The directors present to shareholders the Sixty-Eighth Annual Report and Financial Statements of the company for the year ended 30 September 2016.
Building a STRONGER CO-OPERATIVE for the benefit of our farmer shareholders.

One year into our journey, we are MAKING GOOD ON OUR PROMISE to maximise operational efficiency and capture more market value.

The interests of OUR FARMERS are at the heart of every decision we make.

We are committed to working hard to TRANSFORM THE CO-OPERATIVE so we can pay our farmers more for their livestock.
Alliance Group is a global leader in procuring, processing and marketing the world’s best quality red meat products. We are a food company and our products are enjoyed in more than 65 countries across the globe. As New Zealand’s only true 100% farmer owned red meat co-operative, our aim is to maximise returns to our committed farmer shareholders and support them to operate profitable and sustainable farms.

As a market leader, Alliance Group strives to maximise the best value of our red meat and co-products, whilst providing cost-effective, high-yielding meat processing when our farmer shareholders need it.

Our goal
At Alliance Group, we produce the highest quality, best-tasting New Zealand grass-fed red meat to meet the taste and tenderness requirements of the world’s most discerning customers. We bring together the quality and experience of New Zealand’s best farmers with the expertise of New Zealand’s leading red meat food and processing company. The clean, lush pastures of New Zealand, our world-class technology, meticulous production values, our proud heritage and the highest levels of environmental sustainability and ethical production all contribute to our reputation for food excellence. Alliance Group’s eight processing plants are strategically located throughout the South Island and lower North Island. More than six million lambs and sheep, over 200,000 cattle and 100,000 deer are processed annually.

We are proud of our significant contribution to the New Zealand economy, employing 4,700 staff during the peak of the season and exporting 95% of our products. We directly affect the lives of thousands of New Zealanders – whether it be the families and employees of the farms and farmers that supply us with livestock, the people that work for us or the many businesses that we purchase goods and services from or provide product to.

We are a global company based in New Zealand and the country’s only true 100% farmer owned major red meat co-operative. That means every cent we make is either delivered back to our farmer shareholders or reinvested back into the company.

Pool Distributions
Pool distributions $9.8 million

<table>
<thead>
<tr>
<th>Animal</th>
<th>Distribution (NZ$) per head</th>
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<tr>
<td>Lamb</td>
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<td>Sheep</td>
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<td>Cattle*</td>
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<td>Deer</td>
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<td>Calves</td>
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*all cattle including prime cow and bull

$10.1 million operating profit before pool distributions of $9.8 million and tax expense of $0.2 million from a turnover of $1.4 billion

$126.6 million Free cash flow from operating activities

70.6% Equity ratio Shareholders’ equity at year-end

Core debt reduced from $129 million to $41 million

2016 ALLIANCE GROUP ANNUAL REPORT
This year, our focus has been on gaining traction on the strategy we laid out to our farmer shareholders and employees one year ago. Our strategy is built around two virtuous loops of creating value from sales and marketing activities and lowering our cost base to deliver value for our farmers.

The 2015/16 year was challenging with global market prices at their most difficult in the last five years and any recovery in prices since May more than offset by the foreign exchange levels, in particular, the British Sterling and US Dollar.

However, the weather conditions across the country have become more favourable as the year progressed, which has provided a significant boost for our farmers.

The co-operative has also strengthened its balance sheet considerably and our core debt has reduced from $129 million to $41 million. We finished the year with no seasonal debt.

We are working to gain a far deeper market penetration and to capture more value out of existing markets. Alliance Group is still in the early stages of a journey of transformation but, with a strengthened balance sheet and a fitter business, we are tracking well in our vision so we can take advantage of global opportunities as we build a stronger and more resilient co-operative for the benefit of our farmer shareholders.

Year-end profit
We ended the year with net profit before tax and pool distributions of $10.1 million, up on our 2015 result. Pool distributions totalling $9.8 million will be paid to farmer shareholders.

Business Transformation Strategy
Stage one of our strategy is to get the business fit. We have been running a significant programme, which is brought to life through a range of projects that have been delivering value over and above where we thought they would. The size of the prize has been better than we had hoped.

Whilst the changes we are making to the business are starting to gain traction, it is clear there are still further opportunities we can seize.

We live in a very volatile environment, with fluctuations in overseas markets and the exchange rate. The weakening of market prices and global volatility over the year reduced group revenues but the value created from our strategy projects meant the co-operative had the ability to act as a buffer and absorb some of the impact of reduced revenues on our farmer shareholders.

We acknowledge we still have some way to go to deliver greater sustainable returns to our farmer shareholders in the future. That is why our strategy around creating value from sales and marketing activities, lowering the cost base and improving the operational performance across our plants is all so important. Although we are still in the first phase of our business transformation strategy, we have our sights set on the next stage, which is focused on value creation.

Improving our health and safety
This year, we have had a 44.9% reduction in our Total Recordable Injury Frequency Rate. We are committed to our goal of achieving a world class health and safety culture across Alliance Group. We are in no doubt that we need to make greater strides, but the steps everyone in the business is taking together are already making a real difference. We are pleased that we have reduced our injury rate with fewer people getting hurt in our workplaces.

You can read more about our health and safety improvements within this annual report.

Our Co-operative Principles
This year we have tried to further cement our co-operative model. Farmers are at the heart of every decision we make and this is underlined by our Co-operative Principles. No other business in the red meat sector can say that every cent it makes goes back to the farmer or is invested for the benefit of the farmer owned business. Farmers are at the front and
Thank you to our farmer shareholders, directors, management and employees for your ongoing support and valued contributions. We still have much work to do as we push on with our strategic work, to continue to get the business fitter and to capture market value – and that will involve moving further down the cost curve and deepening connections with our customers, suppliers and shareholders. We look forward to moving forward together to build on our co-operative’s achievements and to maximise its potential.

Thank you

David Surveyor
CHIEF EXECUTIVE

Murray Taggart
CHAIRMAN
We are now one year into Alliance Group’s business strategy and projects programme. Although we still have a long way to go, we are making good on our promise to improve the co-operative’s performance and boost returns to farmer shareholders. The strategy is delivering tangible benefits that have exceeded expectations. Having refreshed the Co-operative Principles, we are now working hard on transforming the shape of the business.

Maximise operational efficiency
Capture more market value

Our two virtuous loops cascade to our business transformation strategy’s seven pillars, which are then operationalised through a large number of projects.

Co-operative principles
- Farmers at the heart of every decision
- Credible and Proud

Safety
- Zero harm
- Care for our People

Build organisational capacity
Low cost structure
Farmer supply
Capture market value
Transform business shape
Delivering service to our farmers

The Livestock Excellence Programme, one of Alliance Group’s business strategy projects, will ensure Alliance Group can provide a more tailored and flexible service to understand and meet the needs of individual farmers. You can read more about this programme in the livestock section.

Improving carcase yield

The Boneless Yield Project is focused on capturing more value from the carcase. It has resulted in the development of a Total Boneless Yield Calculation, a measurable tool we now use to convert all our production back to a total boneless factor. That has helped us to measure each plant against others in the group and identify opportunities for improved performance. There is great support and recognition of the project’s value from managers, supervisors and staff throughout the primary processing and boning rooms. It is not just for management, it is a tool everyone can use. Results for each plant are posted every day and it has become a real topic of conversation among people and inspires a competitive spirit. One of the major aims of the project was to improve the consistency of performance across all the plants. By getting the front-end right, we are helping the back-end. We are getting more meat in the box and in some cases performance has increased by up to five per cent.

New products and consumer packaging

Alliance Group is committed to innovations in new products and packaging so we can capture more market value. Over the past year, we have launched three new dual-branded specifications into China through our in-market partner Grand Farm. We are also working with QualityNZ on new Pure South product lines for India. We are continuing trials on innovative new packaging technology with details to be announced in 2017.

