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26 February 2020

## **HY20 RESULTS AND HALF YEAR REPORT**

The Directors of Allied Farmers Limited (**ALF**) have pleasure in reporting an unaudited after-tax profit of \$1.18 million for the six months ended 31 December 2019. The result is very similar to the result for first half of the 2019 financial year of \$1.17million.

The company's pre-tax operating result is much improved on last year, up 19%. However, the group incurred higher discretionary corporate expenses as it has commenced the implementation of a review, reinforcement, and improvement of its corporate and governance structures. This has included the start of a process to comprehensively review systems and digital infrastructure, seeking avenues to reduce risk, improve processes, and raise productivity. In addition, the company has sought to improve its focus on health and safety, and address some one-off issues including resolution of an outstanding tax issue (see NZX announcement 5 December 2019).

ALF's cash position and cash flow remain sound, enabling the payment of a dividend in January 2020. The company remains within its banking covenants and retains good relationships with its funders.

The result achieved in the last six months would not have been possible without the skills and dedication of our staff. The Board would once again like to acknowledge the contribution of all our staff. Their continuing efforts are important in helping our food producing clients to meet the challenges that face them on a daily basis.

ALF subsidiary New Zealand Farmers Livestock Limited (**NZFL**), experienced better results across all of its business divisions, continuing a multi-year trend of improved business performance.

During the six-month period, the livestock agency business experienced a slow start, but towards the end of the period experienced a strong upturn in livestock trading momentum. The mycoplasma bovis outbreak cast uncertainty over some parts of the livestock trading business, but its effect is gradually reducing over time.

By far the bigger factor driving livestock trading is weather and market related factors. In spite of these challenges, the strength and experience of NZFL's agent network, staff and business model enabled it to achieve a positive result.

The veal processing and trading business also produced an improved result, with better pricing and some improvement in volume.

NZFL's finance operation is an important part of our offering to our clients. The provision of financing enhances NZFL's ability to assist farmer clients in the management of their cash flow.

Risk is mitigated by largely lending to farmer clients with whom NZFL's agents already have a strong relationship and understanding of their business.

NZFL is committed to a strategy of providing a superior service to its food producing clients, to assist them to be successful in the operation of their own businesses. NZFL remains focused on working with farmers for farmers, and to this end is looking to grow its livestock agency business through the recruitment of new agents, implementation of technology improvement, and selected development of new yard operations. A range of partnering continues to deliver effectively, and NZFL works to further develop such opportunities.

The MyLiveStock web platform and App is an important part of that strategy and is valued by clients. Further development of this platform will improve this increasingly valuable client tool.

In addition, ALF will continue to investigate opportunities to expand its presence in the wider agricultural sector and is seeking agribusiness opportunities outside of its current traditional lines of business, which assist farmers to meet the challenges they face on a day-to-day basis.

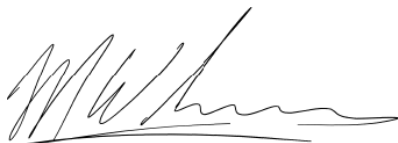
The start to the second half of the financial year has seen some deterioration in livestock trading conditions. The presence of drought in some parts of the country, plus the disruption to the food export trade caused by the outbreak of Covid-19 have seen some reduction in confidence amongst food producing clients. Given the uncertainties and fast moving nature of these factors, further guidance for the second half of the financial year will be provided as the operating environment becomes clearer. ALF is well placed to meet these challenges given the strength and positioning of our business.

The livestock financing operation is on an encouraging growth trajectory. ALF believes that with traditional lenders showing less support for New Zealand pastoral food producers, there are significant opportunities to grow and nurture an alternative lending organization.

ALF takes much pride in being a New Zealand owned company, working with New Zealand farmers, who are vital in the global food chain and are known for producing high quality food with care and responsibility.

Yours faithfully,

Allied Farmers Limited

A handwritten signature in black ink, appearing to read 'Mark Benseman', with a horizontal line underneath it.

Mark Benseman, Chairperson