

**ALLIED FARMERS**


# Annual Report

2020



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This report is dated 31 August 2020 and is signed on behalf of the Board of Allied Farmers Limited:

A blue ink signature of Richard Perry, consisting of a large, stylized 'R' followed by 'Perry'.

Richard Perry  
Chairman

A blue ink signature of Marise James, written in a cursive style.

Marise James  
Director

The Directors of Allied Farmers Ltd (“Allied” or “Allied Group”) (ALF:NZX) are pleased to report an audited net profit before tax for the year to 30 June 2020 of \$1.099million (FY19 \$2.221million).

The first 6 months of the financial year saw strong performance despite the ongoing mycoplasma bovis outbreak. However, since Christmas several factors which were outside of the company’s control negatively impacted activity levels. The livestock business has had to absorb the negative impact and disruption of severe drought conditions across many parts of the country, and the COVID-19 pandemic. Taking these factors into the account, the Directors consider that the result produced was satisfactory.

Shareholders should be proud of the way staff responded to the challenges that were placed in front of them. While it would have been easy to point to the COVID-19 disruption as being a reason not to deliver our services to our food producing clients, our staff instead took on the challenge and came up with innovative ways to tackle some of the constraints our clients were facing. The Directors wish to acknowledge the dedicated and hardworking team led by Chief Executive Steve Morrison that continues their focus on Working with Farmers for Farmers.

The Directors believe that strong governance is the cornerstone on which success is built. During the year, the Directors were pleased with the ongoing improvements to the company’s policies and governance including:

- improving our approaches to identifying and managing risks, including health and safety;
- extending the benefits provided to our staff around health and wellbeing;
- adoption of a Diversity Policy and a Sustainability Statement;
- the further strengthening of the Board with the appointment of Ross Verry to Chair our Finance business and lead the development of that opportunity;
- the appointment of KPMG as the new external auditors including the refining and improvement of our annual financial statements to “cut the clutter” and improve transparency and understanding of our financial performance; and
- the clarity obtained in challenging and resolving an issue with the Commissioner of Inland Revenue in respect of using the accumulated tax losses of the company.

As always our mission is to assist our clients, who are important links in the global food chain, and important contributors to New Zealand’s economy through the export earnings they generate, to meet the challenges that are placed in front of them.

## Strategy and Vision

Over the past twelve months the Board and Management have continued to refine our strategy and vision. The company is more convinced than ever that its vision is correct:

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

Our focus continues to be on improving and growing our existing business while simultaneously exploring and progressing new initiatives.

The company has recently announced several initiatives which it is pursuing to further this vision. These

include investment in the growth of our rural-focused finance business, innovation initiatives, and investment in digital technologies.

## **Investment in growth of rural-focused finance business**

The Allied Group has a well-established finance operation providing short term seasonal livestock financing. The finance business has operated profitably and has given the Allied Group significant experience in rural financing.

It has become apparent that New Zealand food producers are seeking sources of finance from other than the traditional banks. As a result, the Allied Group has decided to invest in the expansion of its financing operation.

The expansion will focus on unlocking potential for good food producing operators who are constrained by traditional financing structures. Allied Group will continue to do this by providing insight and advice, on time, on point and when it matters. Simple. Flexible. Easy.

## **Innovation and Digital**

Allied recognises that food producers are facing constant challenges relating to compliance, technology, environment and market expectations. Allied believes that there are many potential innovative solutions which can assist farmers to meet these challenges.

One such challenge was presented by the COVID-19 lockdown which forced the cessation of livestock sale yard operations. Allied Group subsidiary New Zealand Farmers Livestock Ltd (“NZFL”) demonstrated its ability to respond quickly, and, through the introduction of the leading innovative online/live sales process via its website MyLivestock, was able to provide farmers with an effective means to buy and sell livestock in real time both on-site and on-line – a ‘hybrid’ auction that supported our leadership of safe yard re-opening at COVID-19 Level 3, met urgent farmer needs for livestock trade and price discovery, and continues to enhance the operation of this important market channel.

The successful creation and deployment of this technology is an example of Allied’s strategy to invest in innovation that will directly benefit food producers. Allied’s intention is to continue to invest in these types of initiatives including:

- Further development of the MyLivestock website to enhance and improve this service to farmers, leading to growth in its use;
- Investigate ways in which Allied can connect Agritech providers with farmers, facilities and industry knowledge in order to trial, test and refine potential solutions and products of real value to farmers; and
- Partnering with other companies and providers to develop a modest programme of research and development aimed to identify and develop potential solutions.

Allied is conscious of the growing desire of consumers for products that are sustainable and high quality, and, in addition to the above, is currently in the early stages of an investment proposal to support the development of an important technology which will further enhance the innovation reputation of New Zealand dairy farmers. Allied’s intention is to continue to evaluate and potentially invest in profitable and innovative technologies either by strategic partnership or through direct investment within a disciplined and ethical investment framework.

## Capital Raising

To support these initiatives and to enable Allied to achieve its goals, we have announced our intention to explore various capital raising options. These will include raising equity, potentially through an entitlement issue to existing shareholders, and possibly a placement to new shareholders. In addition, the company is exploring raising additional debt finance through a wholesale bond issue in order to support the finance operations. Further details will be provided as these options develop.

## Outlook for 2021

Allied Farmers continues to have a positive yet cautious outlook for the New Zealand rural sector. Notwithstanding the challenges of the 2019/2020 drought and advent of COVID-19, the New Zealand rural sector continues to be a significant contributor to the nation's current and ongoing prosperity. As global population grows, and consumer expectations and tastes change, food production must adapt and increase, and the global productive land is limited. Moreover, with growing income levels families will also desire more and higher quality protein that must be delivered from sustainable agricultural sources and have lower environmental footprints. New Zealand is well positioned to provide these products, with a reputation for providing high quality, natural and wholesome food products.

While we must acknowledge that the global economic outlook has rapidly deteriorated and may take several years to recover, we believe the impact on the New Zealand agricultural sector will be disproportionately less than experienced by some other sectors. We remain optimistic that the challenges facing the New Zealand agricultural sector, including COVID-19 fall out and reducing the sector's impost on the environment, can be successfully over-come with sensible policy development and appropriate changes to farming and wider community practices. We are already seeing a greater focus and support for our sector than arguably existed pre COVID-19 and we consider the opportunities to work with our food producers and other stakeholders, and to continue to innovate and invest, will be key to ensuring the ongoing strength of our sector and of our Company.

We are proud to have a company history that dates back over a hundred years and has seen and responded to many previous economic and global challenges. 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.

Now is not the time to sit still and hope – we must continue to work hard to keep rising to the opportunities the environment has created and overcome the challenges faced. Allied Farmers was well placed to withstand these last year, and we remain well placed to deliver for the future for the benefit of all our stakeholders.

Consistent with previous years, the Board will consider the payment of a dividend in respect of FY20 at the time of the November 2020 Annual Meeting. It is proposed that any dividend declaration will be announced at that time, and is likely to be paid in late January 2021, after the company passes its peak working capital requirements.

