



Update

12 November 2009

Dear Shareholder/Supplier

Alliance Group Ltd has reported an annual operating surplus of \$42.1 million.

A summary of the key financial items for the year -

- Turnover \$1.5 billion
- Operating surplus before pools \$42.1 million
- Operating cash flow surplus \$44.5 million
- Equity ratio at balance date 70%
- Pool distributions \$15.0 million
- Dividend \$2.8 million
- Bonus Share Issue 18.6 million shares

Summarised Financial Statements For The Year Ended 30 September 2009

	2009 \$000	2008 \$000
FINANCIAL PERFORMANCE		
Operating Revenue	\$1,494,017	\$1,283,908
Operating Surplus	\$42,139	\$67,947
Pool Surplus Distribution	(\$15,000)	(\$20,509)
Operating Surplus before Tax	\$27,139	\$47,438
Taxation	(\$8,131)	(\$13,945)
Net Profit after Tax	\$19,008	\$33,493
Dividend	(\$2,806)	(\$2,844)
FINANCIAL POSITION		
Current Assets	\$267,306	\$263,923
Non-Current Assets	\$250,318	\$228,779
Total Assets	\$517,624	\$492,702
Less Liabilities	(\$156,704)	(\$152,877)
Shareholders' Equity	\$360,920	\$339,825
Shareholders' Equity Ratio	70%	69%
CASH FLOW		
Operating Cash Flow Surplus	\$44,463	\$43,342

Comment On Result

2009 has been a successful year for both the company and its shareholder suppliers. The company has recorded a strong profit and provided very good returns for shareholder suppliers. In particular, lamb prices paid to farmers were at record levels. Yield Quality Contract premiums and pool surplus payments added an average \$7.30 per lamb to shareholder returns.

The strong financial result has enabled the board to approve a pool surplus distribution of \$15.0 million and a dividend of 5 cents per share with a full imputation credit attached. The combined pool surplus and dividend distributions to shareholders totals \$17.8 million.

Despite reduced livestock availability across New Zealand, supplier support remained strong and market share gains were achieved. Plant performance was very good and sales were well managed. This is especially creditable given the global economic turmoil of the past year.

With supply and demand in balance and a favourable exchange rate, increased value was able to be realised from the company's brand and marketing programmes. Commitment of supply from farmers through the pool option and Yield Quality Contract assisted the company and directly rewarded shareholder suppliers.

It is somewhat unfortunate that we reflect on a successful year at a time when an unhelpful New Zealand dollar looks set to undermine returns in the year ahead. Notwithstanding, it is important to recognise the positive achievements of the year and seek to build on those over which we have influence and control.

Alliance Group's quality and brands remain a focal point for our customers around the world. The company's brands embody attributes of quality systems, farm assurance, environmental management, health benefits, product quality and food safety.

The company's co-operative status ensures that all benefits flow back to its farmer shareholders.

Pool Surplus Distribution Payments

Directors have approved a pool surplus distribution of \$15 million which will be paid on 18 December 2009 -

Lamb	The average pool surplus payment for lamb was \$3.34 per head. Pool surplus distributions are in addition to Yield Quality Contract premiums paid at time of processing.		
Sheep	\$1.50 per head		
Cattle	Market Choice	\$10.00	per 100 kg
	Premium Steer and Heifer	\$8.50	per 100 kg
	Bull Beef	\$7.00	per 100 kg
	Prime Cow	\$6.50	per 100 kg
	Manufacturing Beef	\$6.00	per 100 kg
Deer	Animals under 3 years	\$20.00	per 100 kg
	Animals over 3 years	\$10.00	per 100 kg

Bonus Share Issue

As announced last year, a bonus share issue will be made in December 2009 calculated by reference to transactions in the 2008-09 season. The bonus issue will be -

Supply	Shares Per Stock Unit	
	Pool	Non-Pool
0-5,000 stock units	3	2
5,001-25,000 stock units	1.5	1

The bonus issue is limited to 25,000 stock units for any shareholder. Priority is given to pool supply over non-pool supply. The bonus issue will not apply to calf supply, store stock sales or supply in excess of 25,000 stock units.

