

ALLIED **FARMERS**

SINCE 1889

Annual Report

for the year ended 30 June 2023

www.alliedfarmers.co.nz

Listed on:



Management commentary
(no financial statements)

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This report is dated 28 August 2023 and is signed on behalf of the Board of Allied Farmers Limited:



Shelley Ruha – Chair



Richard Milsom - Managing Director

[Management commentary
\(no financial statements\)](#)

1 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 changed its name to Allied Farmers Limited. Allied Farmers listed on the NZX in 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 agricultural investment company with strategic stakes in livestock trading, meat, wool, lumber, finance and retail rural supplies.

Allied Farmers Limited today is an investment company focused on the agricultural sector with two principal investments - a 67.8% shareholding in New Zealand Farmers Livestock Limited (**NZFL**) and 100% ownership of New Zealand Rural Land Management Partnership (**NZRLM**), the Manager of NZX- listed company New Zealand Rural Land Company (**NZL.NZX**).

To learn more about Allied Farmers' extensive history, please visit our website: <https://www.alliedfarmers.co.nz/timeline>

SECTION 2 BUSINESS OVERVIEW

Businesses:

Allied Farmers is a NZX-listed investment company with two investments in the rural sector.

Asset Management:

Allied Farmers owns 100% of New Zealand Rural Land Management Limited Partnership (**NZRLM**), having on 27 March 2023 acquired the 50% of NZRLM not already owned.

NZRLM provides management, investment and administrative services to NZX listed New Zealand Rural Land Company Limited (**NZL**) pursuant to a Management Agreement. NZL owns and leases rural land to tenants to provide shareholders with superior risk-adjusted returns compared to legacy rural investment vehicles.

Livestock Services:

Allied Farmers owns 67.8 % of national livestock agency business, NZ Farmers Livestock Limited (**NZFL**). A mix of NZFL agents and staff own the balance of NZFL.

NZFL's core businesses are livestock agency, which generates commission revenue from the marketing, purchase, sale and financing of livestock for clients, and exporting processed veal.

Strategy:

Allied Farmers is an investment vehicle focused on delivering earnings per share growth for shareholders by:

- providing strategic guidance and support to its investments to ensure that their business strategies are designed to deliver sustainable earnings growth in line with Allied Farmers's expectations; and
- exploring growth opportunities that leverage its core strengths in the rural and asset management sectors.

Tax Losses:

Allied Farmers has a valuable tax loss asset which was the result of legacy investments in the finance sector. During FY23 Allied obtained a Private Ruling from Inland Revenue under s 91E of the Tax Administration Act 1994 that significantly increased these tax losses.

As a result of the ruling, Allied Group unrecognised deferred tax assets comprise unused tax losses as at 30 June 2023 total \$180,785,199 gross (2022: \$36,288,403).

The ability to utilise the tax losses is dependent on meeting shareholder continuity requirements of prevailing tax legislation, and the Allied Farmers' Board is acutely aware of maintaining both business and shareholder continuity to preserve this valuable asset for shareholders and any future transactions will be structured with this in mind.

Five Year Earnings Summary:

Financial Year Ending 30 June	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Allied Farmers Net Profit After Tax (NPAT) - attributable to Allied Farmers shareholders - \$ 000's	3,338	2,876	2,021	767	1,258
Allied Farmers Earnings Per Share – cents per share	11.59	9.98	8.57	4.30	7.58
Allied Farmers Dividend Per Share – cents per share	-	-	-	1.2	2.0
Comprising					
NZFL incl. Finance - earnings attributable to Allied Farmers shareholders* - \$ 000's	2,407	1,722	1,370	1,175	1,764
NZRLM - earnings attributable to Allied Farmers shareholders - \$ 000's	1,138	1,624	1,152	-	-
Allied Farmers Holding Co (Parent)** - \$ 000's	(207)	(470)	(501)	(408)	(506)

* Recognises Allied Farmers' 67.8% NZFL ownership and 52% Redshaw Livestock ownership.

** In FY 2023 from Parent Operations loss of \$779,000 (FY 2022: \$699,000) disclosed in Note A1 of the Financial Statements, tax benefits of \$572,000 (FY2022: \$230,000) received by the Parent arising from tax losses are deducted.

SECTION 3 CHAIR REPORT

The Directors of Allied Farmers Limited (“Allied Farmers” or “Allied Group”) (ALF:NZX) are pleased to report an audited net profit before tax for the year to 30 June 2023 of \$4.071 million (FY22 \$3.556 million), with an audited net profit after tax attributable to Allied Farmers’ shareholders of \$3.338 million (FY22 \$2.876 million) which was an increase of 16.06% from the previous year.

Before commenting on the result, the Allied Board wishes to acknowledge the passing in November 2022 of Mark Franklin. At that time he was Allied Farmers Chair. Mark was a highly experienced and principled businessman, whose strength of leadership and strategic insight was invaluable.

The increased FY23 profit was driven by increased returns from NZ Farmers Livestock (**NZFL**) - largely from veal processing - but offset by lower transaction and performance fees from NZ Rural Land Management (**NZRLM**). 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 2023	FY 2022
NZ Rural Land Management (NZRLM)	1,138	1,624
NZ Farmers Livestock + Finance (NZFL)	2,407	1,722
Allied Farmers (Parent)	(207)	(470)
Allied Farmers NPAT	3,338	2,876

Commentary on the results for NZRLM and NZFL business units are set out in the following sections.

Allied Farmers’ earnings per share (**EPS**) increased by 16.1% to 11.59 cents per share (FY22 9.98cps), and Net Tangible Assets (**NTA**) per share, based on 67.8% direct ownership of NZFL and 100% ownership of NZRLM, equals \$0.21 per share (FY22 \$0.48 per share).

The acquisition in March this year of the 50% balance of NZRLM led to governance changes, with NZRLM co-founder Richard Milsom appointed Managing Director, and Shelley Ruha accepting the role as Chair to replace retiring Chair, Chris Swasbrook. Allied Farmers’s secured external debt funding for the first time in many years to partly fund the acquisition, improving Allied Farmers’s capital funding mix.

In FY22 Allied Farmers implemented initiatives to reduce several recurring corporate costs. The full benefit of these recurring cost reductions has been realised in FY23 (noting that the FY23 Parent Company costs include one off advisory costs associated with the NZRLM acquisition and determining the tax loss position).

The Directors will update at the Annual Meeting in November as to whether a dividend will be paid.

[Management commentary
\(no financial statements\)](#)

NEW ZEALAND
RURAL LAND
MANAGEMENT

New Zealand Rural Land Management (NZRLM) - 100% owned:

NZRLM is the external manager of NZX listed New Zealand Rural Land Company (**NZL**). NZL currently owns 14,847 hectares of rural land and forest estates, an increase of 3,137 hectares during FY23.

On 27 March 2023 Allied Farmers's acquired the 50% of NZRLM not already owned, having exercised its call option on 19 December 2022. The purchase price was \$8.3 million as determined by an independent valuation undertaken by PwC in accordance with the terms of the call option agreement. The purchase price was satisfied by the payment to the vendors of \$6.55 million of cash (funded by a loan from Heartland Bank), and the transfer to the vendors of 1,800,227 NZL shares owned by Allied at their 20-day volume weighted average price prior to completion date of \$0.9721 per share, being a total of \$1.75 million.

Allied Farmers's total acquisition cost for 100% of NZRLM is \$10.8 million (\$2.5 million for the initial 50% in December 2020, and \$8.3 million for the remaining 50%), compared to the PwC valuation of \$16.6 million. Coupled with the return on investment to date, this has been a significantly value accretive investment for Allied.

NZRLM's FY23 income is lower than FY22. During FY22 NZRLM managed the acquisition of a significant number of large-scale assets that generated significant transaction fees for NZRLM, and there was a significant increase in the value of NZL's overall portfolio of +16.7%, from which NZRLM received performance fees. NZL's only acquisition in FY23 was of a forest estate located in Manawatū-Whanganui, resulting in a lower level of income from transaction fees compared to FY22, and a lower percentage increase in the value of the NZL portfolio (also affected by a change in NZL's balance date to 31 December) resulted in a lower level of income from performance fees.

This reduced income was partially offset by an increase in the ongoing management fee income received by NZRLM for managing the NZL properties.

