

Allied Farmers Ltd

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26 February 2020

HY20 RESULTS AND HALF YEAR REPORT

The Directors of Allied Farmers Limited (**ALF**) have pleasure in reporting an unaudited after-tax profit of \$1.18 million for the six months ended 31 December 2019. The result is very similar to the result for first half of the 2019 financial year of \$1.17million.

The company's pre-tax operating result is much improved on last year, up 19%. However, the group incurred higher discretionary corporate expenses as it has commenced the implementation of a review, reinforcement, and improvement of its corporate and governance structures. This has included the start of a process to comprehensively review systems and digital infrastructure, seeking avenues to reduce risk, improve processes, and raise productivity. In addition, the company has sought to improve its focus on health and safety, and address some one-off issues including resolution of an outstanding tax issue (see NZX announcement 5 December 2019).

ALF's cash position and cash flow remain sound, enabling the payment of a dividend in January 2020. The company remains within its banking covenants and retains good relationships with its funders.

The result achieved in the last six months would not have been possible without the skills and dedication of our staff. The Board would once again like to acknowledge the contribution of all our staff. Their continuing efforts are important in helping our food producing clients to meet the challenges that face them on a daily basis.

ALF subsidiary New Zealand Farmers Livestock Limited (**NZFL**), experienced better results across all of its business divisions, continuing a multi-year trend of improved business performance.

During the six-month period, the livestock agency business experienced a slow start, but towards the end of the period experienced a strong upturn in livestock trading momentum. The mycoplasma bovis outbreak cast uncertainty over some parts of the livestock trading business, but its effect is gradually reducing over time.

By far the bigger factor driving livestock trading is weather and market related factors. In spite of these challenges, the strength and experience of NZFL's agent network, staff and business model enabled it to achieve a positive result.

The veal processing and trading business also produced an improved result, with better pricing and some improvement in volume.

NZFL's finance operation is an important part of our offering to our clients. The provision of financing enhances NZFL's ability to assist farmer clients in the management of their cash flow.

Risk is mitigated by largely lending to farmer clients with whom NZFL's agents already have a strong relationship and understanding of their business.

NZFL is committed to a strategy of providing a superior service to its food producing clients, to assist them to be successful in the operation of their own businesses. NZFL remains focused on working with farmers for farmers, and to this end is looking to grow its livestock agency business through the recruitment of new agents, implementation of technology improvement, and selected development of new yard operations. A range of partnering continues to deliver effectively, and NZFL works to further develop such opportunities.

The MyLiveStock web platform and App is an important part of that strategy and is valued by clients. Further development of this platform will improve this increasingly valuable client tool.

In addition, ALF will continue to investigate opportunities to expand its presence in the wider agricultural sector and is seeking agribusiness opportunities outside of its current traditional lines of business, which assist farmers to meet the challenges they face on a day-to-day basis.

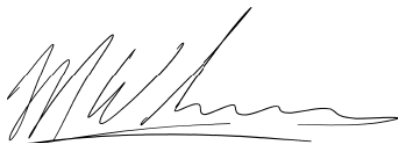
The start to the second half of the financial year has seen some deterioration in livestock trading conditions. The presence of drought in some parts of the country, plus the disruption to the food export trade caused by the outbreak of Covid-19 have seen some reduction in confidence amongst food producing clients. Given the uncertainties and fast moving nature of these factors, further guidance for the second half of the financial year will be provided as the operating environment becomes clearer. ALF is well placed to meet these challenges given the strength and positioning of our business.

The livestock financing operation is on an encouraging growth trajectory. ALF believes that with traditional lenders showing less support for New Zealand pastoral food producers, there are significant opportunities to grow and nurture an alternative lending organization.

ALF takes much pride in being a New Zealand owned company, working with New Zealand farmers, who are vital in the global food chain and are known for producing high quality food with care and responsibility.

Yours faithfully,

Allied Farmers Limited

A handwritten signature in black ink, appearing to read 'Mark Benseman', with a horizontal line underneath it.

