ALLIED FARMERS LIMITED

INTERIM FINANCIAL REPORT

For the six month period ended 31 December 2010

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Contents | **Page**

Consolidated Income Statement

Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2010 (unaudited)

	Note	**Group Dec 2010 6 months $000**	Group Dec 2009 6 months $000
Continuing operations			
Revenue			
Sale of goods		**20,192**	26,022
Interest and fee income		**8,427**	7,410
		28,619	33,432
Fair value gain (loss) on derivatives		**(95)**	65
Other income		**231**	70
		136	135
Total income		**28,755**	33,567
Expenses			
Cost of inventory sold		**16,991**	22,189
Interest and funding expense		**5,187**	2,232
Rental and operating leases		**687**	684
Employee benefit expense		**5,505**	5,327
Depreciation and amortisation		**379**	382
Business acquisition costs		**-**	1,313
Share allocation adjustments	9	**(444)**	3,810
Impairment of goodwill		**60**	3,841
Impairment of ex Hanover Finance and United Finance assets	2	**12,624**	-
Other operating expenses		**7,268**	6,871
Total expenses		**48,257**	46,649
Share of profit (loss) from associates		**-**	6
Loss before income tax		**(19,502)**	(13,076)
Income tax expense on continuing operations		**-**	1,389
Net loss for the period from continuing operations		**(19,502)**	(14,465)
Discontinued operation*			
Revenue		**4,238**	20,171
Expenses		**4,362**	21,877
		(124)	(1,706)
Loss on receivership of discontinued operation		**(937)**	-
Loss before income tax		**(1,061)**	(1,706)
Income tax credit on discontinued operations		**-**	(494)
Net loss for the period from discontinued operations		**(1,061)**	(1,212)
Net loss for the period attributable to the equity holders of the Parent Company		**(20,563)**	(15,677)

* The discontinued operation of the Group relates to the Financial Services activities of the Group carried out by Allied Nationwide Finance Limited which was placed in receivership on 20 August 2010. The 2009 comparatives in the Consolidated Income Statement have been adjusted to treat the Financial Services activities as a discontinued operation.

Consolidated Income Statement continued

Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2010 (unaudited)

	Group Dec 2010 6 months	Group Dec 2009 6 months
Total earnings per share attributable to the equity holders of the Parent Company:		
Basic (cents per share)	**(1.02)**	(8.55)
Diluted (cents per share)	**(1.02)**	(8.55)
Earnings per share from continuing operations attributable to the equity holders of the Parent Company:		
Basic (cents per share)	**(0.97)**	(7.89)
Diluted (cents per share)	**(0.97)**	(7.89)
Earnings per share from discontinued operations attributable to the equity holders of the Parent Company:		
Basic (cents per share)	**(0.05)**	(0.66)
Diluted (cents per share)	**(0.05)**	(0.66)

Consolidated Statement of Comprehensive Income

Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2010 (unaudited)

	Group Dec 2010 6 months $000	Group Dec 2009 6 months $000
Net loss for the period attributable to the equity holders of the Parent Company	**(20,563)**	(15,677)
Other comprehensive income		
Cash flow hedges (net of tax)	**-**	1,947
Other comprehensive income for the period	**-**	1,947
Total comprehensive income for the period attributable to the equity holders of the Parent Company	**(20,563)**	(13,730)

Consolidated Statement of Changes in Equity

Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2010 (unaudited)

Group	Note	Share capital $000	Retained earnings $000	Cash flow hedge reserve $000	Minority interest $000	Total equity $000
		Attributable to the equity holders of the Parent Company				
Opening balance as at 1 July 2009		21,113	(20,595)	(4,050)	13,539	10,007
Comprehensive income						
Net loss for the six months ended 31 December 2009		-	(15,677)	-	-	(15,677)
Cash flow hedge reserve (net of tax)		-	-	1,947	-	1,947
Total comprehensive income		-	(15,677)	1,947	-	(13,730)
Transactions with owners						
Share capital issued at fair value	3	175,520	-	-	-	175,520
Share-based payments		14	-	-	-	14
Unpresented dividend payments forfeited		-	107	-	-	107
Distribution to minority interests (net of tax)		-	(504)	-	-	(504)
Total transactions with owners		175,534	(397)	-	-	175,137
Closing balance as at 31 December 2009		196,647	(36,669)	(2,103)	13,539	171,414
Comprehensive income						
Net loss for the six months ended 30 June 2010		-	(61,910)	-	-	(61,910)
Cash flow hedge reserve (net of tax)		-	-	933	-	933
Total comprehensive income		-	(61,910)	933	-	(60,977)
Transactions with owners						
Share capital acquisition date fair value adjustment	3	(65,545)	-	-	-	(65,545)
Share-based payments		12	-	-	-	12
Unpresented dividend payments forfeited		-	24	-	-	24
Distribution to minority interests (net of tax)		-	(463)	-	-	(463)
Total transactions with owners		(65,533)	(439)	-	-	(65,972)
Closing balance as at 30 June 2010		131,114	(99,018)	(1,170)	13,539	44,465
Comprehensive income						
Net loss for the six months ended 31 December 2010		-	(20,563)	-	-	(20,563)
Cash flow hedge reserve (net of tax)		-	-	-	-	-
Total comprehensive income		-	(20,563)	-	-	(20,563)
Transactions with owners						
Share capital issued at fair value	3	1,305	-	-	-	1,305
Allied Nationwide Finance Limited - Receivership Adjustment		-	-	1,170	(13,539)	(12,369)
Unpresented dividend payments forfeited		-	55	-	-	55
Total transactions with owners		1,305	55	1,170	(13,539)	(11,009)
Closing balance as at 31 December 2010		132,419	(119,526)	-	-	12,893

Consolidated Balance Sheet

Allied Farmers Limited and Subsidiaries
As at 31 December 2010 (unaudited)