The performance fees are paid to NZRLM by the issue of NZL shares to the owners of NZRLM. Allied Farmers currently owns 2,803,617 NZL shares (~2% of NZL shares on issue).

Notwithstanding the lower FY23 NZRLM income, Allied is pleased with its performance, particularly given the fee assumptions PwC used in the valuation to determine the consideration paid to acquire the 50% of NZRLM not already owned.

NZ FARMERS LIVESTOCK

New Zealand Farmers Livestock Limited (NZFL) – 67.8% owned:

Each of the NZ Farmers Livestock business areas – Livestock Agency, Veal and Finance – improved on the prior year to achieve consolidated earnings 41.1% ahead of the prior year.

That said, the performance has been overshadowed by the loss of our livestock agent Mark Howells in a road accident in June. Directors and staff reiterate our deepest sympathies to his family and friends.

The livestock agency business was again challenged, with difficult weather, some reduction in meat and dairy market prospects, the impact of stock processing space constraints, and plenty of grass through the summer making for an unusual year. The business's primary exposure to Cyclone Gabrielle was via our interest in Redshaw Livestock, and it is notable that this team performed extremely well as it supported clients through the major disruptions involved. While slightly behind expectations, the agency business saw encouraging progress on yard market shares, and continued to progress the online auction and other digital developments that are increasingly important tools for our team and clients, and future-proof this core area of our activity.

The veal business, reflecting good product market returns, again returned an excellent result, appreciably ahead of both expectations and last year.

The NZ Farmers Livestock livestock financing activity combines a referral business funded by Heartland Bank and short-term bull, lamb and other livestock financing conducted with the support of our main business banker. We are pleased with progress across all aspects of this business and contemplate ongoing growth in lending, and important support of clients in the challenging farming environment.

The Board wish to thank and acknowledge the hard work and initiative of our NZFL and NZRLM teams over the last year.

Shelley Ruha - Chair

SECTION 4 DIRECTORS

Shelley Ruha - Independent Chair

Shelley was appointed a Director of Allied Farmers Limited in November 2022, and Chair in April 2023. Prior to her Director appointment, Shelley was the Independent Chair of NZ Rural Land Management GP and LP. Shelley is a Company Director and Investor with 30 years' experience across a variety of industries. She Chairs PaySauce and TaxGift and is a director of Heartland Bank, Hobson Wealth, Partners Life, and 9 Spokes. Previous directorships include Paymark, JB Were and The Icehouse. Shelley has a Bachelor of Commerce.

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).

Richard Milsom – Managing Director

Richard was appointed Managing Director of Allied Farmers Limited in April 2023. Richard is one of the founders and executives of New Zealand Rural Land Management and NZX-listed New Zealand Rural Land Company. He was previously a consultant at global investment management firm Elevation Capital Management, where he focused on special situation investments. Richard has been involved in a number of industries including tourism, agriculture/ biotechnology and fine art auction houses – in functions ranging from finance, to marketing, strategy, strategic review and implementation. Richard was previously on the board of the Institute of Finance Professionals New Zealand (INFIZ) and was recognised within the financial services industry by being awarded the INFIZ Emerging Leader Award 2017. Richard is not an independent director. He holds a BCom in finance and economics from the University of Canterbury, with post-graduate certificates in value investing from Columbia University (New York), and agricultural businesses and leadership from Harvard Business School (Boston).

Note: Former Director Chris Swasbrook resigned from the Board with effect from 5 April 2023, and former Director and Chair Mark Franklin passed away in November 2022.

Director Independence:

As at 30 June 2023, Shelley Ruha and Philip Luscombe are considered by the Board to be independent directors. Deceased Director Mark Franklin was also considered to be an independent director. They are/were considered to be independent due to the following factors:

- They are/were 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:
 - o 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;
 - o receive performance-based remuneration from, or participates in, an employee share scheme of the Company; and
 - o control, or is an executive or other representative of an entity which controls, 5% or more of the Company's voting securities.

Richard Milsom is not considered to be independent because he is Allied Farmers' Managing Director and a substantial shareholder.

SECTION 5 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 FY23 (excluding directorships of wholly owned subsidiaries) in the Interests Register:

Director	Entity	Relationship
Shelley Ruha	9 Spokes and subsidiaries	Chair
	Analey Holdings Ltd and Analey Investments Ltd	Director and Shareholder
	Heartland Bank Ltd	Director
	Hobson Wealth Holdings Ltd and Hobson Wealth Partners Ltd	Director
	IT & Business Consulting Ltd	Director and Shareholder
	Partners Group Holdings Ltd and Partners Life Ltd	Director
	PaySauce	Chair
	Tax Gift	Chair
Richard Milsom	Bellevue Enterprises Limited	Executive Director
	Ngutunui Dairies Limited	Director
	W2 Dairies	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 FY23 pursuant to section 148 of the Companies Act 1993:

Director/relevant Interest	Date(s)	Details
Chris Swasbrook/Elevation Capital Management Limited	12 May 2023	Off market transfer where Elevation Capital client (PT Class 10 Nominees) sold 775,000 ordinary shares to WAF Limited for total consideration of \$581,250.
	5 April 2023	Off market transfer where Elevation Capital sold 2,750,000 ordinary shares to entities/parties associated with Richard Milsom for a total consideration of \$2,062,500.
	1 December 2022	Off market transfer where two Elevation Capital wholesale clients acquired 325,000 ordinary shares for a total consideration of \$237,250. Hopeton Trustee Company Limited was the seller.
	5-9 September 2022	On market transfer where two Elevation Capital wholesale clients acquired 120,000 ordinary shares for a total consideration of \$90,000.
Richard Milsom	5 April 2023	Off-market purchase of 2,616,682 Allied Farmers Limited shares from Elevation Capital Management Limited for a total consideration of \$1,962,512.
	25 November 2022	Off market purchase of 675,000 shares from Hopeton Trustee Company Limited for a total consideration of \$506,250.

As at 30 June 2023, directors, or entities related to them, held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Allied Farmers Securities as follows:

Director	Number of shares and percentage of shares on issue
Richard Milsom	4,553,667 (15.8%)
Philip Luscombe	15,557 (0.054%)
Shelley Ruha	150,000 (0.52%)

Directors' Fees:

Director	2023	2022
Philip Luscombe	\$55,000	\$50,833
Shelley Ruha ¹	\$38,333	-
Richard Milsom ²	-	-
Christopher Swasbrook ³	\$46,250	\$46,667
Marise James ⁴	-	\$23,676
Richard Perry ⁵	-	\$15,000
Ross Verry ⁶	-	\$2,917
Mark Franklin ⁷	\$29,167	\$45,833
Total	\$168,750	\$184,926

Directors Other Remuneration:

Director	2023	2022
Marise James ⁸	-	\$800
Richard Perry ⁹	-	\$28,072
Richard Milsom	\$95,416	-
Shelley Ruha	\$20,348	-
Total	\$115,764	\$28,872

¹ Appointed 9 November 2022

² Appointed 5 April 2023

³ Resigned 5 April 2023

⁴ Resigned 24 November 2021

⁵ Resigned 1 October 2021

⁶ Resigned 15 July 2021

⁷ Deceased November 2022

⁸ Marise James is a Partner in Baker Tilly Staples Rodway, which, provided tax and consulting services to the Allied Group

⁹ Waimatai Group Limited, a company associated with Richard Perry, provided services to the Allied Group.

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 \$207,922, and Simon Williams, a director of NZ Farmers Livestock Limited and NZ Farmers Livestock Finance Limited, received total remuneration and benefits from NZ Farmers Livestock Limited of \$122,973. In neither case did this remuneration and benefits include any director's fees.

Particular Disclosures:

NZ Rural Land Management Acquisition:

On 27 March 2023, Elevation Capital Management Limited (**ECML**), an Associated Person of former Allied Farmers's Director Chris Swasbrook (but who at that time was an Allied Farmers's Director), sold a 16.5 percent interest in NZ Rural Land Management GP Limited and NZ Rural Land Management Limited Partnership to Allied Farmers for \$2,739,000. The purchase price for this interest was satisfied by cash consideration of \$2,161,500 and the transfer from Allied Farmers to ECML of 594,075 ordinary shares in NZ Rural Land Company Limited (**NZL**) for \$0.9721 per share, being the 20-day volume weighted price of NZL's shares on the NZX.