Mark Benseman, Chairperson

Results for announcement to the market		
Name of issuer	Allied Farmers Limited	
Reporting Period	6 months to 31 December 2020	
Previous Reporting Period	6 months to 31 December 2019	
Currency		
	Amount (000s)	Percentage change
Revenue from continuing operations	\$13,093	-8.23%
Total Revenue	\$13,093	-8.23%
Net profit/(loss) from continuing operations	\$531	-55.04%
Total net profit/(loss)	\$531	-55.04%
Interim/Final Dividend		
Amount per Quoted Equity Security	Not proposed to pay dividends	
Imputed amount per Quoted Equity Security	N/A	
Record Date	N/A	
Dividend Payment Date	N/A	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.37	\$0.31
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to results release and unaudited financial statements.	
Authority for this announcement		
Name of person authorised to make this announcement	Brian Lee	
Contact person for this announcement	Brian Lee	
Contact phone number	027 201 3040	
Contact email address	brian.lee@alliedfarmers.co.nz	
Date of release through MAP	25/02/2021	

Unaudited financial statements accompany this announcement.

ALLIED FARMERS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

Allied Farmers Limited and Subsidiaries
For the 6 months ended 31 December 2019

	Note	December 2019	December 2018
		\$000	\$000
Revenue			
Sale of goods		7,839	7,057
Interest income		509	473
Commission Income		6,255	5,632
Total Revenue		<u>14,603</u>	<u>13,162</u>
Other income		45	17
Total income		<u>14,648</u>	<u>13,179</u>
Expenses			
Cost of inventory sold		6,215	5,637
Interest and funding expense		390	413
Rental and operating leases		1	60
Employee benefit expense		3,978	3,613
Depreciation and amortisation		378	333
Other operating expenses		2,335	1,781
Total expenses		<u>13,297</u>	<u>11,837</u>
Profit before income tax		1,351	1,342
Income tax expense	2	<u>(170)</u>	<u>(169)</u>
Total comprehensive income		<u>1,181</u>	<u>1,173</u>
Profit Attributable to:			
Owners of the Parent		724	815
Non-Controlling Interests		457	358
Total earnings per share attributable to the equity holders of the Parent Company:			
Basic (cents per share)		4.05	5.05
Diluted (cents per share)		4.05	5.05

The notes on pages 10 - 14 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Allied Farmers Limited and Subsidiaries
For the 6 months ended 31 December 2019

	Share Capital	Accumulated losses	Parent Equity Subtotal	Non Controlling Interests	Total Equity
	\$000	\$000	\$000	\$000	\$000
Opening balance as at 1 July 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
Transactions with owners					
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
Total transactions with owners	1,239	935	2,174	128	2,302
Closing balance as at 30 June 2019	153,018	(148,609)	4,409	1,359	5,768
Comprehensive income					
Net Profit for the 6 months ended 31 December 2019	-	724	724	457	1,181
Transactions with owners					
Dividends paid	-	(357)	(357)	(228)	(585)
Total transactions with owners	-	367	367	229	596
Closing balance as at 31 December 2019	153,018	(148,242)	4,777	1,588	6,365

The notes on pages 10 - 14 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet
Allied Farmers Limited and Subsidiaries
As at 31 December 2019

	Note	December 2019 \$000	June 2019 \$000
Equity			
Share capital	3	153,018	153,018
Reserves		(148,242)	(148,609)
Equity attributable to owners of the Parent		4,777	4,409
Non Controlling Interests		1,588	1,359
Total equity		6,365	5,768
Liabilities			
Current liabilities			
Trade and other payables	4	8,784	12,923
Finance receivables borrowings		1,350	1,500
Borrowings	5	3,646	909
Taxation	2	18	55
Total current liabilities		13,798	15,387
Non-current liabilities			
Borrowings	5	2,640	2,884
Lease Liabilities	6	580	-
Total non-current liabilities		3,220	2,884
Total liabilities		17,018	18,271
Total liabilities and shareholders equity		23,382	24,039
Assets			
Current assets			
Cash and cash equivalents		1,253	2,301
Trade and other receivables	7	9,456	11,449
Finance receivables	7	5,754	4,710
Inventory		808	197
Prepayments		136	2
Total current assets		17,407	18,659
Non-current assets			
Investments		5	5
Property, plant and equipment		3,709	3,839
Intangible assets and Goodwill		883	764
Right of Use Assets	6	572	-
Deferred tax asset		806	772
Total non-current assets		5,975	5,380
Total assets		23,382	24,039

The notes on pages 10 - 14 are an integral part of these consolidated financial statements.

