>>

FORWARD TOGETHER

SILVER FERN FARMS®

ANNUAL REPORT 2015

We are staying *true* to our strengths. From a strong *foundation* we are building and growing *confidence* in our brand and our strategy, driving new value and *opportunity* on the world stage.

ANNUAL MEETING OF SHAREHOLDERS

The 2015 Annual Meeting of Silver Fern Farms Limited Shareholders will be held at 11.00am on 16 December 2015 in Dunedin at Silver Fern Farms Head Office 283 Princes Street Dunedin.

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

CONTENTS

STAYING *TRUE*

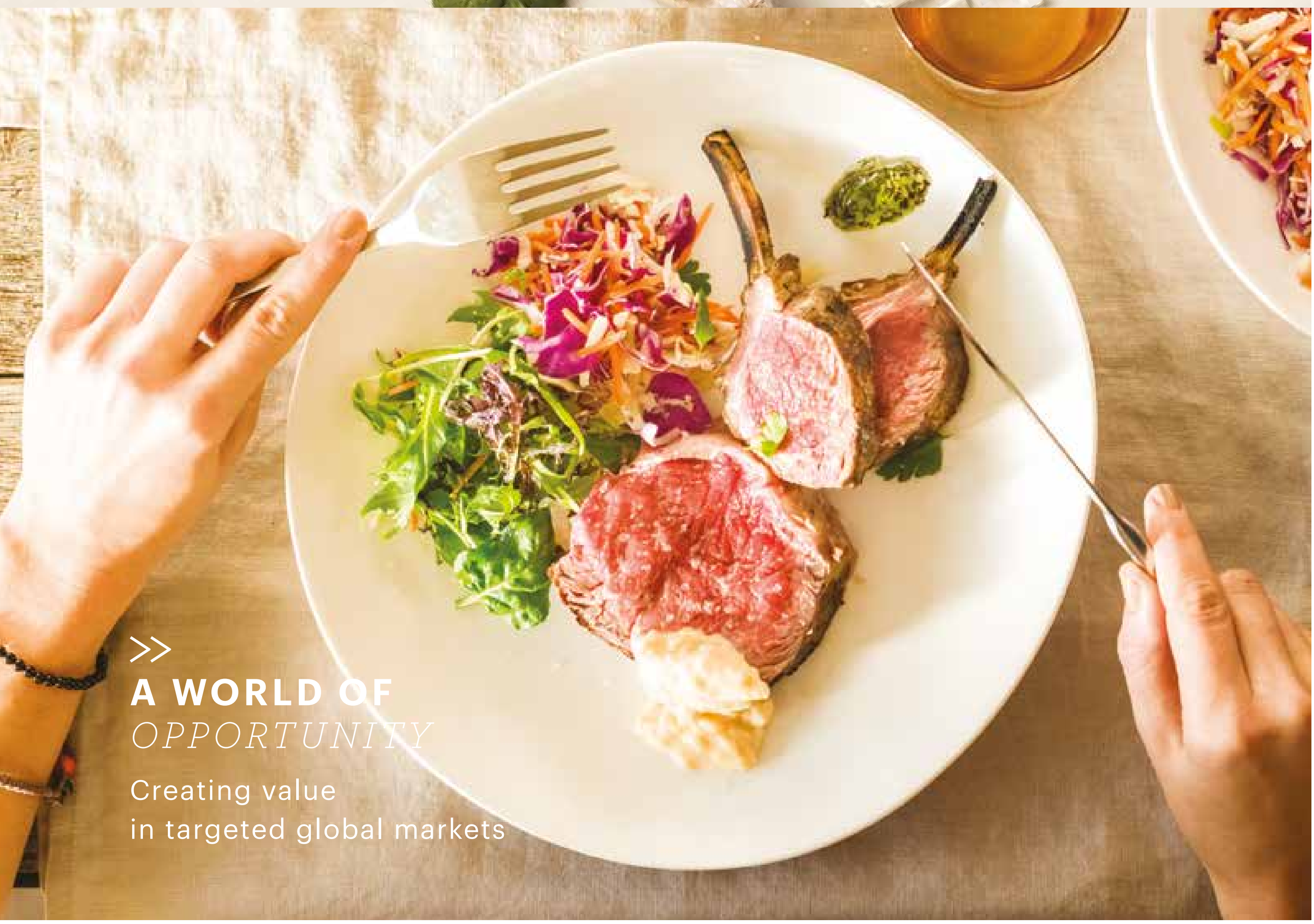
To our place,
our people,
our passion,
to being 100% Made of New Zealand