On 27 March 2023, RPMilsom Investments Limited and REM Trustee Limited (**RL**), Associated Persons of Director Richard Milsom (but who was not a Director at the time), sold a 7.5 percent interest in NZ Rural Land Management GP Limited and NZ Rural Land Management Limited Partnership to Allied Farmers for \$1,245,000. The purchase price for this interest was satisfied by cash consideration of \$982,500 and the transfer from Allied Farmers to RPM of 270,034 ordinary shares in NZ Rural Land Company Limited (**NZL**) for \$0.9721 per share, being the 20-day volume weighted price of NZL's shares on the NZX.

The cash consideration for the NZRLM acquisition was partly funded by a loan to Allied Farmers from Heartland Bank Limited. Allied Director Shelley Ruha is also a director of Heartland Bank Limited. Accordingly, Ms. Ruha took no part in negotiating the terms of the Heartland loan.

Additional Related Party disclosures and information can be found in section E1 of the FY23 Financial Statements.

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.

Managing Director Remuneration:

The review and approval of the Managing Director's remuneration is the responsibility of the Allied Farmers' Board.

The Managing Director's remuneration comprises a fixed base salary, and at-risk short-term and long-term incentives. These incentives have been agreed for the FY24 financial year, but given Mr. Milsom only commenced his role in April 2023, the Board determined that it was not necessary or appropriate to adopt incentives for the remainder of FY23. At-risk incentives are paid against targets agreed with the Managing Director, and are based on financial measures including earnings targets and progress against objectives related to the strategic plan and other personal objectives. The Board will assess the Managing Director's performance at the end of FY24 year and this will be disclosed in the FY24 Annual Report. Richard Milsom's total remuneration for FY23 was \$95,416 *

** Note this is for the period 1 April to 30 June 2023. Prior to that Mr. Milsom was not Allied Farmers' Managing Director, and therefore remuneration he received prior to 1 April 2023 for services provided to NZRLM is not included.*

Short Term Incentive

For FY24 the Managing Director's short-term targets and objectives are structured as follows.

Target: \$125,000

Maximum achievable: \$250,000

Objectives:

- 50% - NZRLM achieves Budgeted NPAT.
- 10% - NZFL achieves Budgeted NPAT.
- 20% - NZ Rural Land Company Limited (NZRLC) relationship.
- 20% - Strategy and leadership.

Long Term Incentive

The Board established a Long-Term Incentive Plan to link rewards with strategic long-term goals and performance and the maximisation of shareholder returns. This involves a grant of Performance Rights being made to the Managing Director subject to certain Vesting Conditions. Each Performance Right represents a right to receive an Allied Farmers' ordinary share or be paid an amount of cash consideration (in certain circumstances), subject to the satisfaction of the Vesting Conditions. The Vesting Conditions will be measured over a performance period starting from 1 July 2023 and ending 30 June 2026.

The proportion of Performance Rights that satisfy the Performance Vesting Condition will be determined by reference to the following scale:

Performance against target (budgeted) three-year average of Group NPAT	Percentage of performance rights to satisfy Performance Vesting Condition
<80% of target	0%
80% to 100% of target	50% paid if achieve 80%. 100% paid if achieve 100% or more. with a pro rata allocation between the 80% and 100% achievement levels.

Subject to shareholder approval, 144,032 Performance Rights will be issued to Mr. Milsom for FY24. The NPAT target will be set at the beginning of each of the three financial years. Performance will be assessed each year relative to the targets. Because Mr. Milsom is a Director, the grant of Performance Rights is subject to and conditional on approval from Allied's shareholders. Allied intends to seek this approval at its 2023 Annual Shareholders Meeting, likely to be in November 2023.

NZ Farmers Livestock CEO Remuneration:

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

The CEO's remuneration comprises a fixed base salary, fringe benefits and an at-risk short-term incentive payable annually. There is no long-term incentive. 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. The Board assesses the CEO's performance at the end of the financial year to determine the actual payment value of his short-term incentive. For FY23 these targets and objectives were structured as follows.

Category	Weight	Measure
Target \$60,000		
Financial Performance	65%	<ul style="list-style-type: none"> 50% paid if achieve 90% of NZFL Net Profit Before Tax (NPBT) (after Redshaw minorities) board approved budget. 100% paid if achieve 110% of NZFL NPBT (after Redshaw minorities) Board approved budget with a pro rata allocation between the 90% and 110% achievement levels.
Non-financial performance	35%	Health and safety and other non-financial measures
Stretch \$70,000		
Financial Performance	100%	<ul style="list-style-type: none"> 50% paid if achieve 125% of NZFL NPBT (after Redshaw minorities) Board approved budget. 100% paid if achieve 150% of NZFL NPBT (after Redshaw minorities) Board approved budget with a pro rata allocation between the 125% and 150% achievement levels.

The NZL Board assessed Steve Morrison's achievement against these FY23 performance targets at 30% of Target Financial Performance, 54% of Target Non-financial Performance and 60% of Stretch Financial Performance.

Steve Morrison's total remuneration received during FY23 was as follows:

Financial Year	Salary	Benefits	Performance – Short-term Incentive	Total Remuneration
FY 2023	\$273,961	\$18,483	\$47,250 being 79% of maximum achievable from FY22	\$339,694
FY 2022	\$265,081	\$20,522	\$40,200 being 67% of maximum achievable from FY21	\$325,803

No executives or employees other than Mr. Milsom have a Long-Term Incentive Plan. Neither Mr. Milsom or Mr. Morrison have a severance package. Mr. Morrison is subject to a one-month notice period under his Employment Agreement, and either party may give three months' notice to terminate Mr. Milsom's Service Level Agreement.

Subsidiary Employee Remuneration:

The number of employees whose remuneration and benefits were over \$100,000 for FY23 is within the specified bands as follows:

Remuneration Range		2023	2022
100,000	110,000	4	3
110,001	120,000	5	3
120,001	130,000	3	2
130,001	140,000	1	2
140,001	150,000	2	1
150,001	160,000	2	2
160,001	170,000	2	
170,001	180,000		
180,001	190,000	1	1
190,001	200,000	1	
200,001	210,000	1	1
210,001	220,000		2
220,001	230,000	1	1
230,001	240,000	3	2
240,001	250,000		1
250,001	260,000		
260,001	270,000	1	
270,001	280,000		
280,001	290,000		
290,001	300,000		
300,001	310,000		
310,001	320,000		1
320,001	330,000	1	
Total		28	22

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
Richard Milsom	4,553,6673 (15.8%)	5 April 2023
WAF Limited	4,104,892 (14.25%)	11 May 2023

Subsidiary Companies:

Directors of subsidiary companies as at 30 June 2023 were as follows:

Subsidiaries of the Parent	Principal Activity	Directors
Allied Farmers Rural Limited	Rural Services	S. Ruha, P Luscombe
ALF Nominees Limited	Nominee company	S. Ruha
Allied Farmers (New Zealand) Limited	Non-trading	S. Ruha
Rural Funding SolutioNZ Limited	Rural Financing	S. Ruha, O Carruthers
Subsidiaries of Allied Farmers (New Zealand) Limited		
Allied Farmers Property Holdings Limited	Non-trading	S. Ruha
QWF Holdings Limited	Non-trading	S. Ruha
Lifestyles of NZ Queenstown Limited	Non-trading	S. Ruha
LONZ 2008 Limited	Non-trading	S. Ruha
LONZ 2008 Holdings Limited	Non-trading	S. Ruha
Clearwater Hotel 2004 Limited	Non-trading	S. Ruha
Subsidiaries of Allied Farmers Property Holdings Limited		
UFL Lakeview Limited	Non-trading	S. Ruha
5M No 2 Limited	Non-trading	S. Ruha
Subsidiaries of Allied Farmers Rural Limited		
NZ Farmers Livestock Limited	Livestock Trading	P Luscombe, R. Milsom, S Williams, O Carruthers
Subsidiaries of NZ Farmers Livestock Limited		
Farmers Meat Export Limited	Meat Processing	S Morrison, W Sweeney, P Luscombe
NZ Farmers Livestock Finance Limited	Rural Finance	S. Ruha, 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 8 August 2023.

