



Annual Report

for the period ended 30 June 2021

www.alliedfarmers.co.nz

Listed on:



CONTENTS

SECTION **1**
HISTORY
01 History

SECTION **2**
BUSINESS
OVERVIEW
02 Business Overview

SECTION **3**
CHAIR
REPORT
04 Chair Report

SECTION **4**
INVESTMENT
REPORT
06 NZFL
12 NZRLM

SECTION **5**
DIRECTORS
13 Directors

SECTION **6**
STATUTORY
DISCLOSURES
16 Statutory Disclosures

SECTION **7**
CONSOLIDATED
FINANCIAL
STATEMENTS
25 Consolidated Financial Statements

SECTION **8**
INDEPENDENT
AUDITOR'S
REPORT
40 Independent Auditor's Report

SECTION **9**
COMPANY
DIRECTORY
45 Company Directory

This report is dated 9 September 2021 and is signed on behalf of the Board of Allied Farmers Limited:



Richard Perry - Chair



Marise James - Director

HISTORY



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

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

SECTION 2 BUSINESS OVERVIEW

Our Business:

Allied Farmers is a NZX-listed investment company with two principal investments in the rural sector: livestock services company - NZ Farmers Livestock Limited; and asset manager - New Zealand Rural Land Management Limited Partnership, the contracted manager of NZX listed rural landowner New Zealand Rural Land Company Limited.

Livestock Services:

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

Livestock agency is NZFL's core business, generating commission revenue from the marketing, purchase and sale of livestock on behalf of clients. At its core are trusted client relationships and rural networks, (increasingly digital) marketing tools, and infrastructure such as saleyards and online auction technology. NZFL's agents provide a depth of livestock and market expertise, broad contact networks, price discovery and market intelligence. These services are augmented by its processed veal export and livestock lending activities.

New Zealand Rural Land Management:

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

NZRLM is the external manager of New Zealand Rural Land Company Limited (NZL), which successfully listed on the NZX in December 2020 after having raised \$75 million in an Initial Public Offering (IPO).

Allied Farmers supported the NZL IPO by acquiring 900,000 shares at an issue price of \$1.25 per share (\$1,125,000).

The other owners of NZRLM are entities associated with the contracted management of NZRLM (Elevation Capital Management Limited, Richard Milsom and Haydon Dillon) and investors Clyde and Rena Holland who also own ~9.9% of NZL.

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

Allied Farmers Strategy Refresh:

Allied Farmers is now one of the only NZX listed investment companies focused solely on the agricultural sector.

Allied Farmers's recent investment in NZRLM means that it is no longer simply the major shareholder of NZFL. Accordingly, the NZRLM investment has provided the opportunity for Allied Farmers to review and update its strategy to emphasise its role as an investment company that is currently focused on supporting and growing its NZFL and NZRLM investments.

In addition, Allied Farmers's has decided that rural lending (which is solely focused on livestock finance) will continue to reside and expand within NZFL.

Consistent with its strategy, Allied Farmers will continue to look to other opportunities within the agricultural sector and continue to optimise and expand its current investments, further reduce debt and operating costs, and continue to improve its communications to the market and its shareholders.

Tax Losses:

Allied Farmers has tax losses as at 30 June 2021 which amount to \$40,568,976.

These losses are subject to shareholder continuity which is currently estimated at approximately 80% and is closely monitored by the company.

Five Year Earnings Summary:

Financial Year Ending 30 June	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Allied Farmers Net Profit After Tax (NPAT) - attributable to Allied Farmers shareholders - \$ 000's	2,021	767	1,258	1,535	1,552
Allied Farmers Earnings Per Share – cents per share	7.02	4.30	7.58	9.51	9.61
Allied Farmers Dividend Per Share – cents per share	-	1.2	2.0	2.0	2.0
Comprising					
NZFL incl. Finance - earnings attributable to Allied Farmers shareholders* - \$ 000's	1,370	1,175	1,764	1,663	1,794
NZRLM - earnings attributable to Allied Farmers shareholders - \$ 000's	1,152	-	-	-	-
Asset Management (Legacy Finance Co's) - \$ 000's	-	-	-	449	30
Allied Farmers Holding Co (Parent)** - \$ 000's	(501)	(408)	(506)	(577)	(272)
Allied Farmers NPAT - attributable to Allied Farmers shareholders - \$ 000's	2,021	767	1,258	1,535	1,552

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

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

SECTION 3 CHAIR REPORT

The Directors of Allied Farmers 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 (FY2020 \$1.099 million), with an audited net profit after tax attributable to Allied Farmers’ shareholders of \$2.021 million (FY2020 \$0.767 million) which was a +163% increase from the previous year.

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

Segmental Contribution attributable to Allied Farmers’ Shareholders (\$ 000’s)	FY 2021	FY 2020
NZFL + Finance	1,370	1,175
NZRLM	1,152	-
Allied Farmers (Parent)	(501)	(408)
Allied Farmers NPAT	2,021	767

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 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. 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 \$1.152 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, 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 \$1.0 million Bond which term expires in September 2021, thereby lowering debt and funding costs in the year now underway.

Having completed a strategy refresh, Allied Farmers will continue to optimise and invest in its existing businesses and evaluate new opportunities. The refresh 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 Annual Meeting 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 NZFL and NZRLM teams over the last year, which had the added uncertainty of the Covid environment.



Richard Perry - Chair

SECTION 4 INVESTMENT REPORT

NZ FARMERS LIVESTOCK

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

The 2020/21 year saw New Zealand farming rise to the challenges of a severely Covid-affected world, and the NZFL team were pleased to work with farmers for farmers to support that effort. The business remains heavily focused on supporting livestock farmers going to market, building the relationships and confidence that support that, and on bringing valued support tools to all involved.

