

ALLIED **FARMERS**

SINCE 1889

Annual Report

for the year ended 30 June 2022

www.alliedfarmers.co.nz

Listed on:



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This report is dated 26 August 2022 and is signed on behalf of the Board of Allied Farmers Limited:



Mark Franklin - Chair



Christopher Swasbrook - Director

HISTORY



Allied Farmers Limited (**ALF.NZX**) is a NZX-listed investment company that has a legacy dating back to 1889 with the formation of The Egmont Farmers' Union Limited as a stock and station company. This company was ultimately sold to Hawera based The Farmers' Co-operative Organisation Society of New Zealand Limited and 1914 is the recorded starting date of the company today. In 1997, the company revised its Constitution and changed the name to comply with the new Companies Act to Allied Farmers Limited. Allied Farmers listed on the NZX on 9 May 2002 (after having traded on the NZX's unlisted security facility since 1998) and throughout its history of providing services to the agricultural sector has also operated as an agricultural investment company with strategic stakes in livestock trading, meat, wool, lumber, finance and retail rural supplies.

Allied Farmers Limited today is an investment company focused on the agricultural sector with two principal investments at present - a 67% shareholding in New Zealand Farmers Livestock (**NZFL**) and a 50% shareholding in New Zealand Rural Land Management Partnership, the Manager of NZX-listed company New Zealand Rural Land Company (**NZL.NZX**).

To learn more about Allied Farmers' extensive history, please visit our website:
<https://www.alliedfarmers.co.nz/timeline>

SECTION 2 BUSINESS OVERVIEW

Businesses:

Allied Farmers is a NZX-listed investment company with two investments in the rural sector.

Asset Management:

Allied Farmers owns 50% of New Zealand Rural Land Management Limited Partnership (**NZRLM**).

NZRLM provides management, investment and administrative services to NZX listed New Zealand Rural Land Company Limited (**NZL**) pursuant to a Management Agreement. NZL owns and lease rural land to farmers and food producers to provide shareholders with a dividend yield and potential long-term capital growth.

The other owners of NZRLM are entities associated with the contracted management of NZRLM (Elevation Capital Management Limited, Richard Milsom and Haydon Dillon), and NZL investors Clyde and Rena Holland who own ~8.5% of NZL.

Allied Farmers has a call option to acquire the 50% of NZRLM that it currently does not own, which is exercisable for 12 months from 18 December 2022.

Livestock Services:

Allied Farmers owns 67% of national livestock agency business, NZ Farmers Livestock Limited (**NZFL**). A mix of NZ Farmers Livestock agents and staff own the balance of NZFL.

Livestock agency is NZFL's core business, generating commission revenue from the marketing, purchase and sale of livestock on behalf of clients. These services are augmented by its processed veal export and livestock lending activities.

Strategy:

Allied Farmers is now one of the only NZX listed investment companies focused solely on the agricultural sector. The Allied Farmers' Board understands that, as an investment vehicle, its priority must be to deliver earnings per share growth for our shareholders. We execute on this by providing strategic guidance and support to our investments to ensure that their business strategies are designed to deliver sustainable earnings growth in line with Allied Farmers's expectations.

Tax Losses:

Allied Farmers has a valuable asset in tax losses which were the result of legacy investments in the finance sector.

Allied Farmers' tax losses total \$36,288,403 as at 30 June 2022.

Allied Farmers' Board is acutely aware of maintaining both business and shareholder continuity to preserve this valuable asset for shareholders and any future transactions will be structured with this in mind.

Five Year Earnings Summary:

| Financial Year Ending 30 June | FY 2022 | FY 2021 | FY 2020 | FY 2019 | FY 2018 |
|--|----------------|----------------|----------------|----------------|----------------|
| Allied Farmers Net Profit After Tax (NPAT) - attributable to Allied Farmers shareholders - \$ 000's | 2,876 | 2,021 | 767 | 1,258 | 1,535 |
| Allied Farmers Earnings Per Share – cents per share | 9.98 | 8.57 | 4.30 | 7.58 | 9.51 |
| Allied Farmers Dividend Per Share – cents per share | - | - | 1.2 | 2.0 | 2.0 |
| Comprising | | | | | |
| NZFL incl. Finance - earnings attributable to Allied Farmers shareholders* - \$ 000's | 1,722 | 1,370 | 1,175 | 1,764 | 1,663 |
| NZRLM - earnings attributable to Allied Farmers shareholders - \$ 000's | 1,624 | 1,152 | - | - | - |
| Asset Management (Legacy Finance Co's) - \$ 000's | - | - | - | - | 449 |
| Allied Farmers Holding Co (Parent)** - \$ 000's | (470) | (501) | (408) | (506) | (577) |
| Allied Farmers NPAT - attributable to Allied Farmers shareholders - \$ 000's | 2,876 | 2,021 | 767 | 1,258 | 1,535 |

* Recognises Allied Farmers' 67% NZFL ownership and 52% Redshaw Livestock ownership.

** In FY 2022 from Parent Operations costs of \$699,000 (FY 2021: \$812,000) disclosed in Note A1 of the Financial Statements, deferred tax benefits arising from tax losses and refunds are deducted.

SECTION 3 CHAIR REPORT

The Directors of Allied Farmers Limited (“Allied Farmers” or “Allied Group”) (ALF:NZX) are pleased to report an audited net profit before tax for the year to 30 June 2022 of \$3.556 million (FY2021 \$2.481 million), with an audited net profit after tax attributable to Allied Farmers’ shareholders of \$2.876 million (FY2021 \$2.021 million) which was a +42% increase from the previous year.

A segmental contribution comparison is provided below which reflects the contribution to Allied Farmers of our two principal investments and our holding company operating and financing costs:

| Segmental Contribution attributable to Allied Farmers’ Shareholders (\$ 000’s) | FY 2022 | FY 2021 |
|---|----------------|----------------|
| New Zealand Rural Land Management (NZRLM) | 1,624 | 1,152 |
| New Zealand Farmers Livestock + Finance (NZFL) | 1,722 | 1,370 |
| Allied Farmers (Parent) | (470) | (501) |
| Allied Farmers NPAT | 2,876 | 2,021 |

This year we generated growth in earnings per share (EPS) of +16%. Allied Farmers Net Tangible Assets (NTA) per share based on 67% direct ownership of NZ Farmers Livestock (NZFL), and 50% ownership of NZRLM equals \$0.48 per share (versus \$0.38 per share as at 30 June 2021).

In a strategic shift Allied Farmers also decided to wind down Rural Funding SolutionNZ Limited (RFS) and enter into (via New Zealand Farmers Livestock Finance Limited) a referral agreement with Heartland Bank. This provided increased scope to facilitate livestock lending with the backing of a specialist and sophisticated lender in Heartland.

In September 2021, we repaid a \$1 million bond eliminating all debt at the parent company level.

As RFS has largely wound down throughout the year and capital was released this was reinvested into New Zealand Rural Land Company’s capital raisings.

Allied Farmers also implemented several initiatives throughout the year to reduce corporate costs, including a significantly smaller Board, reduced IT spend, reduced professional service spend, disestablishment of the Allied Farmers’s CEO role, and lower recurring consulting fees. The full benefit of these cost reductions will appear in FY 2023.

The Directors will update shareholders at the Annual Meeting in November as to whether a dividend (or other forms of capital return) will be paid.

NEW ZEALAND
RURAL LAND
MANAGEMENT

New Zealand Rural Land Management (NZRLM) - 50% owned:

NZRLM is the external manager of NZX listed New Zealand Rural Land Company (**NZL**). As at the date of this Annual Report NZL has acquired approximately 11,710 hectares of rural land in the South Island.

The Allied Farmers's result includes, for the first time, a full year contribution from NZRLM, delivering earnings of \$1.624 million for the year ending 30 June 2022. The Board is pleased with NZRLM's performance and return on investment, which was driven by NZL's further farm acquisitions partly funded by a successful capital raise during the year, and increased property revaluations that underscore that NZL acquired its assets at very attractive prices.

Under the NZL Management Agreement, in addition to management and transaction fees that are paid in cash, NZL issues shares to the owners of NZRLM, including Allied Farmers, as consideration for performance fees earned by NZRLM. In addition, Allied Farmers has supported NZL's capital raisings, not only because it considers this to be an attractive stand-alone rural sector investment, but, as the 50% owner of NZRLM, NZRLM's earnings grow as a result of the increase in NZL's assets funded by these capital raises. Allied Farmers currently owns 2,900,000 NZL shares (~2.6% of NZL shares on issue).

NZRLM Outlook:

NZL has scaled impressively since its listing on NZX on 21 December 2020 under the guidance of its Manager NZRLM. It is reasonable to expect a period of consolidation for NZL after such rapid growth and accordingly we expect NZRLM may earn lower transaction fees in the year ahead as the Manager focuses on Investor Relations and broadening the shareholder base offshore with ~25% of NZL's register still open to foreign investors who have traditionally had a strong appetite for high quality rural land assets globally.

NZ FARMERS LIVESTOCK

New Zealand Farmers Livestock Limited (NZFL) - 67% owned:

The NZFL result reflected a vastly improved contribution by its veal processing business, However, this improvement was partially offset by a lower contribution from its livestock agency business reflecting reduced tallies related to periodic weather and market conditions, Covid disruption, and several small yard share losses. Dairy herd sales were strongly improved on earlier years.

Finance activity continued a contribution consistent with earlier years, as this business transitioned to a referral-based model. During the year NZFL subsidiary NZ Farmers Livestock Finance Limited (NZFLFL) entered into a referral agreement with Heartland Bank, whereby NZFLFL earns commissions on livestock finance lending referred to Heartland. This arrangement is gradually replacing the direct lending by NZFLFL that until late in the reporting period has been supported by an ANZ Bank facility. The Heartland arrangement has had a pleasing start and continues to support and integrate well with the livestock agency business. This has de-risked and strengthened NZFL's balance sheet (as it runs-off its own loan book), provided a greater capacity for clients to borrow, and enabled reliance on Heartland's risk management and compliance processes. This change, along with NZFL's solid financial performance, enabled repayment of a range of mortgage and loan liabilities to materially improve balance sheet resilience that saw NZFL end the year with no net debt.