Rank	Investor Name	Total Units	% Issued Capital
1	Rem Trustee Limited	3,385,000	11.75
2	Custodial Services Limited	3,118,375	10.83
3	Waf Limited	2,455,000	8.52
4	Wairahi Investments Limited	1,300,000	4.51
5	Donald Clifton Jacobs	831,050	2.88
6	FNZ Custodians Limited	704,253	2.44
7	Elizabeth Beatty Benjamin & Michael Murray Benjamin	682,622	2.37
8	Dfs Investment Partners Llc	522,185	1.81
9	Rpmilsom Investments Limited	512,000	1.78
10	Deborah Lee Seerup	500,001	1.74
11	New Zealand Depository Nominee	458,673	1.59
12	Glenn Leslie Ballinger	457,334	1.59
13	New Zealand Central Securities Depository Limited	424,880	1.47
14	FNZ Custodians Limited	400,374	1.39
15	Fortune Capital Group Limited	337,239	1.17
16	Jade NZ Limited	300,000	1.04
17	Colin Stuart Loveday	231,000	0.80
18	Ross Phillip Drew	221,404	0.77
19	Lee Athol Wilson & Shirley Ann Wilson	200,000	0.69
20	David Mitchell Odlin	196,619	0.68

Analysis of Shareholding:

Range	Holders	Holders %	Issued Capital	Issued Capital %
1-1000	1484	62.33	572,830	1.99
1001-5000	448	18.82	1,113,081	3.86
5001-10000	180	7.56	1,341,838	4.66
10001-50000	206	8.65	4,444,751	15.43
50001-100000	26	1.09	1,894,794	6.58
Greater than 100000	37	1.55	19,439,140	67.48

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 2023, females represented 33% (FY22: 0%) of Directors and 17% (FY22: 25%) of Officers of Allied Farmers. Officers are defined as being the Chief Executive Officer of NZ Farmers Livestock Limited and specific direct reports of the CEO having key influence, and the Managing Director of Allied Farmers Limited.

	Current Year		Previous Year	
	Male	Female	Male	Female
Number of Directors	2	1	3	0
Percentage of Directors	67%	33%	100%	0%
Number of Officers	5	1	4	1
Percentage of Officers	83%	17%	80%	20%

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 typically held in late November each year. A Notice of Annual Meeting and Proxy Form will be circulated to shareholders prior to the meeting.

Dividends Paid:

No dividend was paid to shareholders in FY23 (FY22: Nil).

Donations:

The Allied Farmers Board has determined that it will not make political donations. No political donations were made during FY23.

SECTION **6** CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated Profit and Loss Statement

For the year ended 30 June 2023

	Note	Group	
		June 2023	June 2022
		\$000	\$000
Commission and fee income	A1	15,906	15,057
Sale of goods	A1	10,015	9,292
Interest income	A1	414	630
Other Income	A1	387	215
Equity Accounted Earnings NZRLM	A1	417	1,624
Total Income		27,139	26,818
Cost of goods sold	A1	(7,155)	(7,271)
Personnel expenses	A1	(10,018)	(10,146)
Depreciation and amortisation	A1	(902)	(892)
Operating expenses	A1	(4,717)	(4,661)
Total Expenses		(22,792)	(22,970)
Finance Costs	A1	(276)	(292)
Profit before tax		4,071	3,556
Income tax (expense) / benefit	A2	207	(24)
Profit after tax		4,278	3,532
Total comprehensive income		4,278	3,532
Profit attributable to:			
Shareholders of Allied Farmers Limited ('Allied')		3,338	2,876
Minority shareholders of NZ Farmers Livestock Limited ('NZFL')		940	656
Allied Earnings per share (cents) - Basic and Diluted		11.59	9.98
Weighted average number of shares - Basic and Diluted (000's)		28,806	28,806

Consolidated Statement of other Comprehensive Income

For the year ended 30 June 2023

	Note	Group	
		June 2023	June 2022
		\$000	\$000
Profit after tax		4,278	3,532
Change in value of investment in equity securities	C2	(670)	(53)
Total comprehensive income		3,608	3,479

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	Group	
		June 2023	June 2022
		\$000	\$000
Cash flows from/(to) operating activities			
Cash receipts from customers		26,144	24,758
Interest received		414	630
Distribution from NZRLM		-	625
Cash paid to suppliers and employees		(23,541)	(22,185)
Interest paid		(276)	(292)
Income tax (paid)/received		(52)	(97)
Net cash flow from operating activities		2,689	3,439
Cash flows from/(to) investing activities			
Dividend income from NZRLC		152	-
Decrease (Increase) in finance receivables NZ Farmers Livestock Finance Ltd/Rural Financial SolutioNZ Ltd		1,324	2,326
Disposal (Acquisition) of New Zealand Rural Land Company Limited shares		(156)	(1,484)
Investment in New Zealand Rural Land Management Partnership	C2	(6,358)	-
Purchase of shares in NZ Farmers Livestock Ltd		(93)	(12)
Net disposal/(acquisition) of intangibles, property, plant and equipment		(120)	124
Net cash flow from/(used in) investing activities		(5,251)	954
Cash flows from/(to) financing activities			
Drawdown of Heartland borrowings		3,660	-
Repayment livestock trading borrowings		-	(1,115)
Repayment of finance receivables borrowings		-	(925)
Repayment of bond		-	(1,000)
Dividends paid to Minority Shareholders in Subsidiaries		(1,295)	(535)
Lease principal repayments		(567)	(813)
Net cash flow used in financing activities		1,798	(4,388)
Net movement in cash and cash equivalents		(764)	5
Opening cash and cash equivalents		4,547	4,542
Closing cash and cash equivalents	B4	3,783	4,547
Reconciliation of Profit to Cash Surplus from Operating Activities			
Profit for the year		4,278	3,532
<i>Adjustments for items not involving cash flows:</i>			
Impairment on receivables		10	41
(Profit)/loss on sale of assets		13	(31)
Depreciation and amortisation		902	892
(Increase) Decrease in Deferred Tax		(330)	(40)
Other - including non cash items		(442)	(979)
		153	(117)
Movement in trade and other receivables		75	267
Movement in inventories		(178)	(23)
Movement in trade, other payables and employee benefits		(1,493)	(188)
Movement in taxation		(146)	(32)
Cash flow from operating Activities		2,689	3,440

Consolidated Balance Sheet

As at 30 June 2023

	Note	Group	
		June 2023	June 2022
		\$000	\$000
Equity			
Share capital	B2	158,204	158,204
Accumulated Losses		(141,134)	(143,743)
Equity attributable to owners of the Parent		17,070	14,462
Non-controlling interests	B3	1,653	2,042
Total equity		18,723	16,504
Liabilities			
Trade and other payables	B7	9,498	10,849
Employee benefits		1,365	1,515
Income tax payable		79	7
Bank borrowings	B5	945	-
Lease liabilities	B6	665	761
Total current liabilities		12,552	13,132
Bank borrowings	B5	2,715	-
Lease Liabilities	B6	905	1,377
Total non-current liabilities		3,620	1,377
Total liabilities		16,172	14,509
Total liabilities and equity		34,895	31,012
Assets			
Cash and cash equivalents	B4	3,783	4,547
Trade Receivables	C1	9,931	9,830
Inventories		252	74
Finance receivables	C1	1,505	2,830
Other receivables		214	292
Total current assets		15,685	17,573
Deferred tax assets	A2	1,324	993
Goodwill	D2	742	742
Intangible assets	C4	10,442	115
Investment - New Zealand Rural Land Management GP Limited	C2	-	3,665
Investment - New Zealand Rural Land Company	C2	2,467	3,103
Investments - Other	C2	6	2
Property - owned	C3	2,837	2,932
Property - right of use assets	C3	1,392	1,887
Total non-current assets		19,210	13,440
Total assets		34,895	31,012
Net Tangible Assets per Share - Consolidated (\$ per share)		0.26	0.54
Net Tangible Assets per Share - attributable to Allied (\$ per share)		0.21	0.48

Note: net tangible assets is calculated as equity from which is deducted goodwill and intangible assets

