

ALLIED **FARMERS**

SINCE 1889

Annual Report

for the year ended 30 June 2024

www.alliedfarmers.co.nz

Listed on:



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This report is dated 23 August 2024 and is signed on behalf of the Board of Allied Farmers Limited:



Shelley Ruha – Chair



Richard Milsom - Managing Director

SECTION 1 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**).

NZRLM provides management, investment and administrative services to NZX listed New Zealand Rural Land Company Limited and its 75% owned NZ Rural Land Investment Limited Partnership (**NZL**) pursuant to Management Agreements. 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, and optimizes the utilization of tax losses.

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 2024 total \$178,126,791 gross (2023: \$180,785,199).

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 shareholder continuity to preserve this valuable asset for shareholders. Accordingly, in July 2024 Allied Farmers obtained shareholder approval to amend its constitution to significantly strengthen its ability to restrict share transfers that would cause a breach of shareholder continuity.

Five Year Earnings Summary:

Financial Year Ending 30 June	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Allied Farmers Net Profit After Tax (NPAT) - attributable to Allied Farmers shareholders - \$ 000's	5,206	3,338	2,876	2,021	767
Allied Farmers Earnings Per Share – cents per share	18.07	11.59	9.98	8.57	4.30
Allied Farmers Dividend Per Share – cents per share	-	-	-	-	1.2
Comprising					
NZFL incl. Finance - earnings attributable to Allied Farmers shareholders* - \$ 000's	4,814	2,408	1,722	1,370	1,175
NZRLM - earnings attributable to Allied Farmers shareholders - \$ 000's	1,357	1,138	1,624	1,152	-
Allied Farmers Holding Co (Parent)** - \$ 000's	(965)	(207)	(470)	(501)	(408)

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

** In FY 2024 from Parent Operations loss of \$1,235,000 (FY 2023: \$779,000) disclosed in Note A1 of the Financial Statements, tax benefits of \$270,000 (FY2023: \$572,000) received by the Parent arising from tax losses are deducted.

SECTION 2 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 2024 of \$7.315 million (FY23 \$ 4.071 million), with an audited net profit after tax attributable to Allied Farmers’ shareholders of \$5.206 million (FY23 \$3.338 million) which was an increase of 55.96% from the previous year.

The increased FY24 profit was driven by one-off \$4.2 million gain on the book value of the sale and licence back by NZ Farmers Livestock Limited of its interest in the Frankton saleyards, of which \$2.85 million was attributable to Allied Farmers’ shareholders.

Excluding this one-off gain, NZ Rural Land Management Limited (**NZRLM**) earnings were significantly higher than FY23 on the back of management, performance and transaction fees generated from a number of NZ Rural Land Company Limited (**NZL**) transactions successfully executed by NZRLM, but this was largely offset by lower earnings from NZ Farmers Livestock Limited for the comparative period.

Allied Group FY24 profitability was also impacted by a full year amortisation of the NZRLM Management Contract acquired in March 2023 (a non-cash impact) together with interest on the Heartland loan to fund the acquisition, suspension of dividends from NZL, and costs associated with strategic initiatives such as the amendment to Allied Farmers’ constitution.

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)	FY24	FY 2023	Difference (%)
NZ Rural Land Management (NZRLM)	1,357	1,138	19.24
NZ Farmers Livestock + Finance (NZFL)	4,814	2,407	100
Allied Farmers (Parent)	(965)	(207)	(366)
Allied Farmers NPAT	5,206	3,338	59.64

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

Allied Farmers' basic earnings per share (**EPS**) increased by 55.9% to 18.07 cents per share (FY23 11.59 cps), and Net Tangible Assets (**NTA**) per share, based on 67.8% direct ownership of NZFL and 100% ownership of NZRLM, equals \$0.40 per share (FY23 \$0.21 per share).

During FY24 the Board's strategic focus was on building foundations for Allied Farmers to accelerate its earnings growth.

This has included a strategic examination of the allocation of Allied Group's assets, resulting in a confidential transaction to exit an Allied Group asset at above book value, with the intention that proceeds from this transaction, and others of this nature in the future, can be redeployed into growth opportunities.

Aligned with this strategy, with Inland Revenue in FY23 confirming an unrecognised deferred tax asset comprising unused tax losses of \$178 million (as at 30 June 2024), the Board in July of this year sought and received shareholder approval to amend Allied Farmers' constitution to significantly strengthen its ability to restrict share transfers that would cause a breach of shareholder continuity and forfeiture of tax losses. This constitutional change provides the Board with a platform and confidence to assess new growth opportunities that accelerate the use of these tax losses.

The significance of these tax losses means that shareholders' interests are best served by deploying earnings into growth opportunities that can utilise the tax losses. Accordingly, no dividend will be paid in relation to FY24.

**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 17,457 hectares of forestry estates, and pastoral and horticultural land, an increase of 2,703 hectares during FY24.

NZRLM's FY24 income was up on FY23 comprised of fees associated with status quo portfolio management, successfully executed NZL transactions and overall portfolio performance.

On 9 February 2024 NZL sold a 25% equity interest in its land portfolio to Australia based investment manager Roc Partners (**Roc**). The transaction provided NZL with capital to deploy into high yielding assets across two sub-sectors, horticulture and forestry. These transactions generated transaction fees for NZRLM, while also increasing its recurring revenue base from portfolio management. NZRLM also received a retrospective performance fee for the value gain on NZL's assets for the 12-month period ending 31 December 2023 (NZL's balance date). This fee is in-line with the change in the Net Asset Value (NAV) of NZL's portfolio during this period and is paid in NZL shares. Allied Farmers currently owns 2,803,617 NZL shares (~2% of NZL shares on issue).

The Roc transaction has many strategic benefits for NZL, including capital recycling at a premium, improved financial position and accelerated portfolio growth. Positioning NZL for stable accelerated growth directly improves the returns to NZRLM and Allied Farmers shareholders.

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

NZ Farmers Livestock, like many farming businesses, grappled with a very challenging 2023/24 year, and on balance is pleased to report a solid operating earnings result - though approximately 20% below the comparable period.