The Board of Directors of Allied Farmers Limited authorised these financial statements for issue on 26 February 2020



Director
Mark Benseman



Director
Marise James

Consolidated Statement of Cash Flows
Allied Farmers Limited and Subsidiaries
For the 6 months ended 31 December 2019

	December 2019 \$000	December 2018 \$000
Cash Flows from Operating Activities		
Cash was provided from:		
Receipts from customers	16,132	14,045
Interest received	509	473
	<u>16,641</u>	<u>14,518</u>
Cash was applied to:		
Payments to suppliers and employees	(17,442)	(13,252)
Interest paid	(390)	(413)
Taxation paid	(241)	(265)
	<u>(18,073)</u>	<u>(13,931)</u>
Net cash flows from operating activities	<u>(1,433)</u>	<u>587</u>
Cash Flows from Investing Activities		
Cash was provided from:		
Cash was applied to:		
Decrease (Increase) in finance receivables NZ Farmers Livestock Finance Ltd	(1,044)	(1,990)
Acquisition of subsidiary/investment net of cash acquired	-	(5)
Purchase of intangibles, property, plant and equipment	(330)	(147)
	<u>(1,374)</u>	<u>(2,142)</u>
Net cash flows (used in) investing activities	<u>(1,374)</u>	<u>(2,142)</u>
Cash Flows from Financing Activities		
Cash was provided from:		
Drawdown of livestock trading borrowings	977	-
Drawdown of finance receivables borrowings	1,750	3,850
Increase/(decrease) in vehicle finance borrowings	-	146
	<u>2,727</u>	<u>3,996</u>
Cash was applied to:		
Repay livestock trading borrowings	-	(439)
Repayment of vehicle finance borrowings	(235)	(234)
Repayment of finance receivables borrowings	(149)	-
Dividends paid	(585)	(163)
	<u>(969)</u>	<u>(837)</u>
Net cash flows from / (used in) from financing activities	<u>1,758</u>	<u>3,160</u>
Net increase in cash and cash equivalents	(1,048)	1,605
Cash and cash equivalents at beginning of year	2,301	569
Cash and cash equivalents at end of year	<u>1,253</u>	<u>2,174</u>

The notes on pages 10 - 14 are an integral part of these consolidated financial statements.

Reconciliation of Operating Cash Flows

Allied Farmers Limited and Subsidiaries

For the 6 months ended 31 December 2019

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

	December 2019	December 2018
	\$000	\$000
Net profit after tax for the period	<u>1,181</u>	<u>1,173</u>
Adjustments for:		
Loss on sale of assets	(31)	-
Depreciation and amortisation	378	325
Movement in impairment provisions on trade receivables	-	8
Movement in deferred tax assets	<u>(34)</u>	<u>-</u>
	<u>313</u>	<u>333</u>
Movement in working capital:		
(Increase)/decrease in trade and other receivables	1,860	1,229
Increase/(decrease) in payables and provisions	(4,139)	(1,269)
(Increase)/decrease in inventory	(611)	(783)
Increase/(decrease) in tax payable	<u>(37)</u>	<u>(96)</u>
	<u>(2,928)</u>	<u>(919)</u>
Net cash (outflows)/inflows from operating activities	<u>(1,433)</u>	<u>587</u>

Statement of Accounting Policies

Allied Farmers Limited and Subsidiaries

For the 6 months ended 31 December 2019 - unaudited

GENERAL INFORMATION

These financial statements have been approved for issue by the Board of Directors on 26 February 2020. The Board of Directors do not have the power to amend the financial statements after they have been issued.

Allied Farmers Limited and Subsidiaries ("the Group") is a rural services group, with its predominant activities comprising livestock agency services, the procurement and processing of calves and the financing of livestock purchases.

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 4332

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 comply with International Financial Reporting Standards (IFRS).

