		362	498	**-**	111

7. Impairment of investment in and loans to subsidiaries

	Note	Group June 2014 $000	Group June 2013 $000	Parent June 2014 $000	Parent June 2013 $000
Impairment of investments in subsidiaries	22	**-**	-	**-**	3,650
Impairment of loans to subsidiaries	23	**-**	-	**85**	4,111
		-	-	**85**	7,761

8. Impairment of ex Hanover Finance and United Finance assets

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

	Note	Group June 2014 $000	Group June 2013 $000	Parent June 2014 $000	Parent June 2013 $000
Impairment of loans and advances		**-**	3,499	**-**	-
Bad debt recoveries		**-**	(509)	**-**	-
Net impairment of loans and advances		**-**	2,990	**-**	-
Impairment of investments		**-**	403	**-**	-
		-	3,393	**-**	-

	Note	Group June 2014 $000	Group June 2013 Restated $000	Parent June 2014 $000	Parent June 2013 Restated $000

9. Other operating expenses

Included in other operating expenses are:	Note	Group June 2014 $000	Group June 2013 Restated $000	Parent June 2014 $000	Parent June 2013 Restated $000
PricewaterhouseCoopers - audit fees		**145**	145	**75**	75
PricewaterhouseCoopers - accounting advice		**5**	-	**-**	-
Commission paid to agents and other expenses		**2,231**	2,081	**-**	-
Directors' fees	31	**179**	166	**179**	156
Information systems		**54**	98	**-**	-
(Gain) / loss on sale of fixed assets		**73**	(8)	**(743)**	19
Loss on disposal of intangible assets		**87**	-	**-**	-
Insurance		**370**	248	**232**	93
Marketing and advertising		**257**	87	**-**	-
Other expenses		**1,353**	2,268	**560**	321
		4,754	5,085	**303**	664

10. Earnings per share

Basic earnings per Share
The calculation of basic earnings per share at 30 June 2014 for total, continuing and discontinued operations was based on the following loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2014	Group 2013
Total operations		
Profit/(loss) attributable to equity holders of the company from continuing operations ($000)	**1,161**	(4,421)
Profit/(loss) attributable to equity holders of the company from discontinued operations ($000)	**-**	1,750
Profit/(loss) attributable to equity holders of the company from total operations ($000)	**1,161**	(2,671)
Weighted average number of ordinary shares on issue (thousands)	**96,909**	90,793
Basic earnings per share (cents)	**1.20**	(2.94)
Diluted earnings per share (cents)	**1.17**	(2.94)
Continuing operations		
Profit/(loss) attributable to equity holders of the company ($000)	**1,161**	(4,421)
Weighted average number of ordinary shares on issue (thousands)	**96,909**	90,793
Basic earnings per share (cents)	**1.20**	(4.87)
Diluted earnings per share (cents)	**1.17**	(4.87)
Discontinued operations		
Profit/(loss) attributable to equity holders of the company ($000)	**-**	1,750
Weighted average number of ordinary shares on issue (thousands)	**-**	90,793
Basic earnings per share (cents)	-	1.93

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares (96,909,000 shares) to assume conversion of all dilutive potential ordinary shares at the date of issue (3,480,000 share options issued in August 2013). The Parent has issued options attached to the issue of the Bonds by Allied Farmers Rural Ltd during the year. This has created a category of diluted potential ordinary shares at 30 June 2014.

11. Taxation

	Group 2014 $000	Group 2013 Restated $000	Parent 2014 $000	Parent 2013 Restated $000
Current tax:				
Current tax on profits for the year	**435**	191	**416**	-
Deferred tax:				
Origination and reversal of temporary differences	**(435)**	(190)	**(416)**	(190)
Income tax expense/(credit)	**-**	1	**-**	(190)
Profit/(loss) from continuing operations before income tax	**1,161**	(4,420)	**1,448**	(8,440)
Profit/(loss) from discontinued operations before income tax	**-**	1,750	-	-
	1,161	(2,670)	**1,448**	(8,440)
Prima facie income tax expense at 28%	**325**	(748)	**405**	(2,363)
Plus/(less) tax effect of permanent and temporary differences:				
Non-deductible expenditure	**-**	-	**-**	2,248
Timing differences not recognised	**110**	939	**11**	-
Utilisation of tax losses not previously recognised	**(435)**	-	**(416)**	115
Recognition of tax losses	**-**	(190)	**-**	(190)
Income tax expense/(credit)	**-**	1	**-**	(190)

11. Taxation (continued)

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Current tax receivable:					
Opening balance		**3**	3	**3**	3
Current tax overpayment		**60**	-	**-**	**-**
Closing balance		**63**	3	**3**	3
Deferred tax balances:					
Opening balance		**190**	-	**190**	**-**
Recognition of tax losses not previously recognised		**435**	190	**416**	190
Utilisation of tax losses		**(435)**	-	**(416)**	-
Closing balance		**190**	190	**190**	190

Deferred tax is made up of the following temporary differences:

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Deferred tax assets:				
Tax losses	**190**	190	**190**	190
	190	190	**190**	190

Parent unrecognised deferred tax assets as at 30 June 2014 total $643,000 (June 2013: $651,000), comprising unused tax losses of $643,000 (June 2013: $651,000) and deductible temporary differences of nil (June 2013: nil).

Group unrecognised deferred tax assets as at 30 June 2014 total $1,056,000 (June 2013: $860,000), comprising unused tax losses of $1,056,000 (June 2013: $860,000) and deductible temporary differences of $nil (June 2013: $nil).

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

As at 30 June 2014 the balance of imputation credits available to the shareholders of the Parent Company were nil (June 2013: nil).