The passing during the year of our long time and very widely respected King Country manager and NZFL co-founder, Alan Hiscox, was felt throughout the team, and we reiterate our condolences to Alan's many family and friends, and our thanks to those that stepped up during difficult times.

The veal operation was an important contributor, though moderately impacted by reduced product pricing and escalating costs.

Livestock agency contributed positively, though materially below the prior year. This reflected cost inflation in the face of a small reduction in agency revenues. Poor sheep prices and tallies reflected current market challenges, but cattle pricing (and tallies) remained relatively strong. Dairy herd forward sales performance was creditable and remains an important focus going forward.

The sale of NZFL's interest in the Frankton saleyards was coupled with an access licence back to NZFL, and therefore NZFL's access to and use of the yards is consistent with prior to the sale.

The recent recovery in sheep pricing and strengthening cattle pricing are encouraging for the current year.

In the face of cost inflation, the business has focused on improving productivity, cost structure, capital efficiency and driving our developing digital platform and presence. Work through the year should position us well within an improving agribusiness environment.

Livestock financing, based around our Heartland-supported and own lending offerings, continued the growth forecast in earlier market updates, and its support of the core business, to increase its contribution.

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

Shelley Ruha - Chair

SECTION 3 DIRECTORS

Shelley Ruha - Independent Chair

Shelley was appointed a Director of Allied Farmers Limited in November 2022, and Chair in April 2023. Shelley is a Company Director and Investor across a variety of industries. She Chairs PaySauce Limited and is a director of Heartland Bank Limited, Partners Life Limited, and 9 Spokes International Limited. Previous directorships include Hobson Wealth Limited, Paymark Limited, JB Were Limited 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, and is a partner in the family dairy farm in Taranaki. He is an Independent Director of dairy farming business, Te Rua O Te Moko Limited. He is a former director of PKW Farms Limited, 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 investment management, tourism, retail and agriculture/ biotechnology – 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).

Director Independence:

As at 30 June 2024, Shelley Ruha and Philip Luscombe are considered by the Board to be independent directors. They are 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
- Neither of these 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.
- In the case of Philip Luscombe, the fact that he has been a director for a period greater than 12 years has not caused him to no longer be independent of management. During his tenure Mr. Luscombe has not demonstrated any undue influence over management. Allied Farmers' Managing Director's primary relationship and point of communication is with Allied Farmers' independent Chair, and Mr. Luscombe does not involve himself in matters that are beyond what would be required or expected of an independent director. In addition, during his tenure, Mr. Luscombe has not at any time had any of the factors described above apply to him.

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

SECTION 4 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 FY24 (excluding directorships of wholly owned subsidiaries) in the Interests Register:

Director	Entity	Relationship
Shelley Ruha	Tax Gift Hobson Wealth	Chair Interest ceased Director Interest ceased
Richard Milsom	Ngutunui Dairies Limited	Director Interest ceased

Directors' Share Trading and Holdings:

Directors and former directors disclosed the following acquisitions and disposals of relevant interests in Allied Farmers Limited shares during FY24 pursuant to section 148 of the Companies Act 1993:

Director/relevant interest	Date(s)	Details
Richard Milsom	12 September 2023	Issue of 144,032 Performance Share Rights

As at 30 June 2024, 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	2024	2023
Philip Luscombe	\$67,500	\$55,000
Shelley Ruha ¹	\$82,500	\$38,333
Richard Milsom ²	-	-
Christopher Swasbrook ³	-	\$46,250
Mark Franklin ⁴	-	\$29,167
Total	\$150,000	\$168,750

Directors Other Remuneration:

Director	2024	2023
Richard Milsom	\$500,000	\$95,416
Shelley Ruha	-	\$20,348
Total	\$500,000	\$115,764

¹ Appointed 9 November 2022

² Appointed 5 April 2023

³ Resigned 5 April 2023

⁴ Deceased November 2022

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, 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 \$128,412. This remuneration and benefits did not include any director's fees.

Particular Disclosures:

Related Party disclosures and information can be found in section E1 of the FY24 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 after receipt of recommendations from the Remuneration and Nomination Committee.

The Managing Director's remuneration comprises a fixed base salary, and at-risk short-term and long-term incentives. 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 assessed the Managing Director's Short Term Incentive performance at the end of FY24 (see below).

Richard Milsom's total remuneration for FY24 was as follows:

Financial Year	Remuneration	Benefits	Performance – Short-term Incentive	Total Remuneration
FY 2024	\$250,000	Nil	\$250,000	\$500,000
FY 2023	\$ 95,416	Nil	Nil	\$ 95,416

FY24 Short Term Incentive: For FY24 the Managing Director’s short-term targets and objectives were:

- Target: \$125,000, being 50% of the Managing Director’s FY24 base remuneration.
- Maximum Achievable: \$250,000, being 100% of the Managing Director’s FY24 base remuneration.
- Objectives:
 - 60% - NZRLM and NZFL achieving their respective Budgeted NPBT.
 - 40% - Achieving strategy and leadership targets.

The Allied Farmers’ Board assessed that Richard Milsom significantly over-achieved his FY24 performance targets, resulting in a payment of \$250,000.

FY25 Short Term Incentive: For FY25 the Managing Director’s short-term targets and objectives are:

- Target: \$187,500, being 50% of the Managing Director’s FY25 base remuneration.
- Maximum achievable: \$375,000 being 100% of the Managing Director’s FY25 base remuneration.
- Objectives:
 - 35% - NZRLM and NZFL achieving their respective Budgeted NPBT.
 - 65% - Achieving strategy and leadership targets

The Allied Farmers’ Board will assess Richard Milsom’s achievement against these FY25 performance targets at the end of FY25.

Long Term Incentive

The Board has 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 are measured over a three-year performance period. The NPAT target will be set at the beginning of each of the three financial years and assessed at the conclusion of the three-year performance period.

FY24 Long Term Incentive: 144,032 Performance Rights were issued to Mr. Milsom for FY24 pursuant to Listing Rule 4.6.1. The proportion of Performance Rights that satisfy the Vesting Condition are determined by reference to the following scale:

Performance against target (budgeted) three-year average of Group NPAT	Percentage of performance rights to satisfy 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.