STRONG *FOUNDATIONS*

Our partnerships,
our performance

>> **GROWING** *CONFIDENCE*

In our brand, our strategy and our story on the world stage



>> **A WORLD OF** *OPPORTUNITY*

Creating value in targeted global markets

Chairman & Chief Executive Report

A REVIEW OF THE 2014/15 YEAR

The 2014/15 financial year ended up being a very significant one on a number of fronts.

We set ourselves four goals at the start of the year:

1 to make significant progress towards zero harm in health and safety

2 to achieve a material and sustainable improvement in profitability

3 to grow our value-added strategy

4 to create a sustainable financial position

We are pleased to say we have made substantial progress on all four.

On health and safety, we have a commitment, from the Board right through the company, to get to zero harm.

"Mates keeping mates safe" is our mantra. We achieved the milestone at one of our plants this year, Mossburn, which was a great outcome for all of the team there, and their families.

It is an important journey for the company that requires behavioural change just as much as it requires processes, measurement and feedback.

Our Runanga committee, which includes directors, management, health & safety professionals, staff and union representatives, is functioning well and oversees our goals and initiatives as well as reviewing performance. We are focused on improving our leading indicators (such as safe behavior discussions, safety training and near miss reporting) which over time will lead to lower outcomes such as lost time injuries and serious harm incidents. This year we recorded a Total Injury Rate (TIR) of 10.5 per 200,000 hours worked, down from 11.0 the prior year, and 13.7 five years ago. We are committed to the journey to zero harm. Mates keep mates safe.

We achieved a material and sustainable improvement in profitability. For the financial year ended September 2015, the company achieved Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') of $86.9m, including our share of associate company earnings. This represented a 28% improvement on the $68.1m achieved the prior year. Net profit before tax for the year was $27.2m, up from $1.8m the prior year. The result marks progress on the journey; however we have work to do to get to a level that supports the amount of capital we have invested over the course of a season.

There were a number of pleasing features of our performance this year:

We were profitable across all three species – beef, sheepmeat and venison. Beef and venison both had good results, and our big focus on turning around the performance of our sheepmeat business is starting to achieve results – with a meaningful profit, the first one in four years. More importantly, we see significant scope for continued improvement across all three species;

We achieved the result within the constraint of funding facilities which afforded limited flexibility to respond to changing climatic conditions, and therefore livestock patterns, that occurred through the season;

We achieved the performance whilst managing the business within a prudent risk framework. Being disciplined around closely managing and matching unsold inventory, committed livestock purchases with committed product sales meant that we pro-actively managed our exposure to rising and falling markets within financial ranges that were prudent for a business of our nature; and

We achieved the result with lower funds employed. As a result of a strong focus throughout the company we averaged lower inventories through the year and ended the year with $73m of inventory, the lowest for at least the last seven years.

We have targeted five regions globally to focus on with respect to our branded value added sales – Germany, USA, China, Hong Kong/ Singapore and New Zealand.

Our Plate to Pasture strategy is focused on driving up the value chain, to achieve higher returns for our products. This in turn will allow us to be more profitable whilst also paying market related premiums to our suppliers for livestock which meet the criteria for these particular products – profitably linking the plate to the pasture.

For the year, approximately 19% of our sales were either chilled or branded value add. The latter includes both our retail products, and our branded products for chefs at hotels, restaurants and cafes. The overall level of 19% varies by individual species, with prime beef for example achieving a credible 45% for the year. We are focused on making a material gain in this area.

