ALLIED FARMERS LIMITED

Annual Report 2019

Working with Farmers for Farmers

CONTENTS

This report is dated 27 August 2019 and is signed on behalf of the Board of Allied Farmers Limited:

Mark Benseman
Chairman

Marise James
Director

OVERVIEW FROM THE CHAIRMAN

The Directors of Allied Farmers Ltd (“Allied”) (ALF:NZX) are pleased to report an audited net profit before tax for the year to 30 June 2019 of $2.22m (2018 $2.44m). This is slightly below last year’s profit which included a significant one-off recovery from the Asset Management Services Division. Excluding the one-off items from the results the trading profit was slightly ahead of last years. However we also acknowledge that trading conditions in the Livestock Business were more challenging. Despite the slightly lower result, the company ended the financial year in a strong position, and the Board would like to acknowledge the contribution of the staff in achieving this outcome.

The initiative that the Board is most proud of is a heightened focus on staff welfare. The Board was pleased to support management proposals to implement a range of staff benefits, including health and life/terminal illness insurances, driver alert technology and various health checks. Our staff are our most important resource, and make the Allied Farmers Group the stable and successful business that it is today. The Board is pleased to support our staff by facilitating their ongoing personal and professional development, knowing that this will enhance the development and growth of our people-based business.

A number of other important corporate initiatives have been implemented which have materially strengthened our business:

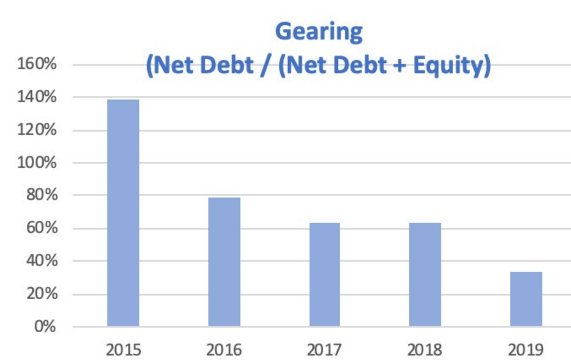
- An oversubscribed capital raising in February/March 2019 which has increased our cash reserves;
- A restructuring of the share register, which will reduce administrative costs, and has re-positioned the share price into a more normal range;
- Improving the Board with the appointment of new Directors who bring a range of relevant skills and experience to the company;
- Added management resource to support the growth expected in the business; and
- A review of strategy and vision (see below for further comment).

It is also pleasing to note the improving trend in our financial results over the last five years (see accompanying charts). Our revenue has grown steadily, and while EBIT has fallen slightly in the last year, it too has shown an upward trend over the five year period.

Our balance sheet is also substantially stronger than it was five years ago, with very comfortable debt levels, and is now well-placed to support our continuing growth and farming-focused diversification. We enjoy a good relationship with our main funders and have well established banking relationships.

Earnings per Share (“EPS”) has declined in the last year, due to an increase in the number of shares on issue (adjusted for the share consolidation which occurred in July of 2019) as a result of the capital raising completed in March 2019.

Directors are confident that retained capital will drive further earnings growth.



Operational Review

Our sole current operating business is a 66% shareholding in New Zealand Farmers Livestock ("NZFL").

Livestock Trading

NZFL's Livestock agency business faced a challenging year, with drought conditions affecting the second half year, and the Mycoplasma bovis situation also having a major negative impact in some regions and for some clients. While there has been a significant reduction in dairy conversion activity, and indeed some conversion of properties back from dairy to other uses, sheep and beef has remained relatively buoyant, with strong sheep prices and good red meat pricing.

We continue to grow the livestock agency business and are actively looking for and implementing opportunities and innovations to reinforce our national presence in livestock trading.

Meat Processing

Our meat business performed ahead of expectations, with good volume growth, and much effort to bed in aspects of that growth. Product pricing was generally solid, with skin prices markedly improved, and the overall result benefiting from a moderately weaker NZD.

Finance

New Zealand Farmers Livestock Finance continued its impressive growth, and has benefited from the experience and strong relationships we have within the livestock industry. Our finance offering is an important part of our effort to provide enhanced services to our farmer clients, complements our livestock agency business, and we believe has good potential for further growth as the sector undergoes a quantum shift in the sources and availability of finance.

Digital

Our digital platform, MyLivestock, continues to grow its market penetration. This is an important part of our business and will be developed over time to be more integrated into our business, supporting our staff and assisting our farmer clients with their day-to-day needs.

Strategy and Vision

The Board and Management have spent considerable time reviewing the company's vision and strategy.

The foundation for this comes from Allied Farmers' heritage as a long established New Zealand owned company servicing the rural sector, working with farmers for farmers. This dates from 1889 when *The Egmont Farmers' Union Limited* was established. This long history gives the company a significant depth of experience and knowledge operating in the New Zealand rural sector, and our focus will remain on this sector for the foreseeable future.

More specifically the company has confirmed its vision:

To be the major solution provider to agricultural producers, growing value for them and our investors.

The Board and Management are currently refining a number of strategic priorities that fit within this Vision. Our goal is to assist our farmer clients to meet the emerging challenges and leverage the opportunities that face New Zealand farmers daily. This includes changing market conditions, climate change, bio-security challenges, changing consumer tastes and preferences, changing animal welfare expectations, and expanding regulation. We see significant opportunities around effective deployment and use of new technologies and information resources.

In keeping with this vision and the priorities, and recognising its sound financial position, the company is actively investigating and seeking business opportunities that will enhance our service offering to the New Zealand rural sector.

Allied Farmers has a positive outlook for the New Zealand rural sector. The UN forecasts that the world's population will grow to 9.7bn by 2050, approximately 26% above the current level. These people will require feeding, and with growing income levels families will also desire more and higher quality protein. New Zealand is well positioned to provide these products, with a reputation for providing high quality, natural and wholesome food products.

There are challenges facing the New Zealand agricultural sector, including mitigating the effects of greenhouse gas emissions and reducing the sector's impost on the environment, but these challenges can be successfully over-come with sensible policy development and appropriate changes to farming and wider community practices. Agricultural products, and particularly dairy, meat and wool, still support New Zealander's expected living standards, and these products are a material, resource-efficient and valued contribution to the global community facing the challenge of feeding the world's growing population.

Outlook for 2020

The challenges that have been evident in the livestock business over the last 12 months are likely to remain in the near term. Global uncertainties are material. We continue to work at enhancing our response, and to grow and develop our service to farmers, with a view to succeeding together. We expect continued growth in our livestock financing business, and initiatives in the digital area will provide further support to the core agency activity. We seek to challenge paradigms and add value within and outside of Allied Farmers.

The start of the financial year has been steady, and we are confident that the strength of our business model, our learnings and adjustments from recent years and the dedication of our staff position the business well.

Mark Benseman
Chairperson

Allied Farmers Limited and Subsidiaries
Five Year Financial Summary

	June-19	June-18	June-17	June-16	June-15
	$000	$000	$000	$000	$000
Profit summary					
Total operating income	21,366	18,683	17,478	16,040	15,342
Depreciation and amortisation	635	546	523	532	378
Interest expense	599	594	496	658	875
Other expenses	17,911	15,108	14,072	13,276	12,974
Net surplus (deficit) from continuing operations	2,221	2,435	2,387	1,574	1,115
Net deficit from discontinued operations	-	-	-	-	-
Net surplus (deficit) before tax	2,221	2,435	2,387	1,574	1,115
Tax	220	210	158	182	460
Net surplus (deficit) after tax	2,001	2,225	2,229	1,392	655
Non controlling interests	743	690	677	687	527
Surplus/(deficit) attributable to owners of the Parent	1,258	1,535	1,552	705	128

	June-19	June-18	June-17	June-16	June-15
	$000	$000	$000	$000	$000
Statement of Financial Position summary					
Shareholders equity	5,768	3,466	1,820	105	(1,475)
Non current liabilities	2,884	3,551	2,977	3,782	5,208
Current liabilities	15,387	13,304	9,719	8,841	8,148
Total liabilities	18,271	16,855	12,696	12,623	13,356
Equity and liabilities	24,039	20,321	14,516	12,728	11,881
Current assets	18,659	14,690	9,748	8,297	7,771
Fixed assets	3,839	4,190	3,539	3,642	3,967
Non current assets	772	690	667	475	134
Investments	5	-	411	232	-
Total tangible assets	23,275	19,570	14,365	12,646	11,872
Intangibles	764	751	151	82	9
Total assets	24,039	20,321	14,516	12,728	11,881

	June-19	June-18	June-17	June-16	June-15
	$000	$000	$000	$000	$000
Cash Flow summary					
Operating cash flow	3,072	1,785	2,961	1,518	(929)
Investing cash flow	(466)	(2,865)	(2,467)	(466)	997
Financing cash flow	(874)	72	(1,395)	(859)	(665)
Net change in cash	1,732	(1,008)	(901)	193	(597)

The amounts shown in this Five Year Financial Summary have been extracted from the audited financial statements of Allied Farmers Limited and subsidiaries for the respective years.

DIRECTORS

Mark Benseman - Chairman

Mr Benseman was appointed a Director of Allied Farmers Limited in October 2015. He is an experienced manager and financial analyst, with over 25 years' experience in the investment industry. Mark is currently the Principal of Fraters Group in New Zealand and in the past had a role as a senior analyst with ABN AMRO New Zealand, was Director and Head of Research with Citigroup Smith Barney in New Zealand, and similarly with Merrill Lynch (NZ). Mr Benseman is not an independent director due to the fact that an Associated Person is an Allied Farmers Substantial Product Holder. He has the following qualifications: BA (Hons in Economics).

Philip Luscombe

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

Andrew McDouall

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

Marise James

Ms James was appointed a Director of Allied Farmers Limited in October 2018. She is a chartered accountant and partner at Baker Tilly Staples Rodway in Taranaki, where she services agri sector and professional services clients. She was a founding director of Fonterra Co-operative Group, and directorships of FMG Insurance Limited, Landcorp Farming Limited and the TSB Bank. She has chaired the Audit Committees of FMG and Landcorp. Her current governance roles include Chair of Firstlight Wagyu NZ Limited, and directorships of EIDNZ Limited and the Taranaki Rugby Football Union. Ms James is an independent director. She has the following qualifications: Member of Chartered Accountants Australia and New Zealand; Fellow, Institute of Directors New Zealand (Accredited); and F.C.A (Fellow of Chartered Accountants Australia and New Zealand)

Richard Perry

Mr Perry was appointed a Director of Allied Farmers Limited in June 2019. He has a strong knowledge and experience of the agribusiness, finance and technology sectors. He has previously held senior finance and executive roles at the Reserve Bank of New Zealand, Landcorp Farming Ltd and Callaghan Innovation and has been a Technical Advisor to the International Monetary Fund. He is currently a member of the External Reporting Advisory Board and Director of Business Applications for Rocket Lab. As an experienced company director he has acted for several company boards across the agri-tech, property and food and beverage sectors including start-ups, mergers and established companies. Mr Perry is an independent director. He has the following qualifications: B Com (Hons), F.C.A (Fellow of Chartered Accountants Australia and New Zealand) and CTP (Certified Treasury Professional).

Note: *Former Chairman and Director Garry Bluett resigned from the Board with effect from 27 November 2018.*

SHAREHOLDER INFORMATION

DISCLOSURES OF INTEREST

Pursuant to section 140 of the Companies Act 1993, the following changes in interests were disclosed during FY19 (excluding directorships of wholly owned subsidiaries) in the Interests Register:

Name	Entity	Relationship/Disclosure
Marise James	Baker Tilly Staples Rodway	Partner
	Firstlight Wagyu NZ Limited,	Chairperson
	EIDNZ Limited	Director
	Taranaki Rugby Football Union.	Director
Richard Perry	Rocket Lab Limited	Director of Business Applications
	External Reporting Advisory Panel	Member
	Rural Advisory Group – Chartered Accountants Australia New Zealand	Member
Andrew McDouall	McDouall Stuart Group Limited (in liquidation)	Director of company placed in liquidation 19.2.19

Except as disclosed above, and the removal of former director Garry Bluett's interests after his resignation in November 2018, there were no director details included in the Interests Register as at 30 June 2018, or entered during the year ended 30 June 2019, that have been removed during the year ended 30 June 2019.

DIRECTORS' SHARE TRADING AND HOLDINGS

Directors disclosed the following acquisitions and disposals of relevant interests in Allied Farmers Limited shares during FY19 pursuant to section 148 of the Companies Act 1993.

