



*Proudly Investing in the New Zealand Agricultural Sector for over 100 years*

## **FY21 AUDITED FINANCIAL STATEMENTS**

## INVESTMENT DIVERSIFICATION DRIVES 126% EARNINGS GROWTH

The Directors of Allied Farmers Ltd (“Allied Farmers” or “Allied Group”) (ALF:NZX) are pleased to report an audited net profit before tax for the year to 30 June 2021 of \$2.481 million (FY20 \$1.099 million).

The result reflected an improved performance from our livestock agency business which recovered from the prior year impacts of Covid and drought. However, this improvement was partially offset by a lower contribution from our veal business reflecting the impact of Covid on in-market pricing and returns. The result also includes an inaugural half year contribution from our recent investment in rural property manager New Zealand Rural Land Management Limited Partnership (**NZRLM**).

The livestock business result reflects the continued hard work of our staff and ongoing initiatives aimed at providing them with the right tools, support and environment to safely and efficiently deliver our services to farmers. We continued to invest in our digital technologies, recognising that while sale yards play a critical role in the rural value chain, there is ongoing need for innovation to support the changing needs of farmers, and ongoing operational requirements and compliance costs. We hosted 303 auctions via our digital platform and now have live auction capabilities at all our sales yards and the ability to livestream paddock auctions on farm throughout New Zealand.

We are pleased with the growth of our livestock lending business, with the loan book expanding by an additional \$1.6 million to \$5.2 million, largely made possible following the successful capital raise in late 2020. In addition, this business concluded a successful first year introduction of a new seasonal store lamb financing facility (Lamb Plan) which we expect to grow over coming seasons.

NZRLM produced a strong result in its first six months of operations, delivering earnings of \$1.15 million for the year ending 30 June 2021. The NZRLM team undertook extensive due diligence for NZX-listed New Zealand Rural Land Company Limited to enable its significant acquisitions of rural land following its successful IPO on the NZX in December 2020.

As we outlined last year, we have been heavily focused on both growing our underlying business and diversifying through targeted investment. The Board appreciates shareholders’ support of last year’s rights issue and placement that enabled the acquisition of 50% in NZRLM, growth in our livestock lending business, ongoing MyLiveStock digital platform investment, and a modest investment in New Zealand Rural Land Company Limited. These investments have resulted in growth in earnings per share (EPS) of 63%.

The Allied Farmers’s Board has completed a review of its capital requirements and concluded that its strategic goals can be achieved through utilisation of its current balance sheet, and therefore has determined that it will not undertake the additional share placement that was approved by shareholders at the 2020 Annual Meeting.

As at 30 June 2021, Allied Farmers had a net cash position of approximately \$1.5 million (compared to a net debt position of \$1.7 million at 30 June 2020). Post balance date, we will repay the \$1 million Bond which term expires in September 2021, thereby lowering debt and funding costs in the year now underway.

Having completed a strategy reset, Allied Farmers will continue to optimise and invest in its existing businesses and evaluate new opportunities and proposals when they present themselves. The reset includes consideration of options such as growing our livestock lending business (through our NZ Farmers Livestock Finance Limited subsidiary), investing to increase our market share in our livestock business, and supporting NZRLM as New Zealand Rural Land Company Limited continues its growth.

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

The Board wish to thank and acknowledge the efforts of our NZ Farmers Livestock and NZRLM teams over the last year, which had the added uncertainty of the Covid environment.



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## FY21 Results announcement

Results for announcement to the market		
Name of issuer	Allied Farmers Limited	
Reporting Period	12 months to 30 June 2021	
Previous Reporting Period	12 months to 30 June 2020	
Currency		
	Amount (000s)	Percentage change
Revenue from continuing operations	\$21,661	+7.98%
Total Revenue	\$21,661	+6.93%
Net profit/(loss) from continuing operations	\$2,576	+111.49%
Total net profit/(loss)	\$2,576	+111.49%
Interim/Final Dividend		
Amount per Quoted Equity Security	No dividends proposed	
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	\$0.44	\$0.30
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to results release and audited 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	30/08/2021	

Audited financial statements accompany this announcement.