FY25 Long Term Incentive: The Board has agreed to issue Mr. Milsom a further 144,032 Performance Rights for FY25. Allied Farmers amended its constitution in July 2024 to restrict the issue of further equity securities to shareholders such as Mr. Milsom who already own greater than 5% of Allied Farmers’ shares. Therefore, the grant of Performance Rights is subject to and conditional on approval from Allied’s shareholders. Allied intends to seek this approval at its 2024 Annual Shareholders Meeting, likely to be in November 2024.

The proportion of Performance Rights, if approved, that satisfy the 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 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.

No executives or employees other than Mr. Milsom had a Long-Term Incentive Plan in FY24. Mr. Milsom does not have a severance package. 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 FY24 is within the specified bands as follows:

Remuneration Range		2024	2023
100,000	110,000	4	4
110,001	120,000	5	5
120,001	130,000	4	3
130,001	140,000	1	1
140,001	150,000	2	2
150,001	160,000	1	2
160,001	170,000	2	2
170,001	180,000	2	-
180,001	190,000	1	1
190,001	200,000	-	1
200,001	210,000	-	1
210,001	220,000	-	-
220,001	230,000	1	1
230,001	240,000	2	3
240,001	250,000	1	-
250,001	260,000	-	-
260,001	270,000	-	1
270,001	280,000	-	-
280,001	290,000	1	-
290,001	300,000	-	-
300,001	310,000	-	-
310,001	320,000	-	-
320,001	330,000	1	1
Total		28	28

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	4,553,667 (15.8%)	5 April 2023
WAF Limited	5,758,406 (19.99%)	25 October 2023

Subsidiary Companies:

Directors of subsidiary companies as at 30 June 2024 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 SolutionNZ Limited	Rural Financing	S. Ruha, O Carruthers
Subsidiaries of Allied Farmers (New Zealand) Limited		
Allied Farmers Property Holdings Limited	Non-trading	S. Ruha
Allied FLA Limited	Non-trading	R. Milsom
Subsidiaries of Allied Farmers Property Holdings Limited		
UFL Lakeview Limited	Non-trading	S. Ruha
5M No 2 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 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, B. Lee, 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 2024.

Rank	Shareholder	Number of Shares	% Issued Capital
1	WAF Limited	5758406	19.99
2	Rem Trustee Limited	3585000	12.45
3	Custodial Services Limited	1348536	4.68
4	Wairahi Investments Limited	1300000	4.51
5	Donald Clifton Jacobs	831050	2.88
6	Elizabeth Beatty Benjamin & Michael Murray Benjamin	682622	2.37
7	FNZ Custodians Limited	646612	2.24
8	Stephen James Hurley & Bridget Eileen Wall	570000	1.98
9	Dfs Investment Partners Llc	522185	1.81
10	Rpmilsom Investments Limited	512000	1.78
11	Deborah Lee Seerup	500001	1.74
12	New Zealand Depository Nominee	465079	1.61
13	Glenn Leslie Ballinger	457334	1.59
14	Graeme Stuart Lord & Lisa Anne Lord	442742	1.54
15	FNZ Custodians Limited	408074	1.42
16	Fortune Capital Group Limited	337239	1.17
17	Jade NZ Limited	300000	1.04
18	Ross Phillip Drew	198107	0.69
19	Milsom Holdings Limited	190000	0.66
20	Forsyth Barr Custodians Limited	176861	0.61

Analysis of Shareholding:

Range	Holders %	Issued Capital	Issued Capital %
1-1000	60.78	422872	1.47
1001-5000	19.86	899089	3.12
5001-10000	6.82	922025	3.2
10001-50000	9.35	3724885	12.93
50001-100000	1.16	1521251	5.28
Greater than 100000	2.04	21316312	74

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' 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 2024, females represented 33% (FY23: 33%) of Directors and 20% (FY23: 17%) of Officers of Allied Farmers. Officers are defined as being the Managing Director of Allied Farmers Limited and specific executives having key influence.

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

Shareholder Enquiries:

Shareholders should send changes of address, dividend queries, and instructions and shareholding information requests to MUFNG, 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 FY24 (FY23: Nil).

Donations:

The Allied Farmers Board has determined that it will not make political donations. No political donations were made during FY24.

Waiver and Approval:

On 7 June 2024 NZ RegCo granted Allied Farmers the following, in relation to proposed amendments to its constitution to minimize the risk to Allied Farmers' shareholder continuity being lost inadvertently:

- A waiver from Listing Rule 8.1.5 to the extent that this Rule would otherwise prevent Allied Farmers from suspending the voting rights attaching to securities that, in accordance with the Constitutional Amendments, are Affected Shares; and
- Approval under Rule 8.1.6 to allow Allied Farmers to include provisions in its Constitution that:
 - restrict the transfer of Allied Farmers' securities to any person if the Board knows or believes that the transfer will or is likely to result in that person having a relevant interest in breach of the Ownership Threshold;
 - restrict Allied Farmers from issuing, acquiring or redeeming shares where Allied Farmers has actual knowledge that the issue, acquisition or redemption would result in a breach of the Ownership Threshold; and
 - allow the Board to require documentation and/or information in relation to a proposed transfer or transferee of Allied Farmers' shares, in the circumstances permitted under the Constitutional Amendments.

Full details of the waiver and approval, including the definition of the capitalized terms referred to above, can be found on the NZX website: <https://www.nzx.com/announcements/432440>

SECTION **5** CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated Profit and Loss Statement

For the year ended 30 June 2024

Audited

	Note	Group	
		June	June
		2024	2023
		\$000	\$000
Commission and fee income	A1	16,497	15,906
Sale of goods	A1	10,381	10,015
Interest income	A1	328	414
Other Income	A1	422	387
Equity Accounted Earnings NZRLM	A1	-	417
Total Income		27,628	27,139
Cost of goods sold	A1	(7,703)	(7,155)
Personnel expenses	A1	(9,428)	(10,018)
Depreciation and amortisation	A1	(1,165)	(902)
Operating expenses	A1	(5,681)	(4,717)
Total Expenses		(23,977)	(22,792)
Finance Costs	A1	(565)	(276)
Operating Profit before tax		3,086	4,071
Gain on Sale of Property	A1	4,229	-
Profit before tax		7,315	4,071
Income tax (expense) / benefit	A2	(396)	207
Profit after tax		6,919	4,278
Profit attributable to:			
Shareholders of Allied Farmers Limited ('Allied')		5,206	3,338
Non-controlling shareholders of NZ Farmers Livestock Limited ('NZFL')		1,713	940
Allied Earnings per share (cents) - Basic	A3	18.07	11.59
Weighted average number of shares - Basic (000's)		28,806	28,806
Allied Earnings per share (cents) - Diluted	A3	17.98	11.59
Weighted average number of shares - Diluted (000's)		28,950	28,806