	Note	**Group Dec 2010 $000**	Group Pro-forma* Jun 2010 $000	Group Jun 2010 $000	Group Dec 2009 $000
Equity					
Share capital	3	**132,419**	131,114	131,114	196,647
Reserves		**(119,526)**	(100,079)	(100,188)	(38,772)
		12,893	31,035	30,926	157,875
Minority interest		**-**	-	13,539	13,539
Total equity		**12,893**	31,035	44,465	171,414
Liabilities					
Bank overdraft (secured)		**-**	1,677	1,677	2,605
Trade and other payables	4	**18,024**	19,498	24,256	21,823
Borrowings - Westpac New Zealand Limited (secured)	5	**-**	16,500	16,500	19,500
Borrowings - Allied Nationwide Finance Limited (in receivership) (secured)	6	**19,105**	12,316	-	-
Borrowings - Capital notes and bonds	7	**12,473**	12,398	14,298	14,240
Borrowings - Property assets (secured)	8	**13,292**	44,266	44,266	45,969
Provision for share allocation adjustments	9	**4,801**	4,300	4,300	3,810
Derivative financial instruments		**1,613**	1,518	2,732	4,071
Deposits		**-**	-	225,893	295,415
Total liabilities		**69,308**	112,473	333,922	407,433
Total liabilities and shareholders equity		**82,201**	143,508	378,387	578,847
Assets					
Cash and cash equivalents		**543**	646	10,565	35,514
Trade and other receivables		**8,114**	3,514	21,757	25,645
Loans, advances and finance leases	10	**35,567**	43,677	245,084	362,638
Inventory - Merchandise		**3,221**	5,631	5,631	4,464
Inventory - Property	11	**25,105**	38,067	38,067	109,037
Derivative financial instruments		**46**	46	-	-
Assets held for resale		**676**	669	1,206	2,891
Investment property		**934**	41,907	43,792	1,900
Current taxation		**3**	21	93	207
Investments accounted for using the equity method		**248**	248	248	217
Property, plant and equipment		**6,661**	7,832	10,473	10,183
Intangible assets	13	**1,083**	1,250	1,471	19,792
Deferred taxation		**-**	-	-	6,359
Total assets		**82,201**	143,508	378,387	578,847

* The Group Pro-forma column as at 30 June 2010 represents the consolidated Group without Allied Nationwide Finance Limited which was placed in receivership on 20 August 2010.

Consolidated Statement of Cash Flows

Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2010 (unaudited)

	Note	Group Dec 2010 6 months $000	Group Dec 2009 6 months $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		**23,046**	29,596
Interest received		**4,184**	21,041
Net decrease in loans and advances*		**31,077**	11,651
		58,307	62,288
Cash was applied to:			
Payments to suppliers and employees		**(25,966)**	(38,011)
Interest paid		**(8,681)**	(12,651)
		(34,647)	(50,662)
Net cash flows from (used in) operating activities		**23,660**	11,626
Cash Flows from Investing Activities			
Cash was provided from:			
Asset sales		**26,083**	1,333
Acquisition of subsidiary net of cash acquired and acquisition expenses		**-**	6,207
		26,083	7,540
Cash was applied to:			
Investments in associates / other		**-**	(7)
Cash held by subsidiaries as at date of receiverships		**(6,756)**	-
Purchase of property, plant and equipment and intangible assets		**(8)**	(283)
		(6,764)	(290)
Net cash flows from (used in) investing activities		**19,319**	7,250
Cash Flows from Financing Activities			
Cash was provided from:			
Issue of ordinary shares	3	**2,250**	-
		2,250	**-**
Cash was applied to:			
Borrowings		**(31,878)**	(1,549)
Distribution to perpetual bond holders		**-**	(755)
Net decrease in deposits*		**(16,080)**	(26,660)
Net decrease in commercial paper*		**(5,617)**	(2,684)
		(53,575)	(31,648)
Net cash flows from (used in) financing activities		**(51,325)**	(31,648)
Net increase (decrease) in cash and cash equivalents		**(8,346)**	(12,772)
Add opening cash and cash equivalents brought forward		**8,889**	45,681
Ending cash and cash equivalents carried forward		**543**	32,909
Cash consists of:			
Cash and cash equivalents (secured) in Consolidated Balance Sheet		**-**	(2,605)
Cash and cash equivalents in Consolidated Balance Sheet		**543**	35,514
		543	32,909

* 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.

Reconciliation of net loss after tax for the six months with cash flow from operating activities

	Group Dec 2010 6 months $000	Group Dec 2009 6 months $000
Net loss after tax for the period	**(20,563)**	(15,677)
Add (less) non cash items		
Fair value (gain) loss on derivatives	**95**	(380)
Depreciation	**279**	737
Amortisation of intangibles	**100**	239
Loss on revaluation of investment property / Impairment of assets/bad debt provision	**12,808**	-
Impairment of goodwill	**60**	3,841
Impairment adjustment to discontinued operation	**1,061**	-
Share based payments	**-**	14
Amortisation of capital notes expenses	**75**	75
Share of (profit) loss from associate	**-**	(6)
Loss on revaluation of investment property	**-**	40
Capitalisation of interest earned	**(3,218)**	(529)
Onerous lease recognition	**(25)**	-
Share allocation adjustments	**(444)**	3,810
Deferred taxation	**-**	(904)
Other	**(6)**	2
	10,785	6,939
Items classified as investing activities		
(Profit) loss on asset sales	**-**	(67)
Business acquisition costs	**-**	1,313
	-	1,246
Items included in equity		
Income tax benefit on equity items	**-**	251
Items classified as financing activities		
Interest expense capitalised	**506**	-
Deposit interest capitalised	**-**	3,351
	506	3,351
Movement in working capital		
Decrease (increase) in loans, advances and finance leases	**31,077**	(90,566)
Decrease (increase) in deferred brokerage	**-**	190
Decrease (increase) in trade and other receivables	**1,081**	(5,326)
Increase (decrease) in payables	**(1,636)**	5,925
Decrease (increase) in inventory	**2,410**	(108,611)
Adjust for increase in working capital items arising from acquisition*	**-**	213,904
	32,932	15,516
Net cash inflows (outflows) from operating activities	**23,660**	11,626

* In December 2009 working capital assets were acquired by the Group on acquisition of the finance assets of Hanover Finance and United Finance and included as part of the assets and liabilities. 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.

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

Cash flows from operating activities	**18,045**	16,402
Cash flows from investing activities	**(6,267)**	(2,440)
Cash flows from financing activities	**(21,697)**	(30,180)
	(9,919)	(16,218)

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2010 (unaudited)

GENERAL INFORMATION

Allied Farmers Limited and Subsidiaries predominant activities comprise the provision of asset management services, and the sale of livestock and rural merchandise.