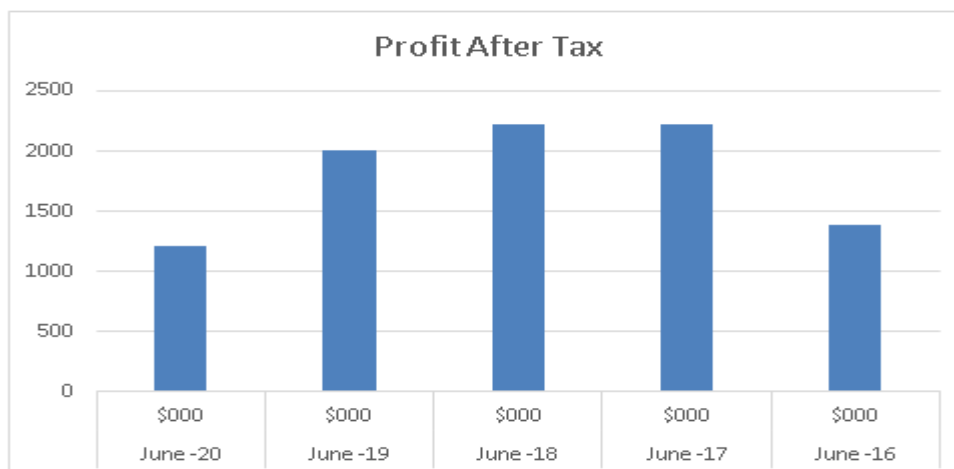


**Richard Perry**  
Chairperson

First and foremost, we are proud of the manner in which the Allied Farmers team rose to the major challenges presented this year by both serious and widespread drought and COVID-19. These challenges, particularly arriving on top of mycoplasma bovis, and coupled with growing compliance and financial pressures for many people, severely tested our clients and communities, and impacted our own operating performance.



After a first half in line with expectations, full year net profit after tax was 39% below last year, at \$1.218m.

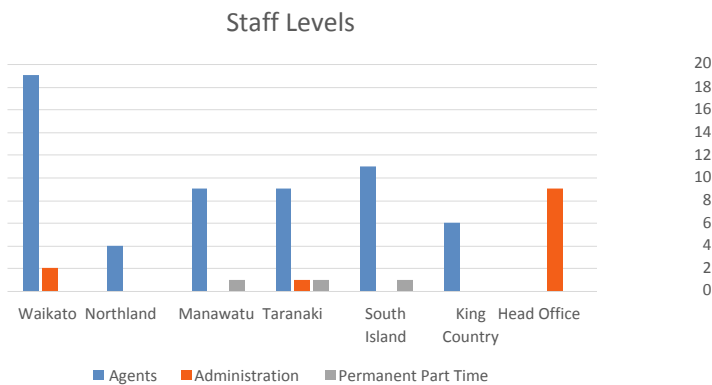


In particular, we would like to acknowledge the hard work to provide the support that has enabled staff to develop and engage in their key role of Working with Farmers for Farmers.

The year saw a range of health, safety and staff support initiatives that acknowledge that engaged staff are our future, and the critical need to keep people safe. A Driver Alert system roll-out, several staff insurance offerings, enhanced Occupational Safety and Health -related processes, yard facilities and resource, and several staff health contributions have moved our business forward, and will support our ambitious growth strategy.

NZ Farmers Livestock Ltd, a 66.7% owned subsidiary of Allied Farmers Limited, has for some years generated the vast majority of the Allied Farmers Group revenue. There is excellent shareholder alignment, with the balance of the NZ Farmers Livestock ownership held by staff. NZ Farmers Livestock comprises livestock agency with a closely aligned meat processing business, and livestock financing activities.

## Livestock Agency



NZ Farmers Livestock continues to focus on growing its livestock agency business and market share.

Agents, with their COVID-19-related essential service designation, facilitated stock movements throughout lockdown. We were particularly proud to launch, in the face of considerable competitor resistance and appreciable technical and operational challenges, a ‘Hybrid’ (on-line and live) auction facility that enabled the early and safe re-opening of saleyards at COVID-19 level 3. This agility and focus supported farmers and animal welfare as NZ progressed from severe drought into winter, and moderated COVID-19 economic impacts in this critical NZ sector. The performance of our Hawkes Bay subsidiary, Redshaw Livestock, in the face of very severe drought pressure, was particularly creditable. Government acknowledgement of the value of the livestock agency role through this difficult period reinforces the value of livestock agency within the wider industry value chain and NZ economy.

Today we continue to offer the NZ-leading hybrid auction facility across most sales, both yard and on-farm, and to refine and enhance our broader MyLiveStock digital offering. Client uptake continues to grow, and increasing numbers of vendors have enjoyed the benefit of that bigger, and growing, buying bench. A growing range of clients engage with our saleyards remotely, either to watch their stock sell, to monitor the market, or to bid, encouraged by the commitment vendors have made in sending stock to sale, and the supporting services and arrangements at yards and on-farm sales. This will be a growing part of our industry, and we intend to continue our leading role.

The year saw a strong performance in our related meat processing activity, with improving performance and relatively strong pricing on major products. Supplier relationships, several value-adding partnering arrangements, good supporting systems, working capital provision and tight cost management have made this a good contributor over the years.

## Livestock Financing

We also achieved a solid livestock financing performance, built upon an excellent understanding of the clients and activity involved, very good staffing, good processes and systems, and the developing opportunity in this area as the engagement of other lenders in the area reduces. Livestock financing is offered to valued clients, informed by the close relationships in place, and supports client investment in the face of reducing trading bank appetite in this area critical to many farmers.

Given this success, Allied Group recently announced that it has decided to invest in the major expansion of its rural-focused financing operation, which will focus on unlocking potential for good food producing operators who are constrained by traditional financing structures. This Allied Farmers commitment is reflected across the introduction of targeted governance expertise, enhanced finance policy, systems and controls, growing staff resource and multiple funding sources.



## Outlook and Strategy

We continue to explore options to further enhance the value we add as we support farmers taking livestock to market, and to grow the value realised through the various livestock value chains.

The 2020/21 year has started back on track post-COVID-19, with good agency performance, ongoing financing progress, but in line with industry-wide indications, expectations of a contributing but more challenging year for our meat processing business. The business will support and benefit from a return to more normal farm sales volumes, when this eventually develops.

New Zealand agriculture is well placed to supply the world with high quality and safe food, and we are focused on supporting and building this farmer success in increasingly uncertain times. Like many businesses we work in an increasingly dynamic and disrupted environment. The team continues to rise to this challenge. During the year, we joined the NZ Biosecurity initiative, continued inputs supporting OSPRI and the NZ Stock and Station Agents Association self-regulation, and continued to build a range of business partnering intended to add value to all involved. Allied also continues review of a range of other agribusiness options, as we look to diversify the revenue base, and support progressive initiatives promising material value add for shareholders.

NZ Farmers Livestock has agents operating nationally and well supported by a growing range of digital and other tools. We are committed to succeeding within a changing sector, and will be both progressive and responsive to create value, for both clients and Allied, in this environment.

As a major 100% NZ-owned business in this space, we are pleased to see strong and growing agency market shares, to be growing and supporting our staff and communities, and to have developed a platform for the growth and the broadening contribution that will benefit all stakeholders.