NZFL Outlook:

NZFL plans to grow its national presence with agile digital innovation and deployment, focus on improving agent performance, and cost management. Effort continues to grow veal tallies, though Covid impacts on processing capacity have temporarily constrained this. Despite this, strong product prices should drive a solid FY23 result for the veal processing business. Finance is forecast to see continued growth, with investment in additional resourcing, removal of earlier funding constraints, expected market growth, and the excellent synergy with our wider business.

The Board wish to thank and acknowledge the hard work and initiative of our NZFL and NZRLM teams over the last year.



Mark Franklin - Chair

SECTION 4 DIRECTORS

Mark Franklin - Independent Chair

Mark was appointed a Director and Chair of Allied Farmers Limited in November 2021 and also represent Allied Farmers on the Board of NZ Rural Land Management GP and LP. Mark has extensive experience in the infrastructure, energy, and technology sectors in New Zealand, Australia, US and Asia. His Chief Executive roles span 30 years in the Utilities, IT and Telco sectors and have encompassed both start up and consolidation activities. Mark's current governance roles include: Chair of Auckland Unlimited; Member of the critical Auckland Mayoral Housing Taskforce and the Deputy Mayor Industry Leaders Infrastructure Council; Advisory Board Chair of Utelligent Global and PT Blink; Director of Auckland Chamber of Commerce; Independent Director of Stevenson Group; and, Independent Director of SwimTastic Limited. His most recent roles were Managing Director of Stevenson Group (which also included extensive rural operations), founding Chief Executive of TZ1, the global carbon registry, and prior to this Chief Executive of Vector. Mr. Franklin is an independent director. Mark is a Fellow of the Australian Institute of Engineers and has the following qualifications: BE (elec.) Sydney University, Graduate Management Qualification, Australian Graduate School of Management.

Philip Luscombe - Independent Director

Philip was appointed a Director of Allied Farmers Limited in December 2005 and is Chair of New Zealand Farmers Livestock Limited. As a former Agricultural Research Scientist, and with a broad farming background, he has extensive experience in the agricultural sector. He is a shareholder and Chair of the Argyll Dairy Farm group of farms in Otago, a partner in the family dairy farm in Taranaki, and has interests in farm forestry. He is a trustee of The Massey-Lincoln and Agricultural Industry Trust, and is an Independent Director of dairy farming business, Te Rua O Te Moko Limited. He is a former director of PKW Farms Ltd, Kiwi Cooperative Dairies Limited, Kiwi Milk Products Limited, Dairy Insight, Dexcel, and NZAEL Limited. Mr Luscombe is an independent director. He has the following qualifications: BAgSci(Hons).

Christopher Swasbrook - Non-Independent Director

Chris was appointed a Director of Allied Farmers Limited in December 2020. Chris is one of the founders and directors of New Zealand Rural Land Management and NZX-listed New Zealand Rural Land Company. He is also the founder and managing director of Elevation Capital Management Limited. He was previously a Partner of Goldman Sachs JBWere Pty, co-head of institutional equities at Goldman Sachs JBWere (NZ) and a foundation broker of the New Zealand Exchange ("NZX"). Before that he was an Individual Full Member of the NZ Stock Exchange ("NZSE"). He has been a board member of the Financial Markets Authority since 2019, a member of the NZX Listing Sub-Committee since 2008 and is an Advisory Board Member of the Auckland Art Gallery Toi o Tamaki. He is also a director of Bethunes Investments Limited and SwimTastic Limited. Mr. Swasbrook is not an independent director as he is an Associated Person of an Allied Farmers's Substantial Product Holder. Chris graduated from the University of Auckland with a BCom (Economics) in 1996, and has undertaken further study at the University of Auckland, Columbia University (New York), New York University (NYU), London School of Economics (LSE) and the Harvard Kennedy School in Boston, Massachusetts.

Note: Former Director Ross Verry resigned from the Board with effect from 15 July 2021, former Director and Chair Richard Perry resigned from the Board with effect from 1 October 2021, and former Director Marise James resigned from the Board with effect from 24 November 2021.

Director Independence:

As at 30 June 2022, Mark Franklin and Philip Luscombe are considered by the Board to be independent directors. Former Directors Ross Verry and Marise James were also considered to be independent directors. They are/were considered to be independent due to the following factors:

- They are non-executive directors who are not substantial shareholders and who are free of any interest, business or other relationship that would materially interfere with, or could reasonably be seen to materially interfere with, the independent exercise of their judgement;
- They have not been employed or retained, within the last three years, to provide material professional services to the Company;
- Within the last 12 months, they were not a partner, director, senior executive or material shareholder of a firm that provided material professional services to the Company or any of its subsidiaries; and
- None of those directors:
 - o have been, within the last three years, a material supplier to the Company or have any other material contractual relationship with the Company or another group member other than as a director of the Company;
 - o receive performance-based remuneration from, or participates in, an employee share scheme of the Company; and
 - o control, or is an executive or other representative of an entity which controls, 5% or more of the Company's voting securities.

Christopher Swasbrook is not considered to be independent because he is associated with a significant shareholder of the Company (Elevation Capital Management Limited).

Former Director Richard Perry was not considered to be independent because, through a company he owns (Waimatai Group Limited), he provided material advisory services to the Company.

SECTION 5 STATUTORY DISCLOSURES

Statutory Disclosures:

More information on Allied Farmers governance is set out in the Corporate Governance Report, a copy of which is available on the Allied Farmers' website, www.alliedfarmers.co.nz/investors.

Disclosure of Interest:

Pursuant to section 140 of the Companies Act 1993, the following changes in interests were disclosed during FY22 (excluding directorships of wholly owned subsidiaries) in the Interests Register:

| Name | Entity | Relationship/Disclosure |
|-------------------------------------|--|-------------------------|
| Mark Franklin | Auckland Business Chamber | Director |
| | Auckland Unlimited and Regional Facilities | Chair |
| | Auckland | Chair |
| | Black Opal Ventures | Chair |
| | PTBlink | Chair |
| | Stevenson Group and subsidiaries | Director |
| | Swimtastic Limited | Director |
| Marise James (resigned 24.11.21) | Midlands Mortgage Trust | Director |

Directors' Share Trading and Holdings:

Directors and former directors disclosed the following acquisitions and disposals of relevant interests in Allied Farmers Limited shares during FY22 pursuant to section 148 of the Companies Act 1993: Nil.

As at 30 June 2022, directors, or entities related to them, held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Allied Farmers Securities as follows:

| Director | Number of shares and percentage of shares on issue |
|-----------------------|--|
| Christopher Swasbrook | 2,750,000 (9.55%) |
| Philip Luscombe | 15,557 (0.054%) |

Directors' Fees:

| Director | 2022 | 2021 |
|-----------------------|-----------------------|-----------------------|
| Philip Luscombe | \$50,833 | \$45,000 |
| Mark Benseman | - | \$11,731 ¹ |
| Marise James | \$23,676 ² | \$48,750 |
| Richard Perry | \$15,000 ³ | \$60,000 |
| Ross Verry | \$2,917 ⁴ | \$35,000 |
| Christopher Swasbrook | \$46,667 | \$18,846 |
| Mark Franklin | \$45,833 ⁵ | - |
| Total | 184,926 | \$219,327 |

Directors Other Remuneration:

| Director | 2022 | 2021 |
|----------------------------|-----------------|------------------|
| Marise James ⁶ | \$800 | \$3,260 |
| Richard Perry ⁷ | \$28,072 | \$121,687 |
| Total | \$28,872 | \$124,947 |

¹ Resigned on 19 November 2020.

² Resigned on 24 November 2021.

³ Resigned on 1 October 2021.

⁴ Resigned on 15 July 2021.

⁵ Appointed on 1 November 2021.

⁶ Baker Tilly Staples Rodway, a firm in which Marise James is a Partner provided HR and tax consulting services to the Allied Group.

⁷ Waimatai Group Limited, a company associated with Mr. Perry, provided services to the Allied Group.

Shareholders approved a cap on directors' fees of \$332,000 p.a. at the 2007 Annual Meeting. This cap includes all directors' fees paid in relation to Group subsidiary companies as well as for the Parent. In addition to the above payments, Oliver Carruthers, a director of NZ Farmers Livestock Limited received total remuneration and benefits from NZ Farmers Livestock Limited of \$210,093, and Simon Williams, a director of NZ Farmers Livestock Limited and NZ Farmers Livestock Finance Limited, received total remuneration and benefits from NZ Farmers Livestock Limited of \$112,330. In neither case did this remuneration and benefits include any director's fees.

Particular Disclosures:

Bonds:

Albany Braithwaite Holdings Limited, an Associated Person of former Director Mark Benseman, was the holder of 600,000 first ranking bonds issued in a \$1 million bond issue on 9 October 2014. The Bond was repaid on the maturity date of 30 September 2021.

NZ Rural Land Management:

On 18 December 2020, Elevation Capital Management, an Associated Person of Director Chris Swasbrook (but immediately prior to Mr. Swasbrook being appointed a Director), sold a 27.5 percent interest in NZ Rural Land Management GP Limited and NZ Rural Land Management Limited Partnership to Allied Farmers. The purchase price for this interest was satisfied by the issue of 2,750,000 ordinary shares in Allied Farmers to Elevation Capital Management Limited at an issue price of 50 cents per share.

General:

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

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

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

Further information on related party transactions is set out in E1 of the FY 2022 Financial Statements.

Subsidiary CEO Remuneration:

The review and approval of the CEO's remuneration is the responsibility of the Subsidiary Board.

The CEO's remuneration comprises a fixed base salary, fringe benefits and an at-risk short-term incentive payable annually. There is no long-term incentive. At-risk incentives are paid against targets agreed with the CEO, and are based on financial measures including earnings targets and progress against objectives related to the strategic plan and other personal objectives. The Board assesses the CEO's performance at the end of the financial year to determine the actual payment value of his short-term incentive.

SECTION 5. STATUTORY DISCLOSURES

For FY22 these targets and objectives were structured as follows.

| Category | Weight | Measure |
|---------------------------|--------|---|
| Target \$60,000 | | |
| Financial Performance | 60% | <ul style="list-style-type: none"> 50% paid if achieve 90% of NZFL Net Profit Before Tax (NPBT) (after Redshaw minorities) board approved budget. 100% paid if achieve 110% of NZFL NPBT (after Redshaw minorities) Board approved budget with a pro rata allocation between the 90% and 110% achievement levels. |
| Non-financial performance | 40% | Health and safety and other non-financial growth measures |
| Stretch \$70,000 | | |
| Financial Performance | 100% | <ul style="list-style-type: none"> 50% paid if achieve 125% of NZFL NPBT (after Redshaw minorities) Board approved budget. 100% paid if achieve 150% of NZFL NPBT (after Redshaw minorities) Board approved budget with a pro rata allocation between the 125% and 150% achievement levels. |

The NZL Board assessed Steve Morrison's achievement against these FY22 performance targets at 100% of Target Financial Performance, 47% of Target Non-financial Performance and 0% of Stretch Financial Performance.