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).

Receivership of Allied Nationwide Finance Limited
On 20 August 2010 Allied Nationwide Finance Limited was placed in receivership by its Trustee (The New Zealand Guardian Trust Company Limited).

Receivership of Matarangi Beach Estates Limited
On 18 November 2010 Matarangi Beach Estates Limited was placed in receivership by its banker, The Hong Kong Shanghai Banking Corporation.

Acquisition of Hanover Finance Limited and United Finance Limited Assets
On 18 December 2009 the Allied Farmers Group acquired the finance assets of Hanover Finance Limited and United Finance Limited as well as certain support package assets and liabilities from their subsidiary companies. Details of the transaction are outlined in note 14. The assets acquired are referred to as the 'Hanover Finance and United Finance assets' in the financial statements.

The consolidated financial statements of the Group for the period ended 31 December 2010 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 accounts include the results for Allied Nationwide Finance Limited and Matarangi Beach Estates Limited up to the date of receivership. Subsequent to the date of the receiverships these companies have not been consolidated as the Parent Company no longer has direct control over their affairs.

Items included in the financial statements of each of the Group's entities are measured using New Zealand Dollars, being the functional currency of each entity. The consolidated financial statements are presented in New Zealand Dollars, which is the Group's presentational currency.

BASIS OF PREPARATION

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

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

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

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for the year ended 30 June 2010.

There are no new accounting standards or amendments to standards that became mandatory during the reporting period that impact the Group interim financial statements for the period ended 31 December 2010.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group make estimates and assumptions about the future in preparing their financial statements. The actual results in the future will often differ from the estimates made. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below:

Impairment of loans and advances
The Group review their portfolio of loans and advances periodically to assess it for impairment. In determining whether an impairment loss should be recorded in the income statement, the Group make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows expected from individual assets. Where considered appropriate, for loans secured by property, a current valuation of the property is obtained from an independent valuer to provide the basis for determining the level of any impairment. No updated independent valuations have been obtained during the six month period.

Investment and inventory properties
The Group annually obtains valuation of its investment and inventory properties by an independent registered valuer. Updated valuations have not been obtained for the six monthly interim financial statements. In determining whether an impairment loss should be recorded in the income statement, the Group make judgments as to whether there is any observable data indicating that there is a measurable decrease in value of the asset.

Going concern and liquidity
The financial statements have been presented on the going concern basis. The cash flow forecasts of the Group indicate that in order for there to be a reasonable expectation that the Group have adequate resources to continue operations for the foreseeable future there will need to be:
• continued realisation of financial and property assets of Allied Farmers Investments Limited;
• agreement of arrangements with rural merchandise suppliers and other creditors;
• collection of the balance of the Allied Farmers Rural Limited revolving credit facilities;
• completion of a successful capital raising or other initiatives being pursued; and
• factoring of the rural services merchandise debtors with a financial institution.

In approving these financial statements for issue the Directors consider the adoption of the going concern assumption appropriate having taken account of the following:
• financial covenants on the Group's borrowings for the period to 31 December 2010 and up to the date of this report;
• obligations owed to Allied Nationwide Finance Limited (in receivership) (refer note 6);
• reasonableness of the key assumptions underpinning the 2011 financial performance and cash flow forecasts;
• the Group’s progress with its funding initiatives up to the date of this report;
• the Group's ability to realise financial and property assets; and
• prevailing economic environment including relevant market indicators.

Notes to the Financial Statements

Allied Farmers Limited and Subsidiaries
For the six months ended 31 December 2010 (unaudited)

1. Financial information on segments of the business

At 31 December 2010, the Group is organised into two main business segments, Asset Management Services and Rural Services.

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

The Group's Rural Services activities are predominantly carried out in Taranaki, Waikato, King Country, Manawatu and the South Island. The Rural Services activities are influenced by seasonality. Merchandise sales are historically stronger in the spring season and livestock sales are stronger in the autumn season.

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

The Group's Financial Services activities were carried out by Allied Nationwide Finance Limited (in receivership). The Financial Services activities are detailed under discontinued operations. The 31 December 2009 comparatives have been adjusted to treat the Financial Services activities as discontinued.

The segment results for the six months ended 31 December 2010 are as follows:

	Revenue (external)	Revenue (inter-segmental)	Depreciation and amortisation	Net impairment loss on financial assets	Interest and funding expense (external)	Interest expense (inter-segmental)	Impairment of Intangibles and loss on disposal	Other expenses (external)	Share of profit (loss) from Associates	Profit (loss) before income tax	Income tax	Profit after income tax
Continuing operations	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Operating activities												
Asset Management Services	7,745	-	(29)	(12,624)	(2,366)	-	-	(6,323)	-	(13,597)	-	(13,597)
Rural Services	20,999	-	(270)	(184)	(568)	(215)	-	(21,620)	-	(1,858)	-	(1,858)
Total operating activities	28,744	-	(299)	(12,808)	(2,934)	(215)	-	(27,943)	-	(15,455)	-	(15,455)
Corporate and funding costs												
Corporate	11	309	(79)	-	(1,814)	(223)	-	(2,252)	-	(4,048)	-	(4,048)
Intragroup adjustments*	-	(309)	-	-	-	-	-	309	-	-	-	-
Total corporate and funding costs	11	-	(79)	-	(1,814)	(223)	-	(1,943)	-	(4,048)	-	(4,048)
Group continuing activities	28,755	-	(379)	(12,808)	(5,187)	(438)	(60)	(29,385)	-	(19,502)	-	(19,502)
Discontinued operations												
Financial Services	4,238	438	(48)	(456)	(2,987)	-	(937)	(1,309)	-	(1,061)	-	(1,061)
Total Group	**32,993**	**438**	**(427)**	**(13,264)**	**(8,174)**	**(438)**	**(997)**	**(30,694)**	**-**	**(20,563)**	**-**	**(20,563)**

* The intragroup adjustments relate to intercompany interest, intercompany options and intercompany charges.