## 2021 AUDITED FINANCIAL STATEMENTS

In the opinion of the directors of Allied Farmers Limited, the accompanying financial statements and the notes:

- comply with New Zealand generally accepted accounting practice and fairly reflect the financial position of the Allied Group as at 30 June 2021 and the results of their operations and cash flows for the year ended on that date; and
- have been prepared using appropriate accounting policies, which unless otherwise stated have been consistently applied, and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Allied Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Allied Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the financial report, incorporating the financial statements of Allied Farmers Limited for the year ended 30 June 2021.

For and on behalf of the Board who authorised these financial statements for issue on 30 August 2021:



**Richard Perry**

**Chair**



**Marise James**

**Director**

## Profit and Loss Statement

### For the Year Ending 30 June 2021

	Note	Group	
		2021	2020
		\$000	\$000
<b>Revenue and other income</b>	A1	<b>21,661</b>	20,061
<b>Cost of sales and operating expenses</b>	A1	<b>(18,594)</b>	(18,425)
<b>Depreciation and amortisation</b>	A1	<b>(827)</b>	(784)
<b>Net interest income</b>	B7	<b>241</b>	247
<b>Profit before tax</b>		<b>2,481</b>	1,099
Income tax (expense) / benefit	A2	<b>95</b>	119
<b>Profit after tax</b>		<b>2,576</b>	1,218
<b>Total comprehensive income</b>		<b>2,576</b>	1,218
<b>Profit attributable to:</b>			
Shareholders of Allied Farmers Limited ('Allied')		<b>2,021</b>	767
Minority shareholders of NZ Farmers Livestock Limited ('NZFL')		<b>555</b>	451
<b>Basic Earnings per share (cents)</b>		<b>7.02</b>	4.30

## Statement of other Comprehensive Income

### For the Year Ending 30 June 2021

		Group	
		2021	2020
		\$000	\$000
<b>Profit after tax</b>		<b>2,576</b>	1,218
<b>Change in value of investment in equity securities</b>	C2	<b>(135)</b>	-
<b>Total comprehensive income</b>		<b>2,441</b>	1,218

## Statement of Cash Flows

For the Year Ending 30 June 2021

	Note	Group	
		2021	2020
<b>Cash flows from/(to) operating activities</b>		<b>\$000</b>	<b>\$000</b>
Cash receipts from customers		21,815	18,499
Interest received		631	700
Distribution from NZRLM		350	-
Cash paid to suppliers and employees		(18,119)	(17,705)
Interest paid		(389)	(453)
Income tax received/(paid)		213	(274)
<b>Net cash flow from operating activities</b>		<b>4,501</b>	<b>767</b>
<b>Cash flows from/(to) investing activities</b>			
Decrease (Increase) in finance receivables NZ Farmers Livestock Finance Ltd/Rural Financial SolutionNZ Ltd		(1,559)	1,127
Acquisition of New Zealand Farmers Land Company Limited shares		(1,130)	-
Rights Issue of shares in Allied Farmers Limited		2,686	-
Purchase of shares in NZ Farmers Livestock Ltd		(28)	(11)
Acquisition of intangibles, property, plant and equipment		(847)	(794)
<b>Net cash flow from/(used in) investing activities</b>		<b>(878)</b>	<b>322</b>
<b>Cash flows from/(to) financing activities</b>			
Drawdown of finance receivables borrowings		-	1,500
Repayment livestock trading borrowings		(448)	(412)
Repayment of vehicle finance borrowings		-	(32)
Repayment of finance receivables borrowings		(301)	(1,775)
Dividends paid		(418)	(585)
<b>Net cash flow used in financing activities</b>		<b>(1,167)</b>	<b>(1,304)</b>
Net movement in cash and cash equivalents		2,456	(215)
Opening cash and cash equivalents		2,086	2,301
<b>Closing cash and cash equivalents</b>	B3	<b>4,542</b>	<b>2,086</b>
<b>Reconciliation of Profit to Cash Surplus from Operating Activities</b>			
<b>Profit for the year</b>		<b>2,576</b>	<b>1,218</b>
<i>Adjustments for items not involving cash flows:</i>			
Impairment on receivables		41	67
(Profit)/loss on sale of assets		(17)	(80)
Depreciation		827	784
(Increase) Decrease in Deferred Tax		(163)	(18)
Movement in Investments	C2	(667)	(17)
Other - including non cash items		14	-
		<b>35</b>	<b>736</b>
Movement in trade and other receivables		1,632	(653)
Movement in inventories		245	(99)
Movement in trade, other payables and employee benefits		(200)	(171)
Movement in taxation		213	(264)
<b>Cash flow from operating Activities</b>		<b>4,501</b>	<b>767</b>

