



**SILVER
FERN™
FARMS**

**ANNUAL
REPORT
2011**

**PROUD
OF OUR PEOPLE
PROGRESSIVE
SETTING A NEW
STANDARD
PARTNERSHIP
WORKING HARD
TOGETHER**

**IN 2011 WE ARE NOW
SEEING THE BENEFITS
OF THE CREATION OF A
MODERN CONSUMER-FACING,
FARMER-PARTNER FOCUSED
CO-OPERATIVE WITH
A CLEAR PROGRESSIVE
STRATEGY.**



Three years ago we began a process of creating and building a long term strategy for success. Today we can look back over the changes we have made with confidence and pride. Our co-operative's significant and strategic investment in the marketplace – determining what consumers want, developing products that meet those expectations and promoting them through innovative marketing are allowing us to lead the red meat sector.

We are confident we will continue to achieve our vision of being a fully integrated market-focused company adding value to our farmer partners, our customers and our people.

Co-operative partnership brings success

The 2011 financial year provides a satisfying result after significant challenges. Silver Fern Farms has reported a net profit before tax for the year ended 30 September 2011 of \$40.6m (2010: 12 months net loss of \$8.0m) from total revenue of \$2.10b (2010: 12 months revenue \$1.81b).

We believe this result shows clearly that the changes we began three years ago are now coming to fruition. We look forward to investing further in our longer term initiatives and building on the solid results we have had this year.

Annual Meeting of shareholders

The 2011 Annual Meeting of Silver Fern Farms Limited shareholders will be held at 10.30am on 5 December 2011 at The Poplars in Timaru.

The Notice of Annual Meeting will be provided separately to shareholders.

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CHAIRMAN AND CHIEF EXECUTIVE REVIEW

“We aim to migrate fifty percent of our revenue to consumer and value added products and develop world-class channels to market for the balance of our business. We intend to continue our excellence in servicing our farmer partners and maintain the highest standards in our plants and operational activities. We will continue to create integrated value chains between suppliers and customers and investigate joint ventures where there is an opportunity to leverage other parties’ competencies, resources, scale and relationships. All our activities are focused on the delivery of additional value to Silver Fern Farms.”



Eoin Garden
Chairman



Keith Cooper
Chief Executive

ROBUST BALANCE SHEET, INVESTMENT AND PROFITABILITY KEY FOCUS

The financial year reporting period was full of extraordinary events – some positive, others less so. We experienced never before seen volatility in the New Zealand dollar, a spring storm that left the industry with a record low lamb crop, the devastating fire at our Te Aroha plant just prior to Christmas and the tragedy of the Christchurch earthquakes which affected so many of our people.

Global market prices for red meat and by-products lifted and, thanks to many factors aligning, our supplier partners received record returns.

We are now seeing the benefits of the creation of a modern consumer facing, farmer partner focused co-operative, with a clear progressive strategy, which focuses on operating within today's challenges but also invests in the future. We are investing in product development and innovative marketing to meet the future expectations of our consumers and we are committed to Farm^{IQ} Systems Limited to deliver optimal farming solutions for our farmer partners to match consumer expectations. The future of the red meat sector will depend upon such a market focused strategy.

SETTING A NEW STANDARD

SILVER FERN FARMS BRAND

In 2011 we continued our journey to create a strong and globally recognised brand that our consumers and our foodservice customers trust to deliver on our promise of purity, taste and quality. In New Zealand, our branded retail range has established a group of regular users and is reaching out to new consumers that value great-tasting, natural ingredients that are simple to prepare with guaranteed results. Silver Fern Farms has embarked on a mission to inspire and create a more appreciative meat culture at home and around the world. In the future our focus will be on building consumers' confidence and know-how – from the unique provenance story around our products, to how our animals are raised and our cuts selected with care, to understanding the best way to prepare and cook to guarantee the very best meal experience. Our new partnership with New Zealand cook Annabel Langbein is a key part of this, giving us even greater potential to reach and inspire our target audience with delicious yet simple recipes promoted through in-store tastings, television and online. We continue to develop new and innovative ways to

annabel langbein
fresh everyday
 with Silver Fern Farms



engage with our audience – whether it be leveraging the Rugby World Cup through our Fly the Flag promotion, which saw thousands of visitors enjoying the best red meat Silver Fern Farms and New Zealand has to offer, or participating in exciting new digital initiatives like “Fast, Fresh and Tasty”, a technology application which delivers recipes, cooking hints and tips and shopping lists direct to consumers' mobile phones. The consumer insights and market feedback we have gained in New Zealand stand us in good stead as we look to establish premium niche positions in other international retail markets, such as in TESCO in the UK, Greece and in Germany in 2012/2013.



TESCO'S AND THE GLOBAL MARKET

In a first of its kind for the company Silver Fern Farms have launched a range of fully branded lamb into TESCO's in the UK.

The innovative retail range, already well regarded by New Zealand consumers, is available as an initial trial in over 250 TESCO stores throughout England.

Although the British already share a love of lamb, most UK consumers do not purchase it regularly and are often unsure what to buy, how to cook it and how to serve it. This means that the Silver Fern Farms' range of products being delivered into stores is perfectly designed to appeal. They are set weight, conveniently packaged, pre-portioned and are accompanied by simple to cook recipes, supported by our UK website www.silverfarms.co.uk.

Silver Fern Farms places very high value on our relationship with TESCO's and we acknowledge the support of TESCO to deliver our branded retail packs to UK consumers as we begin the roll out of the retail brand internationally.

Launching our consumer-facing retail brand in the UK and then subsequently into other international markets is fundamental to achieving our vision. Our plate to pasture strategy is all about bringing new value to the lamb category and giving UK shoppers a guaranteed experience when buying, cooking, and eating Silver Fern Farms lamb.

The launch was supported by an innovative integrated marketing campaign that brings a fresh approach to the red meat category.

INNOVATION

Much of the Innovation team project work is to support the Primary Growth Partnership programme with FarmIQ.

Electronic identification device (EID) panel readers are installed at all sheep & lamb plants and will be completed at cattle plants by the end of 2011 and deer plants early in 2012. Radio frequency identification (RFID) tags are being installed at all slaughter plants to allow accurate carcass tracking.

The first two of the new generation lamb x-ray grading systems are being commissioned at Takapau and Finegand, with those at Waitotara and Fairton to follow by the end of 2011.

A series of projects is underway for measurement of meat quality and to gain a better understanding of the eating quality of various beef, venison and lamb muscles. This is helping to improve our processing and packaging systems to increase meat quality and market value.

The main automation projects in progress this year have been the bone-in lamb primal trimming machines being developed by Robotic Technologies Ltd, our joint venture company with Scott Technologies Ltd. The lamb middle machine is nearing commercialisation while the forequarter machine is well advanced. A Process Optimisation project has commenced to use x-ray, vision analysis and other diagnostic tools to make the best selection of boning specifications to maximise carcass market value.

BACKBONE™ – THE 2011 SUPPLY MODEL

Committed to providing suppliers with procurement options that deliver certainty for both supplier and customer, and in response to feedback from our suppliers, we continue to present a simplified programme with two key options: Backbone™ Everyday and Backbone™ Partnership.

Our conventional option, Backbone™ Everyday provides suppliers with certainty of processing space, with prices based on the operating schedule, while Backbone™ Partnership provides the option of fixed-price forward contracts and links supplier partners directly to a group of key global customers.

During the year we also confirmed our partnerships and strengthened our customer programmes with a select group of key global retailers and foodservice customers: Intermarché (France), Citti (Germany), Coop (Denmark), Migros (Switzerland), TESCO (UK), M&S (UK) and McDonalds.

JOINT VENTURES

Silver Fern Farms recognises that to succeed we may need to partner with those who have different core competencies, resources, scale or relationships, which deliver added value to our business. This year has seen many new relationships formed or further developed.

Here are a few of the highlights:

KOTAHI



In July we announced with Fonterra a new shipping joint venture – Kotahi Limited. The purpose of this new joint venture is to manage the flow of containers from our plants to our worldwide markets.

In this way, we can gain efficiency and deliver a more planned and more consistent volume of products to ports.

It is an example of acting in collaboration with other New Zealand Companies, not only to our own advantage, but in the interests of the wider New Zealand economy.

FARM^{IQ}



Farm^{IQ} was launched in August 2010 and, following its first year of operation, is achieving its key milestones.

Farm^{IQ}'s goal is to establish a demand-driven, integrated value chain for red meat. The programme is scheduled to run over seven years, by which time it will be self-sustaining. It operates as six projects: Management, Processing, Market Analysis, Genetics, Farm Productivity and Farm^{IQ} Database.

About 250 IQ farmers and 400,000 tags are participating in the programme. The majority of tagged animals are sheep, but cattle numbers are steadily increasing. Animal numbers, including deer, will lift as the programme is refined.

ALPINE ORIGIN MERINO-SILERE



In partnership with NZ Merino, Silver Fern Farms launched Alpine Origin Merino-SILERE into the market in late August. By undertaking a number of

critical steps to take meat from commodity to brand and by bringing together a world of meat expertise with fresh thinking, Alpine Origin Merino-SILERE is set to revolutionise fine sheep meat in the minds of consumers. Launched in time for the Rugby World Cup, SILERE is actively capturing the imagination of selected top chefs in New Zealand.

INFRASTRUCTURE AND OPERATIONS

FRASERTOWN AND WALLACE

Silver Fern Farms purchased Wallace Corporation's meat processing plant at Waitoa in May and the Frasertown Meats sheep processing plant in the Northern Hawkes Bay in September.

Wallace provides the best solution to service farmer partner needs in the broader Waikato area and Frasertown is a single chain sheep meat plant which completes our processing footprint throughout New Zealand.

Frasertown's purchase allows suppliers in Wairoa and Gisborne a true local alternative and will reduce livestock transport distances which is positive from both an animal welfare and carbon emission perspective. It also ensures the capability and continuity of outlets for sheep meat processing in the region, preserving the alternatives for farmers to market their stock. The purchase of the Wallace meat processing plant allows the company to bring complementary capabilities alongside its Te Aroha plant, which are aligned to its rendering joint venture interests. We look forward to building a strong partnership with Wallace Corporation in the future to further process hides and render material from the plants.

We believe that while the Red Meat Strategy document makes many theoretical recommendations, the reality is that one of the clearest pathways to creating a sustainable red meat sector will ultimately be driven by commercial decisions in relation to aggregation. These acquisitions are another clear demonstration of commercial initiatives that we continue to embark on, not only to enhance our own business by merging smaller innovative companies into our model, but also the aggregation of the processing base brings the consolidation of exporters to the international market place.

Both of these initiatives are very positive developments for the company and for the local economies that the plants contribute to.

TE AROHA

A little under a year ago, Silver Fern Farms and the community at Te Aroha experienced what appeared an irrevocable loss. The fire which ripped through the building, destroying two thirds of it, came just before Christmas and for many the news appeared grim.

We took action quickly, staff were offered jobs elsewhere, insurance claims were activated, the decision to rebuild was made and work on the development began in earnest in April.



Te Aroha Plant.

The new plant at Te Aroha is set to be world leading, with many innovations and technology considered best practice in the industry. This state of the art beef processing plant could become the new Silver Fern Farms' flagship for meat workers and local processing capability for our farmers and critically for the community, will assure future employment opportunities in the area for meat workers.

ETHICAL FOOD PRODUCER

How we do business is underpinned by a concept to do the right thing by actively seeking ways to avoid social and/or environmental damage and to refrain from producing products deemed to have a negative impact on society or the environment. This is achieved through:

- Treating others with respect
- Uncompromising integrity
- Passion for customers and suppliers and a belief we can make a difference

Being an ethical food producer is a journey that is embedded in the way we do business and will continue to be an important feature of our business success and the communities in which we operate.

ENVIRONMENT

Silver Fern Farms continues to focus considerable energy on environmental initiatives, particularly in relation to its plants.

The company is constantly reviewing resource consents and focusing on how to better manage the environmental footprint of its operations. It is concentrating on plants' effluent disposal and pursuing alternative options that will reduce environmental impacts.

As a company, Silver Fern Farms has spoken about the primary sector's need to secure a sustainable future. New Zealand depends on its natural capital of land and water and we must act as exemplary custodians of these valuable resources. The New Zealand brand is a major asset to this country's agribusiness. It conveys quality, sustainability, safety and purity and helps exporters achieve a price premium. However, if day-to-day practices – such as run off, effluent disposal, fertiliser application, stocking rates and irrigation – fail to meet sustainable best practice, we risk eroding the New Zealand brand and associated premiums.



OUR PEOPLE

The human resources focus over the past year has been on encouraging strong leadership and effective performance at all levels within the business and developing a Silver Fern Farms culture reflecting our broad values; proud, progressive, partnership.

There has been a lot of work done to make sure we have the right people in the right positions, working in the right way and we believe that we are now in a much stronger position to deliver the highest levels of service and excellence.

Through Silver Fern Farms' established performance development programme and coaching initiatives the company's strategies are being communicated and implemented across the company.

With more than 7,000 people employed at the peak of the season, much attention is paid to developing and maintaining the skills of our people. The overall goal is to continue growing the company's people and systems, in order to promote effective personal, team and company performance.

Health and safety is also a critical area within our business. Silver Fern Farms has managed this dimension of the business effectively in 2011 with injury prevention and management programmes contributing to positive outcomes. All performance targets were met and the group looks forward to another season of continuous improvement next year.

DEDICATION AND COMMITMENT

THANK YOU

The Board and management of Silver Fern Farms acknowledge and appreciate the critical role shareholders play in backing their company. We also take this opportunity to recognise the valuable contribution all our people make to the business. We are proud of our efforts this year and have a level of optimism for the future, taking comfort in the awareness our hard work and efforts are delivering dividends and that we are on the right track to continue towards further successes.

EOIN GARDEN
Chairman

KEITH COOPER
Chief Executive

MARKET OUTLOOK



LAMB

Lamb and mutton markets look positive for 2012, although early season indications are that some easing on this year's record prices is expected. During the past 12 months New Zealand lamb market prices increased by as much as 90%, exceeding the price of domestic lamb in a number of markets and resulting in a reduction in overall lamb sales and consumption. As a result in-market lamb stocks are higher than normal, leading to some buyer resistance for early 2012 arrivals. While prices may not achieve 2011 highs, overall levels will achieve positive results for the lamb category.

The UK market appears to be the most under pressure with the higher prices paid for both domestic and imported lamb not passed fully on to consumers, yet consumption still fell by over 20% year-on-year. This has resulted in a reduction in lamb usage in the ready meal sector as well as shrinkage in the retail cabinet space of frozen lamb items.

Silver Fern Farms continues to grow chilled supply volumes, with particular focus on our branded programmes. 2012 will see further growth in our branded retail range with incremental rollout to more markets, as we look to add long-term value to the lamb category.

The reduction of global ovine production has proven positive for lamb co-products, such as meal, tallow, casings and pet food with early season pricing showing further improvements on last season's rises. Hides, skins and wool have levelled off after increases of around 50% in the last year; however overall returns further strengthens the underlying positive outlook for 2012.



BEEF

The outlook for beef continues to be very favourable and a number of factors continue to underpin strong demand.

US beef production continues to track lower with forecast production volumes to reduce by 4.7% in 2012. There are no current signs of herd rebuilding, although there is an expectation this will take place within the next 2 years. Competing protein prices are being pushed higher due to increased cost of production as a result of higher corn prices e.g. pork and chicken. Imported beef to the US remains at low levels (import volumes have reduced by 47% since 2005). Import volumes from Canada and Australia reduced significantly over this period. Severe drought conditions in the Southern States will have an impact on domestic supply into 2012 with lower cattle weights going to feedlots, which will reduce finished weights.

North Asian markets, in particular Korea and Japan, have seen a resurgence of US beef imports, which is effectively displacing Australian product and pushing prices lower for some items. A Free Trade Agreement between the US and Korea is likely to be ratified in early 2012 which will see import duties of 40% progressively reduced to zero over 15 years. Unless New Zealand negotiates a similar position this would place New Zealand beef at a disadvantage to US and be a negative influence on market returns.

Strong demand from SE Asian markets is projected to continue with a number of beef plants recently approved for export to Malaysia. This will add value to some of the lower value cuts of beef as well as offal items.

Foodservice demand for chilled beef cuts remains strong across all markets – in particular Asian and European markets. Reduced export volumes from South America (Brazil and Argentina) will continue to support the growing demand in the European market. This is allowing Silver Fern Farms to establish and build strong "plate to pasture" models for the various customers we service.

Demand for premium Silver Fern Farms beef brands continues to grow and will expand significantly in 2012.



On a cautionary note – market prices are at historical highs with prices more volatile at the higher levels. There are certainly a number of economic issues globally which could affect demand in 2012 by way of reduced demand in the food service sector, as well the fluctuating NZD against other major currencies.

Overall we can expect demand and prices to remain positive for 2012.



VENISON

New Zealand venison continued to be in strong demand through late 2010 and into 2011, with prices increasing by approximately 10% overall, despite higher production and supply. National production numbers were 414,798, an increase of 7.8% on the corresponding 12 months, with the increase helping to offset under-supplied markets.

