

ALLIED FARMERS LIMITED  
HALF YEAR REPORT 2008





## HALF YEAR HIGHLIGHTS

- Rural division increased operating profit by 23%
- Allied Nationwide Finance received a guarantee under the New Zealand Deposit Guarantee Scheme
- Since launch, approximately 1/3 of New Zealand dairy farmers registered as users of [MyLiveStock.co.nz](https://www.mylivestock.co.nz)

# CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER'S HALF YEAR REPORT

Allied Farmers Limited (Allied Farmers) is pleased to provide this half year report to keep our shareholders informed about the operations of the Group. It is a challenging time globally and although raw results reflect the current economic climate, Allied Farmers has displayed some very positive results in the rural division. This reflects progress in both the well established North Island business base and the recently expanded business in the South Island. We see that there are very good opportunities for continued expansion in our rural business into the future.

## KEY RESULTS

Our rural business performed well and increased its operating profit for the period by 23 percent to \$27 million. However, the half year Group result was impacted by a pre-tax loss from

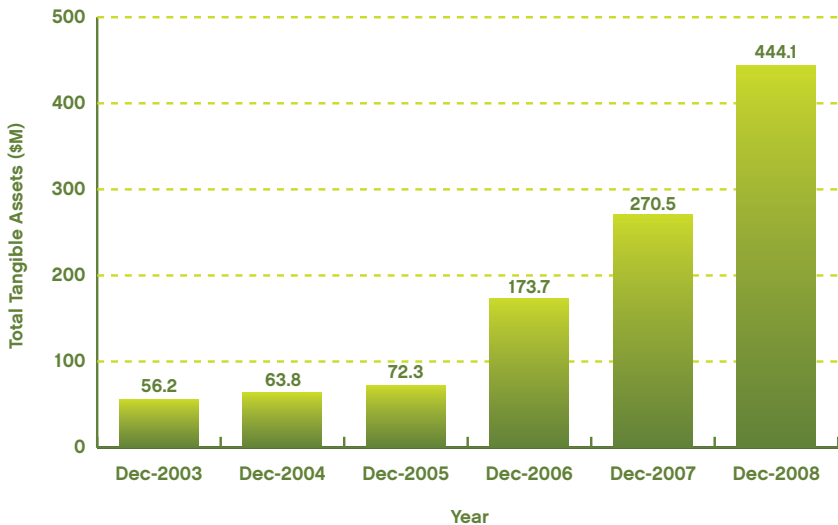
Allied Nationwide Finance of \$2.3 million.

This has resulted in Allied Farmers announcing a first half loss of \$24 million for the period ending 31 December 2008. This compares with a pre-tax profit of \$24 million for the corresponding period last year.

Parent interest costs are down 17% on the same period last year and corporate costs are down marginally. The Group is taking significant steps to reduce its cost structure with reductions achieved in corporate overheads and through the integration of the finance businesses.

The Group result recognises the difficult trading environment being experienced in the economy and the need to ensure that a prudent level of loan provisions exists in the Allied Nationwide loan book.

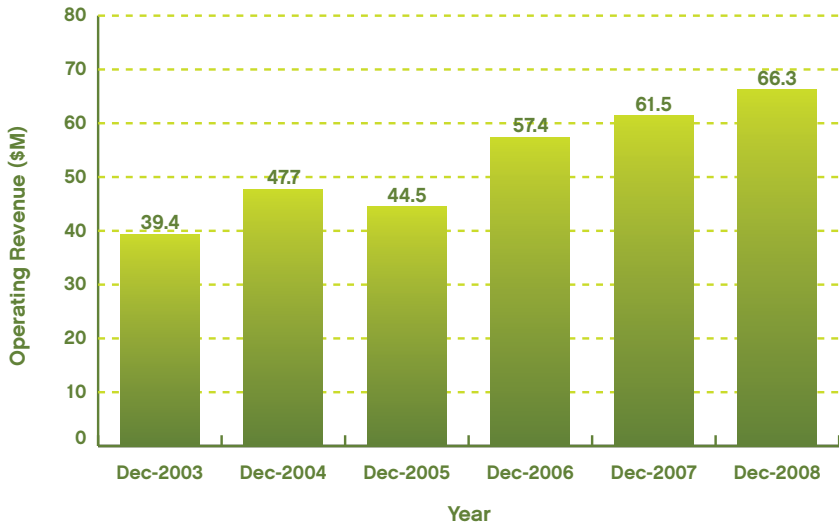
## TOTAL TANGIBLE ASSETS



### TOTAL EQUITY



### OPERATING REVENUE



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## RURAL DIVISION

The traditional business of the Company; livestock trading and the sale of farm merchandise and real estate, continue to perform well in a competitive environment with the 23 percent improvement in profitability coming on top of a 24 percent improvement for the previous period.

There are very good opportunities in this business, despite the current pressures being felt globally. The recent livestock expansion into the South Island has provided a strong base to springboard from, and the appointment late last year of a high calibre executive and subsequent rebuilding of the sales team has returned the Taranaki real estate business to its previous strength. There are also opportunities for expanding the strong Taranaki farm merchandise business into other geographical areas.