Director	Date(s)	Details
Mark Benseman	9 March - 13 September 2018	Sold 586,789 shares in 8 transactions for total consideration of $47,684.98
	24 September – 1 November 2018	Sold 549,645 shares in 4 transactions for total consideration of $40,392.26
	26 March 2019	Allotted 187,367 shares for $13,677.79 pursuant to Share Purchase Plan

As at 30 June 2019 directors, or entities related to them, held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Allied Farmers Limited Securities as follows:

Name	Number of Shares and percentage of shares on issue*
Mark Benseman	19,257,489 (10.79%)
Philip Luscombe	1,295,566 (0.73%)
Andrew McDouall	111,290 (0.062%)

***** On 16 July 2019 Allied Farmers completed a one for ten share consolidation, and therefore the number of shares actually held by these shareholders at the date of this Annual Report are not the same as disclosed above.

. **DIRECTORS' REMUNERATION**

Director	2019	2018	2017
Garry Bluett	$20,834	$50,000	$81,458
Philip Luscombe	$36,250	$28,000	$44,667
Andrew McDouall	$29,250	$28,000	$46,760
Mark Benseman	$42,000	$28,000	$31,208
Marise James	$27,500	-	-
Richard Perry	$2,917	-	-
Total	**$158,751**	**$134,000**	**$204,093**

The above table reflects what has been paid out by the Company. The $204,093 of directors fees actually paid in FY17 included the cash payment of $55,292 accrued but unpaid from the previous year. Shareholders approved a cap on directors' fees of $332,000 p.a. at the AGM in 2007. This cap includes all directors fees paid in relation to Group subsidiary companies as well as for the Parent. 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 $212,531.91, 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 $120,274.69. In neither case did this remuneration and benefits include any director's fees.

PARTICULAR DISCLOSURES

Bonds

020 Bond

Albany Braithwaite Holdings Limited, an Associated Person of Director Mark Benseman, is currently the holder of 600,000 first ranking bonds issued in a $1 million bond issue on 9 October 2014 ("**020 Bond**"). The 020 Bond maturity date is 30 September 2021.

030 Bond

Albany Braithwaite Holdings Limited was the holder of 150,000 second ranking bonds issued in a $550,000 bond issued on 31 August 2016 ("**030 Bond**"). The 030 Bonds matured on 30 September 2018. Two bondholders, one of whom is Albany Braithwaite Holdings Limited, were repaid in full on maturity date. The remaining two 030 Bondholders, holding 300,000 bonds agreed to extend the maturity date for their 030 Bonds to 31 March 2019, at which time they were fully repaid.

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.

20,547,829 new shares were issued on 26 March 2019 pursuant to a share purchase plan. No other new shares were issued during the financial year.

EMPLOYEE REMUNERATION

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

Remuneration range		**2019**	**2018**
100,000	110,000	4	8
110,001	120,000	5	1
120,001	130,000	1	3
130,001	140,000	1	1
140,001	150,000	1	3
150,001	160,000	1	3
160,001	170,000	3	-
170,001	180,000	2	1
180,001	190,000	1	-
190,001	200,000	2	-
200,001	210,000	1	1
210,001	220,000	-	3
220,001	230,000	-	1
230,001	240,000	1	-
240,001	250,000	-	2
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	1
310.001	320,000	-	-
320,001	330,000	-	-
Total		**24**	**28**

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

The following notices were given under the Financial Markets Conduct Act 2013 up to the date of this Annual Report*:

Holder	Relevant Interest	Date
Albany Braithwaite Holdings Limited	20,206,556 (12.48%)	5 April 2017
Deborah Lee Seerup as beneficial owner via ASB Nominees as registered holder	11,850,005 (7.34%)	22 February 2018
Stockmans Holdings Limited	19,267,822 (12.104%)	4 December 2015

*The total number of issued voting securities of Allied Farmers Limited as at 7 August 2019, being after the completion of a 1 for 10 share consolidation, was 17,854,729 ordinary shares. The ownership percentages referred to above are as disclosed in the relevant notice as at the historic date of disclosure, and may have changed as a result of the issue of further shares, or share transfers below the threshold for filing a notice, subsequent to the date of the relevant disclosure. The holdings of significant shareholders is disclosed below under the heading Twenty Largest Registered Shareholders.

SUBSIDIARY COMPANIES

Directors of subsidiary companies as at 30 June 2019 were as follows:

Subsidiaries of the Parent	Principal Activity	Directors
Allied Farmers Rural Limited	Rural Services	M Benseman, P Luscombe, A McDouall, R Perry, M James
ALF Nominees Limited	Nominee company	M Benseman
Allied Farmers Investments Limited	Asset Management Services	M Benseman, P Luscombe, A McDouall, R Perry, M James
Allied Farmers (New Zealand) Limited	Non-trading	M Benseman
Subsidiaries of Allied Farmers Investments Limited		
Allied Farmers Property Holdings Limited	Non-trading	M Benseman
QWF Holdings Limited	Non-trading	M Benseman
Lifestyles of NZ Queenstown Limited	Non-trading	M Benseman
LONZ 2008 Limited	Non-trading	M Benseman
LONZ 2008 Holdings Limited	Non-trading	M Benseman
Clearwater Hotel 2004 Limited	Non-trading	M Benseman
Subsidiaries of Allied Farmers Property Holdings Limited		
UFL Lakeview Limited	Non-trading	M Benseman
5M No 2 Limited	Non-trading	M Benseman
Subsidiaries of Allied Farmers Rural Limited		
NZ Farmers Livestock Limited	Livestock Trading	P Luscombe, M James, S Williams, M Benseman, O Carruthers
Subsidiaries of NZ Farmers Livestock Limited		
Farmers Meat Export Limited	Meat Processing and Trading	S Morrison, W Sweeney, P Luscombe
NZ Farmers Livestock Finance Limited	Rural Finance	P Luscombe, M James, S Williams
Redshaw Livestock Limited	Livestock Trading	D Freeman, A Hiscox, M MacDonald, W Sweeney

DONATIONS

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

SHAREHOLDER INFORMATION

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

The shareholder information in the following disclosures has been taken from the Company's share register at 7 August 2019.

TWENTY LARGEST REGISTERED SHAREHOLDERS as at 7 August 2019

Rank	Investor Name	Total Units	% Issued Capital
1	Stockmans Holdings Limited	1,945,519	10.90
2	Albany Braithwaite Holdings Limited	1,925,749	10.79
3	Deborah Lee Seerup	1,370,001	7.67
4	Donald Clifton Jacobs	695,082	3.89
5	John Drakley Moore	328,244	1.84
6	Garry Charles Bluett	312,718	1.75
7	Ronald Alfred Brierley	303,159	1.70
8	Stuart David Hynes	273,897	1.53
9	Ross Phillip Drew	268,737	1.51
10	Fortune Capital Group Limited	228,125	1.28
11	Maurice Duncan Priest	200,237	1.12
12	Jade NZ Limited	150,000	0.84
13	James Field Seerup & Jeanette Elizabeth Seerup	142,312	0.80
14	Lee Athol Wilson & Shirley Ann Wilson	129,690	0.73
15	Philip Charles Luscombe & Ainsley Jocelyn Luscombe	129,557	0.73
16	New Zealand Central Securities Depository Limited	127,029	0.71
17	Omaio Investments Limited	119,655	0.67
18	Arcos Investments Limited	116,000	0.65
19	Custodial Services Limited	112,957	0.63
20	Colin Stuart Loveday	110,000	0.62

ANALYSIS OF SHAREHOLDING as at 7 August 2019

Range	Holders	Holders %	Issued Capital	Issued Capital %
1-1,000	1,715	64.14	646,389	3.62
1,001-5,000	546	20.42	1,361,125	7.62
5,001-10,000	172	6.43	1,304,675	7.31
10,001-50,000	197	7.37	3,806,531	21.32
50,001-100,000	22	0.82	1,538,689	8.62
Greater than 100,000	22	0.82	9,197,449	51.51

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 proposed to be held at the TET MultiSports Centre, Stadium 62 Portia St, Stratford 4332, on Tuesday 26 November 2019 from 11am. A Notice of Annual Meeting and Proxy Form will be circulated to shareholders prior to the meeting.

REGISTERED OFFICE

The registered office of Allied Farmers Limited is:

201 Broadway
Stratford 4332
PO Box 304
Stratford 4352

DIVIDENDS PAID

A fully imputed dividend of $0.002 per share (2018: $0.002) was paid to eligible shareholders on 18 January 2019.

NZX REGULATION WAIVERS

The Company has not sought or been granted any waivers in the 12 months preceding 30 June 2019.

CORPORATE GOVERNANCE REPORT

The objective of the Board is to enhance shareholder value, ensure that Allied Farmers' businesses are operated in a sustainable and ethical manner, and protect the health and safety of its staff. The Board considers there is a strong link between good corporate governance and the achievement of this objective.

The Board considers that its corporate governance framework complies with the 2019 NZX Corporate Governance Code (**NZSX Code**), except as stated within this report. The exceptions arise because aspects of the Code are either not relevant or appropriate for Allied Farmers given its size and that it is primarily a holding company of shares in a majority owned subsidiary, NZ Farmers Livestock Limited.

The information in this report is current as at the date of release of this Annual Report and has been approved by the Board of Allied Farmers.

The key corporate governance documents referred to in this report are available on Allied Farmers' website at www.alliedfarmers.co.nz.

Allied Farmers is listed on the NZX's Main Board and is subject to regulatory control and monitoring by both the NZX and the Financial Markets Authority.

Principle 1 – Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Allied Farmers is committed to maintaining the highest ethical standards by Directors, staff, suppliers and customers/clients. Allied Farmers has a Code of Ethics to guide executives, management and employees in carrying out their duties and responsibilities. A copy of this is available on Allied Farmers' website. The Code covers such matters as:

- Expected conduct;
- Confidentiality;
- Use of assets;
- Corporate social responsibility; and
- Acceptance of gifts

The Code of Ethics requires Directors and employees to promptly report material breaches of the Code. In addition, Allied Farmers has adopted a Whistle Blowing Policy that sets out the processes by which suspected serious wrongdoing can be reported, and the whistle blower is protected.

Allied Farmers has in place processes to enable all new and existing employees to be aware of and understand the Code.

Allied Farmers has a Securities Trading Policy to explain expectations and requirements for dealing in Allied Farmers securities, and to protect from the risk of breaching insider trading laws. A copy of this is available on Allied Farmers' website.

Details of Directors' share dealings are in the Shareholder Information section of the 2019 Annual Report.

Principle 2 – Board Composition and Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The business and affairs of Allied Farmers are managed directly by the Board of Directors. The Board:

- establishes long-term goals and strategic plans to achieve those goals;
- reviews and adopts the annual budgets for financial performance and monitors results monthly;
- ensures preparation of the annual and half-yearly financial statements;
- manages risk by ensuring that Allied Farmers has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- works with management to create shareholder value.

Allied Farmers' Board operates under a written Board Charter which sets out the structure of the Board; the procedures for the nomination, resignation and removal of Directors; outlines the responsibilities and roles of the Chairman and Directors; and identifies procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each Director is fully empowered to perform his or her duties as a Director of the Company and to fully participate in meetings of the Board. A copy of the Charter is available on Allied Farmers' website.

Management of Allied Farmers is undertaken by the executive team under the leadership of the Chief Executive, through a set of delegated authorities.

Directors have direct access to and may rely upon Allied Farmers' senior management and external advisers. Directors have the right, with the approval of the Chairman to seek independent legal or financial advice at the expense of Allied Farmers for the proper performance of their duties.

Board Composition and Appointment

The number of elected Directors and the procedure for their retirement and re-election at Annual Shareholders' Meetings are set out in the Constitution of the Company.

The Board reviews the criteria for selection of Directors to ensure the most appropriate balance of skills, qualifications, experience and background to effectively govern Allied Farmers.

All directors are required to retire (though may be re-elected) not later than the third annual meeting following appointment, or after three years, whichever is longer. Any Directors appointed since the previous annual meeting must also retire and are eligible for election.

The Board currently comprises of five Directors: a non-executive Chairman and four independent non-executive Directors. The Chief Executive is not a member of the Board.

The Board supports the separation of the roles of Chairman and CEO and the appointment of a non-executive chairman. The Allied Chairman, Mark Benseman, is not independent because an Associated Person is a Substantial Product Holder. The Board has determined that this relationship does not compromise the ability for Mr Benseman to act as Chairman in an independent manner, and the fact that all other directors are independent ensures appropriate independent oversight is exercised.

