

28 February 2022

HALF YEAR 2022 REPORT

Unaudited Half Year Consolidated Result

The Directors of Allied Farmers Limited (**AFL.NZX**) report an unaudited consolidated net profit before tax (**NPBT**) of \$1.438 million for the six months ended 31 December 2021. This is above the updated HY22 NPBT range of \$1.2m to \$1.4m provided to the market on 28 January 2022.

The following table summarises consolidated NPBT over the previous interim periods from Allied Farmers’s investments and Parent Company Operations:

Interim Period (1 July – 31 December)	NZ Farmers Livestock * (livestock agency, meat export and finance) (\$m)	NZ Rural Land Management (asset management) (\$m)	Parent Company Cost of Operations (\$m)
2017	0.4	-	(0.3)
2018	1.5	-	(0.2)
2019	1.7	-	(0.4)
2020	0.8	-	(0.3)
2021	1.5	0.3**	(0.4)

*Reported figures displayed detail 100% of the NPBT for NZFL – Allied Farmers only owns 67% of this business. Allied Farmers is required to report on a consolidated basis but has detailed an unconsolidated position below.

** The NZRLM profit of \$0.3m stated in the table above is attributable of Allied Farmers shareholders (i.e NZRLM’s total NPBT was \$0.6m)

This higher result reflects the inclusion for the first time (for an interim period) of the NZ Rural Land Management GP Ltd (**NZRLM**) contribution. In addition, the NZ Farmers Livestock Limited (**NZFL**) contribution was considerably higher than the previous interim period, driven by substantially stronger revenue from its Farmers Meat Export business.

Profit attributable to Allied Farmers’s shareholders reflecting its 67% ownership of NZFL and 50% of NZRLM

The HY22 after tax profit attributable to Allied Farmers’ shareholders was \$1.059 million (HY21 \$0.228 million). Earnings per share (**EPS**) for HY22 was \$0.0368 (HY21 \$0.0079).

Dividend & Net Tangible Assets Per Share

Consistent with previous interim periods, no dividend will be paid for the period as the Company continues to retain capital.

As indicated at the Annual Meeting last November, the Board's view is that in the short term, retaining and redeploying earnings is in shareholders' best interests, particularly as the Independent Directors consider various funding options if Allied were to recommend calling its option to acquire the 50% of NZ Rural Land Management it does not already own (see further comment under "Focus for 2022" below).

Allied Farmers Net Tangible Assets (**NTA**) per share based on 67% direct ownership of NZ Farmers Livestock, and 50% ownership of NZRLM as at 31 December 2021 equals \$0.42 cents per share (versus \$0.32 cents per share as at 31 December 2020).

Business Segment Reports

Livestock Agency

The livestock agency result reflects the negative impacts of Covid and unfavourable weather.

Clients and agents have benefited from the continued development of our MyLiveStock digital platform, which provides important options in the face of Covid challenges. We continue a focus on agent team development and provision of supporting tools.

Farmers Meat Export

The vast majority of NZFL's earnings for the period were contributed by Farmers Meat Export. It benefited from a faster than anticipated recovery of product prices, maintenance of stock tallies, and an earlier than usual sale of the main Spring production. The latter has removed any export logistics risk, and reflects the value of the contracted arrangements in place. This was a very strong result, built upon close management and the procurement performance of our livestock and wider team.

Farmers Meat Export shortly commences its autumn processing, which is anticipated to be at similar levels to last year. Our processor has appropriate Covid management arrangements, and we have good confidence for the more major Spring campaign mid-calendar year.

Livestock Finance

The contribution from our Livestock finance activities was slightly below last year due to buoyant livestock and dairy prices, funder constraints on the scope of lending, and repayment late in the period by several larger borrowers. We are exploring initiatives to diversify and grow this business in a capital efficient manner. Good progress has been made with our Lambplan (store lamb) lending initiative which will incrementally add to the finance offering.

NZ Farmers Livestock Outlook

Stock values are generally high, and while Covid presents some risk, particularly to primary processing and the pricing of some stock, any issue that may develop may also raise agency trading

volumes. We expect significant improvements in livestock trading activity for the balance of the year due to these higher prices, the return to more favourable weather patterns nationally, good herd sales activity, and reducing Covid impacts.