MyLiveStock, the on-line livestock trading business that was introduced during the last financial year, is being used by an increasing number of farmers and we now have around one-third of the country's dairy farmers registered as users. The fact that another on-line livestock trading facility has recently been introduced by a competitor can only be positive in terms of growing the awareness of using the internet as part of the process of the sale and purchase of livestock. We see MyLiveStock as the platform for providing a broader range of services into the rural community.

Year on year, we expect to see continued growth in our rural business through further expansion.

## ALLIED NATIONWIDE

Allied Nationwide is working through the challenges in the current environment. It has significantly strengthened its liquidity position and is active in the lending market. Its focus is to position itself for a return to profitability in the 2010 financial year.

Allied Nationwide's result was affected by additional provisioning recognised over the period, the one-off costs associated with the integration of Speirs Finance, and the holding cost of the significant cash reserves.

## DIVIDENDS

The directors have determined that an interim dividend will not be declared at this uncertain time.

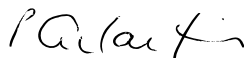
## THANKS

We would like to acknowledge our loyal staff, customers and shareholders. Despite the challenges of the past six months, the structure of both the rural and finance businesses remain sound and the Group's prospects are very good for a return to profitability in the 2010 financial year.



**John Loughlin**

Chairman  
Allied Farmers Ltd



**Paul Macfie**

Group Chief Executive Officer  
Allied Farmers Ltd

# CONSOLIDATED INCOME STATEMENT

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

	Group Dec 2008 6 months \$000	Group Dec 2007 6 months \$000	Parent Dec 2008 6 months \$000	Parent Dec 2007 6 months \$000
<b>Continuing operations</b>				
<b>Revenue</b>				
Sale of goods	40,104	34,810	37,953	34,811
Interest and fee income	25,376	26,004	8,337	8,352
Operating lease income	521	585	-	-
Other income	251	98	907	2,235
<b>Total revenue</b>	<b>66,252</b>	<b>61,497</b>	<b>47,197</b>	<b>45,398</b>
<b>Expenses</b>				
Cost of inventory sold	33,724	29,201	31,614	29,201
Interest and funding expense	14,409	13,149	3,144	3,807
Rental and operating leases	882	594	609	347
Employee benefit expense	8,374	7,696	5,879	5,551
Depreciation and amortisation	1,125	1,226	516	729
Fair value loss on derivatives	54	-	54	-
Loss on revaluation of investment property	100	-	-	-
Other operating expenses	10,824	7,360	3,026	4,720
<b>Total expenses</b>	<b>69,492</b>	<b>59,226</b>	<b>44,842</b>	<b>44,355</b>
Share of profit (loss) from associates	(17)	24	-	-
<b>Profit (loss) before income tax</b>	<b>(3,257)</b>	<b>2,295</b>	<b>2,355</b>	<b>1,043</b>
Income tax expense on continuing operations	1,501	798	2,196	(368)
<b>Net profit (loss) for the period from continuing operations</b>	<b>(4,758)</b>	<b>1,497</b>	<b>159</b>	<b>1,411</b>
<b>Discontinued operations</b>				
<b>Net profit for the period from discontinued operations</b>	<b>859</b>	<b>72</b>	<b>-</b>	<b>-</b>
Income tax expense on discontinued operations	10	24	-	-
<b>Net profit for the period from discontinued operations</b>	<b>849</b>	<b>48</b>	<b>-</b>	<b>-</b>
<b>Net profit (loss) for the period attributable to the equity holders of the Parent Company</b>	<b>(3,909)</b>	<b>1,545</b>	<b>159</b>	<b>1,411</b>
<b>Total earnings per share attributable to the Shareholders of the Parent Company:</b>				
Basic (cents per share)	(19.2)	8.1		
Diluted (cents per share)	(10.8)	7.4		
<b>Earnings per share from continuing operations attributable to the Shareholders of the Parent Company:</b>				
Basic (cents per share)	(23.3)	7.8		
Diluted (cents per share)	(13.4)	7.2		
<b>Earnings per share from discontinued operations attributable to the Shareholders of the Parent Company:</b>				
Basic (cents per share)	4.2	0.3		
Diluted (cents per share)	2.6	0.2		

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

Group	Attributable to the equity holders of the Parent Company				Total equity \$000
	Share capital \$000	Retained earnings \$000	Other reserves \$000	Minority interest* \$000	
<b>Opening balance as at 1 July 2007</b>	12,932	12,530	-	-	25,462
Net profit for the six months ended 31 December 2007	-	1,545	-	-	1,545
Total recognised income and expense for the period	-	1,545	-	-	1,545
Share based payments	39	-	-	-	39
<b>Closing balance as at 31 December 2007</b>	12,971	14,075	-	-	27,046
Net profit for the six months ended 30 June 2008	-	824	-	-	824
Total recognised income and expense for the period	-	824	-	-	824
Dividends paid	-	(477)	-	-	(477)
Share based payments	39	-	-	-	39
Cash flow hedge reserve	-	-	(126)	-	(126)
<b>Closing balance as at 30 June 2008</b>	13,010	14,422	(126)	-	27,306
Net loss for the six months ended 31 December 2008	-	(3,909)	-	-	(3,909)
Total recognised income and expense for the period	-	(3,909)	-	-	(3,909)
Share capital issued	2,222	-	-	-	2,222
Perpetual bonds acquired	-	-	-	13,539	13,539
Share based payments	(48)	-	-	-	(48)
Cash flow hedge reserve	-	-	(3,495)	-	(3,495)
Distribution to minority interests (net of tax)	-	(274)	-	-	(274)
<b>Closing balance as at 31 December 2008</b>	15,184	10,239	(3,621)	13,539	35,341

\* Minority interest relates to perpetual bonds issued by Allied Nationwide Finance Limited that are treated as equity instruments for accounting purposes.