In order for a director to be independent, the Board has determined that he or she must not be an executive of Allied Farmers and must have no disqualifying relationships as defined by the NZX Listing Rules.

Information on each Director is available on the Allied Farmers website. Changes to Director's interests during FY19 are disclosed in the Shareholder Information section of the 2019 Annual Report.

Allied Farmers provides written agreements to new Directors in relation to their appointment.

The Company encourages all Directors to undertake appropriate training and education so that they may best perform their duties. This includes attending presentations on changes in governance, legal and regulatory frameworks; attending technical and professional development courses; and attending presentations from industry experts and key advisers. In addition, updates are provided to the Board on relevant industry and Company issues.

At appropriate times the Board considers individual and collective performance, together with the skill sets, training and development and succession planning required to govern the business. An evaluation of Board skills, capability and experience was undertaken in March 2019.

Diversity

Allied Farmers recognises the value of diversity of thinking and skills that can be delivered by persons of different backgrounds, sector experience, communication styles, life-skills and interpersonal skills. This can arise through several different characteristics, including but not limited to the following; gender, ethnic background, religion, age, marital status, culture, disability, economic background, education, language, physical appearance and sexual orientation.

Given that Allied Farmers does not directly employee any staff, the Board has determined that the compliance costs of adopting and reporting the outcomes of a formal Diversity and Inclusion Policy do not outweigh any potential benefits of such a Policy, and therefore have decided to not adopt a formal Diversity and Inclusion Policy. This will be reviewed if circumstances change.

As at 30 June 2019, females represented 20% (FY18: 0%) of Directors and 0% (FY18: 0%) 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	4	1	4	0
Percentage of Directors	80%	20%	100%	0%
Percentage of Officers	100%	0%	100%	0%

Board Meetings and Attendance

The Board meets as often as it deems appropriate, including sessions to review the performance of the business versus plans, and to consider the strategic direction of Allied Farmers and its forward-looking business plans. Phone conferences are also used as required.

The table below sets out Director attendance at Board and committee meetings during FY19. In total, there were 12 Board meetings and two Audit and Risk Management Committee meetings.

	Board	**Audit and Risk**
Total number of meetings	**12**	**2**
Garry Bluett (resigned 27/11/18)	5	1
Andrew McDouall	11	1
Philip Luscombe	12	1
Mark Benseman	11	2
Marise James (appointed 1/10/18)	7	1
Richard Perry (appointed 1/5/19)	1	0

Principle 3 – Committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Audit and Risk Management Committee

The Board has delegated a number of its responsibilities to the Audit and Risk Committee to assist in the execution of the Board's responsibilities.

The Audit and Risk Committee reviews and analyses policies and strategies that are within its terms of reference. It examines proposals and, where appropriate, makes recommendations to the full Board. The Audit and Risk Committee does not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

The Audit and Risk Committee meets as required and has a Charter which is approved and reviewed by the Board. A copy of the Audit and Risk Committee Charter is on the Allied Farmers website.

Minutes of each committee meeting are forwarded to all members of the Board, who are all entitled to attend any committee meeting.

The Audit and Risk Committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

The Audit and Risk Committee provides a forum for the effective communication between the Board and external auditors. The Committee reviews the annual and half-yearly financial statements prior to their approval by the Board, the effectiveness of internal control and management information systems and the efficiency and effectiveness of the audit function.

The Committee must be comprised solely of Directors of Allied Farmers, have a minimum of three members, have a majority of independent Directors and have at least one Director with an accounting or financial background. The makeup of the current members of this committee complies with this recommendation.

Members as at 30 June 2019 were Marise James (Chair), Andrew McDouall and Mark Benseman. The Audit and Risk Committee Chair, Ms James is both an independent and non-executive director.

Management may attend meetings only at the invitation of the Committee and the Committee has committee-only time with the external auditors without management present.

The membership and performance of the Audit and Risk Committee was evaluated as part of the Board performance evaluation.

Other Committees as Required

Due to the modest size of Allied Farmers, the desire to contain compliance costs, and the fact that Allied Farmers Group has only two senior executives (being the NZFL Chief Executive and Chief Financial Officer - neither of whom are members of the Board of Allied Farmers), the Board has determined that a separate Remuneration and/or Nominations Committee is not required. The Board considers that the purpose and roles performed by a separate Remuneration and/or Nomination Committee can be appropriately performed by the full Board without compromising the probity of its decision making. The Board has determined to review this decision from time to time, and in particular has agreed to form a Remuneration Committee and/or Nomination Committee if the Board considers that, for reasons such as ensuring independent and non-conflicted decision making, such a committee is necessary.

From time to time, other special purpose committees may be formed to review and monitor specific projects with senior management.

In the case of a takeover offer, Allied Farmers will form an Independent Takeover Committee to oversee disclosure and response and engage expert legal and financial advisors to provide advice on procedure. A Takeover Response Protocol has recently been adopted.

Principle 4 – Reporting and Disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Allied Farmers' Directors are committed to keeping investors and the market informed of all material information about the Company and its performance, in a timely manner. Allied Farmers has adopted a Continuous Disclosure Policy to ensure that material information is identified, reported, assessed and, where required, disclosed to the market in a timely manner. A copy of the Continuous Disclosure Policy is available on Allied Farmers' website.

In addition to all information required by law, Allied Farmers also seeks to provide sufficient meaningful information to ensure stakeholders and investors are well informed, including financial and non-financial information.

Financial Information

Senior Management are responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies, and internal controls designed to ensure compliance with accounting standards and applicable laws and regulations, including relevant tax legislation.

The Board's Audit and Risk Management Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews Allied Farmers' full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange, legal and tax requirements, and the results of the external audit.

For the financial year ended 30 June 2019, the Directors believe that proper accounting records have been kept that enable the determination of the Company's financial position with reasonable accuracy, and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013. The Chief Executive Officer and Chief Financial Officer have confirmed in writing to the Board that Allied Farmers' external financial reports present a true and fair view in all material aspects.

Allied Farmers' full and half year financial statements are available on the Company's website.

Non-financial information

The Board recognises the importance of non-financial disclosure. The Company monitors progress in business sustainability as it seeks to actively improve the social and environmental characteristics of the business. This is a goal to which the Company is strategically committed and which it incorporates in its day to day operations. In addition, NZ Farmers Livestock invests in a range of social responsibility initiatives that support staff, customers and the communities in which it operates

The Company considers that shareholders, and the investment market generally, should be promptly informed of all major business events that influence the company, and to ensure compliance with NZX Continuous Disclosure requirements.

The Company aims to manage its businesses in a way that will produce positive outcomes for all stakeholders including the public, customers, team members, suppliers and shareholders.

Allied Farmers discusses its strategic objectives, and its progress against these, in the Chair and Chief Executive's commentary in shareholder reports, and at the Annual Shareholders Meeting. Allied Farmers supports NZ Farmers Livestock's commitment to using its resources responsibly, and identification of opportunities to reduce any negative environmental risk or impact from business operations, products and services.

NZ Farmers Livestock is also committed to providing fair and responsible products and services that includes adherence to the Responsible Lending Code, the Responsible Credit-Related Insurance Code, Insurance (Prudential Supervision) Act 2010 and various other Acts. Compliance is monitored through periodic auditing and legal review, and senior management oversight of practices.

Principle 5 – Remuneration

The remuneration of Directors and executives should be transparent, fair and reasonable.

Remuneration of Directors and senior executives is the Board's responsibility. In recent years, Allied Farmers has only appointed one new senior executive – the Chief Financial Officer in March 2018. The Board takes account of external market factors and internal factors in determining the remuneration of senior executives. Allied Farmers has recently adopted a Remuneration Policy.

Director Remuneration

The total remuneration pool available for Directors has been fixed by shareholders at a maximum of $332,000 per annum for all non-executive Directors. The Board determines the level of remuneration paid to Directors from that pool. Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties.

Allied Farmers may appoint additional non-executive directors in due course. The Directors' potential fee pool includes future directors' fees and has been fixed.

Any proposed increases in non-executive Director fees and remuneration will be put to shareholders for approval. If independent advice is sought by the Board, it will be disclosed to shareholders as part of the approval process.

Board Role Approved Remuneration

Directors' fees are currently allocated by the Directors per annum as follows:

- Allied Farmers Ltd Chair - $50,000;
- NZ Farmers Livestock Ltd Chair - $45,000
- Audit and Risk Committee Chair - $40,000
- Other Directors appointed prior to 1 October 2015 - $33,000 plus retirement allowance after seven years of service; and
- Other Directors appointed after 1 October 2015 - $35,000 with no retirement allowance.

Details of individual Directors' remuneration are detailed in the Shareholder Information section of the 2019 Annual Report.

Executive Remuneration

In general, executive remuneration comprises a fixed base salary and an at-risk short-term incentive payable annually. At-risk incentives are paid against targets agreed with executives and are based on financial measures including earnings targets and progress against objectives related to the strategic plan and other personal objectives.

CEO Remuneration

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

The CEO's remuneration comprises a fixed base salary, fringe benefits and an at-risk short-term incentive payable annually. 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.

	Salary	Benefits	Performance - Short term Incentive	Staff Profit Share	Total Remuneration
FY19	$253,000	$9,539	$45,433.00 being 76% of maximum achievable for FY18	$248.78	$308,220.78
FY18	$250,000	$15,000	$43,332.00 being 72% of maximum achievable for FY17	$451.02	$308,788.02

Principle 6 – Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

The Board has overall responsibility for the Company's system of risk management and internal control. The Board delegates day to date management of the risk to the Chief Executive Officer. The Audit and Risk Management Committee provides an additional and more specialised oversight of Company risks in addition to the oversight provided by the Board. The Audit and Risk Management Committee's Charter details the specific responsibilities of the Committee in regard to risk assurance.

The Board is satisfied that major risks are reviewed and has recently adopted a Risk Management Framework to identify areas of significant business risk, and implement procedures to effectively manage those risks. The Risk Management Framework covers the following aspects relating to risk management:

- Creating an operating risk compliance culture and accountability;
- Monitoring of operating risk and compliance policies;
- Training and support; and
- Reporting and review of a Top 10 risk matrix.

Where appropriate, the Board obtains advice directly from external advisers. Once a significant business risk is identified, the Board is advised and action is taken promptly to mitigate and monitor or, if there are benefits to be obtained, take advantage of these in addressing the risks.

Allied Farmers maintains insurance policies that it considers adequate to meet its insurable risks. More details of Allied Farmers' financial risk management are available in the FY19 Financial Statements.

Health and Safety

Allied Farmers is a holding company and does not undertake any operations in the context of a health and safety environment. Allied Farmers' majority owned subsidiary, NZ Farmers Livestock Limited, and its wholly owned subsidiaries are operational businesses, and the Board of Directors of NZ Farmers Livestock is responsible for ensuring that the systems used to identify and manage health and safety risks are fit for purpose, effectively implemented, regularly reviewed and continuously improved. The NZ Farmers Livestock Board recognises that effective management of health and safety is essential for the operation of a successful business, and its intent is to prevent harm and promote wellbeing for employees, contractors and customers.

NZ Farmers Livestock has adopted a Health and Safety Policy and a Health and Safety Handbook and Policy Manual, continues to drive increasing focus on health and safety objectives, and holds regular health and safety meetings for each saleyard at which it operates. Minutes of these meetings, health and safety audits and all significant injuries are reported to the NZ Farmers Livestock and Allied Farmers' Boards.

Principle 7 – Auditors

The Board should ensure the quality and independence of the external audit process.

The Allied Farmers Board is committed to ensuring audit independence, both in fact and appearance, so that Allied Farmers' external financial reporting is viewed as being highly objective and without bias.

The Audit and Risk Management Committee (ARMC) reviews the quality and cost of the audit undertaken by the Company's external auditors and provides a formal channel of communication between the Board, senior management and external auditors.

The ARMC approves the auditor's terms of engagement, audit partner rotation (at least every five years) and audit fee, and reviews and provides feedback in respect of the annual audit plan. The Committee periodically has time with the external auditor without management present. The ARMC also assesses the auditor's independence on an annual basis.

An External Auditor Independence Policy has been adopted and sets out the services that may or may not be performed by the external auditor.

For the financial year ended 30 June 2019, PricewaterhouseCoopers (PWC) was the external auditor for Allied Farmers Limited. The last audit partner rotation was in 2015.