The segment assets and liabilities as at 31 December 2010 and capital expenditure for the six months are as follows:

	Assets	Investment in Associates	Total assets	Liabilities	Capital expenditure
Continuing operations	$000	$000	$000	$000	$000
Operating activities					
Asset Management Services	62,765	-	62,765	(20,160)	-
Rural Services	18,153	248	18,401	(16,698)	3
Total operating activities	80,918	248	81,166	(36,859)	3
Corporate and funding					
Corporate	12,635	-	12,635	(32,450)	5
Intragroup adjustment	(11,600)	-	(11,600)	-	-
Total corporate and funding	1,035	-	1,035	(32,450)	5
Group continuing operations	81,953	248	82,201	(69,308)	8
Discontinued operations					
Financial Services	-	-	-	-	-
Total Group	**81,953**	**248**	**82,201**	**(69,308)**	**8**

The segment results for the six months ended 31 December 2009 are as follows:

Continuing operations	Revenue (external)	Revenue (inter-segmental)	Depreciation and amortisation	Net impairment loss on financial assets	Interest and funding expense (external)	Interest expense (inter-segmental)	Impairment of Intangibles and loss on disposal	Other expenses (external)	Share of profit (loss) from Associates	Profit (loss) before income tax	Income tax	Profit after income tax
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Operating activities												
Asset Management Services	559	-	-	-	(162)	-	-	(35)	-	362	-	362
Rural Services	32,943	-	(366)	(148)	(190)	(1,282)	-	(31,868)	6	(905)	-	(905)
Total operating activities	33,502	-	(366)	(148)	(352)	(1,282)	-	(31,903)	6	(543)	-	(543)
Corporate and funding costs												
Corporate	65	694	(16)	-	(1,880)	(248)	(3,841)	(7,307)	-	(12,533)	(1,389)	(13,922)
Intragroup adjustments*	-	(2,223)	-	-	-	1,530	-	693	-	-	-	-
Total corporate and funding costs	65	(1,529)	(16)	-	(1,880)	1,282	(3,841)	(6,614)	-	(12,533)	(1,389)	(13,922)
Group continuing activities	33,567	(1,529)	(382)	(148)	(2,232)	-	(3,841)	(38,517)	6	(13,076)	(1,389)	(14,465)
Discontinued operations												
Financial Services	20,171	1,529	(594)	(4,615)	(13,831)	-	-	(4,366)	-	(1,706)	494	(1,212)
Total Group	**53,738**	**-**	**(976)**	**(4,763)**	**(16,063)**	**-**	**(3,841)**	**(42,883)**	**6**	**(14,782)**	**(895)**	**(15,677)**

* The intragroup adjustments relate to intercompany interest, intercompany options, intercompany dividends, and amortisation of the AFL Card business sold by Allied Farmers Limited to Allied Nationwide Finance Limited.

The segment assets and liabilities as at 31 December 2009 and capital expenditure for the six months are as follows:

Continuing operations	Assets	Investment in Associates	Total assets	Liabilities	Capital expenditure
	$000	$000	$000	$000	$000
Operating activities					
Asset Management Services	223,543	-	223,543	(223,290)	-
Rural Services	15,366	217	15,583	(11,839)	267
Total operating activities	238,909	217	239,126	(235,129)	267
Corporate and funding					
Corporate	50,801	-	50,801	(40,876)	2
Intragroup adjustment	(38,388)	-	(38,388)	166,177	-
Total corporate and funding	12,413	-	12,413	125,301	2
Group continuing operations	251,322	217	251,539	(109,828)	269
Discontinued operations					
Financial Services	327,308	-	327,308	(297,605)	22
Total Group	**578,630**	**217**	**578,847**	**(407,433)**	**291**

2. Impairment of ex Hanover Finance and United Finance assets

	Group Dec 2010 6 months $000	Group Jun 2010 1 year $000	Group Dec 2009 6 months $000
Impairment of loans and advances	**7,950**	9,311	-
Impairment of inventory property	**3,531**	4,650	-
Impairment of investment property	**1,143**	6,242	-
	12,624	20,203	-

3. Share capital

	Group Dec 2010 $000	Group Jun 2010 $000	Group Dec 2009 $000
Ordinary shares			
Ordinary shares (fully paid)			
Balance at beginning of period	**131,114**	196,647	21,113
Issue of ordinary shares at fair value and acquisition date fair value adjustments	**1,305**	(65,545)	175,520
Share based payments	**-**	12	14
Balance at end of period	**132,419**	131,114	196,647
Number of shares issued and fully paid			
Balance at beginning of period	**1,952,294,858**	1,952,294,858	37,696,705
Issue of ordinary shares	**90,000,000**	-	1,914,598,153
Balance at end of period	**2,042,294,858**	1,952,294,858	1,952,294,858

The total number of shares on issue as at 31 December 2010 is 2,042,294,858.

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

Allied Farmers Limited issued 1,914,598,153 shares on 18 December 2009 to the investors in Hanover Finance Limited, United Finance Limited and Hanover Capital Limited in exchange for their debt securities held in these companies. The total value of the shares issued was initially assessed as $175,520,000 ($0.0917 per share), this was reassessed as $109,975,000 ($0.0574 per share) as at 30 June 2010, being the fair value of the Hanover Finance and United Finance assets that were acquired in exchange for the redemption of the debt securities as at the transaction date. Refer note 14.

Issue of Shares 3 August 2010

On 3 August 2010 Allied Farmers Limited issued 90,000,000 shares to institutional and professional investors at a subscription price of 2.5 cents per share, $2,250,000 of proceeds were received. These investors also received a price adjustment right ("PAR") to receive an additional number of shares in the company if the audited financial statements of the Group for the year ended 30 June 2011 establish that the net tangible asset backing (NTA) per share is less than 2.5 cents, after adjusting for the shares to be issued under the bonus securities issued in relation to the Hanover transaction. In the event that the NTA is less than 2.5 cents per share, each investor will receive that number of additional new shares which, when added to the number of shares issued on 3 August 2010, is equal to the number of shares that they would have received if the subscription price per share had been equal to the NTA per share as at 30 June 2011 less 0.2 cents.

This placement to institutional and professional investors was to be done in conjunction with a capital raising involving a pro rata renounceable rights offer to all shareholders on the same terms as the placement. The subsequent receivership of Allied Nationwide Finance Limited resulted in the rights offer being cancelled.

As at 3 August 2010 the deemed issue value of the 90,000,000 shares was $1,305,000 and a provision for $945,000 was established for the estimated PAR adjustment as at that date. These amounts were calculated based on the NTA per share from the 30 June 2010 accounts.