Parent	Attributable to the equity holders of the Parent Company				Total equity \$000
	Share capital \$000	Retained earnings \$000	Other reserves \$000		
<b>Opening balance as at 1 July 2007</b>	12,932	5,604	-	-	18,536
Net profit for the six months ended 31 December 2007	-	1,411	-	-	1,411
Total recognised income and expense for the period	-	1,411	-	-	1,411
Share based payments	39	-	-	-	39
<b>Closing balance as at 31 December 2007</b>	12,971	7,015	-	-	19,986
Net loss for the six months ended 30 June 2008	-	(632)	-	-	(632)
Total recognised income and expense for the period	-	(632)	-	-	(632)
Dividends paid	-	(477)	-	-	(477)
Share based payments	39	-	-	-	39
Cash flow hedge reserve	-	-	(126)	-	(126)
<b>Closing balance as at 30 June 2008</b>	13,010	5,906	(126)	-	18,790
Net profit for the six months ended 31 December 2008	-	159	-	-	159
Total recognised income and expense for the period	-	159	-	-	159
Share capital issued	2,222	-	-	-	2,222
Share based payments	(48)	-	-	-	(48)
Cash flow hedge reserve	-	-	(591)	-	(591)
<b>Closing balance as at 31 December 2008</b>	15,184	6,065	(717)	-	20,532

# CONSOLIDATED BALANCE SHEET

Allied Farmers Limited and Subsidiaries as at 31 December 2008 (unaudited)

	Group Dec 2008 \$000	Group June 2008 \$000	Group Dec 2007 \$000	Parent Dec 2008 \$000	Parent June 2008 \$000	Parent Dec 2007 \$000
<b>Equity</b>						
Share capital	15,184	13,010	12,971	15,184	13,010	12,971
Reserves	6,618	14,296	14,075	5,348	5,780	7,015
	21,802	27,306	27,046	20,532	18,790	19,986
Minority interest	13,539	-	-	-	-	-
<b>Total equity</b>	<b>35,341</b>	<b>27,306</b>	<b>27,046</b>	<b>20,532</b>	<b>18,790</b>	<b>19,986</b>
<b>Non current liabilities</b>						
Deposits	186,989	35,043	71,712	-	-	-
Borrowings	34,221	32,715	34,863	32,230	32,715	34,863
<b>Total non current liabilities</b>	<b>221,210</b>	<b>67,758</b>	<b>106,575</b>	<b>32,230</b>	<b>32,715</b>	<b>34,863</b>
<b>Current liabilities</b>						
Bank (secured)	1,850	1,994	3,112	1,850	1,994	3,112
Trade and other payables	19,028	11,105	14,982	11,763	7,700	10,940
Provisions	1,281	1,500	1,837	779	926	1,109
Subsidiary company advances (net)	-	-	-	250	-	-
Derivative financial instruments	7,208	177	-	1,107	177	-
Deposits	199,470	125,967	143,118	-	-	-
Borrowings	2,197	2,449	272	2,197	2,449	272
<b>Total current liabilities</b>	<b>231,034</b>	<b>143,192</b>	<b>163,321</b>	<b>17,946</b>	<b>13,246</b>	<b>15,433</b>
<b>Total liabilities and shareholders equity</b>	<b>487,585</b>	<b>238,256</b>	<b>296,942</b>	<b>70,708</b>	<b>64,751</b>	<b>70,282</b>
<b>Non current assets</b>						
Property, plant and equipment	13,618	10,651	12,856	8,084	8,513	9,020
Intangible assets	43,474	26,140	26,456	1,196	1,391	1,608
Subsidiary companies (cost)	-	-	-	53,996	43,987	48,030
Loans, advances and finance leases	136,843	39,108	56,181	-	-	-
Investments accounted for using the equity method	176	193	174	193	193	174
Investment property	2,000	-	-	-	-	-
Available-for-sale financial assets	130	130	120	130	130	120
Deferred taxation	6,279	6,150	4,809	-	3,342	2,407
<b>Total non current assets</b>	<b>202,520</b>	<b>82,372</b>	<b>100,596</b>	<b>63,599</b>	<b>57,556</b>	<b>61,359</b>
<b>Current assets</b>						
Cash and cash equivalents	86,340	27,389	41,824	23	21	22
Trade and other receivables	25,921	17,794	23,365	1,489	325	951
Loans, advances and finance leases	165,972	103,476	122,869	-	-	-
Subsidiary company advances (net)	-	-	-	-	557	1,566
Current taxation	214	25	1,441	25	25	43
Inventory	5,572	6,267	6,498	5,572	6,267	6,341
Assets held for resale	1,046	933	349	-	-	-
<b>Total current assets</b>	<b>285,065</b>	<b>155,884</b>	<b>196,346</b>	<b>7,109</b>	<b>7,195</b>	<b>8,923</b>
<b>Total assets</b>	<b>487,585</b>	<b>238,256</b>	<b>296,942</b>	<b>70,708</b>	<b>64,751</b>	<b>70,282</b>