Steve Morrison's total remuneration for FY22 was as follows:

| Financial Year | Salary | Benefits | Performance - Short-term Incentive | Total Remuneration |
|----------------|-----------|----------|---|--------------------|
| FY 2022 | \$265,081 | \$11,364 | \$40,200.00 being 67% of maximum achievable from FY21 | \$316,645 |
| FY 2021 | \$255,487 | \$11,458 | \$37,680.00 being 63% of maximum achievable from FY20 | \$304,625 |

No Employees other than Mr. Morrison have a Short-Term Incentive Plan, and no Employees have a Long-Term Incentive Plan. Mr. Morrison does not have a severance package and is subject to a one month notice period under his Employment Agreement.

Subsidiary Employee Remuneration:

The number of employees whose remuneration and benefits were over \$100,000 for FY22 is within the specified bands as follows:

| Remuneration Range | | 2022 | 2021 |
|--------------------|---------|-----------|-----------|
| 100,000 | 110,000 | 3 | 4 |
| 110,001 | 120,000 | 3 | 4 |
| 120,001 | 130,000 | 2 | |
| 130,001 | 140,000 | 2 | |
| 140,001 | 150,000 | 1 | 2 |
| 150,001 | 160,000 | 2 | 1 |
| 160,001 | 170,000 | | 1 |
| 170,001 | 180,000 | | |
| 180,001 | 190,000 | 1 | 1 |
| 190,001 | 200,000 | | 3 |
| 200,001 | 210,000 | 1 | 1 |
| 210,001 | 220,000 | 2 | 3 |
| 220,001 | 230,000 | 1 | |
| 230,001 | 240,000 | 2 | 1 |
| 240,001 | 250,000 | 1 | |
| 250,001 | 260,000 | | |
| 260,001 | 270,000 | | |
| 270,001 | 280,000 | | |
| 280,001 | 290,000 | | |
| 290,001 | 300,000 | | |
| 300,001 | 310,000 | | 1 |
| 310,001 | 320,000 | 1 | |
| 320,001 | 330,000 | | |
| Total | | 22 | 22 |

The remuneration figures shown in the above table include all monetary remuneration actually paid, plus the cost of all benefits provided, during the year. The table does not include independent contractors.

Substantial Product Holders:

Notices given under the Financial Markets Conduct Act 2013 up to the date of this Annual Report:

| Holder | Relevant Interest | Date of Notice |
|--------------------------------------|-----------------------|-----------------|
| Elevation Capital Management Limited | 3,080,000 (10.692%) * | 14 October 2021 |

* Elevation Capital Management Limited held 2,750,000 shares directly and has a non-beneficial interest (from its clients) in 330,000 shares.

Subsidiary Companies:

Directors of subsidiary companies as at 30 June 2022 were as follows:

| Subsidiaries of the Parent | Principal Activity | Directors |
|---|---------------------|--|
| Allied Farmers Rural Limited | Rural Services | M Franklin, C. Swasbrook, P Luscombe |
| ALF Nominees Limited | Nominee company | C. Swasbrook |
| Allied Farmers (New Zealand) Limited | Non-trading | C. Swasbrook |
| Rural Funding SolutionNZ Limited | Rural Financing | C. Swasbrook, O Carruthers |
| Subsidiaries of Allied Farmers (New Zealand) Limited | | |
| Allied Farmers Property Holdings Limited | Non-trading | C. Swasbrook |
| QWF Holdings Limited | Non-trading | C. Swasbrook |
| Lifestyles of NZ Queenstown Limited | Non-trading | C. Swasbrook |
| LONZ 2008 Limited | Non-trading | C. Swasbrook |
| LONZ 2008 Holdings Limited | Non-trading | C. Swasbrook |
| Clearwater Hotel 2004 Limited | Non-trading | C. Swasbrook |
| Subsidiaries of Allied Farmers Property Holdings Limited | | |
| UFL Lakeview Limited | Non-trading | C. Swasbrook |
| 5M No 2 Limited | Non-trading | C. Swasbrook |
| Subsidiaries of Allied Farmers Rural Limited | | |
| NZ Farmers Livestock Limited | Livestock Trading | P Luscombe, C. Swasbrook, S Williams, O Carruthers |
| Subsidiaries of NZ Farmers Livestock Limited | | |
| Farmers Meat Export Limited | Meat Processing and | S Morrison, W Sweeney, P Luscombe |
| NZ Farmers Livestock Finance Limited | Rural Finance | C. Swasbrook, O Carruthers |
| Redshaw Livestock Limited | Livestock Trading | D Freeman, A Hiscox, M MacDonald, W Sweeney |

Shareholder Information:

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

Twenty Largest Registered Shareholders:

The shareholder information in the following disclosures has been taken from the Company's share register at 9 August 2022.

| Rank | Investor Name | Total Shares | % Issued Capital |
|-------------|---|---------------------|-------------------------|
| 1 | Elevation Capital Management Limited | 2,750,000 | 9.55 |
| 2 | Custodial Services Limited | 1,528,504 | 5.31 |
| 3 | Forsyth Barr Custodians Limited | 1,400,008 | 4.86 |
| 4 | Wairahi Investments Limited | 1,258,000 | 4.37 |
| 5 | Rem Trustee Limited | 1,000,000 | 3.47 |
| 6 | Hopeton Trustee Company Limited | 1,000,000 | 3.47 |
| 7 | Donald Clifton Jacobs | 831,050 | 2.88 |
| 8 | Elizabeth Beatty Benjamin & Michael Murray Benjamin | 682,622 | 2.37 |
| 9 | FNZ Custodians Limited | 590,449 | 2.05 |
| 10 | Dfs Investment Partners Llc | 522,185 | 1.81 |
| 11 | Deborah Lee Seerup | 500,001 | 1.74 |
| 12 | Geoffrey Richard Field Seerup | 500,000 | 1.74 |
| 13 | New Zealand Central Securities Depository Limited | 483,880 | 1.68 |
| 14 | New Zealand Depository Nominee | 469,590 | 1.63 |
| 15 | Glenn Leslie Ballinger | 458,667 | 1.59 |
| 16 | FNZ Custodians Limited | 346,024 | 1.2 |
| 17 | Fortune Capital Group Limited | 337,239 | 1.17 |
| 18 | Garry Charles Bluett | 313,000 | 1.09 |
| 19 | David Mitchell Odlin | 306,119 | 1.06 |
| 20 | Raoul John Daroux | 306,000 | 1.06 |
| 21 | Jade NZ Limited | 300,000 | 1.04 |

Analysis of Shareholding:

| Range | Holders | Holders % | Issued Capital | Issued Capital % |
|----------------------|---------|-----------|----------------|------------------|
| 1-1,000 | 1,518 | 61.68 | 587,322 | 2.04 |
| 1,001-5,000 | 469 | 19.06 | 1,180,424 | 4.1 |
| 5,001-10,000 | 185 | 7.52 | 1,379,706 | 4.79 |
| 10,001-50,000 | 218 | 8.86 | 4,572,584 | 15.87 |
| 50,001-100,000 | 29 | 1.18 | 2,130,869 | 7.4 |
| Greater than 100,000 | 42 | 1.71 | 18,955,529 | 65.8 |

Diversity and Gender:

In June 2020, Allied Farmers adopted a Diversity and Inclusion Policy. More information on the Policy is set out in the Corporate Governance Report and a copy is available on the Allied Farmers' website. The Board has evaluated Allied Farmers's performance against its Diversity Policy objectives to operate the business in a way that:

- does not tolerate discrimination of any kind;
- is objective, open-minded and free from discrimination;
- empowers management to cultivate a culture of inclusion in which the strengths of every individual are recognised and valued;
- seeks to ensure that all staff receive equal and fair treatment under our policies and practices, so that success is unhindered by individual differences;
- recognises and values individual diversity, different skills, ability and experiences; and,
- complies with the New Zealand Human Rights Act 1993, New Zealand Bill of Rights Act 1990, and all other relevant Human Rights laws.

The Board considers that these objectives have been met.

As at 30 June 2022, females represented 0% (FY21: 20%) of Directors and 20% (FY21: 25%) of Officers of Allied Farmers. Officers are defined as being the Chief Executive Officer and specific direct reports of the CEO having key functional responsibility.

| | Current Year | | Previous Year | |
|-------------------------|--------------|--------|---------------|--------|
| | Male | Female | Male | Female |
| Number of Directors | 3 | 0 | 4 | 1 |
| Percentage of Directors | 100% | 0% | 80% | 20% |
| Number of Officers | 4 | 1 | 4 | 1 |
| Percentage of Officers | 80% | 20% | 80% | 20% |

Shareholder Enquiries:

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

Annual Meeting of Shareholders:

Allied Farmers Limited's Annual Meeting of shareholders is typically held in late November each year. A Notice of Annual Meeting and Proxy Form will be circulated to shareholders prior to the meeting.

Dividends Paid:

No dividend was paid to shareholders in FY22 (FY21: \$0.012).

Donations:

The Allied Farmers Board has determined that it will not make political donations. No political donations were made during FY22.