## Balance Sheet

As at 30 June 2021

	Note	Group	
		2021	2020
		\$000	\$000
<b>Equity</b>			
Share capital	B2	158,204	153,018
Accumulated Losses		(146,566)	(148,210)
Equity attributable to owners of the Parent		11,638	4,808
Non-controlling interests		1,933	1,582
<b>Total equity</b>	E3	<b>13,571</b>	<b>6,390</b>
<b>Liabilities</b>			
Trade and other payables	B6	11,452	11,779
Employee benefits		1,100	973
Income tax payable		39	-
Finance receivables bank borrowings	B4	300	300
Bank borrowings and bonds	B4	1,447	441
Lease liabilities	B5	599	593
<b>Total current liabilities</b>		<b>14,937</b>	<b>14,086</b>
Bank borrowings and bonds	B4	669	2,122
Finance receivables bank borrowings	B4	625	925
Lease Liabilities	B5	1,534	732
<b>Total non-current liabilities</b>		<b>2,828</b>	<b>3,779</b>
<b>Total liabilities</b>		<b>17,765</b>	<b>17,865</b>
<b>Total liabilities and equity</b>		<b>31,336</b>	<b>24,255</b>
<b>Assets</b>			
Cash and cash equivalents	B3	4,542	2,086
Trade Receivables	C1	10,116	11,287
Inventories		51	296
Income tax receivable		-	319
Finance receivables	C1	5,142	3,583
Other receivables		246	749
<b>Total current assets</b>		<b>20,097</b>	<b>18,320</b>
Deferred tax assets	A2	953	790
Goodwill	D2	742	742
Intangible asset - computer software		271	216
Investments	C2	4,297	-
Property - owned and leased	C3	4,976	4,187
<b>Total non-current assets</b>		<b>11,239</b>	<b>5,936</b>
<b>Total assets</b>		<b>31,336</b>	<b>24,255</b>

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

## Statement of Changes in Equity

### For the Year Ending 30 June 2021

Group	Share Capital	Accumulated losses	Revaluation Reserve	Belonging to Allied Shareholders	Minority Shareholders Interests	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<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)
Sale of Shares in NZ Farmers Livestock Limited	-	-	-	-	-	-
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
<b>Balance at 1 July 2020</b>	153,018	(148,210)	-	4,808	1,582	6,390
Profit after tax for the year	-	2,021	-	2,021	555	2,576
Revaluation of Equity Securities (refer Note C2)	-	-	(135)	(135)	-	(135)
<b>Total comprehensive income for the year</b>	-	2,021	(135)	1,886	555	2,441
Dividends paid	-	(214)	-	(214)	(204)	(418)
AFL Purchase Minority Shareholders Shares	-	(28)	-	(28)	-	(28)
AFL Shares issued in purchase of New Zealand Rural Land Management Limited Partnership	2,500	-	-	2,500	-	2,500
Pro rata renounceable rights issue	2,686	-	-	2,686	-	2,686
<b>Total transactions with owners</b>	5,186	(242)	-	4,944	(204)	4,740
<b>Balance at 30 June 2021</b>	158,204	(146,431)	(135)	11,638	1,933	13,571

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 returns for shareholders

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

Financial services: Providing livestock finance to farmer client.

