



ANNUAL REPORT 2010



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W ZEALAND

In 2010 we have continued to work hard to build a strong foundation and a truly global New Zealand brand. Your company is now poised to lead the industry towards a more successful and sustainable future. We are confident we are well on the way to achieving our vision of becoming a fully integrated market-led company adding value to our farmer partners, our customers and our people.

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ANNUAL MEETING OF SHAREHOLDERS

The 2010 Annual Meeting of Silver Fern Farms Limited Shareholders will be held at 4pm on 27 January 2011 in Waipukurau in the Auditorium of the Civic Theatre.

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



CHAIRMAN AND CHIEF EXECUTIVE REVIEW



Eoin Garden
Chairman

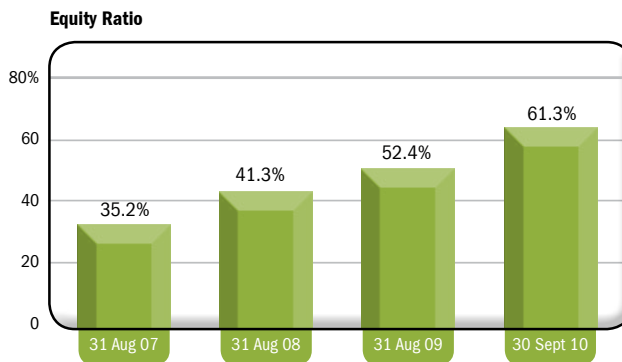
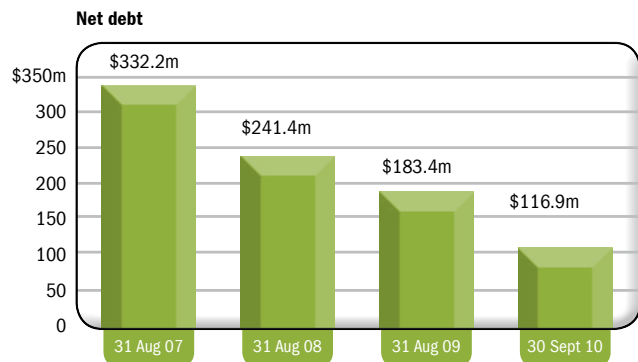


Keith Cooper
Chief Executive

THE 2010 FINANCIAL YEAR MARKED THE COMPLETION OF A THREE-YEAR RE-STRUCTURING PROGRAMME TO ENSURE YOUR COMPANY IS IN A ROBUST FINANCIAL POSITION TO CONTINUE ITS SUBSTANTIAL PROGRESS TOWARDS BECOMING A TRULY MARKET-LED FOOD COMPANY.

At the same time, we have continued to invest in the longer term initiatives that are critical to positioning the company and the industry successfully in the global marketplace and that will deliver sustainable levels of profitability to our suppliers. Our current position gives us a great deal of confidence for the future performance of your company.

ROBUST BALANCE SHEET, INVESTMENT AND PROFITABILITY KEY FOCUS



Silver Fern Farms has reported a net operating loss before tax for the 12 months ended 30 September 2010 of \$800,000 (2009 profit \$5.4m) from total revenue of \$1,810m (2009 \$2,014m). In addition, one-off extraordinary restructuring costs of \$7.2m were incurred.

Despite an operational loss, the robust balance sheet – with 61.3% equity ratio and dramatically reduced working capital borrowings, down to \$117m – now enables the company to focus on delivering long term profitability from its “plate-to-pasture” strategy.

It has been a tough, but successful three years, with the company reducing debt by \$215m since August 2007, closing three plants and six lamb chains and exiting the Brooks of Norwich operation in the UK, as it no longer added value to the product.

The company moved its financial end of year to 30 September to be in line with industry convention. This year’s statutory accounts for the 13-month period show a \$14.0m net loss (including non-recurring items) after tax, having accounted for two Septembers. September is a loss-making month in the industry’s business cycle, because of the low activity and high fixed cost nature of the business.

Total debt was reduced over the period by \$67m to \$117m as the company refinanced its banking arrangements, as well as repaying the \$75m SFF030 Bond on 15 November 2010. This will save approximately \$3m in ongoing interest annually.

The early bond repayment signals a significant milestone in the overall restructuring of the company’s balance sheet and the company is now in a strong financial position for the future. Through FarmIQ, we are increasing investment in the future of the industry. That investment of capital – into areas such as processing technology, on-farm advancements and a market-led model – will improve company profitability and drive greater returns inside the farm gate. Silver Fern Farms has a long history of strategic capital expenditure and, during the past 10 years, has spent more than \$250m on capital projects, including \$23.6m in the past financial year.

A one for five bonus share issue has been declared, which is in addition to the Performance Premium Programme payments made to suppliers through the year.

The 2009/2010 trading environment was challenging – we were working with an appreciating and volatile exchange rate, coupled with reduced lamb numbers – and this put pressure on margins. It is of little comfort that we, as a business, have sub-optimal margins, but it is more concerning that our farmer supply base is yet to achieve sustainable profitability.

“Notwithstanding the forecast livestock supply outlook, high exchange rates and lack of industry strategic direction, Silver Fern Farms is now in a strong financial position to deliver a positive outcome in the coming year. The company performance for the difficult first two months of the new year is ahead of budget and ahead of the same period last year, both financially and in livestock market share.”



INNOVATION

Silver Fern Farms places considerable emphasis and commits material investment into innovation and technology development. Through Robotic Technologies Limited – a joint venture between Silver Fern Farms and Scott Technology – the world's first x-ray analysis system for lamb is now being rolled out across all of the company's sheep and lamb plants.

The "Market Value Traceability System" will provide information on yield to help capture the maximum value of meat from each carcass. As computer systems are developed and changes made to boning rooms, the x-ray data will be used to make cutting decisions that optimise the size and shape of muscles to best suit customer requirements.

During the past year, x-ray analysis was introduced at Takapau, Pareora and Finegand plants. The new systems being installed at other plants over the coming year will incorporate two x-ray units, side-by-side, to give improved performance. The company continues to improve the performance and accuracy of the technology and investigate options for measurement of fat depth and meat/fat/bone ratios, which will ultimately see an evaluation of how we structure livestock payments.

The system has the significant advantage of also providing highly accurate yield information back to suppliers, which will improve on-farm productivity if utilised effectively in breeding decisions, particularly when linked to Farm^{IQ} Systems Ltd.

Silver Fern Farms is part way through its programme to install RFID (radio frequency identification device) traceability at all sites – well ahead of National Animal Identification and Tracing timetables. This means that suppliers using RFID tags on sheep and lambs will be able to get grading details for each animal as systems are installed over the next 12 months. We are also working on new systems to provide detailed yield data for cattle and deer within the next two years.

PROJECT OPTIMAL

Project Optimal was launched at the end of the last financial year and in 2010 we have continued the focus on testing all parts of our current business model to ensure optimal efficiencies across core areas.

In July 2010 Silver Fern Farms announced the closure of the Brooks (Norwich) UK operation – a downstream consequence of the company's efforts to implement best practice chilled supply chains and better align the business footprint to meet the changing expectations of the market and our customers, as their preference moves from frozen to chilled.

The closure of the Canterbury lamb cutting operation in June and the subsequent upgrade to the Fairton plant were other steps towards the aim of streamlining business operations and optimising efficiencies across our various processing sites in the South Island.

OPEN LETTER POLL RESULT

We recently published an open letter to Silver Fern Farms and Alliance Group Ltd shareholders to gauge farmer support for having an independent evaluation of opportunities for the two farmer owned co-operatives.

The result was 87% in favour of engaging on such a process, albeit on a low response base of 517 shareholders. The response rate was not surprising in view of the aggressive push back by Alliance Group and it is noteworthy that this stance would have contributed to the low turnout. However, it does mean we now have clarity as to Alliance Group's position towards industry aggregation and in particular with another industry co-operative, Silver Fern Farms. It is noteworthy Alliance Group will put industry aggregation on its Annual Meeting agenda. But, based on recent events, we don't expect a major change in their sentiment. Silver Fern Farms Board and management will now focus on the company's own strategy and use our strong equity base to improve profitability for both the business and for farmer suppliers.



SILVER FERN FARMS BRAND

Silver Fern Farms' New Zealand retail range was launched in November 2009, and the response from consumers has been extremely positive.

The company's distinctive retail packaging was awarded the "Zespri Product Innovation Award for Food Packaging" at the 2010 New Zealand Food Awards in October and also won a bronze award for packaging at this year's New Zealand Designers Institute Best Awards.

Earlier this year the company's television campaign was a finalist in the CAANZ Axis awards for creative excellence.

"Research has confirmed that our brand campaign has already generated solid levels of awareness, recognition and likeability amongst New Zealand consumers. Building a strong consumer brand is a long term strategy but we have made a promising start."

BEEF + LAMB NZ (B+LNZ) COLLABORATION – EUROPEAN MARKET RESEARCH PROGRAMME

Silver Fern Farms continues to work alongside B+LNZ, partnering on generic and joint venture marketing initiatives in key export markets. In conjunction with B+LNZ, New Zealand Trade and Enterprise (NZTE) and a group of other exporters, Silver Fern Farms commissioned the European Market Research programme in 2010 – the first comprehensive research study the New Zealand red meat sector has undertaken off-shore. The objective is to understand international consumer preferences around the sensory attributes of red meat – for example, taste, tenderness, and aroma. The information will prove immensely valuable in terms of enabling our plate-to-pasture strategy, allowing us to develop products better tailored to the European consumer's palate.

BACKBONE™ – THE 2010 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 have simplified the programme to provide 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.



CHINA FOCUS

Despite commitment from Silver Fern Farms, 2010 saw the failure of the Emerging Markets Group when co-partners withdrew support. This was to be a collaborative initiative between Silver Fern Farms and others aimed at maximising the potential collective opportunity for New Zealand red meat in China and it required an element of vision beyond the short term. Independently, 2010 has seen us press ahead with our own developments in China, with a focus on identifying the right retail and foodservice partners in-market to support our value-added product strategy and engaging our farmer partners in supply programmes to service new niche market segments.