The bonus shares do not qualify for the dividend being paid this year but will be added to existing shareholdings before the share retention from the 2009 pool surplus payment is calculated. The retention will be based on the new standard shareholding formula referred to below. The bonus issue will be taxable in the hands of shareholders but will have an imputation credit equivalent to 33 cents in the dollar attached to it. The total number of bonus shares being issued is 18.6 million.

At the same time as the bonus issue is made, the new standard shareholding formula announced last year, which has been adjusted to incorporate the bonus issue, will be applied. The new formula is 11 shares per stock unit for the first 5,000 stock units and 4.5 shares per stock unit for the next 20,000 stock units, providing a maximum shareholding for any shareholder of 145,000 shares. The standard shareholding is calculated on the average of the previous three years' supply for each shareholder and will be recalculated at least every three years to reflect changes in supply patterns.

Livestock Premiums

The Yield Quality Contract continues to develop with strong shareholder support and is now a key element of the company's supply profile. Yield Quality Contract and other quality-related premiums such as antibiotic-free, belly and shorn, and farm assurance are above prevailing schedule prices. The value of premiums paid out this year for qualifying livestock is shown below –

• Yield Quality Contract	Year 2	\$4.00	(average)
	Year 1	\$2.65	(average)
• Belly and Shorn Premium		\$1.60	
• Antibiotic-free Premium		\$0.50	
• Farm Assurance Premium		\$0.50	

Adherence to the defined presentation standards is critical to ensure maximum returns are achieved. For example, livestock must be taken off feed for a minimum of 12 hours prior to transportation. Livestock that are well emptied out and show no signs of faecal contamination receive priority when allocating processing times leading to less time in the stockyards, cause fewer issues on the slaughterboard and ensure quality products can be produced. Livestock downgraded to a "C" grade presentation because of contamination do not qualify for the farm assurance or Yield Quality Contract premiums or pool payments.

Marketing

General conditions outlined in the October *Update* remain valid. Economic conditions in some of our major markets appear to be showing a hint of recovery even though importers and consumers remain cautious in their purchasing habits.

Food service continues to be under some pressure but retail has maintained sales levels through the recessionary period with promotional campaigns to entice consumers into store.

Beef has suffered a little on the back of extensive USA cull dairy cow kills but these are virtually complete. Prospects forward, especially the manufacturing sector, look sound.

Co-products around the world are holding at current price levels.

Annual Meeting Of Shareholders

The annual meeting of shareholders will be held in Invercargill at 10:30am on Friday, 18 December 2009, at the Ascot Park Hotel, Racecourse Road, Invercargill. The annual report will be posted to shareholders on 2 December 2009.

Directorate

The two directors retiring by rotation this year are Doug Brown and Murray Donald and, being eligible, both offered themselves for re-election. As there were no further nominations they will be declared re-elected to the board at the annual meeting in December.

Bursaries

Undergraduate Study Bursary

Applications are invited from school leavers applying for admission to a university within New Zealand for the Alliance Group Ltd Undergraduate Bursary. The bursary, which is of the value of \$2,000 per annum for three years, is intended to encourage persons from the South Island to undertake a university education in the areas relating to the meat industry, its associated industries and/or primary production.

Telford Rural Polytechnic Bursary

Applications are invited for the Alliance Group Limited Telford Rural Polytechnic Bursary. The successful bursar will be chosen from applicants who live in the South Island and who are either children of shareholders or children of employees of Alliance Group Ltd and will be attending Telford Rural Polytechnic in 2010. The bursary is valued at \$1,000.

Application forms and conditions of application may be obtained by telephoning 0800 153 041 or emailing bursary@alliance.co.nz. Applications close on 18 January 2010.

We wish all shareholders and suppliers the compliments of the festive season.

Thank-you for your continuing support.



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