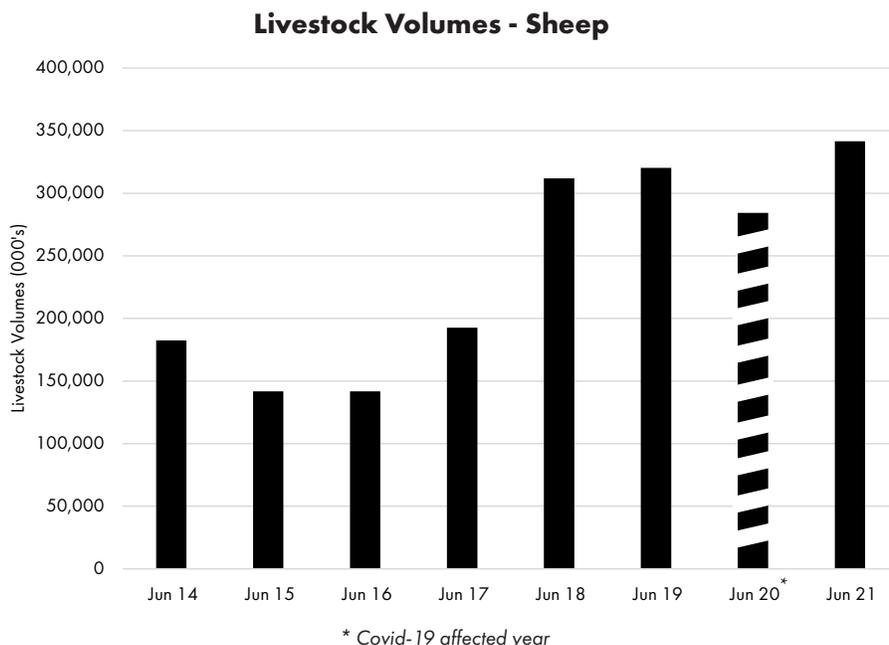
The business, like most livestock farmers, is enjoying the benefits of relatively buoyant sheep prices, beef prices improving from a good base, strong dairy prices, and farms sales are seeing some upward movement.

Agency:

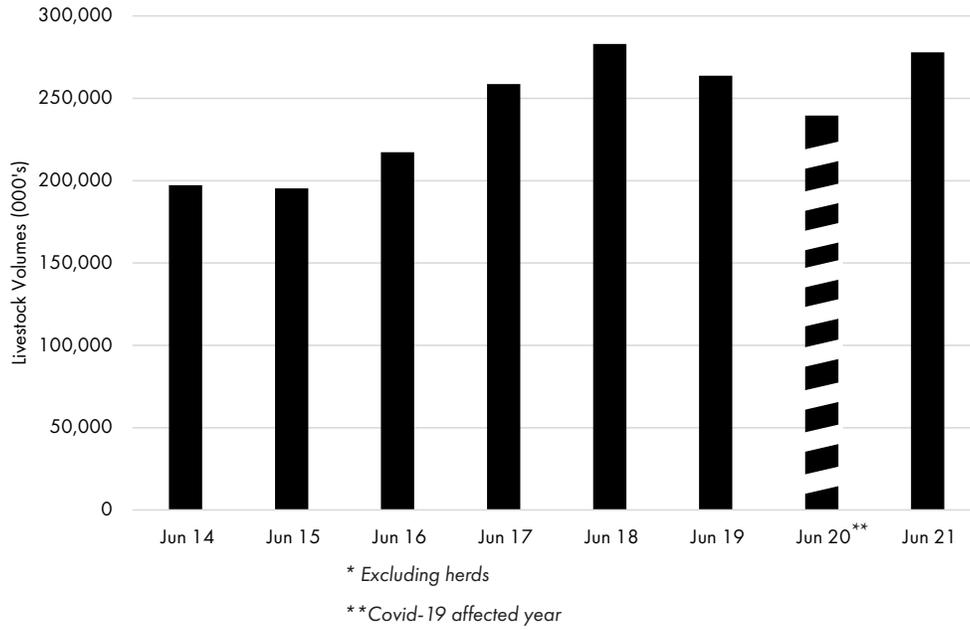
Despite the lockdown impacts early in the period, and the winter challenges faced in some areas, the agency business has recovered from the Covid, drought, and M Bovis impacted prior year. This improvement essentially offset the impact of the negative effect of Covid on our veal business.

The agency result reflected a creditable performance across all operating regions. While Waikato and Taranaki remain the major contributors, we are very happy with the positioning of the livestock teams across New Zealand, and NZFL will focus on its goal to grow market share and agent teams.

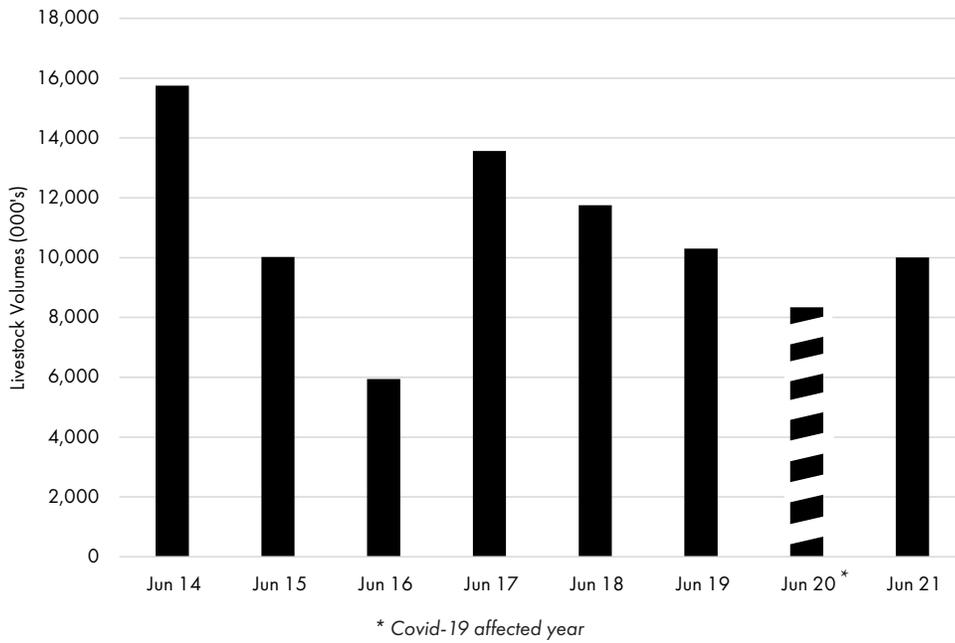
The following graphs include Redshaw Livestock Limited (52% owned by NZFL).



