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ALLIED FARMERS EARNINGS DRIVEN BY 65% INCREASE IN LIVESTOCK OPERATING RESULT.

The Directors of Allied Farmers Ltd (ALF) are pleased to report an unaudited after tax operating profit of \$0.62m for the six months to 31 December 2015 (1HY:2014 \$0.91m).

This is a strong operating result, benefiting from the Livestock Division's trading performance improving by 65% compared to the same period last year, and does not have the benefit of the Corporate and Asset Management one-off gains that bolstered the group result for the corresponding six months period ended 31 December 2014.

The Livestock Division reported a profit before tax of \$1.24m for the 6 month period. This was a \$0.49m improvement on the same period last year when a profit before tax of \$0.75m was reported. NZ Farmers Livestock Limited (NZFL), which is now 66% owned by Allied Farmers continues to perform ahead of expectations. While overall livestock sales were behind the same period last year due to lower dairy livestock values, margins were slightly higher and costs were controlled. In addition, returns from the calf processing business were ahead of last year largely due to improved pricing and the benefit of a more favourable exchange rate. Returns from the 17 percent shareholding in Redshaw Livestock acquired during the year were in line with expectations for the first half.

The Asset Management Services division which has now largely been wound down made a small profit of \$0.12m for the 6 month period (1HY:2014 \$0.59m)

Corporate overhead costs totalled \$0.54m (1HY:2014: \$0.62m). However, while corporate costs were down 14% for the 6 month period, a one off gain of \$0.28m that occurred in 2014 was not repeated.

Following shareholder approval in December 2015, the company reacquired some of the shares in NZFL that had been sold to fund part of the settlement with Crown Asset Management Limited in 2014. This increase to a 66% shareholding will result in a higher proportion of distributions from NZFL being paid to the parent company in future periods.

The Company continues to focus on reducing its liabilities and cost base and during the period:

- initiated a process to reduce the size of its share register via a small shareholder offer which will result in administrative and compliance cost savings;
- obtained shareholder approval to provide the Board discretion to pay directors' fees in shares;
- entered into settlements with a number of legacy creditors to subscribe for new shares in extinguishment of debt; and
- began to look at opportunities to refinance maturing bonds at a lower interest cost.

The Directors now consider that the group is well placed to shift its primary focus to growth. Given that NZFL is overwhelmingly the Company's most significant asset, and following the successful acquisition of a shareholding in Redshaw Livestock, the Company's strategic focus is on supporting NZFL in its exploration and execution of growth opportunities.

The Allied Farmers group is currently actively exploring a number of these opportunities to grow the livestock business and further enhancements as it seeks to work with farmers for farmers, and to develop profitable businesses aligned with this platform, and become New Zealand's pre-eminent New Zealand owned livestock business.

Garry Bluett
Chairman