The current chilled season has reported to be fair to date in terms of consumer sales and demand. Market prices are at record or near-record levels for chilled, which is about 10-12% up from the same period one year ago, while export volumes likely to be similar through this key period. Warm autumnal weather in most parts of Europe has also slowed demand, but sale and consumption of chilled through December is crucial for confidence and impetus for frozen venison for early 2012, especially as November to February are the biggest production months for New Zealand venison.

Currently the outlook for the coming year remains stable at or around current market prices. With major markets for New Zealand venison clouded in economic uncertainty and volatility, this situation is very likely to have an impact. While Germany, France, Netherlands and Scandinavia have done relatively well in the past year, the effect of the current crisis is unknown, and with 85% of New Zealand exports sold into Europe and in Euros, there has to be some caution with key markets and on currency.

Deer by-product demand remains overall positive. Sinews and pizzles have remained encouraging, with tails steady at lower levels. Good demand with rising incomes in China looks set to continue, but market access remains problematic.

Overall the long term picture remains positive for New Zealand venison, with consumers increasingly recognising the quality, animal welfare, and processing and hygiene standards compared with other game meats. However as key markets enter turbulent economic times, there may be more uncertainty in the shorter term.

OTHER – HIDES & PELTS

Hide prices during 2011 increased 30% over the previous year. This was largely due to strong leather demand in fashion handbags and a growing world population with more disposable income spent on shoes.

Demand from China for luxury brand cars was also another area for strong leather demand. Shortage of hide availability also kept prices firm.

Global instability has reduced house buying which results in weak demand for furniture upholstery leathers.

Calfskin prices increased 40% on 2010 prices as tanners needed to replenish their raw material stocks and also enjoyed strong forward orders for top fashion shoes/handbags and garments.

The outlook for 2012 should see prices remain stable as most raw materials should be moved through the system at both tannery and retail level.

Pelt prices increased 120% during 2011 which resulted in India and Pakistan in the latter part of the season to stop buying as their garment orders with Europe were fixed in January. Prices remained extra firm solely on shortage of skins.

Slipi wool remained very firm throughout 2011 based largely around shortage and the outlook for 2012 is for more of the same.

DIRECTORS



EOIN GARDEN

Chairman

Joined Board in December 1998; appointed Chairman in 2008. Operates 2,500 ha of high country and finishing land at Millers Flat and another 290 ha in West Otago. His 12,000 su include sheep, cattle and deer.



RICHARD SOMERVILLE

Deputy Chairman, Independent

Appointed to Board in 2004; Chairman of the Board's Audit, Risk Assessment and Mitigation Committee. Chartered Accountant. Chairman of Milford Asset Management Limited. Director of Southern Hemisphere Proving Ground Limited, Milford Dart Limited and a number of private companies.



TONY BALFOUR

Independent

Joined Board in August 2009. A globally experienced senior executive with a strong track record of success in a wide diversity of industries and categories, and leading innovation and market/category development. GM Markets for Icebreaker, the world's leading brand of merino apparel.



TREVOR BURT

Independent

Trevor joined the Board in August 2009 and is Chairman of the Remuneration and Appointments Committee. A former member of the Executive Board of the Munich-based Linde Group. Has high level experience in the strategic leadership of large and complex corporate organisations and a proven record of implementing change and achieving results.



DAVID SHAW

Elected to the Board in 2011. Farms 650 ha south of Balclutha, running a large-scale beef and lamb finishing operation with farm forestry. Kellogg and FAME scholar.



ROB HEWETT

Elected to Board in February 2008. Farms a 9,250 su, 960 ha sheep and beef breeding and finishing unit in Manuka Gorge, South Otago. Graduate of Lincoln University, holding an M.Com in marketing and a B.Com (Ag) in Economics. Director of a number of private companies in New Zealand and Australia.



ANGUS MABIN

Appointed to Board in September 2007. Farms bull-beef on a 1,000 ha property in Waipukurau, Central Hawke's Bay. Held a number of positions in the deer industry during the 1990s. Graduate of Massey University.



HERSTALL ULRICH

Elected to Board in February 2008. Farms 6,000 su near Cave in South Canterbury. Participant in the Kellogg leadership course for 2008. Graduate of Lincoln University. Former Chairman of Northern South Island Sheep and Beef Council.

LEADERSHIP TEAM



KEITH COOPER

Chief Executive

Appointed Chief Executive in February 2007.

Joined company in 1989.

Previous roles include Chief Operating Officer (2001 – 2007) and Chief Executive of UK operations (1999 – 2001).

Director of Farm^o, Meat Industry Association, NZ Meat Board, Beef + Lamb NZ, Farmbrands Ltd, Robotic Technology Ltd and various Silver Fern Farms subsidiaries.



KEVIN WINDERS

Chief Operating Officer

Appointed Chief Operating Officer in August 2009. Has significant experience as a senior executive, including roles with PGG Wrightson, Contact and KPMG.

Has a strong financial and strategic skill set based on a wide exposure to a variety of sectors, along with a deep understanding of the Agribusiness sector. A Chartered Accountant, director of Kotahi and past director of the NZ Merino Company.



JAMIE ADAMSON

Group Financial Controller

Appointed to the role in January 2011.

Joined the company in 2009.

Responsible for the finance and accounting function, including all back office teams. Has a strong financial and compliance focus gained from previous roles with Deloitte and AMP.

A Chartered Accountant and holds a Bachelor of Commerce from the University of Otago.



GLENN TYRRELL

General Manager Sales and Marketing

Responsible for all Silver Fern Farms' international and domestic brands and marketing including meat, wool, pelts and hides, pharmaceuticals, pet-food, by-products and processed products. Joined company in 1979.

Has held a range of marketing roles since 1984 including venison marketing manager and two years in Silver Fern Farms' London office (1987 – 1988). Director of Deer Industry New Zealand.



SHARON ANGUS

Group Marketing Manager

Responsible for leading the marketing strategy and building brand equity in the Silver Fern Farms Brand. Joined the company in 2009. More than 20 years experience in senior FMCG marketing roles. Worked with Mainland Products Ltd and has owned her own consultancy business, providing strategic marketing advice on significant projects to various divisions of Fonterra. Holds a marketing management degree from the University of Otago.



GRANT HOWIE

Integrated Category Manager

Responsible for taking an integrated value chain (IVC) view of our business and connecting all links in the chain to market outcomes and true 'plate-to-pasture' business models.

Joined company in August 2008 after a Sales and Marketing career in a number of fast-moving consumer goods companies including Mainland Products, Fonterra and Cadbury Confectionery.



GRANT PEARSON

Group Technical Manager

Responsible for the group R&D programme, cross-business innovation projects and major capital project work. Joined company in 1986 from Canterbury Frozen Meat, where he held various engineering, processing and planning roles.

Holds honours degree in chemical engineering, Diploma of Business Administration; Member of Institute of Professional Engineers New Zealand.



ANDY PERRY

General Manager Livestock

Responsible for the company's livestock procurement and developing relationships with our farmer suppliers. Appointed to the role in February 2010. Brings broad experience in IVC and client relationship management from previous roles as CEO NZ Farms Ltd and Regional Finance Manager with PGG Wrightson.

Holds diplomas in agriculture and farm management from Lincoln College and business studies from Massey University.



JEREMY ABSOLOM

Livestock Performance Manager

Responsible for the performance of livestock owned or managed within partnerships. Joined the company in May 2009. Brings a broad range of experience in IVC locally and internationally, animal genetics and farm systems from his previous roles as CEO of Rissington Breedline Ltd, various related directorships and ongoing involvement in the family farm.

Holds a Bachelor of Commerce from the University of Otago.



WAYNE SHAW

Operations Manager – Sheepmeats and Venison

Responsible for sheepmeats and venison processing operations. Has held a number of operations management roles since joining the company in 1991, including 10yrs as Plant Manager of the Finegand plant.

Holds a Bachelor of Technology degree in Biotechnology and Bioprocess Engineering (Honours) and Masters of Business Administration (distinction).



PHIL BUCK

Operations Manager Beef

Responsible for all beef operations across the group.

Appointed to the role of Operations Manager Beef in February 2011, having worked for Silver Fern Farms since 2007 both in the UK and New Zealand.

Previous roles have been running numerous multiple sites and overseeing operations in the UK and Australia over the last 27 years gaining a broad understanding of processing beef, lamb, pork and chicken within the industry.

GOVERNANCE

SILVER FERN FARMS' GOVERNANCE POLICIES ARE REVIEWED TO ENSURE THEY ARE CONSISTENT WITH BEST PRACTICE.

Silver Fern Farms Limited is a limited liability company registered under the New Zealand Companies Act 1993 and the Co-operative Companies Act 1996. The company is a co-operative owned primarily by suppliers of livestock to the company.

The company had \$75 million of secured bonds listed on the New Zealand Debt Securities Market (NZDX) as at 30 September 2010. These bonds were repaid on 15 November 2010 and the Company has ceased to be listed with NZX.

The company has a class of shares called New Ordinary Shares which are traded under the code "SFF" on Unlisted. Unlisted is a cost efficient trading facility and is not a registered stock exchange under the Securities Markets Act 1988.

Silver Fern Farms' Constitution is available on the company's website or on request.

ROLE OF BOARD OF DIRECTORS

The Board of Directors is responsible for the company's corporate governance and strategic direction. The Board is committed to undertaking this role in accordance with best practice appropriate to the company's business. The Board is responsible for determining the company's policies and objectives, managing risk, developing major strategies, and monitoring the performance of management. The Board has delegated certain powers to committees of the Board and the day-to-day management of the company to the Chief Executive.

POLICIES

Silver Fern Farms' policies are designed to enhance Silver Fern Farms' overall performance and assist the company in reaching its objectives.

DIRECTOR INDEPENDENCE

Silver Fern Farms currently has three Independent Directors.

BOARD COMPOSITION

The company's Constitution determines that:

- a. Silver Fern Farms will have a Board of between six and eight directors;
- b. up to five directors are to be elected by shareholders who are suppliers of livestock to the Company ('Farmer Elected Directors');
- c. up to three directors may be appointed by the Board ('Board Appointed Directors').

To qualify for election or appointment, a director need only not be an employee of Silver Fern Farms or any of its subsidiaries. The Board currently comprises, and at 30 September 2011 comprised, five supplier-elected Directors and three Board-appointed Independent Directors as follows:

Eoin Garden	Chairman, shareholder-elected
Richard Somerville	Deputy Chairman, independent
Tony Balfour	Independent
Trevor Burt	Independent
Rob Hewett	Shareholder-elected
Angus Mabin	Shareholder-elected
David Shaw	Shareholder-elected
Herstall Ulrich	Shareholder-elected

Biographies of current Directors are set out in the Board of Directors section of this report.

DIRECTOR NOMINEE PROCESS

Director nominees must be nominated by two current suppliers. The Director nominee process involves an independent evaluation of those nominated, against a range of skill set requirements for the business, with the independent evaluator advising shareholders of each candidate's fit against that framework.

The Board will not be involved in the process, apart from establishing the framework and appointing the independent evaluator. The Directors believe in encouraging the creation of a pool of director capability relevant to the business.

In addition to working with organisations such as the NZ Co-operative Association and the Institute of Directors to encourage director training, during 2008/2009 the company established the Burnside-Hart Co-operative Education Trust to further such an outcome. Applications for funding should be addressed to:

The Trustees
Burnside-Hart Co-operative Education Trust
c/o General Counsel
PO Box 941
Dunedin

COMMITTEES

The Board has appointed two committees, established to work on behalf of the board on specific issues, reporting back to the Board. The Audit, Risk Assessment and Mitigation Committee assists the Board in matters relating to auditing, reporting and risk. It provides the Board with assurance regarding the

credibility of financial reporting and assurance regarding the discharge of its responsibilities related to financial reporting and regulatory compliance.

The Remuneration and Appointments Committee reviews the performance of the Chief Executive, sets the remuneration of the Leadership team and recommends remuneration of Directors to the shareholders. In addition, the Committee oversees the Elected Director process.

OPERATION OF THE BOARD

The Silver Fern Farms Board meets formally 11 times each year, and as otherwise required. The Board's Audit, Risk Assessment and Mitigation Committee is scheduled to meet quarterly or as otherwise required. The Remuneration and Appointments Committee meets at least once a year.

The Chairman and Chief Executive establish the agenda for each Board meeting. The Chief Executive prepares a monthly management report that includes a summary of the company's activities together with financial and other reports. The Board also receives regular briefings on key strategic issues from management.

New Directors receive induction training which includes written and oral presentations by the Chairman, Chief Executive and senior management team on the key strategic and operational

business issues facing Silver Fern Farms. External training providers are also utilised.

AUDITOR INDEPENDENCE

The company requires its Auditor to maintain independence in accordance with best practice. The Audit, Risk Assessment and Mitigation Committee reviews the independence and objectivity of the Auditor.

DIRECTORS' FEES

The current total Directors' fee pool is \$472,500 per annum.

PUBLIC RELEASE OF MATERIAL INFORMATION

Silver Fern Farms has developed processes for release of material information to Unlisted and for the public release of information and the publication of information on the company's website.

ATTENDANCE AT MEETINGS

During the financial year ended 30 September 2011, the Board met 12 times (including telephone conferences but excluding the annual meeting) as follows:

DIRECTOR	BOARD (scheduled)	ANNUAL MEETING	AUDIT/ RISK ASSESSMENT & MITIGATION	REMUNERATION & APPOINTMENTS	MANAGEMENT COMMITTEE	
					Innovation Committee	Supplier Services Committee
A J Balfour	8	–	–	–	5	–
T J Burt	9	1	2	3	–	–
D S Ferraby [⌘]	4	1	1	–	–	–
E R H Garden	12	1	*	3	–	*
R J Hewett	12	1	–	–	5	3
A C Mabin	12	1	2	–	–	3
D A Shaw	8	–	1	–	–	–
R J Somerville	11	1	2	3	–	–
P H Ulrich	11	1	•	–	–	3

• P H Ulrich attended 2 Audit / Risk Assessment & Mitigation meetings, although he is not formally a member of the committee

* E R H Garden attended 2 Audit / Risk Assessment & Mitigation meetings, and 2 Supplier Services committee meetings although he is not formally a member of those committees

⌘ D S Ferraby resigned as at 27 January 2011, at which time D A Shaw commenced his directorship.

STATUTORY INFORMATION

DIRECTORS

The Directors of Silver Fern Farms as at 30 September 2011 are:

- Eoin Reay Hamilton Garden (Chairman)
- Richard John Somerville (Deputy Chairman)
- Antony John Balfour
- Trevor John Burt
- Robert James Hewett
- Angus Collis Mabin
- David Alfred Shaw (commenced 27 January 2011)
- Peter Herstatt Ulrich

DIRECTORS' INTEREST IN TRANSACTIONS

For the year ended 30 September 2011, no Director caused to be entered in the company's interest register any transaction or proposed transaction with the company. Also, no director of any subsidiary of the company disclosed any such interest.

CO-OPERATIVE STATUS

The following resolution was unanimously passed by the Board on 16 November 2011:

"In the opinion of the Board, Silver Fern Farms Limited has throughout the year ended 30 September 2011 been a co-operative company under the Co-operative Companies Act 1996 for the following reasons:

- More than 60% of the shareholders of the Company entitled to vote are transacting business with the Company and are transacting shareholders as set out in Section 4 of the said Act;
- The Company carries on a co-operative activity as set out in Section 3 of the said Act."

DIRECTORS' INTERESTS IN SILVER FERN FARMS SHARES

The shares held in Silver Fern Farms by each director as at 30 September 2011 are set out in the following table.

DIRECTOR	FULLY PAID NEW ORDINARY SHARES Holding as at 30 Sept 2011	PARTLY PAID NEW ORDINARY SHARES Holding as at 30 Sept 2011
A J Balfour	-	-
T J Burt	-	-
E R H Garden	101,632	65,000
R J Hewett	81,299	68,701
A C Mabin	76,192	60,954
D A Shaw	58,750	20,000
R J Somerville	29,604	30,396
P H Ulrich	46,189	30,000

INFORMATION DISCLOSURE

For the year ended 30 September 2011, no Director requested to use Company information received by them in their capacity as Directors.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Committee comprises T J Burt – Chairman, Board Chairman (Eoin Garden), and Board Deputy Chairman (Richard Somerville).

AUDIT, RISK ASSESSMENT AND MITIGATION COMMITTEE

The Committee comprises R J Somerville – Chairman, T J Burt, D A Shaw, A C Mabin.

DIRECTORS' INSURANCE

Directors' and officers' liability insurance is taken out and paid for by the company. In the event of a claim, the Directors may benefit under the terms of these policies.

DONATIONS

During the financial year ended 30 September 2011, Silver Fern Farms made donations to the value of \$215,000 including \$160,000 to the Red Cross Christchurch Earthquake appeal fund.

AUDITORS

The amount payable by the Silver Fern Farms Group to Ernst & Young as audit fees in respect of the financial year ended 30 September 2011 was \$325,000. Fees payable to Ernst & Young for consulting services in respect of the financial year ended 30 September 2011 were \$288,000.

DIRECTORS' FEES (NZD (\$))

DIRECTOR	POSITION	12 months ended 30 Sept 2011
A J Balfour	Director	50,000
T J Burt	Director and Chairman Remuneration and Appointments Committee	55,000
D S Ferraby	Director	16,667
E R H Garden	Director and Chairman	112,500
R J Hewett	Director	50,000
A C Mabin	Director	50,000
D A Shaw	Director	33,333
R J Somerville	Director and Chairman Audit, Risk Assessment and Mitigation Committee	55,000
P H Ulrich	Director	50,000
Total Directors' fees		472,500

The total pool for directors' fees is \$472,500 per year.

