

July 2015



Dear Member,

It is that time of year where we write to bring you up to speed with Group activity given we are now midway through 2015.

Our recent AGM was very well supported and we are appreciative to those of you who attended on the night. At the AGM, we reflected on 2014 trading year and at this point in 2015, this challenging trading position continues. Commercial market conditions as a result of the downturn in the oil and gas industry are also affecting current trading.

We were particularly pleased that we managed to achieve a trading profit in 2014. This profit combined with the gain on sale of assets during the year meant that we were in the fortunate position of being able to give something back to you to reward you for your continued trading and loyalty. We were therefore delighted to pay out in June for the first time in many years a member's trading bonus of £68,000 to qualifying members. This will hopefully encourage more of our customers to invest in the Group and become members of our co-op.

We also reaffirmed at the AGM the impressive value of our membership benefits which include dividends, stocking agreement interest savings, commission cap savings and our member's loan scheme's enhanced interest rates over normal bank rates.

In addition, we also offer a new entrants scheme, which has been set up to provide financial and advisory support to those wishing to make a start in the agricultural industry. Members can benefit from the solid financial backing and decades of industry experience that our Group provides. The scheme is the ideal way for us to support the next generation of farmers, attract 'new blood' and help secure the future of the industry.

Furthermore, through our vehicle purchasing scheme, dealer and manufacture's discounts of up to 25% are available when purchasing certain new cars, commercial vehicles or 4x4's through the ANM Group. Currently this offer extends to vehicles manufactured by Ford, Honda, Mazda, Seat, Toyota, Volkswagen and Volvo. Please contact John Roy, email john.roy@anmgroup.co.uk or call 01467 623863, for further details.

Moreover, being a member comes with a range of discounts through our various divisions/services and we are currently in the process of pulling together this impressive list of benefits into an information pack for members. If you are interested in increasing your shareholding or member's loan scheme, please do not hesitate to contact Alan Donald, email alan.donald@anmgroup.co.uk or call 01467 623753. Our staff will also be able to assist you with our other range of member's benefits.

[Divisional Updates](#)

Aberdeen & Northern Marts

The weather has brought its own challenges with the late spring and persistent cooler weather in to summer affecting livestock and the growing season for grass and crops. Livestock throughput for the livestock division continues to be difficult, particularly on the cattle side, not helped by the ongoing decline in the breeding cattle herd. The trade for store cattle has remained remarkably buoyant throughout the spring given the depressed prime market position and the backlog of finished cattle for slaughter. The stabilisation of supply and demand for finished cattle that we have seen in recent

weeks, with prices on the increase, will hopefully lead to a more promising outlook for the second half of 2015. In contrast on the sheep side of the business, we have seen an increase in throughput as a result of the strengthening of the Thursday prime sheep sale with numbers well up on the year as many producers return to the live ring to get the value of the market price transparency. The strength of the pound against the euro is proving difficult for this year's spring lamb prices.

There has been a successful Royal Northern spring show and the sales at Thainstone and Caithness have been well supported. The culmination of the Young Farmers overwintering competition in March was very good and provides a great opportunity for young livestock enthusiasts.

With reducing livestock numbers and the impact of CAP reforms about to impact on our industry, we are keen to find ways to support our members and encourage livestock production where we can. We have been following closely the recommendations of the Beef 2020 report and we are working with SAOS to consider how to take forward the output from our Focus Group discussions held last autumn. We are pleased to say that we are making good progress and hope to be able to update you of our plans in the very near future.

We are welcoming a modification to the rules surrounding the movement of BVD for "not negative" herds allowing specific movements through auction marts for prime cattle and cull cows. Phase 4 of the BVD Eradication Scheme, which came in to effect 1st June, has seen a significant tightening of controls which will affect producers. The change now means that a general licence has been issued allowing animals intended for slaughter to be sold through specific auction marts in Scotland for an interim period until 31st December 2015. We would urge all farmers with a "not negative" status to push on with testing ahead of the autumn sales season to minimise disruption to their regular sales pattern.

It is also worth drawing to everyone's attention the increased importance of Farm Assurance and the Whole Life assurance requirements for the Scotch Beef brand. Producers who are not Farm Assured are advised to strongly consider joining the scheme as buyers focus will be on Scotch Assured stock.

We are currently gearing up for the typically-busy autumn period with preparations well in hand. The autumn will see this year's Thainstone Spectacular move to an earlier date of Friday 21st August with a new format. Over the summer, our team will be on the road around many of the agricultural shows in the North and North-East of Scotland having already attended Scotland's Beef Event in Perthshire and the Sheep Event in Tain. We look forward to seeing you at the shows where you can meet up with our staff and discuss any of your marketing requirements or for a general catch up.

Aberdeen & Northern (Estates)

After record results in 2014, the Estates team is making good progress in the rural land and property market in the North and North-East of Scotland.