Dairy herd forward sales are arranged throughout the financial year but not accounted until contracts settle late in the financial year. With dairy farm sales activity and a higher milk pay-out, these contracted sales levels are appreciably ahead of last year, and we expect to see a significant earnings contribution late in the second half of the financial year.

As in many previous years, the returns from Farmers Meat Export continue to be a major contributor to first half year performance. However, investors are reminded that typically Allied Farmers's second half year profit is driven by factors distinct from this business that drives first half year profit. The second half is strongly influenced by livestock trading and herd sale activity, much of which will occur in the later part of the second half, and therefore while it is not possible to forecast full year profits based on first half performance, the anticipated trading environment should ensure a pleasing full year result.

NZ Rural Land Management Partnership (NZRLM) – Manager of NZX-listed New Zealand Rural Land Company (NZL.NZX)

NZRLM contributed \$0.3m to Allied Farmers in the interim period, during which NZL completed two acquisitions.

The first acquisition, completed in August 2021, was a 493-hectare hybrid dairy farm located in Waimate, South Canterbury. NZL has entered a put and call options deed where interests associated with the vendor may call for the repurchase of the property from NZL at any time.

In addition, NZL will have the option to put the farm to the vendor and require it to purchase it back in approximately two years. The purchase price will be \$12m plus 4.66% per annum in either case.

NZL's second acquisition was a portfolio of six large scale dairy assets in Maniototo, Central Otago, totalling approximately 3,500 hectares. The portfolio comprises a mixture of productive dairy platforms, support farms and modern infrastructure. The purchase price for the farms was \$60.640m.

The Manager continues to investigate further investments to increase sector and tenant diversity. NZL has an attractive acquisition pipeline, with the Manager progressing due diligence on several new opportunities at present.

NZRLM Outlook

It is not possible to provide a forecast for NZRLM but as stated above NZL has an attractive acquisition pipeline, with NZRLM as Manager progressing due diligence on several new opportunities at present.

Focus for 2022

The Allied Farmers' Board continues to focus on growth in earnings per share and careful consideration of how it can utilise its strengthening balance sheet to build value for its shareholders.

Specifically, investors will be aware that this year the Independent Directors will need to consider whether Allied Farmers wishes to recommend calling its option to acquire the 50% of NZRLM it does not already own. Whilst the call option can only be exercised after 18 December this year, the Independent Directors are mindful that significant preparatory activity is required to inform and enable any decision. This work includes the timing of making any call (the option expires on 18 December 2023) and the mechanism for funding.

Mark Franklin
Chair



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

ALLIED FARMERS

Results for announcement to the market		
Name of issuer	Allied Farmers Limited	
Reporting Period	6 months to 31 December 2021	
Previous Reporting Period	6 months to 31 December 2020	
Currency		
	Amount (000s)	Percentage change
Revenue from continuing operations	\$15,192	+16.01%
Total Revenue	\$15,192	+16.01%
Net profit/(loss) from continuing operations	\$1,438	+170.81%
Total net profit/(loss)	\$1,438	+170.81%
Interim/Final Dividend		
Amount per Quoted Equity Security	No dividends proposed	
Imputed amount per Quoted Equity Security	N/A	
Record Date	N/A	
Dividend Payment Date	N/A	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.47	\$0.32
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to results release and unaudited financial statements.	
Authority for this announcement		
Name of person authorised to make this announcement	Brian Lee	
Contact person for this announcement	Brian Lee	
Contact phone number	027 201 3040	
Contact email address	brian.lee@alliedfarmers.co.nz	
Date of release through MAP	28/02/2022	

Unaudited financial statements accompany this announcement.