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit other than Directors' fees and insurances. Various Directors were remunerated for additional duties as Directors included in the figures above. No Director of any of the company's subsidiaries received any fees or other remuneration arising from those directorships.

REMUNERATION OF EMPLOYEES

The following table shows the number of Silver Fern Farms employees and former employees of Silver Fern Farms and its subsidiaries who in their capacity as employees received remuneration and other benefits or entitlements (including non-recurring payments to employees on leaving the Group) during the year ended 30 September 2011, the value of which was or exceeded \$100,000. The Chief Executive's salary has been determined based on advice from an external consultant and has been set at the median of the market for the role. It contains an at-risk element which is not paid unless certain criteria have been met.

All directors' fees earned by the Chief Executive from external organisations are paid to Silver Fern Farms and are included in revenue.

REMUNERATION RANGE	PARENT	SUBSIDIARIES	CES-SATIONS
100,000 – 110,000	21	1	1
110,001 – 120,000	24	2	2
120,001 – 130,000	9	0	0
130,001 – 140,000	14	1	2
140,001 – 150,000	9	1	2
150,001 – 160,000	3	0	2
160,001 – 170,000	4	0	2
170,001 – 180,000	6	0	1
180,001 – 190,000	4	2	1
190,001 – 200,000	3	0	0
200,001 – 210,000	5	0	0
210,001 – 220,000	1	0	0
220,001 – 230,000	1	0	0
230,001 – 240,000	1	1	0
240,001 – 250,000	2	0	0
410,001 – 420,000	1	0	0
940,001 – 950,000	1	0	0

DIRECTORS' STATEMENT

This Annual Report is dated 18 November 2011 and is signed on behalf of the Board by



E R H GARDEN
Chairman



R J SOMERVILLE
Deputy Chairman

FINANCIAL STATEMENTS



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STATEMENT OF COMPREHENSIVE INCOME

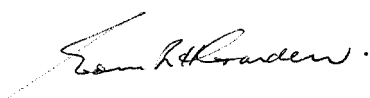
for the 12 months ended 30 September 2011

NZD IN THOUSANDS (\$000)	NOTES	PARENT		CONSOLIDATED	
		12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Continuing Operations					
Sale of goods		2,047,539	1,780,190	2,054,756	1,831,682
Other revenue	5	3,102	2,052	1,660	1,512
Revenue		2,050,641	1,782,242	2,056,416	1,833,194
Other income	6	45,591	49,623	42,256	45,536
Total income		2,096,232	1,831,865	2,098,672	1,878,730
Raw materials and consumables used		1,502,396	1,275,184	1,496,456	1,304,687
Employee benefits expense	7	275,713	271,544	278,288	274,971
Depreciation and amortisation		26,591	25,320	26,804	25,469
Finance costs	7	20,072	22,322	20,215	22,845
Other operational expenses	7	237,546	252,632	243,015	260,574
Share of profits of associate	29	-	-	(221)	(1,397)
Profit/(loss) from continuing operations before member distributions, income tax and non-recurring items		33,914	(15,137)	34,115	(8,419)
Member distributions	10	96	98	96	98
Profit/(loss) before income tax and non-recurring items		33,818	(15,235)	34,019	(8,517)
Non-recurring items – income	8	12,230	11,341	12,230	11,378
Non-recurring items – costs	8	(5,643)	(15,028)	(5,643)	(18,276)
Total non-recurring items		6,587	(3,687)	6,587	(6,898)
Profit/(loss) before income tax		40,405	(18,922)	40,606	(15,415)
Income tax expense/(benefit)	9	9,547	(1,966)	9,805	(1,396)
Net profit/(loss) for the period		30,858	(16,956)	30,801	(14,019)
Profit/(loss) attributable to shareholders of the parent		30,858	(16,956)	30,801	(14,019)
Other comprehensive income					
Foreign currency translation gain/(loss)		-	-	(1,785)	(4,454)
Revaluation gain on land and buildings		-	62,184	-	64,361
Income tax on items of other comprehensive income – (charged)/credited		(164)	(11,119)	(160)	(11,729)
Other comprehensive income for the period, net of tax		(164)	51,065	(1,945)	48,178
Total comprehensive income for the period attributable to shareholders of the parent		30,694	34,109	28,856	34,159
Earnings per share for profit/(loss) from continuing operations attributable to the shareholders of the parent					
				Cents	Cents
Basic earnings per ordinary share	11			33.36	(14.62)
Diluted earnings per ordinary share	11			33.36	(14.62)

Earnings per share for 2010 have been restated to reflect the bonus issue of New Ordinary shares in the current financial year.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorised the issue of these financial statements on 18 November 2011.



E R H GARDEN
Chairman



R J SOMERVILLE
Deputy Chairman

STATEMENT OF CHANGES IN EQUITY

for the 12 months ended 30 September 2011

PARENT						
NZD IN THOUSANDS (\$000)	Share Capital	Retained Earnings	Asset Revaluation Reserve	Available for Sale Reserve	Total Equity	
Opening balance at 1 September 2009	-	197,405	54,994	-	252,399	
Net profit/(loss) for the period	-	(16,956)	-	-	(16,956)	
Other comprehensive income	-	3,651	47,414	-	51,065	
Total comprehensive income for the period	-	(13,305)	47,414	-	34,109	
Transactions with owners in their capacity as owners*						
New Ordinary shares issued – cash received	4,173	-	-	-	4,173	
New Ordinary shares issued – deferred settlement	16,163	-	-	-	16,163	
Supplier investment shares exchanged	17,235	-	-	-	17,235	
Members' ordinary shares exchanged	25,668	-	-	-	25,668	
Transaction costs on share issue	(901)	-	-	-	(901)	
Taxable bonus issue of new ordinary shares	55,222	(55,222)	-	-	-	
Closing balance at 30 September 2010	117,560	128,878	102,408	-	348,846	
Opening balance at 1 October 2010	117,560	128,878	102,408	-	348,846	
Net profit/(loss) for the period	-	30,858	-	-	30,858	
Other comprehensive income	-	1,111	(1,275)	-	(164)	
Total comprehensive income for the period	-	31,969	(1,275)	-	30,694	
Transactions with owners in their capacity as owners*						
Taxable bonus issue of new ordinary shares	16,287	(16,287)	-	-	-	
RWT paid on bonus issue of new ordinary shares	-	(1,042)	-	-	(1,042)	
Closing balance at 30 September 2011	133,847	143,518	101,133	-	378,498	
CONSOLIDATED						
NZD IN THOUSANDS (\$000)	Share Capital	Retained Earnings	Foreign Currency Reserve	Asset Revaluation Reserve	Available for Sale Reserve	Total Equity
Opening balance at 1 September 2009	-	191,841	(5,062)	55,337	-	242,116
Net profit/(loss) for the period	-	(14,019)	-	-	-	(14,019)
Other comprehensive income	-	3,651	(4,454)	48,981	-	48,178
Total comprehensive income for the period	-	(10,368)	(4,454)	48,981	-	34,159
Transactions with owners in their capacity as owners*						
New Ordinary shares issued – cash received	4,173	-	-	-	-	4,173
New Ordinary shares issued – deferred settlement	16,163	-	-	-	-	16,163
Supplier investment shares exchanged	17,235	-	-	-	-	17,235
Members' ordinary shares exchanged	25,668	-	-	-	-	25,668
Transaction costs on share issue	(901)	-	-	-	-	(901)
Taxable bonus issue of new ordinary shares	55,222	(55,222)	-	-	-	-
Closing balance at 30 September 2010	117,560	126,251	(9,516)	104,318	-	338,613
Opening balance at 1 October 2010	117,560	126,251	(9,516)	104,318	-	338,613
Net profit/(loss) for the period	-	30,801	-	-	-	30,801
Other comprehensive income	-	1,110	(1,785)	(1,270)	-	(1,945)
Total comprehensive income for the period	-	31,911	(1,785)	(1,270)	-	28,856
Transactions with owners in their capacity as owners*						
Taxable bonus issue of new ordinary shares	16,287	(16,287)	-	-	-	-
RWT paid on bonus issue of new ordinary shares	-	(1,042)	-	-	-	(1,042)
Closing balance at 30 September 2011	133,847	140,833	(11,301)	103,048	-	366,427

*Refer to note 22 for additional information regarding the Groups Capital raising exercise during the previous year. The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

BALANCE SHEET

as at 30 September 2011

NZD IN THOUSANDS (\$000)	NOTES	PARENT		CONSOLIDATED	
		As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
ASSETS – Current Assets					
Cash and cash equivalents	24	1,017	1,949	1,867	3,182
Derivative financial instruments	26	3,051	4,356	3,051	4,356
Trade and other receivables	15	152,663	98,059	141,202	106,199
Financial assets	22	7,788	6,486	7,788	6,486
Inventories	13	86,729	58,400	111,538	76,141
Livestock	14	42,160	31,655	42,160	31,655
Tax receivable	9	-	-	136	13
Assets held for sale	17	-	1,572	-	1,572
Total Current Assets		293,408	202,477	307,742	229,604
ASSETS – Non-current Assets					
Available for sale financial assets	16	78	78	78	78
Trade and other receivables	15	12,776	8,757	12,776	8,757
Financial assets	22	513	6,192	513	6,192
Investments in subsidiaries	31	61,902	71,553	-	-
Investments in associates	29	8,938	9,208	14,072	15,788
Property, plant and equipment	17	328,232	333,783	333,241	337,608
Intangible assets and goodwill	28	1,686	2,110	6,075	2,214
Total Non-current Assets		414,125	431,681	366,755	370,637
TOTAL ASSETS		707,533	634,158	674,497	600,241
LIABILITIES – Current Liabilities					
Bank overdraft	24,19	7,283	860	9,807	2,847
Derivative financial instruments	26	5,956	705	5,956	705
Trade and other payables	18	118,786	95,145	102,556	77,263
Provisions	21	18,113	13,722	18,402	13,820
Advances from subsidiaries		8,543	8,543	-	-
Tax provision	9	-	-	494	26
Interest bearing loans and borrowings	19	111,057	397	111,057	397
Bonds payable	20	-	75,052	-	75,052
Total Current Liabilities		269,738	194,424	248,272	170,110
LIABILITIES – Non-current Liabilities					
Provisions	21	9,683	8,633	9,683	8,633
Interest bearing loans and borrowings	19	550	41,832	550	41,832
Bonds payable	20	-	-	-	-
Deferred income tax	9	20,724	11,265	21,225	11,895
Total Non-current liabilities excluding members' shares		30,957	61,730	31,458	62,360
TOTAL LIABILITIES EXCLUDING MEMBERS' SHARES		300,695	256,154	279,730	232,470
NET ASSETS EXCLUDING MEMBERS' SHARES		406,838	378,004	394,767	367,771
Convertible redeemable preference shares	19,22	1,584	1,595	1,584	1,595
Supplier investment shares	22	7,155	7,203	7,155	7,203
Members' ordinary shares	22	19,601	20,360	19,601	20,360
Total Members' Shares		28,340	29,158	28,340	29,158
NET ASSETS		378,498	348,846	366,427	338,613
EQUITY – Equity attributable to equity holders of the parent					
New ordinary shares	22	133,847	117,560	133,847	117,560
Retained earnings		143,518	128,878	140,833	126,251
Other reserves	23	101,133	102,408	91,747	94,802
TOTAL EQUITY		378,498	348,846	366,427	338,613

The above Balance Sheet should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

for the 12 months ended 30 September 2011

NZD IN THOUSANDS (\$000)	NOTES	PARENT		CONSOLIDATED	
		12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Cash flows from operating activities					
Receipts from customers		2,001,006	1,803,070	2,031,609	1,834,603
Payments to suppliers and employees		(2,006,412)	(1,707,308)	(2,037,922)	(1,737,717)
Interest received		567	358	577	358
Dividends received		1,462	541	1,462	541
Insurance proceeds received		17,851	-	17,851	-
Finance costs paid		(19,888)	(23,380)	(20,030)	(23,903)
Tax refund received/(tax paid)		(1,042)	119	(1,079)	(1,088)
Net cash flows (used in)/from operating activities	12	(6,456)	73,400	(7,532)	72,794
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		26,722	2,605	26,723	2,589
Proceeds from sale of investments		-	7,297	-	7,297
Purchase of property, plant and equipment and intangibles		(19,829)	(22,607)	(20,109)	(23,611)
Proceeds from/(advance to) associate		2,652	(2,291)	2,652	(2,291)
Proceeds from associate		270	2,200	486	2,200
Investment in subsidiary business acquisitions	30	(9,120)	-	(8,950)	-
Net cash flows (used in)/from investing activities		695	(12,796)	802	(13,816)
Cash flows from financing activities					
Proceeds from the issue of New ordinary shares		5,116	8,678	5,116	8,678
Bond repayment		(75,000)	-	(75,000)	-
Advance/(repayment) of borrowings		69,216	(66,149)	69,216	(66,149)
Distributions paid		(96)	(98)	(96)	(98)
Members' ordinary shares surrendered		(759)	(1,740)	(759)	(1,740)
Supplier investment shares surrendered		(48)	(316)	(48)	(316)
Convertible redeemable preference shares redeemed		(11)	(27)	(11)	(27)
Net cash flows (used in)/from financing activities		(1,582)	(59,652)	(1,582)	(59,652)
Net increase/(decrease) in cash and cash equivalents		(7,343)	952	(8,312)	(674)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(12)	(19)	37	(93)
Cash and cash equivalents at the beginning of the period		1,089	156	335	1,102
Cash and cash equivalents at the end of the period		(6,266)	1,089	(7,940)	335
Represented by:					
Cash	25	1,017	1,949	1,867	3,182
Bank overdraft	25	(7,283)	(860)	(9,807)	(2,847)
Cash at the end of the period		(6,266)	1,089	(7,940)	335

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2011

1 CORPORATE INFORMATION

The financial statements of Silver Fern Farms Limited for the 12 months ended 30 September 2011 were authorised for issue in accordance with a resolution of the directors on 18 November 2011.

Silver Fern Farms Limited (the Parent) is registered under the Companies Act 1993 and the Co-operative Companies Act 1996. Silver Fern Farms Limited is an issuer for the purposes of the Financial Reporting Act 1993.

On 29 April 2010, Silver Fern Farms Limited announced a change of balance date to 30 September. The later 30 September balance date better reflects Silver Fern Farm Limited's financial performance from the sales of meat and associated products supplied in the season. Financial statements for the Parent and Group have been prepared for the 12 months ended 30 September 2011. The comparative period is for the 13 months ended 30 September 2010 and therefore the comparative amounts shown in the statement of comprehensive income, statement of changes in equity, balance sheet, the cash flow statement and related notes may not be directly comparable.

The nature of the operations and principal activities of the Group are described in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A BASIS OF PREPARATION

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements have also been prepared on a historical cost basis, except for operational land and buildings which are measured at fair value. Derivative financial instruments and available for sale financial assets have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

B STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards (IFRS).

C NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

i. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Group has adopted the following new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations as of 1 October 2010.

- Amendments to NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards
- NZ IFRS 7 Financial Instruments: Disclosure (Amendments)
- Amendments to NZ IFRS 2 Share-based Payment
- Amendments to NZ IFRS — Classification of Rights Issues [NZ IAS 32]
- Amendments to NZ IFRS arising from the Annual Improvements Project (2009)
- Amendments to NZ IFRS arising from the Annual Improvements Project (2010)
- NZ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Group has not elected to early adopt any new standards or interpretations that are issued but not yet effective.

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

Amendments to NZ IFRS arising from the Annual Improvements Projects (2009 and 2010)

The amendments to some Standards have resulted in changes to terminology and presentation but have had minimal effect on the Group's accounting.

ii. Accounting standards and interpretations issued but not yet effective

The following standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the reporting period ended 30 September 2011.

NZ IFRS 10 Consolidated Financial Statements

Summary of Policy:

The standard establishes a new control model, which broadens the situations when an entity is considered to control another entity.

Date standard becomes effective:

Periods beginning on or after 1 January 2013.

Impact on Group financial report:

The Group has a number of investments that are classified as associates under current standards and will determine, at a

time closer to the application date, whether the arrangements in place at that time constitute control and require a change in accounting treatment.

Application date for Group:
1 October 2013.

NZ IFRS 11 Joint Arrangements

Summary of Policy:

NZ IFRS 11 replaces NZ IAS 1 Interests in Joint Ventures and applies the same principles of control as NZ IFRS 10 to define joint control.

Date standard becomes effective:
Periods beginning on or after 1 January 2013.

Impact on Group financial report:
No impact is expected from the new standard.

Application date for Group:
1 October 2013.

NZ IFRS 12 Disclosure of Interests in Other Entities

Summary of Policy:

NZ IFRS 12 introduces new disclosure requirements relating to interests in subsidiaries, joint arrangements and associates, including judgements made by management to determine whether control exists and to require summarised information about certain entities or arrangements.

Date standard becomes effective:
Periods beginning on or after 1 January 2013.

Impact on Group financial report:
The new standard is expected to impact on disclosures but will have no impacts on the Group's accounting.

Application date for Group:
1 October 2013.