12. Share capital

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Ordinary shares (fully paid)					
Balance at beginning of year		**148,264**	148,264	**148,264**	148,264
Issue of ordinary shares	18	**734**	-	**734**	-
Balance at end of year		**148,998**	148,264	**148,998**	148,264
Share options					
Balance at beginning of year		**-**	-	**-**	-
Issue of share options		**58**	-	**58**	-
Balance at end of year		**58**	-	**58**	-
Total		**149,056**	148,264	**149,056**	148,264

	Parent 2014	Parent 2013
Number of shares issued and fully paid	**000's**	000's
Balance at beginning of year	**90,793**	90,793
Issue of ordinary shares	**14,678**	-
Balance at end of year	**105,471**	90,793

During the year the Group issued 14,678,387 shares in settlement of a liability (note 18). The total number of shares on issue as at 30 June 2014 is 105,470,825 (June 2013: 90,792,438).

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

Issue of Share options

Allied Farmers Rural Ltd issued $600,000 of Bonds on 13 September 2013. The Bonds contain a provision that for every 10 Bonds the Bondholders have the option to 58 ordinary shares in Allied Farmers Ltd. This option can be exercised at any time within 5 years from the grant date. The number of options issued was 3,480,000. The Options may be exercised at any time by the Bondholder in whole but not in part by written notice to Allied Farmers Ltd no later than the expiry date of the Options accompanied by full payment of the aggregate exercise price. At 30 June 2014 all of the options were exercisable. When the options are exercised, the Parent issues new shares and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

The Bonds issued were initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method. The share options were also recorded at fair value at the grant date of 13 September 2013 using the Black Scholes model. The Group determined the fair value of these Options to be $58,000.

The significant inputs into the model were the weighted average share price of 2.7 cents at the grant date, the exercise price of 2.7 cents, the volatility of 76.7%, an expected option life of 2.5 years and an annual risk free return rate of 3.03%.

13. Reserves

	Group 2014 $000	Group 2013 Restated $000	Parent 2014 $000	Parent 2013 Restated $000
Accumulated losses				
Balance at beginning of year	**(154,178)**	(151,429)	**(147,447)**	(139,197)
Net Profit/(loss) for the year	**1,028**	(2,749)	**1,448**	(8,250)
Balance at end of year	**(153,150)**	(154,178)	**(145,999)**	(147,447)

14. Non Controlling Interest

	Group 2014 $000	Group 2013 Restated $000	Parent 2014 $000	Parent 2013 $000
New Zealand Farmers Livestock Ltd				
Balance at beginning of year	**446**	464	-	-
Current year profit attributable to non controlling interests	**133**	78	-	-
Dividend paid to Non Controlling Interests	**(372)**	(185)	-	-
Transaction with Non Controlling Interests	**-**	89	-	-
Balance at end of year	**207**	446	**-**	-

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

The summarised financial information for the subsidiaries that have Non Controlling Interests that are material to the Group is found in note 1 to to these financial statements and is shown as the Livestock Services segment, with the exception of summarised cash flows which are shown below.
The summarised financial information in note 1 is disclosed net of intercompany balances. The intercompany transactions within the Livestock Services segment that have been eliminated are subvention payments of $858,000 and $318,000. An intercompany balance of $318,000 has been eliminated from Current Assets.

	Livestock Services 2014 $000	Livestock Services 2013 $000
Cashflows generated from operating activities		
Cash generated from operations	**2,842**	(62)
Interest Paid	**(449)**	(199)
Income tax paid	**(60)**	(191)
Net cash generated from operating activities	**2,333**	(452)
Net cash generated from investing activities	**(3,689)**	(319)
Net cash generated from financing activities	**2,810**	(106)
Net (decrease) / increase in cash and cash equivilents	**1,455**	(877)
Cash and cash equivalents at beginning of year	**1,145**	2,022
Cash and cash equivalents at end of year	**2,599**	1,145

15. Borrowings

		Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Current					
Bank borrowings (secured)		**407**	**-**	**-**	**-**
Crown Asset Management Ltd (secured)		**2,570**	5,110	**1,910**	5,105
Bonds (secured)		**600**	-	**-**	-
Finance leases		**272**	334	**-**	-
		3,849	5,444	**1,910**	5,105
Non Current					
Bank borrowings (secured)		**2,465**	-	**-**	-
Other borrowings (secured)	31	**700**	-	**-**	-
Finance Leases		**95**	231		
		3,260	231	**-**	-

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

The parent company's loan arrangement has a balance owing as at 30 June 2014 of $1,910,000 (30 June 2013: $5,105,000). The interest rate on this loan is 8.0% per annum capitalising monthly for the term of the loan. The loan facility had a 1 July 2013 expiry date and has been rolled on an on demand basis.

Allied Farmers Investments Limited entered into a management agreement with NFA Limited (in Liquidation) now taken over by Crown Asset Management Ltd to manage and realise the assets of Allied Farmers Investments Limited. A working capital facility of $815,000 is available for the purposes of funding normal costs and business expenses incurred in respect of the managed assets. As at 30 June 2014 the balance drawn on the facility was $660,000 (June 2013: $5,365). The interest rate on the facility is 8% pa from 1 August 2012 capitalising monthly. The facility is repayable on demand.

The Group has complied with the principal repayment requirements during the year to 30 June 2014.

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

Bank borrowings

New Zealand Farmers Livestock Ltd borrowed $3,050,000 on 3 September 2013 from the ANZ Bank Limited to part finance the acquisition of the sale yards purchased from Allied Farmers Ltd. The loan was secured by way of a first mortgage charge over the sale yards. The interest rate on the loan is fixed at 6.93% for the first year term. For the continuing period the rate reverts to a floating rate being the bank base rate plus a margin of 2.04% per annum. The loan is repayable monthly at $33,910 per month over 3 years. The balance owing at 30 June 2014 is $2,877,587 (30 June 2013: nil).