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

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

These financial statements are prepared in New Zealand dollars (\$), which is the company's functional currency. Amounts have been rounded to the nearest thousand.

The Group is a Tier 1 for profit entity in terms of XRBA1.

The accounting policies applied are consistent with those as described in the annual financial statements for the year ended 30 June 19, except for the effects of applying NZ IFRS 16 Leases as set out below.

Taxes on income in interim periods are accrued for using the tax rate that would have been applicable to expected total annual profit or loss.

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There have been no changes to the areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements from those appearing in the Annual Report for the year ended 30 June 2019, other than as described in recognising NZIFRS 16 below.

New Standards and Interpretations

NZ IFRS 16 Leases

NZ IFRS 16 is 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 former operating leases.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting NZ IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Comparative figures for the year ended 30 June 2019 are not restated but instead continue to reflect the accounting policies under NZ IAS 17 Leases.

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.

The Group used the following practical expedients when applying NZ IFRS 16 for the first time:

- For leases of low-value assets the Group has not recognised a right of use asset and lease liability and has accounted for the lease expense on a straight line basis over the remaining lease term;
- Exclusion of initial direct costs from minimising the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term, particularly in relation to extending leases;
- The definition of a lease under NZ IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019. For contracts entered into before the transition date the Group relied on its assessment made applying NZ IAS 17 Leases.

A reconciliation of operating lease commitments at 30 June 2019 to the lease liability recognised at 1 July 2019 is as follows:

	\$000
Operating lease commitments disclosed at 30 June 2019	805
Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>(185)</u>
Lease Liabilities at 1 July 2019	620

	1 July 2019
	\$000
The recognised right-of-use assets relate to the following types of assets:	
Properties	620

The adoption of NZ IFRS 16 affected the following items in the balance sheet on 1 July 2019:

	Increase/(Decrease) \$000
Right-of-use Assets	620
Lease Liabilities	620

The net impact on retained earnings on 1 July 2019 was a decrease of nil.

When compared to the accounting policies applied in the prior comparative period, the adoption of NZ IFRS 16 Consolidated Statement of Comprehensive Income for the six months ended 31 December 2019 is summarised in the table below.

	31 December 2019 \$000
Consolidated Statement of Comprehensive Income effect	
Other operating expenses	(62)
Depreciation	47
Interest	22

Other than the reclassification of operating lease payments to financing activities, NZ IFRS 16 had no other significant impact to the cash flow statement.

Measurement and Recognition of Leases

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or continues, a lease if the contract conveys the right to control the use of an asset for a period of time in exchange for consideration.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Group's incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain a right of use asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments included in the measurement of the lease liability are made up of:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate; and
- Payments or penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset.

Lease assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any direct costs; and
- Restoration costs.

Critical Accounting Judgement

When the Group has the option to extend a lease, management used its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including past performance, extension terms and strategic direction for the Group (particularly with property leases).

Policy Applicable before 1 July 2019

Prior to 1 July 2019, leases of assets were classified as operating leases. Payments made under operating leases were charged to profit or loss as a straight line basis over the period of the lease.

The Group also leases vehicles where the Group has all the risks and rewards of ownership. These continue to be classified as finance leases for which the accounting policies applied are consistent with those as described in the annual financial statements for the year ended 30 June 2019.

Notes to the Financial Statements

Allied Farmers Limited and Subsidiaries

For the 6 months ended 31 December 2019 - unaudited

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 of Directors considers the livestock operations nationally as a distinctly separate activity from other operations including the recently ceased Asset Management Services and the activity associated with being a listed entity and some Group funding which is regarded as Corporate Services.