NZ IFRS 13 Fair Value Measurement

Summary of Policy:

NZ IFRS 13 establishes a single source of guidance under NZ IFRS for determining the fair value of assets and liabilities. NZ IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under NZ IFRS when fair value is required or permitted by NZ IFRS. NZ IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Date standard becomes effective:
Periods beginning on or after 1 January 2013.

Impact on Group financial report:
The Group applies fair values in accounting for a number of balances within the financial statements including operational land and buildings, business combinations, livestock inventory and certain financial instruments. Application of this guidance might result in different fair values being determined for the relevant balances.

Application date for Group:
1 October 2013.

D BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Silver Fern Farms Limited and its subsidiaries and associates as at each period end ('the Group').

Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. A list of subsidiaries appears in note 31 to the financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Investments in subsidiaries are accounted for at cost in the parent company financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries are held at cost, less any impairment write down in the parent entity.

E BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree, the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with NZ IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

F FOREIGN CURRENCY TRANSLATION

i. Functional and presentation currency

Both the functional and presentation currency of Silver Fern Farms Limited and its New Zealand subsidiaries is New Zealand dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

ii. Transactions and balances

Foreign currency transactions are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

All exchange differences in the consolidated financial statements are taken to profit or loss for the period.

iii. Foreign operations

On consolidation, the assets and the liabilities of the Group's overseas operations are translated into the presentation currency of Silver Fern Farms Limited at the exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to the foreign currency translation reserve, a separate component of other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

G CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and bank balances are categorised as fair value through profit and loss assets.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the balance sheet.

H TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance is made for estimated impairments when there is objective evidence that the Group will not be able to collect the receivable. This is determined by reference to past default experience and certain other indicators that the receivable may be impaired, such as financial difficulties of the debtor or default payments or debts more than 60 days overdue. Trade receivables are monitored on a weekly basis by sales account managers. Individual debts that are known to be uncollectible are written off when identified.

I INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is calculated on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of meat and associated products includes the price of livestock, plus processing and other expenses incurred to bring it to a saleable condition and location. Costs include direct and indirect overheads.

J LIVESTOCK (BIOLOGICAL ASSETS)

Livestock consists of sheep and cattle. The group purchases sheep and cattle for the following purposes:

Lambplan/Beefplan

Lambs and cattle are purchased from breeders and are placed with finishers until they reach optimal weights. Finishers are paid on a liveweight gain basis as livestock is delivered within specification for processing.

Other

Additional sheep and cattle are farmed on land owned or leased by Silver Fern Farms adjacent to processing facilities.

Livestock is valued at fair value which is the market price for procurement, and resulting gains or losses are recognised in profit and loss. Point of sale costs include any necessary costs to dispose of livestock, excluding costs incurred to get the livestock to market.

K DERIVATIVE FINANCIAL INSTRUMENTS

The group enters into foreign currency forward exchange contracts and options to economically hedge trading transactions to reduce exposure to fluctuations in foreign currency exchange rates.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into, and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivatives are classified as fair value through profit and loss financial assets or liabilities.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

L NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

M INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and financial assets are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets are derecognised when the right to receive the cash flows from the financial assets have expired or been transferred.

i. Financial assets at fair value through profit and loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading. Gains or losses on investments held for trading are recognised in profit or loss.

ii. Loans and receivables

Loans and receivables, including deferred payments due from shareholders, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

iii. Available for sale-investments

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as any of the two preceding categories. After initial recognition available for sale investments are measured at fair value with gains or losses being recognised as a separate component of other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

N INVESTMENT IN ASSOCIATES

The Group's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Associates are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates (in the parent balance sheet, investments in associates are carried at cost). Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After the application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates post acquisition profits or losses is recognised in profit or loss, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

Where reporting dates of the associate and the Group are different, financial statements have been prepared by the associate for the same reporting dates as the Group. Both the group and its associates use consistent accounting policies.

Where there has been a change recognised directly in the associate's other comprehensive income, the Group recognises its share of any changes and discloses this, when applicable in other comprehensive income.

O PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Operational land and buildings are measured at fair value, based on periodic but at least five yearly valuations by external independent valuers who apply the International Valuations Standards Committee International Valuation Standards, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Land Improvements – 5 to 50 years
- Buildings – 5 to 50 years
- Plant and equipment – 4 to 20 years
- Motor Vehicles – 5 to 8 years

Certain assets are depreciated on a diminishing value basis.

Revaluations

Following initial recognition at cost, operational land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Revaluations are performed on a periodic but at least five yearly cycle. Therefore land and buildings purchased inside the revaluation cycle are recognised at cost until they are subsequently revalued.

Any revaluation increment is credited to the asset revaluation reserve included in other comprehensive income, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognised.

P LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the statement of comprehensive income as finance costs.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. These assets are measured at cost.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Group as lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Rental income is recognised over the life of the lease.

Q IMPAIRMENT

At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

For an asset that does not generate largely independent inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

R TRADE AND OTHER PAYABLES

Trade payables and other accounts payable and accrued expenses are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Trade payables and other payables are recognised at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the cost of goods and services. The amounts are unsecured and usually paid in 30 days of recognition.

S INTANGIBLE ASSETS

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred. Intangible assets acquired are initially measured at cost. Following initial recognition, all intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Currently finite life intangible assets are amortised over a period of 3 to 4 years on a straight line basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively

by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

i. Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at the amount recognised at acquisition date less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. The Group performs its impairment testing as at 30 September each year using discounted cash flows under the value in use methodology. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

ii. Research and software development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

T INTEREST-BEARING LOANS AND BORROWINGS

Loans and borrowings are measured initially at the fair value of the consideration received net of transaction costs. Subsequent

to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method which allocates the cost through the expected life of the loan or borrowing. Amortised cost is calculated taking into account any issue costs.

Bank loans are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Silver Fern Farms Limited bonds are measured initially at fair value net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate method. Interest expense is measured in profit or loss using the effective interest rate method.

Borrowing costs are expensed as incurred except when they are directly attributable to the acquisition or construction of a qualifying asset. When this is the case, they are capitalised as part of the cost of that asset.

U PROVISIONS AND EMPLOYEE LEAVE BENEFITS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured in the balance sheet at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service.

V CONVERTIBLE REDEEMABLE PREFERENCE SHARES

The convertible preference shares exhibit characteristics of a liability, and are therefore recognised as a liability in the balance sheet.

The convertible redeemable preference shares are measured initially at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, these shares are subsequently measured at amortised cost using the effective interest method which allocates the cost through the expected life of the loan or borrowing. Amortised cost is calculated taking into account any issue costs.

W MEMBERS' SHARES

i. Members ordinary shares

The Co-operative's share capital includes the amount of shares issued to the members of the Co-operative. From time to time,

existing members leave the Co-operative and new members join the Co-operative. Members who leave the Co-operative are entitled, after a length of time, to have their share capital amounts repaid to them. New members are required to subscribe to shares in the Co-operative.

Silver Fern Farms Limited has two classes of Members' shares: Members' ordinary shares which are issued to suppliers who supply stock under the Silver Fern Farms rebate system and Supplier investment shares, which are issued to all suppliers of stock to Silver Fern Farms (subject to certain restrictions). All Members' shares have a nominal value of one dollar per share. Supplier investment shares are paid to ninety cents by the supplier with the balance of ten cents being paid by way of a dividend from retained earnings.

Members' ordinary shares carry full voting rights subject to the shareholder being a Current Supplier (as defined in Silver Fern Farms constitution) at the time of voting. Supplier investment shares carry voting rights in relation to director elections only. Members' shares participate equally on winding up.

The current maximum shareholdings for Members' ordinary shares and Supplier investment shares are 17,500 and 15,000 respectively.

Members' shares are eligible to receive a dividend subject to profitability, although any such dividend is likely to be restricted to fully paid Supplier investment shares. Members' ordinary shares shareholders are eligible to receive a rebate based on the profit earned from stock supplied.

Due to the obligations of the Co-operative set out above, the Co-operative share capital meets the definition of a financial liability as per NZ IAS 32: Financial Instruments Disclosure and Presentation, and hence, the issued and paid up capital is classified as a financial liability.

ii. New ordinary shares

New ordinary shares are classified as equity. Incremental costs attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

X SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the CODM – being the Chief Executive Officer. Since segment assets and liabilities are not included in measures used by the CODM, they are not reported within note 4.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes

- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services and if applicable,
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by NZ IFRS 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Y REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of shipment.

ii. Interest income

Revenue is recognised as the interest accrues (using the effective interest rate). This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

iii. Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Z INCOME TAX AND OTHER TAXES

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary differences are associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable

profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in other comprehensive income are recognised in other comprehensive income and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

AA OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

AB EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i. Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise these temporary differences.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the probability of future taxable profits and the timing of these profits. In exercising its judgement, management and the directors have considered future tax planning strategies. The Directors have estimated that the group will generate sufficient taxable income to utilise recognised tax losses.

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environment and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations which incorporate a number of key estimates and assumptions.

ii. Significant accounting estimates and assumptions

Long service leave provision

As discussed in note 2(u), the liability for the long service

leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

ACC provision

The liability for the future costs of ACC claims outstanding is recognised and measured at the present value of the estimated future cash flows to be made in respect of all claims outstanding at balance date. In determining the present value of the liability, historical accident rates and average costs per accident and cost inflation assumptions have been taken into account.

Estimate of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as manufacturer's warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once a year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Stock margin calculation

At each half and full year accounting period meat inventory is valued using the discounted selling price method. This method uses the last sales price, or committed sales price, and converts these factors back to New Zealand dollars, less expenses incurred to bring the inventory to a saleable location. A margin deduction is made from stock on hand based on the margin achieved on sales during the year.

Land and buildings revaluation

Operational land and buildings are periodically revalued to fair value by an independent valuer. As there is no active market for the buildings held by the Group, Depreciated Replacement Cost (DRC) is used to establish a fair value; this fair value is then optimised via economic adjustments. Certain economic adjustments are applied to a buildings DRC to allow for any idle capacity included in the operation of the building. If any economic adjustments are required, these are completed by the independent valuer and included in the final valuation.

4 SEGMENT INFORMATION

The group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (CODM) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature and use of the end product(s).

Discrete financial information about each operating segment is reported to the Chief Executive Officer on at least a monthly basis. The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and their channels to market, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Types of products and services

Food

The Food business segment incorporates all meat production and sales (both domestic and international). It includes, amongst other things, all sales to independent meat wholesalers and distributors, and all sales to retailers and food service industry participants.

Associated Products

The Associated Products business segment incorporates all non-meat by-products that are sold locally and internationally. It includes amongst other things skins, hides, wool, tallow and meal.

Accounting policies

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period except as detailed below.

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Dividend revenue
- Interest revenue
- Fair value gains/losses on financial instruments
- Net gains on disposal of available-for-sale investments
- Finance costs – including adjustments on provisions due to discounting
- Non-recurring items

Assets and liabilities are not allocated to segments for reporting purposes.

Major customers

No individual external customer represented greater than 10% of group revenue in either the 12 months ended 30 September 2011 or 13 months ended 30 September 2010.

Business segments

The following tables present revenue and profit information for reportable segments for the 12 months ended 30 September 2011 and 13 months ended 30 September 2010.

NZD IN THOUSANDS (\$000)	12 months to				13 months to			
	Food	Associated Products	Unallocated Items	30 Sept 11 Total	Food	Associated Products	Unallocated Items	30 Sept 10 Total
Revenue								
Sales to external customers	1,761,889	292,867	-	2,054,756	1,601,145	230,537	-	1,831,682
Total segment revenue	2,054,756				1,831,682			
Segment net operating (loss)/profit before tax	25,089	4,170	-	29,259	(1,080)	(156)	-	(1,236)
Interest revenue	-	-	1,650	1,650	-	-	1,512	1,512
Interest expense	-	-	(14,951)	(14,951)	-	-	(17,948)	(17,948)
Depreciation and amortisation	(22,984)	(3,820)	-	(26,804)	(22,264)	(3,205)	-	(25,469)
Share of profit/(loss) of associates	1,326	(1,105)	-	221	1,023	374	-	1,397
Non-recurring income	-	-	12,230	12,230	-	-	11,378	11,378
Non-recurring expenditure	-	-	(5,643)	(5,643)	-	-	(18,276)	(18,276)

i. Segment revenue reconciliation to the statement of comprehensive income

NZD IN THOUSANDS (\$000)	CONSOLIDATED	CONSOLIDATED
	12 months to 30 Sept 11	13 months to 30 Sept 10
Total segment revenue	2,054,756	1,831,682
Other revenue from continuing activities	1,660	1,512
Total revenue	2,056,416	1,833,194

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers. The company does not have any material external revenues from external customers that are attributable to any foreign country other than as shown.

NZD IN THOUSANDS (\$000)	CONSOLIDATED	CONSOLIDATED
	12 months to 30 Sept 11	13 months to 30 Sept 10
USA	322,620	271,686
New Zealand	233,172	206,148
United Kingdom	190,889	244,242
Germany	183,398	141,212
China	106,074	55,245
Japan	91,534	82,628
Australia	91,202	68,204
Italy	87,222	68,004
Other	750,305	695,825
Total revenue	2,056,416	1,833,194

ii. Segment net operating profit before tax reconciliation to the statement of comprehensive income

The Leadership team meets on a monthly basis to assess the performance of each segment by analysing the segment's net operating profit before tax. A segment's net operating profit before tax excludes non operating income and expense such as dividends received, fair value gains and losses, gains and losses on disposal of assets and impairment charges.

Reconciliation of segment net operating loss after tax to net loss before tax:

NZD IN THOUSANDS (\$000)	CONSOLIDATED	CONSOLIDATED
	12 months to 30 Sept 11	13 months to 30 Sept 10
Segment net operating (loss)/profit before tax	29,259	(1,236)
Other revenue	1,660	1,512
Other income (excluding foreign exchange gains)	23,118	13,718
Fair value gain/(loss) on financial instruments	293	432
Finance costs	(20,215)	(22,845)
Member distributions	(96)	(98)
Net non-recurring items	6,587	(6,898)
Net profit/(loss) before tax per the statement of comprehensive income	40,606	(15,415)

5 OTHER REVENUE

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Interest revenue	1,640	1,511	1,650	1,512
Dividend revenue	1,462	541	10	-
Total other revenue	3,102	2,052	1,660	1,512

6 OTHER INCOME

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Rental revenue	1,286	1,062	1,286	1,062
Net foreign exchange gains	19,170	31,816	19,138	31,818
Gain on sale of property, plant and equipment	6,239	724	6,241	724
Sundry income	18,896	16,021	15,591	11,932
Total other income	45,591	49,623	42,256	45,536

7 EXPENSES

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Employee benefits expense				
Wages and salaries	263,038	261,447	265,356	264,558
Wages and salaries capitalised	(1,321)	(2,082)	(1,321)	(2,082)
Workers' compensation costs	8,842	7,211	8,995	7,417
Superannuation costs	5,154	4,968	5,258	5,078
Total employee benefits expense	275,713	271,544	278,288	274,971
Finance costs				
Bank facility fees	5,264	4,897	5,264	4,897
Bank interest cost	13,326	8,151	13,367	8,193
Other interest cost	249	229	351	710
Bond interest cost and similar expenses	1,233	9,045	1,233	9,045
Total finance costs	20,072	22,322	20,215	22,845
Other expenses				
Audit fees	198	198	325	314
Bad debt expense/(recovery)	854	(103)	960	(12)
Energy costs	28,186	27,811	28,211	27,837
Internal freight	5,823	6,232	9,126	10,372
Leasing costs	5,316	4,959	5,540	5,167
Loss on sale of plant, property and equipment	447	150	447	166
Gain on fair value of financial instruments	(293)	(432)	(293)	(432)
Rental costs	2,751	3,054	2,901	3,162
Other operating costs	194,264	210,763	195,798	214,000
Total other expenses	237,546	252,632	243,015	260,574

8 NON-RECURRING ITEMS

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Gains on disposal of PP&E	12,230	97	12,230	97
Reversal of previous impairment on land and buildings	-	10,991	-	10,991
Other income	-	253	-	290
Total income	12,230	11,341	12,230	11,378
Restructuring costs	3,551	3,304	3,551	3,518
Plant closure costs	-	7,411	-	10,445
Other non-recurring expenses	1,000	-	1,000	-
Assets written down in value	1,092	4,313	1,092	4,313
Total expenses	5,643	15,028	5,643	18,276
Total non-recurring items income/(expense)	6,587	(3,687)	6,587	(6,898)

9 INCOME TAX

The major components of income tax expense are current income tax, deferred income tax and amounts charged or credited directly to other comprehensive income.