SECTION **6** CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated Profit and Loss Statement

For the Year ending 30 June 2022

| | Note | Group | |
|--|------|-----------------|-----------------|
| | | 2022 | 2021 |
| | | \$000 | \$000 |
| | | | Restated |
| Commission and fee income | A1 | 15,057 | 14,991 |
| Sale of goods | A1 | 9,292 | 7,547 |
| Interest income | A1 | 630 | 630 |
| Other Income | A1 | 215 | 31 |
| Equity Accounted Earnings NZRLM | A1 | 1,624 | 1,152 |
| Total Income | | 26,818 | 24,351 |
| Cost of goods sold | A1 | (7,271) | (6,823) |
| Personnel expenses | A1 | (10,146) | (9,583) |
| Depreciation and amortisation | A1 | (892) | (827) |
| Rental and operating leases | A1 | (3) | - |
| Operating expenses | A1 | (4,658) | (4,248) |
| Total Expenses | | (22,970) | (21,481) |
| Finance Costs | A1 | (292) | (389) |
| Profit before tax | | 3,556 | 2,481 |
| Income tax (expense) / benefit | A2 | (24) | 95 |
| Profit after tax | | 3,532 | 2,576 |
| Total comprehensive income | | 3,532 | 2,576 |
| Profit attributable to: | | | |
| Shareholders of Allied Farmers Limited ('Allied') | | 2,876 | 2,021 |
| Minority shareholders of NZ Farmers Livestock Limited ('NZFL') | | 656 | 555 |
| Allied Earnings per share (cents) - Basic and Diluted | | 9.98 | 8.57 |
| Weighted average number of shares - Basic and Diluted (000's) | | 28,807 | 23,578 |

Consolidated Statement of other Comprehensive Income

For the Year ending 30 June 2022

| | | Group | |
|---|----|--------------|--------------|
| | | 2022 | 2021 |
| | | \$000 | \$000 |
| Profit after tax | | 3,532 | 2,576 |
| Change in value of investment in equity securities | C2 | (53) | (135) |
| Total comprehensive income | | 3,479 | 2,441 |

Consolidated Statement of Cash Flows

For the Year ending 30 June 2022

| | Note | Group | |
|--|-----------|----------------|----------------|
| | | 2022 | 2021 |
| | | \$000 | \$000 |
| Cash flows from/(to) operating activities | | | Restated |
| Cash receipts from customers | | 24,758 | 23,931 |
| Interest received | | 630 | 631 |
| Distribution from NZRLM | | 625 | 350 |
| Cash paid to suppliers and employees | | (22,185) | (20,235) |
| Interest paid | | (292) | (389) |
| Income tax (paid)/received | | (97) | 213 |
| Net cash flow from operating activities | | 3,439 | 4,501 |
| Cash flows from/(to) investing activities | | | |
| Decrease (Increase) in finance receivables NZ Farmers Livestock Finance Ltd/Rural Financial SolutionNZ Ltd | | 2,326 | (1,559) |
| Acquisition of New Zealand Rural Land Company Limited shares | | (1,484) | (1,130) |
| Purchase of shares in NZ Farmers Livestock Ltd | | (12) | (28) |
| Net disposal/(acquisition) of intangibles, property, plant and equipment | | 124 | (149) |
| Net cash flow from/(used in) investing activities | | 954 | (2,866) |
| Cash flows from/(to) financing activities | | | |
| Repayment livestock trading borrowings | | (1,115) | (448) |
| Repayment of finance receivables borrowings | | (925) | (301) |
| Repayment of bond | | (1,000) | - |
| Rights Issue of shares in Allied Farmers Limited | | - | 2,686 |
| Dividends paid to Minority Shareholders in Subsidiaries | | (535) | (418) |
| Lease principal repayments | | (813) | (698) |
| Net cash flow used in financing activities | | (4,388) | 821 |
| Net movement in cash and cash equivalents | | 5 | 2,456 |
| Opening cash and cash equivalents | | 4,542 | 2,086 |
| Closing cash and cash equivalents | B4 | 4,547 | 4,542 |
| Reconciliation of Profit to Cash Surplus from Operating Activities | | | |
| Profit for the year | | 3,532 | 2,576 |
| <i>Adjustments for items not involving cash flows:</i> | | | |
| Impairment on receivables | | 41 | 41 |
| (Profit)/loss on sale of assets | | (31) | (17) |
| Depreciation | | 892 | 827 |
| (Increase) Decrease in Deferred Tax | | (40) | (163) |
| Movement in Investments | | - | (667) |
| Other - including non cash items | | (979) | 14 |
| | | (117) | 35 |
| Movement in trade and other receivables | | 267 | 1,632 |
| Movement in inventories | | (23) | 245 |
| Movement in trade, other payables and employee benefits | | (188) | (200) |
| Movement in taxation | | (32) | 213 |
| Cash flow from operating Activities | | 3,439 | 4,501 |

Acquisition of Property, Plant and Equipment includes Motor Vehicles purchased at the end of lease contracts.

Consolidated Balance Sheet

As at 30 June 2022

| | Note | Group | |
|--|------|---------------|---------------|
| | | 2022 | 2021 |
| | | \$000 | \$000 |
| Equity | | | |
| Share capital | B2 | 158,204 | 158,204 |
| Accumulated Losses | | (143,743) | (146,566) |
| Equity attributable to owners of the Parent | | 14,462 | 11,638 |
| Non-controlling interests | B3 | 2,042 | 1,933 |
| Total equity | | 16,504 | 13,571 |
| Liabilities | | | |
| Trade and other payables | B7 | 10,849 | 11,452 |
| Employee benefits | | 1,515 | 1,100 |
| Income tax payable | | 7 | 39 |
| Finance receivables bank borrowings | B5 | - | 300 |
| Bank borrowings and bonds | B5 | - | 1,447 |
| Lease liabilities | B6 | 761 | 599 |
| Total current liabilities | | 13,132 | 14,937 |
| Bank borrowings and bonds | B5 | - | 669 |
| Finance receivables bank borrowings | B5 | - | 625 |
| Lease Liabilities | B6 | 1,377 | 1,534 |
| Total non-current liabilities | | 1,377 | 2,828 |
| Total liabilities | | 14,509 | 17,765 |
| Total liabilities and equity | | 31,012 | 31,336 |
| Assets | | | |
| Cash and cash equivalents | B4 | 4,547 | 4,542 |
| Trade Receivables | C1 | 9,830 | 10,116 |
| Inventories | | 74 | 51 |
| Finance receivables | C1 | 2,830 | 5,142 |
| Other receivables | | 292 | 246 |
| Total current assets | | 17,573 | 20,097 |
| Deferred tax assets | A2 | 993 | 953 |
| Goodwill | D2 | 742 | 742 |
| Intangible asset - computer software | | 115 | 271 |
| Investment - New Zealand Rural Land Management GP Limited | C2 | 3,665 | 3,302 |
| Investment - New Zealand Rural Land Company | C2 | 3,103 | 990 |
| Investments - Other | C2 | 2 | 5 |
| Property - owned | C3 | 2,932 | 2,997 |
| Property - right of use assets | C3 | 1,887 | 1,979 |
| Total non-current assets | | 13,440 | 11,239 |
| Total assets | | 31,012 | 31,336 |
| Net Tangible Assets per Share - attributable to Allied (\$ per share) | | 0.48 | 0.38 |
| Note: net tangible assets is calculated as equity attributable to Allied from which is deducted goodwill and intangible assets | | | |

Consolidated Statement of Changes in Equity

For the Year ending 30 June 2022

| Group | Share Capital | Accumulated losses | Revaluation Reserve | Allied Shareholders Interests | Minority Shareholders Interests | Total |
|--|----------------|--------------------|---------------------|-------------------------------|---------------------------------|---------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Balance at 1 July 2020 | 153,018 | (148,210) | - | 4,808 | 1,582 | 6,390 |
| Profit after tax for the year | - | 2,021 | - | 2,021 | 555 | 2,576 |
| Revaluation of Equity Securities | - | - | (135) | (135) | - | (135) |
| Total comprehensive income for the period | - | 2,021 | (135) | 1,886 | 555 | 2,441 |
| Dividends paid | - | (214) | - | (214) | (204) | (418) |
| AFL Purchase Minority Shareholders Shares | - | (28) | - | (28) | - | (28) |
| AFL Shares issued in purchase of New Zealand Rural Land Management Limited Partnership | 2,500 | - | - | 2,500 | - | 2,500 |
| Pro rata renounceable rights issue | 2,686 | - | - | 2,686 | - | 2,686 |
| Total transactions with owners | 5,186 | (242) | - | 4,944 | (204) | 4,740 |
| Balance at 30 June 2021 | 158,204 | (146,431) | (135) | 11,638 | 1,933 | 13,571 |
| Balance at 1 July 2021 | 158,204 | (146,431) | (135) | 11,638 | 1,933 | 13,571 |
| Profit after tax for the year | - | 2,876 | - | 2,876 | 656 | 3,532 |
| Revaluation of Equity Securities (refer Note C2) | - | - | (53) | (53) | - | (53) |
| Total comprehensive income for the period | - | 2,876 | (53) | 2,823 | 656 | 3,479 |
| Dividends paid to Minority Interests | - | - | - | - | (535) | (535) |
| AFL purchase Minority Shareholders Shares | - | - | - | - | (12) | (12) |
| Total transactions with owners | - | - | - | - | (547) | (547) |
| Balance at 30 June 2022 | 158,204 | (143,555) | (188) | 14,461 | 2,042 | 16,503 |

A Financial performance

In this section

This section explains the financial performance of the Group providing additional information about individual items in the Profit and Loss Statement, including:

- the key operating segment information regularly reported to and reviewed by the Directors.
- accounting policies, judgements and estimates that are relevant for understanding items recognised in the Profit and Loss Statement and Balance Sheet.

A1 How we operate and generate returns for shareholders

Livestock services: An agency business facilitating livestock transactions and the procurement and export of veal.

Financial services: Providing and referring livestock finance to farmer clients.

Rural Land Management: Investment in New Zealand Rural Land Management Limited Partnership the contracted asset manager of New Zealand Rural Land Company Limited.

Parent operations: The ultimate holding company for Allied Group's investments and governance activity for the Group.