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

The segment results for the six months ended 31 December 2019 are as follows:

	Livestock Services \$000	Corporate \$000	Total Continuing \$000
Sales of goods	7,839	-	7,839
Commission Income	6,255	-	6,255
Other Income	45	-	45
Interest Income	506	4	510
Total Income	14,645	4	14,648
Cost of Inventory sold	(6,215)	-	(6,215)
Depreciation and amortisation	(378)	-	(378)
Interest and funding expense (external)	(353)	(37)	(390)
Rental and operating Leases (external)	-	(1)	(1)
Employee benefit expense	(3,945)	(33)	(3,978)
Net Other expenses (external)	(1,974)	(362)	(2,335)
Profit/Loss before income tax	1,778	(428)	1,351
Income Tax	(170)	-	(170)
Profit/Loss after Income Tax	1,608	(428)	1,181

The segment assets and liabilities as at 31 December 2019 for the 6 months ended 31 December 2019 are as follows:

	Livestock Services \$000	Corporate \$000	Total Continuing \$000
Current Assets	15,066	2,341	17,407
Non Current Assets	5,975	-	5,975
Assets	21,041	2,341	23,382
Current Liabilities	(13,682)	(116)	(13,798)
Non Current Liabilities	(2,220)	(1,000)	(3,220)
Liabilities	(15,902)	(1,116)	(17,018)

	Livestock Services \$000	Corporate \$000	Total Continuing \$000
Sale of goods	7,057	-	7,057
Commission Income	5,632	-	5,632
Interest Income	473	-	473
Other Income	17	-	17
Total Income	13,179	-	13,179
Cost of Inventory Sold	(5,637)	-	(5,637)
Depreciation and amortisation	(325)	-	(325)
Interest and funding expense (external)	(360)	(53)	(413)
Rental and operating expense	(59)	(1)	(60)
Employee benefit expense	(2,908)	(47)	(2,955)
Net Other expenses (external)	(2,388)	(58)	(2,447)
Profit/Loss before income tax	1,501	(159)	1,342
Inter-segmental income	-	-	-
Income Tax	(169)	-	(169)
Profit/Loss after Income Tax	1,333	(159)	1,173

The segment assets and liabilities as at 31 December 2018 are as follows:

	Livestock Services \$000	Corporate \$000	Total Continuing \$000
Current Assets	16,752	1,078	17,831
Non Current Assets	5,459	-	5,459
Assets	22,211	1,078	23,289
Current Liabilities	(14,772)	(766)	(15,538)
Non Current Liabilities	(2,275)	(1,000)	(3,275)
Liabilities	(17,047)	(1,766)	(18,813)

2 Taxation

On the evening of 4 December 2019 the group received communication from the Commissioner of Inland Revenue that she has declined a request to exercise her discretion to issue amended income tax assessments in respect of each of the 2016, 2017, 2018 income tax returns in relation to payments that were incorrectly classified as subvention payments.

In January 2016 Allied Farmers Rural Limited purchased a block of shares in its subsidiary NZ Farmers Livestock Limited, resulting in it returning to the 66.66% common ownership that it had in August 2014. Based on advice received at the time, subvention payments were recommenced to Allied Farmers Limited from NZ Farmers Livestock Limited in 2016.

However, because commonality of ownership was not maintained at all times from the time the losses were incurred until the recommencement of the subvention payments, the payments should not have been treated as subvention payments.

The Commissioner was asked to allow a correction of the position by permitting a late loss offset election to deal with the resulting additional taxable income to NZ Farmers Livestock Limited where the subvention payments are removed from its taxable income calculation. The request was declined.

Allied Farmers Limited tax advisors consider that after discussion and clarification of the key issues, the Commissioner may reverse her initial decision and allow the late offset request. At this stage no formal assessment has been received by NZ Farmers Livestock Limited. An assessment can be disputed, as can a decision to deny an actual request to offset the losses. Accordingly no liability has been recognised.

An assessment to NZFLL denying the subvention payment deductions for the 2016 - 2018 income years would be tax of \$1,193,948, plus interest and penalties (late payment and, if applicable, shortfall penalties).

Group unrecognised deferred tax assets comprised of unused tax losses as at 30 June 2019 total \$43,881,255 gross (June 2018: \$43,530,255).

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 31 December 2019 the balance of imputation credits available to the shareholders of the Parent Company only was \$112,341 (June 2019: \$112,341).

3 Share capital

On 1 July 2019, Allied Farmers Limited announced that it would 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 was reduced from 178,547,294 to 17,854,729 shares.

The total number of shares on issue as at 31 December 2019 is 17,854,729 (December 2018: 16,150,535 being 161,505,350 pre consolidation).