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

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

#### Segment information for 2021

		Group				Total
		Livestock Services	Financial Services	Rural Land Management	Parent Operations	
		\$000	\$000	\$000	\$000	\$000
Commission and fee income		12,875	-	-	-	12,875
Sale of goods		7,547	-	-	-	7,547
Interest income	B7	187	443	-	-	630
Other Income		87	-	-	-	87
Equity Accounted Earnings NZRLM		-	-	1,152	-	1,152
<b>Total Income</b>		<b>20,696</b>	<b>443</b>	<b>1,152</b>	<b>-</b>	<b>22,291</b>
Cost of goods sold		6,823	-	-	-	6,823
Personnel expenses		7,942	46	-	95	8,083
Depreciation and amortisation		827	-	-	-	827
Rental and operating leases		-	-	-	-	-
Other operating expenses		2,958	86	-	644	3,688
<b>Total Expenses</b>		<b>18,550</b>	<b>132</b>	<b>-</b>	<b>739</b>	<b>19,421</b>
<b>Finance Costs</b>	B7	(195)	(121)	-	(73)	(389)
<b>Profit/(loss) before tax</b>		<b>1,951</b>	<b>190</b>	<b>1,152</b>	<b>(812)</b>	<b>2,481</b>
Income tax (expense) / benefit		-	-	-	-	95
<b>Profit/(loss) after tax</b>						<b>2,576</b>
Current Assets		14,450	5,142	-	505	20,097
Non Current Assets		6,847	100	3,302	990	11,239
Assets		<b>21,297</b>	<b>5,242</b>	<b>3,302</b>	<b>1,495</b>	<b>31,336</b>
Current Liabilities		13,345	351	-	1,241	14,937
Non Current Liabilities		2,203	625	-	-	2,828
Liabilities		<b>15,548</b>	<b>976</b>	<b>-</b>	<b>1,241</b>	<b>17,765</b>

#### Segment information for 2020

		Group				Total
		Livestock services	Financial Services	Rural Land Management	Parent Operations	
		\$000	\$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>-</b>	<b>20,761</b>
Cost of goods sold		7,122	-	-	-	7,122
Personnel expenses		6,979	37	-	95	7,111
Depreciation and amortisation		783	-	-	-	783
Rental and operating leases		(3)	-	-	-	(3)
Other operating expenses		3,486	86	-	624	4,196
<b>Total Expenses</b>		<b>18,367</b>	<b>123</b>	<b>-</b>	<b>719</b>	<b>19,209</b>
<b>Finance Costs</b>	B7	(230)	(150)	-	(73)	(453)
<b>Profit/(loss) before tax</b>		<b>1,679</b>	<b>212</b>	<b>-</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		14,633	3,583	-	104	18,320
Non Current Assets		5,836	100	-	-	5,936
Assets		<b>20,468</b>	<b>3,683</b>	<b>-</b>	<b>104</b>	<b>24,255</b>
Current Liabilities		12,396	1,572	-	118	14,086
Non Current Liabilities		1,854	925	-	1,000	3,779
Liabilities		<b>14,250</b>	<b>2,497</b>	<b>-</b>	<b>1,118</b>	<b>17,865</b>

**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 timeframe between when the sale is agreed and its completion. At 30 June 2021 all (2020: 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 customer, 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.

**A2 Taxation**

	Group	
	2021	2020
<b>Current tax expense</b>		
Current income tax expense (benefit)	68	(102)
Deferred tax expense (benefit)	(163)	(17)
<b>Total income tax expense (benefit) in income statement</b>	<b>(95)</b>	<b>(119)</b>
<b>Income tax expense calculation</b>		
Net profit before tax for the year	2,481	1,099
Income tax using the company's tax rate (28%)	695	308
Expenditure not deductible for tax	3	14
Timing differences	18	56
Recognition of deferred tax asset	(163)	(17)
Prior period adjustments	-	34
Use of Group tax losses	(648)	(514)
<b>Income tax expense (benefit)</b>	<b>(95)</b>	<b>(119)</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
2021	Financial receivable credit loss provision	20	16	36
	Employee benefits	204	1	205
	Tax loss carry forward	566	146	712
		790	163	953
2020	Financial receivable credit loss provision	13	7	20
	Employee benefits	154	50	204
	Tax loss carry forward	605	(39)	566
		772	18	790

Group unrecognised deferred tax assets comprise unused tax losses as at 30 June 2021 total \$40,568,976 gross (June 2020: \$41,737,685). The ability to utilise tax losses is dependent upon continuing to meet shareholder continuity requirements of prevailing income tax legislation.

As at balance date imputation credits available to the shareholders of only the Parent Company in subsequent periods totalled \$89,248 (2020: \$79,040)

**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

	Group	
	2021	2020
<b>Share capital (\$000)</b>	<b>158,204</b>	153,018
<b>Number of shares issued and fully paid (000's)</b>		
Balance at beginning of year	17,855	178,547
Consolidation/Cancellation of shares	-	(160,692)
Issue of ordinary shares	5,000	-
Pro rata renounceable rights issue	5,952	-
Balance at end of year	<b>28,807</b>	17,855

On 24 December 2020 Allied Farmers Limited completed a one for three pro rata renounceable rights issue. Shareholders received one ordinary share for every three ordinary shares held at 5pm on the closing date of 18 December 2020. As a result of the renounceable rights issue the number of shares was increased by 5,951,576.