ENVIRONMENT

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

The company is reviewing resource consents on an ongoing basis 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.

Takapau plant has also extended its wetlands areas, including planting more than 15,000 plants with involvement from the local community.

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 global 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.

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 6,000 people employed in 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 the meat industry. Silver Fern Farms has managed this dimension of the business effectively in 2010 with injury prevention and management programmes contributing to positive outcomes. All performance targets for the group were met and the group looks forward to another season of continuous improvement next year.

DEDICATION AND COMMITMENT

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 our staff make to the business. We have a level of optimism for the future, particularly if we all embrace change and opportunity.

EOIN GARDEN
Chairman

KEITH COOPER
Chief Executive

MARKET OUTLOOK



LAMB

The lamb and mutton market outlook is extremely positive for 2011. Substantial price increases have been achieved across all markets and sectors, and we expect further increases in some areas given the significant decrease in supply. An indicator of market shortage is New Zealand's EU quota allocation, which will be under supplied by more than 30,000mt in 2010. We expect this shortfall to grow by a further 10,000-15,000mt in 2011. As chilled lamb exports have continued to grow – by 15 per cent in 2010 – the shortfall is concentrated on frozen lamb and mutton exports. This is having a dramatic impact on supply and pricing, especially at a foodservice level. While market prices have now risen to or exceeded historical high levels, we believe that prices are sustainable given the change in relative supply volumes.

Silver Fern Farms continues to grow its chilled supply, with a focus on branded programmes – both within New Zealand and with several of our key international retail partners.

We are also seeing improved demand and pricing across skins and wool, reflecting strong demand for light leathers into the fashion garment industry and a global shortage of wool fibre. Co-product markets – including meal, tallow, casings and pet food – are also performing well with strong demand against reduced global ovine production.

BEEF

The beef outlook remains positive through 2011. The declining US cattle inventory and reduced global exports from South America (Uruguay, Argentina and Brazil) are supporting strong demand through international markets. The downsizing of beef and dairy cow herds in the US over the past four years is now beginning to impact on US domestic and imported beef prices.

Non-traditional markets, such as Russia, have been heavily dependent on volumes from South America, but are now looking to source additional volume from Australia and New Zealand, at prices comparable to or higher than the US. We are also forecasting growth in demand from other non-traditional and emerging markets, which will assist in longer-term demand and positive price trends for New Zealand beef.

Currency movements have become a major factor in determining the flow of meat between markets, as well as impacting on New Zealand dollar returns. This has taken the edge off returns to the farmer and we predict currency remaining volatile in the short term.

Shortfalls of premium cuts from South America into EU markets and growing demand for premium cuts in Asia, Middle East and the US markets are allowing New Zealand beef to be positioned at the higher end of retail and foodservice markets. The longer-term price trend remains positive, given the increasing pressure on feedlot cattle profitability – the result being pressure to lift market prices, against the increasing cost of corn.

Silver Fern Farms' selected premium beef brands continue to grow and larger retailers are now promoting grass-fed beef as an alternative to grain-fed in the retail cabinet.

Successful outcomes to the current Free Trade Agreement negotiations with Russia and Korea would deliver strong benefits to New Zealand's beef industry and ensure we remain competitive, relative to other bilateral FTAs under negotiation.



VENISON

Major markets for New Zealand venison have continued to improve, with the general outlook positive for 2011. While national production numbers are forecast to be steady, at approximately 380,000 head, there is expected to be lower availability in the market, with limited stocks carried over into the New Year. While production was down 21 per cent last year, exports declined by only 7 per cent, indicating the full effect of the decrease in New Zealand numbers has yet to flow through to the marketplace.

The current chilled season has progressed favourably with lower volumes from New Zealand, however major customers were under supplied at the higher chilled price levels. Frozen prices are already starting to show an increase for 2011 compared to 2010, as customers focus on securing supply. Demand for chilled venison outside the traditional chilled season continues to increase, with partnership programmes growing in both the retail and foodservice sectors.

The Euro Zone nations have remained under economic and financial pressure and, while New Zealand's main venison markets (such as, Germany, The Netherlands, Austria and Scandinavia) have been performing relatively well, the crisis in Greece and Ireland continues to weigh heavily on the currency, impacting New Zealand dollar returns.

Asian offal pricing remains at reasonable levels, while demand for sinews and pizzles is steady. Higher-value tails are experiencing slow demand. Venison co-products are in strong demand looking forward. Reduced production from New Zealand means few alternative sources of supply for processors and strengthening global demand.

OTHER – HIDES & PELTS

Current hide prices are at historical highs, after increasing 50 per cent from 2009. Prices look to remain firm into 2011, due to strong demand from shoe, handbag and automotive markets. The fashion in shoes is currently over-the-knee boots and large over-the-shoulder handbags. These styles can consume up to 20 per cent more leather than traditional shoe and handbag styles. Coupled with a shortage of raw material worldwide and tanners opting to source globally, the outlook is positive.

On the back of a shortage of raw material, pelt prices are up 50 per cent on 2009 and should remain firm. Tanners are receiving strong demand for garment orders, thanks to Europe's early, cold winter. There is increasing demand for the further processing of pelts to wet blue stage – led by India, Pakistan and China.

Calf skin prices are up 50 per cent on 2009 and demand is expected to increase in 2011.

The short- to medium-term outlook for slipe wool is positive and prices are firm – up 45-75 per cent, dependent on grade, from 2009. Demand is being driven by a global shortage of fibre.

BOARD OF 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.



JOE FERRABY

Joined Board in 1988.

Operates 600 ha in Marlborough and has interests in other farming operations.

Chairman of Terra Vitae Vineyards Limited and Destination Marlborough. Director of Combined Rural Traders Limited, The Equitable Group of Companies and other private companies.



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.

SENIOR EXECUTIVE 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 NZ Lamb Company Group North America, Meat Industry Association, NZ Meat Board, Beef + Lamb NZ, Farmbrands Ltd, Robotic Technology Ltd and various Silver Fern Farms subsidiaries.



KEVIN WINDERS
Chief Financial Officer

Appointed Chief Financial 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, and past director of the NZ Merino Company.



STEVE MURPHY
Group Operations Manager

Responsible for operations, industrial relations, health and safety, environmental compliance and engineering.

Joined company in March 2004 from Richmond where he was General Manager Sheepmeats. Broad range of meat industry experience across livestock, operations and marketing; previously senior manager with the Mars Corporation in Australasia. Holds an Agricultural Economics degree and Diploma in Meat Technology.



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).



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 Innovation 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 in 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.

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:

- Silver Fern Farms will have a Board of between six and eight directors;
- up to five directors are to be elected by shareholders who are suppliers of livestock to the Company ('Farmer Elected Directors');
- 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 2010 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
Joe Ferraby	Shareholder-elected
Rob Hewett	Shareholder-elected
Angus Mabin	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 executive 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 period ended 30 September 2010, the Board met 14 times (including telephone conferences but excluding the annual meeting) as follows:

DIRECTOR	BOARD (scheduled)	BOARD (additional inc. teleconference)	ANNUAL MEETING	AUDIT/ RISK ASSESSMENT & MITIGATION	REMUNERATION & APPOINTMENTS	MANAGEMENT COMMITTEE MEETINGS	
						Innovation Committee	Supplier Services Committee
A J Balfour	11	1	–	–	–	3	–
T J Burt	13	1	1	3	2	–	–
D S Ferraby	12	–	1	3	–	–	–
E R H Garden	13	1	1	–	2	*	*
R J Hewett	13	–	1	–	–	4	4
A C Mabin	13	1	1	3	–	–	4
R J Somerville	13	1	–	3	2	–	–
P H Ulrich	13	1	1	–	–	–	3

* E R H Garden attended 1 Innovation Committee and 2 Supplier Services Committee meetings, although he is not formally a member of those committees.

STATUTORY INFORMATION

DIRECTORS

The Directors of Silver Fern Farms as at 30 September 2010 are:

- Eoin Reay Hamilton Garden (Chairman)
- Richard John Somerville (Deputy Chairman)
- Antony John Balfour
- Trevor John Burt
- David Scott Ferraby
- Robert James Hewett
- Angus Collis Mabin
- Peter Herstatt Ulrich.

DIRECTORS' INTEREST IN TRANSACTIONS

For the period ended 30 September 2010, 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 26 November 2010:

"In the opinion of the Board, Silver Fern Farms Limited has throughout the period ended 30 September 2010 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."

INFORMATION DISCLOSURE

For the period ended 30 September 2010, 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 S Ferraby, A C Mabin.

DIRECTORS' INSURANCE

Directors' and officers' liability insurance, together with cover for health and personal accident, 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 period ended 30 September 2010, neither Silver Fern Farms nor any of its subsidiaries made any donations.

AUDITORS

The amount payable by the Silver Fern Farms Group to Ernst & Young as audit fees in respect of the financial period ended 30 September 2010 was \$314,000. Fees payable to Ernst & Young for consulting services in respect of the financial period ended 30 September 2010 were \$43,000.

DIRECTORS' INTERESTS IN SILVER FERN FARMS SHARES

The shares held in Silver Fern Farms by each director and the relevant interests in Silver Fern Farms bonds of each director as at 30 September 2010 are set out in the following table.