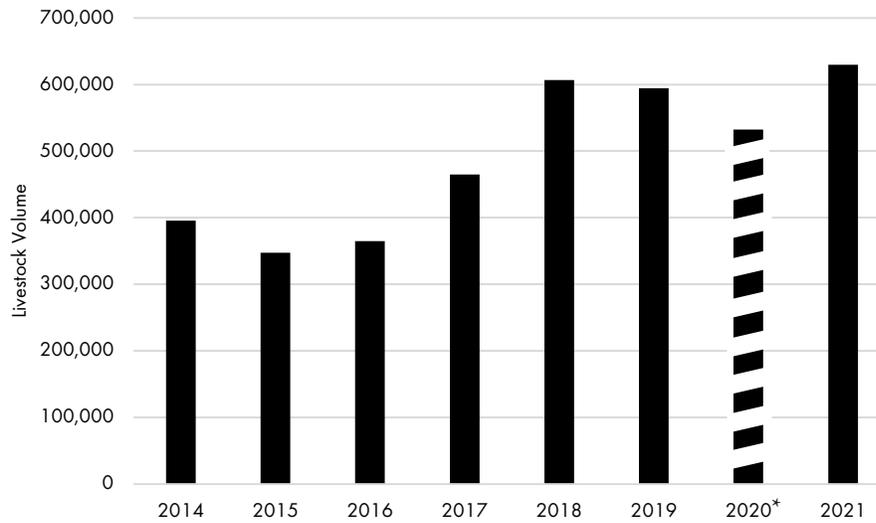
Livestock Volumes - Cattle*



Livestock Volumes - Herds



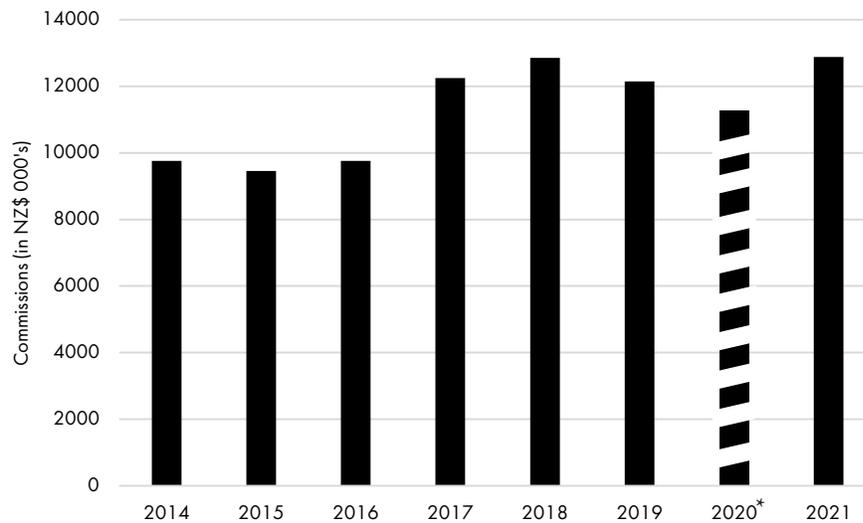
NZFL Group Livestock Volumes



Year	2014	2015	2016	2017	2018	2019	2020*	2021
NZFL Group Livestock Volume	395,549	347,110	364,905	464,893	606,740	594,314	532,121	629,507

* Covid-19 affected year

NZFL Group Commissions



Year	2014	2015	2016	2017	2018	2019	2020*	2021
NZFL Group Commissions (in NZ\$ 000's)	9,755	\$9,456	\$9,755	\$12,246	\$12,852	\$12,141	\$11,267	\$12,875

* Covid-19 affected year

Veal:

Higher value veal cuts saw similar demand/pricing impacts to those reported for other higher value foodservice meats, and skin values were impacted by the reduced demand for related luxury goods. This reduced veal business performance followed a very strong 2019/20 year despite slightly higher headage.

Saleyards:

The business sees a critical role for saleyards, and recognises the need for innovation and quality execution to meet the growing operational and compliance requirements, to better integrate with the wider value chains, and to ensure optimal utilisation of these assets. This will be a continued focus for the business in the year ahead.

NZFL’s owned saleyards are detailed below:

Saleyard Locations	Ownership
Frankton (Waikato)	50%
Rongotea (Manawatu)	100%
Stratford (Taranaki)	50%
Te Kuiti (King Country)	33%
Raglan (Waikato)	33%

NZFL also operates from other sales yards around New Zealand being: Morrinsville, Stortfold Lodge, Temuka, Matakohe, and various minor and on-farm yards.

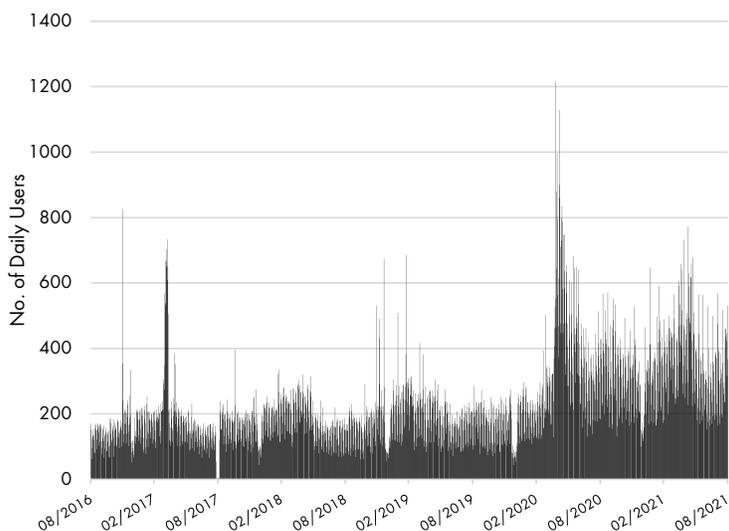
Digital:

MyLiveStock

NZFL has continued investment in its MyLiveStock web, app and live auction platforms. Most notably, we recently launched an industry-leading app interface to all platforms, that will put ready access in the hands of agents and farmers, on-farm, in the saleyard or anywhere in this increasingly connected world.