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

#### B3 Cash and cash equivalents

	Group	
	2021	2020
Cash and cash equivalents	\$000	\$000
Finance Receivables overdraft facility offset per agreement	5,442	4,086
<b>Net cash and cash equivalents</b>	<b>(900)</b>	(2,000)
Undrawn overdraft facilities	4,542	2,086
	8,000	9,000

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

#### B4 Debt funding

		Group			
		Payable within 1 year	Payable after 1 year	Undrawn	Interest rate
		\$000	\$000	\$000	
2021	Finance receivables bank borrowings	300	625	-	4.35%
	Bank borrowings	447	669	-	4.35%
	Bonds	1,000	-	-	7.30%
	<b>Total debt funding</b>	<b>1,747</b>	<b>1,294</b>	-	
2020	Finance receivables bank borrowings	300	925	-	4.35%
	Bank borrowings	441	1,122	-	4.35%
	Bonds	-	1,000	-	7.30%
	<b>Total debt funding</b>	<b>741</b>	<b>3,047</b>	-	

#### 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 (FY20: \$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.

Allied Farmers Group

**B5 Lease liabilities**

	Group			
	2021		2020	
	Property	Motor Vehicles	Property	Motor Vehicles
	\$000	\$000	\$000	\$000
Opening	540	785	620	818
Leases entered into during the period	-	1,411	-	451
Interest expense	11	124	15	136
Principal repayments	(95)	(603)	(95)	(620)
Remeasurements	-	(40)	-	-
	456	1,677	540	785
Short-term lease liabilities	88	511	83	510
Long-term lease liabilities	368	1,166	457	275

**Measurement and recognition**

The above lease liabilities are in relation to leases of regional offices and the leases of Motor Vehicles.  
 The increase in motor vehicle leases in the current period is due to the inclusion of the residual buy back value included in new lease arrangements which management expects to exercise at the inception of the lease.  
 The Group recognises a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, The Group's incremental borrowing rate. Generally, The Group uses its incremental borrowing rate 6.98% (2020 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.

**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	Contractual Cashflow		
			< 6 months	6 - 12 mths	1 - 5 yrs
	\$000	\$000	\$000	\$000	\$000
2021	Trade and other payables	11,452	11,452	11,452	-
	Finance receivables bank borrowings	925	984	173	169
	Bank borrowings	1,116	1,167	249	249
	Bonds	1,000	1,018	1,018	-
	Lease liabilities	2,133	1,707	340	316
	16,626	16,328	13,232	734	2,362
2020	Trade and other payables	11,779	11,779	11,779	-
	Finance receivables bank borrowings	1,225	1,235	150	150
	Bank borrowings	1,563	1,678	256	255
	Bonds	1,000	1,090	36	1,054
	Lease liabilities	1,325	1,424	352	225
	16,892	17,206	12,573	1,684	2,949

**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	
		2021	2020
		\$000	\$000
Effect on net profit for the year / equity	+/-	10	14

**B7 Net Interest income/(costs)**

	Group	
	2021	2020
	\$000	\$000
Interest received	630	700
Total interest income	630	700
Interest paid on borrowings	(143)	(200)
Interest paid on bonds	(73)	(73)
Lease costs	(173)	(180)
Total interest expenses	(389)	(453)
<b>Net Interest income/(costs)</b>	<b>241</b>	<b>247</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	
	2021	2020
	\$000	\$000
Receivables from livestock sales	10,116	11,287
Finance receivables	5,142	3,583
<b>Total receivables</b>	<b>15,258</b>	<b>14,870</b>

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

	132	115
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Receivables written off during the year

	30	52
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The status of receivables at the reporting date is as follows:

	Not yet due	1 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	Total
	\$000	\$000	\$000	\$000	\$000
<b>Group receivables</b>					
2021					
Receivables from livestock sales	7,709	2,282	86	94	10,171
Credit loss allowance (livestock)	(16)	(6)	(2)	(31)	(55)
Finance receivables	5,192	-	-	27	5,219
Credit loss allowance (finance)	(68)	-	-	(9)	(77)
Net receivable	12,817	2,276	84	81	15,258
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