Profit and Loss Statement

For the 6 Months Ending 31 Dec 2021

Unaudited

	Group		
	Dec 2021	Jun 2021	Dec 2020
	\$000	\$000	\$000
Revenue and other income	15,192	21,661	13,095
Cost of sales and operating expenses	(13,398)	(18,594)	(12,218)
Depreciation and amortisation	(466)	(827)	(428)
Net interest income	110	241	97
Profit before tax	1,438	2,481	546
Income tax (expense) / benefit	-	95	(15)
Profit after tax	1,438	2,576	531
Total comprehensive income	1,438	2,576	531
Profit attributable to:			
Shareholders of Allied Farmers Limited ('Allied')	1,059	2,021	228
Minority shareholders of NZ Farmers Livestock Limited ('NZFL')	379	555	303
Basic Earnings per share (cents)	3.68	7.02	0.79

Statement of other Comprehensive Income

For the 6 Months Ending 31 Dec 2021

Unaudited

	Group		
	Dec 2021	Jun 2021	Dec 2020
	\$000	\$000	\$000
Profit after tax	1,438	2,576	531
Change in value of investment in equity securities	104	(135)	-
Total comprehensive income	1,542	2,441	531

Statement of Cash Flows

For the 6 Months Ending 31 Dec 2021

Unaudited

	Group		
	Dec 2021	Jun 2021	Dec 2020
Cash flows from/(to) operating activities	\$000	\$000	\$000
Cash receipts from customers	17,765	21,815	17,708
Interest received	312	631	317
Distribution from NZRLM	400	350	-
Cash paid to suppliers and employees	(17,960)	(18,119)	(16,177)
Interest paid	(202)	(389)	(218)
Income tax received/(paid)	(62)	213	322
Net cash flow from operating activities	253	4,501	1,952
Cash flows from/(to) investing activities			
Decrease (Increase) in finance receivables NZ Farmers Livestock Finance Ltd/Rural Financial SolutioNZ Ltd	(208)	(1,559)	(1,811)
Acquisition of New Zealand Rural Land Company Limited shares	(660)	(1,130)	(1,121)
Rights Issue of shares in Allied Farmers Limited	-	2,686	2,706
Purchase of shares in NZ Farmers Livestock Ltd	-	(28)	(11)
Acquisition of intangibles, property, plant and equipment *	(249)	(847)	(199)
Net cash flow from/(used in) investing activities	(1,117)	(878)	(436)
Cash flows from/(to) financing activities			
Drawdown of finance receivables borrowings	1,000	-	1,500
Repayment livestock trading borrowings	(221)	(448)	(217)
Repayment of vehicle finance borrowings	-	-	(281)
Repayment of finance receivables borrowings	(233)	(301)	(1,650)
Repayment of bond	(1,000)	-	-
Dividends paid	(549)	(418)	(419)
Net cash flow used in financing activities	(1,003)	(1,167)	(1,067)
Net movement in cash and cash equivalents	(1,867)	2,456	449
Opening cash and cash equivalents	4,542	2,086	2,086
Closing cash and cash equivalents	2,675	4,542	2,535
Reconciliation of Profit to Cash Surplus from Operating Activities			
Profit for the year	1,438	2,576	531
<i>Adjustments for items not involving cash flows:</i>			
Impairment on receivables	(3)	41	80
(Profit)/loss on sale of assets	(52)	(17)	(6)
Depreciation	466	827	428
(Increase) Decrease in Deferred Tax	-	(163)	-
Movement in Investments	92	(667)	(55)
Other - including non cash items	(10)	14	-
	493	35	447
Movement in trade and other receivables	2,680	1,632	4,971
Movement in inventories	26	245	88
Movement in trade, other payables and employee benefits	(4,322)	(200)	(4,407)
Movement in taxation	(62)	213	322
Cash flow from operating Activities	253	4,501	1,952

* Includes Motor Vehicles after allowing for the financing of them.