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Income tax expense				
Current income tax charge	252	461	634	1,112
Adjustments in respect of current income tax of previous years	-	-	-	5
Deferred income tax				
Adjustments in respect of deferred income tax of previous years	2,981	(2,577)	2,981	(2,577)
Relating to origination and reversal of temporary differences	6,314	150	6,190	64
Income tax expense/(benefit) reported in profit or loss	9,547	(1,966)	9,805	(1,396)
Amounts charged or credited directly to other comprehensive income				
Revaluation of buildings – charged/(credited)	164	11,119	160	11,729
Income tax expense/(benefit) reported in other comprehensive income	164	11,119	160	11,729

Numerical reconciliation between aggregate tax expense recognised in profit or loss and tax expense calculated per the statutory income tax rate

A reconciliation between the tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Accounting profit/(loss) before non-recurring items and tax	33,818	(15,235)	34,019	(8,517)
Non-recurring items	6,587	(3,687)	6,587	(6,898)
Total accounting profit/(loss) before income tax	40,405	(18,922)	40,606	(15,415)
At the parent entity's statutory income tax rate of 30%	12,121	(5,677)	12,181	(4,625)
Adjustments in respect of current/deferred income tax of previous years	2,981	-	2,981	5
Change in corporate tax rate	(511)	757	(511)	757
Change in building depreciation rules	-	7,509	-	7,509
Capital gain on sale of asset	(4,616)	(2,454)	(4,616)	(2,454)
Non-deductible loss on sale of buildings	-	186	-	202
Non-deductible entertainment expenditure, legal expense and rebates	146	55	146	65
Other non-deductibles/non-taxables	(436)	(2,943)	(436)	(2,946)
Partnership loss	(391)	-	(391)	-
Write off of foreign withholding tax	253	600	253	600
Other differences	-	1	198	(509)
Aggregate income tax expense/(benefit)	9,547	(1,966)	9,805	(1,396)

Recognised deferred tax assets and liabilities

NZD IN THOUSANDS (\$000)	PARENT				CONSOLIDATED			
	As at 30/9/11 Current Income Tax	As at 30/9/11 Deferred Income Tax	As at 30/9/10 Current Income Tax	As at 30/9/10 Deferred Income Tax	As at 30/9/11 Current Income Tax	As at 30/9/11 Deferred Income Tax	As at 30/9/10 Current Income Tax	As at 30/9/10 Deferred Income Tax
Opening asset/(liability)	-	(11,265)	-	(2,573)	(13)	(11,895)	(565)	(2,679)
Charged to income	(252)	(9,295)	(461)	2,427	(634)	(9,171)	(1,117)	2,513
(Charged)/ credited to other comprehensive income	-	(164)	-	(11,119)	-	(159)	-	(11,729)
Other payments/movements	252	-	461	-	289	-	1,669	-
Closing asset/(liability)	-	(20,724)	-	(11,265)	(358)	(21,225)	(13)	(11,895)
Tax expense/(benefit) in statement of comprehensive income	-	9,547	-	(1,966)	-	9,805	-	(1,396)
<i>Amounts recognised in the balance sheet:</i>								
Deferred tax asset	-	16,786	-	24,677	-	16,789	-	24,682
Deferred tax liability	-	(37,510)	-	(35,942)	-	(38,014)	-	(36,577)
Deferred tax liability	-	(20,724)	-	(11,265)	-	(21,225)	-	(11,895)

This deferred taxation balance has been calculated at the corporate tax rate of 28% that will apply from 1 October 2011.

Deferred income tax at balance date

BALANCE SHEET	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
i Deferred tax liabilities				
Fixed assets	37,510	35,942	38,014	36,577
Gross deferred tax liabilities	37,510	35,942	38,014	36,577
Set-off of deferred tax assets	(16,786)	(24,677)	(16,789)	(24,682)
Net deferred tax liabilities	20,724	11,265	21,225	11,895
ii Deferred tax assets				
ACC provision	1,270	1,192	1,270	1,192
Annual/long service leave	4,225	4,343	4,225	4,343
Bad debts provision	209	134	209	134
Bonus adjustment/admin provision	403	118	403	118
IRD investigation adjustments	133	174	133	174
Livestock procurement provision	537	88	537	88
Livestock revaluation	(351)	(1,566)	(351)	(1,566)
Losses carried forward	7,021	19,986	7,021	19,987
Other accruals	2,487	65	2,490	69
Quota	363	-	363	-
Restructure accruals	475	78	475	78
Stock provision	14	65	14	65
Gross deferred tax assets	16,786	24,677	16,789	24,682
Set-off of deferred tax liabilities	(16,786)	(24,677)	(16,789)	(24,682)
Net deferred tax assets	-	-	-	-

Unrecognised temporary difference

At balance date there are no unrecognised temporary differences associated with the Group's investments in subsidiaries or associates, as the Group has no liability for additional taxation should unremitted earnings be remitted (2010: \$nil).

Imputation credit balance

NZD IN THOUSANDS (\$000)	PARENT 12 months to 30 Sept 11	PARENT 13 months to 30 Sept 10
Balance at beginning of the period	10,953	38,377
Other adjustments	97	(81)
Imputation credits attached to taxable bonus issue	(6,932)	(27,343)
Balance at end of the period	4,118	10,953

At balance date the imputation credits available to the shareholders of the parent were:

NZD IN THOUSANDS (\$000)	PARENT As at 30 Sept 11	PARENT As at 30 Sept 10
Through direct shareholding in the parent	4,118	10,953
Through indirect interest in subsidiaries	186	186

10 MEMBERS' DISTRIBUTIONS PAID AND PROPOSED

NZD IN THOUSANDS (\$000)	PARENT AND CONSOLIDATED 12 months to 30 Sept 11	PARENT AND CONSOLIDATED 13 months to 30 Sept 10
Recognised amounts		
<i>Declared and paid during the year:</i>		
Dividends on convertible redeemable preference shares	96	98
Members' ordinary shares issued	-	-
Total members' distributions paid and proposed	96	98

11 EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations:

NZD IN THOUSANDS (\$000)	CONSOLIDATED 12 months to 30 Sept 11	CONSOLIDATED 13 months to 30 Sept 10
a Earnings used in calculating earnings per share		
<i>For basic earnings per share:</i>		
Profit/(loss) attributable to new ordinary shareholders of the parent	30,801	(14,019)
<i>For diluted earnings per share:</i>		
Profit/(loss) attributable to new ordinary shareholders of the parent (from basic EPS)	30,801	(14,019)

NZD IN THOUSANDS (\$000)	CONSOLIDATED 12 months to 30 Sept 11	CONSOLIDATED 13 months to 30 Sept 10
b Weighted average number of shares		
Weighted average number of new ordinary shares for basic earnings per share	94,482	94,482
<i>Effect of dilution:</i>		
Partly paid new ordinary shares	-	-
Weighted average number of new ordinary shares adjusted for the effect of dilution	94,482	94,482

There have been no transactions involving New Ordinary shares that would significantly change the number of New Ordinary shares outstanding between the reporting date and the date these financial statements have been signed. In order to aid comparability of the computations, the number of New Ordinary shares for 2010 have been restated to reflect the bonus issue in the current financial year.

12 CASH FLOW STATEMENT RECONCILIATION

Reconciliation of net profit/(loss) after tax to net cash flows from operations

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Net profit/(loss)	30,858	(16,956)	30,801	(14,019)
<i>Adjustments for:</i>				
Depreciation and amortisation	26,591	25,320	26,804	25,469
Non cash portion bond interest	201	806	201	806
(Reversal of)/ Impairment of land and buildings	1,092	(10,991)	1,092	(10,991)
Foreign exchange movements in cash	-	-	595	1,307
Gain on disposal of PP&E	(12,230)	(97)	(12,230)	(97)
Impairment of Investments	-	4,313	-	4,313
Non-cash investment in associate	-	(5,150)	-	(5,150)
Interest accrual	(90)	(1,864)	(90)	(1,864)
Net (gain)/loss on disposal of property, plant and equipment	(5,792)	(575)	(5,794)	(558)
Net (gain)/loss on changes in fair market value of derivatives	6,556	16,636	6,556	16,636
Associate dividends eliminated	-	-	1,452	541
Non cash investment in subsidiary (see note 30)	(5,400)	-	(5,400)	-
Dividend income classified as investing activity	15,650	-	-	-
RWT paid on bonus share issue of New Ordinary shares	(1,042)	-	(1,042)	-
Costs capitalised on issue of shares	-	(901)	-	(901)
Trade and other receivables movement classified as investing activities	(6,842)	-	(6,842)	-
Share of associate income	-	-	(221)	(1,397)
Members' distribution	96	98	96	98
Other items	(82)	-	(297)	-
Reversal of impairment of investment in associate	-	(1,774)	-	(1,774)
	49,566	8,865	35,681	12,419
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in inventories	(38,834)	40,645	(45,901)	69,018
(Increase)/decrease in trade and other receivables	(55,727)	11,300	(36,126)	(3,263)
(Decrease)/increase in tax balance	9,458	(2,427)	9,675	(3,064)
(Decrease)/increase in provisions, trade and other payables	29,081	15,017	29,139	(2,316)
	(56,022)	64,535	(43,213)	60,375
Net cashflows (used in)/from operating activities	(6,456)	73,400	(7,532)	72,794

13 INVENTORIES

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Meat and associated product inventory	78,105	49,255	102,829	66,996
Consumables and packaging	8,624	9,145	8,709	9,145
Total inventories	86,729	58,400	111,538	76,141

The amount expensed in other operating costs for obsolete packaging was \$346,000 (2010: \$215,000) for the Parent and Group.

14 LIVESTOCK

NZD IN THOUSANDS (\$000)	PARENT AND CONSOLIDATED		PARENT AND CONSOLIDATED	
	As at 30 Sept 11		As at 30 Sept 10	
Opening balance	31,655		26,416	
Net movements in livestock	9,116		(106)	
Changes in livestock fair value less estimated selling cost	1,389		5,345	
Closing balance	42,160		31,655	

Livestock consists of sheep and cattle.

The Group purchases sheep and cattle through Lambplan, Beefplan and other procurement plans, as part of its normal operations, and also carries livestock on its own works' farms. Sheep and cattle are valued at fair value which is the market price for procurement. Lambplan and Beefplan are described in the accounting policy for livestock note 2(j). At the end of the year 143,103 (2010: 164,938) head of livestock were held.

15 TRADE AND OTHER RECEIVABLES

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Trade receivables	83,211	51,558	98,374	71,524
Allowance for impairment loss	(745)	(445)	(825)	(504)
Total trade receivables excluding related parties	82,466	51,113	97,549	71,020
Related party receivables				
Trade receivables due from Associates	15,783	10,837	15,783	10,837
Trade receivables due from Subsidiaries	24,790	12,099	-	-
Total related party receivables	40,573	22,936	15,783	10,837
Total trade receivables	123,039	74,049	113,332	81,857
Other receivables				
Advances due from Associates	10,440	7,543	10,440	7,543
Other prepayments and receivables	31,960	25,224	30,206	25,556
Total other receivables	42,400	32,767	40,646	33,099
Total trade and other receivables	165,439	106,816	153,978	114,956
Current	152,663	98,059	141,202	106,199
Non-Current	12,776	8,757	12,776	8,757
Total trade and other receivables	165,439	106,816	153,978	114,956

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance has been made for estimated impairments from the sale of goods, determined by reference to past default experience.

Included in the above balance are amounts receivable in respect of vendor finance on properties previously sold. The principal of the receivables will be received by November 2011, with interest payable at a rate of 12% per annum.

The carrying amount of trade receivables disclosed above is a reasonable approximation of fair value.

For terms and conditions relating to related party receivables, refer to note 31.

a Allowance for impairment loss

An impairment loss of \$854,000 (2010: impairment loss reversal \$103,000) and \$960,000 (2010: impairment loss reversal \$12,000) has been recognised by the Parent and Group respectively in the current year. These amounts have been included in the other expenses (note 7).

Movements in the provision for impairment loss were as follows:

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Opening balance	445	562	504	658
Charge for the year	854	(103)	960	(12)
Amounts written off	(554)	(14)	(639)	(142)
Closing balance	745	445	825	504

At balance date the aging analysis of trade receivables is as follows:

NZD IN THOUSANDS (\$000)	Total	0 – 30	31 – 60	61 – 90	91+
		Days	Days	Days	Days
				PDNI*	PDNI*
As at 30 Sept 11					
Consolidated	113,332	107,204	4,855	1,273	-
Parent	123,039	116,307	5,464	1,268	-
As at 30 Sept 10					
Consolidated	81,857	65,625	11,746	3,838	648
Parent	74,049	56,762	12,717	3,989	581

* Past due not impaired ('PDNI').

Receivables past due but not considered impaired are: Consolidated \$nil (2010: \$648,000); Parent \$nil (2010: \$581,000).

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on sell) receivables to special purpose entities.

Detail regarding foreign exchange exposure and interest rate risk exposure is disclosed in note 24.

16 AVAILABLE FOR SALE FINANCIAL ASSETS

NZD IN THOUSANDS (\$000)	PARENT AND CONSOLIDATED	PARENT AND CONSOLIDATED
	As at 30 Sept 11	As at 30 Sept 10
At fair value:		
Shares – New Zealand unlisted	78	78
Total available for sale financial assets	78	78
Current	-	-
Non-Current	78	78
Total available for sale financial assets	78	78

Available for sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of unlisted available for sale investments has been estimated based upon an assessment of the underlying net asset value of the company and its future prospects.

17 PROPERTY, PLANT AND EQUIPMENT

a Reconciliation of the carrying amounts at the beginning and end of the period

PARENT NZD IN THOUSANDS (\$000)	Land	Buildings	Plant and Equipment	Vehicles	Work in progress	Total
12 months ended 30 Sept 2011						
At 1 October 2010, net of accumulated depreciation	61,168	168,604	95,020	584	8,407	333,783
Additions	2,120	5,039	11,736	119	9,229	28,243
Disposals	(996)	(4,671)	(13,437)	(826)	(811)	(20,741)
Impairment of assets	-	(1,015)	(76)	-	-	(1,091)
Reclassification of assets	(6)	277	(277)	-	-	(6)
Transfers (to)/ from assets held for sale	1,102	447	23	-	-	1,572
Depreciation charge for the year	(133)	(9,964)	(15,027)	(114)	104	(25,134)
Depreciation on disposals	263	787	9,732	824	-	11,606
At 30 Sept 2011, net of accumulated depreciation	63,518	159,504	87,694	587	16,929	328,232
Cost or fair value	63,653	171,009	364,457	6,045	16,825	621,989
Accumulated depreciation and impairment	(135)	(11,505)	(276,763)	(5,458)	104	(293,757)
Net carrying value	63,518	159,504	87,694	587	16,929	328,232

b Reconciliation of the carrying amounts at the beginning and end of the period

CONSOLIDATED NZD IN THOUSANDS (\$000)	Land	Buildings	Plant and Equipment	Vehicles	Work in progress	Total
12 months ended 30 Sept 2011						
At 1 October 2010, net of accumulated depreciation	61,686	171,627	95,278	610	8,407	337,608
Additions	2,248	5,958	12,068	120	9,229	29,623
Disposals	(996)	(4,671)	(13,557)	(835)	(811)	(20,870)
Impairment of assets	-	(1,015)	(76)	-	-	(1,091)
Transfers (to)/ from assets held for sale	1,102	447	23	-	-	1,572
Depreciation charge for the year	(137)	(10,077)	(15,082)	(128)	104	(25,320)
Depreciation on disposals	263	787	9,852	832	-	11,734
Exchange adjustment	-	(7)	(7)	(1)	-	(15)
At 30 Sept 2011, net of accumulated depreciation	64,166	163,049	88,499	598	16,929	333,241
Cost or fair value	64,299	174,692	365,658	6,116	16,828	627,590
Accumulated depreciation and impairment	(133)	(11,643)	(277,159)	(5,518)	104	(294,349)
Net carrying value	64,166	163,049	88,499	598	16,929	333,241

c Reconciliation of the carrying amounts at the beginning and end of the period

PARENT NZD IN THOUSANDS (\$000)	Land	Buildings	Plant and Equipment	Vehicles	Work in progress	Total
13 months ended 30 Sept 2010						
At 1 September 2009, net of accumulated depreciation	41,514	124,326	102,294	592	6,853	275,579
Additions	3,459	4,578	12,188	132	2,026	22,383
Disposals	(1,165)	(5,177)	(10,824)	(442)	(276)	(17,884)
Revaluations	18,441	49,610	-	-	-	68,051
Impairment of assets	-	-	(102)	-	-	(102)
Transfers (to)/ from assets held for sale	(1,076)	(447)	(22)	-	-	(1,545)
Depreciation charge for the year	(95)	(5,954)	(16,929)	(136)	(196)	(23,310)
Depreciation on disposals	90	1,668	8,415	438	-	10,611
At 30 Sept 2010, net of accumulated depreciation	61,168	168,604	95,020	584	8,407	333,783
Cost or fair value	61,168	169,101	366,422	6,751	8,603	612,045
Accumulated depreciation and impairment	-	(497)	(271,402)	(6,167)	(196)	(278,262)
Net carrying value	61,168	168,604	95,020	584	8,407	333,783

d Reconciliation of the carrying amounts at the beginning and end of the period

CONSOLIDATED						
NZD IN THOUSANDS (\$'000)	Land	Buildings	Plant and Equipment	Vehicles	Work in progress	Total
13 months ended 30 Sept 2010						
At 1 September 2009, net of accumulated depreciation	43,434	123,352	103,460	664	6,853	277,763
Additions	3,539	4,530	12,189	134	2,026	22,418
Disposals	(1,165)	(5,255)	(15,947)	(511)	(276)	(23,154)
Revaluations	18,458	51,770	-	-	-	70,228
Impairment of assets	-	-	(102)	-	-	(102)
Reclassification of assets	(1,499)	2,032	(537)	2	-	(2)
Transfers (to)/ from assets held for sale	(1,076)	(447)	(22)	-	-	(1,545)
Depreciation charge for the year	(95)	(6,015)	(17,169)	(160)	(196)	(23,635)
Depreciation on disposals	90	1,685	13,430	489	-	15,694
Exchange adjustment	-	(25)	(24)	(8)	-	(57)
At 30 Sept 2010, net of accumulated depreciation	61,686	171,627	95,278	610	8,407	337,608
Cost or fair value	61,686	172,124	367,437	6,834	8,603	616,684
Accumulated depreciation and impairment	-	(497)	(272,159)	(6,224)	(196)	(279,076)
Net carrying value	61,686	171,627	95,278	610	8,407	337,608

e Revaluation of operational land and buildings

The Group engaged Darroch Limited, an accredited independent valuer that uses the International Valuation Standards Committee, International Valuation Standards as a reference, to determine the fair value of its operational land and buildings at 30 September 2010.

Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Group, and to market based yields for comparable properties. Where there is limited information available relating to specialised assets that are rarely, if ever, sold on the open market, the Depreciated Replacement Cost (DRC) method is normally applied. DRC is based on an estimate of current gross replacement (or reproduction) cost less allowances for physical deterioration and all relevant forms of obsolescence.

The effective date of the revaluation was 30 September 2010.

If operational land and buildings were measured using the cost model the carrying amounts would be as follows:

NZD IN THOUSANDS (\$'000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Cost	170,181	166,373	172,066	168,258
Accumulated depreciation	(71,980)	(68,711)	(72,688)	(69,366)
Net carrying amount	98,201	97,662	99,378	98,892

f Assets held for sale

NZD IN THOUSANDS (\$'000)	PARENT / CONSOLIDATED				PARENT/CONSOLIDATED			
	Cost/ Valuation	Accum. Deprec.	Writedown	Book Value	Cost/ Valuation	Accum. Deprec.	Writedown	Book Value
Freehold land (at valuation)	-	-	-	-	1,102	-	-	1,102
Freehold buildings (at valuation)	-	-	-	-	447	-	-	447
Plant and equipment	-	-	-	-	714	(691)	-	23
Vehicles	-	-	-	-	-	-	-	-
Total assets held for sale	-	-	-	-	2,263	(691)	-	1,572

At 30 September 2010, the Group intended to dispose of its Vital Petfood business and classified the related assets as held for sale. The business has not been sold and is no longer for sale and therefore the related assets have been reclassified into Property, plant and equipment.

g Carrying value of plant and equipment under finance leases

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 September 2011 is \$806,000 (2010: \$1,166,000).

h Expenditure recognised in the course of construction

Included in Work in Progress at 30 September 2011 is an amount of \$7,423,000 (2010: \$1,178,000) relating to buildings and site developments currently under construction.

18 TRADE AND OTHER PAYABLES

NZD IN THOUSANDS (\$'000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Trade payables	64,891	61,531	64,687	63,764
Other payables	37,531	11,861	37,869	12,898
Subsidiaries	16,364	21,152	-	-
Associates	-	601	-	601
Total trade and other payables	118,786	95,145	102,556	77,263

Trade payables are non-interest bearing and are normally settled on 30 day terms. Livestock purchases are paid in 6-14 days, except for 10% of the purchase price under the retention system which is paid up to 120 days after purchase. Other payables are non-interest bearing and have an average term of 3 months.

19 INTEREST BEARING LOANS AND BORROWINGS

NZD IN THOUSANDS (\$'000)	Average Effective Interest Rate (%)	Maturity	PARENT		CONSOLIDATED	
			As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Current						
NZ bank overdraft (9.5m)	10.70%	On demand	7,283	860	7,283	860
GBP bank overdraft (GBP 1.5m)	2.25%	On demand	-	-	2,524	1,987
Total overdrafts			7,283	860	9,807	2,847
Obligations under finance leases	10.26%	Current	257	348	257	348
Secured loan	5.40%	Current	110,800	49	110,800	49
Total interest bearing loans and borrowings – current			111,057	397	111,057	397
Non-current						
Obligations under finance leases	10.26%		550	832	550	832
Secured loan	5.40%	Sep-12	-	41,000	-	41,000
Total interest bearing loans and borrowings – non-current			550	41,832	550	41,832
Convertible redeemable preference shares						
Convertible redeemable preference shares	8.95%	Dec-11	1,584	1,595	1,584	1,595

Silver Fern Farms Limited banking facilities expire in September 2012, hence the classification of all secured loans as a current liability. Secured loan funding was used to repay the SFF030 Bond in November 2010.

a Fair values and security

The carrying amount of the Group's current and non-current borrowings approximate their fair value. For interest rate, foreign exchange and liquidity risk, refer note 24.

The Group grants to Westpac Banking Corporation, as security agent for the banking syndicate, a security interest in all of its personal property and a fixed charge over all of its non-personal property, as security for the due payment of the secured money and for the due performance and observance of, and compliance with, the secured obligations.

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Current assets	293,408	202,477	307,742	229,604
Non-current assets	414,125	431,681	366,755	370,637
Total assets pledged as security	707,533	634,158	674,497	600,241

The security interest and the fixed charge created by the deed are each first ranking charges except where the security agent otherwise consents in writing.

Each group company jointly and severally guarantees to the security agent unconditionally and irrevocably the due payment of the secured money, and the due performance of, and compliance with, the secured obligations.

Each group company acknowledges and agrees with the provisions set out in the terms of the General Security deed.

b Defaults and breaches

There were no breaches of covenants as at 30 September 2011 (30 September 2010: nil).

20 BONDS PAYABLE

NZD IN THOUSANDS (\$000)	Average Effective Interest Rate (%)	Maturity	PARENT		CONSOLIDATED	
			As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Bond issue SFF030 (\$75.0m)	10.25%	Nov-10	-	75,052	-	75,052
Total bonds payable			-	75,052	-	75,052
Current			-	75,052	-	75,052
Non-Current			-	-	-	-
Total bonds payable			-	75,052	-	75,052

On 15 November 2010, Silver Fern Farms Ltd repaid the SFF030 bonds. The bonds were replaced by bank funding per note 19.

21 PROVISIONS

PARENT					
NZD IN THOUSANDS (\$000)	Accident Future Costs	Livestock Procurement Provision	Employee Entitlements	Restructuring	Total
At 1 October 2010	3,529	294	18,271	261	22,355
Arising during the year	533	1,916	26,080	1,695	30,224
Utilised	(450)	(294)	(23,746)	(261)	(24,751)
Excess provision released	-	-	(32)	-	(32)
At 30 September 2011	3,612	1,916	20,573	1,695	27,796
Current 2011	2,156	1,916	12,346	1,695	18,113
Non-Current 2011	1,456	-	8,227	-	9,683
	3,612	1,916	20,573	1,695	27,796
Current 2010	2,329	294	10,838	261	13,722
Non-Current 2010	1,200	-	7,433	-	8,633
	3,529	294	18,271	261	22,355

CONSOLIDATED					
NZD IN THOUSANDS (\$'000)	Accident Future Costs	Livestock Procurement Provision	Employee Entitlements	Restructuring	Total
At 1 October 2010	3,529	294	18,369	261	22,453
Arising during the year	533	1,916	26,269	1,696	30,414
Utilised	(450)	(294)	(23,745)	(261)	(24,750)
Excess provision released	-	-	(32)	-	(32)
At 30 September 2011	3,612	1,916	20,861	1,696	28,085
Current 2011	2,156	1,916	12,634	1,696	18,402
Non-Current 2011	1,456	-	8,227	-	9,683
	3,612	1,916	20,861	1,696	28,085
Current 2010	2,329	294	10,936	261	13,820
Non-Current 2010	1,200	-	7,433	-	8,633
	3,529	294	18,369	261	22,453

a Accident future cost provision

The group participates in the ACC Partnership Programme, Full Self Cover Plan. The provision for the future cost of accidents related to the estimated future cost of accidents incurred by employees that the Group will have to bear. These payments are ongoing throughout the lifetime of the rehabilitation period.

ACC PARTNERSHIP PROGRAMME: OVERVIEW

Responsibilities and Accountabilities

The General Manager Human Resources is responsible for the development and ongoing review of injury management policy and procedures in consultation with relevant parties. This includes the establishment and monitoring of the partnership programme contract with ACC and notification to them of changes in the Silver Fern Farms Limited injury management operations or personnel.

Risks are managed by ensuring the manager has a working knowledge of the relevant legislation and information and communication requirements. Rehabilitation is managed as soon as practicable through liaising with treatment providers, claims administrators and the claimant.

Assumptions and methodology used

The chain ladder is used to project the ultimate number of claims expected from each accident period using historic cumulative ratios of claims. An approach called the Payments Per Claim Incurred (PPCI) Method has been used to determine suitable expected claim payment patterns for the average claim.

In the development of Claim Payment Patterns and projecting claim payment liabilities the following economic assumptions have been made:

- Pre valuation date claim inflation has been taken as 50% (2010: 50%) of movements in the Consumer Price Index (CPI) and 50% (2010: 50%) of the movements in the Average Weekly Earnings (AWE) Index. This assumes that increases in claim costs are equally affected by general price increases and by wage increases.
- Post valuation date claim inflation has been taken as 4% (2010: 4%) pa. Most claims are of a short to medium term duration and we are currently in an environment where inflation and wage increases are likely to run above the norm in the short to medium term.
- The Discount Rate used is 3.8% (2010: 4.5%) pa. This is approximately the average gross yield on Government Bonds of short to medium term duration consistent with the duration of the liabilities.
- The actuarial assessment of the provision for future claims was prepared by Marcelo Lardies (BSc Hons) of AON New Zealand Limited, effective 30 September 2011. The assessment is dated 19 September 2011 (2010: 14 September 2010).

b Employee entitlements

Included in employee entitlements is wages and salaries payable, annual leave due and long service leave payable. Wages, salaries and annual leave are measured at the amounts expected to be paid when liabilities are settled. Long service leave is recognised at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. These provisions will reduce as the entitlements fall due.

An independent actuarial valuation was undertaken as at 30 September 2011 to estimate the present value of long service leave.

The present value of the long service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating the liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

The weighted average yields on NZ Government stock with terms of maturity that match closely to the estimated future cash outflows have been used in determining the discount rate. The discount rates applied to the anticipated annual future cashflows range from 3.0% to 5.4% (2010: 3.6% to 6.0%).

The historical salary and wage growth patterns have been used in determining the salary and wage inflation factor after obtaining advice from an independent actuary. The growth rates applied to salary and wages costs range from 1.5% to 3.0% (2010: 1.5% to 3.0%).

The actuarial assessment of the provision for the long service leave liability was prepared by Marcelo Lardies (BSc Hons) of AON New Zealand Limited, effective 30 September 2011. The assessment is dated 27 October 2011.

c Other provisions

The livestock procurement provision relates to incentive payments made in addition to schedule payments for certain classes of livestock. Payments are made on a six monthly basis and annual basis. The restructuring provision was established for obligations at year end relating to the reconfiguration of operations. The residual in the restructuring provision will be utilised during the 2011/2012 financial year.

22 CONVERTIBLE REDEEMABLE PREFERENCE SHARES, MEMBERS' SHARES AND NEW ORDINARY SHARES

In October 2009 the change in the capital structure was finalised resulting in the issue of new ordinary shares. These shares began trading on the Unlisted exchange on 27 October 2009. As the new ordinary shares are not redeemable, they have been classified as equity. The details of the members shares and new ordinary shares movements as a result of the capital raising are as follows:

NZD IN THOUSANDS (\$000)	Convertible Redeemable Preference Shares	Supplier Investment Shares	Members' Ordinary Shares	New Ordinary Shares	Total
Balance as at 1 September 2009	1,622	24,754	47,769	-	74,145
Shares issued during the year	-	(17,235)	(25,669)	117,560	74,656
Shares surrendered	(27)	(316)	(1,740)	-	(2,083)
Balance as at 30 September 2010	1,595	7,203	20,360	117,560	146,718
Taxable bonus issue of ordinary shares (non-cash)				16,287	16,287
Total of transactions associated with capital raising	-	-	-	16,287	16,287
Shares issued during the year	-	-	-	-	-
Shares surrendered	(11)	(48)	(759)	-	(818)
Balance as at 30 September 2011	1,584	7,155	19,601	133,847	162,187
Called / Uncalled					
19.601m Members' ordinary shares of \$1 each	-	-	19,601	-	19,601
79.741m New ordinary shares – fully paid	-	-	-	109,209	109,209
17.990m New ordinary shares – partly paid	-	-	-	24,638	24,638
Issued and fully paid	-	-	19,601	133,847	153,448

a Convertible redeemable preference shares

Convertible redeemable preference shares were issued on 1 December 2002. A dividend of 6% (or as otherwise determined by the board) plus any available imputation credits, is paid on the anniversary of their issue. Convertible redeemable preference shares were repaid subsequent to year end, see note 33.

Convertible redeemable preference shares are currently finite and subject to a fixed term with rights of renewal.

b Members shares

Silver Fern Farms Limited has two classes of Members' shares: Members' ordinary shares which are issued to suppliers who supply stock under Silver Fern Farms Limited's rebate system and Supplier investment shares, which are issued to all suppliers of stock to Silver Fern Farms (subject to certain restrictions). All Members' shares have a nominal value of one dollar per share. Supplier investment shares are paid to ninety cents by the supplier with the balance of ten cents being paid by way of a dividend from retained earnings. Members' shares are currently classified as a financial liability as Silver Fern Farms does not have the unconditional right to refuse redemption.

Members' ordinary shares carry full voting rights subject to the shareholder being a Current Supplier (as defined in the constitution of Silver Fern Farms Limited) at the time of voting. Supplier investment shares carry voting rights in relation to director elections only. Ordinary Shares participate equally on winding up.

The maximum shareholding for Members' ordinary shares and Supplier investment shares is 17,500 (2010: 17,500) and 15,000 (2010: 15,000) respectively.

Silver Fern Farms Limited's Members' shares are eligible to receive a dividend subject to profitability, although any such dividend is likely to be restricted to fully paid Supplier investment shares. Members' ordinary shares shareholders are eligible to receive a rebate based on the profit earned from stock supplied.

c New ordinary shares issued

As part of the change in the capital structure in October 2009, shareholders could elect to exchange Members' ordinary shares and Supplier investment shares for New ordinary shares on a one for one basis; no cash was payable on exchange. In addition to the exchange of shares, shareholders could elect to participate in a two for one rights issue. Under the terms of the rights issue, shareholders were entitled to subscribe in cash for two New ordinary shares for every one New ordinary share issued to them under the exchange offer.

The rights issue price per New ordinary share of \$1.00 was payable either in full on application or under a deferred payment option, over a period of approximately three years by way of deduction from proceeds of the sale of livestock. Under the deferred payment option, the New ordinary shares must be fully paid by February 2013. The deferred payments due are held at their fair value based on their discounted expected future cashflows. The discount rate applied is 7.3%. The outstanding balance of deferred payments due is as follows:

NZD IN THOUSANDS (\$000)	PARENT AND CONSOLIDATED	PARENT AND CONSOLIDATED
	As at 30 Sept 11	As at 30 Sept 10
Deferred payments due within 12 months	7,788	6,486
Deferred payments due after 12 months	513	6,192
Total deferred payments	8,301	12,678

23 RESERVES

Nature and purpose of reserves

The asset revaluation reserve is used to record increments and decrements in the fair value of operational land and buildings to the extent that they offset one another.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The available for sale reserve is used to record increments and decrements in the fair value of available for sale financial assets such as shares.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise trade debtors, trade creditors, bank loans, redeemable preference shares, finance leases, and cash. The Group also enters into derivative transactions consisting principally of forward currency contracts and options. The purpose is to manage the foreign currency risks arising from the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group also monitors the market price risk arising from all financial instruments. The Group's accounting policies in relation to derivatives are set out in note 2k.

Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. Interest rate swaps have not been used to manage interest rate risk. The Group's policy is to keep between 30% and 100% of its borrowings at fixed rates of interest. At 30 September 2011, approximately 79% (2010: 85%) of the Group's borrowings are at a fixed rate of interest. If interest rates on borrowings at balance date had fluctuated by plus or minus 0.5%, the effect would have been to increase or decrease the surplus after tax and equity for both the parent and group by \$700,000 (2010: \$205,000).

At balance date, the Group had the following mix of financial assets and liabilities exposed to New Zealand interest rate risk:

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Financial Assets				
Cash and cash equivalents	1,017	1,949	1,867	3,182
Financial Liabilities				
Bank overdrafts	(7,283)	(860)	(9,807)	(2,847)
Bank loans	(110,800)	(41,049)	(110,800)	(41,049)
Bonds payable	-	(75,052)	-	(75,052)
Advance from subsidiary	(8,543)	(8,543)	-	-
Net exposure to interest rate risk	(125,609)	(123,555)	(118,740)	(115,766)

Foreign currency risk management

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has exposure to foreign currency risk as a result of transactions denominated in foreign currencies arising from normal trading activities. Where exposures are certain, or able to be forecast with reasonable accuracy, it is Group's policy to economically hedge these risks as they arise. The Group uses foreign exchange contracts to manage these exposures. If exchange rates at balance date had fluctuated by plus or minus 5%, the effect would have been to increase or decrease the profit or loss by \$3,400,000 (2010: \$2,400,00) for both the Parent and the Group and other comprehensive income by \$3,400,000 (2010: \$2,400,000) for the Group.