#### 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 Investments Held by Group

	2021	2020
	\$000	\$000
New Zealand Rural Land Company Limited	990	-
New Zealand Rural Land Management Partnership	3,302	-
Other Investments	5	-
<b>Total Investments</b>	<b>4,297</b>	<b>-</b>

#### New Zealand Rural Land Company Limited

In December 2020 Allied Farmers Limited acquired 900,000 shares at an issue price of \$1.25 per share in New Zealand Rural Land Company Limited for a total cost of \$1,125,000. This holding represented a 1.49% ownership in New Zealand Rural Land Company Limited as at 30 June 2021. These shares are equity investments, quoted in the active market, which the Group has elected to designate as a financial asset at fair value through other comprehensive income (FVOCI). The fair value of these shares as at 30 June 2021 is \$990,000.

	\$
Acquisition Cost 16 December 2020	1,125,000
Change in Value Credited to Other Reserves	(135,000)
At 30 June 2021	<u>990,000</u>

Allied Farmers Group

**New Zealand Rural Land Management**

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

<b>Summarised Balance Sheet</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Current Assets	2,011	-
Current Liabilities	(407)	-
<b>Net Assets</b>	<b>1,604</b>	<b>-</b>
<b>Summarised Statement of Profit or Loss</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Income	3,081	-
Expenses	(777)	-
<b>Profit</b>	<b>2,304</b>	<b>-</b>
<b>Reconciliation of Summarised Financial Information</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Profit for Period	2,304	-
Dividend	(700)	-
<b>Closing Net Assets</b>	<b>1,604</b>	<b>-</b>
<b>Increase in net assets</b>	<b>802</b>	<b>-</b>
<b>Reconciliation of Interest in Associate @ 30 June 2021</b>		
Cost of investment	2,500	-
Increase in Net Assets (50% of Profit for Period)	1,152	-
Less Dividend paid (50% of Dividend)	(350)	-
<b>Carrying Value 30 June 2021</b>	<b>3,302</b>	<b>-</b>

**C3 Property owned and leased (including Right Of Use assets)**

	<b>Group</b>					<b>2020</b>
	<b>2021</b>					
	<b>Land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cost at beginning of year	2,019	1,038	550	172	3,779	3,427
Additions	-	11	32	153	196	742
Disposals	-	-	(8)	(78)	(86)	(390)
Cost at end of year	2,019	1,049	574	247	3,889	3,779
Accumulated depreciation at beginning of the year	-	(423)	(288)	(30)	(741)	(960)
Depreciation	-	(62)	(85)	(4)	(151)	(121)
Disposals	-	-	-	(1)	(1)	340
Accumulated depreciation at end of year	-	(485)	(373)	(35)	(893)	(741)
Net value 2021	2,019	564	201	212	2,996	
Net Value 2020	2,019	615	262	142	3,038	
<b>Property leased</b>	<b>2021</b>		<b>2020</b>			
	<b>Property</b>	<b>Motor Vehicles</b>	<b>Property</b>	<b>Motor Vehicles</b>		
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>		
Opening	525	624	620	757		
Additions	-	1,411	-	451		
Less Disposals	-	(40)	-	-		
Less Amortisation	(95)	(446)	(95)	(584)		
<b>Total Right of use Asset</b>	<b>430</b>	<b>1,549</b>	<b>525</b>	<b>624</b>		
Current Right of Use Asset	92	306	95	246		
Non-Current Right of Use Asset	338	1,244	430	378		

**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.

## D. Group Structure

### In this section

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

#### D1 Subsidiaries and Associates

The 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.

		2021 Ownership interest	2020 Ownership interest
<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%
<b>Associates of the Parent</b>			
New Zealand Rural Land Management Partnership	Rural Property Management	50%	-

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

#### D2 Goodwill

	Group	
	2021	2020
<i>Cash generating units:</i>	\$000	\$000
Redshaw	642	642
NZFLFL	100	100
	742	742

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

#### Key Judgement

The assessment that there was no impairment of the goodwill in the Redshaw CGU ('cash generating unit') at 30 June 2021. 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.

	2021	2020
Revenue growth rate	2.0%	2.0%
Long term growth rate	2.0%	2.0%
Pre tax discount rate	12.6%	12.7%

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 2021 by approximately \$133,000 (2020: \$132,000).

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.