Consolidated Statement of Changes in Equity

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

For the year ended 30 June 2023

Group	Share Capital	Accumulated losses	Revaluation Reserve	Allied Shareholders Interests	Minority Shareholders Interests	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2021	158,204	(146,431)	(135)	11,638	1,933	13,571
Profit after tax for the year	-	2,876	-	2,876	656	3,532
Revaluation of Equity Securities (refer Note C2)	-	-	(53)	(53)	-	(53)
Total comprehensive income for the period	-	2,876	(53)	2,823	656	3,479
Dividends paid to Minority Interests	-	-	-	-	(535)	(535)
AFL purchase Minority Shareholders Shares	-	-	-	-	(12)	(12)
Total transactions with owners	-	-	-	-	(547)	(547)
Balance at 30 June 2022	158,204	(143,555)	(188)	14,461	2,042	16,503
Balance at 1 July 2022	158,204	(143,555)	(188)	14,461	2,042	16,503
Profit after tax for the year	-	3,338	-	3,338	940	4,278
Revaluation of Equity Securities (refer Note C2)	-	-	(670)	(670)	-	(670)
Total comprehensive income for the period	-	3,338	(670)	2,668	940	3,608
Dividends paid to Minority Interests	-	-	-	-	(1,295)	(1,295)
AFL purchase Minority Shareholders Shares	-	(59)	-	(59)	(34)	(93)
Total transactions with owners	-	(59)	-	(59)	(1,329)	(1,388)
Balance at 30 June 2023	158,204	(140,276)	(858)	17,070	1,653	18,723

A Financial performance

In this section

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 and referring livestock finance to farmer clients.

Rural Land Management: Investment in New Zealand Rural Land Management Limited 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 (Audited)

	Livestock Services		Financial Services		Rural Land Management		Parent Operations		Total	
	June 2023 \$000	June 2022 \$000	June 2023 \$000	June 2022 \$000	June 2023 \$000	June 2022 \$000	June 2023 \$000	June 2022 \$000	June 2023 \$000	June 2022 \$000
Commission and fee income	14,699	15,057	4	-	1,203	-	-	-	15,906	15,057
Sale of goods	10,015	9,292	-	-	-	-	-	-	10,015	9,292
Interest income	284	216	124	414	-	-	6	-	414	630
Other Income *	40	158	195	15	-	-	152	42	387	215
Equity Accounted Earnings NZRLM	-	-	-	-	417	1,624	-	-	417	1,624
Total Income	25,038	24,723	323	429	1,620	1,624	158	42	27,139	26,818
Cost of goods sold	7,155	7,271	-	-	-	-	-	-	7,155	7,271
Personnel expenses	9,789	10,024	96	46	56	-	77	76	10,018	10,146
Depreciation and amortisation	769	892	-	-	133	-	-	-	902	892
Operating expenses	3,606	3,937	41	77	210	-	860	647	4,717	4,661
Total Expenses	21,319	22,124	137	123	399	-	937	723	22,792	22,970
Finance Costs	(128)	(140)	(64)	(134)	(84)	-	-	(18)	(276)	(292)
Profit/(loss) before tax	3,591	2,459	122	172	1,137	1,624	(779)	(699)	4,071	3,556
Income tax (expense) / benefit	-	-	-	-	-	-	-	-	207	(24)
Profit/(loss) after tax									4,278	3,531
Current Assets	12,603	14,300	1,505	2,830	1,267	-	310	443	15,685	17,573
Investments in NZRLC	-	-	-	-	-	-	2,467	3,103	2,467	3,103
Investment in Associates and Joint Ventures	-	-	-	-	-	3,665	-	-	-	3,665
Other Non-Current Assets	6,296	6,571	100	100	10,347	-	-	-	16,743	6,671
Assets	18,899	20,871	1,605	2,930	11,614	3,665	2,777	3,546	34,895	31,012
Current Liabilities	10,869	13,029	525	-	1,001	-	158	103	12,552	13,132
Non-Current Liabilities	905	1,377	-	-	2,715	-	-	-	3,620	1,377
Liabilities	11,773	14,406	525	-	3,716	-	158	103	16,172	14,509
Additions of Property, Plant and Equipment, and Right of Use assets	231	771	-	-	-	-	-	-	231	771

* Other Income included in 2022 - Covid 19 Wage and Resurgence Subsidy payments \$117,686.

* Other Income in the Financial Services segment includes referral fee income from Heartland Bank Limited to 30 June 2023 \$195,214 (2022: \$15,084)

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, net of rebates. 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 year end the variable consideration is taken account of in the revenue recognised.

Sale of goods (veal meat and skins) revenue is recognised 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.

Revenue by NZRLM from property management fees, performance fees and transaction fees are recognised as revenue in the accounting periods in which the services are rendered, which is when they satisfy their performance obligations to NZRLC.

The Performance fees are settled in NZRLC shares with half of the shares issued subject to escrow arrangements for 5 years after the performance fee is payable.

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.

Income from referring customers to Heartland Bank Limited is recognised when the financing transaction is agreed between Heartland Bank Limited and the borrower, and Heartland Bank Limited earns income from interest and fees from the customer. Because the Group is acting as a referrer to Heartland Bank Limited, it doesn't have credit risk and isn't able to set an interest rate.

The shares in New Zealand Rural Land Company Limited are equity investments quoted in an active market which the Group has elected to designate as a financial asset at fair value through Other Comprehensive Income. The fair value of these shares at 30 June 2023 is \$2,467,184 (2022: \$3,103,000). The Company also owned 50% of NZ Rural Land Management Partnership ('NZRLM') until March 2023. NZRLM is the external manager of New Zealand Rural Land Company Limited. The remaining 50% the Company did not previously own was acquired in March 2023. Accordingly, from that point, NZRLM has been fully consolidated in the Group's financial statements.

A2 Taxation

	Group	
	2023	2022
	\$000	\$000
Income tax using the company's tax rate (28%)	1,140	996
Expenditure not deductible for tax	3	3
Other permanent differences	(80)	202
Temporary differences	1	57
Recognition of deferred tax asset	(330)	(40)
Use of Group tax losses	(527)	(1,194)
Income tax expense (benefit)	207	24

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
2023	Financial receivable credit loss provision	48	51
	Employee benefits	251	249
	Tax loss carry forward	694	1,024
		993	1,324
2022	Financial receivable credit loss provision	36	48
	Employee benefits	205	251
	Tax loss carry forward	712	694
		953	993

The Group announced on 28 November 2022 that it had obtained a Private Ruling from Inland Revenue under s91E of the Tax Administration Act 1994 that resulted in a significant increase in Tax Losses available to the Allied Farmers Group. Group unrecognised deferred tax assets comprise unused tax losses as at 30 June 2023 which are estimated at \$180,785,199 (2022: \$36,288,403). The ability to utilise tax losses, which given the age of the 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 (2022: \$89,248).

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. The level of losses recognised reflects management's expectations of recurring levels of taxable profitability for approximately the next 18 months.

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 additional debt funding, or adjust the amount of dividends paid to shareholders.

B2 Share Capital

	Group	
	2023	2022
Share capital (\$000)	158,204	158,204
Number of shares issued and fully paid (000's)		
Balance at beginning of period	28,807	28,807
Balance at end of year	28,807	28,807

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

B3 Non-controlling interests

The Allied Farmer Group's non controlling interests arise from minority interests held by other shareholders in NZ Farmers Livestock Limited and further non-controlling interests held by a shareholder other than NZ Farmers Livestock Limited in its controlled subsidiary, Redshaw Livestock Limited.

The following summary financial information of the NZFL Group is provided to assist in understanding the significance of external shareholders interests in the group's reported position and performance. This information is presented before intercompany eliminations.

	NZFL and Subsidiaries	
	2023	2022
Summary financial results	\$000	\$000
Revenue	25,361	25,071
Profit and total comprehensive income	3,713	2,549
Summarised balance sheet		
Current assets	14,108	16,894
Non-current assets	6,396	6,631
Current liabilities	(11,393)	(13,029)
Non-current liabilities	(905)	(1,377)
Net assets	8,207	9,119

B4 Cash and cash equivalents

	Group	
	2023	2022
	\$000	\$000
Cash and cash equivalents	4,308	5,547
Finance Receivables overdraft facility offset per agreement	(525)	(1,000)
Net cash and cash equivalents	3,783	4,547
Undrawn overdraft facilities	7,975	9,500

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

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 (FY22: \$338,000), plus interest and costs.