DIRECTOR	FULLY PAID NEW ORDINARY SHARES		PARTLY PAID NEW ORDINARY SHARES		SECURED BONDS	
	Shares Issued	Holding as at 30 Sept 10	Shares Issued	Holding as at 30 Sept 10	Bonds Issued	SFF030 Holding as at 30 Sept 10
A J Balfour	–	–	–	–	–	–
T J Burt	–	–	–	–	–	–
D S Ferraby	32,731	32,731	–	–	–	15,000
E R H Garden	73,860	73,860	65,000	65,000	–	6,000
R J Hewett	56,299	56,299	68,701	68,701	–	–
A C Mabin	53,335	53,335	60,954	60,954	–	–
R J Somerville	12,005	12,005	–	–	–	–
P H Ulrich	33,491	33,491	30,000	30,000	–	–

DIRECTORS' FEES

DIRECTOR NZD (\$)	POSITION	12 months ended 30 Sept 2010	13 months ended 30 Sept 2010
A J Balfour	Director	50,000	54,167
T J Burt	Director and Chairman Remuneration and Appointments Committee	55,000	59,583
D S Ferraby	Director	50,000	54,167
E R H Garden	Director and Chairman	112,500	121,875
R J Hewett	Director	50,000	54,167
A C Mabin	Director	50,000	54,167
R J Somerville	Director and Chairman Audit, Risk Assessment and Mitigation Committee	55,000	59,583
P H Ulrich	Director	50,000	54,167
Total Directors' fees		472,500	511,876

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 period ended 30 September 2010, 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. The total paid in the period ended 30 September 2010 contains a payment relating to performance at year end 31 August 2009. 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	CESSATIONS
100,000 – 110,000	24	1	8
110,001 – 120,000	17	3	3
120,001 – 130,000	10	0	4
130,001 – 140,000	11	1	3
140,001 – 150,000	3	0	2
150,001 – 160,000	6	0	0
160,001 – 170,000	5	0	0
170,001 – 180,000	4	3	2
180,001 – 190,000	3	0	1
190,001 – 200,000	1	0	0
200,001 – 210,000	2	0	0
210,001 – 220,000	2	0	0
230,001 – 240,000	1	1	0
250,001 – 260,000	0	0	1
260,001 – 270,000	1	0	0
290,001 – 300,000	1	0	0
300,001 – 310,000	0	0	1
860,001 – 870,000	1	0	0

DIRECTORS' STATEMENT

This Annual Report is dated 26 November 2010 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 13 months ended 30 September 2010

NZD IN THOUSANDS (\$000)	NOTES	PARENT		CONSOLIDATED	
		13 months to 30 Sept 10	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Continuing Operations					
Sale of goods		1,780,190	1,962,057	1,831,682	2,001,614
Other revenue	5	2,052	850	1,512	320
Revenue		1,782,242	1,962,907	1,833,194	2,001,934
Other income	6	49,623	10,258	45,536	12,656
Total income		1,831,865	1,973,165	1,878,730	2,014,590
Raw materials and consumables used		1,275,184	1,352,884	1,304,687	1,365,931
Employee benefits expense	7	271,544	274,863	274,971	283,104
Depreciation and amortisation		25,320	24,197	25,469	24,679
Finance costs	7	22,322	32,703	22,845	32,776
Other operational expenses	7	252,632	291,707	260,574	304,091
Share of profits of associate	29	-	-	(1,397)	(1,105)
Profit/(loss) from continuing operations before member distributions, income tax and non-recurring items		(15,137)	(3,189)	(8,419)	5,114
Member distributions	10	98	153	98	153
Profit/(loss) before income tax and non-recurring items		(15,235)	(3,342)	(8,517)	4,961
Non-recurring items – income	8	11,341	48,476	11,378	48,476
Non-recurring items – costs	8	(15,028)	(9,851)	(18,276)	(10,078)
Total non-recurring items		(3,687)	38,625	(6,898)	38,398
Profit/(loss) before income tax		(18,922)	35,283	(15,415)	43,359
Income tax expense/(benefit)	9	(1,966)	66	(1,396)	(238)
Net profit/(loss) for the period		(16,956)	35,217	(14,019)	43,597
Profit/(loss) attributable to shareholders of the parent		(16,956)	35,217	(14,019)	43,597
Other comprehensive income					
Foreign currency translation gain/(loss)		-	-	(4,454)	(3,501)
Revaluation gain on land and buildings		62,184	-	64,361	-
Income tax on items of other comprehensive income – (charged)/credited	9	(11,119)	267	(11,729)	267
Other comprehensive income for the period, net of tax		51,065	267	48,178	(3,234)
Total comprehensive income for the period attributable to shareholders of the parent		34,109	35,484	34,159	40,363

Earnings per share for loss from continuing operations attributable to the shareholders of the parent

		Cents	Cents
Basic earnings per ordinary share	11	(19.44)	-
Diluted earnings per ordinary share	11	(19.44)	-

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 26 November 2010.



E R H GARDEN
Chairman



R J SOMERVILLE
Deputy Chairman

STATEMENT OF CHANGES IN EQUITY

for the 13 months ended 30 September 2010

PARENT					
NZD IN THOUSANDS (\$000)	Share Capital	Retained Earnings	Asset Revaluation Reserve	Available for Sale Reserve	Total Equity
Opening balance at 1 September 2008	-	157,242	59,673	-	216,915
Net profit/(loss) for the period	-	35,217	-	-	35,217
Other comprehensive income	-	4,946	(4,679)	-	267
Total comprehensive income for the period	-	40,163	(4,679)	-	35,484
Closing balance at 31 August 2009	-	197,405	54,994	-	252,399
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

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 2008	-	143,298	(1,561)	60,016	-	201,753
Net profit/(loss) for the period	-	43,597	-	-	-	43,597
Other comprehensive income	-	4,946	(3,501)	(4,679)	-	(3,234)
Total comprehensive income for the period	-	48,543	(3,501)	(4,679)	-	40,363
Closing balance at 31 August 2009	-	191,841	(5,062)	55,337	-	242,116
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

*Refer to note 22 for additional information regarding the Group's capital raising exercise in the current period
The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

BALANCE SHEET

as at 30 September 2010

NZD IN THOUSANDS (\$000)	NOTES	PARENT		CONSOLIDATED	
		As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
ASSETS – Current Assets					
Cash and cash equivalents	24	1,949	593	3,182	1,554
Derivative financial instruments	26	4,356	20,577	4,356	20,577
Trade and other receivables	15	98,059	107,603	106,199	101,179
Financial assets	22	6,486	-	6,486	-
Inventories	13	58,400	104,284	76,141	150,398
Livestock	14	31,655	26,416	31,655	26,416
Tax receivable	9	-	-	13	218
Available for sale financial assets	16	-	7,200	-	7,200
Assets held for sale	17	1,572	191	1,572	191
Total Current Assets		202,477	266,864	229,604	307,733
ASSETS – Non-current Assets					
Available for sale financial assets	16	78	74	78	74
Trade and other receivables	15	8,757	4,260	8,757	4,260
Financial assets	22	6,192	-	6,192	-
Investments in subsidiaries	30	71,553	71,553	-	-
Investments in associates	29	9,208	4,485	15,788	10,702
Property, plant and equipment	17	333,783	275,579	337,608	277,763
Intangible assets	28	2,110	2,645	2,214	2,665
Total Non-current Assets		431,681	358,596	370,637	295,464
TOTAL ASSETS		634,158	625,460	600,241	603,197
LIABILITIES – Current Liabilities					
Bank overdraft	19	860	437	2,847	452
Derivative financial instruments	26	705	291	705	291
Trade and other payables	18	95,145	76,274	77,263	71,811
Provisions	21	13,722	14,972	13,820	15,094
Advances from subsidiaries		8,543	8,543	-	-
Tax provision	9	-	-	26	783
Interest bearing loans and borrowings	19	397	688	397	688
Bonds payable	20	75,052	-	75,052	-
Total Current Liabilities		194,424	101,205	170,110	89,119
LIABILITIES – Non-current Liabilities					
Provisions	21	8,633	11,340	8,633	11,340
Interest bearing loans and borrowings	19	41,832	108,183	41,832	108,183
Bonds payable	20	-	75,615	-	75,615
Deferred income tax	9	11,265	2,573	11,895	2,679
Total Non-current Liabilities excluding Members' Shares		61,730	197,711	62,360	197,817
TOTAL LIABILITIES EXCLUDING MEMBERS' SHARES		256,154	298,916	232,470	286,936
NET ASSETS EXCLUDING MEMBERS' SHARES					
		378,004	326,544	367,771	316,261
Convertible redeemable preference shares	19, 22	1,595	1,622	1,595	1,622
Supplier investment shares	22	7,203	24,754	7,203	24,754
Members' ordinary shares	22	20,360	47,769	20,360	47,769
Total Members' Shares		29,158	74,145	29,158	74,145
NET ASSETS		348,846	252,399	338,613	242,116
EQUITY – Equity attributable to equity holders of the parent					
New ordinary shares	22	117,560	-	117,560	-
Retained earnings		128,878	197,405	126,251	191,841
Other reserves	23	102,408	54,994	94,802	50,275
TOTAL EQUITY		348,846	252,399	338,613	242,116

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

CASH FLOW STATEMENT

for the 13 months ended 30 September 2010

NZD IN THOUSANDS (\$000)	NOTES	PARENT		CONSOLIDATED	
		13 months to 30 Sept 10	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Cash flows from operating activities					
Receipts from customers		1,803,070	2,031,703	1,834,603	2,065,388
Payments to suppliers and employees		(1,707,308)	(1,950,005)	(1,737,717)	(1,982,108)
Interest received		358	297	358	299
Dividends received		541	552	541	552
Finance costs paid		(23,380)	(25,206)	(23,903)	(25,279)
Recovery from PGG Wrightson Ltd		-	30,000	-	30,000
Proceeds from wind up of company superannuation scheme		-	7,222	-	7,222
Tax refund received/(tax paid)		119	58	(1,088)	(414)
Net cash flows from operating activities	12	73,400	94,621	72,794	95,660
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		2,605	13,779	2,589	15,333
Proceeds from sale of investments		7,297	810	7,297	810
Purchase of property, plant and equipment and intangibles		(22,607)	(32,966)	(23,611)	(35,454)
Advance to associate		(2,291)	(400)	(2,291)	(400)
Proceeds from/(investment in) associate		2,200	(266)	2,200	(266)
Investment in subsidiary		-	(300)	-	-
Net cash flows used in investing activities		(12,796)	(19,343)	(13,816)	(19,977)
Cash flows from financing activities					
Proceeds from the issue of new ordinary shares		8,678	-	8,678	-
Bond repayment		-	(50,000)	-	(50,000)
Repayment of borrowings		(66,149)	(10,658)	(66,149)	(10,658)
Distributions paid		(98)	(11,700)	(98)	(11,700)
Members' ordinary shares surrendered		(1,740)	(1,638)	(1,740)	(1,638)
Supplier investment shares surrendered		(316)	(403)	(316)	(403)
Convertible redeemable preference shares redeemed		(27)	(1,032)	(27)	(1,032)
Net cash flows used in financing activities		(59,652)	(75,431)	(59,652)	(75,431)
Net increase/(decrease) in cash and cash equivalents		952	(153)	(674)	252
Effects of exchange rate changes on the balance of cash held in foreign currencies		(19)	3	(93)	1
Cash and cash equivalents at the beginning of the period		156	306	1,102	849
Cash and cash equivalents at end of the period		1,089	156	335	1,102
Represented by					
Cash	25	1,949	593	3,182	1,554
Bank overdraft	25	(860)	(437)	(2,847)	(452)
Cash at the end of the period		1,089	156	335	1,102

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

NOTES TO THE FINANCIAL STATEMENTS

for the 13 months ended 30 September 2010

1 Corporate Information

The financial statements of Silver Fern Farms Limited for the 13 months ended 30 September 2010 were authorised for issue in accordance with a resolution of the directors on 26 November 2010.