Refer note 9 for movements in the PAR provision and balances recorded in the interim financial statements as at 31 December 2010.

Bonus securities

As at 31 December 2010 there are 3,767,514 bonus securities on issue (June 2010: 3,767,514; December 2009: 3,767,514). The bonus securities were issued as part of the 18 December 2009 acquisition of the finance assets of Hanover Finance Limited and United Finance Limited.

The bonus securities were issued for nil consideration on 18 December 2009 at a ratio of 1:10 to holders of Allied Farmers Limited shares prior to the issue of the ordinary shares to the Hanover Finance Limited, United Finance Limited and Hanover Capital Limited debt security holders referred to above. The terms of the bonus securities provides that each bonus security has the following rights:

a) no voting rights;
b) no rights to distributions;
c) no rights to surplus assets on liquidation;
d) If there is a "shortfall" each bonus security will be restructured in the manner as described below;
e) if there is no shortfall, each bonus security maybe redeemed by Allied Farmers at nil consideration.

If the audited financial results for the financial year to 30 June 2011 show that Allied Farmers Limited has made a "shortfall", whether realised or unrealised, on the $396,177,000 attributed value for the Hanover Finance and United Finance assets the bonus securities will convert to ordinary shares in Allied Farmers Limited. The conversion will be calculated such that Allied Farmers' shareholders aggregate shareholding in the Parent company is increased to what it would have been immediately after the proposal as if the assets had been transferred at the ascribed value as at 30 June 2011.

The bonus securities have been fair valued at 31 December 2010 in accordance with the formula recorded within the Exchange Agreement between Hanover Finance Limited, United Finance Limited, Hanover Capital Limited, Allied Farmers Limited and Allied Farmers Investments Limited. The bonus securities have been recognised within the Group financial statements as summarised in note 9.

4. Trade and other payables

	Group Dec 2010 $000	Group Jun 2010 $000	Group Dec 2009 $000
Trade creditors	**8,962**	11,074	8,225
Accrued interest payable on borrowings	**157**	2,894	3,927
Employee entitlements	**224**	573	285
Hanover Finance Limited payable	**5,000**	5,000	5,000
Other creditors and payables	**3,681**	4,715	4,386
	18,024	24,256	21,823
Classified as:			
Current	**18,024**	24,256	21,823
Non-current	**-**	-	-
	18,024	24,256	21,823

The Hanover Finance Limited payable of $5,000,000 represents the balance payable as a result of the acquisition of the finance assets of Hanover Finance Limited and United Finance Limited (refer note 14).

On 29 June 2010 Allied Farmers Limited informed Hanover Finance Limited that in Allied Farmers Limited's view, Hanover Finance Limited's conduct in relation to transactions that Hanover Finance Limited executed in the period prior to the completion of Allied Farmers Limited's purchase of the Hanover Finance Limited and United Finance Limited assets pursuant to the 'Agreement for assignment of finance assets in exchange for debenture obligations' (Agreement) constituted serious breaches of Hanover Finance Limited's obligations pursuant to the Agreement and gave notice to Hanover Finance Limited that:

- Allied Farmers Limited has substantial claims (Claims) against Hanover resulting from Hanover Finance Limited's breaches of the Agreement.
- The value of the Claims exceeds $5,000,000 and accordingly Allied Farmers Limited considers that it is entitled to and will set off the Claims against the obligation that it would otherwise have had under the Agreement to pay Hanover Finance Limited $5,000,000 on 30 June 2010. That payment will not therefore be made.
- Allied Farmers Limited considers that it is entitled, as a result of Hanover Finance Limited's breaches of the Agreement, to cancel the Agreement under the Contractual Remedies Act, and has notified Hanover Finance Limited that it has cancelled the Agreement. The effect of this cancellation is, in summary, to bring to an end any future obligations under the Agreement that have not yet arisen unconditionally. The cancellation of the Agreement does not cancel or unwind those parts of the Agreement that have already been performed.

Hanover Finance Limited has applied to the court to seek summary judgment for payment of the $5,000,000. The judgment application has been set down for a substantive hearing on 30 May 2011 and 1 June 2011.

The liability to Hanover Finance Limited continues to be recognised by the Group in the accounts.

5. Borrowings - Westpac New Zealand Limited (secured)

	Group Dec 2010 $000	Group Jun 2010 $000	Group Dec 2009 $000
Borrowings - Westpac New Zealand Limited (secured)	**-**	16,500	19,500
Classified as:			
Current	**-**	16,500	19,500
Non-current	**-**	-	-
	-	16,500	19,500

The Westpac New Zealand Limited term loan balance as at 31 December 2010 is nil (June 2010: $16,500,000; December 2009: $19,500,000) having been fully repaid during the period. Allied Farmers Rural Limited has a secured overdraft facility of $250,000 (June 2010: $2,500,000; December 2009 $2,500,000). As at 31 December 2010 no amount was drawn on overdraft facility.

6. Borrowings - Allied Nationwide Finance Limited (in receivership) (secured)

	Group Dec 2010 $000	Group Jun 2010 $000	Group Dec 2009 $000
Borrowings - Allied Nationwide Finance Limited (in receivership) (secured)	**19,105**	-	-
Classified as:			
Current	**7,760**	-	-
Non-current	**11,345**	-	-
	19,105	-	-

During the period the Group reached agreement in relation to its existing obligations to Allied Nationwide Finance Limited (in receivership).

The parent company's credit enhancement and related party loan arrangements were converted to a loan facility, balance owing as at 31 December 2010 $11,345,000 (30 June 2010: $12,124,000). The interest rate on this loan is 12.0% per annum, capitalising monthly for the term of the loan. The loan facility has a 1 July 2012 expiry date and a portion of any property and loan asset realisations is required to be applied to principal repayments.

The Rural Services division purchased their factored debtors back from Allied Nationwide Finance Limited (in receivership), partly financed by a secured loan from Allied Nationwide Finance Limited (in receivership). The balance owing on this loan facility as at 31 December 2010 is $7,760,000 (30 June 2010: factored debtors $17,150,000). The interest rate on this loan is 12.0% per annum, payable monthly. The loan facility has a 1 July 2011 expiry date and a portion of any property and loan asset realisations is required to be applied to principal repayments.