Improving health and safety

Improving our health and safety performance is a key part of our business transformation strategy. Caring for people is not just the right thing to do, it makes sound financial sense. The measures we are taking, and the conversations about health and safety we are having in every part of our business every day, are making a real difference as we work towards our goal of achieving world class health and safety practices. Reducing our Total Recordable Injury Frequency Rate equates to 190 fewer people being injured in our workplaces. We are making considerable progress through our Safety Interaction Programme. The very strong focus of this programme is on engaging with our people about safety at every level of the business. That means supervisors and managers having very real face-to-face meaningful conversations with our people about what health and safety means. At the same time, we are also continuously reviewing our safety rules and procedures for our core activities from handling knives or machinery to personal protective equipment. Alliance Group is also investing in improving areas we have identified that pose greater risks to our people. This includes safer technology such as replacing band-saws with blade-stops. Our new primal cutter and middle cutter machines at Pakeuri and Smithfield plants, which eliminate the need to manually lift carcases from the rail reduce strain and sprain risk. We have also improved traffic management at our plants, in particular in areas where trucks are unloaded and around forklifts. The goal is zero harm, ensuring that every one of our people goes home safely at the end of their working day.

Total Recordable Injury Frequency Rates (PAST 2 YEARS)

“Injuries per 1 million hours worked

“We are having conversations about health and safety in every part of our business every day as we work towards our goal of world class health and safety practices.”
We have been investing in our livestock, processing and sales and marketing divisions to build a stronger co-operative and deliver greater sustainable returns to farmer shareholders.
LIVESTOCK

Our livestock team works in partnership with our sheep, cattle and deer farmers, supporting them to make informed decisions on-farm, sourcing livestock for our processing plants and contributing to research and sector-wide initiatives that aim to lift the productivity and profitability of our farmers.
LIVESTOCK

Through our Livestock Excellence Programme, we have been working hard on segmenting our supply base, focusing on the needs of individuals rather than a ‘one size fits all’ approach. This is being achieved by equipping our Livestock Representatives with the skills and abilities to meet the individual and varying needs of farms and farmers, through training, better tools and in house development of specialist apps to support this enhanced service.

The approach, developed using feedback from farmers, will also provide the co-operative with more accurate data to support more informed decisions for processing plants and give the marketing team a longer-term forecast of when products are coming through.

We are also strengthening our livestock processes to drive performance and ensure farmer issues are managed more effectively. That includes establishing a more robust framework to support our Livestock Representatives and Area Managers. It allows representatives to discuss important issues, both positive and negative, affecting their areas.

Detailed analysis of each Livestock Representative’s area enables Area Managers to assist with increasing stock flows from one area in the event another region is facing lower stock flows due to factors such as adverse weather conditions. It also ensures Area Managers have an overview of the regions and are able to assist the livestock representative if any issues arise.

Those discussions are then cascaded and discussed with the General Manager Livestock for each region to ensure targets are met. Improved communication from Livestock Representatives assists in making quicker decisions that benefit both farmers and the livestock division.

Pure South Conference

Almost 200 Alliance Group farmer shareholders attended the successful Alliance Pure South Conference in Queenstown in May, enjoying presentations from international speakers including Grand Farm Chairman and President Mr Xibin Chen (pictured 1), The Lamb Company Chief Executive Tony Ruffo and Judith Batchelor of Sainsbury’s UK. MC Tony Johnson, Sky Sports rugby commentator, led proceedings, while the New Zealand Culinary Olympics Team (pictured 2), ensured delegates enjoyed a memorable dining experience. Former Black Cap Grant Elliott (pictured 3) spoke about his personal journey from rank outsider to cricketing hero at the Cricket World Cup.

There were excellent presentations from farm consultant Chris Garland, farm succession planning expert Joan Baker, branding expert Rob Achten and former CEO of ZESPRI Tony Nowell. The conference gave shareholders the opportunity to talk directly with directors and management. We took away much food for thought from the three days.

The conference underlined the value of the co-operative and a number of the speakers identified this as a real point of difference for Alliance Group. Some consistent themes emerged over the three days, particularly around marketing. There was considerable interest in our advanced packaging concepts to improve merchandising and positioning of all product ranges, the need for robust scientific data to support quality and shelf-life extension, progressive consumer taste and tenderness testing around genetics and forage developments and enhanced testing of the health attributes and measurable data to support key elements in lamb.

Supplier of the Year Finalist

Northern Southland farmers Bevan and Wendy Hopcroft’s high output low input approach to farming in Wendonside saw them named as finalists in Beef + Lamb NZ’s Sheep Industry Awards Supplier of the Year category. They consistently deliver exceptional results for Alliance Group. 98% of their lambs achieve the company’s target weight specifications with an impressive 93% of lambs hitting yield premium targets. With the dry climate and just 245 ha available, the couple’s 2,400 Coopworth Texel ewes and 670 hoggets are highly productive, producing over 4,500 lambs annually. They attribute this great result to feeding their sheep well, investing in the right genetics and always striving to do better.

The couple share their co-operative’s commitment to producing the very best grass-fed red meat by adopting world-class technology, meticulous production techniques and the highest levels of environmental sustainability. They are focused on delivering prime animals so we can provide our global customers with high quality sheepmeat.
Annual Roadshow

Alliance Group’s annual roadshow to meet our farmer shareholders was held in 19 locations over October. Approximately 2,000 farmers took the opportunity to attend the presentations to hear first-hand what we are doing to build a stronger co-operative and to ask questions and share their views and ideas.

Strengthening our links with our women shareholders

Co-op to Cuisine was the theme for our second year of workshops for Alliance Group women shareholders, presented across the North and South Islands. We updated attendees on the company strategy and direction, gave them an overview of our marketing activities and provided an entertaining red meat cutting demonstration. Women make up about half of our 5,000 shareholders, are key decision makers in farm management and we want to acknowledge the importance of the role they play in Alliance Group.

Great feedback was received from participants.

“I think that as participants we also need to spread the word for you and communicate how valuable it is to have such wonderful industry insights and access to staff who are out there doing the job.”

Store stock facilitation

Alliance Group transacts close to a million sheep, cattle, beef and lamb stock units each year from farmer to farmer. There is no commission charged on this and farmers tell us that it was of huge benefit to them during recent drought. Farmers get true value from this and, for Alliance Group, it ensures traceability from birth to processing.

Working together

Alliance Group is a partner in the Red Meat Profit Partnership (RMPP), a Primary Growth Partnership programme. RMPP is working to help the red meat sector increase productivity and profitability. It works with farmers and sector businesses to develop, test and introduce new ideas, new technology solutions and new ways of working. Alliance Group is a key participant in RMPP’s pilot farms programme, which aims to streamline information transfer to farmers and test the ability of new extension models to deliver information in a way that works for farmers. As part of the project, farmers work alongside Alliance Group and build local networks to apply new technology and systems on their farms. Since its launch, it has delivered significant benefits for farmers, who are valuing the learning and changing their on-farm practices for the better. The pilot activities include workshops with rural experts on tasks ranging from body condition scoring, using software for feed budgeting, soils, forage and nutrition through to one-to-one sessions. Farmers are also learning from their peers with tours of high-performing farms in different locations and building mentoring relationships.

Woolshed Presentations as part of our strengthened communications

Our Woolshed meetings provide farmers in different areas with updates on what they want to know about the business. Farmers asked our Livestock Representatives to arrange the meetings and our General Manager Livestock and a member of our sales team lead them. Our woolshed meetings typically had 28-40 farmers attending. Topics most commonly requested for meetings are updates on procurement and strategy and what is happening in the market. The meetings are an opportunity to provide in-depth information, for farmers to ask specific questions, give input on our strategy and let us know what is important to them.