The net exposures of other financial instruments is detailed below:

CONSOLIDATED							
NZD IN THOUSANDS (\$000)	AUD	CAD	EUR	GBP	JPY	SGD	USD
As at 30 September 2011							
Cash at bank/(overdraft)	9	5	567	(2,499)	11	7	489
Debtors	229	5,421	21,139	9,127	-	1,586	33,383
Foreign payables – marine freight and commission	-	-	(942)	-	-	-	(2,501)
Net exposure to currency risk	238	5,426	20,764	6,628	11	1,593	31,371
Foreign exchange cover	-	8,660	45,310	17,950	-	-	136,380
As at 30 September 2010							
Cash	1	4	369	(1,250)	8	118	450
Debtors	183	4,330	15,666	15,246	-	709	28,444
Foreign payables – marine freight and commission	-	-	(443)	-	-	-	(2,211)
Net exposure to currency risk	184	4,334	15,592	13,996	8	827	26,683
Foreign exchange cover	-	6,425	45,650	4,300	-	-	45,272

As part of Silver Fern Farms Limited's normal business operations the company engages in forward exchange cover. This cover also manages the company's foreign currency risk in relation to inventory and livestock.

Credit risk management

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss. Financial instruments which potentially subject the Group to credit risk consist of bank balances, accounts receivable, foreign exchange contracts and other instruments.

The Group manages this risk by only trading with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group. The carrying amount of financial assets that would otherwise be past due or impaired, whose terms have been negotiated is \$188,000 (2010: \$195,000). No collateral is held on the above amounts.

At balance date, the Group had the following net financial assets and liabilities exposed to credit risk.

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Assets				
Cash and cash equivalents	1,017	1,949	1,867	3,182
Accounts receivable	165,439	106,816	153,978	114,956
Financial assets	8,301	12,678	8,301	12,678
Derivative financial instruments	3,051	4,356	3,051	4,356
Maximum exposure to credit risk	177,808	125,799	167,197	135,172
Liabilities				
Bank overdraft	(7,283)	(860)	(9,807)	(2,847)
Derivative financial instruments	(5,956)	(705)	(5,956)	(705)
Net exposure to credit risk	164,569	124,234	151,434	131,620

Liquidity risk management

Liquidity risk is the risk that Silver Fern Farms will encounter difficulty raising liquid funds to meet commitments as they fall due.

Liquidity risk is managed to meet known and reasonable unforeseen funding requirements by arranging and structuring long term funding for the company from debt lenders and optimising flexibility and spread of debt maturity within the funding risk limits established by the treasury policy statement.

Refer to note 25(b) for a contractual analysis of financial liabilities.

Price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

If equity prices had been 5% higher or lower the effect would have been to increase or decrease other comprehensive income by \$nil (2010: increase or decrease profit or loss by \$5,000).

Capital management

The company recognises its corporate and financial governance responsibilities for the efficient and prudent management of capital to ensure sufficient cashflow (internal or external) is available to execute business strategy and plans, despite potential periods of unfavourable cashflow movement whilst maximising shareholder returns and profitability of the business. Capital management includes consideration of appropriate levels of issued ordinary, rebate, supplier investment and redeemable preference shares, retained earnings and reserves together with bank and other borrowing initiatives.

Capital optimisation is considered in light of Industry best practices for a company the size and business type of Silver Fern Farms and the risk bearing ability and tolerance levels of the underlying business, shareholders and lenders. Financial risk management actions are undertaken to minimise the cost of funds through proactive interest rate risk management within approved treasury policy risk control limits that meet debt lender(s) and shareholder requirements.

Certain capital requirements are imposed on the Company by the banking syndicate. Minimum Shareholder Funds and Debt to Equity ratios are regularly monitored.

25 FINANCIAL INSTRUMENTS

Detail of the significant accounting policies and methods adopted, including the criteria for recognition and the basis in which income and expenses are recognised, in respect of each class of financial asset and financial liability instrument, are disclosed in the Statement of Accounting Policies.

a Categories of Financial Instruments

NZD IN THOUSANDS (\$000)	Category	PARENT		CONSOLIDATED	
		As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Financial Assets					
Cash and bank	Loans and receivables	1,017	1,949	1,867	3,182
Derivatives	Fair value through profit and loss	3,051	4,356	3,051	4,356
Financial assets	Loans and receivables	7,788	6,486	7,788	6,486
Financial assets (non-current)	Loans and receivables	513	6,192	513	6,192
Trade and other receivables	Loans and receivables	152,663	98,059	141,202	106,199
Trade and other receivables (non-current)	Loans and receivables	12,776	8,757	12,776	8,757
Available for sale financial assets	Available for sale financial assets	78	78	78	78
Total financial assets		177,886	125,877	167,275	135,250
Financial Liabilities					
Bank overdraft	Loans and receivables	7,283	860	9,807	2,847
Derivatives	Fair value through profit and loss	5,956	705	5,956	705
Trade and other payables	Recorded at amortised cost	118,786	95,145	102,556	77,263
Members' shares	Recorded at amortised cost	28,340	29,158	28,340	29,158
Bonds payable	Recorded at amortised cost	-	75,052	-	75,052
Interest bearing loans and borrowings	Recorded at amortised cost	111,057	397	111,057	397
Interest bearing loans and borrowings (non-current)	Recorded at amortised cost	550	41,832	550	41,832
Total financial liabilities		271,972	243,149	258,266	227,254
Net Exposure		(94,086)	(117,272)	(90,991)	(92,004)

b Maturity Profile in Contractual Cashflow Order

PARENT NZD IN THOUSANDS (\$000)	6 months or less	Between 6 – 12 months	Between 1 – 5 years	>5 years	Total
Financial Assets					
Cash and cash equivalents	1,017	-	-	-	1,017
Derivatives	3,051	-	-	-	3,051
Financial assets	5,238	2,549	514	-	8,301
Trade and other receivables	150,528	1,988	10,926	1,997	165,439
Available for sale financial assets	-	-	78	-	78
	159,834	4,537	11,518	1,997	177,886
Financial Liabilities					
Bank overdraft	7,283	-	-	-	7,283
Derivatives	5,956	-	-	-	5,956
Trade and other payables	118,786	-	-	-	118,786
Interest bearing loans and borrowings	-	111,057	550	-	111,607
Convertible redeemable preference shares	1,584	-	-	-	1,584
Supplier investment shares	-	-	-	7,155	7,155
Members' ordinary shares	-	-	-	19,601	19,601
	133,609	111,057	550	26,756	271,972
Net maturity	26,225	(106,520)	10,968	(24,759)	(94,086)

CONSOLIDATED					
NZD IN THOUSANDS (\$000)	6 months or less	Between 6 – 12 months	Between 1 – 5 years	>5 years	Total
As at 30 September 2011					
Financial Assets					
Cash and cash equivalents	1,867	-	-	-	1,867
Derivatives	3,051	-	-	-	3,051
Financial assets	5,238	2,549	514	-	8,301
Trade and other receivables	139,067	1,988	10,926	1,997	153,978
Available for sale financial assets	-	-	78	-	78
Total financial assets	149,223	4,537	11,518	1,997	167,275
Financial Liabilities					
Bank overdraft	9,807	-	-	-	9,807
Derivatives	5,956	-	-	-	5,956
Trade and other payables	102,556	-	-	-	102,556
Secured loans	-	111,057	550	-	111,607
Convertible redeemable preference shares	1,584	-	-	-	1,584
Supplier investment shares	-	-	-	7,155	7,155
Members' ordinary shares	-	-	-	19,601	19,601
Total financial liabilities	119,903	111,057	550	26,756	258,266
Net maturity	29,320	(106,520)	10,968	(24,759)	(90,991)

PARENT					
NZD IN THOUSANDS (\$000)	6 months or less	Between 6 – 12 months	Between 1 – 5 years	>5 years	Total
As at 30 September 2010					
Financial Assets					
Cash and cash equivalents	1,949	-	-	-	1,949
Derivatives	4,356	-	-	-	4,356
Financial assets	4,530	2,612	6,437	-	13,579
Trade and other receivables	90,213	8,219	6,576	2,180	107,188
Available for sale financial assets	-	-	78	-	78
Total financial assets	101,048	10,831	13,091	2,180	127,150
Financial Liabilities					
Bank overdraft	860	-	-	-	860
Derivatives	705	-	-	-	705
Trade and other payables	95,145	-	-	-	95,145
Secured loans	-	-	42,229	-	42,229
Bonds payable	76,922	-	-	-	76,922
Convertible redeemable preference shares	-	-	1,595	-	1,595
Supplier investment shares	-	-	-	7,203	7,203
Members' ordinary shares	-	-	-	20,360	20,360
Total financial liabilities	173,632	-	43,824	27,563	245,019
Net maturity	(72,584)	10,831	(30,733)	(25,383)	(117,869)

CONSOLIDATED					
NZD IN THOUSANDS (\$000)	6 months or less	Between 6 – 12 months	Between 1 – 5 years	>5 years	Total
As at 30 September 2010					
Financial Assets					
Cash and cash equivalents	3,182	-	-	-	3,182
Derivatives	4,356	-	-	-	4,356
Financial assets	4,530	2,612	6,437	-	13,579
Trade and other receivables	98,353	8,219	6,576	2,180	115,328
Available for sale financial assets	-	-	78	-	78
Total financial assets	110,421	10,831	13,091	2,180	136,523
Financial Liabilities					
Bank overdraft	2,847	-	-	-	2,847
Derivatives	705	-	-	-	705
Trade and other payables	77,263	-	-	-	77,263
Secured loans	-	-	42,229	-	42,229
Bonds payable	76,922	-	-	-	76,922
Convertible redeemable preference shares	-	-	1,595	-	1,595
Supplier investment shares	-	-	-	7,203	7,203
Members' ordinary shares	-	-	-	20,360	20,360
Total financial liabilities	157,737	-	43,824	27,563	229,124
Net maturity	(47,316)	10,831	(30,733)	(25,383)	(92,601)

As at 30 September 2011 the Parent and Group each report financial liabilities in excess of financial assets. Over time, inventory that is not recorded as a financial asset will convert to trade receivables. Bank funding facilities will be rolled over at their expiry date. Longer term members' ordinary shares, classified as financial liabilities by virtue of their terms of issue will remain on issue, convert to ordinary shares or be redeemed and replaced based on a shareholders livestock supply.

The financial instruments in the table above are prioritised in order of payment.

Members who leave the Co-operative are entitled, after a length of time, to have their share capital amounts repaid to them. This requires the recognition of the outstanding shares as a financial liability. Due to the uncertain timing of the surrender of shares, and the small levels of redemption each year, Members Ordinary Shares have been classified as having a maturity date of over five years.

c Fair values of financial instruments

Set out below is a comparison of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values.

The fair value for members' ordinary shares has been calculated by applying a discount factor of 10% (2010: 10%), with an estimated repayment date of 10 years (2010: 10 years).

The carrying values of all other financial assets and financial liabilities recorded in the financial statements approximates their fair values.

PARENT AND CONSOLIDATED					
NZD IN THOUSANDS (\$000)	Carrying amount		Fair value		
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10	
Financial liabilities					
Members' ordinary shares	19,601	20,360	7,557	7,850	
SFF030 Bonds	-	75,052	-	74,474	

Silver Fern Farm bonds were issued and are redeemable at \$1 per unit, however at balance date the fair value was represented by the market price as traded through the New Zealand Debt Securities market.

d Fair values of financial assets and financial liabilities

The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The Group measures the fair value of foreign currency forward exchange contract based on dealer quotes of market forward rates and reflects the amount that the Group would receive or pay at their maturity dates for contracts involving the same currencies and maturity dates.

The Group does not have any significant financial assets or liabilities measured at fair value using Level 3 inputs as of 30 September 2011 or 30 September 2010.

PARENT AND CONSOLIDATED				
NZD IN THOUSANDS (\$000)	Level 1	Level 2	Level 3	Total
As at 30 September 2011				
Financial Assets				
Forward currency contracts	-	3,051	-	3,051
Financial Liabilities				
Forward currency contracts	-	(5,956)	-	(5,956)
Net fair values of financial assets and financial liabilities	-	(2,905)	-	(2,905)

PARENT AND CONSOLIDATED				
NZD IN THOUSANDS (\$000)	Level 1	Level 2	Level 3	Total
As at 30 September 2010				
Financial Assets				
Forward currency contracts	-	4,356	-	4,356
Listed investments	-	-	-	-
Financial Liabilities				
Forward currency contracts	-	(705)	-	(705)
Net fair values of financial assets and financial liabilities	-	3,651	-	3,651

26 DERIVATIVE FINANCIAL INSTRUMENTS

NZD IN THOUSANDS (\$000)	PARENT AND CONSOLIDATED	PARENT AND CONSOLIDATED
	As at 30 Sept 11	As at 30 Sept 10
Current Assets		
Forward currency contracts	3,051	4,356
Current Liabilities		
Forward currency contracts	(5,956)	(705)
Net Derivative financial instruments	(2,905)	3,651

Derivative financial instruments are used by the Group in the normal course of business in order to mitigate exposure to foreign exchange rates. The Group has entered into forward exchange contracts and options which are economic hedges but do not satisfy the requirements for hedge accounting.

Foreign currency risk

Information regarding foreign currency risk exposure is set out in note 24.

Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains.

PARENT AND CONSOLIDATED		Notional Amounts		Average forward exchange rate	
		As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
NZZ IN THOUSANDS (\$000)					
Sell USD / Buy NZD	Maturity 0 – 12 months	174,680	88,060	0.7907	0.7019
Sell GBP / Buy NZD	Maturity 0 – 12 months	17,950	4,300	0.5059	0.4625
Sell CAD / Buy NZD	Maturity 0 – 12 months	8,660	6,425	0.7976	0.7188
Sell EUR / Buy NZD	Maturity 0 – 12 months	55,310	45,650	0.5704	0.5360
EUR IN THOUSANDS (\$000)					
Buy EUR / Sell NZD	Maturity 0 – 12 months	11,665	-	0.5833	-
USD IN THOUSANDS (\$000)					
Buy USD / Sell NZD	Maturity 0 – 12 months	63,408	16,788	0.8280	0.7216

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in profit or loss in the period they occur.

27 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles and items of machinery, office space, processing and coolstore facilities where it is not in the best interest of the Group to purchase these assets. These leases have an average life of between 4 and 15 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases. Future minimum rentals payable under non-cancellable operating leases at balance date are as follows:

NZZ IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Operating leases				
Within one year	7,902	7,486	7,969	7,578
After one year but not more than five years	14,299	13,822	14,410	13,947
More than five years	9,694	10,152	9,785	10,250
Total operating lease commitments	31,895	31,460	32,164	31,775

Finance lease and hire purchase commitments

The Group has finance leases for various items of plant and machinery, these leases have no terms of renewal or purchase options and escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

PARENT AND CONSOLIDATED	As at 30 Sept 11	As at 30 Sept 10
NZZ IN THOUSANDS (\$000)	Minimum payments	Minimum payments
Finance lease and hire purchase commitments		
Within one year	317	424
After one year but not more than five years	631	907
Total minimum lease payments	948	1,331
Less amounts representing finance charges	(141)	(151)
Present value of minimum payments	807	1,180

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases of the Group's surplus office and manufacturing buildings. These properties held under operating leases are measured under the fair value model as the properties are held to earn rentals. These non-cancellable leases have remaining non-cancellable lease terms of between one and six years. Future minimum rentals receivable under non-cancellable operating leases at balance date are as follows:

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Within one year	13	44	13	44
After one year but not more than five years	-	-	-	-
More than five years	-	-	-	-
Total operating lease commitments (as lessor)	13	44	13	44

Contingent asset

At 30 September 2011 the Parent and Group had no contingent assets (30 September 2010: nil).

Capital commitments

On 3 December 2010, a fire occurred at our Te Aroha plant in the Waikato region. The insurance claim for the fire was settled in May 2011, leading to the commencement of the rebuild of the plant. At 30 September 2011 the Parent and Group has capital commitments of \$28,204,000 (30 September 2010: \$2,314,000) principally relating to the construction of the new operating facilities at Te Aroha.

Contingent liabilities

Silver Fern Farms Limited has the following contingent liabilities at 30 September 2011:

Discounted bills of exchange for the Group and Parent at 30 September were \$33,676,000 (30 September 2010: \$13,250,000). Subsequent to balance date \$32,914,000 (30 September 2010: \$13,165,000) of cash has been received leaving discounted bills of \$735,000 (30 September 2010: \$85,000) for the Group and Parent as at the date of these financial statements.

At the end of the year the company had received various ACC claims which the company disputes. If the claims are pursued and are successful then the company will be liable, though the sum is currently non-quantifiable and has therefore not been provided for.