# CONSOLIDATED CASH FLOW STATEMENT

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

	Group Dec 2008 6 months \$000	Group Dec 2007 6 months \$000	Parent Dec 2008 6 months \$000	Parent Dec 2007 6 months \$000
<b>Cash Flows from Operating Activities</b>				
<b>Cash was provided from:</b>				
Receipts from customers	42,653	45,249	48,706	46,378
Interest received	15,882	15,179	970	1,007
Dividends received	-	-	-	2,158
Deferred tax	-	-	1,400	2,715
Income tax refunded	-	1,950	-	1,130
	<b>58,535</b>	<b>62,378</b>	<b>51,076</b>	<b>53,388</b>
<b>Cash was applied to:</b>				
Payments to suppliers and employees	(48,805)	(47,122)	(42,535)	(41,480)
Interest paid	(11,417)	(10,781)	(3,156)	(3,807)
Tax paid	(200)	-	-	-
	<b>(60,422)</b>	<b>(57,903)</b>	<b>(45,691)</b>	<b>(45,287)</b>
<b>Net cash flows from operating activities</b>	<b>(1,887)</b>	<b>4,475</b>	<b>5,385</b>	<b>8,101</b>
<b>Cash Flows from Investing Activities</b>				
<b>Cash was provided from:</b>				
Asset sales	2,131	487	953	230
Sale of business activity	1,500	-	-	-
Repayment of investment in subsidiary	-	-	-	5,395
Sale of loans, advances and finance leases	-	1,768	-	780
Net decrease in loans and advances*	41,591	38,628	-	-
Net decrease in accounts receivable acquired	3,250	-	-	-
	<b>48,472</b>	<b>40,883</b>	<b>953</b>	<b>6,405</b>
<b>Cash was applied to:</b>				
Investments other	-	(59)	-	(59)
Net advances to (from) subsidiaries	-	-	3,278	(14,715)
Purchase of receivable	-	-	(750)	-
Acquisition of subsidiary net of cash acquired	4,405	-	(7,837)	-
Purchase of property, plant and equipment and intangible assets	(1,822)	(730)	(72)	(310)
	<b>2,583</b>	<b>(789)</b>	<b>(5,381)</b>	<b>(15,084)</b>
<b>Net cash flows from investing activities</b>	<b>51,055</b>	<b>40,094</b>	<b>(4,428)</b>	<b>(8,679)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Cash was provided from:</b>				
Net increase (decrease) in deposits*	18,116	(48,498)	-	(2,963)
Borrowings	2,000	-	-	-
	<b>20,116</b>	<b>(48,498)</b>	<b>-</b>	<b>(2,963)</b>
<b>Cash was applied to:</b>				
Borrowings	(811)	(2,897)	(811)	-
Net decrease in borrowings acquired	(3,000)	-	-	-
Distribution to perpetual bond holders	(408)	-	-	-
Net decrease in commercial paper*	(5,970)	-	-	-
	<b>(10,189)</b>	<b>(2,897)</b>	<b>(811)</b>	<b>-</b>
<b>Net cash flows from financing activities</b>	<b>9,927</b>	<b>(51,395)</b>	<b>(811)</b>	<b>(2,963)</b>

# CONSOLIDATED CASH FLOW STATEMENT contd.

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

	Group Dec 2008 6 months \$000	Group Dec 2007 6 months \$000	Parent Dec 2008 6 months \$000	Parent Dec 2007 6 months \$000
Net decrease in cash and cash equivalents	59,095	(6,826)	146	(3,541)
Add opening cash and cash equivalents brought forward	25,395	45,538	(1,973)	451
<b>Ending cash and cash equivalents carried forward</b>	<b>84,490</b>	<b>38,712</b>	<b>(1,827)</b>	<b>(3,090)</b>
Cash consists of:				
<b>Cash and cash equivalents in Consolidated Balance Sheet</b>	<b>84,490</b>	<b>38,712</b>	<b>(1,827)</b>	<b>(3,090)</b>
* These items are respectively netted in the cash flow statement above. The reason for this is that they are significant cash flows that reflect the activities of the Group's customers rather than those of the Group itself.				
<b>Reconciliation of net profit after tax for the period with cash flow from operating activities</b>				
Net profit (loss) after tax for the period	(3,909)	1,545	159	1,411
Add (less) non cash items				
Depreciation	947	994	384	572
Amortisation of intangibles	211	260	132	157
Bad debt provision / impairment	-	(41)	(2,884)	(36)
Share based payments	(48)	39	(57)	30
Amortisation of capital notes expenses	74	78	74	78
Fair value loss on derivatives	54	-	54	-
Loss on revaluation of investment property	100	-	-	-
Share of (profit) loss from associates	17	-	-	-
Income tax	10	-	-	-
Provision for impaired asset	3,343	1,289	503	-
Deferred taxation	1,357	2,188	3,596	2,347
	6,065	4,807	1,802	3,148
Items classified as investing activities				
Capitalisation of interest earned	(2,240)	(2,127)	-	-
(Profit) loss on asset sales	(664)	(42)	(773)	(48)
Profit on sale of loans, advances and finance leases	-	(780)	-	(780)
	(2,904)	(2,949)	(773)	(828)
Items included in equity				
Income tax benefit on equity items	134	-	-	-
Items classified as financing activities				
Deposit Interest capitalised	2,439	2,249	-	-
Movement in working capital				
Increase (decrease) in deferred fee income	204	(262)	-	-
Decrease (increase) in deferred brokerage	(4,484)	615	-	-
Decrease (increase) in trade and other receivables	(8,903)	1,640	(414)	5,746
(Increase) in investments in associates	-	(21)	-	(24)
(Increase) in intangibles	-	(64)	-	(64)
Increase (decrease) in payables	7,700	(4,007)	3,928	(2,680)
Increase (decrease) in accrued interest	38	(113)	(12)	-
Decrease (increase) in taxation	(189)	584	-	1,130
Decrease (increase) in inventory	695	451	695	262
Adjust for increase in working capital items arising from acquisition**	1,227	-	-	-
	(3,712)	(1,177)	4,197	4,370
<b>Net cash inflows from operating activities</b>	<b>(1,887)</b>	<b>4,475</b>	<b>5,385</b>	<b>8,101</b>