Other borrowings

New Zealand Farmers Livestock Ltd borrowed $700,000 on the 3 September 2013 from L Morrison (who is a related party, see note 31) to part finance the acquisition of the sale yards from Allied Farmers Ltd. The loan is secured by way of second mortgage over the sale yards. The loan is for a 3 year period at an interest rate of 12% p.a. There are no additional financial covenants to the L Morrison loan facility to those covenants provided to the ANZ Bank Ltd.

Bonds

Allied Farmers Rural Ltd issued $600,000 of Bonds on 13 September 2013. The Bonds contain a provision that for every 10 Bonds the Bondholders have the right to 58 ordinary shares in Allied Farmers Ltd. The Bonds are secured by way of a second charge General Security Agreement over all of the assets and undertakings of Allied Farmers Ltd and subsidiaries excluding New Zealand Farmers Livestock Ltd and subsidiaries and a specific security over the shares held by Allied Farmers Rural Ltd in New Zealand Farmers Livestock Ltd plus a guarantee from Allied Farmers Ltd and subsidiaries. The Bonds repayment date is 29 August 2014 and have an interest rate of 12% per annum. There are no specific financial covenants. See note 12 and note 37.

Borrowing Covenants
Crown Asset Management Ltd

The two loans include the following covenants:

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

Further there are a number of covenants the borrower must maintain including but not limited to:

- It will notify the lender in the event of a default
- Pay all taxes
- Provide financial information
- Advise any change of control
- Conduct business in a prudent, normal and properly efficient manner.

In addition the borrower will maintain adequate insurances.

The Group has complied with the covenants.

ANZ Bank Ltd
The bank applies a financial covenant that each quarter the New Zealand Farmers Livestock Ltd EBITDA (earnings before interest, taxation, depreciation and amortisation) must be at least 3 times the interest cost expense. The company has complied with this covenant throughout the year.

Finance Leases

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Finance Lease Liabilities					
Lease liabilities are effectively secured as the right to the leased asset revert to the lessor in the event of default					
Gross Finance Lease Liabilities - minimum lease payments					
No later than 1 year		**361**	388	**-**	-
Later than 1 year and no later than 5 years		**102**	275	**-**	-
		463	663	**-**	-
Future Finance Charges of Finance Lease Liabilities		**(96)**	(98)	**-**	-
Present Value of Finance Lease Liabilities		**367**	565	**-**	-
The present value of finance lease liabilities is as follows:					
No later than 1 year		**272**	334	**-**	-
Later than 1 year and no later than 5 years		**95**	231	**-**	-
Later than 5 years		**-**	-	**-**	-
		367	565	**-**	-

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

16. Trade and other payables

	Note	Group 2014 $000	Group 2013 Restated $000	Parent 2014 $000	Parent 2013 $000
Trade creditors		**5,348**	6,350	**186**	234
Employee entitlements		**658**	551	**-**	-
Other creditors and payables		**1,494**	1,603	**682**	110
		7,500	8,504	**868**	344
Classified as:					
Current		**6,760**	8,504	**478**	344
Non-current		**740**	-	**390**	-
		7,500	8,504	**868**	344

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

Other creditors and payables include the outstanding liability to Speirs Group Ltd (refer note 18)

17. Provisions

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 Restated $000
Employee benefits					
Opening balance		**517**	315	**2**	2
Additional provisions charged to the income statement		**310**	294	**-**	-
Reclassification from Other provisions		**-**	256	**-**	-
Amounts charged against the provision during the year		**(329)**	(348)	**-**	-
Closing balance		**498**	517	**2**	2
Other items					
Opening balance		**399**	605	**393**	43
Additional provisions charged to the income statement		**19**	80	**18**	80
Reclassification from Trade and Other Payables		**-**	-	**-**	270
Reclassification from Employee Benefits		**-**	(256)	**-**	-
Amounts charged against the provision during the year		**-**	(30)	**-**	-
Closing balance		**418**	399	**411**	393
		916	916	**413**	395

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 Restated $000
Classified as:				
Current	**916**	916	**413**	395
Non-current	**-**	-	**-**	-
	916	916	**413**	395

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

Other items
Other items comprises directors retirement allowance of $127,000 (June 2013: $119,000), and residual costs of $270,000 (June 2013: $280,000).

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

18. Derivative Financial Instruments

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Granted call / put options (assets)					
Balance at beginning of year		**-**	7	**-**	7
Change in fair value		**-**	(7)	**-**	(7)
Balance at end of year		**-**	-	-	-
Granted call / put options (liabilities)					
Balance at beginning of year		**(1,934)**	(1,886)	**(1,934)**	(1,886)
Change in fair value		**-**	(48)	**-**	(48)
Extinguishment of liability		**1,934**	-	**1,934**	-
Balance at end of year		**-**	(1,934)	**-**	(1,934)
Total derivative financial instruments		**-**	(1,934)	**-**	(1,934)
Derivative financial instruments - liabilities (current)		**-**	(1,934)	**-**	(1,934)
		-	(1,934)	**-**	(1,934)

In 2008 the Parent entered into a put and call option contract with Speirs Group Limited. Speirs Group Ltd exercised this put option on 26 July 2013 and advised they required payment of $2,000,000 in cash.

On 31 January 2014 Allied Farmers Ltd settled this liability that was originally a derivative financial instrument. The settlement involved issuing 14,768,387 ordinary shares resulting in a credit to equity of $734,000. In addition Allied Farmers Ltd has agreed to pay $500,000 on 30 April 2016. The liability has been adjusted to its net present value of $390,000 as at 30 June 2014. This transaction has resulted in a gain on extinguishment of liability being recognised within the Income Statement of $818,000.