FarmAlliance app

Our new FarmAlliance app, which was launched at the Canterbury Show in November, provides our farmer shareholders with improved access to information and resources. Farmers can see their livestock processing results in real time, access their latest kill sheets, make booking requests, see statistics and view the schedule.
A vital part of our co-operative’s wider strategy is to lift returns to our farmer shareholders by improving the efficiency of our processing and investing in technology. We’re embarking on a processing excellence programme to improve our operational performance.
Alliance Group has invested this year to ensure that red meat production continues to be competitive on a global scale. This is being achieved in a variety of areas including lowering our operating costs and improving productivity, maximising yield and value and matching products to optimal market opportunities.

This year, we completed the first year of a major investment programme. Testing of an individual animal tracking system is underway at our Smithfield plant before it is rolled out to other plants. Investment in robotics within production and systemised planning solutions enabling highly efficient production runs are vital to making gains in processing.

Over the past year, we have introduced additional commercial discipline to our processing operations as we seek further improvements in efficiency and performance. Our new Manufacturing Excellence Programme will build on this with all plants adopting a structured management framework to lift performance, productivity and returns to farmer shareholders.

We will also be deploying further processing and packaging technologies that deliver efficiencies, lower costs and enhance revenue opportunities.

Capital expenditure to improve recovery and quality of tallow

This year, Alliance Group has invested over $1 million in improving our rendering operations at our Lorneville plant. The aim is to improve both the recovery of tallow and meal and to ensure that more of the tallow produced is of the higher value grade standard.

Commissioning of $15 million robotic primal/middle cutters

Two new robotic primal/middle cutting machines have been successfully commissioned at our Smithfield and Pukeuri plants. The major benefit of the machinery comes from higher product yields with additional productivity and safety benefits.

World-class deer processing facility for Lorneville Plant

Alliance Group is developing a major new world-class deer processing facility at our Lorneville plant, which will result in a 30% reduction in our southern deer processing costs. The development confirms our commitment to the New Zealand deer industry and has been funded by the sale of land at our Makarewa site. The new facility is expected to be operational for the new processing season in July 2017.

Capturing additional value from wool-on skins

Market opportunities for wool-on skins have improved. In response to this, Alliance Group has invested in five additional salting drums at our Lorneville plant to increase our capacity to produce wool-on skins by around 700,000 a year.
Environment

Our co-operative and our farmer shareholders are committed to meeting the highest standards of environmental practice. We work hard to ensure those standards are met consistently, in every way, across our plants and production practices, on the farms that supply us and throughout our supply chain.

Alliance Group measures energy use and greenhouse gas emissions from our plants. Since 2000, we have cut greenhouse gas emissions from energy use by 26% and reduced coal use by 32%.

We are also investing in measures to further lift our plants’ environmental performance. For example, we have invested $1.7 million to disinfect our Pukeuri plant’s treated wastewater prior to discharge to the coast.

We are proposing a $20-plus million investment to disinfect and reduce nutrients in the Lorneville plant wastewater prior to discharge to a river alongside a series of habitat enhancement projects. We are also investing $2.5 million to reduce dissolved reactive phosphorus in the Mataura plant wastewater prior to discharge to a river.

Alliance Group is constantly looking ahead to ensure our practices allow the co-operative to be in business for the long-term, regularly monitoring our environmental impacts and assessing what improvements are needed to meet both current and future regulations.

Levin plant improvements

We continue to make gains and secure opportunities in fifth quarter products. We recently invested in upgrading our offal collection facilities at the Levin plant to maximise recovery and ensure our products are eligible for all markets. Alliance Group also recently developed a facility to capture product suitable for sale to the petfood market rather than rendering.

Beef x-ray technology investment

New beef x-ray technology has been installed at our Pukeuri and Mataura plants, ensuring greater precision in packaging and labelling of meat destined for manufacturing customers. The $2 million-plus investment enables highly accurate chemical lean (CL) (fat to meat ratio) measurements for manufacturing beef. Measuring the CL has always been important but traditional methods of assessing it carried potential for error. There has been increasing demand for highly accurate and rapidly obtained CL values and this new technology enables us to meet the CL specifications for manufacturing beef with greater accuracy. That means the customer gets an accurately measured product and meat value is optimised, realising the best returns for our farmer shareholders. A further advantage is that we can also target different grades of product to meet specific customer requirements. The project includes new automatic weighing and labelling machinery.
Alliance Group is committed to investing in our market-facing capability and increasing sales through the highest contribution channels. We are already seeing improvements in key international accounts.
**SALES & MARKETING**

A wide range of new sales and marketing initiatives are underway as part of our strategy to achieve the best price for our products and lift returns to farmer shareholders. This includes a full co-products enhancement review, looking at the whole range of products with the aim of growing our approach and aligning volumes to improve efficiency and quality.

In an important development, we have decided to separate the sales and marketing functions. The sales function will focus on maximising revenue and maximising price. Whilst keeping our inventory turning with velocity, the marketing function will be charged with global go-to-market strategy, new product development and building and communicating our brands.

A full review of our brand identity and brand hierarchy is well advanced to cater for high level premium products down to a standard range, by market and customer sector. There has also been a focus on our domestic sales through improved relationships and marketing with key customers, a move into food service and widening reach with new resource in the Auckland market.

A pilot programme for the UK food service market is also due to be launched in early 2017 as we look to develop a new business proposition for the co-operative. Opportunities have been identified around new customers within the food service sector and to enhance and link closer with selected in-market processors and distributors. We will target customer groups and selectively serve multiple segments, introducing value added consumer cuts and innovative plate solutions along with specialist resources to secure higher returns.

Lamb and Mutton

This year saw some of the lowest prices for lamb and mutton over the past five years. Since May, prices have increased and firmed slightly on last year, however the exchange rate has eroded those gains. Chilled lamb remained competitive in the UK but some frozen stocks were diversified to better returning markets. Brexit in the UK is causing disruption and some uncertainty. It remains too early to know exactly how this will unfold and we will continue to liaise closely with customers, government and Beef + Lamb NZ as we work through the outcomes. There remains a strong market for quality New Zealand new season lambs from Christmas to Easter. In North America, the market strengthened on the back of an improved economy and higher disposable income and we are looking to supply increased volumes over next season. In China, government support to enhance farming practise and systems continues with a focus on sheepmeat finishing on intensive feedlots progressively increasing the weights of animals by up to 3–5 kgs per animal. This has been at a time when a high domestic cull has also increased availability, which has meant a significant volume of local lamb competing against imports during the FY15/16 season.

Venison

Venison saw strong prices outside of the traditional chilled season due to generally lower New Zealand processing numbers. While Europe remains the largest venison market, there are wider market opportunities with US and China showing more interest. There was also a lift in pricing for lower return products and a strong demand from premium petfood manufacturers for offal and lower value trim. We are investing in a year-round approach to marketing venison.

Beef

Beef prime prices were firm on last season but manufacturing bull and cow prices softened compared to last year. Large domestic beef kills impacted on the American market, and Brazilian beef was approved for entry to the US from late 2016. Chinese clients were seeking an expanding range of beef products but overall market recovery was slow in China with high domestic volumes at lower prices. Market conditions for manufacturing beef in the US were hampered from carryover New Zealand/Australia beef stocks (outside 2015 quota) that entered the US early in 2016. Market conditions were generally steady with a small peak in levels mid-season and some signs of weakness in the current market. Asian markets generally performed well with China accepting a wider range of specifications from New Zealand beef and it has now become New Zealand’s second largest market. The short-term outlook is for softer pricing with record US corn crops expected to keep feedlot costs low, feedlot restocking and additional exports from Brazil and India entering world markets.