## Highlighting our Livestock Business...

Our core agency business is focused on the marketing, purchase and sale of livestock on behalf of clients. It relies on the trust and confidence of clients, the networks maintained, the (increasingly digital) advertising tools presently employed, the saleyards, on-farm yarding and Hybrid auction infrastructure available, and the raft of agreements, back office and related support necessary to bring confidence, price discovery, structure and efficiency to this step in the agribusiness value chain.

Staff bring a depth of livestock and market expertise, broad contact networks, a range of tools and market intelligence, and work throughout varied seasonal and market conditions to identify options in the market, agree and realise fair pricing and timely transactions, and to action these deals. This role aligns well with our meat and livestock lending activities, and represents a sound platform for the further progression of wider agribusiness options.

### Hybrid Auction Platform

When COVID-19 concerns limited livestock selling options, and remaining sales channels and activity came under growing pressure from poor price discovery and low sale completion rates, NZ Farmers Livestock developed and launched a Hybrid auction option – essentially adding on-line remote bidding to the standard saleyard and on-farm in-person bidding.

This is accessed on-line via our long-established MyLiveStock website, and to commission this, the team dealt with technical challenges that had impacted earlier efforts. Within a month, and through an agile development process supported by several excellent partners, the team had an operating Hybrid auction successfully transacting livestock. That was critical for several clients needing to progress clearance sales under Level 3 lockdown, but also added options important to vendors and buyers across our saleyards.

Clients can today register once, to be able to participate remotely or in-person at any of our livestock sales, and development continues at pace, as we look to add more supporting elements to this very popular offering. The several hundred registrations during the COVID-19 period has continued to expand strongly, and clients are increasingly happy bidding remotely, and at times simply to access this information portal in support of their in-yard bidding.

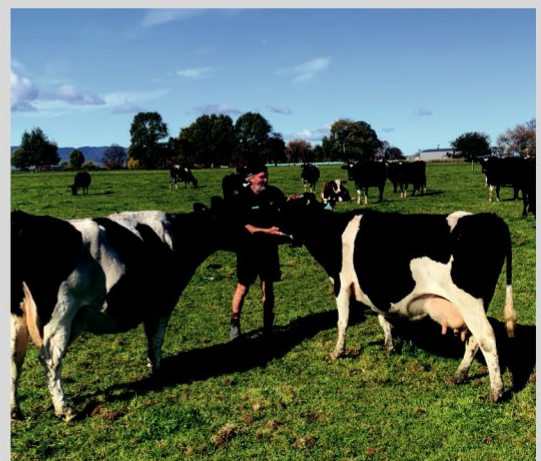
Hybrid auctions today operate routinely at our Rongotea, Te Kuiti, Morrinsville, Frankton and Stratford yards, and operate at a wide range of on-farm bull, clearance and other livestock sales. We continue to work to take this excellent initiative and our broader agency offering to other sale yards.

#### *NZFL Valued Client Maurice Butler...*

*“The clearing sale of my high producing dairy herd was held in June 2020 using NZ Farmers Livestock’s hybrid auction platform which combines ringside and online selling.*

*“I was delighted with the result with record attendance of farmers – both at the farm and online – from across New Zealand.*

*“I cannot say enough about the company and don’t think anyone could have done as good a job”.*



## Richard Perry - Chairperson

Richard was appointed a director of Allied Farmers Limited in June 2019 and Chairperson in July 2020. He has a strong knowledge and experience of the agribusiness, finance and technology sectors. He previously held senior finance and executive roles at the Reserve Bank of NZ, Landcorp Farming Ltd and Callaghan Innovation and has been a Technical Advisor to the International Monetary Fund. He currently provides strategic and financial consulting advice to a number of start-up and established companies including Rocket Lab and Biolumic Ltd and is a member of the External Reporting Advisory Panel and the Rural Advisory Committee of Chartered Accountants Australia and New Zealand. He has acted for several company boards across the agri-tech, property and food and beverage sectors. Richard is not an independent director as he is providing advisory services to the Allied Group. He has the following qualifications: B Com (Hons), F.C.A (Fellow of Chartered Accountants Australia and New Zealand) and CTP (Certified Treasury Professional).



## Marise James - Lead Independent Director

Marise 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 has held 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 the Taranaki Rugby Football Union. Marise is an independent director. She has the following qualifications; Fellow, Institute of Directors New Zealand (Accredited); and F.C.A (Fellow of Chartered Accountants Australia and New Zealand)



## Mark Benseman

Mark 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). Mark 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

Philip 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 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. Philip is an independent director. He has the following qualification: BAgSci(Hons).



## Ross Verry

Ross was appointed a Director of Allied Farmers Limited in October 2019. He has extensive experience in the agri-finance sector. He is currently Chief Executive of Syndex Limited, an early stage, innovative capital markets business, and previously worked in ANZ Bank, including most recently 5 years as a General Manager, Commercial and Agri. Ross is a director of THE Limited, a largescale dairy farming business, and Gold Creek Partnership, a dairy farming syndicate. He was also previously a Trustee of Agri-Womens Development Trust. In addition, Ross is currently Chairman of the New Zealand Cricket Players Association Board. Ross is an independent director. His qualifications include a BCA and Chartered Accountant – Chartered Accountants of Australia and New Zealand.



*Note: Former Director Andrew McDouall resigned from the Board with effect from 26 November 2019.*

As at 30 June 2020, Marise James, Philp Luscombe and Ross Verry are considered by the Board to be “independent” directors. They are considered to be independent due to the following factors:

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

Mark Benseman is not considered to be independent because he is associated with a significant shareholder of the Company (Albany Braithwaite Holding Limited).

Richard Perry is not considered to be independent because, through a company he owns, he provides material advisory services to the Company.



# Disclosure

More information on Allied Farmers governance is set out in the Corporate Governance Report, a copy of which is available on the Allied Farmers' website.

## Disclosure of Interest

Pursuant to section 140 of the Companies Act 1993, the following changes in interests were disclosed during FY20 (excluding directorships of wholly owned subsidiaries) in the Interests Register:

Name	Entity	Relationship/Disclosure
Marise James	EIDNZ Limited OSPRI	Resigned as Chairperson Appointed Director
Richard Perry	Rocket Lab Limited The Waimatai Group Ltd	Updated role to Financial Consultant Director and Shareholder
Ross Verry	Syndex Ltd THE Limited Gold Creek Partnership	Chief Executive Director Director
Philip Luscombe	Koki South Farms Limited PKWF 2013 Limited and PKW Farms GP Limited	Resigned as Director Resigned as Director

## Directors' Share Trading and Holdings

Directors disclosed the following acquisitions and disposals of relevant interests in Allied Farmers Limited shares during FY20 pursuant to section 148 of the Companies Act 1993.