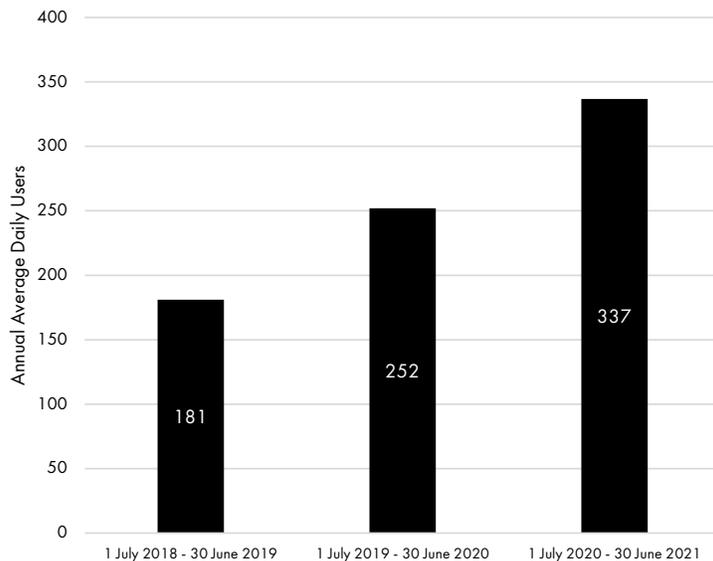
The app will support listings where there is no internet or mobile coverage, and will automatically synchronise on the return to coverage. We have rolled out the live auction platform wherever possible to all major yards and most on-farm sales we conduct. This enables the app to support yard activities, and provides participants with a convenient and reliable tool that they can use with confidence.

MyLiveStock - No. of Daily Users*



* Daily users are those who have initiated at least one session on the website from any device including mobile phones.

MyLiveStock - Annual Average Daily Users



Period	1 July 2018 - 30 June 2019	1 July 2019 - 30 June 2020	1 July 2020 - 30 June 2021
Average Daily User Growth Rate	+7%	+39%	+34%

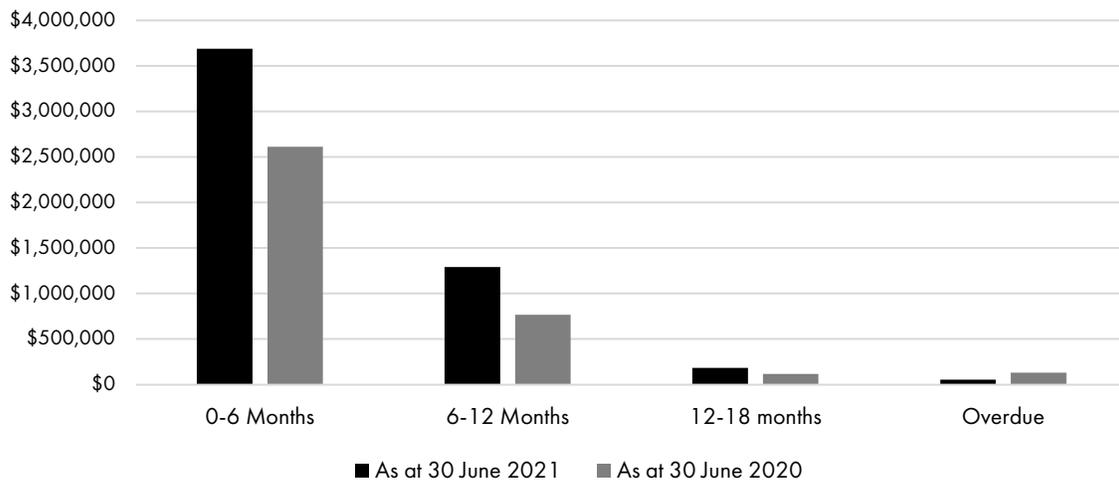
Livestock Finance:

Livestock financing has continued a relatively consistent level of contribution. This business continues to support and integrate well with our livestock agency business.

Our livestock finance business has undergone rigorous (and independent) strategic review. This has confirmed an intention, given the close agency alignment, to build our finance offering within NZFL, and initially target a \$10 million loan book over the next two to three years. The lamb plan lending initiative and a range of digital and other promotions are contributing well. The business continues to review refinement and funding options that will support this development.

The graph and table below details a breakdown of the loan book size and age profile of loans:

Loan Book Size & Age Profile



	0-6 Months	6-12 Months	12-18 months	Overdue	TOTAL (prior to provisioning)
As at 30 June 2021	\$3,688,767	\$1,290,205	\$184,316	\$56,047	\$5,219,335
As at 30 June 2020	\$2,610,864	\$766,693	\$118,319	\$132,305	\$3,628,181

People and Environment:

The business continues to implement a number of staff support initiatives, including a major focus on health and safety, and to further develop our team and workplace. Animal handling and driving safety remain primary areas of focus.

The business has continued its efforts as a Biosecurity Pledge signatory, focused around supporting NAIT development and execution. It also actively participates in NZ Stock and Station Agents Association efforts to ensure appropriate industry regulation, to support and guide more recent OSPRI work seeking to formalise regulation of the industry, and to guide the development of the industry's contribution to NZ farming.

NZFL Outlook:

NZFL plans to deepen its presence nationally, with ongoing digital innovation, and relevant further yard accesses. This includes work to further support livestock transport coordination, effort to reduce the documentation and process requirements around livestock sale and purchase, ongoing effort to improve the provision of information to prospective purchasers, and app-based access to on-line client account history.

We particularly highlight our appreciation of the team efforts that have delivered this development and result, and positioned the group for further diversification and growth.

NEW ZEALAND RURAL LAND MANAGEMENT LTD

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

NZRLM is the external manager of NZX listed New Zealand Rural Land Company (NZL).

NZL was formed for the purpose of acquiring rural land across the New Zealand agricultural sector. NZL is an agricultural sector landlord only, and leases the rural land that it acquires to experienced tenants under long term leases. Tenants, not NZL, undertake the on-land agricultural operations and pay rental to NZL.

