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HD	**Goodman Fielder margins shrink, impairments lead to loss**
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Goodman Fielder margins shrink, impairments **lead** to A$405M annual loss

Aug. 13 (BusinessDesk) - Goodman Fielder, the food maker under takeover offer from Wilmar International and First Pacific Co, posted a full-year loss after writing down the value of its baking and grocery businesses and recognising costs to exit businesses.

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The loss was A$405 **million** in the 12 months ended June 30, from a profit of A$83.5 **million** a year earlier. Sales rose 3.4 percent to about A$2.2 **billion**.

The annual result shows rivalry in the grocery market and soaring costs for **milk** and wheat are dogging the maker of household brands such as Vogel's **bread**, Meadow Fresh, Edmonds and Ernest Adams, which had hoped to be in better shape after massive impairments, restructuring and asset sales in 2011 and 2012. Instead, it has recorded a A$337.4 **million** pretax charge against its Australia and New Zealand baking division and a A$20.8 **million** impairment against NZ Grocery.

"This is a disappointing result in the context of where the **company** had expected to be at this point in the strategic plan," said chief executive Chris Delaney. In response, "we have accelerated cost saving initiatives across the **business**."

Included in the charges were the loss on **sale** of divested businesses of A$97.3 **million**, while associated restructuring and cost saving accounted for A$38.2 **million**.

The biggest slump in earnings came from its New Zealand **dairy** division, which posted a 47 percent drop in normalised earnings before interest and tax to A$19.9 **million**, even as sales jumped 20 percent to A$472.7 **million**. The Ebit margin for **dairy**, which includes its meats **operations**, shrank to 4.2 percent from 9.5 percent.

The division was "severely impacted by the record increase in the farmgate **milk** price during the year," it said. "Goodman Fielder was not able to fully recover this higher input cost through wholesale pricing to its customers, which had a significant effect on margins in the **dairy business**." The prospect of a lower **milk** price in the current year, would help earnings recover, it said.

The baking division recorded a 29 percent drop in normalised Ebit to A$35 **million** as sales rose 3 percent to A$925 **million**, which the **company** attributed to rising transport costs and a higher price for wheat. The baking Ebit margin shrank to 3.8 percent from 5.5 percent.

Normalised Ebit for the grocery division fell 20 percent to A$50.9 **million** on an 11 percent decline in sales to A$448.9 **million**. The grocery Ebit margin slipped to 11.3 percent from 12.6 percent.

"Our grocery **business** continued to face a very challenging retail trading environment, which was compounded by our new product development in spreads not being successfully ranged across all retailers," Delaney said.

The **company**'s Asia Pacific division, which includes a poultry **business** in Fiji and food ingredients in Papua New Guinea, was a bright spot, posting a 15 percent gain in earnings to A$65 **million** as sales climbed 7 percent to A$354 **million**. Its Ebit margin widened to 18.4 percent from 17 percent.

Delaney said he expects 2015 "to be another difficult year" as "we continue to refine our strategy and re-align the cost base to deal with these challenges to build our competitive position. We remain committed to building a **business** which can deliver sustainable growth over the medium term."

Goodman Fielder will pay a final dividend of 1 Australian cent a share on Oct. 1, with a record date of Sept. 15, bringing payments for the year to 2 cents.

The shares fell 0.8 percent to 63.5 Australian cents on the ASX, below the 67.5 cents a share offer made by Singapore-based Wilmar and **Hong Kong**-listed investment **firm** First Pacific. The proposal includes a 1 cent dividend.

(BusinessDesk)

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