19. Fixed assets

	Note	Group 2014 $000	Group 2013 Restated $000	Parent 2014 $000	Parent 2013 $000
Freehold land					
Cost at beginning of year		**2,023**	2,023	**-**	2,023
Disposals		**(4)**	-	**-**	-
Reclassified as assets held for sale	20	**-**	-	**-**	(2,023)
Cost at end of year		**2,019**	2,023	**-**	-
Buildings					
Cost at beginning of year		**1,034**	1,371	**-**	1,205
Disposals		**(6)**	(337)	**-**	(14)
Reclassified as assets held for sale	20	**-**	-	**-**	(1,191)
Cost at end of year		**1,028**	1,034	**-**	-
Accumulated depreciation at beginning of year		**(113)**	(212)	**-**	(203)
Depreciation charged to income statement		**(51)**	(113)	**-**	(110)
Disposals		**-**	212	**-**	-
Reclassified as assets held for sale	20	**-**	-	**-**	313
Accumulated depreciation at end of year		**(164)**	(113)	**-**	-
Buildings net book value		**864**	921	**-**	-
Motor vehicles					
Cost at beginning of year		**992**	1,124	**-**	-
Additions		**176**	-	**-**	-
Disposals		**(41)**	(132)	**-**	-
Cost at end of year		**1,127**	992	**-**	-
Accumulated depreciation at beginning of year		**(448)**	(95)	**-**	-
Depreciation charged to income statement		**(221)**	(302)	**-**	-
Disposals		**8**	(51)	**-**	-
Accumulated depreciation at end of year		**(661)**	(448)	**-**	-
Motor vehicles net book value		**466**	544	**-**	-

Plant and equipment				
Cost at beginning of year	**385**	401	**95**	106
Additions	**4**	139	**-**	-
Disposals	**(35)**	(155)	**-**	(11)
Cost at end of year	**354**	385	**95**	95
Accumulated depreciation at beginning of year	**(58)**	(136)	**(95)**	(94)
Depreciation charged to income statement	**(36)**	(37)	**-**	(1)
Disposals	**15**	115	**-**	-
Accumulated depreciation at end of year	**(79)**	(58)	**(95)**	(95)
Plant and equipment net book value	**275**	327	**-**	-
Property, plant and equipment cost at end of year	**4,528**	4,434	**95**	95
Property, plant and equipment accumulated depreciation at end of year	**(904)**	(619)	**(95)**	(95)
Total property, plant and equipment net book value	**3,624**	3,815	**-**	-

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

Cost Capitalised Finance Lease	**1,127**	992	-	-
Accumulated Depreciation	**(661)**	(448)	-	-
Net Book Amount	**466**	544	-	-

20. Assets held for sale

	Note	**Group 2014 $000**	Group 2013 $000	**Parent 2014 $000**	Parent 2013 $000
Net book value at the beginning of the year		**-**	-	**2,901**	-
Net book value reclassified from land		**-**	-	**-**	2,023
Net book value reclassified from buildings		**-**	-	**-**	878
Disposals		**-**	-	**(2,901)**	-
Net book value at the end of the year		**-**	-	**-**	**2,901**

On 6 September 2013 the Parent sold its saleyards interests in Taranaki, Manawatu, Waikato and King Country ("Saleyards") to its subsidiary, NZ Farmers Livestock Limited (NZFLL) recognising a gain of $786,000. As at 30 June 2013 the Saleyards were classified as Held for Sale within the Parent Balance Sheet but as they were sold to a subsidiary company they continue to be recorded as Property, Plant and Equipment in the Group Balance Sheet with no change in value being recorded. All of the proceeds of the sale have been used to reduce the debt to Allied Farmers Limited's secured lender, Crown Asset Management Limited.

21. Intangible assets

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Computer software					
Cost at beginning of year		**781**	589	**3**	3
Additions		**4**	192	**-**	-
Disposals		**(87)**	-	**-**	-
Cost at end of year		**698**	781	**3**	3
Accumulated amortisation at beginning of year		**(635)**	(589)	**(3)**	(3)
Amortisation charged to income statement		**(52)**	(46)	**-**	-
Disposals		**-**	-	**-**	-
Accumulated amortisation at end of year		**(687)**	(635)	**(3)**	**(3)**
Computer software net book value		**11**	146	-	-
Total intangibles		**11**	146	-	-

22. Investment in subsidiaries

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Investment in subsidiaries					
Opening balance		**-**	**-**	**6,050**	9,700
Impairment of investment	7	**-**	-	**-**	(3,650)
		-	**-**	**6,050**	6,050

	Principal Activity	2014	2013
Subsidiaries of the Parent			
Allied Farmers Investments Limited	Asset Management Services	**100%**	100%
Allied Farmers Rural Limited	Corporate Services	**100%**	100%
The West Coast Mortgage and Deposit Company Limited	Holding Company	**100%**	100%
Allied Farmers Option Scheme Limited	Non-Trading	**100%**	100%
ALF Nominees Limited	Non-Trading	**100%**	100%
Subsidiaries of Allied Farmers Rural Limited			
NZ Farmers Livestock Limited	Livestock Services	**67%**	67%
New Zealand Farmers Meat Exports Limited	Non Trading	**100%**	100%
Subsidiary of NZ Farmers Livestock Limited			
Farmers Meat Exports Limited	Sale of livestock	**67%**	67%
Subsidiaries of Allied Farmers Investments Limited			
Allied Farmers Property Investments Limited	Holding Company	**100%**	100%
Allied Farmers Property Holdings Limited	Holding Company	**100%**	100%
Subsidiaries of Allied Farmers Property Investments Limited			
QWF Holdings Limited	Non trading	**100%**	100%
HPL Rhode Island (2008) Limited	Non trading	**100%**	100%
Clearwater Avenue Holdings Limited	Non trading	**100%**	100%
Clearwater Hotel 2004 Limited	Non trading	**100%**	100%
Lifestyles of New Zealand Queenstown Limited	Non trading	**100%**	100%
LONZ 2008 Limited	Non trading	**100%**	100%
LONZ 2008 Holdings Limited	Non trading	**100%**	100%
Matarangi Farm Lot 2 Limited	Non-trading	**100%**	100%
Subsidiaries of Allied Farmers Property Holdings Limited			
UFL Lakeview Limited	Non trading	**100%**	100%
5M No. 2 Limited	Non trading	**100%**	100%