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 and a listed issuer on the NZ Debt Exchange.

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 13 months ended 30 September 2010. The comparative period is for the 12 months ended 31 August 2009 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 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 September 2009.

- NZ IFRS 3 Business Combinations (Revised)
- NZ IFRS 7 Financial Instruments: Disclosure (Amendments)
- NZ IFRS 8 Operating Segments
- NZ IAS 1 Presentation of Financial Statements (Revised)
- NZ IAS 23 Borrowing Costs (Revised)
- NZ IAS 27 Consolidated and Separate Financial Statements (Amendments)
- NZ IAS 32 Financial Instruments: Presentation (Amendments)

The Group has elected to early adopt the following amended standard as of 1 September 2009.

- Improvement to NZ IFRS 8 May 2009 effective 1 January 2010

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:

NZ IFRS 7 Financial Instruments: Disclosure (Amendments)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

NZ IFRS 8 Operating Segments

NZ IFRS 8 replaced NZ IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with NZ IFRS 8 are the same as the business segments previously identified under NZ IAS 14, but has aligned disclosures with information used by management to make operating decisions, in accordance with the principles set out in NZ IFRS 8. NZ IFRS 8 disclosures are shown in note 4, including the related revised comparative information.

NZ IAS 1 Presentation of Financial Statements (Revised)

The revised standard requires a new statement of comprehensive income and sets out other disclosure requirements. The statement of comprehensive income presents all items of recognised income and expense. The Group has elected to present one statement.

Improvement to NZ IFRS 8 May 2009 effective 1 January 2010

The improved standard clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information in note 4.

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 2010.

NZ IFRS 9 Financial Instruments

Summary of Policy:

The standard introduces a number of changes to accounting for financial assets and financial liabilities. Financial assets will be classified as either assets measured at amortised cost or assets measured at fair value.

Date standard becomes effective:

Periods beginning on or after 1 January 2013.

Impact on Group financial report:

The standard will impact on the classification and disclosure of Group financial assets and financial liabilities but is not expected to have a material effect on amounts included in the financial statements.

Application date for Group:

1 October 2013

NZ IAS 24 Related Party Disclosures (Revised 2009)

Summary of Policy:

The revised standard clarifies the definition of related parties.

Date standard becomes effective:

Periods beginning on or after 1 January 2011

Impact on Group financial report:

The revised standard relates to disclosures only – the impact is expected to be minor.

Date standard becomes effective:

1 October 2011

Amendments to New Zealand Accounting Standards arising from the Annual Improvements Project (NZ IFRS 5, NZ IAS 1, 7, 17, 18, 36,39)

Summary of Policy:

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.

Date standard becomes effective:

Periods beginning on or after 1 January 2010

Impact on Group financial report:

No significant impacts are expected from these amendments.

Date standard becomes effective:

1 October 2010

d **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Silver Fern Farms Limited and its subsidiaries 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 30 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 profits 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 shall be measured at fair value, which shall be 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 will be 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 the 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 prevailing market price less any point of sale costs, 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 a 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 cash 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.

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 redeemable 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.

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 is 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 New 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.

ac Comparatives

In the financial statements for the year ended 31 August 2009, interest in forward points of \$8,519,000 (income) were presented as finance costs. In these financial statements, the comparative figures have been restated and this amount has been netted against losses on foreign exchange. This classification better reflects the nature of reported transactions.

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 judgment, 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 (the chief operating decision maker) 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 (CEO) 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.

Business segments

The following tables present revenue and profit information for reportable segments for the 13 months ended 30 September 2010 and 12 months ended 31 August 2009.

NZD IN THOUSANDS (\$000)	13 mths to 30 Sept 10			12 mths to 31 Aug 09				
	Food	Associated Products	Unallocated Items	Food	Associated Products	Unallocated Items	Total	
Revenue								
Sales to external customers	1,601,145	230,537	-	1,831,682	1,752,166	249,448	-	2,001,614
Total segment revenue				1,831,682				2,001,614
Segment net operating (loss)/profit before tax	(1,080)	(156)	-	(1,236)	22,106	3,147	-	25,253
Interest revenue	-	-	1,512	1,512	-	-	299	299
Interest expense	-	-	(17,948)	(17,948)	-	-	(27,976)	(27,976)
Depreciation and amortisation	(22,264)	(3,205)	-	(25,469)	(21,603)	(3,076)	-	(24,679)
Share of profit/(loss) of associates	1,023	374	-	1,397	1,278	(173)	-	1,105
Non-recurring income	-	-	11,378	11,378	-	-	48,476	48,476
Non-recurring expenditure	-	-	(18,276)	(18,276)	-	-	(10,078)	(10,078)

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 13 months ended 30 September 2010 or 12 months ended 31 August 2009.

i. Segment revenue reconciliation to the statement of comprehensive income

NZD IN THOUSANDS (\$000)	CONSOLIDATED	CONSOLIDATED
	13 months to 30 Sept 10	12 months to 31 Aug 09
Total segment revenue	1,831,682	2,001,614
Other revenue from continuing activities	1,512	320
Total revenue	1,833,194	2,001,934

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
	13 months to 30 Sept 10	12 months to 31 Aug 09
USA	271,686	255,176
United Kingdom	244,242	289,686
New Zealand	206,148	193,934
Germany	141,212	181,878
Japan	82,628	71,431
Australia	69,380	85,534
Republic of Korea	68,204	85,815
Italy	68,004	63,902
Other	681,690	774,578
Total revenue	1,833,194	2,001,934

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

The senior executive team (SET) 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 before tax to net loss before tax:

NZD IN THOUSANDS (\$000)	CONSOLIDATED	CONSOLIDATED
	13 months to 30 Sept 10	12 months to 31 Aug 09
Segment net operating (loss)/profit before tax	(1,236)	25,253
Other revenue	1,512	320
Other income (excluding foreign exchange gains)	13,718	12,656
Fair value gain/(loss) on financial instruments	432	(339)
Finance costs	(22,845)	(32,776)
Member distributions	(98)	(153)
Net non-recurring items	(6,898)	38,398
Net (loss)/profit before tax per the statement of comprehensive income	(15,415)	43,359

5 Other Revenue

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	13 months to 30 Sept 10	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Interest revenue	1,511	298	1,512	299
Dividend revenue	541	552	-	21
Total other revenue	2,052	850	1,512	320

6 Other Income

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	13 months to 30 Sept 10	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Rental revenue	1,062	372	1,062	372
Net foreign exchange gains	31,816	-	31,818	-
Gain on sale of property, plant and equipment	724	298	724	1,068
Sundry income	16,021	9,588	11,932	11,216
Total other income	49,623	10,258	45,536	12,656

7 Expenses

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	13 months to 30 Sept 10	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Employee benefits expense				
Wages and salaries	261,447	262,254	264,558	270,473
Wages and salaries capitalised	(2,082)	(1,662)	(2,082)	(1,662)
Workers' compensation costs	7,211	10,997	7,417	11,005
Superannuation costs	4,968	3,274	5,078	3,288
Total employee benefits expense	271,544	274,863	274,971	283,104
Finance costs				
Bank facility fees	4,897	4,800	4,897	4,800
Bank interest cost	8,151	13,746	8,193	13,819
Other interest cost	229	3,298	710	3,298
Bond interest cost and similar expenses	9,045	10,859	9,045	10,859
Total finance costs	22,322	32,703	22,845	32,776
Other expenses				
Audit fees	198	205	314	344
Bad debt expense/(recovery)	(103)	281	(12)	385
Energy costs	27,811	25,877	27,837	26,847
Internal freight	6,232	7,144	10,372	11,823
Leasing costs	4,959	3,234	5,167	3,536
Loss on sale of plant, property and equipment	150	91	166	(445)
Loss/(gain) on fair value of financial instruments	(432)	339	(432)	339
Loss on foreign exchange	-	27,909	-	27,916
Redundancy costs	-	718	-	718
Rental costs	3,054	2,810	3,162	3,455
Research and development	702	280	702	280
Other operating costs	210,061	222,819	213,298	228,893
Total other expenses	252,632	291,707	260,574	304,091

8 Non-recurring items

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	13 months to 30 Sept 10	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Gains on disposal	97	4,976	97	4,976
Settlement received from PGG Wrightson Ltd	-	42,000	-	42,000
Reversal of previous impairment on land and buildings	10,991	-	10,991	-
Other income	253	1,500	290	1,500
Total income	11,341	48,476	11,378	48,476
Restructuring costs	3,304	767	3,518	767
Plant closure costs	7,411	-	10,445	527
Impairment of investments	-	4,800	-	4,800
Loss on disposal	-	3,984	-	3,984
Assets written down in value	4,313	300	4,313	-
Total expenses	15,028	9,851	18,276	10,078
Total non-recurring items income/(expense)	(3,687)	38,625	(6,898)	38,398

Settlement of PGG Wrightson Limited Liability

On 24 April 2009 Silver Fern Farms and PGG Wrightson Limited (PGW) agreed terms of a full and final settlement following PGW's default on the equity transaction agreed in 2008. PGW paid the Company \$30m in cash and issued the Company ten million ordinary shares in PGW (fully paid and ranking equally with all other PGW shares on issue).