B5 Debt funding

	Group			
	Payable within 1 year	Payable after 1 year	Undrawn	Interest rate
	\$000	\$000	\$000	%
Bank borrowings - Heartland Bank Limited	945	2,715	150	9.67
Total debt funding	945	2,715	150	
Bank borrowings	-	-	-	-
Total debt funding	-	-	-	

2023

2022

Allied Farmers Group

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 Heartland Bank Limited ('Heartland') borrowings are secured by way of a first ranking General Security Agreement and cross guarantee against the assets of Allied Farmers Limited and New Zealand Rural Land Management Partnership.

The term of Heartland Bank Limited borrowings is 60 months from March 2023 with a principal instalment being due in September 2023 and a further principal instalment due in March 2024. From this date the principal is repaid monthly until final repayment in March 2028. The interest rate is calculated on the 90-day BKBM rate plus a margin of 4%.

B6 Lease liabilities

	Group			
	2023			
	Property	Motor Vehicles	Plant & Equipment	Total
	\$000	\$000	\$000	\$000
Opening	353	1,729	57	2,139
Leases entered into during the period	-	144	-	144
Interest expense	26	97	4	127
Principal repayments	(120)	(703)	(17)	(840)
	259	1,267	44	1,570
Current lease liabilities	97	556	13	665
Non-current lease liabilities	162	711	31	905

	Group			
	2022			
	Property	Motor Vehicles	Plant & Equipment	Total
	\$000	\$000	\$000	\$000
Opening	456	1,677	-	2,133
Leases entered into during the period	-	616	57	673
Interest expense	29	117	-	146
Principal repayments	(131)	(681)	-	(812)
	353	1,729	57	2,139
Current lease liabilities	94	655	13	761
Non-current lease liabilities	259	1,074	44	1,377

Measurement and recognition

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

Residual buy back values included in new lease arrangements are included within lease payments in 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. The Group's incremental borrowing rate ranges between 6.0% to 9.95% (2022 6.0% to 9.95%) 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.

B7 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	
2023	Trade and other payables	9,498	9,498	9,498	-	-
	Bank borrowings - Heartland Bank Limited	3,660	4,496	655	591	3,250
	Lease liabilities	1,570	1,713	333	333	1,047
		14,728	15,707	10,486	924	4,297
2022	Trade and other payables	10,849	10,849	10,849	-	-
	Lease liabilities	2,139	2,236	381	381	1,475
		12,988	13,085	11,229	381	1,475

Allied Farmers Group

Interest Rate Risk

The Group is exposed to interest rate risk on movements in floating interest rates on bank borrowings. Finance receivables have fixed interest rates and generally a term of less than one year.

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 at least +/-1% (2022: +/-1%), the effect on net profit after tax and equity for the year as applied to year end balances would be as follows:

	Group	
	2023	2022
	\$000	\$000
Decrease/(Increase) in net profit based on a 1% increase/(decrease) in rate	37	-
B8 Net Interest income/(costs)		
	Group	
	2023	2022
	\$000	\$000
Interest received	414	630
Total interest income	414	630
Interest paid on borrowings	(149)	(128)
Interest paid on bonds	-	(18)
Lease interest	(127)	(146)
Total interest expenses	(276)	(292)
Net Interest income/(costs)	138	338

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	
	2023	2022
Trade Receivables (livestock and NZRLC receivables)	\$000	\$000
Finance receivables	9,931	9,830
Total receivables	11,437	12,659

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

	181	172
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Receivables written off during the year

	10	32
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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
Group receivables					
2023					
Receivables from livestock sales	8,081	533	118	247	8,978
Credit loss allowance (livestock)	(27)	(10)	(3)	(51)	(91)
Receivables from NZRLC	102	48	894	-	1,044
Finance receivables	1,514	2	2	78	1,596
Credit loss allowance (finance)	(8)	(2)	(2)	(78)	(90)
Net receivable	9,662	571	1,009	195	11,437
2022					
Receivables from livestock sales	8,315	756	507	335	9,912
Credit loss allowance (livestock)	(24)	(9)	(3)	(46)	(82)
Finance receivables	2,920	-	-	-	2,920
Credit loss allowance (finance)	(91)	-	-	-	(91)
Net receivable	11,121	747	504	289	12,659

Security held for finance receivables

	2023	2022
	\$000	\$000
Secured via PPSR	1,535	2,382
Not secured	61	538
Total finance receivables	1,596	2,920

All amounts not secured as at 30 June 2023 were subsequently secured.

On origination, the finance receivables will fund the entire value of secured livestock. No credit scores are assigned to borrowers for internal risk management purposes.

Concentrations of counterparties

Finance receivables are exclusively held with counterparties trading in the farming sector. However there are no individual counterparties that are considered to be significant to the group.

The amount due from NZRLC includes transaction, leasing and management fees due within 10 business days after the last day of the month in which the fees have arisen. This balance is not secured as at 30 June 2023. Of this amount, \$700,000 has since been received.

Movement in gross finance receivables balance

	2023	2022
	\$000	\$000
Opening balance	2,920	5,219
New loans issued	7,695	10,140
Principal repaid	(9,193)	(12,871)
Interest and fees accrued	174	432
Total finance receivables	1,596	2,920

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.

It is expected that all trade receivables will be collected within 12 months of the balance date. All accounts past their due date have been subject to individual assessment.

Allied Farmers Group

Settlement of receivables from NZRLC is dependent on NZRLC's cash flows and management expects that the full outstanding amount will be settled by the end of September 2023.

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. The Group considers an account to be in default when a debtor fails to make a contractual payment in the absence of a written agreement to the contrary. This is when the account is past due by more than 90 days. Livestock finance receivables are secured over the livestock concerned and in the majority of cases supported by personal covenants from the borrower.

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

	2023	2022
	\$000	\$000
New Zealand Rural Land Company Limited	2,467	3,103
New Zealand Rural Land Management Partnership	-	3,665
Other Investments	6	2
Total Investments	2,473	6,770

New Zealand Rural Land Company Limited

At 30 June 2023 the Group holds 2,803,617 (2022 2,900,000) shares in New Zealand Rural Land Company Limited. This holding represents a 2% ownership in NZRLC as at 30 June 2023 (2022: 2.56%). 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.

Under the Management Agreement NZRLC is to pay NZRLM a performance fee which, subject to certain adjustments, is to be equal to 10% of the increase in net asset value of NZRLC in each financial year. The performance fee paid by NZRLC to NZRLM for the year ended 30 June 2022 comprised 2,499,247 shares in NZRLC. Fifty percent of these shares were then distributed by NZRLM to Allied Farmers Limited in proportion to Allied's ownership of NZRLM. The performance fee for the year ended 30 June 2023 comprised 299,855 shares of NZRLC distributed to NZRLM. Half of the shares issued in each Financial Year to satisfy the performance fee are subject to escrow arrangements, under which the Manager or any nominee agrees not to sell, transfer, assign or otherwise dispose of, or offer or agree to sell, transfer, assign or otherwise dispose of, its right and title to, and beneficial interest in such shares for a five year period. 1,065,650 shares distributed to Allied Farmers Limited were subject to this arrangement as at 30 June 2023 (2022: 290,791).

The fair value of NZRLC shares held by Allied Farmers Limited as at 30 June 2023 is \$2,467,183 (2022: \$3,103,000).

	2023	2022
	\$000	\$000
Carrying Value Brought Forward	3,103	990
Shares Purchased / Issued / Rights Issue	156	1,484
Dividend Received as Shares	-	42
Shares Issued under NZRLM Performance Fee Arrangement	1,627	640
Shares sold	(1,750)	-
Change in Value Credited to Other Reserves	(669)	(53)
At 30 June	2,467	3,103

New Zealand Rural Land Management Limited

On 27th March 2023 Allied completed the purchase of the 50 percent of NZRLM that it did not already own. The consideration comprised a combination of cash and NZRLC shares owned by Allied but transferred to NZRLM vendors.

From 27th March 2023 NZRLM is consolidated into the Allied Group consolidated Financial Statement (Refer note C4).

