

**MINUTES OF THE ANNUAL MEETING OF ALLIED FARMERS LIMITED HELD  
AT THE TSB HUB, CAMBERWELL ROAD, HAWERA ON 24 NOVEMBER 2015  
COMMENCING AT 11.00AM**

**PRESENT:**

Directors: G Bluett (Chairman), GA McDouall, P Luscombe, and M Benseman

Officers: Steve Morrison (CEO Rural)

The Chairman confirmed that there was a quorum present.

The Chairman welcomed all to the meeting and introduced the directors and Senior Management.

**APOLOGIES:**

Ross Corrigan.

The Chairman confirmed that the notice of Annual Meeting was sent on 9 November 2015 to all shareholders.

**PREVIOUS MINUTES**

The Chairman confirmed that the Directors have resolved at their February 2015 Meeting that the minutes of the Annual Meeting held on the 25 November 2014 were a true and correct record.

**FINANCIAL STATEMENTS AND REPORTS**

The Chairman advised the financial statements and the reports of the directors and auditors for the year ending 30 June 2015 were set out in the company's Annual Report. The Annual Report was forwarded to shareholders who had requested a copy and is available on the company's website. Questions were to be addressed after the Chairman's and CEO Rural's addresses.

**CHAIRMAN'S ADDRESS**

The Chairman gave a presentation covering key aspects of the 2015 year.

**CHIEF EXECUTIVE – NZFL/RURAL'S ADDRESS**

Mr Morrison gave a presentation on the NZFL/Rural business.

After the presentations by the Chairman and the Chief Executive an opportunity for shareholder comment and questions was provided before the formal business of the meeting was considered. Shareholders raised a number of comments and issues including: distribution of profits from NZFL; accounting treatment of NZFL in the ALF accounts and reflecting its true value in the notes; future ownership of NZFL; potential to reduce size of share register; and challenges in recognising ALF's positives in the share price due to low liquidity and no broker coverage and limited media coverage.

## **RE-ELECTION AND ELECTION OF DIRECTORS**

### *Andrew McDouall*

The Chairman noted that Andrew McDouall is retiring under the rotation policy and offers himself for re-election. The Chairman noted that there were no other nominations. The Chairman advised that biographical information on Mr McDouall had been provided with the notice of meeting.

The Chairman proceeded with Resolution 1:

“That Andrew McDouall be re-elected as a director of the Company”

The Chairman invited Mr McDouall to say a few words in support of his nomination

The Chairman invited shareholders to vote on the resolution by way of a show of hands (**passed**).

### *Mark Benseman*

The Chairman noted that Mark Benseman was appointed by the Board as a non-executive director with effect from 1 October 2015. As he was appointed by the Board, it is a requirement of NZX Rule 3.3.6 that he retire from office at this Annual Meeting and his election be considered by shareholders at this Annual Meeting. The Chairman advised that biographical information on Mr Benseman had been provided with the notice of meeting.

The Chairman proceeded with Resolution 2:

“That Mark Benseman be elected as a director of the Company”

The Chairman invited Mr Benseman to say a few words in support of his nomination

The Chairman invited shareholders to vote on the resolution by way of a show of hands (**passed**).

## **AUDITORS REMUNERATION**

The Chairman proceeded with Resolution 3:

“That the Directors be authorised to fix the auditors’ fees and expenses for the ensuing year”

The Chairman invited discussion on the resolution.

The Chairman invited shareholders to vote on the resolution by way of a show of hands (**passed**).

## **DIRECTORS' REMUNERATION**

The Chairman proceeded with Resolution 4:

“That remuneration previously authorised by shareholders of the Company:

a. to be paid per annum to Non-Executive Directors (in their capacity as Directors);  
and

b. unpaid from previous years and owing to Non- Executive Directors, and to former Non-Executive Director Jeff Keenan, accrued in the manner described in Explanatory Note 4,

may be payable either in part or in whole by way of an issue of Equity Securities, as permitted by Rules 3.5.1 and 7.3.8 and as detailed further in Explanatory Note 4 of the Notice of Meeting.”

Mr Bluett explained that due to cash flow constraints and the desire of the Board to prioritise payments to other creditors, over recent years the Directors have voluntarily agreed to the deferral of payment of some directors' fees owing to them until such time as the Company is in a better position to pay them. This has resulted in an accrual of \$327,001 as at 30 June 2015 in relation to directors' remuneration owed to current Non-Executive Directors Garry Bluett, Andrew McDouall and Philip Luscombe, and to former Non-Executive Director Jeff Keenan, who resigned on 30 June 2015.