Consolidated Statement of Other Comprehensive Income

For the year ended 30 June 2024

Audited

		Group	
		June	June
		2024	2023
		\$000	\$000
Profit after tax		6,919	4,278
Amounts Not Reclassified Through Profit and Loss			
Change in value of investment in equity securities	C2	(371)	(670)
Total comprehensive income		6,548	3,608

Consolidated Statement of Cash Flows

For the year ended 30 June 2024

Audited

	Group	
	June 2024	June 2023
	\$000	\$000
	Note	
Cash flows from/(to) operating activities		
Cash receipts from customers	26,819	26,144
Interest received	328	414
Cash paid to suppliers and employees	(23,862)	(23,541)
Interest paid	(565)	(276)
Income tax (paid)/received	(621)	(52)
Net cash flow from operating activities	2,099	2,689
Cash flows from/(to) investing activities		
Decrease (Increase) in finance receivables NZ Farmers Livestock Finance Ltd/Rural Funding SolutionNZ Ltd	67	1,324
Dividend income from NZL	-	152
Acquisition of New Zealand Rural Land Company Limited shares	-	(156)
Investment in New Zealand Rural Land Management Partnership	(2)	(6,358)
Purchase of shares in NZ Farmers Livestock Ltd	-	(93)
Net disposal/(acquisition) of intangibles, property, plant and equipment	358	(120)
Sale of Frankton Saleyards	5,910	-
Net cash flow from/(used in) investing activities	6,333	(5,251)
Cash flows from/(to) financing activities		
Drawdown (Repayment) of Heartland borrowings	(951)	3,660
Dividends paid to Non-Controlling Shareholders in Subsidiaries	(678)	(1,295)
Drawdown (Repayment) of Vehicle Finance Borrowings	(1,062)	(567)
Net cash flow used in financing activities	(2,691)	1,798
Net movement in cash and cash equivalents	5,741	(764)
Opening cash and cash equivalents	3,783	4,547
Closing cash and cash equivalents	9,524	3,783
	B4	
Reconciliation of Profit to Cash Surplus from Operating Activities		
Profit for the year	6,919	4,278
<i>Adjustments for items not involving cash flows:</i>		
Impairment on receivables	39	10
(Profit)/loss on sale of assets	(47)	13
(Profit)/loss on sale of Frankton Saleyards	(4,229)	-
Depreciation and amortisation	1,165	902
(Increase) Decrease in Deferred Tax	(140)	(330)
Other - including non cash items	(365)	(442)
	(3,577)	153
Movement in trade and other receivables	612	75
Movement in inventories	12	(178)
Movement in trade, other payables and employee benefits	(1,245)	(1,493)
Movement in taxation	(621)	(146)
Cash flow from operating Activities	2,099	2,689

Consolidated Balance Sheet

As at 30 June 2024

Audited

	Note	Group	
		June 2024	June 2023
		\$000	\$000
Equity			
Share capital	B2	158,204	158,204
Accumulated Losses and Reserves		(136,299)	(141,134)
Equity attributable to owners of the Parent		21,905	17,070
Non-controlling interests		2,688	1,653
Total equity		24,593	18,723
Liabilities			
Trade and other payables	B7	8,392	9,498
Employee benefits		1,226	1,365
Income tax payable		-	79
Bank borrowings	B5	867	945
Lease liabilities	B6	804	665
Total current liabilities		11,289	12,552
Bank borrowings	B5	1,842	2,715
Lease Liabilities	B6	1,431	905
Total non-current liabilities		3,273	3,620
Total liabilities		14,562	16,172
Total liabilities and equity		39,155	34,895
Assets			
Cash and cash equivalents	B4	9,524	3,783
Trade Receivables	C1	9,471	9,931
Inventories		240	252
Income tax receivable		6	-
Finance receivables	C1	1,438	1,505
Other receivables		22	214
Total current assets		20,702	15,685
Deferred tax assets	A2	1,464	1,324
Goodwill	D2	742	742
Intangible assets	C4	9,942	10,442
Investment - New Zealand Rural Land Company Limited	C2	2,997	2,467
Investments - Other	C2	8	6
Property - owned	C3	1,492	2,837
Property - right of use assets	C3	1,808	1,392
Total non-current assets		18,453	19,210
Total assets		39,155	34,895
Net Tangible Assets per Share - Consolidated (\$ per share)		0.48	0.26
Net Tangible Assets per Share - attributable to Allied (\$ per share)		0.40	0.21

Note: net tangible assets is a non-GAAP disclosure and 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 23 August 2024.

Shelley Ruha

Richard Milsom

Consolidated Statement of Changes in Equity

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

For the year ended 30 June 2024

Audited

Group	Share Capital	Accumulated losses	Revaluation Reserve	Allied Shareholders Interests	Non-Controlling Shareholders Interests	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2022	158,204	(143,555)	(188)	14,461	2,042	16,503
Profit after tax for the period	-	3,338	-	3,338	940	4,278
Revaluation of Equity Securities	-	-	(670)	(670)	-	(670)
Total comprehensive income for the period	-	3,338	(670)	2,668	940	3,608
Dividends paid to Non-Controlling Interests	-	-	-	-	(1,295)	(1,295)
Allied purchase Non-Controlling 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
Balance at 1 July 2023	158,204	(140,276)	(858)	17,070	1,653	18,723
Profit after tax for the year	-	5,206	-	5,206	1,713	6,919
Revaluation of Equity Securities	-	-	(371)	(371)	-	(371)
Total comprehensive income for the period	-	5,206	(371)	4,835	1,713	6,548
Dividends paid to Non-Controlling Interests	-	-	-	-	(678)	(678)
Total transactions with owners	-	-	-	-	(678)	(678)
Balance at 30 June 2024	158,204	(135,070)	(1,229)	21,905	2,688	24,593

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: New Zealand Rural Land Management Limited Partnership (NZRLM) - the contracted asset manager of New Zealand Rural Land Company Limited (NZL), including a management agreement with RoC Partners.