Director	Date(s)	Details
Mark Benseman	16 March 2020	On market sale of 1030 ordinary shares for a total consideration of \$590.20
	5 April – 2 May 2020	On market sale of 128,323 ordinary shares for a total consideration of \$77,940.48
Philip Luscombe	29 November 2019	On market sale of 34,000 ordinary shares for a total consideration of \$24,140.00
	6 March – 10 March 2020	On market sale of 80,000 ordinary shares for a total consideration of \$52,536.78

As at 30 June 2020 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	1,796,395 (10.06%)
Philip Luscombe	15,557 (0.087%)

### Directors' Remuneration

Director	2020	2019	2018
Garry Bluett	0	\$20,834	\$50,000
Philip Luscombe	\$45,000	\$36,250	\$28,000
Andrew McDouall	\$72,667*	\$29,250	\$28,000
Mark Benseman	\$49,500	\$42,000	\$28,000
Marise James	\$40,000	\$27,500	-
Richard Perry	\$35,000	\$2,917	-
Ross Verry	\$26,250	-	
<b>Total</b>	<b>\$268,417</b>	<b>\$158,751</b>	<b>\$134,000</b>

\*includes a retirement allowance of \$58,917

Shareholders approved a cap on directors' fees of \$332,000 p.a. at the 2007 Annual Meeting. This cap includes all directors fees paid in relation to Group subsidiary companies as well as for the Parent. In addition to the above payments, Oliver Carruthers, a director of NZ Farmers Livestock Limited received total remuneration and benefits from NZ Farmers Livestock Limited of \$203,570, 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 \$122,090. In neither case did this remuneration and benefits include any director's fees.

## Particular Disclosures

### Bonds

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.

### 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.

## 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
FY20	\$255,266	\$11,134	\$47,949.00 being 77% of maximum achievable from FY19	Nil	\$314,349
FY19	\$253,000	\$9,539	\$45,433.00 being 76% of maximum achievable from FY18	\$249	\$308,221

## Employee Remuneration

The number of employees whose remuneration and benefits were over \$100,000 for FY20 is within the specified bands as follows:

Remuneration Range		2020	2019
100,000	110,000	4	4
110,001	120,000	4	5
120,001	130,000	5	1
130,001	140,000	1	1
140,001	150,000		1
150,001	160,000		1
160,001	170,000	1	3
170,001	180,000	1	2
180,001	190,000	2	1
190,001	200,000	3	2
200,001	210,000	4	1
210,001	220,000		-
220,001	230,000		-
230,001	240,000	1	1
240,001	250,000		-
250,001	260,000		-
260,001	270,000		-
270,001	280,000		-
280,001	290,000		-
290,001	300,000		-
300,001	310,000		1
310,001	320,000	1	-
320,001	330,000		-
Total		27	24

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





## Substantial Product Holders

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

Holder	Relevant Interest	Date of Notice
Don Jacobs and Ngaruawahia.com	896,620 (5.022%)	16 June 2020
Albany Braithwaite Holdings Limited	1,796,395 (10.06%)	4 May 2020
Stockmans Holdings Limited	1,945,519 (10.9%)	4 December 2015

## Subsidiary Companies

Directors of subsidiary companies as at 30 June 2020 were as follows:

Subsidiaries of the Parent	Principal Activity	Directors
Allied Farmers Rural Limited	Rural Services	M Benseman, P Luscombe, R Perry, M James, R Verry
ALF Nominees Limited	Nominee company	M Benseman
Allied Farmers (New Zealand) Limited	Non-trading	R Perry, R Verry, M James, O Carruthers
Rural Funding SolutionNZ Limited	Rural Financing	M Benseman, R Perry, M James, R Verry, O Carruthers
<b>Subsidiaries of Allied Farmers Investments Limited</b>		
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
<b>Subsidiaries of Allied Farmers Property Holdings Limited</b>		
UFL Lakeview Limited	Non-trading	M Benseman
5M No 2 Limited	Non-trading	M Benseman
<b>Subsidiaries of Allied Farmers Rural Limited</b>		
NZ Farmers Livestock Limited	Livestock Trading	P Luscombe, M James, S Williams, R Verry, O Carruthers
<b>Subsidiaries of NZ Farmers Livestock Limited</b>		
Farmers Meat Export Limited	Meat Processing and Trading	S Morrison, W Sweeney, P Luscombe
NZ Farmers Livestock Finance Limited	Rural Finance	R Perry, M James, R Verry, O Carruthers
Redshaw Livestock Limited	Livestock Trading	D Freeman, A Hiscox, M MacDonald, W Sweeney

## Shareholder Information

The ordinary shares of Allied Farmers Limited are listed on the NZX 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 26 August 2020.

### Twenty Largest Registered Shareholders

<b>Rank</b>	<b>Investor Name</b>	<b>Total Units</b>	<b>% Issued Capital</b>
1	Stockmans Holdings Limited	1,945,519	10.9
2	Albany Braithwaite Holdings Limited	1,796,395	10.06
3	Donald Clifton Jacobs	824,781	4.62
4	Deborah Lee Seerup	685,001	3.84
5	Geoffrey Richard Field Seerup	685,000	3.84
6	John Drakley Moore	503,244	2.82
7	Garry Charles Bluett	312,718	1.75
8	Ronald Alfred Brierley	303,159	1.7
9	Glenn Leslie Ballinger	300,000	1.68
10	Ross Phillip Drew	274,000	1.53
11	Stuart David Hynes	273,897	1.53
12	Caspar Petrus Alydis Van Den Broek	250,000	1.4
13	Fortune Capital Group Limited	228,125	1.28
14	Colin Stuart Loveday	150,000	0.84
14	Jade NZ Limited	150,000	0.84
15	Lee Athol Wilson & Shirley Ann Wilson	145,000	0.81
16	James Field Seerup & Jeanette Elizabeth Seerup	142,312	0.8
17	FNZ Custodians Limited	138,484	0.78
18	Custodial Services Limited	127,961	0.72
19	New Zealand Central Securities Depository Limited	124,679	0.7
20	Omaio Investments Limited	119,480	0.67

## Analysis of Shareholding

Range	Holders	Holders %	Issued Capital	Issued Capital %
1-1000	1,659	64.48	624,600	3.5
1001-5000	536	20.83	134,3639	7.53
5001-10000	149	5.79	1,128,861	6.32
10001-50000	184	7.15	3,539,406	19.82
50001-100000	21	0.82	1,410,389	7.9
Greater than 100000	24	0.93	9,807,963	54.93

## Diversity and Gender

In June 2020 Allied Farmers adopted a Diversity and Inclusion Policy. More information on the Policy is set out in the Corporate Governance Report and a copy is available on the Allied Farmers' website. Because the Policy has only recently been adopted, there is insufficient information available at this time to provide an evaluation on Allied Farmers' performance with respect to the Policy. This will be provided in the 2021 Annual Report.

As at 30 June 2020, females represented 20% (FY19: 20%) of Directors and 25% (FY19: 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	1
Percentage of Directors	80%	20%	80%	20%
Percentage of Officers	75%	25%	75%	25%

## 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 24 November 2020 from 11am. A Notice of Annual Meeting and Proxy Form will be circulated to shareholders prior to the meeting.

## **Dividends Paid**

A fully imputed per share of \$0.02 per share (2019: \$0.002 (pre-share consolidation)) was paid to eligible shareholders on 17 January 2020.