At 31 August 2009, the ten million ordinary shares in PGW were recorded at market value. An impairment of \$4,800,000 was recognised within impairment of investments, reflecting the fall in value of the shares from \$1.20 per share issue price to \$0.72 per share market value.

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	
	13 months to 30 Sept 10	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Income tax expense				
Current income tax charge	461	243	1,112	1,210
Adjustments in respect of current income tax of previous years	-	-	5	(130)
Deferred income tax				
Adjustments in respect of deferred income tax of previous years	(2,577)	-	(2,577)	-
Relating to origination and reversal of temporary differences	150	(177)	64	(1,318)
Income tax expense/(benefit) reported in profit or loss	(1,966)	66	(1,396)	(238)
Amounts charged or credited directly to other comprehensive income				
Revaluation of buildings – charged/(credited)	11,119	(267)	11,729	(267)
Income tax expense/(benefit) reported in other comprehensive income	11,119	(267)	11,729	(267)

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	
	13 months to 30 Sept 10	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Accounting profit/(loss) before non-recurring items and tax	(15,235)	(3,342)	(8,517)	4,961
Non-recurring items	(3,687)	38,625	(6,898)	38,398
Total accounting profit/(loss) before income tax	(18,922)	35,283	(15,415)	43,359
At the parent entity's statutory income tax rate of 30%	(5,677)	10,585	(4,625)	13,008
Adjustments in respect of current/deferred income tax of previous years	-	-	5	(130)
Change in corporate tax rate	757	-	757	-
Change in building depreciation rules	7,509	-	7,509	-
Capital gain on sale of asset	(2,454)	(2,361)	(2,454)	(2,361)
Non-deductible loss on sale of buildings	186	837	202	837
Non-deductible entertainment expenditure, legal expense and rebates	55	506	65	506
Other non-deductibles/non-taxables	(2,943)	(10,973)	(2,946)	(10,973)
Farm Brands Investment	-	(450)	-	(450)
Attributable Foreign Income	-	(3)	-	(3)
Write off of foreign withholding tax	600	243	600	-
Other differences	1	1,682	(509)	(672)
Aggregate income tax expense/(benefit)	(1,966)	66	(1,396)	(238)

Recognised deferred tax assets and liabilities

NZD IN THOUSANDS (\$000)	PARENT				CONSOLIDATED			
	As at 30/9/10 Current Income Tax	As at 30/9/10 Deferred Income Tax	As at 31/8/09 Current Income Tax	As at 31/8/09 Deferred Income Tax	As at 30/9/10 Current Income Tax	As at 30/9/10 Deferred Income Tax	As at 31/8/09 Current Income Tax	As at 31/8/09 Deferred Income Tax
Opening asset/(liability)	-	(2,573)	164	(2,880)	(565)	(2,679)	(36)	(4,127)
Charged to income	(461)	2,427	(243)	177	(1,117)	2,513	(1,080)	1,318
(Charged)/credited to other comprehensive income	-	(11,119)	-	267	-	(11,729)	-	267
Other payments/movements	461	-	79	(137)	1,669	-	551	(137)
Closing asset/(liability)	-	(11,265)	-	(2,573)	(13)	(11,895)	(565)	(2,679)
Tax expense/(benefit) in statement of comprehensive income	-	(1,966)	-	66	-	(1,396)	-	(238)
<i>Amounts recognised in the balance sheet:</i>								
Deferred tax asset	-	24,677	-	15,676	-	24,682	-	15,676
Deferred tax liability	-	(35,942)	-	(18,249)	-	(36,577)	-	(18,355)
Deferred tax liability	-	(11,265)	-	(2,573)	-	(11,895)	-	(2,679)

As at 30 September 2010 deferred taxation of \$19.2m (31 August 2009: \$17.2m) is expected to crystallise after more than 12 months for both the group and parent. This deferred taxation balance has been calculated on the corporate tax rate of 28 percent that will apply from 1 October 2011.

Deferred income tax at balance date

BALANCE SHEET		PARENT		CONSOLIDATED	
NZD IN THOUSANDS (\$000)	As at 30 Sept 10	AS at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09	
i Deferred tax liabilities					
Fixed assets	35,942	17,425	36,577	17,531	
Fair value of promissory note recognised	-	824	-	824	
Gross deferred tax liabilities	35,942	18,249	36,577	18,355	
Set-off of deferred tax assets	(24,677)	(15,676)	(24,682)	(15,676)	
Net deferred tax liabilities	11,265	2,573	11,895	2,679	
ii Deferred tax assets					
Livestock procurement provision	88	225	88	225	
ACC provision	1,192	3,101	1,192	3,101	
Bad debts provision	134	169	134	169	
Restructure accruals	78	243	78	243	
Annual/long service leave	4,343	4,120	4,343	4,120	
IRD investigation adjustments	174	232	174	232	
Stock provision	65	67	65	67	
Bonus adjustment/admin provision	118	81	118	81	
Livestock revaluation	(1,566)	37	(1,566)	37	
Other	65	331	69	331	
Losses carried forward	19,986	7,070	19,987	7,070	
Gross deferred tax assets	24,677	15,676	24,682	15,676	
Set-off of deferred tax liabilities	(24,677)	(15,676)	(24,682)	(15,676)	
Net deferred tax assets	-	-	-	-	

Unrecognised temporary differences

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 (2009: \$nil).

Imputation credit balance

NZD IN THOUSANDS (\$000)	PARENT 13 months to 30 Sept 10	PARENT 12 months to 31 Aug 09
Balance at beginning of the period	38,377	40,358
Other adjustments	(81)	(591)
Income tax refund during the year	-	(72)
Imputation credits attached to dividends paid during the year	-	(1,318)
Imputation credits attached to taxable bonus issue	(27,343)	-
Balance at end of the period	10,953	38,377

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

NZD IN THOUSANDS (\$000)	PARENT 13 months to 30 Sept 10	PARENT 12 months to 31 Aug 09
Through direct shareholding in the parent	10,953	38,377
Through indirect interest in subsidiaries	186	170

10 Members' Distributions Paid and Proposed

NZD IN THOUSANDS (\$000)	PARENT AND CONSOLIDATED 13 months to 30 Sept 10	PARENT AND CONSOLIDATED 12 months to 31 Aug 09
Recognised amounts		
<i>Declared and paid during the year:</i>		
Dividends on convertible redeemable preference shares	98	127
Members' ordinary shares issued	-	26
Total members' distributions paid and proposed	98	153

11 Earnings Per Share

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

NZD IN THOUSANDS (\$000)	CONSOLIDATED 13 months to 30 Sept 10	CONSOLIDATED 12 months to 31 Aug 09
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	(14,019)	43,597
<i>For diluted earnings per share:</i>		
Profit/(loss) attributable to new ordinary shareholders of the parent (from basic EPS)	(14,019)	43,597
b Weighted average number of shares		
Weighted average number of new ordinary shares for basic earnings per share	71,028	-
<i>Effect of dilution:</i>		
Partly paid new ordinary shares	-	-
Weighted average number of new ordinary shares adjusted for the effect of dilution	71,028	-

As the New ordinary shares, that are traded on the Unlisted exchange, were issued during the year, this is the first year earnings per share has been calculated.

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.

12 Cash Flow Statement Reconciliation

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

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	13 months to 30 Sept 10	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Net profit/(loss)	(16,956)	35,217	(14,019)	43,597
<i>Adjustments for:</i>				
Depreciation and amortisation	25,320	24,197	25,469	24,679
Non cash portion bond interest	806	802	806	802
Reversal of previous impairment on land and buildings	(10,991)	-	(10,991)	-
PGW shares in settlement	-	(12,000)	-	(12,000)
Impairment of Investments	4,313	5,100	4,313	4,800
Non-cash investment in associate	(5,150)	(1,500)	(5,150)	(1,500)
Interest accrual	(1,864)	1,622	(1,864)	1,622
Net (gain)/loss on disposal of property, plant and equipment	(575)	268	(558)	46
Net (gain)/loss on changes in fair market value of derivatives	16,636	(19,755)	16,636	(19,755)
Gain on sale of shares	(97)	-	(97)	-
Costs capitalised on issue of shares	(901)	-	(901)	-
Share of associate income	-	-	(1,397)	(617)
Members' distribution	98	153	98	153
Reversal of impairment of investment in associate	(1,774)	(1,059)	(1,774)	(1,059)
	8,865	33,045	10,571	40,768
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in inventories	40,645	11,024	69,018	16,145
(Increase)/decrease in trade and other receivables	11,300	66,817	(3,263)	59,423
(Decrease)/increase in tax balance	(2,427)	124	(3,064)	(652)
(Decrease)/increase in provisions, trade and other payables	15,017	(16,389)	(468)	(20,024)
	64,535	61,576	62,223	54,892
Net cash from operating activities	73,400	94,621	72,794	95,660

13 Inventories

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Meat and associated product inventory	49,255	93,519	66,996	139,633
Consumables and packaging	9,145	10,765	9,145	10,765
Total inventories	58,400	104,284	76,141	150,398

The amount expensed in other operating costs for obsolete packaging was \$215,000 (2009: nil) for the Parent and Group.

14 Livestock

NZD IN THOUSANDS (\$000)	PARENT AND CONSOLIDATED		PARENT AND CONSOLIDATED	
	13 months to 30 Sept 10		12 months to 31 Aug 09	
Opening balance	26,416		3,149	
Net movements in livestock	(106)		23,392	
Changes in livestock fair value less estimated selling cost	5,345		(125)	
Closing balance	31,655		26,416	

Livestock consists of sheep and cattle.

The Group purchases sheep and cattle through Lambplan and Beefplan 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 164,938 (2009: 145,246) head of livestock were held.