As at the date of this Annual Report NZL has acquired approximately \$143 million of rural land in the South Island utilising equity funds it had raised in its IPO (plus a subsequent rights issue), and via a debt facility with Rabobank.

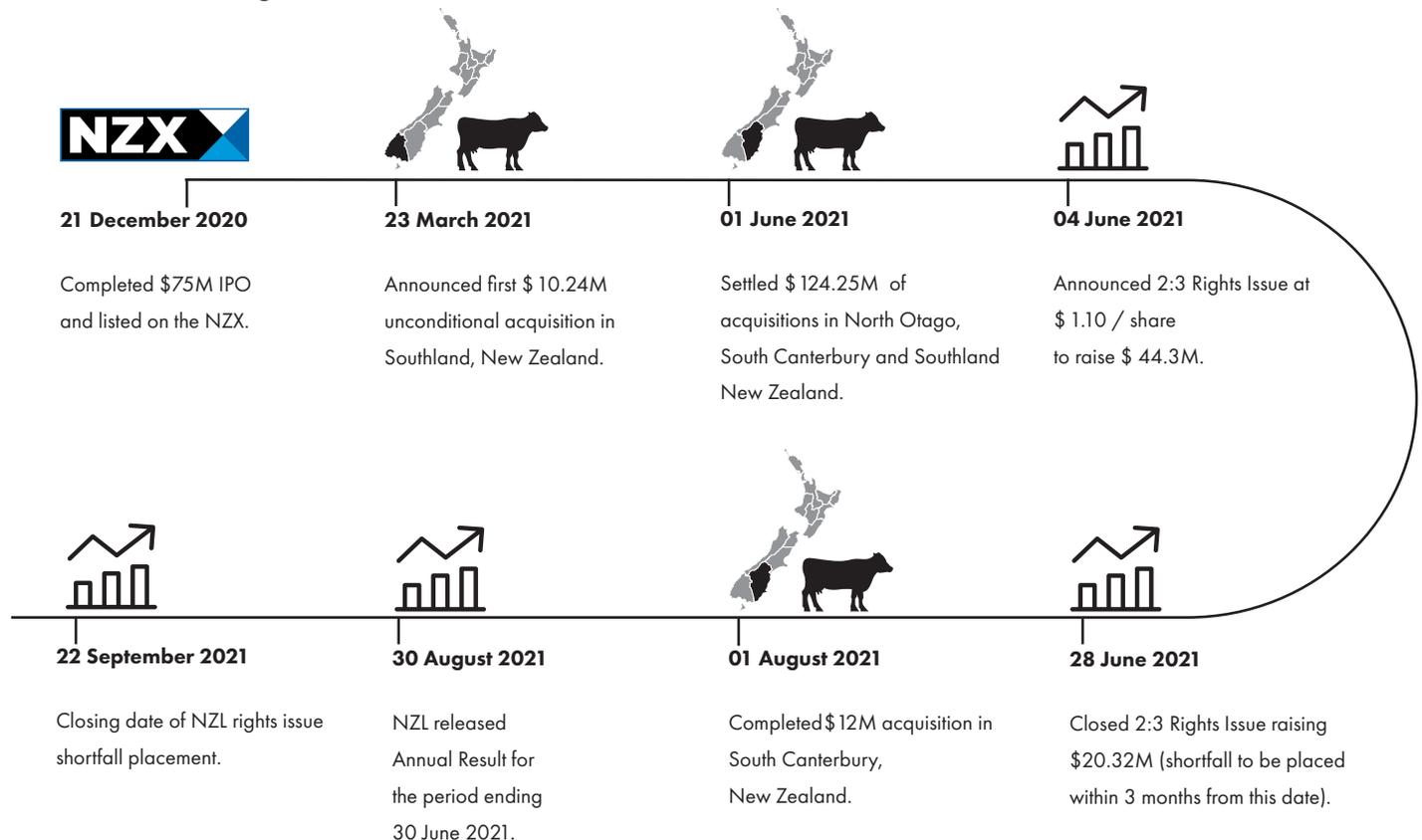
NZL has a management agreement with NZRLM to provide NZL with management, investment and administrative services. In consideration for these services NZL receives:

- A management fee of 0.5% per annum of Net Asset Value;
- An acquisition/divestment fee of 1.25% of transaction values;
- A \$30,000 lease fee per lease put in place; and,
- A performance fee of 10% of Net Asset Value Growth (if any) on an annual basis – paid in shares at the prevailing Net Asset Value, with 50% of these shares escrowed for five years.

NZRLM delivered earnings of \$1,152,000 to Allied Farmers for the year ending 30 June 2021 following its investment of \$2.5 million (see Note C2 of the Financial Statements).

NEW ZEALAND RURAL LAND CO

Timeline Since Listing:



SECTION 5 DIRECTORS

Richard Perry - Chair

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

Marise James - Lead Independent Director

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

Philip Luscombe - Independent Director

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

Christopher Swasbrook - Non-Independent Director

Chris is one of the founders and directors of New Zealand Rural Land Management and NZX-listed New Zealand Rural Land Company. He is also the founder and managing director of Elevation Capital Management Limited. He was previously a Partner of Goldman Sachs JBWere Pty, co-head of institutional equities at Goldman Sachs JBWere (NZ) and a foundation broker of the New Zealand Exchange (“NZX”). Before that he was an Individual Full Member of the NZ Stock Exchange (“NZSE”). He has been a board member of the Financial Markets Authority since 2019, the NZX Listing Sub-Committee since 2008, a member of the NZ Markets Disciplinary Tribunal since 2013 and an Advisory Board Member of the Auckland Art Gallery Toi o Tamaki. He is also a director of Bethunes Investments Limited and Swimtastic Limited. Mr. Swasbrook is not an independent director as he is an Associated Person of an Allied Farmers’s Substantial Product Holder. Chris graduated from the University of Auckland with a BCom (Economics) in 1996, and has undertaken further study at the University of Auckland, Columbia University (New York), New York University (NYU), London School of Economics (LSE) and the Harvard Kennedy School in Boston, Massachusetts

Note: Former Director Mark Benseman resigned from the Board with effect from 19 November 2020, and former Director Ross Verry resigned from the Board with effect from 15 July 2021.