## Profit and Loss Statement

For the year ended 30 June 2020

	Note	Group	
		2020	2019
		\$000	\$000
<b>Revenue and other income</b>	A1	<b>20,061</b>	20,583
<b>Cost of sales and operating expenses</b>	A1	<b>(18,425)</b>	(17,939)
<b>Depreciation and amortisation</b>	A1	<b>(784)</b>	(635)
<b>Net interest income</b>	B7	<b>247</b>	212
<b>Profit before tax</b>		<b>1,099</b>	2,221
Income tax (expense) / benefit	A2	<b>119</b>	(220)
<b>Profit after tax</b>		<b>1,218</b>	2,001
<b>Total comprehensive income</b>		<b>1,218</b>	2,001
<b>Profit attributable to:</b>			
Owners of the Parent		<b>767</b>	1,258
Non-controlling interests		<b>451</b>	743
<b>Basic and Diluted earnings per share (cents)</b>		<b>4.30</b>	7.58

## Statement of Cash Flows

For the year ended 30 June 2020

	Note	Group	
		2020	2019
<b>Cash flows from/(to) operating activities</b>		<b>\$000</b>	<b>\$000</b>
Cash receipts from customers		18,499	18,362
Interest received		700	925
Cash paid to suppliers and employees		(17,705)	(15,237)
Interest paid		(453)	(599)
Income tax paid		(274)	(379)
<b>Net cash flow from operating activities</b>		<b>767</b>	<b>3,072</b>
<b>Cash flows from/(to) investing activities</b>			
Decrease (Increase) in finance receivables NZ Farmers Livestock Finance Ltd		1,127	(93)
Acquisition of subsidiary/investment net of cash acquired		-	(5)
Purchase of shares in NZ Farmers Livestock Ltd		(11)	(22)
Acquisition of intangibles, property, plant and equipment		(794)	(346)
<b>Net cash flow from/(used in) investing activities</b>		<b>322</b>	<b>(466)</b>
<b>Cash flows from/(to) financing activities</b>			
Share Purchase Plan		-	1,500
Drawdown of finance receivables borrowings		1,500	1,500
Repayment livestock trading borrowings		(412)	(382)
Repayment of vehicle finance borrowings		(32)	(265)
Repayment of finance receivables borrowings		(1,775)	(1,500)
Repayment of bond		-	(550)
Dividends paid		(585)	(916)
Share Repurchase of Small Parcels		-	(261)
<b>Net cash flow used in financing activities</b>		<b>(1,304)</b>	<b>(874)</b>
Net movement in cash and cash equivalents		(215)	1,732
Opening cash and cash equivalents		2,301	569
<b>Closing cash and cash equivalents</b>	B3	<b>2,086</b>	<b>2,301</b>
<b>Reconciliation of Profit to Cash Surplus from Operating Activities</b>			
<b>Profit for the year</b>		<b>1,218</b>	<b>2,001</b>
<i>Adjustments for items not involving cash flows:</i>			
Impairment on receivables		67	25
(Profit)/loss on sale of assets		(80)	46
Depreciation		784	635
(Increase) Decrease in Deferred Tax		(18)	(81)
Other non cash items		(17)	-
		<b>736</b>	<b>625</b>
Movement in trade and other receivables		(653)	(2,091)
Movement in inventories		(99)	(75)
Movement in trade, other payables and employee benefits		(171)	2,690
Movement in taxation		(264)	(78)
<b>Cash flow from operating Activities</b>		<b>767</b>	<b>3,072</b>

The notes to the Group financial statements form an integral part of these financial statements.

## Balance Sheet

As at 30 June 2020

	Note	Group	
		2020	2019
		\$000	\$000
<b>Equity</b>			
Share capital	B2	153,018	153,018
Accumulated Losses		(148,210)	(148,609)
Equity attributable to owners of the Parent		4,808	4,409
Non-controlling interests		1,582	1,359
<b>Total equity</b>	E3	<b>6,390</b>	<b>5,768</b>
<b>Liabilities</b>			
Bank overdraft	B3	-	-
Trade and other payables	B6	11,779	11,790
Employee benefits		973	1,133
Income tax payable		-	55
Finance receivables bank borrowings	B4	300	1,500
Bank borrowings	B4	441	415
Lease liabilities	B5	454	494
<b>Total current liabilities</b>		<b>13,947</b>	<b>15,387</b>
Bank borrowings and bonds	B4	2,122	2,560
Finance receivables bank borrowings	B4	925	-
Lease Liabilities	B5	871	324
<b>Total non-current liabilities</b>		<b>3,918</b>	<b>2,884</b>
<b>Total liabilities</b>		<b>17,865</b>	<b>18,271</b>
<b>Total liabilities and equity</b>		<b>24,255</b>	<b>24,039</b>
<b>Assets</b>			
Cash and cash equivalents	B3	2,086	2,301
Trade Receivables	C1	11,287	9,726
Inventories		296	197
Income tax receivable		319	-
Finance receivables	C1	3,583	4,710
Other receivables		749	1,725
<b>Total current assets</b>		<b>18,320</b>	<b>18,659</b>
Deferred tax assets	A2	790	772
Goodwill	D2	742	742
Intangible asset - computer software		216	22
Property - owned and leased	C2	4,187	3,844
<b>Total non-current assets</b>		<b>5,935</b>	<b>5,380</b>
<b>Total assets</b>		<b>24,255</b>	<b>24,039</b>

The notes to the Group financial statements form an integral part of these financial statements.

## A. Financial performance

### In this section

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

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

### A1: How we operate and generate return for shareholders

Livestock services: An agency business facilitating sales and purchases of livestock both in saleyards and on farms

Financial services: Providing livestock finance to farmer clients

Parent operations: The ultimate holding company for Allied Group Investments and governance activity for the Group

#### Segment information for 2020

		Group			Total
		Livestock Services	Financial Services	Parent Operations	
		\$000	\$000	\$000	\$000
Commission and fee income		11,267	-	-	11,267
Sale of goods		8,724	-	-	8,724
Interest income	B7	215	485	-	700
Other Income		70	-	-	70
<b>Total Income</b>		<b>20,276</b>	<b>485</b>	<b>-</b>	<b>20,761</b>
Cost of goods sold		7,122	-	-	7,122
Personnel expenses		7,016	-	95	7,111
Depreciation and amortisation		783	-	-	783
Rental and operating leases		(3)	-	-	(3)
Other operating expenses		3,572	-	624	4,196
<b>Total Expenses</b>		<b>18,490</b>	<b>-</b>	<b>719</b>	<b>19,209</b>
<b>Finance Costs</b>	B7	<b>(230)</b>	<b>(150)</b>	<b>(73)</b>	<b>(453)</b>
<b>Profit/(loss) before tax</b>		<b>1,556</b>	<b>335</b>	<b>(792)</b>	<b>1,099</b>
Income tax (expense) / benefit					119
<b>Profit/(loss) after tax</b>					<b>1,218</b>
Current Assets		14,991	3,225	104	18,320
Non Current Assets		5,835	100	-	5,935
Assets		<b>20,826</b>	<b>3,325</b>	<b>104</b>	<b>24,255</b>
Current Liabilities		12,257	1,572	118	13,947
Non Current Liabilities		1,993	925	1,000	3,918
Liabilities		<b>14,250</b>	<b>2,497</b>	<b>1,118</b>	<b>17,865</b>

