

Profit and Loss Statement

For the half year ended 31 December 2020

Unaudited

	Note	Group	
		31-Dec	31-Dec
		2020	2019
		\$000	\$000
Revenue and other income	A1	13,095	14,267
Cost of sales and operating expenses	A1	(12,218)	(12,660)
Depreciation and amortisation	A1	(428)	(378)
Net interest income	B3	97	122
Profit before tax		546	1,351
Income tax expense		(15)	(170)
Profit after tax		531	1,181
Profit attributable to:			
Owners of the Parent		228	724
Non-controlling interests		303	457
Basic and Diluted earnings per share (cents)		0.79	4.05
Basic and Diluted earnings per share on a weighted average basis (cents)		0.98	4.05

Statement of Cash Flows

For the half year ended 31 December 2020

Unaudited

	Group	
	31-Dec 2020	31-Dec 2019
Cash flows from/(to) operating activities	\$000	\$000
Cash receipts from customers	17,708	16,131
Interest received	317	509
Cash paid to suppliers and employees	(16,177)	(17,442)
Interest paid	(218)	(390)
Income tax refund (paid)	322	(241)
Net cash flow from operating activities	1,952	(1,433)
Cash flows from/(to) investing activities		
Decrease (Increase) in finance receivables NZ Farmers Livestock Finance Ltd	(1,811)	(1,044)
Acquisition of subsidiary/investment net of cash acquired	(1,121)	-
Acquisition of intangibles, property, plant and equipment	(593)	(330)
Net cash flow from/(used in) investing activities	(3,525)	(1,374)
Cash flows from/(to) financing activities		
Purchase of shares in NZ Farmers Livestock Ltd	(11)	-
Drawdown of finance receivables borrowings	1,500	1,750
Drawdown of livestock trading borrowings	-	977
Drawdown of vehicle finance borrowings	393	-
Repayment livestock trading borrowings	(217)	-
Repayment of vehicle finance borrowings	(281)	(235)
Repayment of finance receivables borrowings	(1,650)	(149)
Rights Issue of shares in Allied Farmers Limited	2,706	-
Dividends paid	(419)	(585)
Net cash flow from/(used in) financing activities	2,021	1,758
Net movement in cash and cash equivalents	448	(1,049)
Opening cash and cash equivalents	2,087	2,301
Closing cash and cash equivalents	2,535	1,252
Reconciliation of Profit to Cash Surplus from Operating Activities		
Profit for the year	531	1,181
<i>Adjustments for items not involving cash flows:</i>		
Impairment on receivables	80	-
(Profit)/loss on sale of assets	(6)	(31)
Depreciation	428	378
(Increase) Decrease in Deferred Tax	-	(34)
Other non cash items	(55)	-
	447	313
Movement in trade and other receivables	4,971	1,860
Movement in inventories	88	(611)
Movement in trade, other payables and employee benefits	(4,407)	(4,139)
Movement in taxation	322	(37)
Cash flow from operating activities	1,952	(1,433)

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

Balance Sheet

As at 31 December 2020

Unaudited

	Note	Group	
		31-Dec	30-Jun
		2020	2020
		\$000	\$000
Equity			
Share capital	B1	158,224	153,018
Accumulated Losses		(148,207)	(148,210)
Equity attributable to owners of the Parent		10,017	4,808
Non-controlling interests		1,681	1,582
Total equity		11,698	6,390
Liabilities			
Bank overdraft		-	-
Trade and other payables		7,329	11,779
Employee benefits		1,017	973
Income tax payable		3	-
Finance receivables bank borrowings	B2	300	300
Bank borrowings and Bonds	B2	1,434	441
Lease liabilities		241	454
Total current liabilities		10,324	13,947
Bank borrowings and bonds	B2	912	2,122
Finance receivables bank borrowings	B2	775	925
Lease Liabilities		1,138	871
Total non-current liabilities		2,825	3,918
Total liabilities		13,149	17,865
Total liabilities and equity		24,847	24,255
Assets			
Cash and cash equivalents		2,535	2,086
Trade Receivables	C1	6,676	11,287
Inventories		209	296
Income tax receivable		-	319
Finance receivables	C1	5,394	3,583
Other receivables		310	749
Total current assets		15,124	18,320
Deferred tax assets		790	790
Goodwill		743	742
Intangible asset - computer software		295	216
Investments	C2	3,628	7
Property - owned and leased		4,267	4,180
Total non-current assets		9,723	5,935
Total assets		24,847	24,255