Guarantees

The Group has the following bank guarantees at 30 September 2011:

Details	Entity	Issuer	In favour of	Amount
Shipping guarantee	Parent	HSBC	CMA CGM	USD \$505,000
Guarantee of overdraft facility for SFF(UK) Limited	Parent	HSBC	HSBC Bank PLC	NZD \$4,750,000
Import guarantee	Subsidiary		RP Agency	GBP \$40,000
Import VAT guarantee	Subsidiary		VAT Authority	EUR \$38,000

28 NON-CURRENT ASSETS – INTANGIBLE ASSETS AND GOODWILL

PARENT NZD IN THOUSANDS (\$000)	As at 30 Sept 11			As at 30 Sept 10		
	Software	Goodwill	Total	Software	Goodwill	Total
Opening balance net of accumulated amortisation and impairment	2,110	-	2,110	2,645	-	2,645
Additions – including internal development	772	272	1,044	1,474	-	1,474
Disposals	(192)	-	(192)	(90)	-	(90)
Amortisation	(1,454)	-	(1,454)	(2,009)	-	(2,009)
Amortisation on disposals	178	-	178	90	-	90
Closing balance of net accumulated amortisation and impairment	1,414	272	1,686	2,110	-	2,110
Cost (gross carrying amount)	13,720	272	13,992	13,140	-	13,140
Accumulated amortisation and impairment	(12,306)	-	(12,306)	(11,030)	-	(11,030)
Net carrying amount	1,414	272	1,686	2,110	-	2,110

CONSOLIDATED NZD IN THOUSANDS (\$000)	As at 30 Sept 11			As at 30 Sept 10		
	Software	Goodwill	Total	Software	Goodwill	Total
Opening balance net of accumulated amortisation and impairment	2,214	-	2,214	2,665	-	2,665
Additions – including internal development	771	4,588	5,359	1,580	-	1,580
Disposals	(192)	-	(192)	(415)	-	(415)
Amortisation	(1,484)	-	(1,484)	(2,021)	-	(2,021)
Amortisation on disposals	178	-	178	405	-	405
Closing balance of net accumulated amortisation and impairment	1,487	4,588	6,075	2,214	-	2,214
Cost (gross carrying amount)	13,828	4,588	18,416	13,250	-	13,250
Accumulated amortisation and impairment	(12,341)	-	(12,341)	(11,036)	-	(11,036)
Net carrying amount	1,487	4,588	6,075	2,214	-	2,214

29 NON-CURRENT ASSETS – INVESTMENTS IN ASSOCIATES

The Group has ownership in the following companies:

CONSOLIDATED	Principal Activity	Place of Incorporation	As at	As at
			30 Sept 11	30 Sept 10
NZ Lamb Group				
New Zealand Lamb Holdings Limited	Holding company	Canada	31.5%	31.5%
New Zealand and Australian Lamb Company Limited	Sale of lamb	Canada	21.5%	20.4%
The Lamb Co-Operative, Inc	Sale of lamb	USA	23.3%	23.9%
Other Associates				
Robotic Technologies Limited	Manufacturing	New Zealand	50.0%	50.0%
Livestock Logistics Nationwide Limited	Transport	New Zealand	50.0%	50.0%
Farm Brands Limited	Processing	New Zealand	50.0%	50.0%
Titan Meat Company Limited	Food manufacturing	New Zealand	50.0%	50.0%
Ovine Automation Limited	R&D ovine systems	New Zealand	28.8%	11.1%
Farm ^{IQ} Systems Limited	R&D red meat IVC	New Zealand	82.0%	0.0%

a Investment details

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Unlisted				
NZ Lamb Group	378	898	6,408	7,271
Robotic Technologies Limited	10	10	153	66
Livestock Logistics Nationwide Limited	-	-	657	125
Farm Brands Limited	4,500	4,500	4,632	4,903
Titan Meat Company Limited	3,800	3,800	1,686	3,423
Ovine Automation Limited	4	-	(17)	-
Farm ^{IQ} Systems Limited	246	-	553	-
Total investments in associates	8,938	9,208	14,072	15,788

b Movements in the carrying amount of the Group's investment in associates

CONSOLIDATED NZD IN THOUSANDS (\$000)	As at 30 Sept 11	As at 30 Sept 10
Opening balance	15,788	10,702
Share of profits of associates	221	1,397
New investments	713	5,150
Exchange revaluations	(427)	(331)
Partial reversal of impairment	-	1,772
Share of dividends	(1,452)	(541)
Increase/(decrease) in shareholding	(771)	(2,361)
Closing balance	14,072	15,788

c Summarised financial information

The following table summarises financial information relating to the Group's associates:

NZD IN THOUSANDS (\$000)	CONSOLIDATED As at 30 Sept 11	CONSOLIDATED As at 30 Sept 10
<i>Extract from associates' balance sheets:</i>		
Current assets	164,523	133,918
Non-current assets	44,645	36,998
Total assets	209,168	170,916
Current liabilities	48,230	45,046
Non-current liabilities	107,189	66,973
Total liabilities	155,419	112,019
Net assets	53,749	58,897
Share of associates' net assets	16,604	18,320
Less impairments	(2,532)	(2,532)
Total investment in associates	14,072	15,788
<i>Extract from the associates' income statements:</i>		
Revenue	757,125	674,377
Net Profit	3,346	5,217
Share of profits of associates	221	1,397

30 BUSINESS COMBINATIONS

On 7 May 2011, Silver Fern Farms Ltd acquired certain assets and liabilities in respect of a livestock processing plant at Waitoa. On 30 September 2011, Silver Fern Farms Ltd acquired 100% of the shares in Frasertown Meat Co Ltd, a livestock processing business. These acquisitions are intended to optimise the group's footprint within New Zealand and to achieve further aggregation within the industry.

The group has recognised the fair values of the identifiable net assets of these acquisitions based on the best information available at the reporting date, given only a short time has elapsed since the acquisition of Frasertown Meat Co Ltd. The accounting impact for these business combinations is disclosed in aggregate below.

NZD IN THOUSANDS (\$000)	CONSOLIDATED Fair value at acquisition date
Land and buildings	7,939
Plant and equipment	2,133
Trade receivables	185
Other receivables	412
Inventories	328
Cash	170
Total identifiable assets	11,167
Trade payables	(81)
Other payables	(1,154)
Total identifiable liabilities	(1,235)
Provisional fair value of identifiable net assets	9,932
Goodwill arising on acquisition	4,588
Total consideration	14,520
Acquisition date fair value of consideration:	
Cash paid	9,120
Deferred settlement	5,400
Total consideration	14,520
Direct costs relating to the acquisition (recognised in other operational expenses)	155
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiaries	170
Cash paid	(9,120)
Net consolidated cash outflow	(8,950)

Key factors contributing to the \$4.6m of goodwill arising are the synergies existing within the acquired businesses, the synergies expected to be achieved as a result of combining these businesses with the rest of the group and the livestock supply relationships in the catchment areas of the acquired businesses. No goodwill arising on acquisition is expected to be deductible for tax purposes.

Included in the businesses acquired were receivables with a gross contractual and fair value of \$185,000 resulting from sales to customers. These amounts have been collected in full.

The processing plant at Waitoa was fully integrated into the business of Silver Fern Farms Ltd from the acquisition date. Due to the level of integration, it is not practicable to separately report revenue or profit arising from this plant. Similarly, it is impracticable to report the revenue or profit that would have been recognised if this business had been acquired at the beginning of the reporting period as the assets acquired were fully integrated into the business of the vendor. Since Frasertown Meat Co Ltd was acquired at the end of the reporting period, no revenue or profit from this acquisition has been included in the consolidated statement of comprehensive income. Due to the recent acquisition date, it has not been practicable to reliably report the revenue or profit for the current reporting period as though the acquisition date had occurred at the beginning of the reporting period.

31 RELATED PARTY DISCLOSURE

a Subsidiaries

The consolidated financial statements include the financial statements of Silver Fern Farms Limited (the parent entity) and the significant subsidiaries listed in the following table.

NAME	Country of Incorporation	% EQUITY INTEREST As at 30 Sept 11	% EQUITY INTEREST As at 30 Sept 10
Richmond Group Holdings	New Zealand	100%	100%
Richmond (NZ) Singapore Pte Ltd	Singapore	100%	100%
Richmond New Zealand Ltd	UK	100%	100%
Silver Fern Farms NV	Belgium	100%	100%
Silver Fern Farms GmbH	Belgium	100%	100%
Venison Rotorua Limited	New Zealand	100%	100%
Farm Enterprises	New Zealand	100%	100%
Waitotara Europe BV	New Zealand	100%	100%
Silver Fern Farms (UK) Limited	UK	100%	100%
B. Brooks (Norwich) Limited	UK	100%	100%
PPCS USA Inc	USA	100%	100%
Global Technologies Limited	New Zealand	100%	100%
Frasertown Meat Co Ltd	New Zealand	100%	0%

b Ultimate Parent

Silver Fern Farms Limited is the ultimate New Zealand parent entity and the ultimate parent of the Group. Silver Fern Farms Limited is incorporated in New Zealand.

c Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances on related party trade receivables and payables at year-end, refer to notes 15 and 18 respectively):

PARENT	12 MONTHS TO 30 SEPT 11			13 MONTHS TO 30 SEPT 10		
	Sales to related parties	Purchases from related parties	Other transactions	Sales to related parties	Purchases from related parties	Other transactions
NZD IN THOUSANDS (\$000)						
Parent entity:						
Subsidiaries	231,026	-	19,738	248,857	-	-
Directors – current	-	4,860	-	-	5,152	-
Directors – resigned during the year	-	10	-	-	-	-
Associates	149,732	63,807	1,452	124,777	56,011	-

Transactions with Directors are conducted on the same terms and conditions as all other suppliers.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions at both normal market prices and normal commercial terms. There have been no guarantees provided or received for any related party receivables. Related party receivables are non interest bearing. There have been no related party bad debts during the year.

32 KEY MANAGEMENT PERSONNEL

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 30 Sept 11	13 months to 30 Sept 10
Short-term employee benefits	3,270	2,434	3,270	2,434
Directors' fees	473	512	473	512
Contributions to defined contribution plans	58	46	58	46

During the year, the Senior Executive Team (now the Leadership Team) was expanded to a team of 11 from 7 from the year before. On a comparable basis the 2011 short-term employee benefits is \$2.5m compared to \$2.4m for 2010.

33 EVENTS AFTER THE BALANCE SHEET DATE

Repayment of convertible redeemable preference shares

On 22 September 2011, the Board of Directors resolved to repay in full all convertible redeemable preference shares on issue. The cash was paid to shareholders on 31 October 2011.

Dividend Payable

On 16 November 2011, the Board of Directors resolved to declare a 10c per share dividend on all New ordinary shares on issue. The total dividend payable, cannot be quantified at this stage and will be distributed in December 2011.

Offer to exchange Member Shares

On 16 November 2011, the Board of Directors resolved to exchange all transacting shareholder Rebate shares and Supplier Investment shares for New Ordinary shares on a 1 for 1 basis. All such shares exchanged under this offer will qualify for the 10c per share dividend to be paid in December 2011.

Insurance claim - Rena

Silver Fern Farms Limited had 13 containers of finished product on board the Rena when it grounded outside the Port of Tauranga, 5th October 2011. All product on board was fully insured and the claim for insurance relating to this product has been finalised and paid. There was no financial loss as a result of this event.

34 AUDITOR'S REMUNERATION

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 11	As at 30 Sept 10	As at 30 Sept 11	As at 30 Sept 10
Ernst & Young New Zealand: Audit/review of consolidated entities	198	198	325	314
Ernst & Young New Zealand: Tax advisory	184	19	265	105
Ernst & Young New Zealand: Risk management advice	23	43	23	43
Total remuneration to Ernst & Young	405	260	613	462
Total remuneration to auditors other than Ernst & Young	-	-	-	-

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Silver Fern Farms Limited

Report on the Financial Statements

We have audited the financial statements of Silver Fern Farms Limited and its subsidiaries on pages 18 to 58, which comprise the balance sheet of Silver Fern Farms Limited and the group as at 30 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an 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 and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Ernst & Young provides taxation and other assurance services to the company and group.

Opinion

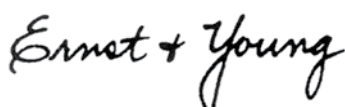
In our opinion, the financial statements on pages 18 to 58:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Silver Fern Farms Limited and the group as at 30 September 2011 and the financial performance and cash flows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we have required.

In our opinion proper accounting records have been kept by Silver Fern Farms Limited as far as appears from our examination of those records.



18 November 2011

Christchurch

FIVE YEAR HISTORICAL SUMMARY

as at 30 September 2011

NZD IN MILLIONS (\$m)	NOTES	12 months to 30 Sept 11	13 months to 30 Sept 10	12 months to 31 Aug 09	12 months to 31 Aug 08	12 months to 31 Aug 07
Income Statement						
Total income		2,098.7	1,878.7	2,014.6	1,989.9	1,846.2
Operating earnings before interest and tax (EBIT)		54.3	14.4	37.9	108.0	(6.6)
Net operating profit before tax		34.1	(8.4)	5.1	75.7	(36.7)
Non-recurring items		6.6	(6.9)	38.4	(24.6)	(31.9)
Income tax benefit/ (expense)		(9.8)	1.4	0.3	1.0	(7.1)
Net profit after tax		30.9	(13.9)	43.8	52.1	(75.7)
Less member distributions		(0.1)	(0.1)	(0.2)	(14.5)	(3.4)
Net profit after member distributions		30.8	(14.0)	43.6	37.6	(79.1)
Financial Position						
Total assets		674.5	600.2	603.2	668.7	658.9
Net working capital	1	178.5	134.6	218.2	250.8	244.8
Net debt	2	119.5	116.9	183.4	241.4	332.2
Total equity including members' shares		394.8	367.8	316.3	276.1	232.2
Cash Flow						
Net cash flows (used in)/from operating activities		(7.5)	72.8	95.7	61.8	85.4
Key Ratios						
EBIT to total income	3	2.6%	0.8%	1.9%	5.4%	0.4%
Return on assets	4	8.1%	2.4%	6.3%	16.2%	-1.0%
Return on equity	5	7.8%	-3.8%	13.8%	18.9%	-32.6%
Equity ratio	6	58.5%	61.3%	52.4%	41.3%	35.2%

NOTES:

- 1 Current assets less current liabilities (exclusive of net debt items)
- 2 Total interest bearing debt less cash and cash equivalents
- 3 EBIT / total income
- 4 EBIT / total assets
- 5 Net profit after tax / closing equity (including members' shares)
- 6 Equity (including members' shares) / total assets

Certain comparatives within the five year historical summary have been reclassified for comparative purposes, to ensure consistency with the current year.

DIRECTORY

BOARD OF DIRECTORS

- **Eoin Garden**
Chairman
- **Richard Somerville**
Deputy Chairman
- **Tony Balfour**
- **Trevor Burt**
- **Rob Hewett**
- **Angus Mabin**
- **David Shaw**
- **Herstall Ulrich**

LEADERSHIP TEAM

- **Keith Cooper**
Chief Executive
- **Kevin Winders**
Chief Operating Officer
- **Jamie Adamson**
Group Financial Controller
- **Glenn Tyrrell**
General Manager
Sales and Marketing
- **Sharon Angus**
Group Marketing Manager
- **Grant Howie**
Integrated Category Manager
- **Grant Pearson**
Group Technical Manager
- **Andy Perry**
General Manager Livestock
- **Jeremy Absolom**
Livestock Performance Manager
- **Wayne Shaw**
Operations Manager – Sheepmeats
and Venison
- **Phil Buck**
Operations Manager Beef

HEAD OFFICE

Silver Fern Farms Limited

218 George Street, PO Box 941,
Dunedin 9054, New Zealand

T: +64 3 477 3980

F: +64 3 474 1087

E: info@silverfernfarms.co.nz

WEBSITE

www.silverfernfarms.co.nz

REGIONAL OFFICE

Silver Fern Farms Hastings

Plunket Street, PO Box 940,
Hastings 4156, New Zealand

T: +64 6 872 6660

F: +64 6 872 6715

INNOVATION CENTRE

Silver Fern Farms Christchurch

34 Branston Street,
PO Box 283, Christchurch 8140,
New Zealand

T: +64 3 379 6900

F: +64 3 366 4412

GROUP COMMUNICATIONS

Ruth Mackenzie

T: +64 3 474 6595

E: ruth.mackenzie@silverfernfarms.co.nz

INTERNATIONAL OFFICES

Silver Fern Farms has an international marketing network including offices or representatives in Belgium, Germany, Greece, Hong Kong, Italy, Japan, Korea, Middle East and UK. Contact details are available on the company's website www.silverfernfarms.co.nz

SHAREHOLDER ENQUIRIES

For enquiries regarding Ordinary Shares, Supplier Investment Shares, Rebate Shares and Redeemable Preference Shares, contact:

Silver Fern Farms Limited
PO Box 941, Dunedin 9054,
New Zealand

T: 0800 362 362

F: +64 3 474 1087

E: shares@silverfernfarms.co.nz

LISTED SECURITIES

Unlisted
PO Box 5422
Lambton Quay
Wellington 6145

T: 0508 UNLISTED (0508 865478)

SHARE REGISTRAR

Link Market Services
PO Box 91976
Auckland 1142

T: +64 9 375 5993

F: +64 9 375 5990

BANKERS

- The Hongkong and Shanghai Banking Corporation Limited
- Westpac New Zealand Limited
- Rabobank New Zealand Branch
- Commonwealth Bank of Australia

AUDITOR

Ernst & Young

TAX ADVISORS

PWC

LEGAL ADVISORS

Harmos Horton Lusk

100% MADE OF NEW ZEALAND

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**SILVER
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FARMS**