

**Allied Farmers Ltd**

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**HY19 RESULTS AND HALF YEAR REPORT**

The Directors of Allied Farmers Limited (**ALF**) report an unaudited after tax profit of \$1.17 million for the six months ended 31 December 2018. As disclosed to the market on 11 February 2019, and previously signalled at the November 2018 Annual Meeting, the result is significantly ahead of the first half of the 2018 financial year of \$0.25 million. The Board acknowledges the contribution of the staff in producing this excellent result.

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. Robust controls of corporate overhead costs, plus lower debt through the partial repayment of bonds, have contributed to a strong group result for the period.

ALF's cash position and cash flow remain sound, enabling the payment of a dividend in January 2019 for the second consecutive year.

The livestock agency business was modestly ahead of last year, despite livestock trading volumes being affected by *Mycoplasma bovis*. The uncertainty caused by this bacterial disease of cattle, and the resulting programme to eradicate it from the national herd, led to some disruption in livestock trading, particularly in the early stages of the season. In spite of these challenging circumstances, the strength and experience of NZFL's agent network, staff and business model enabled the company to achieve a positive result.

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

The livestock financing operation continued to exhibit strong growth. 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 farmer clients, to assist them to be successful in the operation of their own businesses. To this end, NZFL remains focused on growing its livestock agency business through the recruitment of new agents, and selected development of new sales yards or access to existing yards.

The MyLiveStock web platform and App is an important part of that strategy and is valued by clients. Further development of this platform is an important part of NZFL's strategy.

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.

As part of its growth strategy, ALF is also today announcing a Share Purchase Plan (**SPP**), the proceeds of which will place ALF in a stronger position to invest in new opportunities as they arise and support the continued growth of NZFL's business. In addition, the SPP will allow small shareholders the opportunity to increase their holding in the company on attractive terms.

The result for the second half of the financial year will largely be determined by the volume of dairy herd forward sales achieved and general livestock trading. While it is early days, the signs for dairy herd sales are encouraging. In addition, the impact of *Mycoplasma bovis* and related effects on livestock trading appear to be abating. Recent weather patterns are also prompting more livestock trading activity as farmers seek to match their stocking rates with pasture conditions. The livestock financing operation is on an encouraging growth trajectory.

The Directors are encouraged by the trends in the business and anticipate a satisfactory second half profit, and pleasing full year result.

Yours faithfully,

Allied Farmers Limited

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

Mark Benseman, Chairman