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

Statement of Changes in Equity
For the half year ended 31 December 2020
Unaudited

Group	Share Capital	Accumulated losses	Parent Equity Subtotal	Non-Controlling Interests	Total
	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2019	153,018	(148,609)	4,409	1,359	5,768
Profit after tax for the year	-	767	767	451	1,218
Total comprehensive income for the year	-	767	767	451	1,218
Dividends paid	-	(357)	(357)	(228)	(585)
AFL Purchase Minority Shareholders Shares	-	(11)	(11)	-	(11)
Total transactions with owners	-	(368)	(368)	(228)	(596)
Balance at 30 June 2020	153,018	(148,210)	4,808	1,582	6,390
Balance at 1 July 2020	153,018	(148,210)	4,808	1,582	6,390
Profit after tax for the period	-	228	228	303	531
Total comprehensive income for the period	-	228	228	303	531
Dividends paid	-	(215)	(215)	(203)	(418)
AFL Purchase Minority Shareholders Shares	-	(11)	(11)	-	(11)
AFL Shares issued to vendors of New Zealand Rural Land Management Limited Partnership	2,500	-	2,500	-	2,500
Pro rata renounceable rights issue	2,706	-	2,706	-	2,706
Total transactions with owners	5,206	(226)	4,980	(203)	4,777
Balance at 31 December 2020	158,224	(148,208)	10,016	1,682	11,698

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

A. Financial performance

A1: How we operate and generate return for shareholders

Livestock services: An agency business facilitating sales and purchases of livestock both in saleyards and on farms.

Financial services: Providing livestock finance to farmer clients.

Parent operations: The ultimate holding company for Allied Group Investments and governance activity for the Group.

Segment information for the six months ending 31 December 2020

	Group			
	Livestock Services	Financial Services	Parent Operations	Total
Commission and fee income	6,128	-	-	6,128
Sale of goods	6,922	-	-	6,922
Interest income	77	239	-	316
Other Income	45	-	-	45
Total Income	13,172	239	-	13,411
Cost of goods sold	6,126	-	-	6,126
Personnel expenses	3,962	23	47	4,032
Depreciation and amortisation	428	-	-	428
Rental and operating leases	3	-	-	3
Other operating expenses	1,786	42	229	2,057
Total Expenses	12,305	65	276	12,646
Finance Costs	(93)	(89)	(37)	(219)
Profit/(loss) before tax	774	85	(313)	546
Income tax (expense) / benefit				(15)
Profit/(loss) after tax				531
Current Assets	12,418	1,575	1,131	15,124
Non Current Assets	9,623	100	-	9,723
Assets	22,041	1,675	1,131	24,847
Current Liabilities	7,876	2,107	341	10,324
Non Current Liabilities	1,050	775	1,000	2,825
Liabilities	8,926	2,882	1,341	13,149

Segment information for the six months ending 31 December 2019

	Group			
	Livestock services	Financial Services	Parent Operations	Total
	\$000	\$000	\$000	\$000
Commission and fee income	6,358	-	-	6,358
Sale of goods	7,839	-	-	7,839
Interest income	128	249	4	381
Other Income	70	-	-	70
Total Income	14,395	249	4	14,648
Cost of goods sold	6,215	-	-	6,215
Personnel expenses	3,912	19	47	3,978
Depreciation and amortisation	378	-	-	378
Rental and operating leases	-	-	1	1
Other operating expenses	2,073	46	347	2,466
Total Expenses	12,578	65	395	13,038
Finance Costs	(143)	(79)	(37)	(259)
Profit/(loss) before tax	1,674	105	(428)	1,351
Income tax (expense) / benefit				(170)
Profit/(loss) after tax			(70)	1,181
Current Assets	12,629	3,350	2,341	18,320
Non Current Assets	5,835	100	-	5,935
Assets	18,464	3,450	2,341	24,255
Current Liabilities	10,311	3,520	116	13,947
Non Current Liabilities	1,868	1,050	1,000	3,918
Liabilities	12,179	4,570	1,116	17,865

B. Funding

In this section

This section explains how the Allied Group manages its various funding sources including capital structure and debt.