	2021	2020
Revenue growth rate	2.0%	1.6%
Pre tax discount rate	0.9%	0.8%

## Allied Farmers Group

### **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).

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 and this was supported by an independent valuation undertaken during the period.

### **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.

	<b>Group's Share of Profit</b>	<b>Group's Share of Assets</b>	<b>Group's Share of Liabilities</b>	<b>Group's Share of Revenues</b>	<b>Group's Share of Expenses</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2021</b>	<b>0</b>	<b>386</b>	<b>(39)</b>	<b>616</b>	<b>(616)</b>
<b>2020</b>	<b>54</b>	<b>354</b>	<b>(39)</b>	<b>510</b>	<b>(456)</b>

## 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 and an associated entity outlined in Section D.

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

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

	Group	
	2021	2020
Short term employee benefits	\$000	\$000
Directors fees	523	504
	219	210

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

	Group	
	2021	2020
<b>Transactions</b>	\$000	\$000
Livestock sales	368	506
Livestock purchases	447	669
Commission revenue	22	36
Consultant Fees	-	13
Dividends received as minority shareholders of NZFL	119	73

	Group	
	2021	2020
Amount receivable from KMP	5	36
Amount payable to KMP	70	106
Bonds on issue - (holder Mark Benseman retired as a Director on 19 November 2020)	600	600

No debts with key management personnel were written off during the year (2020: nil)

Consulting fees paid to entities associated with directors on an arms length basis total \$135,684 (2020 \$66,995)

Consulting fees together with a share of distribution (due to its 16.5% shareholding) were paid by NZ Rural Land Management Partnership to Elevation Capital Management Limited, a company associated with Mr Christopher Swasbrook who is a director of Allied Farmers Limited. During the year, these totalled \$179,843 (2020 Nil). These were on commercial terms in accordance with a contract for service.

Allied Farmers 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 2021 the total of these funds lent to NZ Farmers Livestock Limited was \$550,000 (2020: \$614,000 lent by Allied Farmers Rural Limited).

	Group	
	2021	2020
<b>E2 Auditors' remuneration</b>	\$000	\$000
Audit fees - KPMG	180	165
Fees for other services - KPMG	25	73
Direct expenses associated with the audit	14	15
<b>Total</b>	<b>219</b>	<b>253</b>

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

## 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 2021.

These Consolidated Financial Statements ("Financial Statements") have been approved for issue by the Board of Directors on 30th August 2021.

### Statement of compliance and basis of preparation

The financial statements have been prepared:

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

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

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

### 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. The accounting policies have been consistently applied to the periods in these financial statements. Where the presentation and structure of the financial statements has changed comparative figures have been amended to align with the current year 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 D2      Goodwill impairment assessment



# 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'), its subsidiaries and associates (the 'group') on pages 1 to 14:

- i. present fairly in all material respects the Group's financial position as at 30 June 2021 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 2021;
- the consolidated statements of profit and loss, other comprehensive income, 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 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 financial reporting systems, processes and controls, and the industry in which it 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 entities 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 \$211,000 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 matters

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 matters and our key audit procedures to address the matters 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

#### Allied Farmers – Livestock agency revenue recognition (\$12.9m - refer to note A1)

The Allied Farmers group has a number of revenue streams including livestock agency services, veal processing and livestock financing.

Livestock agency services commission is considered to be a key audit matter given the volume of transactions and the impact on the financial statements of the determination of net or gross presentation (i.e. as either principal or agent).

Our audit procedures included:

- Assessing the Group's revenue recognition policy for consistency with the requirements of NZ IFRS 15 Revenue from Contracts with Customers, specifically whether the commission revenue should be recognised on a principal (gross) or agency (net) basis.
- Examining the processes and related controls undertaken to recognise livestock agency revenue.
- Assessing the commissions calculated on livestock agency transactions including:
  - Comparing the commission rate applied against the standard company rates (by livestock type); and
  - Recalculating the agency commission and comparing this against the amount presented as commission revenue.
- Agreeing a sample of livestock agency transactions to the underlying purchase and sale agreements and subsequent cash receipt and payment.
- Assessing the appropriateness of the timing of revenue recognition by agreeing a sample of pre and post year end transactions to supporting evidence.

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 may include 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.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

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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.

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## **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.
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## **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

A handwritten signature in black ink, appearing to read 'Sonia Isaac', written in a cursive style.

KPMG  
Wellington

30 August 2021