Balance Sheet

As at 31 December 2021

Unaudited

	Group		
	Dec 2021	Jun 2021	Dec 2020
	\$000	\$000	\$000
Equity			
Share capital	158,204	158,204	158,224
Accumulated Losses	(145,403)	(146,566)	(148,207)
Equity attributable to owners of the Parent	12,801	11,638	10,017
Non-controlling interests	1,777	1,933	1,681
Total equity	14,578	13,571	11,698
Liabilities			
Trade and other payables	7,086	11,452	7,329
Employee benefits	1,144	1,100	1,017
Income tax payable	-	39	3
Finance receivables bank borrowings	500	300	300
Bank borrowings and bonds	453	1,447	1,434
Lease liabilities	866	599	241
Total current liabilities	10,049	14,937	10,324
Bank borrowings and bonds	445	669	912
Finance receivables bank borrowings	1,192	625	775
Lease Liabilities	1,219	1,534	1,138
Total non-current liabilities	2,856	2,828	2,825
Total liabilities	12,905	17,765	13,149
Total liabilities and equity	27,483	31,336	24,847
Assets			
Cash and cash equivalents	2,675	4,542	2,535
Trade Receivables	7,242	10,116	6,676
Inventories	25	51	209
Income tax receivable	34	-	-
Finance receivables	5,350	5,142	5,394
Other receivables	443	246	310
Total current assets	15,769	20,097	15,124
Deferred tax assets	953	953	790
Goodwill	742	742	742
Intangible asset - computer software	208	271	296
Investments	4,986	4,297	3,628
Property - owned and leased	4,825	4,976	4,267
Total non-current assets	11,714	11,239	9,723
Total assets	27,483	31,336	24,847
Net Tangible Assets - Consolidated	0.47	0.44	0.37
Net Tangible Assets - attributable to owners of the parent	0.42	0.38	0.32

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

The Board of Directors of Allied Farmers Limited authorised these financial statements for issue on 28 February 2022.



Christopher Swasbrook
Director



Philip Luscombe
Director

Statement of Changes in Equity
For the 6 Months Ending 31 Dec 2021
Unaudited

Group	Share Capital	Accumulated losses	Revaluation Reserve	Minority Shareholders Interests	Total
	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2020	153,018	(148,210)	-	1,582	6,390
Profit after tax for the year	-	228	-	303	531
Total comprehensive income for the period	-	228	-	303	531
Dividends paid	-	(214)	-	(204)	(418)
AFL Purchase Minority Shareholders Shares	-	(11)	-	-	(11)
AFL Shares issued in purchase of New Zealand Rural Land Management Limited Partnership	2,500	-	-	-	2,500
Pro rata renounceable rights issue	2,706	-	-	-	2,706
Total transactions with owners	5,206	(225)	-	(204)	4,777
Balance at 31 December 2020	158,224	(148,207)	-	1,681	11,698
Balance at 1 January 2021	158,224	(148,207)	-	1,681	11,698
Profit after tax for the year	-	1,793	-	252	2,045
Revaluation of Equity Securities	-	-	(135)	-	(135)
Total comprehensive income for the period	-	1,793	(135)	252	1,910
AFL Purchase Minority Shareholders Shares	-	(17)	-	-	(17)
Pro rata renounceable rights issue	(20)	-	-	-	(20)
Total transactions with owners	(20)	(17)	-	-	(37)
Balance at 30 June 2021	158,204	(146,431)	(135)	1,933	13,571
Balance at 1 July 2021	158,204	(146,431)	(135)	1,933	13,571
Profit after tax for the year	-	1,059	-	379	1,438
Revaluation of Equity Securities (refer Note C2)	-	-	104	-	104
Total comprehensive income for the period	-	1,059	104	379	1,542
Dividends paid	-	-	-	(535)	(535)
Total transactions with owners	-	-	-	(535)	(535)
Balance at 31 December 2021	158,204	(145,372)	(31)	1,777	14,578

Financial performance

In this section

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

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

How we operate and generate returns for shareholders

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

Financial services: Providing livestock finance to farmer client.

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

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

Segment information (Unaudited)