B1 Capital management

The Allied Group's capital includes share capital, accumulated losses and non controlling interests.

B1 Share Capital

	Note	Dec-20	Jun-20
Share capital (\$'000)		158,224	153,018
Number of shares issued and fully paid ('000's)			
Balance at beginning of year		17,855	178,547
Consolidation/Cancellation of shares		-	(160,692)
Issue of ordinary shares	C2	4,463	-
Pro rata renounceable rights issue		5,952	-
Balance at end of period		28,270	17,855

On 24 December 2020 Allied Farmers Limited completed a one for three pro rata renounceable rights issue. Shareholders received one ordinary share for every three ordinary shares held at 5pm on the closing date of 18 December 2020. As a result of the renounceable rights issue the number of shares was increased by 5,951,576.

On 18 December 2020 Allied Farmers Limited purchased a 50 percent interest in NZ Rural Land Management Partnership (NZRLM). Refer also Note C2. The NZRLM acquisition price paid was 5 million ALF shares in two tranches the first being 4,463,682 shares issued on 18 December 2020 and the second 536,318 shares issued on 14 January 2021. Therefore the number of shares on issue increased from 27,270,116 shares to 28,806,434 shares on 14 January 2021.

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

B2 Debt funding

		Group			
		Payable within 1 year	Payable after 1 year	Undrawn	Interest rate
		\$'000	\$'000	\$'000	
Dec-20	Finance receivables bank borrowings	300	775	-	4.35%
	Bank borrowings	434	912	-	4.35%
	Bonds	1,000	-	-	7.30%
	Total debt funding	1,734	1,687	-	
Jun-20	Finance receivables bank borrowings	300	925	-	4.35%
	Bank borrowings	441	1,122	-	4.35%
	Bonds	-	1,000	-	7.30%
	Total debt funding	741	3,047	-	

B3 Net Interest income/(costs)

		Group	
		Dec-20	Dec-19
		\$'000	\$'000
Interest received		316	381
Total interest income		316	381
Interest paid on borrowings		(105)	(128)
Interest paid on bonds		(37)	(37)
Lease costs		(77)	(94)
Total interest expenses		(219)	(259)
Net Interest income/(costs)		97	122

C. Our receivables, other assets and other payables

C1 Receivables

	Group	
	Dec-20	Jun-20
	6 Months	12 Months
	\$'000	\$'000
Receivables from livestock sales	6,676	11,287
Finance receivables	5,394	3,583
Total receivables	12,070	14,870
Amounts are stated at carrying value, net of credit loss allowance provisions	145	115
Receivables written off during the period	-	52

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

Group receivables		Not yet due	1 - 30 days overdue	31 - 60 days overdue	Over 60 days overdue	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Dec-20	Receivables from livestock sales	5,318	1,051	131	261	6,761
	Credit loss allowance (livestock)	-	-	-	(85)	(85)
	Finance receivables	5,342	56	2	54	5,454
	Credit loss allowance (finance)	-	-	-	(60)	(60)
	Net receivable	10,660	1,107	133	170	12,070
Jun-20	Receivables from livestock sales	9,661	791	240	665	11,357
	Credit loss allowance (livestock)	-	-	-	(70)	(70)
	Finance receivables	3,558	-	19	51	3,628
	Credit loss allowance (finance)	-	-	-	(45)	(45)
	Net receivable	13,219	791	259	601	14,870

Key Judgement

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

Measurement and recognition

Receivables from livestock sales and Finance Receivables are measured on initial recognition at fair value, and are subsequently carried at amortised cost, less provision for expected credit losses.

For Receivables from livestock sales, the provision for expected credit losses is based on the simplified approach, as permitted by NZ IFRS 9, and records the loss allowances as lifetime expected credit losses from recognition. These are the expected credit losses that result from all possible default events over the life of the financial instrument.