Director Independence:

As at 30 June 2021, Marise James and Philip Luscombe are considered by the Board to be independent directors. Former Director Ross Verry was also considered to be an independent director. They are/were considered to be independent due to the following factors:

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

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

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

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

SECTION 6 STATUTORY DISCLOSURES

Statutory Disclosures:

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

Disclosure of Interest:

Pursuant to section 140 of the Companies Act 1993, the following changes in interests were disclosed during FY21 (excluding directorships of wholly owned subsidiaries) in the Interests Register:

Name	Entity	Relationship/Disclosure
Marise James	NZ Rural Land Management GP Ltd Southern Cross Pet Insurance	Director Chair
Richard Perry	Deep Creek Fruits LP and GP Ltd Biolumic Limited External Reporting Advisory Panel NZ Accounting Standards Board	Director and Shareholder Part time CFO Resigned as Member Board Member
Christopher Swasbrook	Financial Markets Authority NZ Rural Land Management LP and GP NZ Rural Land Company Ltd Elevation Capital Management Ltd NZX Listing Sub-Committee NZX Markets Disciplinary Tribunal Bethunes Investments Ltd Swimtastic Ltd	Board Member Partner and Shareholder Director and Shareholder Director and Shareholder Member Member Director & Shareholder Director
Philip Luscombe	Riverview Dairy Ltd Allangrange Farming Ltd McCallbraes Dairy Ltd	Director Director Director

Directors' Share Trading and Holdings:

Directors and former directors disclosed the following acquisitions and disposals of relevant interests in Allied Farmers Limited shares during FY21 pursuant to section 148 of the Companies Act 1993.

Director	Date(s)	Details
Mark Benseman	18 - 29 January 2021	On market sale of 182,686 ordinary shares for an average price of 57cps
	19 - 24 March 2021	On market sale of 20,000 ordinary shares for an average price of 53cps
	15 - 19 April 2021	On market sale of 10,419 ordinary shares for an average price of 54cps
	30 April - 3 May 2021	On market sale of 44,684 ordinary shares for an average price of 64cps
	21 May - 2 June 2021	On market sale of 182,686 ordinary shares for an average price of 58cps
Christopher Swasbrook	18 December 2020	Allotment of 2,455,025 ordinary shares in partial consideration for the sale of interests in NZ Rural Land Management Partnership to Allied Farmers
	14 January 2021	Allotment of 294,975 ordinary shares in partial consideration for the sale of interests in NZ Rural Land Management Partnership to Allied Farmers

As at 30 June 2021 directors, or entities related to them, held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Allied Farmers Securities as follows:

Name	Number of shares and percentage of shares on issue
Christopher Swasbrook	2,750,000 (9.55%)
Philip Luscombe	15,557 (0.000054%)

Directors' Fees:

Director	2021	2020
Philip Luscombe	\$45,000	\$45,000
Andrew McDouall	-	\$72,667 ¹
Mark Benseman	\$11,731 ²	\$49,500
Marise James	\$48,750	\$40,000
Richard Perry	\$60,000	\$35,000
Ross Verry	\$35,000 ³	\$26,250
Christopher Swasbrook	\$18,846	-
Total	\$219,327	\$268,417

Directors other Remuneration:

Director	2021	2020
Marise James ⁴	\$3,260	\$11,093
Richard Perry ⁵	\$121,687	\$56,500
Total	\$124,947	\$67,593

¹ Includes a retirement allowance of \$58,917.

² Resigned on 19 November 2020.

³ Resigned on 15 July 2021.

⁴ Baker Tilly Staples Rodway, a firm in which Marise James is a Partner provided HR and tax consulting services to the Allied Group.

⁵ Waimatai Group Limited, a company associated with Mr Perry, provided services to the Allied Group.

SECTION 6. STATUTORY DISCLOSURES

Shareholders approved a cap on directors' fees of \$332,000 p.a. at the 2007 Annual Meeting. This cap includes all directors' fees paid in relation to Group subsidiary companies as well as for the Parent. In addition to the above payments, Oliver Carruthers, a director of NZ Farmers Livestock Limited received total remuneration and benefits from NZ Farmers Livestock Limited of \$201,312, and Simon Williams, a director of NZ Farmers Livestock Limited and NZ Farmers Livestock Finance Limited, received total remuneration and benefits from NZ Farmers Livestock Limited of \$106,961. In neither case did this remuneration and benefits include any director's fees.

Particular Disclosures:

Bonds:

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

NZ Rural Land Management:

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

General:

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

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

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

Further information on related party transactions is set out in E1 of the FY 2021 Financial Statements.

CEO Remuneration:

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

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

Financial Year	Salary	Benefits	Performance - Short-term Incentive	Total Remuneration
FY 2021	\$255,487	\$11,458	\$37,680.00 being 63% of maximum achievable from FY20	\$304,625
FY 2020	\$255,266	\$11,134	\$47,949.00 being 77% of maximum achievable from FY19	\$314,349

Employee Remuneration:

The number of employees whose remuneration and benefits were over \$100,000 for FY21 is within the specified bands as follows:

Remuneration Range		2021	2020
100,000	110,000	4	4
110,001	120,000	4	4
120,001	130,000		5
130,001	140,000		1
140,001	150,000	2	
150,001	160,000	1	
160,001	170,000	1	1
170,001	180,000		1
180,001	190,000	1	2
190,001	200,000	3	3
200,001	210,000	1	4
210,001	220,000	3	
220,001	230,000		
230,001	240,000	1	1
240,001	250,000		
250,001	260,000		
260,001	270,000		
270,001	280,000		
280,001	290,000		
290,001	300,000		
300,001	310,000	1	
310,001	320,000		1
320,001	330,000		
Total		22	27

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

Substantial Product Holders:

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

Holder	Relevant Interest	Date of Notice
Elevation Capital Management Limited	2,750,000 (9.55%)	14 January 2021
Stockmans Holdings Limited	2,594,026 (9.01%)	24 December 2020

Subsidiary Companies:

Directors of subsidiary companies as at 30 June 2021 were as follows:

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

Shareholder Information:

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

Twenty Largest Registered Shareholders:

The shareholder information in the following disclosures has been taken from the Company's share register at 4 August 2021.