#### Segment information for 2019

		Group			Total
		Livestock services	Financial Services	Parent Operations	
		\$000	\$000	\$000	\$000
Commission and fee income		12,283	-	-	12,283
Sale of goods		8,189	-	-	8,189
Interest income	B7	186	595	-	781
Other Income		111	-	-	111
<b>Total Income</b>		<b>20,769</b>	<b>595</b>	<b>-</b>	<b>21,364</b>
Cost of goods sold		6,719	-	-	6,719
Personnel expenses		7,671	-	86	7,757
Depreciation and amortisation		635	-	-	635
Rental and operating leases		117	-	2	119
Other operating expenses		2,951	-	393	3,344
<b>Total Expenses</b>		<b>18,093</b>	<b>-</b>	<b>481</b>	<b>18,574</b>
<b>Finance Costs</b>	B7	<b>(293)</b>	<b>(181)</b>	<b>(95)</b>	<b>(569)</b>
<b>Profit/(loss) before tax</b>		<b>2,383</b>	<b>414</b>	<b>(576)</b>	<b>2,221</b>
Income tax (expense) / benefit					(220)
<b>Profit/(loss) after tax</b>					<b>2,001</b>



## Allied Farmers Group

Current Assets	13,160	4,710	789	18,659
Non Current Assets	5,280	100	-	5,380
Assets	<u>18,440</u>	<u>4,810</u>	<u>789</u>	<u>24,039</u>
Current Liabilities	13,017	2,139	231	15,387
Non Current Liabilities	1,884	-	1,000	2,884
Liabilities	<u>14,901</u>	<u>2,139</u>	<u>1,231</u>	<u>18,271</u>

### Revenue Measurement and Recognition

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

Forward delivery contracts in relation to herd sales on which commission income is earned contain an element of variable consideration due to the time between when the sale is agreed and its completion. At 30 June 2020 (2019: all), all forward delivery contracts have settled and therefore the variable consideration has no impact on the revenue recognised.

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

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

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

## Allied Farmers Group

### A2 Taxation

	Group	
	2020	2019
<b>Current tax expense</b>		
Current income tax expense (benefit)	(102)	301
Deferred tax expense (credit)	(17)	(81)
<b>Total income tax expense in income statement</b>	<b>(119)</b>	<b>220</b>
<b>Income tax expense calculation</b>		
Net profit before tax for the year	1,099	2,221
Income tax using the company's tax rate (28%)	308	622
Expenditure not deductible for tax	14	14
Timing differences	56	(32)
Recognition of deferred tax asset	(17)	(81)
Prior period adjustments	34	-
Use of Group tax losses	(514)	(303)
<b>Income tax expense (benefit)</b>	<b>(119)</b>	<b>220</b>

#### Measurement & Recognition

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

#### Deferred Tax

##### Movement in temporary differences during the year

		Opening balance	Recognised in income	Closing Balance
		\$000	\$000	\$000
2020	Financial receivable credit loss provision	13	7	20
	Employee benefits	154	50	204
	Tax loss carry forward	605	(39)	566
		<b>772</b>	<b>18</b>	<b>790</b>
2019	Financial receivable credit loss provision	6	7	13
	Employee benefits	156	(2)	154
	Tax loss carry forward	528	77	605
		<b>690</b>	<b>82</b>	<b>772</b>

Group unrecognised deferred tax assets comprise unused tax losses as at 30 June 2020 total \$41,737,685 gross (June 2019: \$43,530,255)

As at balance date imputation credits available to the shareholders of only the Parent Company in subsequent periods totalled \$79,040 (2019: \$112,341)

#### Key Judgement:

A deferred tax asset is recognised to the extent it is probable that future taxable profits will be available to use the asset. This is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to utilise the asset.

#### Measurement and Recognition:

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

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

## B. Funding and Related Financial Risks

### In this section

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

#### B1 Capital management

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

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

#### B2 Share Capital

Profit after tax

Total Share capital (\$000)

	Group	
	2020	2019
	153,018	153,018
<b>Number of shares issued and fully paid (000's)</b>		
Balance at beginning of year	178,547	161,505
Consolidation/Cancellation of shares	(160,692)	(3,506)
Issue of ordinary shares	-	20,548
Balance at end of year	17,855	178,547

On 17 July 2019 Allied Farmers Limited completed a share consolidation. Shareholders received one ordinary share for every ten ordinary shares held at 5pm on the record date of 16 July 2019. As a result of the consolidation the number of shares was reduced from 178,547,294 to approximately 17,854,729 Shares.

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

#### B3 Cash and cash equivalents

Cash and cash equivalents

Finance Receivables overdraft facility offset per agreement

**Net cash and cash equivalents**

Undrawn overdraft facilities

	Group	
	2020	2019
	\$000	\$000
	4,086	4,301
	(2,000)	(2,000)
	2,086	2,301
	9,000	9,000

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

#### B4 Debt funding

2020  
Finance receivables bank borrowings  
Bank borrowings  
Bonds  
Total debt funding

2019  
Finance receivables bank borrowings  
Bank borrowings  
Bonds  
Total debt funding

	Group			
	Payable within 1 year	Payable after 1 year	Undrawn	Interest rate
	\$000	\$000	\$000	
	300	925	-	4.35%
	441	1,122	-	4.35%
	-	1,000	-	7.30%
	741	3,047	-	
	1,500	-	-	5.60%
	415	1,560	-	5.60% -6.25%
	-	1,000	-	7.30%
	1,915	2,560	-	

#### Measurement and recognition

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

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

NZ Farmers Livestock Limited guarantees the bank overdraft of its subsidiary Redshaw Livestock up to \$338,000 (FY19: \$338,000), plus interest and costs.

Bonds of \$1,000,000 were issued by Allied Farmers Rural Limited 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 annum and not more than 7.50% per annum. There are no specific financial covenants.

## B5 Lease liabilities

	Group			
	2020		2019	
	Property	Motor Vehicles	Property	Motor Vehicles
	\$000	\$000	\$000	\$000
Opening	620	818	-	1,083
Leases entered into during the period	-	451	-	270
Interest expense	15	-	-	-
Principal repayments	(95)	(484)	-	(535)
Remeasurements	-	-	-	-
<b>Closing lease liabilities</b>	<b>540</b>	<b>785</b>	-	818
Short-term lease liabilities	83	371	-	494
Long-term lease liabilities	457	414	-	324

**Measurement and recognition**

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

The Group recognises a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, The Group's incremental borrowing rate. Generally, The Group uses its incremental borrowing rate (6.91%) as the discount rate, with adjustments for the type and term of the lease.

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

## Allied Farmers Group

### B6 Liquidity risk

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

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

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

	Balance Sheet	Contractual Cashflow			
		< 6 months	6 - 12 mths	1 - 5 yrs	
	\$000	\$000	\$000	\$000	\$000
2020					
Trade and other payables	11,779	11,779	11,779	-	-
Finance receivables bank borrowings	1,225	1,235	150	150	935
Bank borrowings	1,563	1,678	256	255	1,167
Bonds	1,000	1,090	36	1,054	-
Lease liabilities	1,325	1,425	352	225	847
	<b>16,892</b>	<b>17,207</b>	<b>12,573</b>	<b>1,684</b>	<b>2,949</b>
2019					
Trade and other payables	11,790	11,790	11,790	-	-
Finance receivables borrowings	1,500	1,500	125	1,375	-
Bank borrowings	1,975	2,205	214	300	1,691
Bonds	1,000	1,165	37	37	1,091
Lease liabilities	818	921	310	235	376
	<b>17,083</b>	<b>17,581</b>	<b>12,476</b>	<b>1,947</b>	<b>3,158</b>

### Interest Rate Risk

The group is exposed to interest rate risk on movements in floating interest rates on bank borrowings.