Subsidiary of Clearwater Hotel 2004 Limited			
Clearwater Hotel Management 2004 Limited	Non-trading	**100%**	100%
Subsidiaries of The West Coast Mortgage and Deposit Company Limited			
Allied Farmers Finance Limited	Non-trading	**100%**	100%
Allied Farmers Livestock Limited	Non-trading	**100%**	100%
Allied Farmers (New Zealand) Limited	Non-trading	**100%**	100%
Allied Finance Limited	Non-trading	**100%**	100%
Allied Prime Finance Limited	Non-trading	**100%**	100%
Allied Rural Limited	Non-trading	**100%**	100%
Nationwide Finance Limited	Non-trading	**100%**	100%
Prime Finance Limited	Non-trading	**100%**	100%
Speirs Finance Limited	Non-trading	**100%**	100%
Taranaki Farmers Limited	Non-trading	**100%**	100%

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

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

	Date of Receivership/ Liquidation	Principal activity	Interest held by Group 2014	2013
NFA Ltd (in Liquidation) formerly called Allied Nationwide Finance Limited (in Liquidation)	8 February 2013	Financial Services	**100%**	100%
Matarangi Beach Estates Limited (in Receivership)	18 November 2010	Property development and investment	**100%**	100%

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

At 30 June 2014, the Directors of Allied Farmers Limited have considered the $6,050,000 carrying value of its investment in AFRL. An impairment calculation has been performed using the Director's assessment of the maintainable earnings (EBITDA) for the rural business taking into account historical and forecast earnings and applying an appropriate earnings multiple. This earnings multiple was determined to be between 6.1x to 7x EBITDA and indicated there was no impairment. Subsequent to 30 June 2014 Allied Farmers Rural Ltd has sold 1,026 of it's shares in New Zealand Farmers Livestock Ltd for $1,000,000 which the Directors consider also supports the conclusion arrived at by the Directors (see note 37). The result of this review was no write down in the Parent's investment in Allied Farmers Rural Limited.

23. Advances to/from subsidiaries

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Advances to subsidiaries					
Advances to subsidiaries		**-**	-	**63,768**	64,422
Provision for impaired loans	7	**-**	-	**(63,768)**	(63,683)
Net advances to subsidiaries	31	**-**	-	**-**	739
Advances from subsidiaries	31	**-**	-	**77**	1,414
Advances to subsidiaries classified as:					
Current		**-**	-	**-**	739
		-	-	**-**	739
Advances from subsidiaries classified as:					
Current		**-**	-	**77**	1,414
		-	-	**77**	1,414

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

24. Loans and advances

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Loans and advances					
Loans and advances at amortised cost		**43,705**	46,930	-	-
Provision for impaired assets	25	**(43,705)**	(46,397)	-	-
Net loans and advances		**-**	533	-	-
Classified as:					
Current		**-**	533	**-**	-
Non-current		**-**	-	**-**	-
		-	533	**-**	-

As at 30 June 2014 loans and advances of $nil (June 2013: $533,000) are past due and impaired, loans and advances of $nil (June 2013: $nil) are performing. During the year $533,000 of loans and advances were exchanged in settlement of a Group liability.

25. Provision for impaired assets

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Provision for individually impaired assets					
Loans and advances					
Opening balance		**46,397**	43,004	**63,683**	59,572
Movement in impairment provisions		**-**	3,902	**85**	4,111
Disposal of asset		**(2,692)**	-	**-**	-
Bad debt recoveries		**-**	(509)	**-**	-
Closing balance		**43,705**	46,397	**63,768**	63,683
Trade receivables					
Opening balance		**45**	156	**-**	-
Bad debts written off against impairment provisions		**-**	(111)	**-**	-
Release to income statement		**(40)**	-	**-**	-
Closing balance		**5**	45	**-**	-
		43,710	46,442	**63,768**	63,683
Provision for impaired assets					
Loans and advances	24	**43,705**	46,397	**63,768**	63,683
Trade receivables	28	**5**	45	**-**	-
		43,710	46,442	**63,768**	63,683

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

26. Joint Arrangements

The Group's subsidiary New Zealand Farmers Livestock Limited owns a proportion of various Saleyard tangible assets and has joint arrangements in relation to the operation of these saleyards (referred to as 'Associated Auctioneers'). These arrangements have been reclassified in the 2014 year as joint operations in accordance with NZ IFRS 11. The comparative numbers for 2013 have also been restated as required. See the accounting policies for more information.

These joint operations are in place over 4 different locations. These joint operations are charged with the operating activities of the saleyards including conducting sales of livestock via the auction process, maintaining the sale yards, collecting levies on livestock sales and meeting operating costs of the yards. If there is a shortfall in the income to meet the operating costs in any one year then the joint operation's parties are required to contribute to the shortfall in the proportion of their ownership of the saleyards.

The various joint operations are:

	Location	Share of Joint Operation
- Associated Auctioneers	Te Kuiti	33%
- Associated Auctioneers	Stratford	50%
- Associated Auctioneers	Frankton	50%
- Associated Auctioneers	Tauramanui	50%

There are various contractual restrictions in relation to the assets and liabilities of these joint operations, such as requiring unanimous agreement in relation to accessing the bank accounts.

The joint operation of the saleyards is strategically vital to the interests of New Zealand Livestock Limited as the saleyards activity provide significant income to New Zealand Farmers Livestock Limited via commision on the sale of livestock handled through the saleyards.