15 Trade and Other Receivables

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Trade receivables	51,558	57,544	71,524	83,550
Allowance for impairment loss	(445)	(562)	(504)	(658)
Total trade receivables excluding related parties	51,113	56,982	71,020	82,892
Related party receivables				
Trade receivables due from Associates	10,837	-	10,837	-
Trade receivables due from Subsidiaries	12,099	33,052	-	-
Total related party receivables	22,936	33,052	10,837	-
Total trade receivables	74,049	90,034	81,857	82,892
Other receivables				
Advances due from Associates	7,543	1,290	7,543	1,290
Other prepayments and receivables	25,224	20,539	25,556	21,257
Total other receivables	32,767	21,829	33,119	22,547
Total trade and other receivables	106,816	111,863	114,956	105,439
Current	98,059	107,603	106,199	101,179
Non-Current	8,757	4,260	8,757	4,260
Total trade and other receivables	106,816	111,863	114,956	105,439

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 sold during this year and the prior year. The principal of the receivables will be received by August 2011, with interest payable at rates between 10.25% and 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 30.

a Allowance for impairment loss

An impairment loss reversal of \$103,000 (2009: impairment \$281,000) and \$12,000 (2009: impairment \$385,000) has been recognised by the Parent and Group respectively in the current year. These amounts have been included in other expenses (note 7).

Movements in the provision for impairment loss were as follows:

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Opening balance	562	292	658	292
Charge for the year	(103)	281	(12)	385
Amounts written off	(14)	(11)	(142)	(19)
Closing balance	445	562	504	658

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

NZD IN THOUSANDS (\$000)	Total	PARENT		CONSOLIDATED	
		0 – 30 Days	31 – 60 Days	61 – 90 Days PDNI*	91+ Days PDNI*
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
As at 31 Aug 09					
Consolidated	82,892	82,504	363	-	25
Parent	90,034	87,290	1,808	936	-

* Past due not impaired ('PDNI').

Receivables past due but not considered impaired are: Consolidated \$648,000 (2009: \$25,000); Parent \$581,000 (2009: \$nil). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

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 13 months to 30 Sept 10	PARENT AND CONSOLIDATED 12 months to 31 Aug 09
At fair value:		
Shares – New Zealand unlisted	78	74
Shares – New Zealand listed	-	7,200
Total available for sale financial assets	78	7,274
Current	-	7,200
Non-Current	78	74
Total available for sale financial assets	78	7,274

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. The fair value of listed available for sale investments has been determined directly by reference to published price quotations in an active market.

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
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

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
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

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
12 months ended 31 Aug 2009						
At 1 September 2008, net of accumulated depreciation	39,461	119,807	97,157	707	12,563	269,695
Additions	1,083	10,408	24,032	189	-	35,712
Disposals	(38)	(531)	(12,845)	(1,328)	-	(14,742)
Assets capitalised during the year	-	-	-	-	(5,622)	(5,622)
Transfers (to)/from assets held for sale	1,072	-	-	-	-	1,072
Depreciation charge for the year	(74)	(5,538)	(17,108)	(272)	(88)	(23,080)
Depreciation on disposals	10	180	11,058	1,296	-	12,544
At 31 Aug 2009, net of accumulated depreciation	41,514	124,326	102,294	592	6,853	275,579
Cost or fair value	51,680	225,464	365,079	7,061	6,853	656,137
Accumulated depreciation and impairment	(10,166)	(101,138)	(262,785)	(6,469)	-	(380,558)
Net carrying value	41,514	124,326	102,294	592	6,853	275,579

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
12 months ended 31 Aug 2009						
At 1 September 2008, net of accumulated depreciation	39,124	120,693	99,061	943	12,563	272,384
Additions	3,340	8,606	23,654	251	-	35,851
Disposals	(38)	(639)	(13,624)	(1,774)	-	(16,075)
Transfers (to)/from assets held for sale	-	-	-	-	(5,622)	(5,622)
Impairment	1,072	-	-	-	-	1,072
Depreciation charge for the year	(74)	(5,599)	(17,391)	(329)	(88)	(23,481)
Depreciation on disposals	10	311	11,807	1,588	-	13,716
Exchange adjustment	-	(20)	(47)	(15)	-	(82)
At 31 Aug 2009, net of accumulated depreciation	43,434	123,352	103,460	664	6,853	277,763
Cost or fair value	53,831	224,240	372,532	7,226	6,853	664,682
Accumulated depreciation and impairment	(10,397)	(100,888)	(269,072)	(6,562)	-	(386,919)
Net carrying value	43,434	123,352	103,460	664	6,853	277,763

e Revaluation of operational land and buildings

The Group engages 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.

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)	As at 30 Sept 10	PARENT	CONSOLIDATED	
		As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Cost	225,613	222,471	227,054	223,913
Accumulated depreciation	(115,594)	(111,303)	(116,172)	(111,841)
Net carrying amount	110,019	111,168	110,882	112,072

f Assets held for sale

NZD IN THOUSANDS (\$000)	PARENT / CONSOLIDATED				PARENT/CONSOLIDATED			
	Cost/ Valuation	Accum. Deprec.	Writedown	As at 30 Sept 10 Book Value	Cost/ Valuation	Accum. Deprec.	Writedown	As at 31 Aug 09 Book Value
Freehold land (at valuation)	1,102	-	-	1,102	191	-	-	191
Freehold buildings (at valuation)	447	-	-	447	-	-	-	-
Plant and equipment	714	(691)	-	23	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-
Total assets held for sale	2,263	(691)	-	1,572	191	-	-	191

The Group intends to dispose of its Vital Petfood business, classified as non-core. All land, buildings, plant and equipment and vehicles associated with Vital are likely to be sold with the business. The sale is expected to be completed within 3 months of balance date. No impairment loss was recognised on reclassification of the assets held for sale at 30 September 2010.

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 2010 is \$1,166,000 (2009: \$531,000).

h Expenditure recognised in the course of construction

Included in Work in Progress at 30 September 2010 is an amount of \$1,178,000 (2009: \$4,158,000) relating to buildings and site developments currently under construction.

18 Trade and Other Payables

NZD IN THOUSANDS (\$000)	As at 30 Sept 10	PARENT	CONSOLIDATED	
		As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Trade payables	61,531	46,498	63,764	48,587
Other payables	11,861	21,060	12,898	23,224
Subsidiaries	21,152	8,716	-	-
Associates	601	-	601	-
Total trade and other payables	95,145	76,274	77,263	71,811

Trade payables are non-interest bearing and are normally settled on 30 day terms. Livestock purchases are paid in 6-11 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. Interest payable on Bonds is settled quarterly throughout the financial year.

19 Interest Bearing Loans and Borrowings

NZD IN THOUSANDS (\$000)	Average Effective Interest Rate (%)	Maturity	PARENT		CONSOLIDATED		
			As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09	
Current							
NZ bank overdraft (9.5m)	10.73%	On demand	860	437	860	437	
GBP bank overdraft (GBP 1.5m)	2.12%	On demand	-	-	1,987	15	
Total overdrafts			860	437	2,847	452	
Obligations under finance leases	10.01%	Current	348	146	348	146	
Secured loan	4.94%	Current	49	542	49	542	
Total interest bearing loans and borrowings – current			397	688	397	688	
Non-current							
Obligations under finance leases	10.01%		832	183	832	183	
Secured loan	4.94%	Sep-12	41,000	108,000	41,000	108,000	
Total interest bearing loans and borrowings – non-current			41,832	108,183	41,832	108,183	
Convertible redeemable preference shares							
Convertible redeemable preference shares	8.95%	Dec-11	1,595	1,622	1,595	1,622	

Silver Fern Farms Limited has renewed its banking facilities effective 29 September 2010. The two year facility has an expiry date of September 2012 and is on similar terms to the previous arrangements. The renewed facilities include specific funding to repay the \$75m 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 to 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 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Current assets	202,477	266,864	229,604	307,733
Non-current assets	431,681	358,596	370,637	295,464
Total assets pledged as security	634,158	625,460	600,241	603,197

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 the General Security deed.

b Defaults and breaches

There were no breaches of covenants as at 30 September 2010 (31 August 2009: nil).

20 Bonds Payable

NZD IN THOUSANDS (\$000)	Average Effective Interest Rate (%)	Maturity	PARENT		CONSOLIDATED	
			As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Bond issue SFF030 (\$75.0m)	10.25%	Nov-10	75,052	75,615	75,052	75,615
Total bonds payable			75,052	75,615	75,052	75,615
Current			75,052	-	75,052	-
Non-Current			-	75,615	-	75,615
Total bonds payable			75,052	75,615	75,052	75,615

On 29 September 2010, Silver Fern Farms announced the repayment of the SFF030 bonds would be one month early on 15 November 2010. The bonds are to be replaced by bank funding as part of the renewed banking facilities.

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

There were no breaches of covenants as at 30 September 2010 (at 31 August 2009: nil).

21 Provisions

PARENT					
NZD IN THOUSANDS (\$000)	Accident Future Costs	Livestock Procurement Provision	Employee Entitlements	Restructuring	Total
At 1 September 2009	5,225	750	19,726	611	26,312
Arising during the year	450	294	26,061	261	27,066
Utilised	-	(750)	(26,725)	(611)	(28,086)
Excess provision released	(2,146)	-	(791)	-	(2,937)
At 30 September 2010	3,529	294	18,271	261	22,355
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
Current 2009	-	750	13,611	611	14,972
Non-Current 2009	5,225	-	6,115	-	11,340
Total provisions	5,225	750	19,726	611	26,312
CONSOLIDATED					
NZD IN THOUSANDS (\$000)	Accident Future Costs	Livestock Procurement Provision	Employee Entitlements	Restructuring	Total
At 1 September 2009	5,225	750	19,848	611	26,434
Arising during the year	450	294	26,061	261	27,066
Utilised	-	(750)	(26,749)	(611)	(28,110)
Excess provision released	(2,146)	-	(791)	-	(2,937)
At 30 September 2010	3,529	294	18,369	261	22,453
Current 2010	2,329	294	10,936	261	13,820
Non-Current 2010	1,200	-	7,433	-	8,633
Total provisions	3,529	294	18,369	261	22,453
Current 2009	-	750	13,733	611	15,094
Non-Current 2009	5,225	-	6,115	-	11,340
Total provisions	5,225	750	19,848	611	26,434

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% (2009: 50%) of movements in the Consumer Price Index (CPI) and 50% (2009: 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% (2009: 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 4.5% (2009: 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 2010. The assessment is dated 14 September 2010 (2009: 14 September 2009).