Skins

Demand for wool-on-skins was strong and Alliance Group put more resource into maximising collection of higher value skins resulting in record volumes, packed mainly for China. Traditional leathers for garments were subdued but prices stabilised, while demand for handbag leathers was strong.
Encouraging signs from P2P European venison trial

A trial with Belgium retail giant Metro Cash & Carry to promote Pure South Cervena™ venison as a summer product to Europe’s food service sector showed there is potential to position Pure South Cervena as a premium meat that is consumed year-round. The programme, which saw Alliance shipping chilled venison to Belgium weekly from April to August, was part of the Passion2Profit (P2P) joint venture between the New Zealand deer industry and the Ministry for Primary Industries.

Wool

Slip wool production decreased in line with the greater volume of wool-on-skins exported. Wool prices were good in 2016 but the current market is weaker as demand, particularly from China, decreased.

Meals and Tallow

There were good trading conditions for most of the year with strong demand in the period and bio-diesel sectors.

Casings

There was strong demand for green frozen and salted casings but end users report heavier than usual inventories after a poor summer season for sausage sales in Europe and the US so the price outlook is weaker.

Getting close to our customers

Alliance Group hosted 50 customers in New Zealand over the past year including representatives from the UK, Europe, US, Japan and China. They saw first-hand the processing of our products, met our team and some of New Zealand’s most progressive farmers. We are seeing more global customers as we seek to create and generate new targets for revenue growth and key customers have agreed on initiatives leading into the FY16/17 season. These are important as securing supply for future years will be a key in customer selection. Our sales and marketing team regularly visit global markets and attend key events such as SIAL in Paris, the world’s largest food innovation exhibition and the Hong Kong leather fair. International trade expos of this kind present an opportunity to meet with our clients and customers.

A new alliance with Grand Farm

Alliance Group Chief Executive David Surveyor and Grand Farm President Mr Xibin Chen signed an agreement in front of Prime Minister Rt Hon John Key and Primary Industries Minister Hon Nathan Guy in China in April. The agreement sets out a blueprint to improve returns and add value to both businesses including significant brand development opportunities to expand and incorporate beef and new product forms. A new range of market-ready co-branded Pure South Grand Farm lamb products for the retail and food sectors has also been launched.

Spanish eyes on Alliance

Alliance Group is now processing, packaging and exporting Pure South lamb directly to Spanish supermarket retailer Mercadona in what is one of the shortest supply chain linkages of its kind in the industry. The contract for frozen lamb packed and priced at our plants has already seen product shipped to Spain. A chilled lamb range will also be introduced once the Pure South brand is firmly established. In May, Manolo Izquierdo, Mercadona’s lamb buyer, visited our Lornaville plant.

Omega Lamb – looking to the future

The Omega Lamb Project’s goal is to produce the world’s healthiest lamb and increase the value and returns for premium New Zealand lamb. It is part of the Omega Lamb Primary Growth Partnership (PGP) programme, a collaboration between Alliance Group, Headwaters Group and the Ministry for Primary Industries. The programme is taking a fresh approach to breeding, raising, processing and marketing New Zealand lamb by repositioning it as a healthier red meat. It is targeting premium markets with a new class of lamb that is differentiated by high levels of polyunsaturated (good) intramuscular fats and Omega-3 fatty acids, and low pH. The PGP programme builds on a decade long scientific programme that has explored the upsides of putting the right fat back into the mix in a positive way. This breakthrough research has found that the right combination of genetics, management and feeding can alter the profile of lamb and produce animals that are themselves healthier and also healthier for the consumer. The learnings will be applied across our wider business.

New website

We are always exploring new ways to help our global customers and farmer shareholders with their businesses. Alliance Group launched a new website with enhanced features and capabilities. It has received a positive response from our farmer shareholders and customers who have welcomed the new look and improvements.

Online meat sales

Farmer shareholders, employees and the public can now purchase premium Pure South lamb, beef and venison products from our new online store at www.alliancemeats.co.nz. We are now delivering to most parts of the North Island and South Island or customers can collect products from a range of locations. An exciting development for Alliance Meats, our domestic wholesale division, this represents our first step in e-commerce and will provide an excellent platform to increase our domestic sales. Buying the world’s best quality meat does not get any simpler.

SILERE

Alliance Group and The New Zealand Merino Company have formed a new partnership to further build the SILERE alpine origin merino luxury meat brand and accelerate SILERE’s growth. This represents an important step in the value add journey and another chapter in the transformation of the co-operative. The SILERE alpine origin merino brand will get increased marketing support, with stock processed at our Nelson, Smithfield and Pukeuri plants.

OMEGA LAMB PROJEKT – LOOKING TO THE FUTURE

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Alliance Group has 4,700 employees at eight plants and offices across the country with each and every one of them determined to get the best result for farmers. We are committed to continuing to invest in our people in a range of areas including training, health and safety and leadership. We are making Alliance Group a safer place to work and with the help of our employees are building a co-operative which sets us apart. Our people are hard-working, passionate and proud about the co-operative and dedicated to helping Alliance Group achieve success.

We greatly appreciate the hard work and commitment of our employees and the support of their families.

We are also strengthening our livestock division for the benefit of our farmers and investing in a Manufacturing Excellence programme for our plant teams.

We are investing in leadership and health and safety, ran two leaders’ seminars and continued with our safety training programme. These changes will help us deliver on our strategy, achieve a clear path for improved performance and ultimately build a stronger co-operative.
As New Zealand’s only true 100% farmer owned co-operative, Alliance Group is proud of our strong links to the rural communities we operate in. We support a range of initiatives across the country.

Alliance Group backs the Pure South Sharp Blacks, the nation’s best butchers who compete internationally each year. Our support for Rowing New Zealand this year also helped power the New Zealand rowers to top performances on the world stage.

Pure South helps power our Rio rowers
We have continued to support New Zealand’s highly successful rowing team by providing Pure South premium meat as a vital protein source and morale-boosting taste of home for overseas training and competitions. This year that has included the World Rowing Cup in Poland, where the squad took ten medals from ten finals, and the Rio Olympics where they won two gold medals and one silver.

Supporting our elite butchers and chefs
This year saw a New Zealand team competing in the international Culinary Olympics for the first time in 28 years. We provided support to the elite New Zealand Chefs squad, supplying Pure South products and Omega Lamb for training and for the event in Germany in October. We also provided continued support to the Pure South Sharp Blacks, New Zealand’s top butchers, including for the 2016 World Butchers’ Challenge in Australia in September.
BOARD OF DIRECTORS & CHIEF EXECUTIVE

**Murray Taggart**
**Chairman**
Oxford
- Appointed Chairman 2013
- Supplier representative elected 2010
- Member of the Remuneration and Nominations Committee
- Director, Alliance Agri-Nutrients Ltd
- Trustee, Oxford Health Charitable Trust
- Director, Oxford Health Charity Ltd
- Trustee, North Canterbury Farmers’ Charitable Trust

**David Surveyor**
**Chief Executive**
Invercargill
- Appointed Chief Executive 2015
- Member, Meat Industry Association Council
- Chairman, Alliance Group (NZ) Ltd, UK subsidiary
- Director, The Lamb Companies, North America

**Graeme Milne**
Cambridge
- Independent director appointed 2013
- Member of the Audit and Risk Committee
- Member of the Remuneration and Nominations Committee
- Director, Elviti Holdings Ltd and subsidiaries
- Director, FMG Insurance Ltd
- Partner, GR & JA Milne
- Member, Massey University School of Advanced Engineering & Technology Advisory Board
- Chairman, Nyriad Ltd
- Chairman, Pro-Form Ltd Advisory Board
- Chairman, Rimuani Farms Ltd Advisory Board
- Trustee, Rockhaven Trust
- Chairman, Syoalt Milk Ltd and subsidiaries
- Chairman, Terricare Fertilisers Ltd