All audit work at Allied Farmers is fully separated from non-audit services, to ensure that appropriate independence is maintained. The only non-audit services provided by PWC subsequent to FY19 was for tax advice totalling $2,000. The amount of fees paid to PWC for audit work in FY19 are identified in note 3 of the consolidated financial statements. At the 2018 Annual Meeting shareholders authorised the Directors to fix the auditor's fees and expenses for the ensuing year.

PWC has provided the ARMC with written confirmation that, in its view, it was able to operate independently during the year.

Given the cost, PWC has not attended recent Annual Shareholders' Meeting, but are available to do so if requested. PWC are available by telephone during the meeting to answer any questions if required. In recent years, there have not been any questions asked at the Annual Shareholders' Meeting that have not satisfactorily been answered or addressed by management or the Chairman. If circumstances changed (for example, a complex or controversial matter was to be considered or presented to the meeting) the PWC lead partner would be required to attend the meeting.

Allied Farmers has a number of internal controls overseen by the ARMC and/or the Board of either Allied Farmers or NZ Farmers Livestock (as appropriate). These include controls for computerised information systems, cyber risk and information security, business continuity management, insurance, health and safety, conflicts of interest, and prevention and identification of fraud. The Company does not have an internal audit function.

Principle 8 – Shareholder Rights and Relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

The Board is committed to open and regular dialogue and engagement with shareholders. Allied Farmers seeks to ensure that investors understand its activities by communicating effectively with them and giving them access to clear and balanced information.

Allied Farmers has a calendar of communications and events for shareholders, including but not limited to:

- Annual and Interim Reports
- Market announcements
- Annual Shareholders' Meeting
- Easy access to information through the Allied Farmers website www.alliedfarmers.co.nz
- Access to management and the Board via the "Contact Us" facility on the Allied Farmers website

Shareholders are actively encouraged to attend the Annual Shareholders' Meeting and may raise matters for discussion at this event, and may vote on major decisions that affect Allied Farmers. Voting is by poll.

In accordance with the Companies Act 1993, Allied Farmers' Constitution and the NZX Main Board Listing Rules, Allied Farmers refers major decisions that may change the nature of the Company to shareholders for approval.

All shareholders are given the option to elect to receive electronic communications from the Company.

Exercise of disciplinary powers

No disciplinary action has been taken by either the NZX or the FMA against the Company during the financial year ended 30 June 2019.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2019

	Note	**June 2019 $000**	June 2018 $000
Revenue			
Sale of goods		**8,188**	4,685
Interest income		**925**	676
Commission Income		**12,142**	12,852
Total Revenue		**21,255**	18,213
Other income		**111**	470
Total income		**21,366**	18,683
Expenses			
Cost of inventory sold		**6,719**	4,165
Interest and funding expense	2	**599**	594
Rental and operating leases		**119**	141
Employee benefit expense		**7,757**	7,667
Depreciation and amortisation	11,12	**635**	546
Other operating expenses	3	**3,316**	3,135
Total expenses		**19,145**	16,248
Profit before income tax		**2,221**	2,435
Income tax expense	5	**(220)**	(210)
		2,001	2,225
Total comprehensive income		**2,001**	2,225
Profit Attributable to:			
Owners of the Parent		**1,258**	1,535
Non-Controlling Interests	8	**743**	690
Total earnings per share attributable to the equity holders of the Parent Company:			
Basic (cents per share)	4	**7.58**	9.51
Diluted (cents per share)	4	**7.58**	9.51

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2019

	Note	Share Capital $000	Accumulated losses $000	Parent Equity Subtotal $000	Non Controlling Interests $000	Total Equity $000
Opening balance as at 1 July 2017		**151,779**	**(150,756)**	**1,023**	**797**	**1,820**
Comprehensive income						
Net Profit for the year ended 30 June 2018		-	1,535	1,535	690	2,225
Total comprehensive income		-	1,535	1,535	690	2,225
Transactions with owners						
Dividends paid		-	(323)	(323)	(273)	(596)
Acquisition of Redshaw Livestock Limited		-	-	-	17	17
Total transactions with owners		-	(323)	(323)	(256)	(579)
Closing balance as at 30 June 2018		**151,779**	**(149,544)**	**2,235**	**1,231**	**3,466**
Comprehensive income						
Net Profit for the year ended 30 June 2019		-	1,258	1,258	743	2,001
Total comprehensive income		-	1,258	1,258	743	2,001
Transactions with owners						
Dividends paid	7	-	(323)	(323)	(593)	(916)
Sale of Shares in NZ Farmers Livestock Limited	8	-	-	-	(22)	(22)
AFL Purchase of Small Parcels of Shares	6	(261)	-	(261)	-	(261)
AFL Shares Issued	6	1,500	-	1,500	-	1,500
Total transactions with owners		1,239	(323)	916	(615)	301
Closing balance as at 30 June 2019		**153,018**	**(148,609)**	**4,409**	**1,359**	**5,768**

Refer Note 7

The notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet
Allied Farmers Limited and Subsidiaries
As at 30 June 2019

	Note	June 2019 $000	June 2018 $000
Equity			
Share capital	6	**153,018**	151,779
Reserves	7	**(148,609)**	(149,544)
Equity attributable to owners of the Parent		**4,409**	2,235
Non Controlling Interests	8	**1,359**	1,231
Total equity		**5,768**	3,466
Liabilities			
Current liabilities			
Trade and other payables	10	**12,923**	10,232
Finance receivables borrowings	9	**1,500**	1,500
Borrowings	9	**909**	1,439
Taxation		**55**	133
Total current liabilities		**15,387**	13,304
Non-current liabilities			
Borrowings	9	**2,884**	3,551
Total non-current liabilities		**2,884**	3,551
Total liabilities		**18,271**	16,855
Total liabilities and shareholders equity		**24,039**	20,321
Assets			
Current assets			
Cash and cash equivalents	21.1	**2,301**	569
Trade and other receivables	16	**11,449**	9,367
Finance receivables	16	**4,710**	4,619
Inventory	17	**197**	122
Prepayments	16	**2**	13
Total current assets		**18,659**	14,690
Non-current assets			
Investments		**5**	-
Property, plant and equipment	11	**3,839**	4,190
Intangible assets and Goodwill	12	**764**	751
Deferred tax asset	5	**772**	690
Total non-current assets		**5,380**	5,631
Total assets		**24,039**	20,321

The notes are an integral part of these consolidated financial statements.

The Board of Directors of Allied Farmers Limited authorised these financial statements for issue on 27 August 2019.

Director

Director

Consolidated Statement of Cash Flows

Allied Farmers Limited and Subsidiaries

For the year ended 30 June 2019

	Note	June 2019 $000	June 2018 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		**18,362**	17,806
Interest received		**925**	553
		19,287	18,810
Cash was applied to:			
Payments to suppliers and employees		**(15,238)**	(16,108)
Interest paid		**(599)**	(594)
Taxation paid		**(379)**	(323)
		(16,215)	(17,025)
Net cash flows from operating activities	19	**3,072**	1,785
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant and equipment		**-**	73
		-	73
Cash was applied to:			
Increase in finance receivables NZ Farmers Livestock Finance Ltd		**(93)**	(2,545)
Acquisition of subsidiary/investment net of cash acquired		**(5)**	(145)
Purchase of shares in NZ Farmers Livestock Ltd		**(22)**	-
Purchase of intangibles, property, plant and equipment		**(346)**	(248)
		(466)	(2,938)
Net cash flows (used in) investing activities		**(466)**	(2,865)
Cash Flows from Financing Activities			
Cash was provided from:			
Share Purchase Plan		**1,500**	-
Drawdown of finance receivables borrowings		**1,500**	1,500
		3,000	1,500
Cash was applied to:			
Repay livestock trading borrowings		**(382)**	(360)
Repayment of vehicle finance borrowings		**(265)**	(472)
Repayment of finance receivables borrowings		**(1,500)**	-
Repayment of bond		**(550)**	-
Dividends paid		**(916)**	(596)
Share Repurchase of Small Parcels		**(261)**	-
		(3,874)	(1,428)
Net cash flows from / (used in) from financing activities		**(874)**	72
Net increase in cash and cash equivalents		**1,732**	(1,008)
Cash and cash equivalents at beginning of year		**569**	1,577
Cash and cash equivalents at end of year		**2,301**	569

The notes are an integral part of these consolidated financial statements.

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2019

GENERAL INFORMATION

These Consolidated Financial Statements ("Financial Statements") have been approved for issue by the Board of Directors on 27th August 2019.

The Board of Directors does not have the power to amend the financial statements after they have been issued.

Allied Farmers Limited and Subsidiaries (together "the Group") are a "for profit" rural services group, with its predominant activities comprising the sale of livestock agency services, the procurement and processing of calves and the provision of livestock financing.

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

201 Broadway
Stratford
New Zealand

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

BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS).

Allied Farmers Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

The financial statements have been presented on the basis of historical cost.

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

The financial statements are presented in New Zealand Dollars which is the Parent Company's and Subsidiaries' functional currency and the Group's presentation currency.

These financial statements are prepared on a going concern basis. The cashflow statement is presented on a net basis. This basis has been preferred to gross basis to remain consistent with the revenue basis of presentation.

New Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018. Those which may be relevant to the Group are set out below with updated accounting policies as necessary.

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under NZ IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in the exchange for acting as agent in a livestock transaction or transferring goods or services to a customer.

The adoption of NZ IFRS 15 did not have any material effect for the Group, and no restatement to the prior year was made. The Group's major revenue streams under NZ IFRS 15 are the sale of livestock agency services and the procurement and processing of calves.

To assess the impact of NZ IFRS 15 on the group, contracts within each segment were aggregated to create portfolios of contracts. An individual contract from each portfolio was selected as being representative of each unique contract type. For each contract type, the five step method was applied to assess the impact on revenue recognition.

The five step method for recognising revenue from contracts with customers involves consideration of the following:

1. Identifying the contract with the customer:
2. Identifying performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to distinct performance obligations; and
5. Recognising revenue.

The table below provides further information on the application of NZ IFRS 15 across the major segments in the Group.

COMMISSION EARNED				
Revenue type	**Description**	**Key judgement**	**Performance obligation**	**Timing of revenue recognition**
Livestock commissions earned on sales	Commissions made on facilitating a livestock sale agreement and on grazing agreements	Determining the distinct performance obligation and whether the Group is acting as an agent. For forward delivery contracts, determining the commission to be recognised due to the extended period of time with these contracts	The performance obligation is fulfilled when the sale is agreed. The Group is acting as an agent as it doesn't have inventory risk and isn't able to set a price	**Point in time** Recognised at the point in time when the sale is agreed by a vendor and a purchaser
Livestock commissions earned on forward delivery contracts	Commissions made on facilitating a forward livestock sale agreement			**Point in time** Recognised at the point in time when the sale is agreed by a vendor and a purchaser. Due to the timing of these contracts there is some uncertainty relating to the final commission.
FEES EARNED				
Revenue type	**Description**	**Key judgement**	**Performance obligation**	**Timing of revenue recognition**
RFID scanning fees	RFID fees earned on scanning of RFID chips	Determining the distinct performance obligation	The performance obligation is fulfilled when the stock are scanned, a sale is agreed within the auction or when the stock 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	**Point in time** Recognised at the point in time when the RFID chip is scanned
Yard fees on auctions	Fees earned on organisation of auctions			**Point in time** Recognised at the point in time when a sale is agreed during auction
Valuation fees	Fees earned on weighing of stock			**Point in time** Recognised at the point in time when the animals are weighed
SALES OF GOODS				
Revenue type	**Description**	**Key judgement**	**Performance obligation**	**Timing of revenue recognition**
Sales of meat	Sale of bobby calf meat	No major judgement required	The performance obligation is fulfilled when the goods are available to the customer at the meat work plant. The Group is acting as a principal as it holds inventory risk.	**Point in time** Recognised at the point in time when the goods are available to the customer
Sales of skins	Sale of bobby calf skins			**Point in time** Recognised at the point in time when the goods are available to the customer

Variable consideration

Due to the extended time period between when the forward delivery contracts are agreed and when the forward contract settle, there is an element of variability in the value of the contract and the commission earned to be recognised.

At each reporting period, an assessment is performed based on probability-weighted outcomes from a range of potential outcomes to determine the appropriate level of revenue to be recognised. On settlement of the contract, the revenue is adjusted to account for any difference between what has been recognised and the final settlement. At 30 June 2019, all forward delivery contracts have settled and therefore the variable consideration has no impact on the revenue recognised.