27 Cash and cash equivalents

	Note	**Group 2014 $000**	Group 2013 Restated $000	**Parent 2014 $000**	Parent 2013 Restated $000
Cash and cash equivalents		**2,882**	1,246	**6**	50

A subsidiary, NZ Farmers Livestock Limited has an overdraft facility of $1,000,000 which is undrawn at 30 June 2014 (June 2013: undrawn facility of $250,000). This facility has an interest rate of 11.4% and is secured over the assets of NZ Farmers Livestock Limited excluding its subsidiary Farmers Meat Export Limited.

28. Trade and other receivables

	Note	**Group 2014 $000**	Group 2013 $000	**Parent 2014 $000**	Parent 2013 $000
Trade receivables (gross)		**4,783**	5,270	**76**	76
Provision for impaired assets	25	**(5)**	(45)	**-**	-
Trade receivables (net of provision)		**4,778**	5,225	**76**	76
Prepayments		**-**	113	**-**	-
		4,778	5,338	**76**	76

It is expected that all Trade receivables will be collected within 12 months of the balance date.

29. Inventory

	Note	**Group 2014 $000**	Group 2013 $000	**Parent 2014 $000**	Parent 2013 $000
Finished Goods		**-**	48	**-**	-
		-	48	**-**	-
Inventories stated at net realisable value		**-**	48	**-**	-

30. Other Investments

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Opening balance		**242**	321	**-**	-
Reclassification of asset		**(71)**	-	**-**	-
Impairment of investment		**(81)**	(79)	**-**	-
Closing balance		**90**	242	**-**	-

This other investment is an offshore investment owned by Allied Farmers Investments Ltd. During the year dividend income of $353,000 was received from this investment and is recorded in Other Income (note 3). At 30 June 2014 the Group has impaired the investment on the basis of expected recoverability of the investment.

31. Related party transactions

Overview of related party transactions
All transactions with related parties are entered into in the ordinary course of business.

Categories of related party relationships
Related party transactions are detailed by reference to the following categories:

(a) Group companies: all wholly owned subsidiaries of Allied Farmers Limited. For subsidiary company's of the Parent refer to note 22.

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

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

Related party revenue (expense)	2014 $000	2013 $000
(a) Group companies - with the Parent		
Allied Farmers Limited		
Gain on sale of Saleyard assets	**786**	-
Subvention income	**858**	-
Allied Farmers Rural Limited		
Rental income	**53**	374
Recharge of costs	**360**	360

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

(b) Key management personnel	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Salaries and other short term benefits	**299**	271	**-**	-
Directors fees	**179**	166	**179**	156
Total key management personnel compensation	**478**	437	**179**	156

	Note	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Related party receivables / (payables)					
(a) Group companies - with the Parent					
Allied Farmers Rural Limited					
Subsidiary company advance		**-**	-	**(77)**	(1,414)
	22	**-**	-	**(77)**	(1,414)
Allied Farmers Investments Limited					
Advance to subsidiary company (net)	22	**-**	-	**-**	739
(b) Key management personnel					
Directors long service leave entitlement		**134**	112	**134**	112

All loans are interest free and repayable upon demand.

Related party transactions
(a) Group companies

During the year Allied Farmers Investments Limited repaid $653,691 (June 2013: $12,527,000), leaving a gross loan receivable of $63,768,000 (June 2013: $64,422,000). During the year the Parent recorded an impairment against the loan of $85,000 (June 2013: $4,111,000), leaving a net loan receivable of $nil (June 2013: $739,000). The loan is interest free and repayable upon demand.

During the year ended 30 June 2014 Allied Farmers Limited recharged management expenses totalling $360,000 (June 2013: $360,000) to Allied Farmers Rural Limited and property rental expenses totalling $53,000 (June 2013: $374,000).

Allied Farmers Limited has a debt to Allied Farmers Rural Limited at 30 June 2014 of $77,000 (2013; $1,414,000).

New Zealand Farmers Livestock Limited has a debt due from Farmers Meat Export Limited as at 30 June 2014 of $17,300 (2013: $nil).

During the year Farmers Meat Export Limited made subvention payments to New Zealand Farmers Livestock Limited of $318,000 (2013: $nil). New Zealand Farmers Livestock Limited made subvention payments to Allied Farmers Rural Limited of $902,000 (2013: $220,936). Allied Farmers Rural Limited made subvention payments to Allied Farmers Limited of $858,311 (2013: $nil).

31. Related party transactions (continued)

(b) Key management personnel

Certain directors of Allied Farmers Limited have trading transactions with the Group. These transactions take place on normal trading terms.

(c) Other related parties

The Group conducts transactions as part of joint arrangements (refer note 26) in the course of its rural activities, which take place on normal trading terms. The value of these transactions is not material.

During the year Allied Farmers Rural Ltd raised $600,000 in a Bonds issue. One of the Directors Mr Garry Bluett contributed to the Bond issue.

New Zealand Farmers Livestock Ltd acquired the Sale yards Land and Buildings from Allied Farmers Ltd during the year for a total consideration of $3,653,000. This transaction resulted in a gain in the Parent accounts of Allied Farmers Ltd of $786,000. This gain was eliminated on consolidation of the Allied Group financial statements. To pay for the purchase the company raised two mortgages, a first charge mortgage from the ANZ Bank Ltd and a second charge mortgage from L Morrison the wife of the Chief Executive Officer of New Zealand Farmers Livestock Ltd. (note 15)

During the year a director of Allied Farmers Limited entered in to loan arrangements to lend Farmers Meat Export Limited $200,000 at an interest rate of 12% per annum. This was repaid in full before 30 June 2014.

Also during the year a director of Farmers Meat Export Limited entered in to loan arrangements to lend Farmers Meat Export Limited $1,300,000 at an interest rate of 12% per annum. This was repaid in full before 30 June 2014.