**Vanessa Stoddart**
Auckland
- Independent director appointed 2014
- Chair of the Remuneration and Nominations Committee
- Member, Department of Conservation Audit & Risk Committee
- Member, Financial Markets Authority
- Member, Global Women Trust Advisory Board
- Director, Heartland Bank Ltd
- Trustee, Kings College School Board of Trustees
- Member, Ministry of Business, Innovation & Employment Audit & Risk Committee
- Member, Territorial Forces Employer Support Council
- Member, Tertiary Education Commission Board
- Director, The New Zealand Refining Co Ltd

**James Ogden**
Wellington
- Independent Director appointed 2014
- Chair of the Audit and Risk Committee
- Member, New Zealand Markets Disciplinary Tribunal
- Member, Pencarrow IV Investment Fund Investment Committee
- Director, Summerton Group Holdings Ltd
- Chairman, Topgi Group Holdings Ltd
- Director, The Warehouse Group Ltd
- Director, TW Financial Services Operations Ltd
- Director, Vista Group International Ltd

**Dawn Sangster**
Banff
- Supplier representative elected 2011
- Member of the Audit and Risk Committee
- Member, Central South Island Beef + Lamb New Zealand Farmer Council
- Director of Glenayr Ltd

**Jared Collie**
Dipton
- Supplier representative elected 2015
- Independent Advisor, Arrow Dairy Ltd
- Director, Benmore Downs Ltd
- Chairman, Platinum Dairies Ltd
- Facilitator, Takitimu Discussion Group

**Russell Drummond**
Avondale
- Supplier representative elected 2014
- Member, Beef + Lamb New Zealand Monitor Farm Programme
- Member, Takitimu Discussion Group

**Jason Miller**
Southdown
- Supplier representative elected 2015

**Don Morrison**
Gore
- Supplier representative elected 2013
- Member of the Audit and Risk Committee
- Member, Alpha Sheep Genetics Group
- Director, DG & BC Morrison Ltd
- Director, Pure Taste New Zealand (NZ) Ltd
Alliance Group Limited is a co-operative company owned by approximately 5,000 farmers who supply livestock to the company for processing and sale of the resulting meat and co-products. Over 95% of the company’s products are exported to international markets. The company’s shares are not listed on any stock exchange.

Board of Directors
The constitution provides that there shall be not more than ten directors of the company at any time, of which not less than six and not more than eight shall be directors elected by the shareholders. One third of the elected directors retire by rotation each year and may stand for re-election. The directors who retire each year are those who have been longest in office since their last election. Provided that the total number of directors does not exceed ten, the board may from time-to-time appoint up to four directors who, in the opinion of the board, are capable of rendering special services in relation to the affairs of the company. These directors are appointed for a term of up to three years and may be reappointed for subsequent terms of up to three years at a time. The board exercises the discretion to appoint independent directors to the board to ensure that the board comprises directors with an appropriate range of skills and experience.

The board currently comprises nine directors of which three are independent directors and six are elected directors, one of whom is appointed chairman on an annual basis.

The board has adopted a board charter which sets out the role and responsibilities of the board and formalises board process and practice. A copy of the charter and the constitution may be viewed on the company’s website (www.alliance.co.nz).

Board Responsibilities
The board has statutory responsibility for the affairs and activities of the company. The responsibility for the day-to-day operation and administration of the company is delegated by the board to the chief executive. The long-term strategic direction of the company, the annual business plan and capital expenditure budget are approved by the board. The board also approves expenditure on specific projects that are outside normally delegated authorities and reviews operational performance against the business plan objectives.

The board ensures that the affairs of the company adhere to all regulatory obligations, that high ethical standards are maintained and that the company is a responsible corporate citizen. Particular emphasis is placed on the health and safety of employees and the protection and sustainable use of the environment. All directors register and formally record any conflicts of interest.

Succession planning is undertaken for both directors and management to ensure appropriate skill sets are available to the company on an ongoing basis.

Board Meetings
Ten board meetings are scheduled each year with extra meetings held if required. Comprehensive management reports are provided to directors prior to board meetings being held. The board encourages the chief executive to bring to board meetings employees who can provide additional insight into the matters being discussed because of direct involvement in those matters.

Audit and Risk Committee
The Audit and Risk Committee comprises four directors who meet three times a year. The committee operates under terms of reference approved by the board and is required to establish a framework of internal control mechanisms and ethical standards to ensure proper management of the company’s affairs. The committee is responsible for ensuring that arrangements are in place to adequately manage areas of significant business risk. The committee reviews the annual external audit plan and the report of the auditors following completion of the audit. It assists the board to meet its accounting and reporting responsibilities under the Companies Act 1993 and related legislation. The committee is also responsible for the internal audit plan and reviews all internal audit reports.

Remuneration and Nominations Committee
The Remuneration and Nominations Committee comprises three directors meeting two or more times a year. The committee operates under terms of reference approved by the board. The committee provides oversight of the people strategy of the company, assists the board on remuneration and performance management policies and procedures for the company and specifically the appointment, remuneration, performance goals and reviews of the chief executive and senior management. The committee also participates in annual succession planning reviews and selection processes as required for key senior positions, and assists with the appointment of independent directors, the review of the board and board remuneration.

Communication with Shareholders
Alliance Group makes every effort to keep shareholders informed of all major developments affecting their company. Information is communicated to shareholders through the Alliance Group website, annual report, regular company newsletters and emails including “Brief Bytes”. Each year a series of meetings is held throughout the company’s stock catchment areas at which the chairman and chief executive update shareholders on issues affecting the company and the industry. These meetings also provide the opportunity to receive and discuss feedback on issues important to shareholders. The board welcomes full participation of shareholders at these meetings.
### SUMMARY INCOME STATEMENT

*For the year ended 30 September 2016*

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>1,361,556</td>
<td>1,501,593</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(1,347,348)</td>
<td>(1,476,679)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(1,970)</td>
<td>(1,325)</td>
</tr>
<tr>
<td>Operating profit before financing costs</td>
<td>12,238</td>
<td>23,589</td>
</tr>
<tr>
<td>Dividends received</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Interest received</td>
<td>280</td>
<td>262</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(7,316)</td>
<td>(14,573)</td>
</tr>
<tr>
<td>Gain/(Loss) on fair value adjustments to financial instruments</td>
<td>4,258</td>
<td>(1,864)</td>
</tr>
<tr>
<td>Net financing costs</td>
<td>(2,773)</td>
<td>(16,169)</td>
</tr>
<tr>
<td>Equity accounted earnings</td>
<td>646</td>
<td>447</td>
</tr>
<tr>
<td>Profit before pool distributions</td>
<td>10,111</td>
<td>7,867</td>
</tr>
<tr>
<td>Pool surplus distributions</td>
<td>(9,795)</td>
<td>-</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>316</td>
<td>7,867</td>
</tr>
<tr>
<td>Income tax (expense)/benefit</td>
<td>(214)</td>
<td>(3,242)</td>
</tr>
<tr>
<td>Profit after tax for the year</td>
<td>102</td>
<td>4,625</td>
</tr>
</tbody>
</table>

### STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 30 September 2016*

<table>
<thead>
<tr>
<th>Group 2016</th>
<th>Group 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

**Items that are or may be classified to profit or loss**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value changes in derivatives:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>recognised in cash flow hedge reserve</td>
<td>(81)</td>
<td>(312)</td>
</tr>
<tr>
<td>transferred and recognised in income statement</td>
<td>312</td>
<td>4,280</td>
</tr>
<tr>
<td>tax effect on cashflow hedge reserve</td>
<td>231</td>
<td>3,968</td>
</tr>
<tr>
<td>Movement in foreign currency translation reserve</td>
<td>166</td>
<td>2,857</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>(10,459)</td>
<td>7,225</td>
</tr>
<tr>
<td>Profit after tax for the year</td>
<td>(10,293)</td>
<td>10,082</td>
</tr>
<tr>
<td>Total comprehensive income/(loss) for the year</td>
<td>(10,391)</td>
<td>14,707</td>
</tr>
</tbody>
</table>
## Statement of Changes in Equity