Mr Bluett noted that the resolution does not seek an increase in the Directors' fee pool of \$332,000 that was approved at the 2007. While it is possible that in the future an additional director will be appointed to the Company's Board, and an independent chairman appointed to the Board of NZFL, the Board of the Company considers there is sufficient headroom in the currently authorised fee pool to accommodate the payment of directors' fees to any additional group directors.

Mr Bluett explained that if the Resolution is passed, accrued and future Directors' fees may be paid in full or in part by the Company issuing former and current Directors with Equity Securities (i.e. most likely ordinary shares) rather paying them in cash.

Mr Bluett said that the intention is that, initially, the Company will issue Equity Securities to satisfy payment of the \$327,001 accrual to former and current Directors, but the authorisation also provides sufficient flexibility to enable the payment of future directors' fees either partly or wholly by way of the issue of Equity Securities.

The Chairman invited discussion on the resolution, which included comments: concerned at the volume of new shares being issued and whether a ceiling could be placed on new issues; consideration of whether the fee liability could be paid in cash; general discussion on the programme of settling debt with share issues; and potential for future dividends.

The Chairman invited shareholders to vote on the resolution by way of a show of hands (**passed**).

## **PURCHASE BY AFRL OF NZFL SHARES FROM STOCKMANS**

The Chairman proceeded with Resolution 5:

That pursuant to NZX Main Board Listing Rules 7.3.1(a) and 9.2.1, and all relevant provisions of the Company's constitution, the proposed purchase by Allied Farmers Rural Limited (“AFRL”) of 950 shares in NZ Farmers Livestock Limited (“NZFL”) from Stockmans Holdings Limited (“Stockmans”) in consideration for the issue to Stockmans of fully paid ordinary shares in ALF equivalent in value to \$1 million, and as detailed further in the Explanatory Note 5, is approved.

Mr Bluett explained that the resolution is required because it is a Material Transaction with a Related Party. Stockmans, Oliver Carruthers and Bill Sweeney are Related Parties of ALF because Oliver Carruthers and Bill Sweeney are Directors of Subsidiaries of ALF, and Stockmans is an Associated Person of Oliver Carruthers and Bill Sweeney.

Mr Bluett described the background, and explained the reason for the transaction and why the Board considers it to be in the best interests of the company and its shareholders.

Mr Bluett observed that if the Transaction does not proceed, the Board believes that it is highly unlikely that in the short to medium term it will be able to find, and complete the purchase of, an alternative cash generating asset that can be funded wholly by way of the issue of new shares. Given this, the Company would likely have to raise additional working capital from alternative, more expensive sources such as issuing debt securities, that continue to put pressure on cash (by payment of interest) and do not provide the upside growth opportunities that the Board believes are possible through an increased percentage ownership of NZFL.

Mr Bluett explained the reasons why NZX has granted the Company a waiver from the Listing Rules to permit the Company to seek approval of shareholders in respect of the Transaction, without having to provide an independent appraisal report to shareholders with the Notice of Meeting. Mr Bluett noted that a key reason underpinning the waiver decision is that an NZX Regulation approved independent valuer, Campbell MacPherson, provided the Company with a valuation of NZFL shares. Campbell MacPherson has assessed the current fair market value for 100% of NZFL to be in the range of \$872 to \$1,137 per share. AFRL is paying \$1 million for 950 NZFL shares, or \$1053 per share, and accordingly the Purchase Price is within the range of the independent valuation.

The Chairman invited discussion on the resolution which included: comments concerned at the issue of shares at a time when the share price is low and whether a delay might see an increase in the share price; process for establishing the share price; and impact on the share register of another major shareholder.

The Chairman invited shareholders to vote on the resolution by way of a show of hands (**passed**).

## **GENERAL BUSINESS**

The Chairman commented on general questions from shareholders in relation to the dilution of the ex-Hanover investors once the final value of the Hanover assets were calculated.

Mr Bluett publically acknowledged and thanked the significant leadership and contribution of Brian Train to the Allied Group, in particularly Farmers Meat Export, and wished him well in his retirement.

There being no further discussion, the Chairman closed the meeting.

Meeting closed 12.15pm

Garry Bluett

Chairman