Allied Farmers Group

Summarised Balance Sheet	2023	2022
	\$000	\$000
Current Assets	-	2,514
Current Liabilities	-	(190)
Net Assets	-	2,324
Summarised Statement of Profit or Loss	2023	2022
	\$000	\$000
Income	-	4,147
Expenses	-	(898)
Profit	-	3,249
Reconciliation of Summarised Financial Information	2023	2022
	\$000	\$000
Opening Balance	2,324	1,604
Profit For Period	920	3,249
Dividend	(2,677)	(2,529)
Less Transfer to Intangible Asset	(567)	-
Closing Net Assets	-	2,324
Increase in net assets	-	360
Reconciliation of Interest in Associate	2023	2022
	\$000	\$000
Opening Balance	3,665	3,302
Increase in Net Assets (50% of Profit for Period)	417	1,624
Less Dividend paid (50% of Dividend)	(1,338)	(1,261)
Less Transfer to Intangible Asset	(2,744)	-
Carrying Value 30 June 2023	-	3,665

C3 Property, Plant & Equipment
Owned

	Group				
	2023				
	Land	Buildings	Plant and equipment	Motor Vehicles	Total
Cost at beginning of year	\$000	\$000	\$000	\$000	\$000
Additions	2,019	1,049	637	243	3,948
Disposals	-	-	22	-	22
Disposals	-	-	(9)	(34)	(43)
Cost at end of year	2,019	1,049	650	209	3,927
Accumulated depreciation at beginning of the year	-	(546)	(430)	(38)	(1,014)
Depreciation	-	(61)	(33)	(14)	(108)
Disposals	-	-	(2)	34	32
Accumulated depreciation at end of year	-	(607)	(465)	(18)	(1,090)
Net value 2023	2,019	442	185	191	2,837
	2022				
	Land	Buildings	Plant and equipment	Motor Vehicles	Total
Cost at beginning of year	\$000	\$000	\$000	\$000	\$000
Additions	2,019	1,049	574	247	3,889
Disposals	-	-	70	30	100
Disposals	-	-	(7)	(35)	(42)
Cost at end of year	2,019	1,049	637	243	3,947
Accumulated depreciation at beginning of the year	-	(484)	(373)	(35)	(892)
Depreciation	-	(62)	(62)	(4)	(128)
Disposals	-	-	6	-	6
Accumulated depreciation at end of year	-	(546)	(430)	(38)	(1,014)
Net value 2022	2,019	503	208	205	2,933

The Directors obtained independent valuations for land and buildings dated December 2021 on a fair value basis. The valuation of these property assets totalled \$6.632 million, which significantly exceeded the historical costs of these assets reported above.

Right of Use Assets

Opening
 Additions
 Less Disposals
 Less Depreciation
Total Right of use Asset
 Total Cost
 Total Accumulated Depreciation
 Total Carrying Value

2023			
Property	Motor Vehicles	Plant & Equipment	Total
\$000	\$000	\$000	\$000
338	1,493	57	1,888
-	140	-	140
-	(59)	-	(59)
(91)	(473)	(13)	(577)
247	1,101	44	1,392
620	2,423	57	3,100
(373)	(1,322)	(13)	(1,708)
247	1,101	44	1,392

Opening
 Additions
 Less Disposals
 Less Depreciation
Total Right of use Asset
 Total Cost
 Total Accumulated Depreciation
 Total Carrying Value

2022			
Property	Motor Vehicles	Plant & Equipment	Total
\$000	\$000	\$000	\$000
430	1,549	-	1,979
-	614	57	671
-	(196)	-	(196)
(92)	(474)	-	(566)
338	1,493	57	1,887
620	2,343	57	3,019
(282)	(850)	-	(1,132)
338	1,493	57	1,887

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 (owned): 1-3 years
- Motor Vehicles (leased): over their lease term

C4 Intangible Assets

Cost at beginning of year
 Additions
 Disposals
 Cost at end of year

 Accumulated amortisation at beginning of the year
 Amortisation
 Disposals
 Accumulated amortisation at end of year
 Net value 2023

Group		
2023		
NZRLC Management Contract	Software	Total
\$000	\$000	\$000
-	739	739
10,474	70	10,544
-	-	-
10,474	809	11,283
-	(624)	(624)
(131)	(86)	(217)
-	-	-
(131)	(710)	(841)
10,343	99	10,442

Cost at beginning of year
 Additions
 Disposals
 Cost at end of year

 Accumulated amortisation at beginning of the year
 Amortisation
 Disposals
 Accumulated amortisation at end of year
 Net value 2022

2022		
NZRLC Management Contract	Software	Total
-	566	566
-	173	173
-	-	-
-	739	739
-	(422)	(422)
-	(202)	(202)
-	-	-
-	(624)	(624)
-	115	115

Measurement and recognition

Intangible assets are depreciated on a straight line basis at rates over their estimated useful lives, as follows:

- Management Contract - 20 years
- Software - 3 years

Allied purchased a 50 percent interest in NZ Rural Land Management Partnership (NZRLM) on the 18th of December 2020.

In November 2020 New Zealand Rural Land Company Limited (NZRLC) entered into an exclusive management agreement with NZRLM to provide NZRLC with management investment and administrative services (Management Agreement).

NZRLM provides all management services to NZRLC and receives management fees, transaction fees and performance fees.

For the years 2021 and 2022 the investment in NZRLM was accounted for using the equity accounting process.

On 19 December 2022 Allied Farmers Limited announced that it exercised its call option to purchase the remaining 50 percent of NZRLM that it did not already own. On 27th March 2023 Allied completed the purchase of the 50 percent of NZRLM that it did not already own.

The NZRLM consideration was based on an independent valuation further supported by an independent expert's report and totalled \$8.3m (the total value being \$16.6M).

Allied has decided to apply the Optional concentration test under NZ IFRS 3 to consider if the acquisition can simply be considered an asset purchase.

Allied determined that the optional concentration test is met because substantially all of the value of the gross assets is concentrated in a single identifiable asset being the management contract with NZRLC. Accordingly, the transaction is treated as an asset purchase.

The Management Contract meets the definition of an intangible asset.

Accordingly Allied has elected to follow a cost-based approach for the acquisition of this intangible asset.

Acquisition-related costs of \$119,131 are included in other expenses in profit or loss in the reporting period ending 30 June 2023.

The amounts of revenue and profit of NZRLM since the acquisition date are included in the consolidated statement of comprehensive income for the reporting period totalled \$1.137m (this includes equity earnings of \$0.417m which arose prior to acquisition of the remaining 50% shareholding).

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 Group 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.

		2023	2022
		Ownership interest	Ownership interest
Operating Subsidiaries of the Parent			
Allied Farmers (New Zealand) Limited	Investment	100%	100%
Allied Farmers Rural Limited	Investment	100%	100%
Rural Funding SolutioNZ Limited	Finance	100%	100%
New Zealand Rural Land Management Partnership	Rural Property Management	100%	50% *
Subsidiaries of Allied Farmers Rural Limited			
NZ Farmers Livestock Limited	Livestock Agency and Finance	68%	67%
Subsidiaries of NZ Farmers Livestock Limited			
Farmers Meat Export Limited	Meat Processing and Trading	100%	100%
NZ Farmers Livestock Finance Ltd	Livestock Finance	100%	100%
Redshaw Livestock Limited	Livestock Agency	52%	52%

* associate of the parent 2022

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	
	2023	2022
<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 NZFLFL 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 2023. The valuation of the CGU is based on a discounted cashflow of management forecasts of future financial performance and therefore there is an 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.

	2023	2022
Revenue growth rate	2.0%	2.0%
Long term growth rate	2.5%	2.0%
Post tax discount rate (leading to a pre-tax equivalent rate of 21.5%)	15.5%	15.5%

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 2023 by approximately \$152,000 (2022: \$151,000).

Allied Farmers Group

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.

	2023	2022
Revenue growth rate - reduced by	2.0%	2.0%
Pre tax discount rate - increased by	2.0%	2.0%

NZ Farmers Livestock Finance CGU

On an annual basis the recoverable amount of this goodwill is tested by undertaking an assessment of its value in use.

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

D3 Associated Auctioneers

Measurement & Recognition

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

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

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

	Group's Share of 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
2023	32	392	(112)	692	(660)
2022	(45)	272	(37)	571	(616)

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

Identity of related parties

The Group has a related party relationship with each of its subsidiary companies, an associated entity and joint operation outlined in Section D. Related parties include key management personnel, their related parties, or directors/minority shareholders of NZFL.