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

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

		Group	
		2020	2019
		\$000	\$000
Effect on net profit for the year / equity	+/-	14	24

### B7 Net Interest income/(costs)

		Group	
		2020	2019
		\$000	\$000
Interest received		700	781
Total interest income		700	781
Interest paid on borrowings		(200)	(318)
Interest paid on bonds		(73)	(95)
Lease costs		(180)	(156)
Total interest expenses		(453)	(569)
<b>Net Interest income/(costs)</b>		<b>247</b>	<b>212</b>

## C. Our receivables, other assets and other payables

### In this section

This section explains:

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

### C1 Receivables

	Group	
	2020	2019
	\$000	\$000
Receivables from livestock sales	11,287	9,726
Finance receivables	3,583	4,710
<b>Total receivables</b>	<b>14,870</b>	<b>14,436</b>
Amounts are stated at carrying value, net of credit loss allowance provisions	115	48
Receivables written off during the year	52	24

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

	Group receivables				Total
	Not yet due	1 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	
	\$000	\$000	\$000	\$000	\$000
2020					
Receivables from livestock sales	9,661	791	240	665	11,357
Credit loss allowance (livestock)	-	-	-	(70)	(70)
Finance receivables	3,393	165	19	51	3,628
Credit loss allowance (finance)	-	-	-	(45)	(45)
Net receivable	13,054	956	259	601	14,870
2019					
Receivables from livestock sales	8,601	645	186	327	9,759
Credit loss allowance (livestock)	-	-	-	(33)	(33)
Finance receivables	4,603	-	28	94	4,725
Credit loss allowance (finance)	-	-	-	(15)	(15)
Net receivable	13,204	645	214	373	14,436

#### Key Judgement

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

#### Measurement and recognition

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

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

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

#### Credit Risk Management

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

The Group manages its exposure using a credit policy that includes limits on exposures with significant counterparties that have been set and approved by the Board and are monitored on a regular basis and does not have any significant concentration of risk with any single party.

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

C2 Property owned and leased

	Group					2019 Total
	Land	Buildings	Plant and equipment	Motor Vehicles	Total	
	\$000	\$000	\$000	\$000	\$000	\$000
Cost at beginning of year	2,019	1,038	472	1,786	5,315	5,215
Additions including Right of Use Assets treated as Buildings	-	620	88	485	1,193	386
Disposals	-	-	(10)	(380)	(390)	(291)
Cost at end of year	2,019	1,658	550	1,891	6,118	5,310
Accumulated depreciation at beginning of the year	-	(361)	(238)	(872)	(1,471)	(1,025)
Depreciation (including \$93,000 on right of use assets)	-	(157)	(50)	(593)	(800)	(626)
Disposals	-	-	-	340	340	180
Accumulated depreciation at end of year	-	(518)	(288)	(1,125)	(1,931)	(1,471)
Net value 2020	2,019	1,140	262	766	4,187	
Net Value 2019	2,019	677	234	914	3,844	

**Measurement and recognition**

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

- Buildings: 8 - 30 years.
- Plant and equipment: 1 - 30 years.
- Motor Vehicles: 1-3 years.

**Motor Vehicle Leases**

The majority of the Group's motor vehicles are leased, with the Group having substantially all the risks and rewards of ownership. The leased motor vehicles are included along with those vehicles which are owned outright by the Group.

**Right Use Assets**

The net value of right of use assets reflected in buildings at 30 June 2020 is \$527,000 (2019 nil).

## D. Group Structure

### In this section

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

#### D1 Subsidiaries

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

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

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

		2020	2019
		Ownership interest	Ownership interest
<b>Investments in operating subsidiaries</b>			
<b>Operating Subsidiaries of the Parent</b>			
Allied Farmers Investments Limited	Investment	100%	100%
Allied Farmers Rural Limited	Investment	100%	100%
Rural Funding Solutionz Limited	Finance	100%	100%
<b>Subsidiaries of Allied Farmers Rural Limited</b>			
NZ Farmers Livestock Limited	Livestock Agency and Finance	67%	67%
<b>Subsidiaries of NZ Farmers Livestock Limited</b>			
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%

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

#### D2 Goodwill

		Group	
		2020	2019
<i>Cash generating units:</i>			
Redshaw		\$000	\$000
		642	642
NZFLFL		100	100
		742	742

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

#### Key Judgement

The assessment that there was no impairment of the goodwill in the Redshaw CGU ('cash generating unit') at 30 June 2020. 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.

#### Impairment assessment

##### Redshaw CGU

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

	2020	2019
Revenue growth rate	2.0%	5.0%
Long term growth rate	2.0%	2.5%
Pre tax discount rate	12.7%	15.0%



## Allied Farmers Group

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

The estimated recoverable amount of the Redshaw CGU is estimated to have exceeded the carrying amount of the CGU at 30 June 2020 by approximately \$132,000 (2019: \$35,000).

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

	2020	2019
Revenue growth rate	1.6%	1.0%
Pre tax discount rate	0.8%	0.5%

### **NZ Farmers Livestock Finance CGU**

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 NZFLFL CGU (being the Livestock Financing 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 revenue from financing bull sales, and is applied against the current year's earnings.

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

### **D3 Associated Auctioneers**

#### **Measurement & Recognition**

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

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

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

	Group's Share of Income	Group's Share of Assets	Group's Share of Liabilities	Group's Share of Revenues	Group's Share of Expenses
	\$000	\$000	\$000	\$000	\$000
2020	54	354	(39)	510	(456)
2019	85	384	(64)	584	(499)

## E. Other

### In this section

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

#### E1 Related parties

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

##### Identity of related parties

The Group has a related party relationship with each of its subsidiary companies outlined in Section D.

The Group has a related party relationship with its key management personnel.

##### Key management personnel ('KMP') compensation

	Group	
	2020	2019
	\$000	\$000
Short term employee benefits	314	300
Directors fees	210	159
Directors long service leave entitlement	-	56

##### Key management personnel and their related parties

	Group	
	2020	2019
	\$000	\$000
<b>Transactions</b>		
Livestock sales	506	708
Livestock purchases	669	491
Commission revenue	36	36
Consultant Fees	13	-
Dividends received as minority shareholders of NZFL	73	517
Amount receivable from KMP	36	9
Amount payable to KMP	106	131
Bonds on issue	600	600

No debts with key management personnel were written off during the year (2019:nil)

Consulting fees paid to entities associated with directors on an arms length basis total \$66,995 (2019 \$2,598)

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 2020 the total of these funds lent to NZ Farmers Livestock Limited was \$614,000 (2019 \$1.3 million).

	Group	
	2020	2019
	\$000	\$000
<b>E2 Auditors' remuneration</b>		
Audit fees - KPMG	165	-
Audit fees - previous auditors	-	140
Fees for other services - KPMG	73	-
Direct expenses associated with the audit	15	7
<b>Total</b>	<b>253</b>	<b>147</b>

Other services provided by KPMG included Taxation services relating to loss offset elections for the 2016 to 2018 income years. \$50,000 of these services were undertaken prior to KPMG being appointed as auditors.

