

ALLIED FARMERS AUDITED FULL YEAR RESULT TO 30 JUNE 2018

The Directors of Allied Farmers Ltd (“Allied”) (ALF:NZX) are pleased to report an audited net profit before tax for the year to 30 June 2018 of \$2.44m (2017 \$2.39m). Allied has had a reduced performance from the Livestock Division offset by a significant one-off recovery from the Asset Management Services Division. The after tax share of the profit attributable to the Allied shareholders is \$1.54m (2017 \$1.55m) It was always going to be difficult to replicate the exceptional growth in livestock sales of last year and the margins on meat processing are continually subject to international fluctuations.

The Livestock Division, which includes the operation of 66% owned NZ Farmers Livestock Ltd (NZFL) reported a net profit before tax of \$2.63m (2017 \$2.70m). The reported shortfall in the interim financial statements for the period ended 31 December 2017 of \$0.2m, did not repeat, with the second half Livestock Division result actually slightly ahead of last year’s strong second half. Livestock sales were steady with commissions up 1% on the prior year. Returns from the meat processing business were lower than the previous year with turnover lower due to the impact of decreased international selling prices and margins reduced as costs of processing increased. While the margins in this business can fluctuate, NZFL is seeking to grow this business and trialled handling Autumn calves during the year.

On 1 July 2017 the final tranche of shares in Redshaw Livestock Ltd on the East Coast was acquired taking NZFL’s shareholding to 52%. This year’s result includes the full year consolidated result of Redshaws compared to last year’s equity accounted result.

The newly established financing subsidiary of the Livestock Division performed creditably – ahead of the budgets set. Initially focussing on financing service bulls, it has expanded into general livestock financing and at year end had receivables of \$4.6m (2017 \$2.1m)

The Asset Management Services Division (“AMS”) had been wound down as all assets of any significant value have been realised. However, AMS had one significant recovery. AMS received net proceeds of \$441,000 from litigation relating to a loan asset that had previously being assigned to a third party.

During the year there was a reduction in corporate interest costs due to a reduction in the Bond interest rate.

The coming year will see challenges for the Livestock Division with the spread of M Bovis and the steps to contain it. While the planned eradication program will see a demand for livestock and possible opportunities, the uncertainties around livestock movements could cause some general slowdown in ordinary livestock transactions. At this stage it is too early to assess any financial impact. The initial outlook for the calf processing is positive with international prices starting to improve for calf products. Additionally, an expansion to handle calves in the Manawatu region has commenced, for review at season end.

The livestock business will be the prime focus of management in this uncertain market and the company is evaluating opportunities to expand from its current activities. Again, 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



Chairman