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## **ALLIED FARMERS - HY18 RESULTS AND HALF YEAR REPORT**

The Directors of Allied Farmers Ltd (ALF) report an unaudited after tax profit of \$0.25m for the six months to 31 December 2017 (1HY2017 \$0.48m). As reported to the market in November 2017, the first quarter of the year started off with slower livestock sales. However livestock sales did recover with the second quarter sales ahead of the same period last year.

The Rural Division reported a net profit before tax of \$0.65m for the 6 month period. This was behind the same period last year when a pre-tax profit of \$0.85m was reported. The core livestock business performed well, with turnover up 11% on the prior year's first half and livestock commissions up by 5%. However, the costs of expanding the operations in Northland and South Island meant that there were costs incurred that have yet to show full returns. Redshaw Livestock, based on the East coast of the North Island, (now 52% owned), generated a pre-tax profit which was above the same period last year. NZ Farmers Livestock Finance made a positive contribution. As well as providing income from financing, this business helps generate livestock commissions as we secure business that may have otherwise been lost.

Due to a combination of several factors such as a reduced market resulting in lower tallies, less favourable US exchange rate and low skin prices, the calf processing export sales for the six months to December 2017 were 4.7% lower than the comparative period, with a reduced margin and this has impacted on the overall interim result.

Corporate overhead costs totalled \$0.33m (1HY:2017 \$0.33m) for the half. During the period \$1.0m of bonds maturing in September were rolled over for a further four years on improved terms.

The Group's focus on expanding its livestock business has resulted in growing the number of agents. Opportunities for developing new sale-yards or getting access to existing yards are being explored. While the calf processing business has always been subject to annual market price movements, the directors are satisfied that this is a business that can provide opportunities and is looking to expand this into other regions.

For the second six months of the year dairy herd sales contribute a significant proportion of the annual profit. Many of these dairy herd sales are contracted well in advance of settlement. Although it is still early in the season, to date the forward sales herd contracts due for settlement predominantly in May are tracking behind the same time last year and it may be that the high volume of dairy herd sales that the company experienced in the second half last year may not be repeated which would have a material negative impact on the full year result. The directors and management are watching closely the consequences of the mycoplasma bovis outbreak and the impact that could have on the company's operations.

Consistent with prior years, after completion of financial statements for the full year the Board will determine whether a dividend will be paid.

**Garry Bluett**



**Chairman**