\*\* Working capital assets were acquired on acquisition of Speirs Finance Limited and included as part of the assets and liabilities reported under note 3. These are adjusted out of movements in working capital above to reflect the non-cash nature of this acquisition and non-generation of profits from these working capital assets and liabilities acquired.

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# STATEMENT OF ACCOUNTING POLICIES

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

## BASIS OF PREPARATION

Allied Farmers Limited and Subsidiaries is a diversified rural services group, with its predominant activities comprising the sale of livestock and rural merchandise, and providing rural, property, commercial and business finance to borrowers throughout New Zealand.

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

Level 1, 74 Princes Street  
Hawera  
New Zealand

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

On 30 September 2008 Allied Farmers Limited acquired Speirs Finance Limited and immediately amalgamated it with Allied Nationwide Finance Limited. As a result of this amalgamation Allied Nationwide Finance Limited became the originator and administrator in respect of the securitisation programme operated by Speirs Securities Limited.

Allied Nationwide Finance Limited does not hold any shares in Speirs Securities Limited. However, Speirs Securities Limited is a subsidiary of the company by virtue of the securitisation arrangements that attribute significant risks and rewards from the business of Speirs Securities Limited to the company.

The consolidated financial statements of the Group for the period ended 31 December 2008 comprise Allied Farmers Limited (the "Parent Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

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

## ACCOUNTING POLICIES

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for the year ended 30 June 2008, with the following additions:

Operating revenue and expenses

Management fees

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

Investment property

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is measured at fair value with any change therein recognised in the income statement.

Perpetual Allied Nationwide Finance Limited Bonds

Perpetual Allied Nationwide Finance Limited Bonds are issued in perpetuity and are redeemable by Allied Nationwide Finance Limited, at its option, at a future date. Interest is payable at the discretion of the Directors of Allied Nationwide Finance Limited. Accordingly the bonds are classified as equity, with interest recognised as a distribution within the statement of changes in equity. As the bonds are equity instruments not attributable to equity holders of the Parent Company they are recognised as a minority interest in the Group Balance Sheet.

Perpetual Allied Nationwide Finance Limited Bonds issued to Speirs Group Limited as part of the acquisition of Speirs Finance Limited are subject to put and call options. These bonds are classified as debt within the Group balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

## 1. FINANCIAL INFORMATION ON SEGMENTS OF THE BUSINESS

At 31 December 2008, the Group is organised into two main business segments, Rural Services and Financial Services.

Rural Services comprises Livestock, Merchandise and Real Estate operations. The Group's Rural Services activities are carried out in Taranaki, Waikato, King Country, Manawatu and the South Island. Rural Services also includes the Group's Wool Broking operations.

The Group's Financial Services activities are carried out by Allied Nationwide Finance Limited in Auckland, Palmerston North, Wellington and Christchurch.

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

The Group's discontinued operations comprise the following:

Timber processing – on 31 May 2007, the Group announced that it was closing the sawmill operation of Allied Pine Limited in Wanganui, and as at 30 June 2007 the business was in the process of being wound up. A sale of property, plant and equipment, being all remaining assets of Allied Pine Limited, for \$808,000 (cash), was settled on 12 February 2008. The property, plant and equipment comprised buildings, plant and equipment and motor vehicles with a net book value of \$226k, the sale resulted in a net gain of \$602k.

Wool broking – on 2 July 2008 the Group announced that it had sold the wool broking business of Allied Farmers Wools Limited to The Wool Company Limited, effective 30 June 2008. The sale, which comprised inventory (\$234k), debtors (\$40k), creditors (\$145k), and the operational fixed assets of the business (net book value \$134k) was for \$1.5 million (cash) and was settled on 18 July 2008. The residual property, plant and equipment comprised land and buildings with a net book value of \$630k. The sale of the land and buildings for \$1.45 million (cash), was settled on 28 November 2008, resulting in a net gain of \$789k.