Segment information

| | Group | | | | | | | | | |
|---|--------------------|---------------|--------------------|--------------|-----------------------|--------------|-------------------|--------------|---------------|---------------|
| | Livestock Services | | Financial Services | | Rural Land Management | | Parent Operations | | Total | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | | | | | | | | | | |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Commission and fee income | 15,057 | 14,991 | - | - | - | - | - | - | 15,057 | 14,991 |
| Sale of goods | 9,292 | 7,547 | - | - | - | - | - | 9,292 | 7,547 | |
| Interest income | 216 | 187 | 414 | 443 | - | - | - | 630 | 630 | |
| Other Income * | 158 | 31 | 15 | - | - | - | 42 | 215 | 31 | |
| Equity Accounted Earnings NZRLM | - | - | - | - | 1,624 | 1,152 | - | - | 1,624 | 1,152 |
| Total Income | 24,723 | 22,756 | 429 | 443 | 1,624 | 1,152 | 42 | - | 26,818 | 24,351 |
| Cost of goods sold | 7,271 | 6,823 | - | - | - | - | - | - | 7,271 | 6,823 |
| Personnel expenses | 10,024 | 9,442 | 46 | 46 | - | - | 76 | 95 | 10,146 | 9,583 |
| Depreciation and amortisation | 892 | 827 | - | - | - | - | - | - | 892 | 827 |
| Rental and operating leases | 3 | - | - | - | - | - | - | - | 3 | - |
| Operating expenses | 3,934 | 3,518 | 77 | 86 | - | - | 647 | 644 | 4,658 | 4,248 |
| Total Expenses | 22,124 | 20,610 | 123 | 132 | - | - | 723 | 739 | 22,970 | 21,481 |
| Finance Costs | (140) | (195) | (134) | (121) | - | - | (18) | (73) | (292) | (389) |
| Profit/(loss) before tax | 2,459 | 1,951 | 172 | 190 | 1,624 | 1,152 | (699) | (812) | 3,556 | 2,481 |
| Income tax (expense) / benefit | - | - | - | - | - | - | - | - | (24) | 95 |
| Profit/(loss) after tax | | | | | | | | | 3,532 | 2,576 |
| Current Assets | 14,300 | 14,450 | 2,830 | 5,142 | - | - | 443 | 505 | 17,573 | 20,097 |
| Investments in NZRLC | - | - | - | - | - | - | 3,103 | 990 | 3,103 | 990 |
| Investment in Associates and Joint Ventures | - | - | - | - | 3,665 | 3,302 | - | - | 3,665 | 3,302 |
| Other Non-Current Assets | 6,571 | 6,847 | 100 | 100 | - | - | - | - | 6,671 | 6,947 |
| Assets | 20,871 | 21,297 | 2,930 | 5,242 | 3,665 | 3,302 | 3,546 | 1,495 | 31,012 | 31,335 |
| Current Liabilities | 13,029 | 13,345 | - | 351 | - | - | 103 | 1,241 | 13,132 | 14,937 |
| Non-Current Liabilities | 1,377 | 2,203 | - | 625 | - | - | - | - | 1,377 | 2,828 |
| Liabilities | 14,406 | 15,548 | - | 976 | - | - | 103 | 1,241 | 14,509 | 17,765 |
| Additions of Property, Plant and Equipment, and Right of Use assets | 771 | 1,607 | - | - | - | - | - | - | 771 | 1,607 |

* Other Income includes Covid 19 Wage and Resurgence Subsidy payments \$117,686

Measurement and Recognition

Commission income on facilitating a livestock sale agreement, grazing agreement or forward livestock sale agreement is recognised when the sale is agreed by a vendor and purchaser. The Group is acting as an agent as it doesn't have inventory risk and isn't able to set a price.

The Group reassessed the reporting of revenue from its subsidiaries and joint operations during the year ended 30 June 2022. As a result the Group has aligned the reporting of livestock related income across all businesses including joint operations to ensure consistent treatment. The effect of this has been to increase commission and fee income by \$2.2m (2021: \$2.1m), personnel expenses by \$1.6m (2021: \$1.5m) and operating expenses by \$0.5m (2021: \$0.5m) with no change to reported profit for both years. Consequently the comparative period Profit and Loss Statement and Statement of Cash Flows has been both restated to ensure consistency of reporting.

Forward delivery contracts in relation to herd sales on which commission income is earned contain an element of variable consideration due to the timeframe between when the sale is agreed and its completion. At year end the variable consideration is taken account of in the revenue recognised.

Sale of goods (veal meat and skins) revenue is recognised once goods are delivered to the customer. The Group is deemed a principal, rather than an agent, as it holds inventory risk.

Fee income relates to RFID scanning fees, yard fees charged at saleyards and valuation fees. The income is recognised when livestock are scanned, a sale is agreed within the auction or when the livestock are weighed. The Group is acting as a principal as it is primarily responsible for the service rendered and is able to set a price.

Finance receivables interest income is recognised using the effective interest method. The calculation of the effective interest rate includes all fees that are integral to the effective interest rate. All fees except those charged to customer accounts in arrears are considered to be integral to the effective interest rate. Fees charged to customer accounts in arrears are recognised as income at the time the fees are charged.

The shares in New Zealand Rural Land Company Limited are equity investments quoted in an active market which the Group has elected to designate as a financial asset at fair value through Other Comprehensive Income. The fair value of these shares at 30 June 2022 is \$3,103,000 (2021: \$990,000). The Company also owns a 50% interest in NZ Rural Land Management Partnership ('NZRLM'). NZRLM is the external manager of New Zealand Rural Land Company Limited. The Group has determined that it has significant influence but not control over NZRLM. Accordingly, the Group applies the equity method of accounting to its investment in NZRLM. Under the equity method the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investors share of the profit or loss of the investee after the date of acquisition.

A2 Taxation

| | Group | |
|---|-----------|-------------|
| | 2022 | 2021 |
| | \$000 | \$000 |
| Income tax using the company's tax rate (28%) | 996 | 695 |
| Expenditure not deductible for tax | 3 | 3 |
| Other permanent differences | 202 | - |
| Temporary differences | 57 | 18 |
| Recognition of deferred tax asset | (40) | (163) |
| Use of Group tax losses | (1,194) | (648) |
| Income tax expense (benefit) | 24 | (95) |

Measurement & Recognition

Income tax expense is the income tax assessed on taxable profit for the year. Taxable profit differs from profit before tax reported in the statement of comprehensive income as it excludes items of income and expense that are taxable or deductible in future years (i.e. deferred tax) and also excludes items that will never be taxable or deductible.

Deferred Tax

Movement in temporary differences during the year

| | Opening balance | Recognised in income | Closing Balance |
|------|--|----------------------|-----------------|
| | \$000 | \$000 | \$000 |
| 2022 | Property, plant and equipment | - | - |
| | Financial receivable credit loss provision | 36 | 12 |
| | Employee benefits | 205 | 46 |
| | Tax loss carry forward | 712 | (18) |
| | 953 | 40 | 993 |
| 2021 | Financial receivable credit loss provision | 20 | 36 |
| | Employee benefits | 204 | 1 |
| | Tax loss carry forward | 566 | 146 |
| | 790 | 163 | 953 |

Group unrecognised deferred tax assets comprise unused tax losses as at 30 June 2022 total \$36,288,403 gross (2021: \$40,568,976). The ability to utilise tax losses, given the age of the losses, is dependent upon continuing to meet shareholder continuity requirements of prevailing income tax legislation.

As at balance date imputation credits available to the shareholders of only the Parent Company in subsequent periods totalled \$89,248 (2021: \$89,248).

Key Judgement:

A deferred tax asset is recognised to the extent it is probable that future taxable profits will be available to use the asset. This is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to utilise the asset. The level of losses recognised reflects management's expectations of recurring levels of taxable profitability for approximately the next two years.

Measurement and Recognition:

Deferred tax is income tax that is expected to be payable or recoverable in the future as a result of the unwinding of temporary differences. These arise from differences in the recognition of assets and liabilities for financial reporting and for the filing of income tax returns. Deferred tax is recognised on all temporary differences, other than those arising from goodwill and the initial recognition of assets and liabilities in a transaction (other than in a business combination) that affects neither the accounting nor taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the year when a liability is settled or an asset realised, based on tax rates and tax laws that have been enacted or substantively enacted at balance date.

B. Funding and Related Financial Risks

In this section

This section explains how the Allied Group manages its various funding sources including capital structure and debt. It also explains the financial risks that the Group faces and how these risks are managed.

B1 Capital management

The Allied Group's capital includes share capital, accumulated losses and non controlling interests.

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

B2 Share Capital

Share capital (\$000)

Number of shares issued and fully paid (000's)

| | | Group | |
|--|----|---------|---------|
| | | 2022 | 2021 |
| Share capital (\$000) | | 158,204 | 158,204 |
| Number of shares issued and fully paid (000's) | | | |
| Balance at beginning of period | | 28,807 | 17,855 |
| Issue of ordinary shares | C2 | - | 5,000 |
| Pro rata renounceable rights issue | | - | 5,952 |
| Balance at end of year | | 28,807 | 28,807 |

All ordinary shares rank equally as to voting, dividends and distribution of capital on liquidation.

B3 Non-controlling interests

The Allied Farmer Group's non controlling interests arise from minority interests held by other shareholders in NZ Farmers Livestock Limited and further non-controlling interests held by shareholder other than NZ Farmers Livestock Limited in its controlled subsidiary, Redshaw Livestock Limited.

The following summary financial information of the NZFL Group is provided to assist in understanding the significance of external shareholders interests in the group's reported position and performance. This information is presented before intercompany eliminations.

| | | NZFL and Subsidiaries | |
|---------------------------------------|--|-----------------------|---------------|
| | | 2022 | 2021 |
| Summary financial results | | \$000 | \$000 |
| Revenue | | 25,071 | 23,199 |
| Profit and total comprehensive income | | 2,549 | 2,141 |
| Summarised balance sheet | | | |
| Current assets | | 16,894 | 19,592 |
| Non-current assets | | 6,631 | 6,947 |
| Current liabilities | | (13,029) | (13,696) |
| Non-current liabilities | | (1,377) | (2,828) |
| Net assets | | 9,119 | 10,015 |

B4 Cash and cash equivalents

| | | Group | |
|---|--|--------------|--------------|
| | | 2022 | 2021 |
| | | \$000 | \$000 |
| Cash and cash equivalents | | 5,547 | 5,442 |
| Finance Receivables overdraft facility offset per agreement | | (1,000) | (900) |
| Net cash and cash equivalents | | 4,547 | 4,542 |
| Undrawn overdraft facilities | | 9,500 | 8,000 |

Cash is held at banks with a credit rating of A- or higher.

B5 Debt funding

| | | Group | | | |
|------|-------------------------------------|-----------------------|----------------------|---------|---------------|
| | | Payable within 1 year | Payable after 1 year | Undrawn | Interest rate |
| | | \$000 | \$000 | \$000 | % |
| 2022 | Finance receivables bank borrowings | - | - | - | - |
| | Bank borrowings | - | - | - | - |
| | Bonds | - | - | - | - |
| | Total debt funding | - | - | - | - |
| 2021 | Finance receivables bank borrowings | 300 | 625 | - | 4.35% |
| | Bank borrowings | 447 | 669 | - | 4.35% |
| | Bonds | 1,000 | - | - | 7.30% |
| | Total debt funding | 1,747 | 1,294 | - | - |

Measurement and recognition

Borrowings are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost (using the effective interest method). Fees for establishing new borrowings are spread over the term of those borrowings.