For the year ended 30 September 2016

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Share Premium Reserve</th>
<th>Foreign Currency Translation Reserve</th>
<th>Cashflow Hedge Reserve</th>
<th>Retained Earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

**Group**

<table>
<thead>
<tr>
<th>Balance at 1 October 2014</th>
<th>70,086</th>
<th>40,085</th>
<th>(12,920)</th>
<th>(12,813)</th>
<th>193,739</th>
<th>294,684</th>
</tr>
</thead>
</table>

Profit after tax for the year

Net change in fair value of financial instruments

Increase in foreign currency translation reserve

Total comprehensive income for the year

| Shares issued - ordinary shares | 182 | - | - | - | - | 182 |
| Shares surrendered - ordinary shares | - | - | 7,225 | 2,054 | - | 9,279 |
| Total transactions with owners | 182 | 7,225 | 2,054 | 4,025 | 2,054 | 12,278 |

Balance at 30 September 2016

| Shares issued - ordinary shares | 102 | - | - | - | - | 102 |
| Shares surrendered - ordinary shares | - | - | - | 7,225 | 2,054 | 9,279 |
| Total transactions with owners | - | - | 7,225 | 2,054 | 4,025 | 12,278 |

<table>
<thead>
<tr>
<th>Balance at 1 October 2015</th>
<th>67,565</th>
<th>40,085</th>
<th>(5,700)</th>
<th>(225)</th>
<th>198,364</th>
<th>308,869</th>
</tr>
</thead>
</table>

Profit after tax for the year

Net change in fair value of financial instruments

Increase in foreign currency translation reserve

Total comprehensive income for the year

| Shares issued - ordinary shares | 2,623 | - | - | - | - | 2,623 |
| Shares surrendered - ordinary shares | - | - | - | 7,225 | 2,054 | 9,279 |
| Total transactions with owners | - | - | 7,225 | 2,054 | 4,025 | 12,278 |

Balance at 30 September 2015

| Shares issued - ordinary shares | 102 | - | - | - | - | 102 |
| Shares surrendered - ordinary shares | - | - | - | 7,225 | 2,054 | 9,279 |
| Total transactions with owners | - | - | 7,225 | 2,054 | 4,025 | 12,278 |

The foreign currency translation reserve represents the impact of translating the net investment in investments within foreign operations based on the year end exchange rate. Specifically this includes the U.K based subsidiary.

## Statement of Financial Position

As at 30 September 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Group 2016</th>
<th>Group 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

### Equity

- **Share capital**: 70,715 67,565
- **Reserves**: 32,647 42,940
- **Retained earnings**: 198,466 198,364
- **Total equity**: 301,828 308,869

### Liabilities

- **Bank overdraft**: 8 - 10,967
- **Trade and other payables**: 7 63,775 63,965
- **Employee benefits**: 12,080 12,242
- **Financial liabilities - derivatives**: 2,272 5,546
- **Income tax payable**: 480 28
- **Total current liabilities**: 78,607 92,768
- **Interest bearing loans and borrowings**: 6 41,400 128,500
- **Employee benefits**: 5,965 5,986
- **Total non-current liabilities**: 47,385 134,416
- **Total liabilities**: 125,992 237,184
- **Total liabilities and equity**: 427,800 536,123

### Assets

- **Cash and cash equivalents**: 8 3,309 1,636
- **Trade and other receivables**: 93,532 151,567
- **Inventories**: 76,614 137,030
- **Assets held for sale**: 590 -
- **Financial assets - derivatives**: 1,147 2,165
- **Total current assets**: 175,192 293,198
- **Investments in equity accounted investees**: 9 20,894 22,440
- **Deferred tax assets**: 24,094 23,622
- **Other assets**: 210 299
- **Property, plant and equipment**: 10 207,410 196,364
- **Total non-current assets**: 252,608 242,925
- **Total assets**: 427,800 536,123

On behalf of the Board

M J Taggart J H Ogden

Director Director

10 November 2016
STATEMENT OF CASH FLOWS  
For the year ended 30 September 2016

<table>
<thead>
<tr>
<th></th>
<th>Group 2016</th>
<th>Group 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from customers</td>
<td>1,498,195</td>
<td>1,476,357</td>
</tr>
<tr>
<td>Refund of GST and other taxes</td>
<td>2,501</td>
<td>572</td>
</tr>
<tr>
<td>Interest received</td>
<td>279</td>
<td>262</td>
</tr>
<tr>
<td>Dividends received</td>
<td>303</td>
<td>120</td>
</tr>
<tr>
<td>Other receipts</td>
<td>267</td>
<td>238</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,523,462</td>
<td>1,486,241</td>
</tr>
<tr>
<td><strong>Cash paid to suppliers and employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(7,231)</td>
<td>(13,492)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(24)</td>
<td>(254)</td>
</tr>
<tr>
<td>Payment of GST and other taxes</td>
<td>(1,687)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(8,958)</td>
<td>(16,237)</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>1,414,504</td>
<td>1,320,004</td>
</tr>
</tbody>
</table>

**Cash flows from investing activities**

- Acquisition of property, plant and equipment: (27,757) (10,206)

**Net cash flow from investing activities**

**Cash flows from financing activities**

- Increase in loans and borrowings: 608 (1,195)
- Increase in lease liabilities: 522
- Exchange rate movements on cash held: (2,110) (1,133)

**Net cash flow from financing activities**

**Net cash flow from operating activities**

**Net cash flow from investing activities**

**Net cash flow from financing activities**

**Reconciliation of Profit to Cash Surplus from Operating Activities**

- Profit for the year: 102 4,625
- Adjustments for items not involving cash flows:
  - Depreciation: 16,489 18,452
  - Write-back of provision for demolition: 2,900
  - Earnings from associates: 15 8
- Dividends received from jointly controlled entities: 3,420
- Other receipts: 267 238

**Net cash flow from operating activities**

**NOTES TO THE SUMMARY FINANCIAL STATEMENTS**

1. **Significant Accounting Policies**

   Alliance Group Ltd is a company domiciled in New Zealand, registered under the Companies Act 1993 and the Cooperative Companies Act 1996. The company is an issuer in terms of the Financial Reporting Act 1993.

   These summary financial statements of the company as at and for the year ended 30 September 2016 comprise the company and its subsidiaries (together referred to as the “group”) and the group’s interest in associates and jointly controlled entities.

   Alliance Group Ltd is primarily involved in meat processing and export.

   These summary financial statements have been prepared in compliance with FRS-43 “Summary Financial Statements” and comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it relates to summary financial statements. The specific disclosures included in the summary financial statements have been extracted from the full financial statements dated 10 November 2016. The full financial statements have been audited by KPMG, who provided an unqualified opinion in respect to those financial statements on 10 November 2016. The full financial statements have been prepared in accordance with NZ GAAP, applying the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

   The summary financial statements were authorised by the Board of Directors of Alliance Group Ltd on 10 November 2016.

   The summary financial statements are presented in New Zealand dollars (NZD), which is the company’s functional currency, and are rounded to the nearest thousand dollars.

   Users of the summary financial statements should note that the information contained therein cannot be expected to provide as complete an understanding as provided by the full financial statements.