NZ IFRS 9 Financial Instruments

NZ IFRS 9 applies to the accounting for financial instruments, in particular classification and measurement of impairment and hedge accounting. The adoption of NZIFRS 9 did not have any material effect for the Group and no restatement for the prior year has been made.

The table below illustrates the classification and carrying amount of the Group's financial assets under IAS 39 and IFRS 9 on the date of initial application.

Group	Original Classification - IAS 39	New Classification Category - IFRS 9	Original Carrying amount - IAS 39	New Carrying Amount - IFRS 9
30 June 2019			$000	$000
Cash	Loans and receivables	Amortised Cost	569	569
Trade Receivables	Loans and receivables	Amortised Cost	9,367	9,367
Finance lease receivables	Loans and receivables	Amortised Cost	4,619	4,619

From 1 July 2018 the Group classifies its financial assets as being measured at amortised cost. Until June 2018 the Group classified its financial assets as loans and receivables. There was no change in the measurement of these assets and investments as a result of reclassification.

Financial Assets at Amortised Cost

Non derivative financial assets are classified and measured at amortised cost when the asset is held within a business model whose objective is to collect the contractual cash flows and those contractual cash flows consist solely of payments of principal and interest on specified dates. Financial assets are initially measured at fair value and subsequently at amortised cost using the effective interest rate method, less any impairment losses.

For trade and finance receivables, impairment losses arise from expected credit losses. Trade and finance receivables are recorded initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any expected credit losses due to bad and doubtful accounts. The expected credit losses are based on management's assessment of amounts considered uncollectible for specific customers or groups of customers based on age of debt, history of payments, account activity, economic factors and other relevant information.

Impairment of Financial Assets

From 1 July 2018 the Group assessed on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group considers a broad range of information when assessing credit risk and measuring external credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For financial assets (excluding trade and other receivables), a distinction is made between:

Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”);
Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”); and
Financial assets that have objective evidence of impairment at the reporting date (“Stage 3”).

The term of the Group's financial assets is typically less than 12 months. Accordingly provisioning is based on borrower specific factors in conjunction with any macro economic factors contributing to the definition of "significant increase in credit risk", whilst also factoring in any cash flows from collateral held as security for the financial assets.

12 month expected credit losses are recognised for Stage 1 while ‘lifetime expected credit losses’ are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition.

For trade and other receivables the Group makes use of a simplified approach, as permitted by NZ IFRS 9, and records the loss allowances as lifetime expected credit losses from recognition. This is expected credit losses that result from all possible default events over the life of the financial instrument.

Finance assets are written off when there is no reasonable expectation of recovery. Indication that there is no reasonable expectation of recovery includes, among others, collection procedures have proved unsuccessful, the occurrence of significant changes in borrower's position such that the borrower can no longer pay back the obligation, or that the proceeds from collections and/ or insurance claims will not be sufficient to pay back the entire obligation.

New Standards and Interpretations Not Yet Adopted

NZ IFRS 16 Leases

NZ IFRS 16 Leases will result in almost all leases being recognised in the statement of financial position, as the distinction between operating leases and finance leases is removed. The standard is mandatory for the Group from 1 July 2019.

Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between an operating lease (off balance sheet) and a finance lease (on balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting the future lease payments and a 'right-of-use' asset for almost all lease contracts. The statement of comprehensive income will be impacted by the recognition of an interest expense and a depreciation expense with premise rental and vehicle lease equipment expenses removed altogether.

The impact for the Group will be primarily focused on the accounting for operating leases on properties rented. As at the reporting date, the Group has operating lease commitments on rented property of $0.5m. Upon adoption, NZ IFRS 16 is consequently unlikely to have a significant impact upon the Group's statement of financial position and statement of financial performance.

To calculate the impact of NZ IFRS 16 as at 1 July 2019, being the date of adoption, management has assessed all property lease contracts applying judgement as follows:

- the property lease term including potential renewals for which the group may have the right to exercise
- the incremental borrowing rate that is used to discount lease assets and liabilities

As a result of the calculations and the application of judgement, management is able to quantify the potential impact of NZ IFRS 16 based on the current property lease arrangements across the Group. Management expects that there will be an impact across the following line items in the statement of financial position:

- Recognition of right of use assets of $0.5m and
- Recognition of lease liability of $0.5m

The expected impact across the following line items in the statement of comprehensive income for the year ended 30 June 2020 is estimated as follows:

- Increase in finance costs (recognised as interest expense) of $0.04m
- Increase in depreciation and amortisation expense of $0.08m
- Decrease in premises expenses of $0.1m

Estimates are subject to change at the time of adoption due to:

- Outcome of renewals under property lease agreements for the year ended 30 June 2020
- Changes to the existing lease arrangements
- New lease contracts entered into
- Finalisation of management's judgements
- Changes to borrowing rates

The implementation of NZ IFRS 16 has no cash impact to the Group as changes are limited to financial reporting requirements only. The Group intends to implement the simplified transition approach as defined in the standard for the year ended 30 June 2020 and will not restate comparative amounts for the period prior to adoption.

BASIS OF CONSOLIDATION

The financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at balance date and the results of all subsidiaries for the year then ended.

Subsidiaries

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

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

Joint arrangements

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

Associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. 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. The Group's investment in associates includes goodwill identified on acquisition.

Business combinations

Business combination are accounted for using the purchase method. The cost of a business combination is an aggregate of the fair value of assets purchased, liabilities assumed or incurred and any equity issued in exchange for consideration received.

OPERATING REVENUE AND EXPENSES

Sales of goods

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

Interest income and interest funding expense

Interest income and expense for all interest bearing financial instruments are recognised within "Interest income" and "Interest and funding expense" in the consolidated statement of profit or loss and other comprehensive income using the effective interest method.

Finance income comprises interest income on Finance Business receivables and interest income on bank deposits. These are included as part of revenue.

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.

Commission income

Commission income includes commission and other fees charged on livestock sales transactions. Commission income is recognised on a net basis as the Group acts as an agent to the customer in facilitating the livestock sales. Fees income is recognised on a gross basis as the Group acts as a principal to the customer in providing primarily the service. Judgement has been exercised in determining that the Group are an agent as opposed to a principal in these transactions.

Commission income which is non-yield related is recognised on an accrual basis once the underlying service has been provided. All fees and commission income are recognised within "Commission Income".

In some circumstances the Group acts as an agent in conjunction with another agent company. In these circumstances the commission earned is shared. The cost paid to the sharing agent company has been netted off the commission received.

TAXATION

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

FINANCIAL ASSETS

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

The Group classifies their financial assets as loans and receivables.

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

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

At initial recognition, the Group measures its financial assets at their fair value. The Group subsequently measures these at amortised cost using the effective interest method less provision for expected credit losses.

INVENTORY

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a Standard cost basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing locations and condition being the acquisition cost, freight, duty, and other inward charges. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

LEASES

Operating lease assets
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee.

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

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

TESTING FOR IMPAIRMENT OF NON FINANCIAL ASSETS

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

Impairment losses recognised in prior periods, other than those related to goodwill, are assessed at each reporting date for any indications that the loss has decreased or no longer exists, and where the impairment loss may be reversed.

IMPAIRMENT OF FINANCIAL ASSETS

The impairment assessment of the Group's finance and trade receivables is based on management's assessment of any objective evidence of impairment on an individual basis which takes into account historical loss experience.

Financial assets 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 Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Loans to customers
The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage 1 - Performing	Loans whose credit risk in in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage 2 - Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Lifetime expected losses.
Stage 3 - Non-performing (credit impaired)	Interest and/or principal repayments are 60 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses.
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery.	Asset is written off.

PROPERTY, PLANT AND EQUIPMENT

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

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

Land is not depreciated.

All other property, plant and equipment are depreciated on a straight line basis at rates over their estimated useful lives, as follows:

Asset class	**Estimated Useful Life**
Buildings	8 - 30 years
Plant and Equipment	1 - 30 years
Motor Vehicles	3 - 15 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the consolidated statement of profit or loss and other comprehensive income.

INTANGIBLE ASSETS

Goodwill
Goodwill on acquisitions of subsidiaries is included in "Intangible Assets" and "Goodwill". Goodwill on acquisitions of associates is included in "Investments in associates" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those generating units or groups of cash-generating units that are expected to benefit from the business combination on which the goodwill arose.

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

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

TRADE AND OTHER PAYABLES

Trade and other payables relate primarily to the liability that exists to the vendor of livestock as a result of livestock sales on the vendors behalf. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

EMPLOYEE BENEFITS

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

BORROWINGS AND BORROWING COSTS

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method. As borrowing costs for Allied Farmers Limited are not for qualifying assets, Allied Farmers Limited expenses all borrowing costs.

Borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they were incurred.

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

GOODS AND SERVICES TAX (GST)

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

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

DIVIDENDS

Dividends are recognised as a liability in the period in which they are approved by the Board. Dividends that are approved after balance date but prior to the financial statements being authorised for issue are disclosed as a subsequent event.

EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per share
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has no category of dilutive potential ordinary shares.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions about the future in preparing their financial statements that affect the reported amounts of assets and liabilities. The actual results will often differ from the estimates made. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are:

> The assessment that there was no impairment of the goodwill in the Redshaw CGU ('cash generating unit') at 30 June 2019. The valuation of the CGU is based on a discounted cashflow of management forecasts of future financial performance and therefore there is inherent estimation uncertainty. Assumptions made in the valuation and the underlying financial forecasts are detailed in Note 12 - Intangible assets and Goodwill.

Other Judgements include:

The loss allowances for financial assets 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. Details of the key assumptions and inputs used are disclosed in Note 16.

Notes to the Consolidated Financial Statements

Allied Farmers Limited and Subsidiaries
For the year ended 30 June 2019

1. Financial information on segments of the business

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors (The Board). The Board receives financial information for the three operating segments, being Asset Management, Livestock Services and Corporate.

The Livestock Services segment relates to livestock sale activities, the financing of livestock sales, and calf procurement, processing and sales. These activities service a single customer base. The Livestock activities are influenced by seasonality. Livestock sales are normally stronger in the autumn season and calf sales traditionally occur mainly in the first half of the financial year.

Corporate activities comprise the livestock services and corporate activities of the Group including the remaining activities of the holding company Allied Farmers Rural Limited.

The Asset Management Services segment managed the assets previously acquired from Hanover Finance Limited, United Finance Limited and their subsidiary companies. The Asset Management Services activities are carried out by Allied Farmers Investments Limited and subsidiary companies. The Asset Management Services activities were completed during FY17 with the realisation of the remaining assets.

