

**26 August 2022**

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 2022 of \$3.556 million (FY2021 \$2.481 million), with an audited net profit after tax attributable to Allied Farmers’ shareholders of \$2.876 million (FY2021 \$2.021 million) which was a +42% increase from the previous year.

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

<b>Segmental Contribution attributable to Allied Farmers’ Shareholders (\$ 000’s)</b>	<b>FY 2022</b>	<b>FY 2021</b>
New Zealand Rural Land Management (NZRLM)	1,624	1,152
New Zealand Farmers Livestock + Finance (NZFL)	1,722	1,370
Allied Farmers (Parent)	(470)	(501)
Allied Farmers NPAT	2,876	2,021

This year we generated growth in earnings per share (EPS) of +16%. Allied Farmers Net Tangible Assets (NTA) per share based on 67% direct ownership of NZ Farmers Livestock (NZFL), and 50% ownership of NZRLM equals \$0.48 per share (versus \$0.38 per share as at 30 June 2021).

In a strategic shift Allied Farmers also decided to wind down Rural Funding SolutionNZ Limited (RFS) and enter into (via New Zealand Farmers Livestock Finance Limited) a referral agreement with Heartland Bank. This provided increased scope to facilitate livestock lending with the backing of a specialist and sophisticated lender in Heartland.

In September 2021, we repaid a \$1 million bond eliminating all debt at the parent company level.

As RFS has largely wound down throughout the year and capital was released this was reinvested into New Zealand Rural Land Company’s capital raisings.

Allied Farmers also implemented several initiatives throughout the year to reduce corporate costs, including a significantly smaller Board, reduced IT spend, reduced professional services spend, disestablishment of the Allied Farmers’s CEO role, and lower recurring consulting fees. The full benefit of these cost reductions will appear in FY 2023.

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

**NEW ZEALAND**  
**RURAL LAND**  
**MANAGEMENT**

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

NZRLM is the external manager of NZX listed New Zealand Rural Land Company (**NZL**). As at the date of this Annual Report NZL has acquired approximately 11,710 hectares of rural land in the South Island.

The Allied Farmers's result includes, for the first time, a full year contribution from NZRLM, delivering earnings of \$1.624 million for the year ending 30 June 2022. The Board is pleased with NZRLM's performance and return on investment, which was driven by NZL's further farm acquisitions partly funded by a successful capital raise during the year, and increased property revaluations that underscore that NZL acquired its assets at very attractive prices.

Under the NZL Management Agreement, in addition to management and transaction fees that are paid in cash, NZL issues shares to the owners of NZRLM, including Allied Farmers, as consideration for performance fees earned by NZRLM. In addition, Allied Farmers has supported NZL's capital raisings, not only because it considers this to be an attractive stand-alone rural sector investment, but, as the 50% owner of NZRLM, NZRLM's earnings grow as a result of the increase in NZL's assets funded by these capital raises. Allied Farmers currently owns 2,900,000 NZL shares (~2.6% of NZL shares on issue).

*NZRLM Outlook:*

NZL has scaled impressively since its listing on NZX on 21 December 2020 under the guidance of its Manager NZRLM. It is reasonable to expect a period of consolidation for NZL after such rapid growth and accordingly we expect NZRLM may earn lower transaction fees in the year ahead as the Manager focuses on Investor Relations and broadening the shareholder base offshore with ~25% of NZL's register still open to foreign investors who have traditionally had a strong appetite for high quality rural land assets globally.

## NZ FARMERS LIVESTOCK

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

The NZFL result reflected a vastly improved contribution by its veal processing business, However, this improvement was partially offset by a lower contribution from its livestock agency business reflecting reduced tallies related to periodic weather and market conditions, Covid disruption, and several small yard share losses. Dairy herd sales were strongly improved on earlier years.

Finance activity continued a contribution consistent with earlier years, as this business transitioned to a referral-based model. During the year NZFL subsidiary NZ Farmers Livestock Finance Limited (NZFLFL) entered into a referral agreement with Heartland Bank, whereby NZFLFL earns commissions on livestock finance lending referred to Heartland. This arrangement is gradually replacing the direct lending by NZFLFL that until late in the reporting period has been supported by an ANZ Bank facility. The Heartland arrangement has had a pleasing start and continues to support and integrate well with the livestock agency business. This has de-risked and strengthened NZFL's balance sheet (as it runs-off its own loan book), provided a greater capacity for clients to borrow, and enabled reliance on Heartland's risk management and compliance processes. This change, along with NZFL's solid financial performance, enabled repayment of a range of mortgage and loan liabilities to materially improve balance sheet resilience that saw NZFL end the year with no net debt.

#### *NZFL Outlook:*

NZFL plans to grow its national presence with agile digital innovation and deployment, focus on improving agent performance, and cost management. Effort continues to grow veal tallies, though Covid impacts on processing capacity have temporarily constrained this. Despite this, strong product prices should drive a solid FY23 result for the veal processing business. Finance is forecast to see continued growth, with investment in additional resourcing, removal of earlier funding constraints, expected market growth, and the excellent synergy with our wider business.

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



**Mark Franklin - Chair**