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 2024 \$000	June 2023 \$000	June 2024 \$000	June 2023 \$000	June 2024 \$000	June 2023 \$000	June 2024 \$000	June 2023 \$000	June 2024 \$000	June 2023 \$000
Commission and fee income	13,126	14,699	21	4	3,350	1,203	-	-	16,497	15,906
Sale of goods	10,381	10,015	-	-	-	-	-	-	10,381	10,015
Interest income	253	284	75	124	-	-	-	6	328	414
Other Income *	78	40	344	195	-	-	-	152	422	387
Equity Accounted Earnings NZRLM	-	-	-	-	-	417	-	-	-	417
Total Income	23,838	25,038	440	323	3,350	1,620	-	158	27,628	27,139
Cost of goods sold	7,703	7,155	-	-	-	-	-	-	7,703	7,155
Personnel expenses	8,881	9,789	108	96	343	56	96	77	9,428	10,018
Depreciation and amortisation	645	769	-	-	520	133	-	-	1,165	902
Operating expenses	3,671	3,606	42	41	829	210	1,139	860	5,681	4,717
Total Expenses	20,900	21,319	150	137	1,692	399	1,235	937	23,977	22,792
Finance Costs	(181)	(128)	(83)	(64)	(301)	(84)	-	-	(565)	(276)
Operating Profit/(loss) before tax	2,757	3,591	207	122	1,357	1,137	(1,235)	(779)	3,086	4,071
Gain on Sale of Property	4,229	-	-	-	-	-	-	-	4,229	-
Profit/(loss) before tax	6,986	3,591	207	122	1,357	1,137	(1,235)	(779)	7,315	4,071
Income tax (expense) / benefit	-	-	-	-	-	-	-	-	(396)	207
Profit/(loss) after tax	-	-	-	-	-	-	-	-	6,919	4,278
Current Assets	17,321	12,603	1,438	1,505	1,612	1,267	331	310	20,702	15,685
Investments in NZL	-	-	-	-	-	-	2,997	2,467	2,997	2,467
Other Non-Current Assets	5,517	6,296	100	100	9,839	10,347	-	-	15,456	16,743
Assets	22,838	18,899	1,538	1,605	11,451	11,614	3,328	2,777	39,155	34,895
Current Liabilities	9,848	10,869	-	525	1,105	1,001	336	158	11,289	12,552
Non-Current Liabilities	1,431	905	-	-	1,842	2,715	-	-	3,273	3,620
Liabilities	11,279	11,774	-	525	2,947	3,716	336	158	14,562	16,172
Additions of Property, Plant and Equipment, and Right of Use assets	2,043	231	-	-	-	-	-	-	2,043	231

* Other Income in the Financial Services segment includes referral fee income from Heartland Bank Limited to 30 June 2024 \$343,507 (2023: \$195,214)

* Gain on sale relates to the sale of an Allied Group property asset disposed of during the year.

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.

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.

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.

All income noted above is recognised at a point in time, in accordance with NZ IFRS 15, and performance obligations are met upon delivery of goods.

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 NZL.

The Performance fees are determined based on the net asset value of the underlying fund and is settled in NZL shares. Half of the shares issued are 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.

A2 Taxation

	Group	
	2024	2023
	\$000	\$000
Income tax using the company's tax rate (28%)	2,048	1,140
Expenditure not deductible for tax	11	3
Other permanent differences	145	(80)
Temporary differences	(8)	1
Recognition of deferred tax asset	(140)	(330)
Non Taxable Income	(1,181)	-
Use of Group tax losses	(1,271)	(527)
Income tax (expense) benefit	(396)	207

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
2024			
Financial receivable credit loss provision	51	10	61
Employee benefits	249	(11)	238
Tax loss carry forward	1,024	141	1,165
	1,324	140	1,464
2023			
Financial receivable credit loss provision	48	3	51
Employee benefits	251	(2)	249
Tax loss carry forward	694	330	1,024
	993	331	1,324

Group unrecognised deferred tax assets comprise unused tax losses as at 30 June 2024 which are estimated at total \$178,126,791 (2023:\$180,785,199). The ability to utilise tax losses, 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 \$140,856 (2023: \$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.

A3 Earnings Per Share

	Group	
	2024	2023
	\$000	\$000
Profit attributable to shareholders of Allied Farmers Limited		
- Basic and diluted	5,206	3,338
Weighted number of shares		
- Basic	28,806	28,806
- Diluted*	28,950	28,806
Earnings per share (cents)		
- Basic	18.07	11.59
- Diluted	17.98	11.59

* Apart from an issue of 144,032 Performance Share Rights to the Managing Director under a long term incentive scheme effective from 1 July 2023 there are no other changes during the year, nor are there any dilutive potential shares / warrants/ options or convertible instruments at the end of either the current or preceding year.

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	
	2024	2023
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. There is no par value.

B3 Non-controlling interests

The Allied Farmers 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	
	2024	2023
Summary financial results	\$000	\$000
Revenue	24,278	25,361
Profit and total comprehensive income	7,193	3,713
Summarised balance sheet		
Current assets	18,760	14,108
Non-current assets	5,617	6,396
Current liabilities	(9,848)	(11,393)
Non-current liabilities	(1,431)	(905)
Net assets	13,098	8,207

B4 Cash and cash equivalents

	Group	
	2024	2023
	\$000	\$000
Cash and cash equivalents	9,524	4,308
Finance Receivables overdraft facility offset per agreement	-	(525)
Net cash and cash equivalents	9,524	3,783
Undrawn overdraft facilities	8,500	7,975

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

The overdraft borrowing facilities which are provided by ANZ Banking Group (New Zealand) Limited include seasonal finance and 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.