   Users who require additional information are encouraged to access the full Alliance Group Ltd financial statements on the company’s website at www.alliance.co.nz. Alternatively, users may request a printed copy of the full financial statements by contacting Alliance Group at the following address – The Company Secretary Alliance Group Ltd PO Box 845 Invercargill 9840
NOTES TO THE SUMMARY FINANCIAL STATEMENTS (CONTINUED)

The company has the following investments:

Porkcorp New Zealand Ltd (50% ownership)

(b) Investments in subsidiaries - comprises 100% in -

New Zealand Holdings (UK) Ltd and its trading subsidiary Alliance Group (NZ) Ltd

NOTES TO THE SUMMARY FINANCIAL STATEMENTS (CONTINUED)

2 Total Operating Revenue

Turnover 1,357,609 1,498,838
Rebates received from associates 5,665 2,056
Rent Received 180 103
Net gain on sale of property, plant and equipment 282 596

1,361,556 1,501,593

3 Total Operating Expenses include:

Depreciation 16,489 18,452
Write-off of property, plant & equipment - 663
Audit fees 264 259
Audit - other services 169 8
Bad debts written off 15 8

63,775 63,965

4 Restructuring Costs

Redundancy costs 1,970 -
Demolition costs (Mataura) - 1,325
1,970 1,325

5 Equity

The company has 67,008,363 fully paid shares on issue (2015 67,564,879). The difference between the number of fully paid shares on issue and the balance of share capital shown (70,715 million) reflects the share issue pending of 3,707 million shares which are predominantly to be issued and paid from the pool surplus distribution to shareholders in December 2016. Shares on issue are ordinary shares with a nominal value of $1.00 each. All shares have equal voting rights and shareholders are entitled to one vote per share. The maximum shareholding is 1,35 million shares. Upon winding up, shares rank equally with regard to the company’s residual assets.

Shares are issued and surrendered at their nominal value under the company’s constitution and the Co-operative Companies Act 1996. Co-operative shares may be surrendered where shareholders have not transacted with the company for five years or do not have the capacity to be a transacting shareholder.

6 Interest-bearing loans and borrowings

Non-current liabilities

Secured bank loans 41,400 120,500

The facility comprises a Core Facility (3-year term through to 10 October 2017) and a Seasonal Facility which is renewed on an annual basis. This facility is denominated in New Zealand dollars. Loans made under this arrangement are secured by a charge over property and assets given under a Security Trust Deed. Interest rates under the Facility Agreement are floating rates based on bank bill interest rates. Various covenants such as minimum net worth, working capital and interest cover ratios apply to bank lending facilities. There were no breaches of the terms of the amended facility, either during the year or at 30 September 2016.

On 31 October 2016, an amended and restated facility agreement was executed with the syndicate banks. The facility is similar to the agreement entered into on 30 October 2015 with both the Core Facility and the Seasonal Facility expiring on 30 September 2017. The security and covenants are as noted above.

7 Trade and Other Payables

Current

Trade payables and accrued expenses 57,400 63,965
Pool surplus distribution payable 6,375 -

63,775 63,965

8 Cash and Cash Equivalents

Cash and Cash Equivalents 3,309 1,636
Bank Overdraft - (10,967)

3,309 (9,331)

9 Investments

(a) Investments in equity accounted investees

This balance comprises:

Shares in associate companies and joint ventures 6,240 6,240
Advances to associate companies at costs 10,916 10,417
Share of post-acquisition increases in net assets 8,223 8,077
Share of foreign exchange translation reserve (4,465) (2,294)

20,894 22,440

The company has the following investments:

Associates

The New Zealand and Australian Lamb Group of Companies operating in the US and Canada (various percentages of ownership)

Porkcorp New Zealand Ltd (50% ownership)

(b) Investments in subsidiaries - comprises 100% in -

New Zealand Holdings (UK) Ltd and its trading subsidiary Alliance Group (NZ) Ltd
On 31 October 2016, an amended and restated facility agreement was executed with the syndicate banks.

On 3 October 2016, the company entered into an unconditional agreement for the sale of land at the Makarewa Plant.

There have been no other events subsequent to balance date which have had a material effect on the financial performance and financial position reported in these statements.

10 Property, Plant and Equipment

<table>
<thead>
<tr>
<th></th>
<th>Group 2016</th>
<th>Group 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freehold land</td>
<td>25,677</td>
<td>26,267</td>
</tr>
<tr>
<td>Buildings</td>
<td>124,861</td>
<td>124,345</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>398,087</td>
<td>393,058</td>
</tr>
<tr>
<td>Capital work-in-progress</td>
<td>27,955</td>
<td>6,530</td>
</tr>
<tr>
<td></td>
<td>576,580</td>
<td>550,200</td>
</tr>
<tr>
<td>Book value -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freehold land</td>
<td>25,677</td>
<td>26,267</td>
</tr>
<tr>
<td>Buildings</td>
<td>48,222</td>
<td>49,650</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>105,556</td>
<td>113,917</td>
</tr>
<tr>
<td>Capital work-in-progress</td>
<td>27,955</td>
<td>6,530</td>
</tr>
<tr>
<td>Book value at end of year</td>
<td>207,410</td>
<td>196,564</td>
</tr>
</tbody>
</table>

11 Events Subsequent to Balance Date

On 31 October 2016, an amended and restated facility agreement was executed with the syndicate banks. The facility is similar to the agreement entered into on 30 September 2015 with both the Corv Facility and the Seasonal Facility expiring on 30 September 2017.

On 3 October 2016, the company entered into an unconditional agreement for the sale of land at the Makarewa Plant with proceeds from the sale of $6.7 million.

Independent auditor’s report on the summary financial statements

To the shareholders of Alliance Group Limited

The accompanying summary consolidated financial statements on pages 43 to 50, which comprise the summary consolidated statement of financial position as at 30 September 2016 and the summary consolidated income statement and summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, are derived from the audited consolidated financial statements of Alliance Group Limited and its subsidiaries ("the group") for the year ended 30 September 2016. We expressed an unmodified audit opinion on those financial statements in our report dated 10 November 2016.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the group.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company’s shareholders those matters we are required to state to them in the auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company’s shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors’ responsibility for the consolidated financial statements

The directors are responsible for the preparation of a summary of the audited consolidated financial statements, in accordance with FRS-43 Summary Financial Statements.

Auditor’s responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 Engagements to Report on Summary Financial Statements.

Our firm has also provided other services to the group in relation to due diligence, treasury policy review and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Opinion

In our opinion, the summary consolidated financial statements, derived from the audited consolidated financial statements of Alliance Group Limited and its subsidiaries ("the group") for the year ended 30 September 2016, are a fair summary of those financial statements, in accordance with FRS-43 Summary Financial Statements.

10 November 2016
Christchurch
Financial Result
The result for the year is an operating profit of $10.1 million. The net profit after distributions and tax is $0.1 million.

Interests Register
The company maintains an Interests Register in which particulars of certain transactions and matters involving the directors are recorded. Entries in the Interests Register must in turn be disclosed in the annual report. The following entries were recorded in the Interests Register for the period 1 October 2015 to 30 September 2016.

Disclosure of Interests
Directors have disclosed interests in the following entities pursuant to Section 140 of the Companies Act 1993:

<table>
<thead>
<tr>
<th>Director</th>
<th>Entity</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>J G Collie</td>
<td>Arrow Dairy Ltd</td>
<td>Independent Advisor</td>
</tr>
<tr>
<td></td>
<td>Benmore Downs Ltd</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Platinum Dairies Ltd</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Takitimu Discussion Group</td>
<td>Facilitator</td>
</tr>
<tr>
<td>R G Drummond</td>
<td>Beef+Lamb New Zealand Monitor Farm Programme</td>
<td>Committee Member</td>
</tr>
<tr>
<td></td>
<td>Takitimu Discussion Group</td>
<td></td>
</tr>
<tr>
<td>G R Milne</td>
<td>Elviti Holdings Ltd and subsidiaries</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>FMG Insurance Ltd</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Genesis Energy Ltd</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>GR &amp; JA Milne</td>
<td>Partner</td>
</tr>
<tr>
<td></td>
<td>Joene’s Disease Research Ltd</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Massey University School of Advanced Engineering &amp; Technology Advisory Board</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>New Zealand Pharmaceuticals Ltd</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Nyriad Ltd</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Pacific T and R Ltd</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>PTR Holdings Ltd and subsidiaries</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Pro-Form Ltd Advisory Board</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Rimuani Farms Ltd Advisory Board</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Rodhaven Trust</td>
<td>Trustee</td>
</tr>
<tr>
<td></td>
<td>Rural Broadband Initiative National Advisory Committee</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Synlait Milk Ltd and subsidiaries</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Terracare Fertilisers Ltd</td>
<td>Chairman</td>
</tr>
<tr>
<td>D G Morrison</td>
<td>Alpha Sheep Genetics Group</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>DG &amp; BC Morrison Ltd</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Pure Taste New Zealand (N2) Ltd</td>
<td>Director</td>
</tr>
<tr>
<td>J H Ogden</td>
<td>New Zealand Markets Disciplinary Tribunal</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>Pencarrow IV Investment Fund Investment Committee</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Summerset Group Holdings Ltd</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Tegel Group Holdings Ltd</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>The Warehouse Group Ltd</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>TW Financial Services Operations Ltd</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Vista Group International Ltd</td>
<td>Director</td>
</tr>
<tr>
<td>H D Sangster</td>
<td>Central South Island Beef + Lamb New Zealand Farmer Council</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>Federated Farmers Goat Industry Group</td>
<td>Chair</td>
</tr>
</tbody>
</table>
Relevant Interests in Shares

