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INTERIM REPORT FOR THE HALF YEAR TO 31 DECEMBER 2016

The Directors of Allied Farmers Ltd (ALF) report an unaudited after tax profit of \$0.48m for the six months to 31 December 2016 (1HY2015 \$0.62m). This is consistent with ALF's Profit Guidance announced on 9 February 2017.

The Rural Division reported a net profit before tax of \$0.66m for the 6 month period. This was behind the same period last year when a pretax profit of \$1.24m was reported. The core livestock business performed well, with turnover up 18% on the prior year's first half and livestock commissions up by 13%. All regions were ahead of last year with the new Northland region performing well. The result from Redshaws Livestock which saw our shareholding double to 34% during the period was in line with expectations. The new livestock financing business commenced during the period focussing lending on dairy bulls with a result showing income ahead of budget.

However, due to a combination of several factors such as a reduced market resulting in lower tallies, less favourable US exchange rate and poorer skin prices, the calf processing export sales for the six months to December were 15% lower than the comparative period, with a reduced margin and this has impacted on the overall interim result.

The MyLiveStock web application continues to excel, with a 262% growth in page views in 2016 compared to 2015. The launch of the MyLiveStock app during the period has further increased the reach and appeal of this new way of promoting livestock.

The Asset Management Services division which has now largely been wound down made a small profit of \$0.03 for the 6 month period (1HY:2015 \$0.12m)

Corporate overhead costs totalled \$0.26m (1HY:2015 \$0.54m) for the half. Lower administration and compliance costs resulting from the small shareholder sale programme

completed in April 2016 significantly contributed to this reduction. \$0.6m of maturing bonds were replaced with a new \$0.55m bond issue at a lower interest rate.

The Group continues to focus on expanding its livestock business with several new agents contracted and more in discussion. For the second six months of the year dairy herd sales contribute a significant proportion of the profit. Many of these dairy herd sales are contracted well in advance of settlement. To date the forward sales herd contracts due for settlement predominantly in May are significantly ahead of the same time last year, other livestock tallies and values are tracking well, and the directors expect that the first half impact will be recovered in the second half. While the processing business has always been subject to annual market price movements, the directors are satisfied that the increase in livestock turnover and the addition of new agents are promising signs for future growth.

Garry Bluett

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

Chairman