Rank	Investor Name	Total Shares	% Issued Capital
1	Elevation Capital Management Limited	2,750,000	9.55
2	Stockmans Holdings Limited	2,594,026	9.01
3	Custodial Services Limited	1,254,369	4.35
4	Albany Braithwaite Holdings Limited	1,234,953	4.29
5	Hopeton Trustee Company Limited	1,000,000	3.47
5	Richard Milsom	1,000,000	3.47
6	Donald Clifton Jacobs	831,050	2.88
7	Deborah Lee Seerup	600,001	2.08
8	Geoffrey Richard Field Seerup	600,000	2.08
9	New Zealand Depository Nominee	589,774	2.05
10	Glenn Leslie Ballinger	458,667	1.59
11	Raoul John Daroux	348,000	1.21
12	Caspar Petrus Alydis Van Den Broek	333,334	1.16
13	Garry Charles Bluett	313,000	1.09
14	Ronald Alfred Brierley	303,159	1.05
15	Ross Phillip Drew	288,000	1.00
16	Fortune Capital Group Limited	284,167	0.99
17	Jade NZ Limited	263,976	0.92
18	Rpmilsom Investments Limited	250,000	0.87
19	Colin Stuart Loveday	229,000	0.79
20	FNZ Custodians Limited	216,496	0.75

Analysis of Shareholding:

Range	Holders	Holders %	Issued Capital	Issued Capital %
1-1,000	1,552	60.72	602,237	2.09
1,001-5,000	486	19.01	1,236,068	4.29
5,001-10,000	192	7.51	1,435,582	4.98
10,001-50,000	258	10.09	5,514,944	19.14
50,001-100,000	32	1.25	2,347,863	8.15
Greater than 100,000	36	1.41	17,669,740	61.34

Diversity and Gender:

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

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

The Board considers that these objectives have been met.

As at 30 June 2021, females represented 20% (FY20: 20%) of Directors and 20% (FY20: 25%) of Officers of Allied Farmers. Officers are defined as being the Chief Executive Officer and specific direct reports of the CEO having key functional responsibility. Subsequent to the resignation of Ross Verry as a Director in July 2021, females currently represent 25% of the Directors.

	Current Year		Previous Year	
	Male	Female	Male	Female
Number of Directors	4	1	4	1
Percentage of Directors	80%	20%	80%	20%
Number of Officers	4	1	3	1
Percentage of Officers	80%	20%	75%	25%

Shareholder Enquiries:

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

Annual Meeting of Shareholders:

Allied Farmers Limited's Annual Meeting of shareholders is proposed to be held at the offices of Link Market Services (Level 30, PWC Tower, 15 Customs Street West, Auckland) on Wednesday, 24 November 2021 from 11am. A Notice of Annual Meeting and Proxy Form will be circulated to shareholders prior to the meeting.

Dividends Paid:

A fully imputed per share of \$0.012 per share (2020: \$0.02) was paid to eligible shareholders on 15 January 2021.

SECTION **7** CONSOLIDATED
FINANCIAL STATEMENTS

Profit and Loss Statement

For the Year Ending 30 June 2021

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

Statement of other Comprehensive Income

For the Year Ending 30 June 2021

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

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

Statement of Cash Flows

For the Year Ending 30 June 2021

	Note	Group	
		2021	2020
Cash flows from/(to) operating activities		\$000	\$000
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)
Net cash flow from operating activities		4,501	767
Cash flows from/(to) investing activities			
Decrease (Increase) in finance receivables NZ Farmers Livestock Finance Ltd/Rural Financial SolutioNZ 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)
Net cash flow from/(used in) investing activities		(878)	322
Cash flows from/(to) financing activities			
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)
Net cash flow used in financing activities		(1,167)	(1,304)
Net movement in cash and cash equivalents		2,456	(215)
Opening cash and cash equivalents		2,086	2,301
Closing cash and cash equivalents	B3	4,542	2,086
Reconciliation of Profit to Cash Surplus from Operating Activities			
Profit for the year		2,576	1,218
<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	-
		35	736
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)
Cash flow from operating Activities		4,501	767

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

Balance Sheet

As at 30 June 2021

	Note	Group	
		2021	2020
		\$000	\$000
Equity			
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
Total equity		13,571	6,390
Liabilities			
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
Total current liabilities		14,937	14,086
Bank borrowings and bonds	B4	669	2,122
Finance receivables bank borrowings	B4	625	925
Lease Liabilities	B5	1,534	732
Total non-current liabilities		2,828	3,779
Total liabilities		17,765	17,865
Total liabilities and equity		31,336	24,255
Assets			
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
Total current assets		20,097	18,320
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
Total non-current assets		11,239	5,936
Total assets		31,336	24,255

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
Balance at 1 July 2019	153,018	(148,609)	-	4,409	1,359	5,768
Profit after tax for the year	-	767	-	767	451	1,218
Total comprehensive income for the year	-	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	-	-	-	-	-	-
Total transactions with owners	-	(368)	-	(368)	(228)	(596)
Balance at 30 June 2020	153,018	(148,210)	-	4,808	1,582	6,390
Balance at 1 July 2020	153,018	(148,210)	-	4,808	1,582	6,390
Profit after tax for the year	-	2,021	-	2,021	555	2,576
Revaluation of Equity Securities (refer Note C2)	-	-	(135)	(135)	-	(135)
Total comprehensive income for the year	-	2,021	(135)	1,886	555	2,441
Dividends paid	-	(214)	-	(214)	(204)	(418)
AFL Purchase Minority Shareholders Shares	-	(28)	-	(28)	-	(28)
AFL Shares issued in purchase of New Zealand Rural Land Management Limited Partnership	2,500	-	-	2,500	-	2,500
Pro rata renounceable rights issue	2,686	-	-	2,686	-	2,686
Total transactions with owners	5,186	(242)	-	4,944	(204)	4,740
Balance at 30 June 2021	158,204	(146,431)	(135)	11,638	1,933	13,571