	Group									Total					
	Livestock Services			Financial Services			Rural Land Management			Parent Operations			Dec-21	Jun-21	Dec-20
	Dec-21	Jun-21	Dec-20	Dec-21	Jun-21	Dec-20	Dec-21	Jun-21	Dec-20	Dec-21	Jun-21	Dec-20	Dec-21	Jun-21	Dec-20
Commission and fee income	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sale of goods	5,940	12,875	6,128	-	-	-	-	-	-	-	-	-	5,940	12,875	6,128
Interest income	71	187	77	240	443	239	-	-	-	-	-	-	311	630	316
Other Income	133	87	45	-	-	-	-	-	-	-	-	-	133	87	45
Equity Accounted Earnings NZRLM	-	-	-	-	-	-	325	1,152	-	-	-	-	325	1,152	-
Total Income	14,938	20,696	13,172	240	443	239	325	1,152	-	-	-	-	15,503	22,291	13,411
Cost of goods sold	6,916	6,823	6,126	-	-	-	-	-	-	-	-	-	6,916	6,823	6,126
Personnel expenses	4,113	7,942	3,962	23	46	23	-	-	-	43	95	47	4,179	8,083	4,032
Depreciation and amortisation	466	827	428	-	-	-	-	-	-	-	-	-	466	827	428
Rental and operating leases	4	-	3	-	-	-	-	-	-	-	-	-	4	-	3
Other operating expenses	1,870	2,958	1,786	44	86	42	-	-	-	385	644	229	2,299	3,688	2,057
Total Expenses	13,369	18,550	12,305	67	132	65	-	-	-	428	739	276	13,864	19,421	12,646
Finance Costs	(111)	(195)	(93)	(72)	(121)	(89)	-	-	-	(18)	(73)	(37)	(201)	(389)	(219)
Profit/(loss) before tax	1,458	1,951	774	101	190	85	325	1,152	-	(446)	(812)	(313)	1,438	2,481	546
Income tax (expense) / benefit*	-	-	-	-	-	-	-	-	-	-	-	-	-	95	(15)
Profit/(loss) after tax													1,438	2,576	531
Current Assets	9,751	14,450	5,393	5,350	5,142	8,600	-	-	-	668	505	1,131	15,769	20,097	15,124
Non Current Assets	6,633	6,847	9,623	100	100	100	2,587	3,302	-	2,394	990	-	11,714	11,239	9,723
Assets	16,384	21,297	15,016	5,450	5,242	8,700	2,587	3,302	-	3,062	1,495	1,131	27,483	31,336	24,847
Current Liabilities	9,486	13,345	7,876	500	351	2,107	-	-	-	63	1,241	341	10,049	14,937	10,324
Non Current Liabilities	1,664	2,203	1,050	1,192	625	775	-	-	-	-	-	1,000	2,856	2,828	2,825
Liabilities	11,150	15,548	8,926	1,692	976	2,882	-	-	-	63	1,241	1,341	12,905	17,765	13,149

* The Group has significant unused tax losses of \$40.6m.

Measurement and Recognition

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

Forward delivery contracts in relation to herd sales on which commission income is earned contain an element of variable consideration due to the timeframe between when the sale is agreed and its completion. At 31 December 2021 all (2020: none) no forward delivery contracts have settled and therefore the variable consideration has no impact on the revenue recognised.

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

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

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

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 31 December 2021 is \$2,394,000 (30 June 2021 \$990,000). The Company also owns a 50% interest in NZ Rural Land Management Partnership ('NZRLM'). NZRLM is the external manager of New Zealand Rural Land Company Limited. The Group has determined that it has significant influence but not control over NZRLM. Accordingly, the Group applies the equity method of accounting to its investment in NZRLM. Under the equity method the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investors share of the profit or loss of the investee after the date of acquisition.

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 Entity in terms of the Financial Markets Conduct Act 2013 and prepares its financial statements in accordance with that Act, the Financial Reporting Act 2013, and NZX Main Board Listing Rules.

The consolidated financial statements are for Allied Farmers Limited and its subsidiaries (together referred to as "Allied") and Allied's interests in associates as at end for the 6 months ended 31 December 2021.

The interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (GAAP) and comply with NZ IAS 34 Interim Financial Reporting.

These Consolidated Financial Statements ("Financial Statements") have been approved for issue by the Board of Directors on 28 February 2022.

Statement of compliance and basis of preparation

The financial statements have been prepared:

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

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

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

These financial statements do not include all the notes and information normally included in the annual financial statements. Accordingly, they should be read in conjunction with the annual financial statements for the year ended 30 June 2021.

Other accounting policies

The accounting policies have been consistently applied to the periods in these financial statements. Where the presentation and structure of the financial statements has changed comparative figures have been amended to align with this periods presentation.

Critical judgements and estimates

The financial statements have been prepared using significant estimates and critical judgements disclosed in the 2021 Annual Report.

Events subsequent to period end date

The financial statements at 31 December 2021 include estimates and judgements in respect of the potential impact of Covid-19 on the Group's financial position and results. Whilst these reflect all available information at the date these financial statements are approved it is noted that there is significant uncertain with regards to medium and long term effect of Covid-19 on the New Zealand economy and livestock agency related industries.