The segment results for the year ended 30 June 2019 are as follows:

	Asset Management Services **$000**	Livestock Services **$000**	Corporate **$000**	Total Continuing **$000**
Sales of goods	**-**	**8,189**	**-**	**8,189**
Commission Income	**-**	**12,141**	**-**	**12,141**
Other Income	**-**	**111**	**-**	**111**
Interest Income	**-**	**925**	**-**	**925**
Total Income	**-**	**21,366**	**-**	**21,366**
Cost of Inventory sold	**-**	**(6,719)**	**-**	**(6,719)**
Depreciation and amortisation	**-**	**(635)**	**-**	**(635)**
Interest and funding expense (external)	**-**	**(504)**	**(95)**	**(599)**
Rental and operating Leases (external)	**-**	**(117)**	**(2)**	**(119)**
Employee benefit expense	**-**	**(7,671)**	**(86)**	**(7,757)**
Net Other expenses (external)	**-**	**(2,923)**	**(393)**	**(3,316)**
Profit/Loss before income tax	**-**	**2,797**	**(576)**	**2,221**
Income Tax	**-**	**(220)**	**-**	**(220)**
Profit/Loss after Income Tax	**-**	**2,577**	**(576)**	**2,001**

The segment assets and liabilities as at 30 June 2019 are as follows:

	Asset Management Services **$000**	Livestock Services **$000**	Corporate **$000**	Total Continuing **$000**
Current Assets	-	16,181	2,478	18,659
Non Current Assets	-	5,380	-	5,380
Assets	-	21,561	2,478	24,039
Current Liabilities	-	(15,107)	(280)	(15,387)
Non Current Liabilities	-	(1,884)	(1,000)	(2,884)
Liabilities	-	(16,991)	(1,280)	(18,271)

The segment results for the year ended 30 June 2018 are as follows:

	Asset Management Services $000	Livestock Services $000	Corporate $000	Total Continuing $000
Sale of goods	-	4,685	-	4,685
Commission Income	-	12,852	-	12,852
Interest Income	-	676	-	676
Other Income	451	19	-	470
Total Income	451	18,232	-	18,683
Cost of Inventory Sold	-	(4,165)	-	(4,165)
Depreciation and amortisation	-	(546)	-	(546)
Interest and funding expense (external)	-	(501)	(93)	(594)
Rental and operating expense	-	(139)	(2)	(141)
Employee benefit expense	-	(7,614)	(53)	(7,667)
Net Other expenses (external)	(2)	(2,634)	(499)	(3,135)
Profit/Loss before income tax	449	2,633	(647)	2,435
Inter-segmental income	-	(1,519)	1,519	-
Income Tax	-	(210)	-	(210)
Profit/Loss after Income Tax	449	904	872	2,225

The segment assets and liabilities as at 30 June 2018 are as follows:

	Asset Management Services $000	Livestock Services $000	Corporate $000	Total Continuing $000
Current Assets	-	14,513	177	14,690
Non Current Assets	-	5,631	-	5,631
Assets	-	20,144	177	20,321
Current Liabilities	-	(12,344)	(960)	(13,304)
Non Current Liabilities	-	(2,551)	(1,000)	(3,551)
Liabilities	-	(14,895)	(1,960)	(16,855)

		Note	**Group June 2019 $000**	Group June 2018 $000
2	**Interest and funding expense**			
	Borrowings - Other bank borrowings		**167**	197
	Borrowings - Finance Receivables		**181**	142
	Borrowings - Finance lease		**156**	137
	Borrowings - Bonds		**95**	118
			599	594
3	**Other operating expenses**			
	Included in other operating expenses are:			
	PricewaterhouseCoopers - audit fees		**140**	104
	PricewaterhouseCoopers - direct expenses associated with the audit		**7**	6
	Directors' fees	20	**159**	141
	Contractors and consultants		**190**	282
	Information systems expenses		**68**	61
	Compliance costs		**122**	103
	Loss on sale of fixed assets		**24**	59
	Insurance		**141**	140
	Software and hardware maintenance		**65**	76
	Storage		**217**	138
	Marketing and advertising		**381**	408
	Telecommunications		**218**	227
	Vehicle expenses		**774**	676
	Other expenses		**810**	714
			3,316	3,135

4 Earnings per share

	June 2019	June 2018

(a) Basic earnings per share

The calculation of basic earnings per share at 30 June 2019 was based on the following profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	June 2019	June 2018
Profit attributable to owners of the parent from continuing operations ($000)	**1,258**	1,535
Weighted average number of ordinary shares on issue (thousands)	**165,987**	161,505
Weighted average number of ordinary shares on issue (thousands) after share consolidation adjustment	**16,599**	16,151
Basic earnings per share (cents)	**7.58**	9.51

(b) Diluted Earnings per share

There are no dilutive instruments in 2019. 25

	June 2019	June 2018
Profit attributable to the owners of the parent from continuing operations ($000)	**1,258**	1,535
Weighted average number of ordinary shares on issue (thousands)	**165,987**	161,505
Weighted average number of ordinary shares on issue (thousands) after share consolidation adjustment	**16,599**	16,151
Diluted earnings per share (cents)	**7.58**	9.51

Refer note 25 for details of share consolidation subsequent to balance date

5 Taxation

	Group June 2019 $000	Group June 2018 $000
Current tax:		
Current tax on profits for the year	**301**	369
Deferred tax:		
Recognition of deferred tax asset	**(81)**	(159)
Income tax expense	**220**	210
Profit from continuing operations before income tax	**2,221**	2,435
Prima facie income tax expense at 28%	**622**	682
Plus/(less) tax effect of permanent and temporary differences:		
Non-deductible expenditure	**14**	9
Timing differences	**(32)**	13
Recognition of deferred tax asset	**(81)**	(159)
Use of Group tax losses	**(303)**	(335)
Income tax expense	**220**	210
Deferred tax balances:		
Opening balance	**690**	531
Recognition of tax losses not previously recognised		
Deferred tax impact of temporary provisions	**5**	28
Recognition of tax losses	**77**	131
Closing balance	**772**	690

Deferred tax is made up of the following temporary differences:

	Group June 2019 $000	Group June 2018 $000
Deferred tax assets:		
Financial assets at amortised cost - Expected credit losses	**13**	6
Employee benefit provisions	**154**	156
Tax losses expected to be recovered in future periods	**605**	528
	772	690

Group unrecognised deferred tax assets comprised of unused tax losses as at 30 June 2019 total $43,530,255 gross (June 2018: $45,751,628).

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

As at 30 June 2019 the balance of imputation credits available to the shareholders of the Parent Company only were $112,341 (June 2018: $237,799).

6 Share capital

	Group 2019 $000	Group 2018 $000
Ordinary shares (fully paid)		
Balance at beginning of year	**151,779**	151,779
Cancellation of shares	**(261)**	-
Issue of shares	**1,500**	-
Balance at end of year	**153,018**	151,779
Total	**153,018**	151,779
	000's	000's
Number of shares issued and fully paid		
Balance at beginning of year	**161,505**	161,505
Cancellation of shares	**(3,506)**	-
Issue of ordinary shares	**20,548**	-
Balance at end of year	**178,547**	161,505

The total number of shares on issue as at 30 June 2019 is 178,547,294 (June 2018: 161,505,350). Refer note 25 for details of share consolidation subsequent to balance date.

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

7 Accumulated Losses

	2019 **Group** **2019** **$000**	2018 Group 2018 $000
Balance at beginning of year	**(149,544)**	(150,756)
Net profit for the year	**1,258**	1,535
Dividends Paid (a fully imputed 0.2 cents per share was paid in January 2019)	**(323)**	(323)
Balance at end of year	**(148,609)**	(149,544)

8 Non Controlling Interest

	2019 **$000**	2018 $000
Balance at the beginning of the year	**1,231**	797
Current year profit	**743**	690
Acquisition of shares in Redshaw Livestock Limited	**-**	17
Allied Farmers Rural Limited purchase of shares in subsidiary NZ Farmers Livestock Ltd	**(22)**	-
Dividend paid to Non Controlling Interests	**(593)**	(273)
Balance at end of year	**1,359**	1,231

The subsidiaries that have Non Controlling Interests that are material to the Group are found in Note 13 of these consolidated financial statements. The summarised cash flows for the subsidiaries that have Non Controlling Interests are shown below.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

	Livestock Services	
	2019 **$000**	2018 $000
Cash flows generated from operating activities		
Cash generated from operations	**3,679**	3,714
Interest paid	**(504)**	(500)
Income tax paid	**(378)**	(323)
Net cash generated from operating activities	**2,797**	2,891
Net cash (used in) investing activities	**(466)**	(2,865)
Net cash generated from/(used in) financing activities	**(1,240)**	(1,345)
Net (decrease)/increase in cash and cash equivalents	**1,091**	(704)
Cash and cash equivalents at beginning of year	**383**	1,087
Cash and cash equivalents at end of year	**1,474**	383

9 Borrowings

	Group 2019 $000	Group 2018 $000
Current		
Bank borrowings - Finance Receivables (secured)	**1,500**	1,500
Bank borrowings - Trading (secured)	**415**	417
Bonds (secured)	**-**	550
Finance leases	**494**	472
	2,409	2,939
Non Current		
Bank borrowings - Trading (secured)	**1,560**	1,940
Bonds (secured)	**1,000**	1,000
Finance Leases	**324**	611
	2,884	3,551

Bank borrowings - Trading

NZ Farmers Livestock Limited borrowed $3,050,000 on 3 September 2013 from the ANZ Bank NZ Limited to part finance the acquisition of the sale yards purchased from Allied Farmers Limited. There were 3 loans secured by way of a first mortgage charge over the sale yards concerned. On 29 May 2018 the ANZ Bank NZ Limited reset the loan terms in the amount of $2,388,400 with the current interest rate on two of the the loans as at 30 June 2019 being the one month commercial loan fixed rate plus a margin of 2.15% p.a with the third incurring interest at 6.25% p.a. The loans are due for repayment on 6 September 2021. Principal reductions are being made at at $33,120 per month. The balance owing at 30 June 2019 is $1,974,930 (30 June 2018: $2,357,757).

Overdraft Facilities

NZ Farmers Livestock Limited has an overdraft facility of $1,000,000 which has not been drawn down as at 30 June 2019 (June 2018: Overdrawn $Nil). This facility has an interest rate being the commercial overdraft base rate minus a margin of 2.6% p.a. and is secured over the assets of NZ Farmers Livestock Limited and subsidiaries Farmers Meat Export Limited and NZ Farmers Livestock Finance

A subsidiary, Farmers Meat Export Limited has, from 1 July 2019, an undrawn seasonal overdraft facility of $3,000,000 (2018 $2,700,000) which is on demand. This facility has an interest rate of the commercial overdraft base rate minus a margin of 2.6% p.a.

The creation of the Farmers Meat Export Limited facility has created the following additional securities granted in favour of the ANZ Bank New Zealand Limited - A cross guarantee between NZ Farmers Livestock Limited and Farmers Meat Export Limited, a first ranking General Security Agreement over the assets of Farmers Meat Export Limited, and a first ranking General Security Agreement over all the assets of NZ Farmers Livestock Limited.

Bank Borrowings - Finance Receivables

A subsidiary NZ Farmers Livestock Finance Limited has two on demand facilities of $3,000,000 (Bull Financing Facility) and $2,000,000 (General Livestock Financing Facility). The Bull Financing Facility was not drawn down as at 30 June 2019. The on demand overdraft facility for NZ Farmers Livestock Finance Limited balance owing at 30 June 2019 is $2,000,000 (30 June 2018 Nil). This overdraft facility has been offset against cash balances in accordance with the facility agreement. The facilities have an interest rate of the commercial overdraft base rate minus a margin of 2.6%.

A subsidiary NZ Farmers Livestock Finance Limited has entered into a new general financing livestock loan commercial loan facility of $1,500,000 on 20 June 2019. This is due for repayment on 30 June 2020 and has an interest rate of 3.45% p.a. as at 30 June 2019, plus an additional margin of 2.15% p.a. Principal reductions are being made at at $25,000 per month. The balance owing at 30 June 2019 is $1,500,000 (30 June 2018: $1,500,000).

Both facilities are secured by way of a fixed and floating charge over the finance receivables and secondly, all other assets of NZ Farmers Livestock Limited and Farmers Meat Export Limited.

Bonds

Allied Farmers Rural Limited issued $550,000 of Bonds on 29 August 2016. The Bonds were secured by way of a second 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 had an interest rate of 7.75%. There were no specific financial covenants. The bonds were repaid on 31 March 2019.

Allied Farmers Rural Limited also issued $1,000,000 of Bonds on 30 September 2014. The Bonds are 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 repayment date is 30 September 2021 and have an interest rate of a 450 basis point margin over the 4 year swap rate as at 30 September 2017 as advised in writing to the Allied Farmers Rural Limited by ANZ Bank NZ Limited, but not less than 6.50% per anum and not more than 7.50% per anum. At 30 June 2018 the interest rate on the Bonds was 7.3% p.a. There are no specific financial covenants.

Borrowing Covenants

ANZ Bank New Zealand Limited

The bank applies a financial covenant annually that the NZ Farmers Livestock Limited EBIT (earnings before interest and taxation) must be at least 3 times the interest cost expense. The Company has complied with this covenant throughout the year. In addition the Group must provide annual financial statements within 5 months after balance date and NZ Farmers Livestock Finance Limited has receivables concentration and arrears covenants commencing from 31 December 2019.

Finance Leases	**Group**	Group
	2019	2018
Finance Lease Liabilities	**$000**	$000
Lease liabilities are effectively secured as the right to the leased asset revert to the lessor in the event of default		
Gross Finance Lease Liabilities - minimum lease payments		
No later than 1 year	**551**	539
Later than 1 year and no later than 5 years	**325**	648
	876	1,187
Future Finance Charges of Finance Lease Liabilities	**(58)**	(105)
Present Value of Finance Lease Liabilities	**818**	1,082
The present value of finance lease liabilities is as follows:		
No later than 1 year	**494**	472
Later than 1 year and no later than 5 years	**324**	611
	818	1,083

Finance Lease liabilities have arisen on the financing of the acquisition of motor vehicles. The Finance Leases provide for the ownership of the vehicle to remain with the Lessor and NZ Farmers Livestock Limited (the Lessee) has a commitment to pay monthly instalments. The security for the Finance Leases is the motor vehicle. The Lessee has also committed to meet further obligations relating to distance covered and condition of the vehicle on the expiry of the Finance Lease. Under the terms of the finance lease NZ Farmers Livestock Limited has the option to purchase in respect of motor vehicles held under finance leases.