Directors have disclosed the following holdings of relevant interests in Alliance Group Ltd shares pursuant to Section 148 of the Companies Act 1993:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Shares Held at 30 September 2015</th>
<th>Shares Acquired since 30 September 2015</th>
<th>Shares Held at 30 September 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>J G Collie</td>
<td>23,807</td>
<td>79,424</td>
<td>93,431</td>
</tr>
<tr>
<td>R G Drummond</td>
<td>113,140</td>
<td>6,887</td>
<td>120,027</td>
</tr>
<tr>
<td>J A Miller</td>
<td>76,997</td>
<td>4,463</td>
<td>81,460</td>
</tr>
<tr>
<td>D G Morrison</td>
<td>33,258</td>
<td>748</td>
<td>34,006</td>
</tr>
<tr>
<td>H D Sangster</td>
<td>53,325</td>
<td>1,496</td>
<td>54,821</td>
</tr>
<tr>
<td>M J Taggart</td>
<td>43,274</td>
<td>0</td>
<td>43,274</td>
</tr>
</tbody>
</table>

All share transactions were carried out at their nominal value of $1.00 per share.

Related Party Transactions

The company has frequent transactions with its elected directors conducted on an arm’s length basis in the ordinary course of business.

Directors’ Remuneration

The following remuneration was paid during the 2016 financial year:

<table>
<thead>
<tr>
<th>Remuneration</th>
<th>No. of Employees</th>
<th>Remuneration</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000-$110,000</td>
<td>30               $200,000-$210,000</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>$110,000-$120,000</td>
<td>16               $210,000-$220,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>$120,000-$130,000</td>
<td>20               $230,000-$240,000</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>$130,000-$140,000</td>
<td>6                $240,000-$250,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>$140,000-$150,000</td>
<td>6                $270,000-$280,000</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>$150,000-$160,000</td>
<td>6                $280,000-$290,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>$160,000-$170,000</td>
<td>3                $320,000-$330,000</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>$170,000-$180,000</td>
<td>2                $350,000-$360,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>$180,000-$190,000</td>
<td>3                $930,000-$940,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>$190,000-$200,000</td>
<td>1                $990,000-$1,000,000</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

The above details include 6 employees employed by the company’s UK based subsidiary, Alliance Group (NZ) Ltd and 10 employees whose employment ceased including redundancies and retirement.

Insurance and Indemnities

Under the provisions of Section 162 of the Companies Act 1993, the company has entered into deeds of indemnity with its directors and has effected directors’ and officers’ liability insurance to indemnify them against liabilities and costs associated with claims made against them in their capacity as directors of the company.

Co-operative Status

As required by Section 10 of the Co-operative Companies Act 1996, the following resolution was passed by the board on 8 November 2016. All directors present voted in favour of the resolution:

“It was the opinion of the board that Alliance Group Ltd has, throughout the year ended 30 September 2016, been a co-operative company within the meaning of the Co-operative Companies Act 1996 on the following grounds:

(a) the company carries on, as its principal activity, a co-operative activity as that term is defined in the Co-operative Companies Act 1996;
(b) the constitution of Alliance Group Ltd states its principal activities as being co-operative activities;
(c) not less than 60% of the voting rights of Alliance Group Ltd were held by Transacting Shareholders as that term is defined in the Co-operative Companies Act 1996.”
Directors

The names of persons holding office as directors of the company as at 30 September 2016 are listed in the directory on the inside of the back cover.

Mr D G Morrison and Mr M J Taggart retire by rotation and offer themselves for re-election. As nominations exceed the number of vacancies, a postal and electronic ballot will be held in accordance with clause 17.21 of the constitution. Candidates for the two vacancies are:

Leon Gordon Black;
Donald George Morrison;
Murray James Taggart.

Auditors

Under Section 200 of the Companies Act 1993 KPMG, Chartered Accountants, continue in office as auditors.

Company’s Affairs

A profit for the year has been recorded and the company’s balance sheet remains robust with an equity ratio of 70.6%. Further details of the year under review, including material changes in the nature of the business of the company or any of its subsidiaries, are included in the Chairman’s and Chief Executive’s Review and the financial statements of the company accompanying this report.

On behalf of the Board

M J Taggart
Director
10 November 2016

J H Ogden
Director
**Directorate**

Mr D G Morrison and Mr M J Taggart retire by rotation and offer themselves for re-election.

Three eligible nominations have been received for the two vacancies. A postal and electronic ballot will be held to elect two of the following candidates:

- L G Black;
- D G Morrison;
- M J Taggart.

The returning officer for the postal and electronic ballot is electionz.com Ltd.

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**Annual Meeting of Shareholders**

The annual meeting of shareholders will be held at 10:30am on Thursday, 15 December 2016 at The Village Hall, Grand Mercure Nelson Monaco, 6 Point Road, Monaco, Nelson. A formal Notice of Annual Meeting of Shareholders is set out in a separate document sent to shareholders.
### DIRECTORY

#### CORPORATE OFFICE
51 Don Street, PO Box 845, Invercargill 9840  
Telephone: 03 214 2700  
Email: executive@alliance.co.nz  
Website: www.alliance.co.nz

#### ELECTED DIRECTORS
- J G Collie  
- R G Drummond  
- J A Miller  
- D G Morrison  
- H D Sangster  
- M J Taggart (Chairman)

#### APPOINTED DIRECTORS
- G R Milne  
- J H Ogden  
- V C M Stoddart

#### EXECUTIVE LEADERSHIP TEAM
- Chief Executive: D R Surveyor  
- Company Secretary: D J Hailes  
- Chief Financial Officer: C J Mathewson  
- General Manager Livestock: M R Behrent  
- Chief Information Officer: M D Blandford  
- General Manager Sales: M D Brown  
- General Manager Strategy: N C Jones  
- General Manager Human Resources: C B Sellie  
- General Manager Processing: K A Stevens

#### MANAGERS
- Dannevirke Plant: B A Poole  
- Levin Plant: P L Hansen  
- Lorneville Plant: R M Mitchell  
- Mataura Plant: A G Gilder  
- Nelson Plant: T M Kreft  
- Pukeruri Plant: G W Proctor  
- Smithfield Plant: N R Cathill

#### SALES OFFICES
- Alliance Meats: D J Raines  
- Alliance Group (NZ) Ltd (UK subsidiary): B D Johnston

#### AUDITORS
- KPMG

#### BANKERS
- ANZ Bank Ltd  
- Bank of New Zealand  
- The Hongkong and Shanghai Banking Corporation Ltd  
- Rabobank NZ Branch

#### REGISTERED OFFICE
Level 2  
51 Don Street  
Invercargill 9810

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