

ALLIED FARMERS

Allied Farmers Ltd

201 Broadway, Stratford, 4332

PO Box 304, Stratford 4352

Web: www.alliedfarmers.co.nz

Email: headoffice@alliedfarmers.co.nz

Dear Shareholder,

Please find enclosed the Notice of Annual Meeting to be held at Hawera on 24 November 2015.

There are five resolutions to be voted on. The first three are standard resolutions allowing the directors to set the Auditors remuneration, reappoint Andrew McDouall as a director and elect Mark Benseman as a director. When Jeff Keenan retired due to ill health, we approached Mark to join the Board. He has a good background in finance and investment (see his biography in the Notice of Meeting) and has been a strong supporter of the company over the past few years.

In 2014, in order to fund the repayment of debt to Crown Asset Management Limited, we reluctantly had to sell down \$1million worth of our shareholding in NZ Farmers Livestock. We have been negotiating with the other NZ Farmers Livestock shareholders, and Stockmans Holdings Ltd has agreed to sell back a parcel of NZ Farmers Livestock shares in exchange for \$1 million worth of Allied shares. We think this is a good step, as it gets our shareholding in, and share of earnings from, NZ Farmers Livestock back close to where it was last year, it does not use up our cash reserves, and it will be good to have key personnel as significant shareholders in the company. Because the share purchase is a material transaction between related parties, Resolution 5 seeks shareholder approval to the deal.

Further details of the background and detail of the transaction can be found in the Explanatory Notes to Resolution 5, and a copy of an independent valuation undertaken by Campbell MacPherson that supports the directors' view that the share purchase consideration is fair and in all shareholders' interests, can be found on our website www.alliedfarmers.co.nz, or on request as set out in the Notice of Meeting.

For the past few years, due to the company's need to closely manage payments, the directors have voluntarily deferred payment of some of their director's fees. While the NZX Main Board Listing Rules allow for shareholders to authorise directors to be paid by issuing shares in the company, the shareholders have never been asked to pass a resolution to allow this. Resolution 4 seeks approval to pay deferred and future directors fees by the issue of company shares, which will help retain cash in the company.

For both these resolutions assets are either being acquired (i.e. NZFL shares) or liabilities are being repaid (i.e. unpaid directors fees) in consideration for the issue of shares at market value. The Board has assessed that this will result in an increase in the net assets of the company, meaning that the net asset backing per share will remain unchanged. Therefore, while the proposed share issues will result in a dilution of your shareholding percentage (see the commentary on dilution effect on current shareholders in the Notice of Meeting), based on that assessment, the approval of these resolutions does not in itself decrease of the value of your shareholding.

If you have any queries on any of these matters, feel free to come to the AGM and discuss them.

Yours Faithfully



Garry Bluett

Chairman