10 Trade and other payables

	Group	Group
	2019	2018
	$000	$000
Trade creditors	**11,643**	8,525
Employee benefits, profit share and commissions	**1,133**	1,180
Other creditors and payables	**147**	527
	12,923	10,232

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

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

11 Property, plant and equipment

	Group	Group
	2019	2018
	$000	$000
Freehold land		
Cost at beginning of year	**2,019**	2,019
Additions	**-**	-
Disposals	**-**	-
Cost at end of year	**2,019**	2,019
Buildings		
Cost at beginning of year	**1,041**	1,030
Purchases	**-**	11
Disposals	**(8)**	-
Cost at end of year	**1,033**	1,041
Accumulated depreciation at beginning of year	**(299)**	(237)
Depreciation charged to consolidated profit or loss statement	**(62)**	(62)
Disposals	-	-
Accumulated depreciation at end of year	**(361)**	(299)
Buildings net book value	**672**	742
Motor vehicles		
Cost at beginning of year	**1,729**	1,412
Additions	**340**	1,139
Disposals	**(283)**	(822)
Cost at end of year	**1,786**	1,729
Accumulated depreciation at beginning of year	**(532)**	(835)
Depreciation charged to consolidated profit or loss statement	**(520)**	(387)
Disposals	**180**	690
Accumulated depreciation at end of year	**(872)**	(532)
Motor vehicles net book value	**914**	1,197

Plant and equipment		
Cost at beginning of year	**426**	305
Additions	**46**	131
Disposals	**-**	(10)
Cost at end of year	**472**	426
Accumulated depreciation at beginning of year	**(194)**	(155)
Depreciation charged to consolidated profit or loss statement	**(44)**	(46)
Disposals	-	7
Accumulated depreciation at end of year	**(238)**	(194)
Plant and equipment net book value	**235**	232
Property, plant and equipment cost at end of year	**5,310**	5,215
Property, plant and equipment accumulated depreciation at end of year	**(1,471)**	(1,025)
Total property, plant and equipment net book value	**3,839**	4,190

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

Cost Capitalised Finance Lease	**1,787**	1,730
Accumulated Depreciation	**(872)**	(532)
Net Book Amount	**915**	1,198

12 Intangible assets and Goodwill

	Group 2019 $000	Group 2018 $000
Computer software		
Cost at beginning of year	**234**	225
Additions	**22**	9
Cost at end of year	**256**	234
Accumulated amortisation at beginning of year	**(225)**	(174)
Amortisation charged to profit or loss statement	**(9)**	(51)
Disposals	**-**	-
Accumulated amortisation at end of year	**(234)**	(225)
Computer software net book value	**22**	9
Goodwill		
Cost at beginning of year	**742**	100
Additions	**-**	642
Cost at end of year	**742**	742
Total Intangible Assets and Goodwill	**764**	751

A Cash Generating Unit ("CGU") level summary of the goodwill allocation is presented below.

2019	**NZFL $000**	**Redshaw $000**	**Total $000**
Redshaw	**-**	642	642
NZFL	100	**-**	100
Total	100	642	742

2018	NZFL $000	Redshaw $000	Total $000
Redshaw	**-**	642	642
NZFL	100	**-**	100
Total	100	642	742

Impairment Tests For Goodwill - Redshaw
Goodwill arose on the acquisition of a controlling interest in Redshaw Livestock Limited. 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.

Revenue Growth Rate	5.0%
Long Term Growth Rate	2.5%
Pre Tax Discount Rate	15.0%

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. As a result no impairment charge was recognised in the financial statements.

Impact of possible changes in key assumptions

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

The recoverable amount of the Redshaw CGU is estimated to have exceeded the carrying amount of the CGU at 30 June 2019 by $35,000.

The recoverable amount of this CGU would equal its carrying amount if any of the key assumptions were to change as follows:

	2019	
	From	To
Revenue Growth Rate (%)	5.0%	4.0%
Long Term Growth Rate (%)	2.5%	1.5%
Pre-tax discount rate (%)	15.0%	15.5%

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Redshaw CGU to exceed its recoverable amount.

Impairment Test for Goodwill - NZFL

Goodwill of $100,000 arose on the acquisition of a finance book from Stock Plan Limited previously supplying finance to a number of NZ Farmers Livestock Limited customers. On an annual basis the recoverable amount of this goodwill is tested by undertaking an assessment of its fair value less costs of disposal specific to the NZFL CGU (comprising the Livestock Services business excluding Redshaw and the meat processing and trading business). This assessment uses the fair value multiple calculated upon acquisition of 0.49. This multiple has been computed via dividing the total purchase price by total bull revenue, and is applied against the current year's earnings. No impairment charge was required to be recognised in the financial statements. There are no forseeable changes in assumptions which could result in a material impairment.

13 Investment in subsidiaries

		2019	2018
Subsidiaries of the Parent			
Allied Farmers Investments Limited	Investment	**100%**	100%
Allied Farmers Rural Limited	Investment	**100%**	100%
ALF Nominees Limited	Non-Trading	**100%**	100%
Allied Farmers (New Zealand) Ltd	Non-Trading	**100%**	100%
Subsidiaries of Allied Farmers Rural Limited			
NZ Farmers Livestock Limited	Livestock Agency and Finance	**67%**	66%
Subsidiary of NZ Farmers Livestock Limited			
Farmers Meat Exports Limited	Meat Processing and Trading	**100%**	100%
NZ Farmers Livestock Finance Ltd	Livestock Finance	**100%**	100%
Redshaw Livestock Limited **	Livestock Agency	**52%**	52%
Subsidiaries of Allied Farmers Investments Limited			
Allied Farmers Property Holdings Limited	Non trading	**100%**	100%
QWF Holdings Limited	Non trading	**100%**	100%
Clearwater Hotel 2004 Limited	Non trading	**100%**	100%
Lifestyles of New Zealand Queenstown Limited	Non trading	**100%**	100%
LONZ 2008 Limited	Non trading	**100%**	100%
LONZ 2008 Holdings Limited	Non trading	**100%**	100%
Subsidiaries of Allied Farmers Property Holdings Limited			
UFL Lakeview Limited	Non trading	**100%**	100%
5M No. 2 Limited	Non trading	**100%**	100%

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.

** NZ Farmers Livestock Limited guarantees the BNZ bank overdraft of Redshaw Livestock up to $338,000, plus interest and costs.

14 Joint Arrangements

The Group's subsidiary NZ Farmers Livestock Limited owns a proportion of various sale yard tangible assets and has joint arrangements in relation to the operation of these sale yards (referred to as 'Associated Auctioneers').

These joint operations are in place over four 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 various joint operations are:

	Share of Joint Operation	Location	2019	2018
- Associated Auctioneers	33%	Te Kuiti	**$000**	$000
Summarised Balance Sheet				
Current Assets			**53**	81
Current Liabilities			**53**	53
Net Assets			**-**	28
Summarised statement of profit or loss				
Income			**263**	280
Expenses			**291**	304
Loss before taxation			**(28)**	(24)
- Associated Auctioneers	50%	Stratford		
Summarised Balance Sheet				
Current Assets			**184**	147
Current Liabilities			**28**	12
Non current assets			**43**	23
Net assets			**199**	158
Summarised statement of profit or loss				
Income			**295**	297
Expenses			**254**	219
Profit			**41**	78
- Associated Auctioneers	50%	Frankton		
Summarised Balance Sheet				
Current Assets			**212**	111
Current Liabilities			**48**	17
Non current assets			**104**	112
Net assets			**268**	206
Summarised statement of profit or loss				
Income			**574**	618
Expenses			**412**	363
Profit			**162**	255
- Associated Auctioneers	25%	Morrinsville		
Summarised Balance Sheet				
Current Assets			**172**	174
Current Liabilities			**34**	20
Non current assets			**206**	217
Net assets			**344**	371
Summarised statement of profit or loss				
Income			**248**	334
Expenses			**275**	275
Loss			**(27)**	59

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

The joint operation of the 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.

15 Investments accounted for using the equity method

The amounts recognised in the consolidated balance sheet are as follows:	**2019 $000**	2018 $000
Redshaw Livestock Ltd original cost including legal expenses of 17% shareholding	**-**	-
Additional cost of further 17% shareholding	**-**	-
Fair value adjustment recognised in other operating expense in	**-**	-
Share of profit for year (net of dividend)	**-**	-
Total	**-**	-
Working capital loan	**-**	-
The amounts recognised in the consolidated profit or loss are as follows;		
Redshaw Livestock Ltd	**-**	-

The associate listed below has share capital consisting solely of ordinary shares, which are held directly by the Group:

Name of entity	Place of	Nature of	Measurement
Redshaw Livestock	NZ	Livestock	Equity

	2019	2018
	$000	$000
Summarised Balance Sheet		
Current Assets	-	-
Current Liabilities	-	-
Non current assets	-	-
Net assets	-	-
Summarised statement of profit or loss		
Income	-	-
Expenses	-	-
Profit before Tax	-	-
Reconciliation of summarised financial information		
Opening net assets at 1 July 2017	-	1,281
Profit for period after tax	-	-
Tax on previous year	-	-
Dividend	-	-
Net assets at Date of acquisition of controlling interest	-	1,281
Interest in associate at 34%	-	436
Amount brought to account on acquisition majority shareholding 1 July 2017 including a fair value adjustment totalling ($38,000)	-	(436)
	-	-

16 Trade and other receivables

	2019	2018
	$000	$000
Trade receivables livestock (gross)	11,482	9,390
Trade receivables finance (gross) - refer below	4,725	4,619
Expected credit losses	(48)	(23)
Trade receivables (net of provision)	16,159	13,986
Prepayments	2	13
	16,161	13,999
Aging of Past Due Receivables that are not impaired		
1-30 days	433	852
31-60 days	261	123
61-90 days	305	246
Total Past Due Receivables	999	1,221

The entity has adopted the general expected credit loss model for material financial assets, e.g. in relation to customer loans. Refer Note 21.1.

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. No credit losses are expected.

There are also Finance Receivables totaling $635,993 which are past their due date at 30 June 2019 (2018 $379,444). All have been subject to specific assessment and there are no expected credit losses. Note that apart from one account of $30,134 (2018 $14,575) all are less than 4 months past due.

17 Inventories

	2019	2018
These comprise finished goods (after allowing for obsolete stock as at 30 June 2019 of $18,000) related to the meat trading and processing business	$000	$000
	197	122

18 Net Debt Reconciliation

This section sets out an analysis of net debt and movements in net debt for the year ended 30 June 2019.	2019	2018
	$000	$000
Borrowings - repayable within 1 year	(2,409)	(2,939)
Borrowings - repayable after 1 year	(2,884)	(3,551)
Less: Cash and cash equivalents	2,301	569
Net debt	(2,992)	(5,922)
Cash and Bank Balances	2,301	569
Gross debt - fixed interest rates	(2,716)	(3,441)
Gross debt - variable interest rates	(2,577)	(3,050)
Net debt	(2,992)	(5,922)

	Cash/Bank	Finance	Secured	Bonds	Total
Net debt as at 1 July 2018	569	(1,083)	(3,857)	(1,550)	(5,921)
Cash Flows	1,732	265	382	550	2,929
Cash Flows from Finance Receivables - inflows	-	-	1,500	-	1,500
Cash Flows from Finance Receivables - outflows	-	-	(1,500)	-	(1,500)
Net debt as at 30 June 2019	2,301	(818)	(3,475)	(1,000)	(2,992)

19 Reconciliation of net profit after tax for the year with cash flow from operating activities

	Note	June 2019 $000	June 2018 $000
Net profit after tax for the period		**2,001**	2,225
Adjustments for:			
Impairment of debtors		**25**	(21)
(Profit)/Loss on sale of assets		**46**	59
Depreciation	11, 12	**635**	546
Movement in deferred tax assets	5	**(81)**	(159)
		625	425
Movement in working capital:			
(Increase)/Decrease in trade and other receivables	16	**(2,092)**	(3,242)
Increase/(Decrease) in payables and provisions	10	**2,691**	2,488
(Increase) in inventory	17	**(75)**	(104)
Decrease in tax payable		**(78)**	(7)
		446	(865)
Net cash (outflows)/inflows from operating activities		**3,072**	1,785

20 Related party transactions

Overview of related party transactions

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

Categories of related party relationships

Related party transactions are detailed by reference to the following categories:

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

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

(a) Key management personnel

	2019 $000	2018 $000
Salaries and other short term benefits	**300**	354
Directors fees	**159**	141
Total key management personnel compensation	**459**	495
Directors long service leave entitlement	**56**	218

There are no directors fees unpaid as at 30 June 2019 (2018: nil).