The Group has complied with the principal repayment requirements during the period to 31 December 2010.

The two loan facilities from Allied Nationwide Finance Limited (in receivership) 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.

7. Borrowings - Capital notes and bonds

	Group Dec 2010 $000	Group Jun 2010 $000	Group Dec 2009 $000
Capital notes	**12,473**	12,398	12,322
Bonds	**-**	1,900	1,918
Borrowings - Capital notes and bonds	**12,473**	14,298	14,240
Classified as:			
Current	**12,473**	-	-
Non-current	**-**	14,298	14,240
	12,473	14,298	14,240

Capital notes
The capital notes on issue total $12,605,000 (June 2010: $12,605,000). The capital notes have a maturity date of 15 November 2011, and bear interest at a rate of 9.60% per annum (June 2010: 9.60% per annum). Upon maturity the Parent may elect to renew the capital notes for a further period of five years, redeem or purchase for cash all or a portion of the capital notes, or convert the capital notes to ordinary shares in the Parent Company.

The Parent has maintained the minimum capital level ratios as required by the Trust Deed throughout the reporting period covered by these interim financial statements.

8. Borrowings - Property assets (secured)

Borrowings - Bank	**9,069**	29,742	30,848
Borrowings - Other financial institutions	**4,223**	14,524	13,418
Borrowings - Property assets	**13,292**	44,266	44,266
Classified as:			
Current	**13,292**	44,266	44,266
Non-current	**-**	-	-
	13,292	44,266	44,266

Borrowings - Bank
The Group's Asset Management Services division has borrowings from two banks which total $9,069,000 as at 31 December 2010. The average interest rate on these bank borrowings is 9.26% per annum (June 2010: 6.9% per annum). These borrowings are attached to the property assets acquired as part of the Hanover Finance and United Finance asset transaction. The property assets are held within wholly owned subsidiaries of the Asset Management Services division. There are separate loan facility agreements between the relevant subsidiary property holding company and the bank. The borrowings are secured by registered first mortgage over the property assets and general security agreement from the property holding subsidiary.

One of the bank facilities acquired as part of the Hanover Finance Limited and United Finance Limited transaction had already expired at the time of acquisition and has not been extended. The bank has confirmed that it will not take any enforcement action whilst the sales process of the secured assets continues and proceeds from sale of these assets are applied to repayment of the facility.

The loan facility with the other bank requires certain financial covenants to be met, which includes:
a) Loan to value ratios;
b) Application of proceeds from asset sales; and
c) Periodic loan amortisation.
The Group has complied with these financial covenants for the six month period ended 31 December 2010.

Borrowings - Other financial institutions
The Group's Asset Management Services division has borrowings from one financial institution which total $4,223,000 as at 31 December 2010. The average interest rate on this borrowing is 14.75% per annum (June 2010: 15.8% per annum) and the facility expired on 8 February 2011. The financial institution has conditionally agreed to extend the facility term for a further six months. The conditions are not significant and are expected to be satisfied shortly. The borrowing is attached to the property assets acquired as part of the Hanover Finance and United Finance asset transaction. The property assets are held within a wholly owned subsidiary of the Asset Management Services division. The borrowing is secured by registered first mortgage over the property assets and general security agreement from the property holding subsidiary. The financial covenants on the borrowing relate to interest payments and application of proceeds from asset sales. The Group has complied with all the financial covenants related to this borrowing and made the interest payments on the due dates.

9. Provision for share allocation adjustments

	Group Dec 2010 $000	Group Jun 2010 $000	Group Dec 2009 $000
Bonus securities			
Opening balance	**4,300**	-	-
Acquisition date fair value	**-**	4,634	4,372
Discount at acquisition date	**-**	(513)	(562)
Carrying value adjustment for the period	**(1,440)**	-	-
Discount unwind for the period	**194**	179	-
Closing balance	**3,054**	4,300	3,810
Price adjustment rights			
Opening balance	**-**	-	-
Provision established on issue date	**945**	-	-
Carrying value adjustment for the period	**802**		
Closing balance	**1,747**	-	-
Classified as:			
Current	**4,801**	4,300	3,810
Non-current	**-**	-	-
	4,801	4,300	3,810
Charge / (credit) to income statement for the period	**(444)**	4,300	3,810

Bonus securities

As outlined in Note 3, 3,767,514 bonus securities were issued as part of the acquisition of the Hanover Finance and United Finance assets. The bonus securities have been fair valued as at 31 December 2010 in accordance with the formula recorded within the Exchange Agreement between Hanover Finance Limited, United Finance Limited, Hanover Capital Limited, Allied Farmers Limited and Allied Farmers Investments Limited. This provision will convert to equity on finalisation of the 30 June 2011 audited financial statements.

Price adjustment rights

As outlined in Note 3 a price adjustment right has been provided to the investors of the share placement made on 3 August 2010. The shares that may be issued under this right are to be calculated based on the net tangible assets as reported in the 30 June 2011 audited financial statements. The provision established for this right will convert to equity on finalisation of the 30 June 2011 audited financial statements.

10. Loans, advances and finance leases

	Group Dec 2010 $000	Group Jun 2010 $000	Group Dec 2009 $000
Loans and advances - Financial Services			
Loans and advances at amortised cost	**-**	123,014	146,039
Less deferred fee income	**-**	(336)	(423)
Deferred lending brokerage	**-**	521	630
	-	123,199	146,246
Provision for impaired assets	**-**	(12,272)	(6,961)
Net loans and advances	**-**	110,927	139,285
Loans and advances - Asset Management Services			
Loans and advances at amortised cost	**53,087**	52,988	107,166
Provision for impaired assets	**(17,520)**	(9,311)	-
Net loans and advances	**35,567**	43,677	107,166
Finance leases			
Gross lease receivable	**-**	108,610	137,040
Less unearned interest income	**-**	(16,070)	(21,535)
Less deferred fee income	**-**	(364)	(466)
Deferred lending brokerage	**-**	2,256	2,983
	-	94,432	118,022
Provision for impaired assets	**-**	(3,952)	(1,835)
Net finance leases	**-**	90,480	116,187
Net loans, advances and finance leases*	**35,567**	245,084	362,638
Classified as:			
Current	**32,322**	165,545	165,972
Non-current	**3,245**	79,539	196,666
	35,567	245,084	362,638

11. Property Inventory

Property Inventory	**25,105**	38,067	109,037

Property Inventory comprises properties held for sale and properties under development with a view to sale. The properties were acquired as part of the Hanover Finance Limited and United Finance Limited acquisition. Refer note 14.