Redshaw Livestock has an overdraft facility provided by the Bank of New Zealand. This overdraft is secured against the assets of Redshaw Livestock Limited. NZ Farmers Livestock Limited guarantees the bank overdraft of its subsidiary Redshaw Livestock up to \$338,000 (FY23: \$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	867	1,842	1,102	9.63
Total debt funding	867	1,842	1,102	
Bank borrowings - Heartland Bank Limited	945	2,715	150	9.67
Total debt funding	945	2,715	150	

The Heartland Bank Limited 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 Limited Partnership. Principal is paid monthly with final repayment in March 2028. The interest rate is calculated on the 90-day BKBM rate plus a margin of 4%. There are no covenants.

Allied Farmers Group

B6 Lease liabilities

Group				
2024				
Property	Motor Vehicles	Plant & Equipment	Total	
\$000	\$000	\$000	\$000	
Opening	259	1,267	44	1,570
Leases entered into during the period	-	1,726	-	1,726
Interest expense	32	127	4	163
Principal repayments	(120)	(1,087)	(17)	(1,224)
	171	2,033	31	2,235
Current lease liabilities	88	701	15	804
Non-current lease liabilities	83	1,332	16	1,431

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

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 motor vehicle leases are typically for a 3 year term with instalments of principal and interest paid on a monthly basis. At the end of the lease the vehicle can either be returned or the Group has the ability to pay the residual value and unpaid balance and take ownership of the vehicle. The Lessor holds a registered security interest over the vehicle throughout the term of the lease. All vehicle operating expenses are met by the Group. The Group's incremental borrowing rate ranges between 6.0% to 10.6% (2023: 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 Payables

Group		
	2024	2023
	\$000	\$000
Trade Payables (livestock and NZL receivables)	7,990	9,048
Accruals and sundry creditors	402	450
Total payables	8,392	9,498

These are substantially the liability that exist to the vendor of livestock as a result of livestock sales on the vendors behalf.

	Balance Sheet	Contractual Cashflow			
		< 6 months	6 - 12 mths	1 - 5 yrs	
	\$000	\$000	\$000	\$000	\$000
2024					
Trade and other payables	8,392	8,392	8,392	-	-
Bank borrowings - Heartland Bank Limited	2,709	3,250	433	433	2,384
Lease liabilities	2,235	2,495	534	460	1,501
	13,336	14,137	9,359	893	3,885
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

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 above 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.

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 +/-1% (2023: +/-1%), the effect on net profit after tax and equity for the year as applied to year end balances would be as follows:

	Group	
	2024	2023
	\$000	\$000
Effect on net profit for the year / equity	27	37
B8 Net Interest income/(costs)		
	Group	
	2024	2023
	\$000	\$000
Interest received	328	414
Total interest income	328	414
Interest paid on borrowings	(399)	(149)
Interest paid on bonds	-	-
Lease interest	(166)	(127)
Total interest expenses	(565)	(276)
Net Interest income/(costs)	(237)	138

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.

C1 Receivables

	Group	
	2024	2023
	\$000	\$000
Trade Receivables (livestock and NZL receivables)	9,471	9,931
Finance receivables	1,438	1,506
Total receivables	10,909	11,437

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

	220	181
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Receivables written off during the year

	12	10
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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	>60 days overdue	Total
		\$000	\$000	\$000	\$000	\$000
2024	Receivables from livestock sales	6,946	836	395	264	8,441
	Credit loss allowance (livestock)	(38)	(14)	(4)	(74)	(130)
	Receivables from NZL	140	-	-	1,020	1,160
	Finance receivables	1,005	81	380	62	1,528
	Credit loss allowance (finance)	-	(2)	(26)	(62)	(90)
	Net receivable	8,053	901	745	1,210	10,909
2023	Receivables from livestock sales	8,081	533	118	247	8,979
	Credit loss allowance (livestock)	(27)	(10)	(3)	(53)	(93)
	Receivables from NZL	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	194	11,436

Security held for finance receivables

	2024	2023
	\$000	\$000
Secured via PPSR	1,527	1,535
Not secured	-	61
Total finance receivables	1,527	1,596

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

Receivables from livestock sales and 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 NZL includes transaction, leasing and management fees due in accordance with the management contract. This balance is not secured as at 30 June 2024.

Movement in gross finance receivables balance

	2024	2023
	\$000	\$000
Opening balance	1,596	2,920
New loans issued	6,315	7,695
Principal repaid	(6,477)	(9,193)
Interest and fees accrued	93	174
Total finance receivables	1,527	1,596

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 NZL is dependent on NZL's cash flows and management expects that the full outstanding amount will be settled by the end of September 2024.

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.

Based on the simplified approach which requires a loss allowance to be measured at an amount equal to lifetime expected credit losses, 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

	2024	2023
	\$000	\$000
New Zealand Rural Land Company Limited	2,997	2,467
Other Investments	8	6
Total Investments	3,005	2,473

New Zealand Rural Land Company Limited

At 30 June 2024 the Group holds 3,367,756 (2023: 2,803,617) shares in New Zealand Rural Land Company Limited. This holding represents a 2.41% ownership in NZL as at 30 June 2024 (2023: 2.00%). 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.

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 2024 is \$2,997,328 (2023: \$2,467,184).

Under the Management Agreement NZL 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 NZL in each financial year. The performance fee for the year ended 30 June 2023 comprised 299,855 shares of NZL distributed to NZRLM. The performance fee for the year ended 30 June 2024 comprised 564,139 shares of NZL distributed to NZRLM. Half of the shares issued in each Financial Year to satisfy the performance fee are subject to escrow arrangements, under which NZRLM 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. 1,347,719 shares distributed to Allied Farmers Limited were subject to this arrangement as at 30 June 2024 (2023: 1,065,650).

The fair value of NZL shares held by Allied Farmers Limited as at 30 June 2024 is \$2,997,328 (2023: \$2,467,183).

	2024	2023
	\$000	\$000
Carrying Value Brought Forward	2,467	3,103
Shares Purchased / Issued / Rights Issue	-	156
Shares Issued under NZRLM Performance Fee Arrangement	901	1,627
Shares sold	-	(1,750)
Change in Value Credited to Other Reserves	(371)	(669)
At 30 June 2024	2,997	2,467

Allied Farmers Group

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 NZL shares owned by Allied but transferred to NZRLM vendors.