Allied Farmers Group

The borrowing facilities are secured, by way of a first ranking General Security Agreement and gross guarantee and indemnity, against the assets of NZ Farmers Livestock Limited, NZ Farmers Livestock Finance Limited and Farmers Meat Export Limited. The financial covenants under these facilities have been fully complied with during the year. All borrowings were repaid by 30 June 2022.

NZ Farmers Livestock Limited guarantees the bank overdraft of its subsidiary Redshaw Livestock up to \$338,000 (FY21: \$338,000), plus interest and costs.

Bonds of \$1,000,000 were issued by Allied Farmers Rural Limited on 30 September 2014. The Bonds were secured by way of a first charge General Security Agreement over all of the assets and undertakings of Allied Farmers Limited and subsidiaries excluding NZ Farmers Livestock Limited and subsidiaries and a specific security over the shares held by Allied Farmers Rural Limited in NZ Farmers Livestock Limited plus a guarantee from Allied Farmers Limited and subsidiaries. The Bonds were repaid on 30 September 2021.

B6 Lease liabilities

| | | Group | | | |
|---------------------------------------|----------|----------------|-------------------|-------|-------|
| | | 2022 | | | |
| | Property | Motor Vehicles | Plant & Equipment | Total | |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Opening | 456 | 1,677 | - | - | 2,133 |
| Leases entered into during the period | - | 616 | 57 | - | 673 |
| Interest expense | 29 | 117 | - | - | 146 |
| Principal repayments | (131) | (681) | - | - | (812) |
| | 353 | 1,729 | 57 | - | 2,139 |
| Current lease liabilities | 94 | 655 | 13 | - | 761 |
| Non-current lease liabilities | 259 | 1,074 | 44 | - | 1,377 |

| | | Group | | | |
|---------------------------------------|----------|----------------|-------------------|-------|-------|
| | | 2021 | | | |
| | Property | Motor Vehicles | Plant & Equipment | Total | |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Opening | 540 | 785 | - | - | 1,325 |
| Leases entered into during the period | - | 1,411 | - | - | 1,411 |
| Interest expense | 11 | 124 | - | - | 135 |
| Principal repayments | (95) | (603) | - | - | (698) |
| Remeasurements | - | (40) | - | - | (40) |
| | 456 | 1,677 | - | - | 2,133 |
| Current lease liabilities | 88 | 511 | - | - | 599 |
| Non-current lease liabilities | 368 | 1,166 | - | - | 1,534 |

Measurement and recognition

The above lease liabilities are in relation to leases of regional offices and the leases of Motor Vehicles.

The increase in motor vehicle leases in the current period is due to the inclusion of the residual buy back value included in new lease arrangements which management expects to exercise at the inception of the lease.

The Group recognises a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, The Group's incremental borrowing rate. The Group's incremental borrowing rate ranges between 6.0% to 9.95% (2021 6.98%) as the discount rate, with adjustments for the type and term of the lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases within operating expenses on a straight-line basis over their lease terms.

B7 Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations as they fall due.

Liquidity risk is reviewed on an ongoing basis and managed to meet requirements. Cash flow forecasting is performed in the operating entities of the Group and aggregated at Group level. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The amounts disclosed in the tables below show the contractual undiscounted cash flows (including interest) due on financial liabilities, so will not always reconcile to the amount disclosed on the statement of financial position. The amounts below also reflect the contractual repricing timing on financial liabilities, if applicable.

Allied Farmers Group

| | Balance Sheet | Contractual | | | |
|-------------------------------------|---------------|---------------|---------------|-------------|--------------|
| | | Cashflow | < 6 months | 6 - 12 mths | 1 - 5 yrs |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| 2022 | | | | | |
| Trade and other payables | 10,849 | 10,849 | 10,849 | - | - |
| Finance receivables bank borrowings | - | - | - | - | - |
| Bank borrowings | - | - | - | - | - |
| Bonds | - | - | - | - | - |
| Lease liabilities | 2,139 | 2,236 | 381 | 381 | 1,475 |
| | 12,988 | 13,085 | 11,229 | 381 | 1,475 |
| 2021 | | | | | |
| Trade and other payables | 11,452 | 11,452 | 11,452 | - | - |
| Finance receivables borrowings | 925 | 984 | 173 | 169 | 642 |
| Bank borrowings | 1,116 | 1,167 | 249 | 249 | 669 |
| Bonds | 1,000 | 1,018 | 1,018 | - | - |
| Lease liabilities | 2,133 | 1,707 | 340 | 316 | 1,051 |
| | 16,626 | 16,328 | 13,232 | 734 | 2,362 |

Interest Rate Risk

The Group is exposed to interest rate risk on movements in floating interest rates on bank borrowings. Finance receivables have fixed interest rates and generally a term of less than one year.

In managing interest rate risk, the group aims to reduce the impact of short-term fluctuations on the group's earnings. Over the longer term, however, permanent changes in interest rates will have an impact on profit.

If market interest rates for bank borrowings were to increase or decrease by at least +/-1% (2021: +/-0.5%), the effect on net profit after tax and equity for the year as applied to year end balances would be as follows:

| | | Group | |
|--|-----|-------|-------|
| | | 2022 | 2021 |
| | | \$000 | \$000 |
| Effect on net profit for the year / equity | +/- | - | 10 |

B8 Net Interest income/(costs)

| | | Group | |
|------------------------------------|--|------------|------------|
| | | 2022 | 2021 |
| | | \$000 | \$000 |
| Interest received | | 630 | 630 |
| Total interest income | | 630 | 630 |
| Interest paid on borrowings | | (128) | (143) |
| Interest paid on bonds | | (18) | (73) |
| Lease interest | | (146) | (173) |
| Total interest expenses | | (292) | (389) |
| Net Interest income/(costs) | | 338 | 241 |

C. Our receivables, other assets and other payables

In this section

This section explains:

- The assets the Group is due to receive from third parties and the credit risk associated with these assets.
- The property and motor vehicles the Group owns and has a right to use under lease arrangements.
- The obligations to third parties, other than banks and bond holders.

C1 Receivables

| | Group | |
|----------------------------------|---------------|---------------|
| | 2022 | 2021 |
| | \$000 | \$000 |
| Receivables from livestock sales | 9,830 | 10,116 |
| Finance receivables | 2,830 | 5,142 |
| Total receivables | 12,660 | 15,257 |

Amounts are stated at carrying value, net of credit loss allowance provisions

| | | |
|--|-----|-----|
| | 172 | 132 |
|--|-----|-----|

Receivables written off during the year

| | | |
|--|----|----|
| | 32 | 30 |
|--|----|----|

The status of receivables at the reporting date is as follows:

| | | Not yet due | 1 - 30 days overdue | 31 - 60 days overdue | 61 - 90 days overdue | Total |
|--------------------------|-----------------------------------|---------------|---------------------|----------------------|----------------------|---------------|
| | | \$000 | \$000 | \$000 | \$000 | \$000 |
| Group receivables | | | | | | |
| 2022 | Receivables from livestock sales | 8,315 | 756 | 507 | 335 | 9,912 |
| | Credit loss allowance (livestock) | (24) | (9) | (3) | (46) | (82) |
| | Finance receivables | 2,920 | - | - | - | 2,920 |
| | Credit loss allowance (finance) | (91) | - | - | - | (91) |
| | Net receivable | 11,120 | 747 | 504 | 289 | 12,660 |
| 2021 | Receivables from livestock sales | 7,709 | 2,282 | 86 | 94 | 10,171 |
| | Credit loss allowance (livestock) | (16) | (6) | (2) | (31) | (55) |
| | Finance receivables | 5,192 | - | - | 27 | 5,219 |
| | Credit loss allowance (finance) | (68) | - | - | (9) | (77) |
| | Net receivable | 12,817 | 2,276 | 84 | 81 | 15,258 |

Security held for finance receivables

| | 2022 | 2021 |
|----------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Secured via PPSR | 2,382 | 4,667 |
| Not secured | 538 | 553 |
| Total finance receivables | 2,920 | 5,219 |

All amounts not secured as at 30 June 2022 were subsequently secured.

On origination, the finance receivables will fund the entire value of secured livestock. No credit scores are assigned to borrowers for internal risk management purposes.

Concentrations of counterparties

Finance receivables are exclusively held with counterparties trading in the farming sector. However there are no individual counterparties that are considered to be significant to the group.

Movement in gross finance receivables balance

| | 2022 | 2021 |
|----------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Opening balance | 5,219 | 3,985 |
| New loans issued | 10,140 | 11,798 |
| Principal repaid | (12,871) | (11,042) |
| Interest and fees accrued | 432 | 478 |
| Total finance receivables | 2,920 | 5,219 |

Key Judgement

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

It is expected that all trade receivables will be collected within 12 months of the balance date. All accounts past their due date have been subject to individual assessment.

Allied Farmers Group

Measurement and recognition

Receivables from livestock sales and Finance Receivables are measured on initial recognition at fair value, and are subsequently carried at amortised cost, less provision for expected credit losses.

For Receivables from livestock sales, the provision for expected credit losses is based on the simplified approach, as permitted by NZ IFRS 9, and records the loss allowances as lifetime expected credit losses from recognition. These are the expected credit losses that result from all possible default events over the life of the financial instrument.

Finance Receivables are reviewed on an individual basis to determine whether any amounts are unrecoverable and an expected credit loss provision is recorded. The expected credit losses are based on management's assessment of amounts considered uncollectible for specific customers based on age of debt, history of payments, account activity, current and future economic factors and other relevant information. Debts known to be uncollectible are written-off as bad debts to the profit and loss when identified.

Credit Risk Management

Credit risk is the risk that a counterparty to a transaction with the Group will fail to discharge its obligations and make payment, causing the Group to incur a financial loss.

The Group manages its exposure using a credit policy that includes limits on exposures with significant counterparties that have been set and approved by the Board and are monitored on a regular basis and does not have any significant concentration of risk with any single party. The Group considers an account to be in default when a debtor fails to make a contractual payment in the absence of a written agreement to the contrary. This is when the account is past due by more than 90 days. Livestock finance receivables are secured over the livestock concerned and in the majority of cases supported by personal covenants from the borrower.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write-off when a debtor fails to make contractual payments more than 180 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made these are recognised in profit or loss.