2015 has been interesting for landowners and tenants in the rural sector. Just like other parts of the economy, participants in the rural economy can be deterred from making decisions by uncertainties and as we started 2015 we were faced with three in particular; the effects of forthcoming changes to the Common Agricultural Policy (CAP), the Scottish Government's review of landholding in the form of the Land Reform Group and the introduction of the Land and Buildings Transactions Tax (LBTT) on 1st April 2015.

Aberdeen & Northern (Estates) continues to grow both its reputation and workload during a period that had traditionally been slow in the property and land market. The team has dealt with the sale of eleven properties so far this year with another six currently under offer. As well as an impressive start to the year for the agency side of the business there has also been significant activity in terms of property valuations with properties combined overall value in excess of £20m.

We are also looking at new ways of increasing and developing our services to members, retained clients and attracting new customers. A&N has joined forces with Donald Simpson of Cowiesburn Asset Management to provide commercial property portfolio management services. The service, which will be charged out at an hourly rate, (an industry first for this type of service), includes access to a specialist web-based system that provides the landlord with 24/7 real-time access to all the relevant information on each property. The Group has worked with Donald for many years and he has helped to manage certain elements of the Group's own property portfolio. Please do not hesitate to contact James Murphy, email james.murphy@anmgroup.co.uk or call 01467 623812, if you require any further information.

The Estates team will also be on the road this summer – adding to the Group's presence - as they join the Marts division at the agricultural shows over the North and North-East of Scotland.

Thainstone Specialist Auctions

The first half of 2015 has seen the TSA team busy, moving forward from a successful but challenging 2014 with a number of varied instructions. TSA has the largest team of industrial and commercial auctioneers and valuers serving some of the UK's best known banks, finance houses and accountancy firms as well as local businesses and private individuals.

Key to the success and something which is vital to the continued development of the division is the efficient utilisation of IT and the mix of both traditional and modern auction sales methods using the uniqueness of the competitive price discovery mechanism only offered by auctions. This sales method is used by TSA wherever possible and has been demonstrated in recent months with sales held both onsite at Thainstone and in the Central Belt – with equipment being sold to England, Ireland, Poland and Germany.

Our Saturday sales, amongst the largest single day Plant and Machinery auctions held in the UK, continue to go from strength to strength attracting hundreds of visitors from all over the UK. The wide range of plant, machinery, vehicles and equipment sold by our team of professional auctioneers is unrivalled and offers both buyers and sellers a unique platform to do business.

The team has also been busy preparing valuation reports, asset appraisals and audits. Our clients in this sector rightly demand a professional approach where speed of response and accuracy of report is vital. TSA is uniquely placed to provide this service having offices both at Thainstone and Glasgow - indeed we are looking at ways of expanding this service.

A number of successes for the division's twice weekly vehicle sales are also evident - in April our record price for a car was broken when an Audi R8 sold for £60,000, exceeding the expected price considerably. This success is evidence that the team has the customer base and contacts to successfully remarket all types and value of equipment.

Following a close working relationship with TSA and a consistent presence at Thainstone sale days, Close Brothers Asset Finance made the decision to set up shop in Thainstone Centre permanently. The move will see Close Brothers expand their presence in the North-East agricultural community, offering funding solutions to purchase new assets; fund business growth; improve cash flow; and/or complement existing funding arrangements. We are delighted to have Close Brothers on board delivering asset finance solutions to support Scottish farmers and our Centre visitors in line with our agri-hub vision.

Thainstone Events/Porterhouse

Thainstone Events/Highland Cuisine, with its new management team, has an exciting programme of events in place this year. Thainstone is a major hub for the Inverurie and Kintore community and the Frozen-themed Easter children's party was a big hit and cinema ticket sales are showing signs of improving with the last screening attracting around 250 cinema-goers. If you haven't attended the cinema here at Thainstone, we would encourage you to come along and enjoy without any of the hassles of parking in town.

We have a busy events schedule planned over the summer along with our festive events for Christmas and Hogmanay – all of which are attracting large amounts of interest.

Taste of Grampian, celebrated its 16th year on Saturday 6th June at Thainstone with record numbers attending on the day. The annual food and drink festival has grown significantly over the years - attracting over 14,000 visitors to our agri-hub - and is a prestigious event that we are proud to be a partner of and support year on year. A fantastic achievement at the event was when our Group Accountant Alison Green won the J G Ross baking competition with her 'Garioch Harvest Loaf' creation on the day – the product is now being sold in the bakery's local stores.