32. FINANCIAL RISK MANAGEMENT

32.1 CREDIT RISK

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

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

RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENT

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

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

	Group 2014 $000	**Group 2013 $000**	**Parent 2014 $000**	**Parent 2013 $000**
Aging of Past Due Assets that are not impaired				
1-30 days	**421**	604	**-**	-
31-60 days	**39**	48	**-**	-
61-90 days	**22**	34	**-**	-
91-120 days	**-**	-	**-**	-
121-150 Days	**-**	-	**-**	-
151-180 days	**-**	-	**-**	-
181 + days	**-**	-	**-**	-
Total Past Due Assets	**482**	686	**-**	-

Of the loans, advances and finance leases held as at 30 June 2014 $46,397,000 (2013 $46,397,000) are deemed to be impaired (refer note 25)

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 MATURITY ANALYSIS

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

Group

30 June 2014	**Total**	**Under 6 Months**	**6-12 Months**	**1-2 Years**	**2-5 Years**	**Over 5 Years**
$000						
Financial liabilities						
Trade and other payables	7,610	6,760	-	850	-	-
Borrowings - Crown Asset Management Ltd	2,570	2,570	-	-	-	-
Borrowings - ANZ Bank Ltd	3,167	204	203	407	2,353	-
Borrowings - Linda Morrison	970	42	42	84	802	-
Borrowings - Finance Leases	464	181	181	102	-	-
Borrowings - Bonds	618	618	-	-	-	-
Gross payable on financial liabilities	15,399	10,375	426	1,443	3,155	-
Cumulative position		10,375	10,801	12,244	15,399	-

Group

30 June 2013	**Total**	**Under 6 Months**	**6-12 Months**	**1-2 Years**	**2-5 Years**	**Over 5 Years**
$000						
Financial liabilities						
Trade and other payables	8,504	8,504	-	-	-	-
Borrowings - Crown Asset Management Ltd	5,110	5,110	-	-	-	-
Borrowings - Finance Leases	663	194	194	275	-	-
Derivative financial instrument	2,000	2,000	-	-	-	-
Gross payable on financial liabilities	16,277	15,808	194	275	-	-
Cumulative position		15,808	16,002	16,277	16,277	-

Parent

30 June 2014	**Total**	**Under 6 Months**	**6-12 Months**	**1-2 Years**	**2-5 Years**	**Over 5 Years**
$000						
Financial liabilities						
Trade and other payables	978	478	-	500	-	-
Borrowings - Crown Asset Management Ltd	1,910	1,910	-	-	-	-
Advances from subsidiaries	77	77	-	-	-	-
Gross payable on financial liabilities	2,965	2,465	-	500	-	-
Cumulative position		2,465	2,465	2,965	-	-

Parent

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments.

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

32.4 MARKET RISK

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

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

	Group 2014 $000	Group 2013 $000	**Parent 2014 $000**	Parent 2013 $000
Borrowings - Crown Asset Management Ltd				
If interest rates for the year were 50 bps higher				
Effect on net profit for the year / equity	**(13)**	(26)	**(10)**	(25)
If interest rates for the year were 50 bps lower				
Effect on net profit for the year / equity	**13**	26	**10**	25
Borrowings - ANZ Bank Ltd				
If interest rates for the year were 50 bps higher				
Effect on net profit for the year / equity	**16**	-	**-**	-
If interest rates for the year were 50 bps lower				
Effect on net profit for the year / equity	**(16)**	-	**-**	-

32.5 CAPITAL MANAGEMENT

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

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

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

32.6 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The ANZ Bank Ltd in accordance with the mortgage over the New Zealand Farmers Livestock Ltd sale yards assets may (but is not obliged to) debit any of the Borrower's other bank accounts with the ANZ Bank Ltd with any amount payable by the Borrower under that mortgage agreement.

The result of this arrangement is that the ANZ Borrowings of $2,872,000 could be settled net with $ 1,952,383 cash recognised in these financial statements.

33. Contingent assets and liabilities

During the period, and in some cases continuing from prior periods, various regulatory authorities have sought information and/or co-operation in enquries and investigations. The Directors, who as a matter of course have sought legal advice and advised its insurers where liability could occur. At this time it is not possible to quantify the possible liability, if any, from these investigations.

There were no material contingent assets or liabilities outstanding as at 30 June 2013 for the Group or Parent.

34. Commitments

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

	Group 2014 $000	Group 2013 $000	**Parent 2014 $000**	Parent 2013 $000
Operating lease commitments				
Lease				
Not later than one year	**65**	420	**-**	-
Later than one year and not later than five years	**111**	-	**-**	-
Later than five years	**-**	-	**-**	-

The Group and Parent lease premises, plant and equipment and motor vehicles. Operating leases held over properties give the Group and Parent the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases. There are options to purchase in respect of motor vehicles held under finance leases (refer note 15). There are also options to purchase Land and Buildings currently leased if certain criteria are met.

Capital commitments

The Group and Parent have no material capital commitments as at 30 June 2014 (30 June 2013: nil).

35. Financial assets and liabilities

The table below sets out the Group's classification of each class of financial asset and liability.
The fair value of the financial assets and liabilities approximates their carrying value.

Group **30 June 2014**	**Financial Instruments at fair value through profit or loss** **$000**	**Available for sale financial assets** **$000**	**Loans and receivables** **$000**	**Other amortised cost** **$000**	**Total** **$000**
Assets per balance sheet					
Cash and cash equivalents	-	-	2,882	-	2,882
Trade and other receivables	-	-	4,778	-	4,778
Other Assets		90	-	-	90
	-	90	7,660	-	7,750
Liabilities per balance sheet					
Trade and other payables	-	-	-	7,500	7,500
Borrowings - Crown Asset Management Limited	-	-	-	2,570	2,570
Borrowings - Bank	-	-	-	2,872	2,872
Borrowings - Bonds	-	-	-	600	600
Borrowings - L Morrison	-	-	-	700	700
Borrowings - Finance Leases	-	-	-	367	367
	-	-	-	14,609	14,609