C2 Investments Held by Group

| | 2022 | 2021 |
|---|--------------|--------------|
| | \$000 | \$000 |
| New Zealand Rural Land Company Limited | 3,103 | 990 |
| New Zealand Rural Land Management Partnership | 3,665 | 3,302 |
| Other Investments | 2 | 5 |
| Total Investments | 6,770 | 4,297 |

New Zealand Rural Land Company Limited

In December 2020 Allied Farmers Limited acquired 900,000 shares at an issue price of \$1.25 per share in New Zealand Rural Land Company Limited ('NZRLC'). In September 2021, Allied Farmers Limited acquired 600,000 shares at an issue price of \$1.10 at a total cost of \$660,000. In June 2022 Allied Farmers Limited acquired a further 783,057 shares at an issue price of \$1.05 per share in NZRLC. The total cost was \$823,973. A further 35,362 shares were issued under a dividend reinvestment plan. A further 581,581 shares were issued under the performance fee arrangement referred to below. This holding represents a 2.56% ownership in NZRLC as at 30 June 2022 (2021: 1.49%). These shares are equity investments quoted in the active market which the Group has elected to designate as a financial asset at fair value through other comprehensive income.

Under the Management Agreement NZRLC is to pay NZRLM a performance fee which, subject to certain adjustments, is to be equal to 10% of the increase in net asset value of NZRLC in each financial year. The performance fee payable by NZRLC to NZRLM for the year ended 30 June 2022 comprised 2,499,247 (2021: 1,163,162) shares in NZRLC. Fifty percent of these shares were then distributed by NZRLM to Allied Farmers Limited in proportion to Allied's ownership of NZRLM. Half of the shares issued in each Financial Year to satisfy the performance fee are subject to escrow arrangements, under which the Manager or any nominee agrees not to sell, transfer, assign or otherwise dispose of, or offer or agree to sell, transfer, assign or otherwise dispose of, its right and title to, and beneficial interest in such shares for a five year period. 290,791 shares distributed to Allied Farmers Limited were subject to this arrangement as at 30 June 2022.

The fair value of NZRLC shares held by Allied Farmers Limited as at 30 June 2022 is \$3,103,000 (2021: 990,000).

| | 2022 | 2021 |
|---|--------------|------------|
| | \$000 | \$000 |
| Carrying Value Brought Forward | 990 | - |
| Shares Issued / Rights Issue | 1,484 | 1,125 |
| Dividend Received as Shares | 42 | - |
| Shares Issued under NZRLM Performance Fee Arrangement | 640 | - |
| Change in Value Credited to Other Reserves | (53) | (135) |
| At 30 June 2022 | 3,103 | 990 |

New Zealand Rural Land Management Limited

On 18 December 2020 Allied Farmers Limited purchased a 50 percent interest in NZ Rural Land Management Limited Partnership ('NZRLM'). NZRLM is the external manager of NZ Rural Land Company Limited (NZRLC) which listed on the NZX on Monday 21 December 2020. The New Zealand Rural Land Management Limited ('NZRLM') acquisition price paid was 5 million Allied Farmers shares at NZ\$0.50 cents per share (cps) representing a total cost of \$2,500,000. The Group has determined that it has significant influence but not control over NZRLM. Accordingly, the Group applies the equity method of accounting to its investment in NZRLM. Under the equity method the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise Allied Farmers Limited share of the profit or loss of the investee after the date of acquisition. Allied Farmers has a call option to acquire the 50% of NZRLM that it currently does not own, which is exercisable for 12 months from 18 December 2022.

Allied Farmers Group

| Summarised Balance Sheet | 2022 | 2021 |
|---|--------------|--------------|
| | \$000 | \$000 |
| Current Assets | 2,514 | 2,011 |
| Current Liabilities | (190) | (407) |
| Net Assets | 2,324 | 1,604 |
| Summarised Statement of Profit or Loss | 2022 | 2021 |
| | \$000 | \$000 |
| Income | 4,147 | 3,081 |
| Expenses | (898) | (777) |
| Profit | 3,249 | 2,304 |
| Reconciliation of Summarised Financial Information | 2022 | 2021 |
| | \$000 | \$000 |
| Opening Balance | 1,604 | - |
| Profit For Period | 3,249 | 2,304 |
| Dividend | (2,529) | (700) |
| Closing Net Assets | 2,324 | 1,604 |
| Increase in net assets | 360 | 802 |
| Reconciliation of Interest in Associate | 2022 | 2021 |
| | \$000 | \$000 |
| Opening Balance | 3,302 | - |
| Cost of investment | - | 2,500 |
| Increase in Net Assets (50% of Profit for Period) | 1,624 | 1,152 |
| Less Dividend paid (50% of Dividend) | (1,261) | (350) |
| Carrying Value 30 June 2022 | 3,665 | 3,302 |

C3 Property, Plant & Equipment Owned

| | Group | | | | |
|---|--------------|------------------|----------------------------|-----------------------|--------------|
| | 2022 | | | | |
| | Land | Buildings | Plant and equipment | Motor Vehicles | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Cost at beginning of year | 2,019 | 1,049 | 574 | 247 | 3,889 |
| Additions | - | - | 70 | 30 | 100 |
| Disposals | - | - | (7) | (35) | (42) |
| Cost at end of year | 2,019 | 1,049 | 636 | 243 | 3,947 |
| Accumulated depreciation at beginning of the year | - | (484) | (373) | (35) | (892) |
| Depreciation | - | (62) | (62) | (4) | (128) |
| Disposals | - | - | 6 | - | 6 |
| Accumulated depreciation at end of year | - | (546) | (430) | (38) | (1,014) |
| Net value 2022 | 2,019 | 503 | 207 | 205 | 2,933 |
| | 2021 | | | | |
| | Land | Buildings | Plant and equipment | Motor Vehicles | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Cost at beginning of year | 2,019 | 1,038 | 550 | 172 | 3,779 |
| Additions | - | 11 | 32 | 153 | 196 |
| Disposals | - | - | (8) | (78) | (86) |
| Cost at end of year | 2,019 | 1,049 | 574 | 247 | 3,889 |
| Accumulated depreciation at beginning of the year | - | (423) | (288) | (30) | (741) |
| Depreciation | - | (61) | (85) | (4) | (150) |
| Disposals | - | - | - | (1) | (1) |
| Accumulated depreciation at end of year | - | (484) | (373) | (35) | (892) |
| Net value 2021 | 2,019 | 565 | 201 | 212 | 2,997 |

The Directors obtained independent valuations for land and buildings dated December 2021 on a fair value basis. The valuation of these property assets totalled \$6.632 million, which significantly exceeds the historical costs of these assets reported above.

Allied Farmers Group

Property leased (including Right of Use assets)

| | 2022 | | | |
|---------------------------------|------------|----------------|-------------------|--------------|
| | Property | Motor Vehicles | Plant & Equipment | Total |
| | \$000 | \$000 | \$000 | \$000 |
| Opening | 430 | 1,549 | - | 1,979 |
| Additions | - | 614 | 57 | 671 |
| Less Disposals | - | (196) | - | (196) |
| Less Amortisation | (92) | (474) | - | (566) |
| Total Right of use Asset | 338 | 1,493 | 57 | 1,887 |
| Total Cost | 620 | 2,343 | 57 | 3,019 |
| Total Accumulated Depreciation | (282) | (850) | - | (1,132) |
| Total Carrying Value | 338 | 1,493 | 57 | 1,887 |

| | 2021 | | | |
|---------------------------------|------------|----------------|-------------------|--------------|
| | Property | Motor Vehicles | Plant & Equipment | Total |
| | \$000 | \$000 | \$000 | \$000 |
| Opening | 525 | 624 | - | 1,149 |
| Additions | - | 1,411 | - | 1,411 |
| Less Disposals | - | (40) | - | (40) |
| Less Amortisation | (95) | (446) | - | (541) |
| Total Right of use Asset | 430 | 1,549 | - | 1,979 |
| Total Cost | 620 | 1,925 | - | 2,545 |
| Total Accumulated Depreciation | (190) | (376) | - | (566) |
| Total Carrying Value | 430 | 1,549 | - | 1,979 |

Measurement and recognition

Land is not depreciated. All other owned property, plant and equipment is depreciated on a straight line basis at rates over their estimated useful lives, as follows:

- Buildings: 8 - 30 years.
- Plant and equipment: 1 - 30 years.
- Motor Vehicles (owned): 1-3 years
- Motor Vehicles (leased): over their lease term

D. Group Structure

In this section

This section provides information to help readers understand the Group structure and how it affects the financial position and performance of the Group.

D1 Subsidiaries and Associates

The Group financial statements include the financial statements of Allied Farmers Limited and the operating subsidiaries listed below.

Subsidiaries are entities controlled by the group. Control exists when the Group has the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The financial records of operating subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

There are a number of subsidiaries within the Group that are non-trading and therefore have no financial records during the year or balances as at year-end, they are not included within these consolidated financial statements.

| | | 2022 | 2021 |
|---|------------------------------|--------------------|--------------------|
| | | Ownership interest | Ownership interest |
| Operating Subsidiaries of the Parent | | | |
| Allied Farmers (New Zealand) Limited | Investment | 100% | 100% |
| Allied Farmers Rural Limited | Investment | 100% | 100% |
| Rural Funding SolutioNZ Limited | Finance | 100% | 100% |
| Subsidiaries of Allied Farmers Rural Limited | | | |
| NZ Farmers Livestock Limited | Livestock Agency and Finance | 67% | 67% |
| Subsidiaries of NZ Farmers Livestock Limited | | | |
| Farmers Meat Export Limited | Meat Processing and Trading | 100% | 100% |
| NZ Farmers Livestock Finance Ltd | Livestock Finance | 100% | 100% |
| Redshaw Livestock Limited | Livestock Agency | 52% | 52% |
| Associates of the Parent | | | |
| New Zealand Rural Land Management Partnership | Rural Property Management | 50% | 50% |

All companies within the Group are incorporated in and have their principal place of business in New Zealand, and have a balance date of 30 June.

D2 Goodwill

| | Group | |
|-------------------------------|------------|------------|
| | 2022 | 2021 |
| <i>Cash generating units:</i> | \$000 | \$000 |
| Redshaw | 642 | 642 |
| NZFLFL | 100 | 100 |
| | 742 | 742 |

Goodwill in Redshaw arose on the acquisition of a controlling interest in Redshaw Livestock Limited and the NZFLFL goodwill arose from the acquisition of a finance book from Stock Plan Limited previously supplying finance to a number of NZ Farmers Livestock Limited customers.