Finance Receivables are reviewed on an individual basis to determine whether any amounts are unrecoverable and an expected credit loss provision is recorded. The expected credit losses are based on management's assessment of amounts considered uncollectible for specific customers based on age of debt, history of payments, account activity, current and future economic factors and other relevant information. Debts known to be uncollectable are written-off as bad debts to the profit and loss when identified.

C2 Investments

New Zealand Rural Land Company Limited

In December 2020 Allied Farmers Limited acquired 900,000 shares at an issue price of \$1.25 per share in New Zealand Rural Land Company Limited for a total cost of \$1,125,000. This holding represented a 1.49% ownership in New Zealand Rural Land Company Limited as at 31 December 2020. These shares are equity investments, quoted in the active market, which the Group has elected to designate as a financial asset at fair value through other comprehensive income (FVOCI). The fair value of these shares as at 31 December 2020 is consistent with their carrying value and accordingly no adjustment to Other Comprehensive Income is considered necessary.

On 18 December 2020 Allied Farmers Limited purchased a 50 percent interest in NZ Rural Land Management Partnership (NZRLM). NZRLM is the external manager of The NZ Rural Land Company Limited (NZRLC) which listed on the NZX on Monday 21 December 2020. The NZRLM acquisition price paid was 5 million ALF shares at NZ\$0.50 cents per share (cps) representing a total cost of \$2,500,000. The Group applies NZ IFRS 11 to all joint arrangements. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of this joint arrangements to be a joint venture. As a joint venture, the Group applies the equity method of accounting. Under the equity method the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investors share of the profit or loss of the investee after the date of acquisition.

D. Group Structure

D1 Subsidiaries

		2021	2020
		Ownership interest	Ownership interest
Operating Subsidiaries of the Parent			
Allied Farmers (New Zealand) Limited	Investment	100%	100%
Allied Farmers Rural Limited	Investment	100%	100%
New Zealand Rural Land Management Limited Partnership	Rural Land Management	50%	N/A
Rural Funding Solutionz Limited	Finance	100%	100%
Subsidiaries of Allied Farmers Rural Limited			
NZ Farmers Livestock Limited	Livestock Agency and Finance	67%	67%
Subsidiaries of NZ Farmers Livestock Limited			
Farmers Meat Exports Limited	Meat Processing and Trading	100%	100%
NZ Farmers Livestock Finance Ltd	Livestock Finance	100%	100%
Redshaw Livestock Limited	Livestock Agency	52%	52%

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.

E. Other

E1 Related parties

The Group has a related party relationship with each of its subsidiary companies outlined in Section D. The Group has a related party relationship with its directors and key management personnel.

Directors and key management personnel and their related parties

	Group	
	Dec-20	Dec-19
	6 Months	6 Months
Transactions	\$000	\$000
Livestock sales	193	236
Livestock purchases	114	422
Commission revenue	6	22
Consultant Fees	58	10
Dividends received as minority shareholders of NZFL	119	132

Bonds on issue (holder Mark Benseman retired as a Director on 19 November 2020) - 600

No debts with key management personnel were written off during the year (2019:nil).

Allied Farmers Limited and Allied Farmers Rural Limited during the period has lent surplus funds to its subsidiary NZ Farmers Livestock Limited on commercial terms set at arms length, these funds being on call and interest bearing at a rate comparable to the bank facilities. As at 31 December 2020 the total of these funds lent to NZ Farmers Livestock Limited was \$1.5 million (December 2019 \$1.66 million).

E2 Events Subsequent to Balance Date

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

About this report

Allied Farmers Limited is a for-profit entity domiciled in New Zealand and registered under the Companies Act 1993. The company is an FMC Entity in terms of the Financial Markets Conduct Act 2013 and prepares its financial statements in accordance with that Act, the Financial Reporting Act 2013, and NZX Main Board Listing Rules.

The consolidated financial statements are for Allied Farmers Limited and its subsidiaries (together referred to as "Allied") and Allied's interests in associates as at end of the six months ended 31 December 2020.

These Consolidated Financial Statements ("Financial Statements") have been approved for issue by the Board of Directors on 26th February 2021.

Statement of compliance and basis of preparation

The financial statements have been prepared:

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

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

The fair value of financial assets and liabilities approximates their carrying value.

The accounting policies have been consistently applied to the periods in these financial statements.