Key management personnel ('KMP') compensation

Short term employee benefits
Directors fees
Directors Fees - NZ Rural Land Management Partnership

Group	
2023	2022
\$000	\$000
570	528
169	185
17	-

Transactions with related parties

Livestock sales
Livestock purchases
Commission revenue
Dividends received as minority shareholders of NZFL

Group	
2023	2022
\$000	\$000
483	390
375	347
22	12
1,213	435

Amount receivable from KMP
Amount receivable from NZRLC
Amount payable to KMP

Group	
2023	2022
\$000	\$000
26	56
1,044	-
9	27

No debts with key management personnel were written off during the year (2022: nil)

There were no consulting fees paid to entities associated with directors on an arms length basis total (2022: \$28,871). Shelley Ruha received a fee of \$20,348 from NZRLM related to NZRLC property purchases.

Consulting fees together with a share of distributions were paid by New Zealand Rural Land Management Partnership ('NZRLM') to Elevation Capital Management Limited and Swasbrook Securities Limited, companies associated with Mr Christopher Swasbrook who is a former director of Allied Farmers Limited. During the year, up to April 2023 when Mr Christopher Swasbrook ceased directorship with Allied Farmers, these totalled \$97,713 (2022: \$565,092). These were on commercial terms in accordance with a contract for service. Mr Swasbrook received distributions from NZRLM with payment by way of shares in New Zealand Rural Land Company ('NZRLC') totalling \$678,994.

Allied Farmers Limited obtained a loan of \$3.66m (2022: nil) from Heartland Bank Limited in March 2023 which included an establishment fee of \$10,000. Allied Farmers Limited Director Shelley Ruha is a Director of Heartland Bank Limited. The loan is disclosed within Note B5. Interest paid for 2023 was \$83,182 (2022: nil). NZ Farmers Livestock has an agreement with Heartland Bank pursuant to which NZFL receives referral fees. These referral terms were arranged in April 2022, prior to Allied's and Heartland's commonality of directors. Referral fee income received since Shelley Ruha was appointed a Director of the Group in November 2022 totalled \$145,842, which represented Allied's share of drawdown fees and interest accrued exceeding the base rate that Heartland earned and collected on any livestock finance transactions referred to by Allied. NZ Farmers Livestock has also entered into six vehicle leases with KIA Finance provided by Heartland Bank Limited on arms length basis. The liability for which totalled \$204,044 at 30 June 2023. Interest paid on these vehicle leases since Shelley Ruha was appointed as a Director of the Group was \$6,864.

Richard Milsom was appointed Managing Director of Allied Farmers Limited on 5 April 2023. Amounts paid to Mr Milsom under a contract of service for 2023 totalled \$58,958 (2022: nil). These fees covered both services as Managing Director from 5 April 2023 and services managing NZRLM. Amounts paid to Mr Milsom under a Service Agreement with NZRLM for 2023 totalled \$36,458. Mr Milsom received distributions from NZRLM with payment by way of shares in New Zealand Rural Land Company ('NZRLC') totalling \$246,908. RP Milsom Investments Ltd also received distributions from NZRLM with payment by way of shares in New Zealand Rural Land Company ('NZRLC') totalling \$61,724. These distributions from NZRLM were received prior to Mr Milsom becoming a Director of Allied Farmers Limited. These amounts relate to services to NZRLM only.

The vendors of NZRLM included Elevation Capital Management Limited a company controlled by a former Director of the Group Christopher Swasbrook who owned 16.5% of NZRLM and Richard Milsom who directly and through a company controlled by him, owned 7.5%.

The acquisition of the 50% of NZRLM which the Group did not previously own was in accordance with the terms of the Call Option Deed, under which the parties agreed to appoint PwC as valuer to determine the consideration, based on the fair value of NZRLM as of 18 December 2022.

NZRLM received property management fees and a transaction fee totalling \$1,202,666 from NZRLC in the period since NZRLM became a subsidiary of the Group in March 2023.

E2 Auditors' remuneration

Audit fees - KPMG (2021 auditors)
Fees for other services - KPMG
Audit fees - RSM Hayes Audit
Fees for other services RSM Hayes Audit
Direct expenses associated with the audit

Group	
2023	2022
\$000	\$000
-	33
-	44
118	100
2	-
18	8
Total	184

About this report

Allied Farmers Limited is a for-profit entity domiciled in New Zealand and registered under the Companies Act 1993. The company is an FMC Reporting 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 the year ending 30 June 2023.

These Consolidated Financial Statements ("Financial Statements") have been approved for issue by the Board of Directors on 28 August 2023.

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 (except for certain financial assets measured at fair value); 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.

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 A1 Revenue recognition
- Note A2 Deferred tax asset recognition
- Note C4 Intangibles
- Note D2 Goodwill impairment assessment

SECTION **7** INDEPENDENT
AUDITOR'S REPORT

Independent Auditor's Report

To the shareholders of Allied Farmers Limited

Opinion

We have audited the consolidated financial statements of Allied Farmers Limited and its subsidiaries (the Group), which comprise:

- the consolidated balance sheet as at 30 June 2023;
- the consolidated profit and loss statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 22 to 40 present fairly, in all material respects, the financial position of the Group as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Allied Farmers Limited or any of its subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. We identify two key audit matters as detailed on the next pages, which were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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Revenue recognition

Why we considered this to be a key audit matter

The Group's revenue arises from a variety of revenue streams (as detailed in Note A1) which include livestock (livestock agency services and veal processing), livestock financial services, and revenues from rural land management services.

With livestock agency services the gross transactional cash flows exceed the reported levels of revenue, given the adopted treatment to recognise this revenue on a commission (i.e. agency) basis.

Because of the complexity of the accounting requirements and varied nature of revenue streams across the group we considered this to be a key audit matter.

Our approach

Our procedures in relation to revenue recognition included:

- Reviewing a sample of contracts to ensure that the group's policy for the point of recognition is in compliance with the requirements of NZ IFRS 15 *Revenue from contracts with customers*;
- Understanding the processes and evaluating the related controls implemented by the group over revenue recognition;
- Testing the operating effectiveness of controls related to the recording of revenue from livestock agency and veal processing revenue; and
- Performing tests of detail on a sample of revenue transactions throughout the period and in particular around year end to ensure that these have been appropriately recognised.

We also evaluated and tested the policies for revenue recognition adopted by the group's joint operations (associated auctioneers) and NZRLM.

We also evaluated the accounting policies applied and considered disclosures relating to revenue recognition, and the presentation of revenue in current and prior period, as outlined in Note A1.

Acquisition of NZRLM

Why we considered this to be a key audit matter

As detailed in notes C2 *Investments Held by Group* and C4 *Intangible Assets*, the Group's increased level of ownership has led to control being obtained over NZRLM. The counterparties to this transaction are also related to current and former directors of the Group.

The Group considered whether it was appropriate to apply the optional concentration test under NZ IFRS 3 *Business Combinations*.

The Group concluded that substantially all of the value of the gross assets acquired related to the NZRLM's agreement to provide management services to NZ Rural Land Company Limited.

Based on this conclusion the transaction has been treated as the acquisition of an asset (the management contract for NZRLC) by the Group resulting in the recognition of a new intangible asset of \$10.4m on the Group's balance sheet.

As the accounting for the acquisition and resulting intangible asset has had a significant impact on the balance sheet and will have a continuing impact on the reported results, this area is considered to be a key audit matter.

Our approach

We obtained an understanding of, and evaluated:

- The Group's documentation of the acquisition agreements and application relative to the requirements of NZ IFRS 3 *Business combinations*.
- Details of the existing arrangements between the Group and other previous owners of NZRLM and the purchase of the additional 50% ownership interest.
- The Group's assessment of the composition of the assets acquired, and whether the optional concentration test was met.

We then tested the measurement of consideration transferred for the acquisition and ensured it was recorded correctly in accordance with the requirements of NZ IFRS 3 *Business Combinations* and NZ IAS 38 *Intangible Assets*.

We also evaluated the adequacy of the disclosures provided in relation the transaction, as detailed in note C2 *Investments Held by Group* and C4 *Intangible Assets*.

Other information

The directors are responsible for the other information included in the annual report. The other information provided is contained on pages 1 to 20 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible, on behalf of the group, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible, on behalf of the group, for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the XRB's website at:

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

Who we report to

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

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

A stylized, handwritten-style signature of 'RSM' in blue ink.

RSM Hayes Audit
Auckland

28 August 2023

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