The segment results for the six months ended 31 December 2008 are as follows:

	Revenue \$000	Depreciation and amortisation \$000	Net impairment loss on financial assets \$000	Other expenses \$000	Share of profit (loss) from Associates \$000	Profit before income tax \$000	Income tax \$000	Profit after income tax \$000
<b>Continuing operations</b>								
Operating activities								
Rural Services	48,523	(452)	-	(45,350)	(17)	2,704	-	2,704
Financial Services	19,062	(572)	(3,343)	(17,467)	-	(2,320)	-	(2,320)
<b>Total operating activities</b>	<b>67,585</b>	<b>(1,024)</b>	<b>(3,343)</b>	<b>(62,817)</b>	<b>(17)</b>	<b>384</b>	<b>-</b>	<b>384</b>
Corporate and funding costs								
Corporate revenue	-	-	-	-	-	-	-	-
Corporate expenses	-	(101)	-	(1,650)	-	(1,751)	(1,501)	(3,252)
Corporate funding costs	-	-	-	(1,890)	-	(1,890)	-	(1,890)
Intragroup adjustments	(1,333)	-	-	1,333	-	-	-	-
<b>Total corporate and funding costs</b>	<b>(1,333)</b>	<b>(101)</b>	<b>-</b>	<b>(2,207)</b>	<b>-</b>	<b>(3,641)</b>	<b>(1,501)</b>	<b>(5,142)</b>
<b>Group continuing activities</b>	<b>66,252</b>	<b>(1,125)</b>	<b>(3,343)</b>	<b>(65,024)</b>	<b>(17)</b>	<b>(3,257)</b>	<b>(1,501)</b>	<b>(4,758)</b>
	Revenue \$000	Gain on sale of business \$000	Gain on sale of assets \$000	Depreciation and amortisation \$000	Other expenses \$000	Profit before income tax \$000	Income tax \$000	Profit after income tax \$000
<b>Discontinued operations</b>								
Timber processing	-	-	-	-	-	-	-	-
Rural Services*	73	-	789	-	(3)	859	(10)	849
	<b>73</b>	<b>-</b>	<b>789</b>	<b>-</b>	<b>(3)</b>	<b>859</b>	<b>(10)</b>	<b>849</b>

\*The Group's discontinued Wool Broking operations, a component of the Group's Rural Services segment, are detailed under discontinued operations.

# NOTES TO THE FINANCIAL STATEMENTS contd.

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

The segment assets and liabilities at 31 December 2008 and capital expenditure for the six months then ended are as follows:

	Assets \$000	Investment in Associates \$000	Total assets \$000	Liabilities \$000	Capital expenditure \$000
<b>Continuing operations</b>					
Operating activities					
Rural Services	15,217	176	15,393	15,399	57
Financial Services	430,411	-	430,411	400,151	1,753
<b>Total operating activities</b>	<b>445,628</b>	<b>176</b>	<b>445,804</b>	<b>415,550</b>	<b>1,810</b>
Corporate and funding					
Corporate	55,855	-	55,855	36,944	15
Intragroup adjustment	(14,074)	-	(14,074)	(250)	-
<b>Total corporate and funding</b>	<b>41,781</b>	<b>-</b>	<b>41,781</b>	<b>36,694</b>	<b>15</b>
Group continuing operations	487,409	176	487,585	452,244	1,825
<b>Discontinued operations</b>					
Timber processing	-	-	-	-	-
Rural Services*	-	-	-	-	-
	-	-	-	-	-
<b>Total Group</b>	<b>487,409</b>	<b>176</b>	<b>487,585</b>	<b>452,244</b>	<b>1,825</b>

The segment results for the six months ended 31 December 2007 are as follows:

	Revenue \$000	Depreciation and amortisation \$000	Net impairment loss on financial assets \$000	Other expenses \$000	Share of profit (loss) from Associates \$000	Profit before income tax \$000	Income tax \$000	Profit after income tax \$000
<b>Continuing operations</b>								
Operating activities								
Rural Services	43,216	(648)	-	(40,459)	24	2,133	-	2,133
Financial Services	20,216	(498)	(1,290)	(14,982)	-	3,446	-	3,446
<b>Total operating activities</b>	<b>63,432</b>	<b>(1,146)</b>	<b>(1,290)</b>	<b>(55,441)</b>	<b>24</b>	<b>5,579</b>	<b>-</b>	<b>5,579</b>
Corporate and funding costs								
Corporate revenue	-	-	-	-	-	-	-	-
Corporate expenses	-	(80)	-	(739)	-	(819)	(798)	(1,617)
Corporate funding costs	-	-	-	(1,828)	-	(1,828)	-	(1,828)
Intragroup adjustments	(1,935)	-	-	1,298	-	(637)	-	(637)
<b>Total corporate and funding costs</b>	<b>(1,935)</b>	<b>(80)</b>	<b>-</b>	<b>(1,269)</b>	<b>-</b>	<b>(3,284)</b>	<b>(798)</b>	<b>(4,082)</b>
Group continuing activities	61,497	(1,226)	(1,290)	(56,710)	24	2,295	(798)	1,497
<b>Discontinued operations</b>								
Timber processing	62	-	-	-	(25)	37	(12)	25
Rural Services*	658	-	-	(28)	(595)	35	(12)	23
	720	-	-	(28)	(620)	72	(24)	48

\*The Group's discontinued Wool Broking operations, a component of the Group's Rural Services segment, are detailed under discontinued operations.