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

Reconciliation of Summarised Financial Information	2024	2023
	\$000	\$000
Opening Balance	-	2,324
Profit For Period	-	920
Dividend	-	(2,677)
Less Transfer to Intangible Asset	-	(567)
Closing Net Assets	-	-
Increase in net assets	-	-

Reconciliation of Interest in Associate	2024	2023
	\$000	\$000
Opening Balance	-	3,665
Increase in Net Assets (50% of Profit for Period)	-	417
Less Dividend paid (50% of Dividend)	-	(1,338)
Less Transfer to Intangible Asset	-	(2,744)
Carrying Value 30 June 2024	-	-

C3 Property, Plant & Equipment

Owned

	Group				
	2024				
	Land	Buildings	Plant and equipment	Motor Vehicles	Total
	\$000	\$000	\$000	\$000	\$000
Cost at beginning of year	2,019	1,049	650	209	3,927
Additions	-	-	15	302	317
Disposals	(1,393)	(235)	(30)	(162)	(1,820)
Cost at end of year	626	814	635	349	2,424
Accumulated depreciation at beginning of the year	-	(607)	(465)	(18)	(1,090)
Depreciation	-	(62)	(32)	(12)	(106)
Disposals	-	99	16	149	264
Accumulated depreciation at end of year	-	(570)	(481)	119	(932)
Net value 2024	626	244	154	468	1,492

	Group				
	2023				
	Land	Buildings	Plant and equipment	Motor Vehicles	Total
	\$000	\$000	\$000	\$000	\$000
Cost at beginning of year	2,019	1,049	637	243	3,948
Additions	-	-	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

Allied Farmers Group

Right of Use Assets

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

2024			
Property	Motor Vehicles	Plant & Equipment	Total
\$000	\$000	\$000	\$000
247	1,101	44	1,392
-	1,726	-	1,726
-	(864)	-	(864)
(95)	(337)	(14)	(446)
152	1,626	30	1,808
620	3,285	57	3,962
(468)	(1,659)	(27)	(2,154)
152	1,626	30	1,808

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

Measurement and recognition

All right of use assets are measured at cost. 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: 2.5 - 30 years
- Motor Vehicles (owned): 1-3 years
- Right of use assets: over their lease term

C4 Intangible Assets

Opening Cost
Additions
Disposals
Cost at end of year
Accumulated amortisation at beginning of the year
Amortisation
Disposals
Accumulated amortisation at end of year
Net value 2024

Group		
2024		
NZL Management Contract	Software	Total
\$000	\$000	\$000
10,474	809	11,283
-	113	113
-	-	-
10,474	922	11,396
(131)	(710)	(841)
(517)	(96)	(613)
-	-	-
(648)	(806)	(1,454)
9,826	116	9,942

Opening Cost
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

2023		
NZL Management Contract	Software	Total
-	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

Key Judgement

The assessment that there was no impairment of the NZL management contract at 30 June 2024. The valuation of the management contract is based on management forecasts of future financial performance together with an assessment of the useful life of the asset, and therefore there is an inherent estimation uncertainty.

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 Farmers Group

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

NZRLM provides all management services to NZL. From this date NZRLM received management fees, transaction fees and performance fees.

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.

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).

On 27 March 2023 Allied completed the purchase of the 50 percent of NZRLM that it did not already own.

Allied 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 was met because substantially all of the value of the gross assets is concentrated in a single identifiable asset being the management contract with NZL. 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.

In February 2024, New Zealand Rural Land Company Limited (NZL) sold a 25% equity interest in its land portfolio to an Australia based investment fund managed by specialist private markets investment manager, Roc Partners (Investor).

The terms of the transaction were negotiated on an arm's length commercial basis.

Under the agreement NZL transferred its group assets (other than cash on hand) to a New Zealand registered limited partnership (LP), together with NZL's revolving credit facility with Rabobank.

New Zealand Rural Land Management Limited Partnership (Manager) continues to be the manager of NZL and will also manage the LP.

The existing management agreement was amended at completion to facilitate this new structure, and to allow for the Manager to manage entities that NZL has a controlling interest in (alongside its wholly owned subsidiaries). Furthermore the Manager also acts as the manager for the investor in respect of its interest in the LP.

Due to the amendment, it was identified that there is an indicator of impairment and hence an impairment assessment was performed as at 30 June 2024.

The key assumptions that were included in the assessment were:

Asset Growth in the portfolio being managed - 2.3% per annum

The level of acquisitions and divestments to the portfolio - 5% per annum

The discount rate to ensure it reflects the specific risks relating to future financial performance - 6.1%

NZRLM also acts as manager for the Investor in respect of its interest in the LP.

The relationship and role of the NZRLM with NZL did not change in any material respect due to the transaction or the variation of the management agreement with NZRLM.

NZRLM does not receive a benefit due to its related party relationship with NZL.

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

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 is achieved when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

		2024	2023
		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 SolutionNZ Limited	Finance	100%	100%
New Zealand Rural Land Management Limited Partnership	Rural Property Management	100%	100%
Subsidiaries of Allied Farmers Limited			
Allied FLA Limited	Non trading	100%	-
Subsidiaries of Allied Farmers Rural Limited			
NZ Farmers Livestock Limited	Livestock Agency and Finance	68%	68%
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%
Subsidiaries of Allied Farmers (New Zealand) Limited			
Allied Farmers Property Holdings Limited	Non trading	100%	100%
Subsidiaries of Allied Farmers Property Holdings Limited			
UFL Lakeview Limited	Non trading	100%	100%
5M No. 2 Limited	Non trading	100%	100%
QWF Holdings Limited	Non trading	100%	100%
Clearwater Hotel 2004 Limited	Non trading	100%	100%
Lifestyles of New Zealand Queenstown Limited	Non trading	100%	100%
LONZ 2008 Limited	Non trading	100%	100%
LONZ 2008 Holdings Limited	Non trading	100%	100%

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	
	2024	2023
<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 2024. 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.

Allied Farmers Group

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.

