

27 May 2008

## ALLIED FARMERS GROUP RETURNS TO PROFIT

Allied Farmers Limited today announced that the group made a profit before tax for the year ended 30 June 2008 of \$3,232,000. For the same period in 2007 the group made a loss of \$3,349,000.

The major factor contributing to the improvement was the record income and profit result from the rural division in the last ten years (with revenue of \$82,371,000 and profit before tax of \$4,336,000). This was the result of increased livestock trading and merchandise sales mainly to dairy farmers.

While the finance subsidiary Allied Nationwide made a profit before tax of \$3,870,000, this result, and the Group result, was impacted by increased bad debt provisioning, considered prudent in the current environment. Allied Nationwide was further impacted by the widespread loss of investor confidence in finance companies, and paid out \$107,000,000 of maturing debentures over the year to 30 June 2008. The margin on this amount would have added a further \$3,317,000 contribution to profit if retained.

Overall, Allied Nationwide had an average reinvestment rate of around 34 % over the financial year. Total assets of Allied Nationwide at balance date were \$191,167,000. Current cash today is \$25 million and Allied Nationwide has maintained a strong liquidity position throughout the last twelve months despite the challenging market and repayment of maturing debentures.

One off transactions arising from the sale of assets from discontinued businesses, including the sale of Sawmill assets and the Wool business amounted to \$1,965,000.

The Chairman of Allied Farmers Group Mr John Loughlin said "It was a great year in the Rural market but the overall result has been impacted by the turmoil in the finance market. This was the main reason for not achieving our goal of \$6 million before tax".

"The Group was fortunate to have strong liquidity and a diversified loan portfolio in its Finance subsidiary."

Mr David Bale the Group CEO said "the imminent purchase of Speirs Finance will grow the debenture and loan books and give Allied Nationwide Finance access to the \$250 million securitisation program, with funding underwritten to \$150 million by BNZ".

"This purchase was agreed to by the Speirs shareholders on Monday but has yet to gain approval from Standard & Poor's and the debt investors of both companies. This should be completed by the end of September", Mr Bale said

"We look forward to another strong year in rural, mainly on the back of dairying but with some improvement for sheep and beef", said Mr. Loughlin. "In addition the finance subsidiary should find the next twelve months an improvement on the last".

The board resolved to declare a bonus issue of shares in lieu of the September quarterly dividend. This will be on the basis of one new share for every 51 held at 5 September 2008.

ENDS

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