On the 15th June, we extended the Porterhouse offering to a Coffee Bar and Restaurant with a breakfast and lunch time menu (sit in or take away) in addition to our evening restaurant. Fresh new menus have been implemented by our chef Tom Cuthbert and the Thainstone Events team. Porterhouse has also teamed up with major coffee provider, Starbucks, to deliver this popular brand to our members, customers, visitors, tenants and staff. Porterhouse Restaurant and Coffee Bar is open weekdays from 7.00am - 3.00pm and weekends 9.00am – 3.00pm. Sunday carvery is available in the Porterhouse from 12 noon – 3.00 pm and the restaurant is open for fine dining Thursday – Saturday evening. We look forward to welcoming you to the Porterhouse for a bite to eat and a relaxing coffee or for dinner in the evening. The Gallery Restaurant is also of course open for business on sales days.

Maverston

Maverston Golf Course celebrated its first anniversary in April by announcing its plans for the launch of a FootGolf facility and new 9-hole, 1,250 yard Par 3 course to complement its current 18-hole, 6,089 yard Par 70 parkland course near Elgin. Maverston will become one of the first clubs in Scotland to host the rapidly growing sport of FootGolf - a unique combination of both football and golf. This exciting new development will add a diverse new element to the course and encourage additional visitors to pay our unique course a visit. The golf club has over 200 members and is fast becoming one of the top golfing facilities in Moray.

There also continues to be a healthy interest in house plots at Maverston Highland Estate. The first house will be completed by the end of July and a further two foundations have been poured with building works starting imminently. We have deposits on a further three sites and notes of interest on an additional four plots.

Property Portfolio

The work managing and developing our extensive property portfolio is ongoing. It provides a valuable source of income for the Group and we are looking to develop this further in to the future. We are very pleased to have excellent partners in GSS Developments (Aberdeen) Ltd who are working with us in relation to the development of our land at Thainstone and elsewhere.

Work continues with Scotland's Rural College (SRUC) regarding a potential move to Thainstone and we are determined to make this happen if at all possible.

The plans for the new Scotbeef Inverurie abattoir at Thainstone are progressing and we are working with our Scotbeef partners as we plan how to deliver this important project. The move of the abattoir to Thainstone is a very positive step for our members and for the Scottish meat industry as a whole. The current Scotbeef site offers the Group considerable development potential. We have successfully applied for Planning Permission in Principle to redevelop the site for residential purposes and significant interest has already been shown.

In addition, we have several exciting developments on the horizon for our land at Thainstone. Last year the Board took the decision to sell 1.7 acres of commercial ground to Ravenhill (Construction, Farm and Groundcare Machinery Specialists) for the development of a new depot. The decision to sell this ground wasn't taken lightly – careful consideration was given to the proposal but as it met with our agri-hub aspirations, approval was granted. We have also been dealing with a number of enquiries for various parcels of land at Thainstone as the North East commercial market changes. We are hopeful that in future some of these will lead to further development of the industrial site.

We are pleased to welcome George Ferries and Panalpina to Thainstone as new tenants for the purposes of commercial vehicle storage.

The recent award of planning permission after appeal for additional parking and auctions sales area provides us with more flexibility to ensure the core business is unaffected by the commercial developments.

Turning to the Centre itself, we must continue to invest and make improvements to ensure it is fit for purpose now and in to the future whilst being mindful of trading conditions and profitability. Plans are in place to upgrade the heating to rings 2 and 3 over the summer and also to upgrade internal and external doors.

Finally on the Thainstone Centre, we are delighted that a number of our tenants have renewed their leases and continue to support the Group. We are also pleased to welcome our new tenants.

In Dornoch, the demolition of the old abattoir is complete and we are working closely with the Highlands and Islands Enterprise and the Highland Council to develop this site and regenerate the area. Also in Dornoch, we have Burnside – a former house used to accommodate abattoir workers. This property is presently being renovated and converted into two self-catering apartments. The property's close proximity to the Royal Dornoch Golf Club (circa 500 yards), means it is well placed to attract golfers in particular. As well as a significantly improved asset, it is envisaged that Burnside will provide a good rental return for the Group with healthy interest already shown despite the renovations not yet complete.

Finally we have entered in to a licence agreement with the Aberdeen Western Peripheral Route (AWPR) Consortium to utilise an area of our ground at Balmedie during the AWPR construction works. In conjunction with this, we are working with the other site owners to develop a site Masterplan which can be implemented following the completion of the road works.

IT Project

Work is ongoing on this significant project and the scale of the task should not be underestimated. We have upgraded our hardware, connectivity, security and data retrieval processes. We are now reviewing our software and members share system as we look for ways of improving our business management systems with member and customer communication playing a vital role.

In summary, the Group continues to make good progress despite the pressures around livestock numbers. The future remains bright with our diversification and our strengthening balance sheet as a result of the continuing work on our asset base.

We look forward to catching up with you around the Centre and are happy to discuss any queries you may have regarding this latest update, our divisions and the business as a whole.

A handwritten signature in black ink that reads "John F Gregor" with a stylized flourish at the end.

John Gregor
Executive Director

A handwritten signature in black ink that reads "Grant Rogerson" with a long horizontal flourish extending to the right.

Grant Rogerson
Executive Director