## NOTES TO THE FINANCIAL STATEMENTS contd.

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

**The segment assets and liabilities at 31 December 2007 and capital expenditure for the six months then ended are as follows:**

	Assets \$'000	Investment in Associates \$'000	Total assets \$'000	Liabilities \$'000	Capital expenditure \$'000
<b>Continuing operations</b>					
Operating activities					
Rural Services	14,616	174	14,790	13,597	95
Financial Services	249,769	-	249,769	219,664	252
<b>Total operating activities</b>	<b>264,385</b>	<b>174</b>	<b>264,559</b>	<b>233,261</b>	<b>347</b>
Corporate and funding					
Corporate	52,046	-	52,046	35,135	-
Intragroup adjustment	(23,140)	-	(23,140)	-	-
<b>Total corporate and funding</b>	<b>28,906</b>	<b>-</b>	<b>28,906</b>	<b>35,135</b>	<b>-</b>
Group continuing operations	293,291	174	293,465	268,396	347
<b>Discontinued operations</b>					
Timber processing	1,004	-	1,004	22	-
Rural Services*	2,473	-	2,473	1,478	25
	3,477	-	3,477	1,500	25
<b>Total Group</b>	<b>296,768</b>	<b>174</b>	<b>296,942</b>	<b>269,896</b>	<b>372</b>

## 2. SECURITISATION

Following the acquisition of Speirs Finance Limited and its amalgamation with Allied Nationwide Finance Limited discussed in note 3, Allied Nationwide Finance Limited is party to a securitisation arrangement with the Bank of New Zealand and Speirs Securities Limited. Under the terms of this arrangement, Speirs Securities Limited purchases the rights to future cash flows from eligible finance receivables originated by Allied Nationwide Finance Limited. The purchase of these rights by Speirs Securities Limited is funded by the issue of ninety-day commercial paper in the wholesale money market. These issues are supported by standby facilities provided by the Bank of New Zealand (currently up to \$150,000,000) which guarantees funding should it not be possible to roll over ninety-day commercial paper on maturity. The interest rate risk to Speirs Securities Limited arising from the funding of fixed rate receivables with ninety-day commercial paper is managed through the use of interest rate swaps.

This arrangement has the effect of providing Allied Nationwide Finance Limited with access to competitively priced and limited but certain funding from money markets within New Zealand. The future repayment commitments associated with this funding are precisely matched with the forward receipts due to the Group from client counter-parties.

Allied Nationwide Finance Limited charges fees to Speirs Securities Limited for the administration of the general affairs of Speirs Securities Limited, including the collection and payment of the acquired cash flows and is required to provide funds on a continuing basis to Speirs Securities Limited by way of subordinated debt.

The Shareholders of Speirs Securities Limited are unrelated to the Group.

## 3. INVESTMENT IN SUBSIDIARIES

The Parent investment in subsidiaries comprises shares at cost.

### Acquisition of subsidiaries

On 30 September 2008, Allied Farmers Limited purchased 100% of the share capital of Speirs Finance Limited for consideration of \$5.255m. Speirs Finance Limited was a finance company operating in the Manawatu and Wellington areas.

On 30 September 2008, Allied Nationwide Finance Limited, and Speirs Finance Limited were amalgamated, with Allied Nationwide Finance Limited being the continuing entity.

# NOTES TO THE FINANCIAL STATEMENTS contd.

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

## Summary of the effect of acquisition of subsidiary

	Speirs Finance Ltd \$000
Cash and cash equivalents	8,342
Loans, advances and finance leases	203,001
Amount due from Speirs Group Limited	4,000
Other assets	7,753
<b>Total assets</b>	<b>223,096</b>
Borrowings	211,136
Loan Facility	3,000
Other liabilities	5,981
<b>Total liabilities</b>	<b>220,117</b>
Net assets	2,979
Perpetual bonds	13,539
Retained earnings	(10,560)
	<u>2,979</u>
Fair value of net assets acquired in Speirs Finance Limited and Group	(9,800)
Cost of acquisition settled in cash / bonds	3,000
Cost of acquisition settled in shares (1,851,852)	2,222
Cost of options issued	33
<b>Total consideration</b>	<b>5,255</b>
Acquisition costs	230
<b>Total cost</b>	<b>5,485</b>
Goodwill arising on acquisition	15,285

The revenue added by the acquisition in the three months from 1 October 2008 is \$6,537,000 to the Group. It is impractical to attribute the profit attributable to the acquisition of Speirs Finance Limited as it was amalgamated with Allied Nationwide Finance Limited upon acquisition.

## Amalgamation of subsidiaries

On 22 December 2008, the following wholly owned subsidiaries of Allied Farmers Limited were amalgamated: The West Coast Mortgage and Deposit Company Limited, Allied Farmers Wools Limited, Allied Pine Limited and Brixton Solutions Limited, with The West Coast Mortgage and Deposit Company Limited being the continuing entity.

Prior to the amalgamation additional capital was introduced into The West Coast Mortgage and Deposit Company Limited to ensure that it was adequately capitalised throughout the amalgamation process.

## Summary of the effect of amalgamation of subsidiaries

	\$000
Release of provision for intercompany loan	2,884
Impairment of investment in The West Coast Mortgage and Deposit Company Limited	(472)
Net impact upon Parent profit	2,412
Consolidation eliminations	(2,412)
Net impact upon Group profit	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS contd.