Allied Farmers Group

**E3 Statement of Changes in Equity**

**For the year ended 30 June 2020**

Components that make up the capital and reserves of the Group and the changes of each component during the year.

Group	Share Capital	Accumulated losses	Parent Equity Subtotal	Non-Controlling Interests	Total
	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2018</b>	151,779	(149,544)	2,235	1,231	3,466
Profit after tax for the year	-	1,258	1,258	743	2,001
<b>Total comprehensive income for the year</b>	-	1,258	1,258	743	2,001
Dividends paid	-	(323)	(323)	(593)	(916)
Sale of Shares in NZ Farmers Livestock Limited	-	-	-	(22)	(22)
AFL Purchase of Small Parcels of Shares	(261)	-	(261)	-	(261)
AFL Shares issued	1,500	-	1,500	-	1,500
<b>Total transactions with owners</b>	1,239	(323)	916	(615)	301
<b>Balance at 30 June 2019</b>	153,018	(148,609)	4,409	1,359	5,768
<b>Balance at 1 July 2019</b>	153,018	(148,609)	4,409	1,359	5,768
Profit after tax for the year	-	767	767	451	1,218
<b>Total comprehensive income for the year</b>	-	767	767	451	1,218
Dividends paid	-	(357)	(357)	(228)	(585)
AFL Purchase Minority Shareholders Shares	-	(11)	(11)	-	(11)
AFL Shares issued	-	-	-	-	-
<b>Total transactions with owners</b>	-	(368)	(368)	(228)	(596)
<b>Balance at 30 June 2020</b>	153,018	(148,210)	4,808	1,582	6,390

**E4 Events Subsequent to Balance Date**

The financial statements at 30 June 2020 include estimates and judgements in respect of the potential impact of Covid-19 on the Group's financial position and results. Whilst these reflect all available information at the date these financial statements are approved it is noted that there is significant uncertainty with regards to medium and long term effect of Covid-19 on the New Zealand economy and livestock agency related industries.

## About this report

### In this section

The notes to the financial statements within sections A to E include information that is considered relevant and material to assist a reader in understanding changes in the Group's financial position or performance. Information is considered material if:

- The amount is significant because of its size or nature;
- It is important for understanding the results of Allied;
- It helps explain changes in Allied's business; or
- It relates to an aspect of Allied's operations that is important to future performance.

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

The consolidated financial statements are for Allied Farmers Limited and its subsidiaries (together referred to as "Allied") and Allied's interests in associates as at end for the year ended 30 June 2020.

These Consolidated Financial Statements ("Financial Statements") have been approved for issue by the Board of Directors on 31st August 2020.

### Statement of compliance and basis of preparation

The financial statements have been prepared:

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

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

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

### Other accounting policies

Other accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements other. Other than NZIFRS 16, the accounting policies have been consistently applied to the periods in these financial statements. The presentation and structure of the financial statements has changed, where applicable comparatives have been amended to align with current year's presentation.

### Critical Judgements and Estimates

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

- Note A2      Deferred tax asset recognition
- Note C1      Receivables credit loss provision
- Note D2      Goodwill impairment assessment

### New accounting standards adopted during the period

NZ IFRS 16 was effective for the annual period beginning 1 July 2019. The adoption of this new standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all operating leases (excluding short term leases). The Group has applied the simplified transition approach (modified retrospective approach) which means that the FY19 comparatives have not been restated.

On adoption of NZ IFRS 16, the Group recognised lease liabilities as the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. The incremental borrowing rate applied to the lease liabilities as at 1 July 2019 was 6.91%. This rate has been applied across all lease categories.

Operating lease commitments disclosed at 30 June 2019		805
Discounted using the incremental borrowing rate at 1 July 2019		(185)
Lease liability at 1 July 2019	B5	<u>620</u>
Right of use asset recognised		<u>620</u>
Other operating expenses		(62)
Depreciation		47
Interest		22

# Independent Auditor's Report

To the shareholders of Allied Farmers Limited

## Report on the audit of the consolidated financial statements

### Opinion

In our opinion, the accompanying consolidated financial statements of Allied Farmers Limited (the 'company') and its subsidiaries (the 'group') on pages 20 to 35:

- i. present fairly in all material respects the Group's financial position as at 30 June 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated balance sheet as at 30 June 2020;
- the consolidated statements of profit and loss, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 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 and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to taxation services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



### Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the significance and risk profile of each subsidiary it owns, the group's accounting processes and controls, and the industry in which the subsidiary operates.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the component level by us, as the group engagement team. A full scope audit was performed on the most significant subsidiaries for the group using specific component materiality's which were lower than group materiality. The component materiality took into account the size and the risk profile of each component.



## Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$220,000 determined with reference to a benchmark of group total revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance.



## Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below the matter and our key audit procedures to address the matter in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

### The key audit matter

### How the matter was addressed in our audit

#### Assessment of goodwill for impairment – Redshaw Livestock Limited

The Group has goodwill of \$642,000 as disclosed in Note D2 of the consolidated financial statements, relating to Redshaw Livestock Limited (Redshaw). Goodwill is required to be tested for impairment annually.

Valuation of Goodwill is considered to be a key audit matter due to the significance of the asset to the Group's consolidated financial position and the level of management judgement to forecast cash flows and determine other key inputs. We highlight that there is higher estimation uncertainty in the current period due to the business disruption impact of the COVID-19 global pandemic.

We focussed on the significant forward-looking assumptions the Group applied in their value in use model including:

- forecast cash flows – the Group has experienced business disruption in the current year, as a result of COVID-19. This impacted the Group through a shutdown for 1 month and a corresponding loss of revenue. These conditions and the uncertainty of their continuation increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes, for us to consider.
- forecast growth rates and terminal growth rates – In addition to the uncertainties described above, the Group's value in use

Our procedures to assess the carrying value of Goodwill included amongst others:

- Along with our valuation specialists, considering the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards.
- Assessing the integrity of the value in use model used, including the accuracy of the underlying calculation formulas.
- Challenging the Group's forecast cash flow and growth assumptions in light of the market conditions. We compared forecast growth rates and terminal growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry in which they operate.
- Along with our valuation specialists, analysing the Group's discount rate we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors and the industry it operates in.
- Considering the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.

## The key audit matter

model is sensitive to changes in these assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy.

- discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time, and the model approach to incorporating risks into the cash flows or discount rates. The Group's modelling is sensitive to changes in the discount rate.

## How the matter was addressed in our audit

- Assessing the disclosures in the financial report using our understanding of the matters obtained from our testing and against the requirements of the accounting standards.

Based on the above procedures there were no matters to report.

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## Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's report, Chief Executive's report, and disclosures relating to corporate governance. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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 materially misstated. If, based on the work we have performed, 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.

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## Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



## Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate 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 objective is:

- 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 independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements is located at the External Reporting Board (XRB) website at:

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

This description forms part of our independent auditor's report.

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

For and on behalf of



KPMG  
Wellington

31 August 2020



# Company Directory

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## Auditors

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