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 2010 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 discounts rates applied to the anticipated annual future cashflows range from 3.6% to 6.0% (2009: 4.1% to 6.1%).

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% (2009: 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 2010. The assessment is dated 21 September 2010.

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 plants and operations. The residual in the restructuring provision will be utilised during the 2010/2011 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 2008	2,654	23,937	47,777	-	74,368
Shares issued during the year	-	1,283	1,631	-	2,914
Shares surrendered	(1,032)	(466)	(1,639)	-	(3,137)
Balance as at 31 August 2009	1,622	24,754	47,769	-	74,145
New ordinary shares issued	-	-	-	4,173	4,173
New ordinary shares issued where settlement is deferred (non-cash)	-	-	-	16,163	16,163
Supplier investment shares exchanged (non-cash)	-	(17,235)	-	17,235	-
Members' ordinary shares exchanged (non-cash)	-	-	(25,669)	25,669	-
Transaction costs paid on ordinary share issue	-	-	-	(901)	(901)
Taxable bonus issue of new ordinary shares (non-cash)	-	-	-	55,221	55,221
Total of transactions associated with capital raising	-	(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
Called/uncalled					
20.360m Members' ordinary shares of \$1 each	-	-	20,360	-	20,360
63.419m New ordinary shares – fully paid	-	-	-	91,542	91,542
18.025m New ordinary shares – partly paid	-	-	-	26,018	26,018
Issued and fully paid	-	-	20,360	117,560	137,920

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 may next be redeemed at the option of the holder on 1 December 2011 and every three years thereafter.

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 Silver Fern Farms' Limited constitution) 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 (2009: 17,500) and 15,000 (2009: 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, 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 10	As at 31 Aug 09
Deferred payments due within 12 months	6,486	-
Deferred payments due after 12 months	6,192	-
Total deferred payments	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 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. 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 2010, approximately 85% (2009: 79%) 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 \$205,000 (2009: \$540,000).

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 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Financial Assets				
Cash and cash equivalents	1,949	593	3,182	1,554
Financial Liabilities				
Bank overdrafts	(860)	(437)	(2,847)	(452)
Bank loans	(41,049)	(108,542)	(41,049)	(108,542)
Bonds payable	(75,052)	(75,615)	(75,052)	(75,615)
Advance from subsidiary	(8,543)	(8,543)	-	-
Net exposure to interest rate risk	(123,555)	(192,544)	(115,766)	(183,055)

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 0.5%, the effect would have been to increase or decrease the profit or loss by \$239,000 (2009: \$447,000) for both the Parent and the Group and other comprehensive income by \$207,000 (2009: \$163,000) for the Group.

The impact upon 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 2010							
Cash at bank/(overdraft)	1	4	369	(1,250)	8	118	450
Debtors	183	4,330	15,666	15,246	-	709	28,444
Foreign debt	-	-	-	-	-	-	-
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 at 31 August 2009							
Cash	7	2	95	233	12	233	160
Debtors	383	2,068	22,535	39,460	-	495	26,755
Foreign payables – marine freight and commission	-	-	(1,307)	(925)	-	-	(1,521)
Net exposure to currency risk	390	2,070	21,323	38,768	12	728	25,394
Foreign exchange cover	-	17,450	66,100	32,470	-	-	194,490

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.

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 \$195,000 (2009: \$266,000). 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 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Assets				
Cash and cash equivalents	1,949	593	3,182	1,554
Accounts receivable	106,816	111,863	114,956	105,439
Financial assets	12,678	-	12,678	-
Derivative financial instruments	4,356	20,577	4,356	20,577
Maximum exposure to credit risk	125,799	133,033	135,172	127,570
Liabilities				
Bank overdraft	(860)	(437)	(2,847)	(452)
Derivative financial instruments	(705)	(291)	(705)	(291)
Net exposure to credit risk	124,234	132,305	131,620	126,827

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 \$5,000 (2009: increase or decrease profit or loss by \$360,000).

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 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Financial Assets	Category				
Cash and bank	Fair value through profit and loss	1,949	593	3,182	1,554
Derivatives	Fair value through profit and loss	4,356	20,577	4,356	20,577
Financial assets	Loans and receivables	12,678	-	12,678	-
Trade and other receivables	Loans and receivables	98,059	107,603	106,199	101,179
Trade and other receivables (non-current)	Loans and receivables	8,757	4,260	8,757	4,260
Available for sale financial assets	Available for sale financial assets	78	7,274	78	7,274
Total financial assets		125,877	140,307	135,250	134,844
Financial Liabilities					
Bank overdraft	Fair value through profit and loss	860	437	2,847	452
Derivatives	Fair value through profit and loss	705	291	705	291
Trade and other payables	Recorded at amortised cost	95,145	76,274	77,263	71,811
Members' shares	Recorded at amortised cost	29,158	74,145	29,158	74,145
Bonds payable	Recorded at amortised cost	75,052	75,615	75,052	75,615
Interest bearing loans and borrowings	Recorded at amortised cost	42,229	108,871	42,229	108,871
Total financial liabilities		243,149	335,633	227,254	331,185
Net Exposure		(117,272)	(195,326)	(92,004)	(196,341)

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
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
Interest bearing loans and borrowings	-	-	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)

PARENT		Between	Between		
NZD IN THOUSANDS (\$000)	6 months or less	6 – 12 months	1 – 5 years	>5 years	Total
As at 31 August 2009					
Financial Assets					
Cash and cash equivalents	593	-	-	-	593
Derivatives	20,577	-	-	-	20,577
Trade and other receivables	107,102	1,400	4,260	-	112,762
Available for sale financial assets	7,200	-	74	-	7,274
Total financial assets	135,472	1,400	4,334	-	141,206
Financial Liabilities					
Bank overdraft	437	-	-	-	437
Derivatives	291	-	-	-	291
Trade and other payables	76,274	-	-	-	76,274
Secured loans	2,437	2,437	108,203	-	113,077
Bonds payable	3,844	3,844	78,843	-	86,531
Convertible redeemable preference shares	-	-	1,622	-	1,622
Supplier investment shares	-	-	-	24,754	24,754
Members' ordinary shares	-	-	-	47,769	47,769
Total financial liabilities	83,283	6,281	188,668	72,523	350,755
Net maturity	52,189	(4,881)	(184,334)	(72,523)	(209,549)

CONSOLIDATED		Between	Between		
NZD IN THOUSANDS (\$000)	6 months or less	6 – 12 months	1 – 5 years	>5 years	Total
As at 31 August 2009					
Financial Assets					
Cash and cash equivalents	1,554	-	-	-	1,554
Derivatives	20,577	-	-	-	20,577
Trade and other receivables	100,678	1,400	4,260	-	106,338
Available for sale financial assets	7,200	-	74	-	7,274
Total financial assets	130,009	1,400	4,334	-	135,743
Financial Liabilities					
NZ bank overdraft	452	-	-	-	452
Derivatives	291	-	-	-	291
Trade and other payables	71,811	-	-	-	71,811
Secured loans	2,437	2,437	108,203	-	113,077
Bonds payable	3,844	3,844	78,843	-	86,531
Convertible redeemable preference shares	-	-	1,622	-	1,622
Supplier investment shares	-	-	-	24,754	24,754
Members' ordinary shares	-	-	-	47,769	47,769
Total financial liabilities	78,835	6,281	188,668	72,523	346,307
Net maturity	51,174	(4,881)	(184,334)	(72,523)	(210,564)

As at 30 September 2010 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% (2009: 10%), with an estimated repayment date of 10 years (2009: 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 31 Aug 09
	As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	
Financial liabilities				
Members' ordinary shares	20,360	47,769	7,850	18,417
SFF030 Bonds	75,052	75,615	74,474	74,839

Silver Fern Farm bonds were issued and are redeemable at \$1 per unit, however at balance date the fair value is 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.

Shares held in listed investments at 31 August 2009 are measured using market prices at the balance date.

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 2010 or 31 August 2009.

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
Financial Liabilities				
Forward currency contracts	-	(705)	-	(705)
Net fair values of financial assets and financial liabilities	-	3,651	-	3,651

PARENT AND CONSOLIDATED NZD IN THOUSANDS (\$000)	Level 1	Level 2	Level 3	Total
As at 31 August 2009				
Financial Assets				
Forward currency contracts	-	20,577	-	20,577
Listed investments	7,200	-	-	7,200
Financial Liabilities				
Forward currency contracts	-	(291)	-	(291)
Net fair values of financial assets and financial liabilities	7,200	20,286	-	27,486

26 Derivative Financial Instruments

NZD IN THOUSANDS (\$000)	PARENT AND CONSOLIDATED	
	As at 30 Sept 10	As at 31 Aug 09
Current Assets		
Forward currency contracts	4,356	20,577
Current Liabilities		
Forward currency contracts	(705)	(291)
Net Derivative financial instruments	3,651	20,286

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.

NZD IN THOUSANDS (\$000)		Notional Amounts		Average forward exchange rate	
		As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Sell USD / Buy NZD	Maturity 0 – 12 months	88,060	194,490	0.7019	0.6306
Sell NZD / Buy USD	Maturity 0 – 12 months	16,788	-	0.7216	-
Sell GBP / Buy NZD	Maturity 0 – 12 months	4,300	42,470	0.4625	0.4056
Sell CAD / Buy NZD	Maturity 0 – 12 months	6,425	17,450	0.7188	0.7197
Sell EUR / Buy NZD	Maturity 0 – 12 months	45,650	86,100	0.5360	0.4575

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:

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Operating leases				
Within one year	7,486	7,402	7,578	7,501
After one year but not more than five years	13,822	14,015	13,947	14,521
More than five years	10,152	10,789	10,250	10,896
Total operating lease commitments	31,460	32,206	31,775	32,918

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 NZD IN THOUSANDS (\$000)	As at 30 Sept 10 Minimum payments	As at 31 Aug 09 Minimum payments
Finance lease and hire purchase commitments		
Within one year	424	146
After one year but not more than five years	907	215
Total minimum lease payments	1,331	361
Less amounts representing finance charges	(151)	(32)
Present value of minimum payments	1,180	329

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 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Within one year	44	185	44	185
After one year but not more than five years	-	58	-	58
More than five years	-	-	-	-
Total operating lease commitments (as lessor)	44	243	44	243

Contingent asset

At 30 September 2010 the Parent and Group had no contingent assets (31 August 2009: nil).

