



Allied Farmers Ltd
201 Broadway, Stratford, 4332
PO Box 304, Stratford 4352
Web: www.alliedfarmers.co.nz
Email: headoffice@alliedfarmers.co.nz

ALLIED FARMERS UNAUDITED FULL YEAR RESULT TO 30 JUNE 2017

The Directors of Allied Farmers Ltd ("Allied") (ALF:NZX) are pleased to report a 52% increase in unaudited net profit before tax for the year to 30 June 2017 to \$2.39m (2016 \$1.57m). Allied has had another excellent year with an improved result from the Livestock Division and a further reduction in corporate costs.

The Livestock Division, which includes the operation of 66% owned NZ Farmers Livestock Ltd, reported a 20% increase in net profit before tax of \$2.70m (2016 \$2.26m). Livestock sales performed well with commissions up 25% on the prior year, particularly in the second half due to higher levels of dairy herd sales. However, returns from the meat processing business were lower than the previous year. Although volumes were consistent with the previous year, turnover was 20% lower due to the impact of decreased international selling prices for veal and skins.

During the year, the Livestock Division established a livestock financing subsidiary, initially focussing on financing service bulls then expanding into other livestock financing. Although starting from a low base, this operation is already profitable and provides the opportunity to support growth of the core livestock business.

In recent years NZ Farmers Livestock has been focussed on expanding the livestock team with additional agents being employed throughout the country. The MyLivestock webpage continues to grow with a 53% increase in users for the year, and the launch of the MyLivestock app during the year now enables convenient and immediate client and agent access and action via mobile devices. A trial of livestreaming sales at the Rongotea saleyards was tested, and this is likely to be refined and then expanded to other yards, depending on the demand. In July 2016 NZ Farmers Livestock acquired a further 17% in Redshaws Livestock in the Hawkes Bay. On 1 July 2017 following the year end, the final tranche of Redshaws was acquired taking NZ Farmers Livestock's shareholding to 52%.

During the year ALF's corporate costs have been reduced by 46% from \$0.83m to \$0.45m. This is largely as a result of cost savings due to the substantial reduction of shareholder numbers from the Small Shareholder Sale programme completed during the last financial year.

Allied has also reduced its debt costs, replacing \$0.6m of its maturing bonds with a \$0.55m 3-year bond at a substantially reduced interest rate. In addition, the holders of the \$1.0m of bonds maturing in September 2017 have all agreed to roll these over for a further 4-year term, also at a reduced interest rate.

The focus for the coming year will be to look for opportunities to grow the Livestock business. NZ Farmers Livestock is seeking to add experienced livestock agents as well as introducing and training younger agents and is actively looking to further expand the livestock financing business. Although the meat processing business can be difficult due to the impact of pricing set by international markets, continued focus will be on opportunities to improve its profitability. Expectations for the current year are for careful growth in the livestock business but tempered with a flat outlook for the meat processing business as overseas prices remain low.

The Directors are pleased with the result for the year, particularly the growth in the core livestock business. The business is well placed to continue its progress, and the company is implementing initiatives to expand and grow from the current strong base. However, the Directors acknowledge the likelihood of more challenging trading conditions in the coming year. The Directors wish to highlight and acknowledge the considerable support and loyalty of all of the wider Allied Farmers stakeholders, particularly the team and our many clients.

Garry Bluett

A handwritten signature in black ink, appearing to read 'G. Bluett', with a horizontal line underneath.

Chairman