12. Group Companies

The subsidiary companies comprising the Group are:

	Principal activity	Interest held by Group Dec 2010	Jun 2010	Dec 2009
Subsidiaries of the Parent				
Allied Farmers Investments Limited	Asset Management Services	**100%**	100%	100%
Allied Farmers Rural Limited	Rural Services	**100%**	100%	100%
The West Coast Mortgage and Deposit Company Limited	Holding company	**100%**	100%	100%
Allied Farmers Option Scheme Limited	Non-trading	**100%**	100%	100%
Subsidiaries of Allied Farmers Investments Limited				
Allied Farmers Property Investments Limited	Holding company	**100%**	100%	100%
Allied Farmers Property Holdings Limited	Holding company	**100%**	100%	100%
Subsidiaries of Allied Farmers Property Investments Limited				
QWF Holdings Limited	Property investment	**100%**	100%	100%
HPL Rhode Island (2008) Limited	Finance company lending to North America	**100%**	100%	100%
Clearwater Avenue Holdings Limited	Holding company	**100%**	100%	100%
Clearwater Hotel 2004 Limited (0.0007% shareholding held by Clearwater Avenue Holdings Limited)	Property development and investment	**100%**	100%	100%
Lifestyles of New Zealand Queenstown Limited	Property investment	**100%**	100%	100%
LONZ 2008 Limited	Property investment	**100%**	100%	100%
LONZ 2008 Holdings Limited	Property investment	**100%**	100%	100%
Subsidiaries of Allied Farmers Property Holdings Limited				
UFL Lakeview Limited	Property investment	**100%**	100%	100%
5M No. 2 Limited	Property investment	**100%**	100%	100%
Subsidiary of Clearwater Hotel 2004 Limited				
Clearwater Hotel Management 2004 Limited	Non-trading	**100%**	100%	100%
Subsidiaries of The West Coast Mortgage and Deposit Company Limited				
Allied Farmers Finance Limited	Non-trading	**100%**	100%	100%
Allied Farmers Livestock Limited	Non-trading	**100%**	100%	100%
Allied Farmers (New Zealand) Limited	Non-trading	**100%**	100%	100%
Allied Finance Limited	Non-trading	**100%**	100%	100%
Allied Prime Finance Limited	Non-trading	**100%**	100%	100%
Allied Rural Limited	Non-trading	**100%**	100%	-
Nationwide Finance Limited	Non-trading	**100%**	100%	100%
Prime Finance Limited	Non-trading	**100%**	100%	100%
Speirs Finance Limited	Non-trading	**100%**	100%	100
Taranaki Farmers Limited	Non-trading	**100%**	100%	100%

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

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

	Date of Receivership	Principal activity	Interest held by Group Dec 2010	Jun 2010	Dec 2009
Allied Nationwide Finance Limited	20 August 2010	Financial Services	**100%**	100%	100%
Matarangi Beach Estates Limited	18 November 2010	Property development and investment	**100%**	100%	100%
Matarangi Farm Lot 1 Limited	10 February 2011	Non-trading	**100%**	100%	100%
Matarangi Farm Lot 2 Limited	10 February 2011	Non-trading	**100%**	100%	100%
Matarangi Farm Lot 3 Limited	10 February 2011	Non-trading	**100%**	100%	100%
Matarangi Farm Developments Limited	10 February 2011	Non-trading	**100%**	100%	100%

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

The net investment in Allied Nationwide Finance Limited (in receivership) is valued at nil in the Group financial statements as at 31 December 2010.

The net investment in Matarangi Beach Estates Limited as at the date of receivership was $7,273,000, summarised as follows:

	000's
Assets	
Cash and cash equivalents	36
Trade and other receivables	1,728
Inventory - Property	5,238
Investment property	18,552
Property, plant and equipment	893
	26,447
Liabilities	
Trade and other payables	928
Borrowings - Property assets (secured)	18,246
	19,174
Net Assets	7,273

The net investment after impairment provisioning for Matarangi Beach Estates Limited is included as part of loans and advances in the Group financial statements as at 31 December 2010.

13. Intangible assets

	Group Dec 2010 $000	Group Jun 2010 $000	Group Dec 2009 $000
Goodwill			
Goodwill at beginning of period	**937**	21,478	21,478
Goodwill arising on acquisitions of subsidiaries	**-**	60	-
Goodwill (gross) impairment charge*	**(60)**	(20,601)	(3,841)
Goodwill (gross) at end of period	**877**	937	17,637
Computer software			
Cost at beginning of period	**4,154**	4,555	4,556
Allied Nationwide Finance adjustment	**(3,563)**	-	-
Additions	**-**	313	309
Additions due to acquisition	**-**	2	-
Disposals	**(7)**	(716)	-
Cost at end of period	**584**	4,154	4,865
Accumulated amortisation at beginning of period	**(3,620)**	(2,352)	(2,352)
Allied Nationwide Finance adjustment	**3,342**	-	-
Amortisation charged to income statement	**(100)**	(521)	(298)
Impairment Adjustment	**-**	(910)	-
Deferred tax on amortisation of fair value adjustment	**-**	(120)	(60)
Disposals	**-**	283	-
Accumulated amortisation at end of period	**(378)**	(3,620)	(2,710)
Software work in progress	**-**	-	-
Computer software net book value	**206**	534	2,155
Total intangibles	**1,083**	1,471	19,792

* The December 2009 goodwill impairment of $3,841,000 and $19,504,000 of the June 2010 goodwill impairment is a result of the Parent and Group revaluing the recoverable amount of its subsidiary Allied Nationwide Finance Limited.