Allied Farmers Limited and Subsidiaries for the six months ended 31 December 2008 (unaudited)

## 4. TAXATION

During the period the Parent has derecognised the deferred tax asset from the balance sheet on the basis that it is uncertain whether future taxable amounts will be available to utilise the temporary timing differences and unused tax losses. This resulted in a charge of \$2,148,000 to the Income Statement.

## 5. RELATED PARTY TRANSACTIONS

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

The arrangement by which the Parent has sold debts owed to it by external debtors and borrowers under ongoing factoring arrangements to Allied Nationwide Finance Limited continues on arms length terms.

Income tax obligations of subsidiaries are managed at a Group level. During the six months ended 31 December 2008, Allied Nationwide Finance Limited paid \$1,400,000 to the Parent in anticipation of income tax loss offsets against current and future period taxable profits. The Parent is required to repurchase any unutilised tax losses.

On 22 December 2008, the following wholly owned subsidiaries of Allied Farmers Limited were amalgamated: The West Coast Mortgage and Deposit Company Limited, Allied Farmers Wools Limited, Allied Pine Limited and Brixton Solutions Limited, with The West Coast Mortgage and Deposit Company Limited being the continuing entity. The impact of the amalgamation is summarised in note 3.

During the period ended 31 December 2008, the Parent sold the Allied Farmers fuel card assets to Allied Nationwide Finance Limited for \$850,000. The transaction included the sale of receivables of \$362,589. The transaction was settled by cash consideration. The Parent recognised a gain on sale of \$850,000 within Other income, which eliminates upon consolidation of the Group.

During the period ended 31 December 2008, Allied Nationwide Finance Limited issued 3,900,000 shares to the Parent, for cash consideration of \$1 per share.

During the period ended 31 December 2008, the Parent purchased from Allied Nationwide Finance Limited debts owed by Speirs Group Limited of \$750,000 for cash consideration.

Certain Directors of Allied Farmers Limited have trading transactions with the Group. These transactions take place on normal trading terms and are on an arms length basis. The value of these transactions is not material.

The Group conducts transactions with Associates in the course of its rural activities, which take place on normal trading terms and are on an arms length basis. The value of these transactions is not material.

## 6. DIVIDENDS

During the period Allied Farmers Limited declared bonus issues (19 September 2008 - 1 new share for every 51 shares held, and 12 December 2008 - 1 new share for every 36 shares held) totalling \$1,009,756. The total number of shares on issue as at 31 December 2008 is 21,896,221.

There was no impact upon equity.

## 7. EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matter or circumstance subsequent to balance date, not otherwise dealt with in this report or the financial statements, that has significantly affected or may significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group.

# COMPANY DIRECTORY

## THE DIRECTORS OF THE COMPANY

**John J Loughlin** MBA, BCA, CA, FCSAP,  
ACIS, FAII, FNZIM (Chairman)  
267 Te Mata Mangateretere Road  
Havelock North 4294

**Peter L Cook** DipAg (Deputy Chairman)  
642 Raupuha Road, RD 22  
Stratford 4392

**Garry C Bluett** BMS, CA  
8 St Leonards Road  
Takapuna  
Auckland 0624

**Ross JC Dunlop** DipMgmt, JP  
8 Ohawe Road  
Hawera 4671

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

**G Andrew McDouall** BCA, DipNZX  
5 Fancourt Street  
Karori  
Wellington 6010

## REGISTERED OFFICE OF THE COMPANY

74 Princes Street  
Hawera 4610

## Wellington Office

Level 15  
142 Lambton Quay  
Wellington 6011

## WEBSITE

[www.alliedfarmers.co.nz](http://www.alliedfarmers.co.nz)

## SOLICITORS

### Welsh McCarthy

46 High Street  
PO Box 434  
Hawera 4640

### Morrison Daly

Level 14  
45 Johnston Street  
PO Box 10341  
Wellington 6143

## Quigg Partners

Level 7  
The Todd Building  
28 Brandon Street The Terrace  
PO Box 3035  
Wellington 6140

## EXECUTIVES OF THE COMPANY

**Paul A Macfie** BAgCom  
Group Chief Executive Officer

**Hayden J Monk** CA, BBS  
Acting Group Chief Financial Officer

**William L Giesbers** CA, FCIS, AFNZIM, CTP  
Group Company Secretary

**John D Mallon** CA  
Chief Executive,  
Allied Nationwide Finance Limited

**Andrew N Quayle** BBS  
Group Marketing and Strategy Manager

**Barry White**  
Group Chief Information Officer

## POSTAL ADDRESS OF THE COMPANY

PO Box 423  
Hawera 4640  
Ph: 06 278 0800  
Fax: 06 278 0380

## AUDITORS

### PricewaterhouseCoopers

113-119 The Terrace  
PO Box 243  
Wellington 6140

## SHARE REGISTRAR

### Link Market Services Limited

138 Tancred Street  
PO Box 384  
Ashburton 7740

## SHAREHOLDER ENQUIRIES

### Link Market Services Limited

Ph: 03 308 8887  
Email: [info@linkmarketservices.com](mailto:info@linkmarketservices.com)  
138 Tancred Street  
PO, Box 384  
Ashburton 7740







ALLIED FARMERS LIMITED

Trading as

Taranaki Farmers

King Country Farmers

Allied Farmers Livestock

Allied Nationwide Finance Limited

Allied Farmers First National

(New Plymouth, Stratford and Hawera)

**ALLIED FARMERS LIMITED**