	2024	2023
Revenue growth rate	2.5%	2.0%
Long term growth rate	2.5%	2.5%
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 2024 by approximately \$114,000 (2023: \$152,000).

Management has identified that a reasonably possible change in key assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	2024	2023
Revenue growth rate - reduced by	2.5%	2.0%
Long term growth rate - reduced by	2.5%	2.0%
Discount rate - increased by	1.5%	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 Jointly Controlled Operation - 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 four 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
2024	(17)	189	(29)	700	(717)
2023	32	392	(112)	692	(660)

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/non-controlling shareholders of NZFL.

	Group	
	2024	2023
	\$000	\$000
Key management personnel ('KMP') compensation		
Short term employee benefits	594	570
Directors fees	150	169
Directors Fees - NZ Rural Land Management Limited Partnership	-	17
Transactions with entities with common directors		
Livestock sales	1,043	483
Livestock purchases	832	375
Commission revenue	39	22
Dividends received as non-controlling shareholders of NZFL	580	1,213
Amount receivable from KMP	-	26
Amount receivable from NZL	1,421	1,044
Amount payable to KMP	-	9

No debts with key management personnel were written off during the year (2023: nil)

Transactions with directors

Consulting Fees paid to Directors and former Directors	-	118
Distributions paid to Directors and former Directors	-	679

Transactions with entities with common director - Heartland

Bank Limited		
Borrowings at Balance Date	2,709	3,660
Interest Paid on borrowings	301	83
Referral Fees received	344	146
Vehicle Lease Liability at balance Date *	180	204
Interest Paid on Vehicles Financed*	23	7

* Relates to NZ Farmers Livestock entering into six vehicle leases with KIA Finance provided by Heartland Bank Limited.

Managing Director

Contract for Service	250	95
Short Term Incentive	250	-
Distributions paid	-	309

144,032 Performance right Shares were issued to Mr Milsom under a long term incentive scheme which commenced on 1 July 2023.

	2024	2023
E2 Auditors' remuneration	\$000	\$000
Audit fees - RSM Hayes Audit	125	118
Fees for other services RSM Hayes Audit	3	2
Direct expenses associated with the audit	22	18
Total	150	138

E3 Events Subsequent to Balance Date

On 16 August 2024, 68% owned subsidiary NZ Farmers Livestock Limited undertook a share buy back and subsequent cancellation returning \$8,040,000 to Shareholders. \$5,910,000 was paid to its shareholders in cash and \$2,130,000 remains as an outstanding shareholder loan. A summary appears in the table below:

Share Cancellation by NZ Farmers Livestock Limited	Allied Farmers Limited	Non-controlling Shareholders of NZFL	Total
	\$000	\$000	\$000
Paid/Transferred	4,019	1,891	5,910
Shareholder loan	1,448	682	2,130
	5,467	2,573	8,040

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 jointly controlled operations as at the year ending 30 June 2024.

These Consolidated Financial Statements ("Financial Statements") have been approved for issue by the Board of Directors on 23 August 2024.

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. Significant estimates and critical 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 recognition and measurement (including impairment testing)
- Note D2 Goodwill impairment assessment

SECTION **6** INDEPENDENT
AUDITOR'S REPORT

Independent Auditor's Report

To the shareholders of Allied Farmers Limited

RSM Hayes Audit

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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 2024;
- 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, which include material accounting policy information.

In our opinion, the accompanying consolidated financial statements on pages 18 to 37 present fairly, in all material respects, the financial position of the Group as at 30 June 2024, 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.

Revenue recognition

Why we considered this to be a key audit matter

The Group's revenue, totalling \$16,497,000 (2023: \$15,906,000), arises from a variety of revenue streams (as detailed in Note A1) which include livestock services (livestock agency services and veal processing), 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;
- Performing tests of detail on a sample of revenue transactions throughout the period and in particular around period end to ensure that these have been appropriately recognised, as appropriate for that revenue stream; and
- Given the reliance on outsourced service providers/processors in the generation of meat and skin revenue, we have also assessed procedures to ensure all revenue due to the Group has been recorded.

We also evaluated and tested the policies for revenue recognition adopted by the Group's jointly controlled operations, including testing of the recognition of revenue within these components.

We also evaluated the accounting policies applied and considered disclosures relating to revenue recognition, and the presentation of revenue described in Note A1.



Impairment of intangible assets

Why we considered this to be a key audit matter

As disclosed in Note C4 to the Group's consolidated financial statements, the Group has intangible assets totalling \$9,942,000 (2023: \$10,442,000), including \$9,826,000 (2023: \$10,343,000) relating to the NZL Management Contract (the 'Contract').

Due to the amendment to the original management agreement with NZL as a result of NZL selling a 25% interest in its land portfolio to a third party, management assessed that there was an indicator of impairment that required an assessment of the recoverable amount of the Contract.

The Contract was significant to our audit due to the size of the asset and the subjectivity, complexity and uncertainty inherent in the measurement of the recoverable amount of the asset for the purpose of the impairment test. As such we considered this to be a key audit matter.

Our approach

Our procedures among others included:

- Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the recoverable amount of the Contract;
- Validating the management, transaction and performance fees recognised during the year in respect of the Contract;
- Challenging management's assumptions and estimates used to determine the recoverable amount of the Contract including those relating to the underlying NZL property portfolio (asset growth, acquisition and divestment) and the discount rate.

Procedures included:

- Evaluating the logic of the value-in-use calculations supporting management's impairment test and testing the mathematical accuracy of these calculations;
- Challenging and evaluating the forecast asset growth rates and forecast levels of acquisitions and divestments in the NZL property portfolio;
- Evaluating the inputs to the discount rate applied,
- Engaging our own internal valuation experts to evaluate the logic of the value-in-use calculations and the inputs to the discount rate applied.
- Evaluating the related disclosures about the Contract in relation to the requirements of NZ IAS 36: *Impairment of Assets* and NZ IAS 38: *Intangible Assets* (including the material accounting policy information and accounting estimates) which are included in Note C4 of the financial statements.



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 17 (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 Nigel de Frere.



RSM Hayes Audit
Auckland

23 August 2024



7 COMPANY DIRECTORY

Directors:

Shelley Ruha
Richard Milsom
Philip Luscombe

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of the Company:**

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