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
Total Income		20,696	443	1,152	-	22,291
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
Total Expenses		18,550	132	-	739	19,421
Finance Costs	B7	(195)	(121)	-	(73)	(389)
Profit/(loss) before tax		1,951	190	1,152	(812)	2,481
Income tax (expense) / benefit		-	-	-	-	95
Profit/(loss) after tax						2,576
Current Assets		14,450	5,142	-	505	20,097
Non Current Assets		6,847	100	3,302	990	11,239
Assets		21,297	5,242	3,302	1,495	31,336
Current Liabilities		13,345	351	-	1,241	14,937
Non Current Liabilities		2,203	625	-	-	2,828
Liabilities		15,548	976	-	1,241	17,765

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
Total Income		20,276	485	-	-	20,761
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
Total Expenses		18,367	123	-	719	19,209
Finance Costs	B7	(230)	(150)	-	(73)	(453)
Profit/(loss) before tax		1,679	212	-	(792)	1,099
Income tax (expense) / benefit		-	-	-	-	119
Profit/(loss) after tax						1,218
Current Assets		14,633	3,583	-	104	18,320
Non Current Assets		5,836	100	-	-	5,936
Assets		20,468	3,683	-	104	24,255
Current Liabilities		12,396	1,572	-	118	14,086
Non Current Liabilities		1,854	925	-	1,000	3,779
Liabilities		14,250	2,497	-	1,118	17,865

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. Fees charged to customer accounts in arrears are recognised as income at the time the fees are charged.

A2 Taxation

	Group	
	2021	2020
Current tax expense		
Current income tax expense (benefit)	68	(102)
Deferred tax expense (benefit)	(163)	(17)
Total income tax expense (benefit) in income statement	(95)	(119)
Income tax expense calculation		
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)
Income tax expense (benefit)	(95)	(119)

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
Share capital (\$000)	158,204	153,018
Number of shares issued and fully paid (000's)		
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	28,807	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
Net cash and cash equivalents	(900)	(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%
	Total debt funding	1,747	1,294	-	
2020	Finance receivables bank borrowings	300	925	-	4.35%
	Bank borrowings	441	1,122	-	4.35%
	Bonds	-	1,000	-	7.30%
	Total debt funding	741	3,047	-	

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				
		< 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	642
	Bank borrowings	1,116	1,167	249	249	669
	Bonds	1,000	1,018	1,018	-	-
	Lease liabilities	2,133	1,707	340	316	1,051
	16,626	16,328	13,232	734	2,362	
2020	Trade and other payables	11,779	11,779	11,779	-	-
	Finance receivables bank borrowings	1,225	1,235	150	150	935
	Bank borrowings	1,563	1,678	256	255	1,167
	Bonds	1,000	1,090	36	1,054	-
	Lease liabilities	1,325	1,424	352	225	847
	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)
Net Interest income/(costs)	241	247

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
Total receivables	15,258	14,870

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

	132	115
--	-----	-----

Receivables written off during the year

	30	52
--	----	----

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

	Not yet due	1 - 30 days	31 - 60 days	61 - 90 days	Total
		overdue	overdue	overdue	
	\$000	\$000	\$000	\$000	\$000
Group receivables					
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	-
Total Investments	4,297	-

New Zealand Rural Land Company Limited

In December 2020 Allied Farmers Limited acquired 900,000 shares at an issue price of \$1.25 per share in New Zealand Rural Land Company Limited. The total cost was \$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.

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

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

	Group					2020
	2021					
	Land	Buildings	Plant and equipment	Motor Vehicles	Total	Total
Cost at beginning of year	\$000	\$000	\$000	\$000	\$000	\$000
Additions	2,019	1,038	550	172	3,779	3,427
Disposals	-	11	32	153	196	742
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	
Property leased	2021		2020			
	Property	Motor Vehicles	Property	Motor Vehicles		
Opening	\$000	\$000	\$000	\$000		
Additions	525	624	620	757		
Less Disposals	-	1,411	-	451		
Less Amortisation	-	(40)	-	-		
Total Right of use Asset	(95)	(446)	(95)	(584)		
Current Right of Use Asset	430	1,549	525	624		
Non-Current Right of Use Asset	92	306	95	246		
	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
Operating Subsidiaries of the Parent			
Allied Farmers Investments Limited	Investment	100%	100%
Allied Farmers Rural Limited	Investment	100%	100%
Rural Funding Solutionz Limited	Finance	100%	100%
Subsidiaries of Allied Farmers Rural Limited			
NZ Farmers Livestock Limited	Livestock Agency and Finance	67%	67%
Subsidiaries of NZ Farmers Livestock Limited			
Farmers Meat Exports Limited	Meat Processing and Trading	100%	100%
NZ Farmers Livestock Finance Ltd	Livestock Finance	100%	100%
Redshaw Livestock Limited	Livestock Agency	52%	52%
Associates of the Parent			
New Zealand Rural Land Management Partnership	Rural Property Management	50%	-

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.

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

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
Transactions	\$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
E2 Auditors' remuneration	\$000	\$000
Audit fees - KPMG	180	165
Fees for other services - KPMG	25	73
Direct expenses associated with the audit	14	15
Total	219	253

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

SECTION **8** INDEPENDENT
AUDITOR'S REPORT



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 26 to 39:

- 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.

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.

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
 - implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
 - assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.
-

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

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

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

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

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

For and on behalf of

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

KPMG
Wellington

30 August 2021

Directors:

Richard Perry (Chair) BCom (Hons), FCA, CTP
41 Dorset Street
Westmere
Auckland 1022

Christopher Swasbrook BCom
1 Warrington Road
Remuera
Auckland 1050

Philip C Luscombe BAgSci (Hons)
8 Ronald Street,
Strandon
New Plymouth, 4312

Marise James FCA, FInstD
54b Buller Street
New Plymouth 4312

Registered Office of the Company:

201 Broadway
Stratford 4332

Postal Address of the Company:

P.O. Box 304
Stratford 4352
Ph: 06 765 6199

Auditors:

KPMG
10 Customhouse Quay
Wellington 6011

Share Registrar:

Link Market Services Limited
PO Box 91976
Auckland 1142

Shareholder Enquiries:

Link Market Services Limited
Ph: 09 375 5998
Fax: 09 375 5990
Email: lmsenquiries@linkmarketservices.com
PO Box 91976
Auckland 1142