Key Judgement

The assessment that there was no impairment of the goodwill in the Redshaw CGU ('cash generating unit') at 30 June 2022. The valuation of the CGU is based on a discounted cashflow of management forecasts of future financial performance and therefore there is an inherent estimation uncertainty.

Impairment assessment

Redshaw CGU

On an annual basis, the recoverable amount of Goodwill is determined based on value in use calculations specific to the Redshaw CGU. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five year period. Cash flows beyond the five year period are extrapolated by way of a terminal value calculation using the estimated growth rates stated below. The growth rates adopted are consistent with internal forecasts and budgets. The discount rate reflects the specific risks relating to the cash flow being discounted.

| | 2022 | 2021 |
|--|-------|-------|
| Revenue growth rate | 2.0% | 2.0% |
| Long term growth rate | 2.0% | 2.0% |
| Post tax discount rate (leading to a pre-tax equivalent rate of 21.5%) | 15.5% | 12.6% |

Below is a sensitivity analysis showing the impact on value of changes to the key variables:

The estimated recoverable amount of the Redshaw CGU is estimated to have exceeded the carrying amount of the CGU at 30 June 2022 by approximately \$151,000 (2021: \$133,000).

Allied Farmers Group

Management has identified that a reasonably possible change in key assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

| | 2022 | 2021 |
|--------------------------------------|------|------|
| Revenue growth rate - reduced by | 2.0% | 2.0% |
| Pre tax discount rate - increased by | 2.0% | 0.9% |

NZ Farmers Livestock Finance CGU

On an annual basis the recoverable amount of this goodwill is tested by undertaking an assessment of its value in use.

No impairment charge was required to be recognised in the financial statements. There are no foreseeable changes in assumptions which could result in a material impairment.

D3 Associated Auctioneers

Measurement & Recognition

The Group's subsidiary NZ Farmers Livestock Limited owns a proportion (25-50%) of various sale yard tangible assets and has joint arrangements in relation to the operation of these sale yards (referred to as 'Associated Auctioneers'). The Group has assessed the nature of its investment in Associated Auctioneers as joint operations. As joint operations, the Group accounts for its share of the revenue, expenses, assets and liabilities.

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

The joint operation of the sale yards is strategically vital to the interests of NZ Farmers Livestock Limited as the sale yards activity provide significant income to NZ Farmers Livestock Limited via commission on the sale of livestock handled through the sale yards.

| | Group's Share of Profit | Group's Share of Assets | Group's Share of Liabilities | Group's Share of Revenues | Group's Share of Expenses |
|------|----------------------------|----------------------------|---------------------------------|------------------------------|------------------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| 2022 | (45) | 272 | (37) | 571 | (616) |
| | Restated | | | Restated | Restated |
| 2021 | 56 | 386 | (39) | 616 | (560) |

E. Other

In this section

This section includes information required to comply with financial reporting standards that is not covered in other sections.

E1 Related parties

Transactions with related parties, including directors, are made on terms equivalent to those that prevail in arm's length transactions.

Identity of related parties

The Group has a related party relationship with each of its subsidiary companies, an associated entity and joint operation outlined in Section D. Related parties include key management personnel, their related parties, or directors/minority shareholders of NZFL.

Key management personnel ('KMP') compensation

| | Group | |
|------------------------------|-------|-------|
| | 2022 | 2021 |
| | \$000 | \$000 |
| Short term employee benefits | 528 | 523 |
| Directors fees | 185 | 219 |

Transactions with related parties

| | Group | |
|---|-------|-------|
| | 2022 | 2021 |
| | \$000 | \$000 |
| Livestock sales | 390 | 368 |
| Livestock purchases | 347 | 447 |
| Commission revenue | 12 | 22 |
| Dividends received as minority shareholders of NZFL | 435 | 119 |

| | Group | |
|---|-------|-------|
| | 2022 | 2021 |
| | \$000 | \$000 |
| Amount receivable from KMP | 56 | 5 |
| Amount payable to KMP | 27 | 70 |
| Bonds on issue - (holder Mark Benseman retired as a Director on 19 November 2020) | - | 600 |

No debts with key management personnel were written off during the year (2021: nil)

Consulting fees paid to entities associated with directors on an arms length basis total \$28,871 (2021: \$135,684)

Consulting fees together with a share of distributions (due to its 16.5% shareholding) were paid by NZ Rural Land Management Partnership to Elevation Capital Management Limited, a company associated with Mr Christopher Swasbrook who is a director of Allied Farmers Limited. During the year, these totalled \$565,072 (2021: \$179,843). These were on commercial terms in accordance with a contract for service.

Allied Farmers Limited during the year advanced funds to its subsidiary NZ Farmers Livestock Limited on commercial terms set at arms length, these funds being on call and interest bearing at a rate comparable to the bank facilities. As at 30 June 2022 the total of these funds lent to NZ Farmers Livestock Limited was nil (2021: \$550,000).

| | Group | |
|--|------------|------------|
| | 2022 | 2021 |
| | \$000 | \$000 |
| E2 Auditors' remuneration | | |
| Audit fees - KPMG (2021 auditors) | 33 | 180 |
| Fees for other services - KPMG | 44 | 25 |
| Audit fees - RSM Hayes Audit (2022 auditors) | 100 | - |
| Fees for other services RSM Hayes Audit | - | - |
| Direct expenses associated with the audit | 8 | 14 |
| Total | 185 | 219 |

Other services provided by KPMG included Taxation services relating to return preparation and advice on shareholder continuity.

About this report

Allied Farmers Limited is a for-profit entity domiciled in New Zealand and registered under the Companies Act 1993. The company is an FMC Entity in terms of the Financial Markets Conduct Act 2013 and prepares its financial statements in accordance with that Act, the Financial Reporting Act 2013, and NZX Main Board Listing Rules.

The consolidated financial statements are for Allied Farmers Limited and its subsidiaries (together referred to as "Allied") and Allied's interests in associates as at end for the year ended 30 June 2022.

These Consolidated Financial Statements ("Financial Statements") have been approved for issue by the Board of Directors on 26 August 2022.

Statement of compliance and basis of preparation

The financial statements have been prepared:

- in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand and comply with International Financial Reporting Standards (IFRS) and the New Zealand equivalents to IFRS (NZ IFRS) and other applicable financial reporting standards, as appropriate for a Tier 1 for-profit entity;
- on the basis of going concern. The directors, having considered projected future performance and the availability of financing, consider the going concern basis to be appropriate;
- presented on the basis of historical cost; and
- in New Zealand dollars, with all values rounded to the nearest thousand dollars unless otherwise stated.

In preparing the Group financial statements, all material intragroup transactions, balances, income and expenses have been eliminated. Subsidiaries are consolidated on the date on which control is obtained to the date on which control is lost.

The fair value of Financial Assets and liabilities approximates their carrying value.

Critical Judgements and Estimates

The preparation of financial statements requires management to exercise its judgement in applying Allied's accounting policies. Estimates and judgements are reviewed by management on an on-going basis, with revisions recognised in the period in which the estimate is revised and in any future periods affected. Areas of estimate or judgement that have most significant impact on the amounts recognised in the financial statements are:

- Note A1 Revenue recognition
- Note A2 Deferred tax asset recognition
- Note D2 Goodwill impairment assessment

SECTION **7** INDEPENDENT
AUDITOR'S REPORT

Independent Auditor's Report

To the shareholders of Allied Farmers Limited

Opinion

We have audited the consolidated financial statements of Allied Farmers Limited and its subsidiaries (the group), which comprise:

- the consolidated balance sheet as at 30 June 2022;
- the consolidated profit and loss statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 19 to 35 present fairly, in all material respects, the financial position of the group as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Allied Farmers Limited or any of its subsidiaries.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. We identify one key audit matter as detailed on the next page, which was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue recognition

Why we considered this to be a key audit matter

The group's revenue arises from a variety of revenue streams (as detailed in Note A1) which include livestock (livestock agency services and veal processing), and livestock financial services. The group's share of results from equity accounted investments (as detailed in Note C2) also include revenues from rural land management services.

With livestock agency services the underlying transactional flows exceed the reported levels of revenue, given the adopted treatment to recognise this revenue on a commission (i.e. agency) basis.

The results also include the group's share of the results of the equity accounted investment in New Zealand Rural Land Management Partnership (NZRLM). A significant portion of the revenue earned by NZRLM is a performance fee, based on the growth of New Zealand Rural Land Company Limited's audited net assets over the year to 30 June 2022.

Because of the complexity of the accounting requirements and variety of revenue types across the group we considered this to be a key audit matter.

Our approach

Our procedures in relation to revenue recognition included:

- Reviewing a sample of contracts to ensure that the group's policy for the point of recognition is in compliance with the requirements of NZ IFRS 15 *Revenue from contracts with customers*;
- Understanding the processes and evaluating the related controls implemented by the group over revenue recognition;
- Testing the operating effectiveness of controls related to the recording of revenue from livestock agency and veal processing revenue; and
- Performing tests of detail on a sample of revenue transactions throughout the period and in particular around year end to ensure that these have been appropriately recognised, as appropriate for that revenue stream.

We also evaluated the policies for revenue recognition adopted by the group's joint operations (associated auctioneers) and equity accounted investment (NZRLM), including testing of the recognition of revenue within these components.

Specifically, we evaluated whether the performance fee estimated by NZRLM (and equity accounted within the Allied Farmers group results) was consistent with the actual performance fee that NZRLM was entitled to at year end, based on the audited financial position of New Zealand Rural Land Company Limited.

We also evaluated the accounting policies applied and considered disclosures relating to revenue recognition, and the presentation of revenue in current and prior period, as outlined in Note A1.

Other matter

The financial statements of the group for the year ended 30 June 2021 were audited by another auditor who expressed an unmodified opinion on 30 August 2021.

Other information

The directors are responsible for the other information included in the annual report. The other information provided is contained on pages 1 to 18 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible, on behalf of the group, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible, on behalf of the group, for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the XRB's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1>

Who we report to

This report is made solely to the company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Allied Farmers Limited and its shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jason Stinchcombe.

A stylized, handwritten-style logo for RSM in blue ink.

RSM Hayes Audit
Auckland

26 August 2022

SECTION **8** COMPANY
DIRECTORY

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Remuera
Auckland 1050

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