Capital commitments

At 30 September 2010 the Parent and Group has capital commitments of \$2,314,000 (31 August 2009: \$7,890,000) principally relating to the completion of operating facilities.

Contingent liabilities

Silver Fern Farms Limited has the following contingent liabilities at 30 September 2010.

Discounted bills of exchange for the Group and Parent at 30 September were \$13,250,000 (31 August 2009: \$27,485,000). Subsequent to balance date \$13,165,000 (31 August 2009: \$24,910,000) of cash has been received leaving discounted bills of \$85,000 (31 August 2009: \$2,575,000) 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 2010:

Details	Entity	Issuer	In favour of	Amount
Stock Exchange bond	Parent	Westpac	NZSX	NZD \$75,000
Shipping guarantee	Parent	HSBC	CMA CGM	USD \$72,000
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

NZD IN THOUSANDS (\$000)	PARENT SOFTWARE		GROUP SOFTWARE	
	13 months to 30 Sept 910	12 months to 31 Aug 09	13 months to 30 Sept 10	12 months to 31 Aug 09
Opening balance net of accumulated amortisation and impairment	2,645	2,896	2,665	2,907
Additions – including internal development	1,474	1,271	1,580	1,323
Disposals	(90)	(21)	(415)	(21)
Amortisation	(2,009)	(1,522)	(2,021)	(1,565)
Amortisation on disposals	90	21	405	21
Closing balance of net accumulated amortisation and impairment	2,110	2,645	2,214	2,665
Cost (gross carrying amount)	13,140	11,756	13,250	12,119
Accumulated amortisation and impairment	(11,030)	(9,111)	(11,036)	(9,454)
Net carrying amount	2,110	2,645	2,214	2,665

29 Non-current Assets – Investments in Associates

The Group has ownership in the following companies:

CONSOLIDATED			As at 30 Sept 10	As at 31 Aug 09
	Principal Activity	Place of Incorporation		
NZ Lamb Group				
New Zealand Lamb Company (North America) Limited	Holding company	New Zealand	0.0%	31.5%
New Zealand Lamb Holdings Limited	Holding company	Canada	31.5%	31.5%
New Zealand Lamb Company Limited	Sale of lamb	Canada	0.0%	27.2%
Australian Lamb Company Limited	Sale of lamb	Canada	0.0%	10.9%
Australian Lamb Company, Incorporated	Sale of lamb	USA	0.0%	10.9%
New Zealand Lamb Cooperative, Incorporated	Sale of lamb	USA	0.0%	29.0%
New Zealand Lamb Processing, Incorporated	Sale of lamb	USA	0.0%	37.7%
New Zealand and Australian Lamb Company Limited	Sale of lamb	Canada	20.4%	0.0%
The Lamb Co-Operative, Inc	Sale of lamb	USA	23.9%	0.0%
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%	0.0%

During the year, certain companies in the NZ Lamb Group restructured their activities. The restructure results in Silver Fern Farms taking ownership in the new 'Super Co-ops' which are the new vehicles for trading in USA and Canada.

a Investment details

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Unlisted				
NZ Lamb Group	898	1,325	7,271	7,709
Robotic Technologies Limited	10	10	66	57
Livestock Logistics Nationwide Limited	-	-	125	-
Farm Brands Limited	4,500	3,150	4,903	2,936
Titan Meat Company Limited	3,800	-	3,423	-
Total investments in associates	9,208	4,485	15,788	10,702

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

NZD IN THOUSANDS (\$000)	CONSOLIDATED	CONSOLIDATED
	As at 30 Sept 10	As at 31 Aug 09
Opening balance	10,702	5,609
Share of profits of associates	1,397	1,105
New investments	5,150	3,150
Exchange revaluations	(331)	44
Partial reversal of impairment	1,772	1,059
Share of dividends	(3,006)	(531)
Increase/ (decrease) in shareholding	104	266
Closing balance	15,788	10,702

c Summarised financial information

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

NZD IN THOUSANDS (\$000)	CONSOLIDATED	CONSOLIDATED
	As at 30 Sept 10	As at 31 Aug 09
<i>Extract from associates' balance sheets:</i>		
Current assets	133,918	109,924
Non-current assets	36,998	18,671
Total assets	170,916	128,595
Current liabilities	45,046	73,770
Non-current liabilities	66,973	-
Total liabilities	112,019	73,770
Net assets	58,897	54,825
Share of associates' net assets	18,320	15,005
Less impairments	(2,532)	(4,303)
Total investment in associates	15,788	10,702
<i>Extract from the associates' income statements:</i>		
Revenue	674,377	519,950
Net Profit	5,217	4,558
Share of profits of associates	1,397	1,105

30 Related Party Disclosures

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	% EQUITY INTEREST
		As at 30 Sept 10	As at 31 Aug 09
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	Germany	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%

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	13 MONTHS TO 30 SEPT 10			12 MONTHS TO 31 AUG 09		
	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	248,857	-	-	309,647	-	-
Directors – current	-	5,152	-	-	4,992	-
Directors – resigned during the period	-	-	-	-	3,776	-
Associates	124,777	56,011	-	97,610	-	400

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.

31 Key Management Personnel

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Short-term employee benefits	2,434	2,708	2,434	2,708
Directors' fees	512	482	512	482
Contributions to defined contribution plans	46	23	46	23

32 Events After the Balance Sheet Date

Early repayment of SFF030 bond

The SFF030 bond principal of \$75m was repaid effective 15 November 2010. This was one month earlier than originally anticipated given the successful renegotiation of banking facilities. As a result of repayment of the Bond, the Group delists from the NZ Debt Exchange.

Taxable bonus issue

On 23 November 2010, the Board of Directors resolved to declare a one for five taxable bonus issue to the New ordinary shareholders. The number of New ordinary shares to be issued is calculated on all New ordinary shares on issue at balance date, both fully and partly paid. The issue price is \$1.00 per share and the taxable bonus issue is fully imputed.

33 Auditor's Remuneration

NZD IN THOUSANDS (\$000)	PARENT		CONSOLIDATED	
	As at 30 Sept 10	As at 31 Aug 09	As at 30 Sept 10	As at 31 Aug 09
Ernst & Young New Zealand: Audit/review of consolidated entities	198	205	314	344
Ernst & Young New Zealand: Tax compliance	19	30	105	30
Ernst & Young New Zealand: Assurance related	43	115	43	115
Total remuneration to Ernst & Young	260	350	462	489
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 56, which comprise the balance sheet of Silver Fern Farms Limited and the group as at 30 September 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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.

Partners and employees of our firm may deal with the company on normal terms within the ordinary course of trading activities of the business of the company.

Opinion

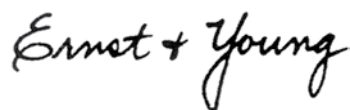
In our opinion, the financial statements on pages 18 to 56:

- 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 2010 and the financial performance and cash flows of the company and group for the period 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.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

26 November 2010
Christchurch

FIVE YEAR HISTORICAL SUMMARY

as at 30 September 2010

NZD IN MILLIONS (\$m)	NOTES	13 months to 30 Sept 10	12 months to 31 Aug 09	12 months to 31 Aug 08	12 months to 31 Aug 07	12 months to 31 Aug 06
Income Statement						
Total income		1,878.7	2,014.6	1,989.9	1,846.2	2,027.6
Operating earnings before interest and tax (EBIT)		14.4	37.9	108.0	(6.6)	43.2
Net operating profit before tax		(8.4)	5.1	75.7	(36.9)	11.4
Non-recurring items		(6.9)	38.4	(24.6)	(31.9)	17.7
Income tax benefit		1.4	0.2	1.0	(7.1)	2.1
Net profit after tax		(13.9)	43.8	52.1	(75.7)	31.4
Less member distributions		(0.1)	(0.2)	(14.5)	(3.4)	(11.9)
Net profit after member distributions		(14.0)	43.6	37.6	(79.1)	19.5
Financial Position						
Total assets		600.2	603.2	668.7	658.9	762.1
Net working capital	1	134.6	218.2	250.8	244.8	326.1
Net debt	2	116.9	183.4	241.4	332.2	393.2
Total equity including members' shares		367.8	316.3	276.1	232.2	261.8
Cash flow						
Net cash flows from operating activities		72.8	95.7	61.8	85.4	35.2
Key Ratios						
EBIT to total income	3	0.8%	1.9%	5.4%	-0.4%	2.1%
Return on assets	4	2.4%	6.3%	16.2%	-1.0%	5.7%
Return on equity	5	-3.8%	13.8%	18.9%	-32.6%	12.0%
Equity ratio	6	61.3%	52.4%	41.3%	35.2%	34.3%

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.

The Group adopted NZ IFRS on 1 September 2007. Only information from 2007 onwards is compliant with NZ IFRS. In accordance with exemptions available under NZ IFRS 1, all previous information is compliant with previous NZ GAAP.

DIRECTORY

Board of Directors

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

Senior Management

- **Keith Cooper**
Chief Executive
- **Kevin Winders**
Chief Financial Officer
- **Glenn Tyrrell**
General Manager
Sales and Marketing
- **Grant Howie**
Integrated Category Manager
- **Steve Murphy**
Group Operations Manager
- **Grant Pearson**
Group Innovation Manager
- **Andy Perry**
General Manager Livestock

Head Office

Silver Fern Farms Limited

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Website

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Operations Centre

Silver Fern Farms Hastings

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Innovation Centre

Silver Fern Farms Christchurch

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PO Box 283, Christchurch 8140,
New Zealand

T: +64 3 379 6900
F: +64 3 366 4412

Group Communications

Nicola Johnston

T: +64 3 474 6595
E: nicola.johnston@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:

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PO Box 941, Dunedin 9054,
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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

PricewaterhouseCoopers

Legal Advisors

Harmos Horton Lusk



Silver Fern Farms Limited
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