

## MEDIA RELEASE

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### ALLIANCE GROUP ANNOUNCES ANNUAL RESULTS

Alliance Group's business strategy is paying dividends with a \$9.8 million distribution to farmer shareholders on the back of an improved financial result.

The 100% farmer-owned co-operative has reported a pre-tax profit of \$10.1 million for the year ending 30 September 2016, compared to a \$7.9 million pre-tax profit last year. The result is based on a turnover of \$1.36 billion.

Murray Taggart, chair of Alliance Group, said the past year had been challenging for farmers with difficult market conditions, but the co-operative had strengthened its balance sheet considerably.

"Global market prices have been at their most difficult in the last five years and any recovery in prices since May has been more than offset by the foreign exchange levels, in particular, the British Sterling and US Dollar.

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

The co-operative's business transformation strategy was resulting in tangible benefits that had exceeded expectations, delivering gains of \$56 million compared to the budgeted \$34 million, said Mr Taggart.

"Our debt has reduced from \$129 million to \$41 million and we have no seasonal debt. We're also working hard to gain a far deeper market penetration and to capture more value out of existing markets.

"Although we're still in the early stages of a transformation, our strengthened balance sheet and a fitter business means we're on track to take advantage of global opportunities as we continue to build a stronger, more resilient co-operative, for the benefit of our farmer shareholders.

David Surveyor, chief executive of Alliance Group, said the co-operative's focus over the past year was on ensuring the business strategy gained traction.

"Our strategy is based around creating value from sales and marketing activities and lowering the cost base to deliver value for farmer shareholders.

"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 was able to act as a buffer and absorb some of the impact on our farmer shareholders. We would have liked to have absorbed more and remain committed to finding ways to pay farmers more for their livestock.

"It's important because as New Zealand's only 100% farmer-owned major red meat co-operative, farmers are at the heart of every decision we make. Every cent Alliance Group makes goes back to the farmer or is invested for the benefit of the farmer-owned business."

Alliance Group will continue to invest in improving its operational performance, said Mr Surveyor.

“This is already being achieved in a variety of areas including lowering our operating costs and improving productivity, automated measurement and cutting of the carcass, maximising yield, building our brands and matching products to optimal market opportunity.

“Investment in robotics within production and systemised planning solutions enabling efficient production runs are vital to making gains in processing. We will also be deploying further processing and packaging technologies that deliver efficiencies, lower running costs and enhance revenue opportunities.”

The company has also significantly improved its overall safety performance, which was a crucial part of the co-operative’s strategy, he said.

“The 43% reduction in our Total Recordable Injury Frequency Rate (TRIFR) means fewer people getting hurt in our workplaces, which is good for our people and our business.”

The company’s balance sheet remains strong with shareholders’ funds of \$302.5 million (2015 \$308.9 million) providing an equity ratio of 71%.

“Our loyal committed farmer-shareholders and our 5,000 employees deserve a lot of credit for the improved financial performance,” said Mr Surveyor.

“As a co-operative, we owe it to our farmer shareholders to make greater strides to ensure we’re an attractive option for farmers and a place where people want to work.

“We still have a long way to go and our focus over the next 12 months will be diligently working on creating a better result for New Zealand’s best farmers.”

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## **NOTES TO EDITOR**

Alliance Group is a co-operative owned by approximately 5,000 farmer shareholders and is the world's largest processor and exporter of sheepmeat.



### **For further information, contact –**

Sam Halstead  
Telephone: 027 474 6065  
Email: [sam@latitudesc.co.nz](mailto:sam@latitudesc.co.nz)

Chris Bristol  
Telephone: 027 202 2737  
Email: [chris.bristol@alliance.co.nz](mailto:chris.bristol@alliance.co.nz)

[www.alliance.co.nz](http://www.alliance.co.nz)