Certain directors and key management of the Group of companies have completed livestock trading transactions with the Group's subsidiary, NZ Farmers Livestock Limited, which over the year totalled $707,648 in sales (2018 $534,163), $491,425 in purchases (2018 $424,553), and $35,769 in commission (2018 $20,650).

As at 30 June 2019 those directors and key management owed the Group $9,200 (2018: $226,781) which has since been settled and the Group owed those parties $131,316 (2018: $34,044) for livestock transactions at arms length on normal commercial terms. There have been no bad debts written off any of these amounts.

(b) Other related parties

Albany Braithwaite Holdings an associated person of Director Mark Benseman is the holder of $600,000 in bonds.

Allied Farmers Rural Limited during the year has lent surplus 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 2019 the total of these funds lent to NZ Farmers Livestock Limited was $1,296,000 (2018 $878,000).

21 Financial risk management

21.1 Credit risk

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

The Group's assets subject to credit risk as at 30 June 2019 are $16.159 million (2018 $13.986 million).

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’s activities expose it to a variety of financial risks, market risk (including currency and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program seeks to minimise potential adverse effects on the Group’s financial performance.

Risk exposures by class of financial instrument

The Group's financial assets are categorised into cash and cash equivalents, trade and other receivables, and advances.

Cash and cash equivalents
The Group is exposed to the risk of default by placing cash deposits with banks.The maximum credit risk is the face value of its cash deposits. The Group's exposure to banks is unsecured. To manage this risk, the Group only deposits cash with New Zealand registered banks. While cash and cash equivalents are also subject to the expected credit loss requirements of NZ IFRS 9 the identified expected credit losses was immaterial.

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. An increase of 100 basis points in interest rates would increase post tax profits by $8,970 and would decrease post tax profit if a 100 point decrease in interest rates occurred.

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

The Group's largest percentage of trade and finance receivables is made up of transactions with small scale rural consumers. An internal review is completed over the credit worthiness based upon financing information of these consumers before financing is made available. No credit risk rating grades are completed for the trade and finance receivables.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

	2019	2018
Credit quality of financial assets	**$000**	$000
Cash at bank		
ANZ Bank New Zealand Limited	**1,971**	264
Bank of New Zealand	**245**	240
TSB Bank Limited	**85**	65
	2,301	569

All banks have a minimum rating of A- or higher.

	2019	2018
Trade and Finance Receivables	**$000**	$000
Counterparties without external credit rating		
Group 1	**1,318**	2,697
Group 2	**14,841**	11,289
	16,159	13,986
Trade and Finance Receivables written off at year end	**24**	31

21 Financial risk management (continued)

Group 1 - new customers less than six months
Group 2 - existing customers more than six months with no defaults in the past

The Group has no credit rating for Trade and Finance Receivables. The Group continually assesses the Trade and Finance Receivables credit risk and measures the risk against receipts that may not have been paid on time. The Group's experience is that the rates of default by Trade and Finance Receivables is minimal.

Credit Risk Disclosures - customer loans, general expected credit loss model applied

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of default occurring on the asset as at the reporting date with the risk as at the date of initial recognition. It considers available and reasonable supportive forward looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrowers ability to meet its obligations.

- significant changes in the expected performance and behaviour of the borrower, including changes in the borrowers operating results

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial Risk Management
Financial assets 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.

The Group uses 3 categories of loans which reflect their credit risk and how the loan loss provision is determined for each of those categories

Category	Definition of Category	Basis for recognition of expected credit loss
Stage 1 - Performing	Loans whose credit risk is in line with original expectations.	12 month expected losses
Stage 2 - Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations. A significant increase in credit risk is presumed if interest and/or principal repayments are 60 days past due.	Lifetime expected losses
Stage 3 - Non-Performing (credit impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter into bankruptcy.	Lifetime expected losses
Stage 4 - Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off

21.2 Liquidity risk

Liquidity risk is reviewed on an ongoing basis and managed to meet requirements. Cash flow forecasting is performed in the operating entities of the Group and aggregated at Group level. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 9) 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 due on financial liabilities. The amounts below also reflect the contractual repricing timing on financial liabilities, if applicable.

30 June 2019	Total	Under 6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years
$000						
Financial liabilities						
Trade and other payables	12,923	12,923	-	-	-	-
Borrowings - ANZ Bank New Zealand Ltd	3,705	339	1,675	514	1,177	-
Borrowings - Finance Leases	921	310	235	325	51	-
Borrowings - Bonds	1,165	37	37	73	1,018	-
Gross payable on financial liabilities	18,714	13,609	1,947	912	2,246	-

30 June 2018	Total	Under 6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years
$000						
Financial liabilities						
Trade and other payables	10,232	10,232	-	-	-	-
Borrowings - ANZ Bank New Zealand Ltd	4,299	300	1,793	514	1,692	-
Borrowings - Finance Leases	1,187	270	263	461	193	-
Borrowings - Bonds	1,815	319	326	73	1,097	-
Gross payable on financial liabilities	17,533	11,121	2,382	1,048	2,982	-

21.3 Market risk

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

Market risk sensitivity analysis

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

		2019 $000	2018 $000
Borrowings - ANZ Bank Limited and bonds (secured)			
If interest rates for the year were 50 bps higher or lower			
Effect on net profit for the year / equity	+/-	**24**	31

21.4 Capital management

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

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

21.5 Offsetting financial assets and liabilities

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

The result of this arrangement is that the ANZ saleyards borrowings of $1,974,930 (2018 $2,357,757) and ANZ finance receivables of $1,500,000 (2018 $1,500,000) could be settled by realising the assets over which they are secured. Refer also Note 9.

22 Contingent assets and liabilities

There were no material contingent assets or liabilities outstanding as at 30 June 2019 for the Group (2018: nil).

23 Commitments

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

	2019 $000	2018 $000
Operating lease commitments		
Not later than one year	**123**	119
Later than one year and not later than five years	**87**	137
Later than five years	**-**	-
	210	256

The Group leases premises, plant and equipment and motor vehicles. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases. There are options to purchase in respect of motor vehicles held under finance leases (refer note 9). There are also options to purchase Land and Buildings currently leased if certain criteria are met.

24 Financial assets and liabilities

Cash and short term deposits
These are short term in nature and their carrying value is equivalent to their fair value.

Trade, related party and other receivables
These assets are short term in nature and are reviewed for impairment; their carrying value approximates their fair value.

Trade, related party and other payables
These liabilities are mainly short term in nature with their carrying value approximating their fair value.

Borrowings
Borrowings have fixed and floating interest rates. Fair value is estimated using the discounted cash flow model based on a current market interest rate for similar products; their carrying value approximates their fair value.

The Group's classification of each class of financial assets and their fair values is set out below:

	Financial Assets at Amortised Cost	**Financial Liabilities at Amortised Cost**	**Total**
30 June 2019	**$000**	**$000**	**$000**
Assets per balance sheet			
Cash and cash equivalents	2,301	-	2,301
Finance Receivables	4,710	-	4,710
Trade and other receivables	11,449	-	11,449
	18,460	-	18,460
Liabilities per balance sheet			
Trade and other payables	-	12,923	12,923
Borrowings - Bank	-	3,475	3,475
Borrowings - Bonds	-	1,000	1,000
Borrowings - Finance Leases	-	818	818
	-	18,216	18,216
30 June 2018	**$000**	**$000**	**$000**
Assets per balance sheet			
Cash and cash equivalents	569	-	569
Trade and other receivables	13,986	-	13,986
	14,555	-	14,555
Liabilities per balance sheet			
Trade and other payables	-	10,232	3,857
Borrowings - Bank	-	3,857	1,550
Borrowings - Bonds	-	1,550	1,083
Borrowings - Finance Leases	-	1,083	16,722
	-	16,722	23,212

Financial Assets pledged as collateral for bank facilities

	2019	2018
	$000	$000
Cash and cash equivalents	**1,971**	397
Trade and other receivables	**16,159**	13,986
	18,130	14,383

The pledged assets are secured to ANZ Bank New Zealand Ltd under the following securities:

(a) Cross guarantee and indemnity between NZ Farmers Livestock Limited, Farmers Meat Export Limited, and NZ Farmers Livestock Finance Limited.
(b) Registered first ranking general security agreement over the present and after acquired property of Farmers Meat Export Limited.
(c) Registered first ranking general security agreement over the present and after acquired property of NZ Farmers Livestock Limited.
(d) Registered first ranking general security agreement over the present and after acquired property of NZ Farmers Livestock Finance Limited.

25 Subsequent Events

On 1 July 2019, Allied Farmers Limited announced that they will undergo a capital decrease of shares ("share consolidation"). Shareholders received one ordinary share for every ten ordinary shares held at 5pm on the record date of 16 July 2019. Implementation date was Wednesday 17 July 2019. As a result of the consolidation the number of shares will be reduced from 178,547,294 to approximately 17,854,729 Shares.

On 30 July 2019, Redshaw Livestock Limited declared a dividend of which the Group's share is $104,000.

Independent auditor's report

To the shareholders of Allied Farmers Limited

We have audited the consolidated financial statements which comprise:

- the consolidated balance sheet as at 30 June 2019;
- the consolidated statement of profit or loss and 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;
- the statement of accounting policies; and
- the notes to the consolidated financial statements.

Our opinion

In our opinion, the accompanying consolidated financial statements of Allied Farmers Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carried out other services for the Group in the area of tax consulting services subsequent to 30 June 2019. The provision of these other services has not impaired our independence as auditor of the Group.

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Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Overall Group materiality: $108,600, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there is one key audit matter:

- Assessment of goodwill for impairment

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. We have one key audit matter: the assessment of goodwill for impairment. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter

Assessment of goodwill for impairment
As disclosed in Note 12 to the consolidated financial statements, the Group has $742,000 of goodwill, comprising $100,000 relating to NZ Farmers Livestock Limited (NZFL) and $642,000 relating to Redshaw Livestock Limited (Redshaw).
 	
Management is required to undertake an impairment assessment of goodwill at least annually. No impairment charge has been recorded against goodwill in the current financial year.
 	
The impairment assessment of goodwill involves valuing the cash generating unit(s) (CGUs), including goodwill. Management has identified two CGUs: NZFL and Redshaw. While judgement underpins any impairment assessment, the Redshaw CGU is the only CGU requiring significant judgement due to the nature of the assessment and the significant value attributed to goodwill. Therefore, the goodwill impairment assessment for Redshaw was considered a key audit matter.
 	
Management has prepared a goodwill impairment assessment using a discounted cash flow model to determine a value in use for the Redshaw CGU. The valuation requires the use of judgements and estimates in forecasting future cash flows including revenue growth rates, the discount rate and the terminal growth rate.
 	
Management has assessed that the goodwill is able to be supported by the discounted cash flows over a five year forecast period, including a terminal value.
	Our audit procedures included the following
	
	• We understood and evaluated the Group's processes and controls relating to the goodwill impairment assessment.
	
	• We obtained management's valuation of the relevant CGU's and undertook the following:
	    o Compared forecast results to the Board-approved budget;
	    o Challenged management on key assumptions including forecast revenue growth rates and the terminal value growth rate;
	    o Assessed management's forecasting accuracy by comparing historical forecasts to actual results; and
	    o Used an in-house valuation expert to test the mathematical accuracy of the goodwill impairment model and assess the reasonableness of the discount rate and terminal value growth rate.
	
	• We also assessed whether management's disclosures relating to the impairment assessment, including disclosures of the sensitivities of key assumptions, were consistent with the requirements of accounting standards.
	
	The audit procedures performed responded to the risk surrounding the judgements and estimates made by management in concluding there was no impairment of the carrying value of goodwill.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, 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 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) and ISAs 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 our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

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 the Company and the Company's 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 Christopher Ussher.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 August 2019

Wellington

COMPANY DIRECTORY

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