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

4 Trade and other payables

	Dec-19 6 Months \$000	Jun-19 12 months \$000
Trade creditors	6,149	11,643
Employee benefits, profit share and commissions	1,069	1,133
Other creditors and payables	1,565	147
	<u>8,783</u>	<u>12,923</u>

5 Borrowings

	Dec-19 6 Months \$000	Jun-19 12 months \$000
Current		
Bank borrowings - Finance Receivables (secured)	1,350	1,500
Bank borrowings - Trading (secured)	3,157	415
Bonds (secured)	-	-
Finance leases - Motor Vehicles	489	494
	<u>4,996</u>	<u>2,409</u>
Non Current		
Bank borrowings - Trading (secured)	1,304	1,560
Bonds (secured)	1,000	1,000
Finance Leases - Motor Vehicles	335	324
	<u>2,639</u>	<u>2,884</u>

6 Lease assets and liabilities

The Group leases property assets and information about leases for which the Group is lessee is presented below:

	\$000
Right of use assets	
Balance 01 July 2019	620
Depreciation charges	<u>(48)</u>
Balance 31 December 2019	572
Lease liabilities	
Less than one year	80
One to five years	362
More than five years	<u>138</u>
Balance 31 December 2019	580

7 Trade and other receivables

	Dec-19 6 Months \$000	Jun-19 12 Months \$000
Trade receivables livestock (gross)	9,503	11,482
Trade receivables finance (gross)	5,784	4,725
Provision for impaired assets	<u>(77)</u>	<u>(48)</u>
Trade receivables (net of provision)	15,210	16,159
Prepayments	<u>136</u>	<u>2</u>
	<u>15,346</u>	<u>16,161</u>

It is expected that all trade and finance receivables will be collected within 12 months of the balance date.

8 Related Party Transactions

Overview of related party transactions

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

Categories of related party relationships

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

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

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

(a) Key management personnel

	Dec-19 6 Months \$000	Dec-18 6 months \$000
Salaries and other short term benefits	411	402
Directors fees	108	77
Total key management personnel compensation	<u>519</u>	<u>479</u>

Certain directors and key management of the Allied Farmers Limited Group of companies have completed livestock trading transactions with the Group's subsidiary, New Zealand Farmers Livestock Ltd, which over the six months to December 2019 totalled \$227,492 in sales (December 2018: \$183,238), \$320,888 in purchases (December 2018: \$190,063) and \$17,380 in commission (December 2018: \$12,233), resulting in gross transactions of \$565,761 (December 2018: \$392,226). These transactions took place on normal trading terms. The commission earned by New Zealand Farmers Livestock Ltd for the six months to 31 December 2019 was \$16,342 (2018: \$12,234).

(b) Other related parties

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

(c) Subsidiaries

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 31 December 2019 the total of these funds lent to NZ Farmers Livestock Limited was \$1,166,000 (31 December 2018 \$808,000)

NZ Farmers Livestock Limited has an advance to its subsidiary Redshaw Livestock Limited as at 31 December 2019 of \$208,000 (31 December \$208,000).

In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the parent have been eliminated.

9 Contingent Assets and Liabilities

With the exception of the uncertain tax position referred to in Note 2 earlier there are no contingent assets or liabilities.

10 Financial assets and liabilities

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.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group's annual financial statements for the period ending 30 June 2019. There have been no changes in the risk management policies since year end.

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.

	Dec-19	Dec-18
	6 Months	12 Months
	\$000	\$000
Financial Assets measured at amortised cost		
Cash and cash equivalents	1,253	2,174
Finance Receivables	5,754	6,609
Trade and other receivables	9,456	8,028
	16,463	16,811
Financial Liabilities measured at amortised cost		
Trade and other payables	8,784	8,963
Borrowings - Bank	5,811	7,519
Borrowings - Bonds	1,000	1,300
Borrowings - Finance Leases	824	994
	16,419	18,776

11 Events subsequent to balance date

On the 26 November 2019 the Directors declared a fully imputed dividend of \$357,097 being 2.0 cents per share. The dividend was paid on 17 January 2020. This amount is included in sundry payables.

COMPANY DIRECTORY**Directors of the Company**

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