Group **30 June 2013**	**Financial Instruments at fair value through profit or loss** $000	**Available for sale financial assets** $000	**Loans and receivables** $000	**Other amortised cost** $000	**Total** $000
Assets per balance sheet					
Cash and cash equivalents	-	-	1,246	-	1,246
Trade and other receivables	-	-	5,338	-	5,338
Loans, advances and finance leases	-	-	533	-	533
Other Assets	-	242	-	-	242
	-	242	7,117	-	7,359
Liabilities per balance sheet					
Trade and other payables	-	-	-	8,504	8,504
Borrowings - Crown Asset Management Limited	-	-	-	5,110	5,110
Borrowings - Finance Leases	-	-	-	565	565
Derivative financial instrument	1,934	-	-	-	1,934
	1,934	-	-	14,179	16,113

The table below sets out the Parent's classification of each class of financial asset and liability.
The fair value of the financial assets and liabilities approximates their carrying value.

Parent **30 June 2014**	**Financial Instruments at fair value through profit or loss** **$000**	**Available for sale financial assets** **$000**	**Loans and receivables** **$000**	**Other amortised cost** **$000**	**Total** **$000**
Assets per balance sheet					
Cash and cash equivalents	-	-	6	-	6
Trade and other receivables	-	-	76	-	76
	-	-	82	-	82
Liabilities per balance sheet					
Trade and other payables	-	-	-	868	868
Borrowings - Crown Asset Management Limited	-	-	-	1,910	1,910
Advances from subsidiaries	-	-	-	77	77
	-	-	-	2,855	2,855

35. Financial assets and liabilities (continued)

Parent	Financial Instruments at fair value through profit or loss	Available for sale financial assets	Loans and receivables	Other amortised cost	Total
	$000	$000	$000	$000	$000
30 June 2013					
Assets per balance sheet					
Cash and cash equivalents	-	-	50	-	50
Trade and other receivables	-	-	76	-	76
Advances to subsidiaries	-	-	739	-	739
	-	-	865	-	865
Liabilities per balance sheet					
Trade and other payables	-	-	-	344	344
Borrowings - Crown Asset Management Limited	-	-	-	5,105	5,105
Derivative financial instrument	1,934	-	-	-	1,934
Advances from subsidiaries	-	-	-	1,414	1,414
	1,934	-	-	6,863	8,797

36. Financial assets and liabilities carried at fair value

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

NZ IFRS 13: Fair Value Measurement requires an entity to classify fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

	Level 1	Level 2	Level 3	Total
Group 2014	**$000**	**$000**	**$000**	**$000**
Assets	-	-	-	-
Other assets	-	-	90	90
Liabilities	-	-	-	-
Group 2013				
Assets	-	-	-	-
Other assets	-	-	242	242
Liabilities				
Derivative Financial Instruments	-	-	1,934	1,934

	Level 1	Level 2	Level 3	Total
Parent 2014	**$000**	**$000**	**$000**	**$000**
Assets	-	-	-	-
Liabilities	-	-	-	-
Parent 2013				
Assets	-	-	-	-
Liabilities				
Derivative financial instruments	-	-	1,934	1,934

37 Events subsequent to balance date

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

Allied Farmers Limited entered into an agreement to fully and finally settle all outstanding debts and obligation to its first ranking secured lender, Crown Asset Management Limited (CAML) on 4 August 2014.
The Group has on demand loan liabilities from CAML, and CAML and Allied Farmers Ltd have agreed to fully satisfy this liability by Allied Group immediately paid $1 million in cash to CAML (tranche 1), and an additional $1 million on or before 10 October 2014 (tranche 2). Allied Farmers Ltd have funded tranche 1 by selling 1,026 of the shares that its wholly owned subsidiary, Allied Farmers Rural Limited (AFRL), owns in NZ Farmers Livestock Limited (NZFL) for $1 million, and proposes to fund tranche 2 by issuing non-listed bonds in AFRL with a three year term on or before 10 October 2014. If tranche 2 is not paid by 10 October 2014, CAML will, as it has for some time now, continue to reserve its rights.
The other significant shareholders in NZFL, Stockmans Limited and Agent Company Limited, were the purchasers of the shares. Allied Farmers Rural Ltd now retain 57 percent of the shares in NZFL.

The holders of the bonds that were issued by AFRL on 13 September 2013 have agreed to extend the maturity date for the Bonds from 29 August 2014 to 29 August 2015.

Independent Auditors' Report

to the shareholders of Allied Farmers Limited

Report on the Financial Statements

We have audited the financial statements of Allied Farmers Limited ("the Company") on pages 22 to 65, which comprise the balance sheets as at 30 June 2014, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

pwc

Independent Auditors' Report

Allied Farmers Limited

Opinion

In our opinion, the financial statements on pages 22 to 65:

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

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

Emphasis of Matter – Going concern

Without qualifying our opinion, we draw attention to the statement of Accounting Policies on page 39 of the financial statements which indicates that the ability of the Company and the Group to continue as a going concern is dependent upon the ability of the Company and the Group to generate sufficient future cash flows from trading activities, reach agreement with certain creditors, maintain the continued support of the Group's secured lender, and source new funding. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

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

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

Restriction on Use of our Report

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

PricewaterhouseCoopers

Chartered Accountants — Auckland

30 September 2014

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. DipNZSE
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
Fax: 06 765 6195

WEBSITE

www.alliedfarmers.co.nz

AUDITORS

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland 1142

SHARE REGISTRAR

Link Market Services Limited
PO Box 91976
Auckland 1142
Level 16, Brookfields House
19 Victoria Street Auckland

SHAREHOLDER ENQUIRIES

Link Market Services Limited
Ph: 09 375 5998
Fax: 09 375 5990
Email: Lmsenquiries@linkmarketservices.com
PO Box 91976
Auckland 1142
Level 7, 21 Queen Street Auckland 1010