Impairment testing for Goodwill

Goodwill acquired through business combinations has been allocated to individual cash generating units for impairment testing, as follows:

	Carrying amount $000	Cash generating unit
Total Livestock operations goodwill		
Pre-impairment	937	Individual livestock operations
Impairment	(60)	Individual livestock operations
Post-impairment	877	Individual livestock operations

Goodwill relating to livestock operations
The Group has goodwill amounting to $877,000 (30 June 2010: $937,000) related to acquired livestock operations. The estimated recoverable amounts are determined based on value-in-use calculations as at 31 December 2010 using discounted cash flow projections based on managements forecasts covering a five year period. The discount rate used is the before tax equivalent of the Group's cost of capital, and management have assumed a zero growth rate. Management does not consider any reasonably possible change in key assumptions applied would materially reduce recoverable amounts below their carrying values.

14. Acquisition of finance assets of Hanover Finance and United Finance on 18 December 2009

On 18 December 2009 Allied Farmers Limited acquired the Hanover Finance and United Finance assets and liabilities. The transaction involved the following:
a) The investors in Hanover Finance Limited, United Finance Limited and Hanover Capital Limited assigning the $396,177,000 value of their Secured Deposits, Secured Stock, Subordinated Notes and Capital Bonds to Allied Farmers Limited in exchange for shares in Allied Farmers Limited of an equivalent subscribed value;
b) Allied Farmers acquiring the finance assets and support package assets from Hanover Finance Limited, United Finance Limited and their related companies in exchange for the redemption of the Secured Deposits, Secured Stock, Subordinated Notes and Capital Bonds held in Hanover Finance Limited, United Finance Limited and Hanover Capital Limited; and
c) The issue by Allied Farmers Limited of bonus shares to the existing shareholders prior to the allotment of shares to the investors in Hanover Finance Limited, United Finance Limited and Hanover Capital Limited. For every 10 Allied Farmers Limited shares held by existing shareholders 1 bonus share was issued. Refer note 3 for details of their rights.

Summary of the effect of acquisition of Hanover Finance and United Finance assets

A preliminary fair value assessment was undertaken on the acquired assets and liabilities for the purposes of the 31 December 2009 Interim Financial Statements. Subsequent to these reported values further assessment was performed, which included obtaining updated independent valuations on certain assets. The fair value assessment work was completed for the 30 June 2010 financial statements. The preliminary and final assessments of the fair value for the acquired assets and liabilities as at acquisition date are summarised below:

	Final Assessment Group $000	Assessmen t Group $000
Cash and cash equivalents	7,520	7,520
Loans, advances and finance leases	58,510	106,637
Inventory property	43,479	47,207
Investment property	48,149	61,839
Other assets	3,816	3,816
Total assets	161,474	227,019
Borrowings	45,910	45,910
Payable - owing to Hanover Finance Limited	5,000	5,000
Other liabilities	589	589
Total liabilities	51,499	51,499
Net assets	109,975	175,520
Fair value of net assets acquired	109,975	175,520
Cost of acquisition settled in shares (1,914,598,153 shares)	109,975	175,520
Goodwill arising on acquisition	-	-

The attributed value for this transaction was $396,177,000. The movements between this value and the fair value assessment of the assets and liabilities acquired can be summarised as follows:

	Group $000
Attributed Value	396,177
Net movement in assets up to settlement date	(20,708)
Discount of expected cash flows	(55,953)
Fair value adjustments	
Property assets	(47,869)
Loans	(147,771)
Other assets	(13,901)
Fair value of net assets acquired	109,975

15. Related party transactions

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

Categories of related party relationships
Related party transactions are detailed by reference to the following categories:
(a) 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.
(b) Other related parties: Other entities that may have directors who are also directors of the Company.

	Group Dec 2010 6 months $000	Group Jun 2010 12 months $000	Group Dec 2009 6 months $000
(a) Key management personnel			
Salaries and other short term benefits	**1,232**	2,790	1,390
Share based payment	**-**	26	14
Directors fees	**80**	318	150
Total key management personnel compensation	**1,312**	3,134	1,554
(b) Other related parties			
Proposed capital raising fees, underwrite fees, corporate advisory fees	**171**	102	70

These fees were paid to McDouall Stuart Group Limited, of which Andrew McDouall is also a Director.

Related party transactions
(a) Key management personnel

Certain directors of Allied Farmers Limited have trading transactions with the Group. These transactions take place on normal trading terms and are on an arms length basis.

(b) Other related parties

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

(c) Allied Nationwide Finance Limited (in receivership)

The arrangement by which the Parent sold debts owed to it by external debtors and borrowers under ongoing factoring arrangements to Allied Nationwide Finance Limited was assigned to Allied Farmers Rural Limited as part of the sale of the rural businesses on 30 June 2009. The arrangement between Allied Farmers Rural Limited and Allied Nationwide Finance Limited no longer continues, with $8,898,000 of the balance having been converted into a loan (refer note 7) and the balance repaid in full. As at 31 December 2010 the value of debtors factored was nil (Jun 2010: $17,150,000; Dec 2009: $20,911,000). The rate of interest attaching to these advances is set on normal commercial terms and for the current reporting period was 11.53% (Jun 2010: 12.06% - 12.62%; Dec 2009: 12.30% - 12.62%).

Income tax obligations of subsidiaries are managed at a Group level. During the period ended 31 December 2010 Allied Farmers Limited repurchased $403,000 (Jun 2010: nil; Dec 2009: nil) of unutilised tax losses that had previously been purchased by Allied Nationwide Finance Limited.

During the year ended 30 June 2009 the Parent entered into the credit enhancement facility with Allied Nationwide Finance Limited, for a maximum of $5,000,000, extended to $10,000,000 in the year ended 30 June 2010, for the period to 30 June 2011. Allied Nationwide Finance Limited provided consideration of $500,000 for the facility, and a further $250,000 for the extension. Payment notices issued against the facility as at 30 June 2010 totalled $9,995,000, during the period ended 31 December 2010 the credit enhancement and related party loan arrangements were converted to a loan facility (refer note 7).

During the period ended 31 December 2010 Allied Farmers Limited recharged management expenses totalling $57,000 (Jun 2010: ($17,000); Dec 2009: $207,000) to Allied Nationwide Finance Limited.

16. Dividends

No dividends were declared during the period (Jun 2010: nil; Dec 2009: nil).

17. Commitments and contingencies

The Parent Company has guaranteed to the purchaser of a loan from our Asset Management Services division that $7,000,000 of proceeds will be collected from the loan. Any forecast shortfall in proceeds the purchaser may claim under the guarantee is provided for in the financial statements and charged to the Income Statement.

18. 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.