We have targeted five regions globally to focus on with respect to our branded value added sales – Germany, USA, China, Hong Kong/ Singapore and New Zealand. This year we achieved 20% growth across these markets – which whilst respectable, was below where we had set our sights. Delays in planned customer launches in Germany and the USA and slower than expected progress in China meant a good but not great year.

It has been a year of further development as we look to get the right channel partners in our targeted markets. Importantly, the platform of customer partners we enter 2016 with has never been better.

We have proven our strategy in New Zealand. In the past year, we sold three quarters of a million retail packs though key partners Foodstuffs and Countdown. Our sales of branded products directly to hotels, restaurants and cafes continues to grow and now exceeds our retail sales in New Zealand.

To make a difference, we need to take these learnings and translate these into the larger targeted offshore markets.

The USA is now our largest market by sales for value added products. We have achieved good progress in food service, however retail is taking more time.

In Germany, we plan to launch our retail range in early 2016 with our first retail partner.

In China, we continue to invest in our online presence in the knowledge that this will be a slow build. The partnership with Shanghai Maling is the game changer for Silver Fern Farms in this market. The opportunity that this will bring to access their retail networks, and work with them to tailor products for the Chinese consumer, has the ability to accelerate our penetration into this channel – well beyond what we could realistically do alone.

>> A WORLD OF OPPORTUNITY

"There remains significant opportunity for further gains in performance."

20% Growth in branded/value add sales across Germany, USA, China, Hong Kong/Singapore & New Zealand

750,000 Retail packs sold through Foodstuffs & Countdown

We had a clear goal to get the Company into a sustainable financial position. The business had built up significant debt as a result of a combination of events in 2011 and 2012, and year end net debt peaked at an unsustainable $388m at September 2013. Progress was made in 2014, bringing net debt down to $289m. For 2015, we targeted two sources of debt reduction. Firstly, self-help around being profitable, reducing inventory, selling non-core assets, and winding down the investment in our dairy bull beef scheme. Secondly, we undertook a process to evaluate options to raise new equity.

As a result of a large amount of work done by many people in the business, it is pleasing to report that the self-help options delivered a significant $168m reduction in our year end net debt to $121m.

Whilst this represents a significant step in the right direction, we knew at the start of the year that this scale of reduction alone would not be sufficient to move the company to a sustainable financial position, nor provide the financial capacity to pay a dividend.

Both the Board and the company's lenders desired a further, highly probable, reduction in the company's debt.

We commenced the process to evaluate potential sources of new equity in October 2014 by publicly announcing our intention to run a broad process and in early 2015 inviting potential investors to register their interest.

We announced an indicative target of raising $100m in new equity, knowing that this, when combined with our self-help initiatives, would deliver a year end debt position close to nil. We believed that given our substantial working capital needs throughout a season, starting a season at close to nil net debt would provide financial flexibility, and the ability to withstand the surprises that history has shown can affect the industry and the company.

After a long and thorough global process we announced in early September 2015 the proposed partnership with Shanghai Maling and their cash investment of $261m for 50% of Silver Fern Farms, alongside Silver Fern Farms Co-operative.

Whilst the proposed investment is substantially more than the $100m targeted, it is useful to understand that:

- there was no offer (from a domestic or international party) presented for that level of new capital that in any way reflected the value of the company
- Shanghai Maling sought a partnership with existing shareholders, and offered to invest at a price per share that reflected a fair and reasonable value
- the Shanghai Maling investment was considered attractive as it brings significant benefits beyond just the capital, given the close alignment of strategy and the opportunity to access their extensive wholesale and retail networks in China.

Shareholders overwhelmingly supported the investment at the Special General Meeting on the 16th of October, with 82.2% of voters in favour. Shareholders of Shanghai Maling also unanimously supported the investment, with 99% of shareholders voting in favour at their meeting on the 30th of October in Shanghai.

The investment is now only subject to regulatory approvals in China and New Zealand. We hope to positively conclude these processes, and commence the partnership in the second quarter of calendar 2016.

The investment will put Silver Fern Farms not only into a sustainable financial position, but one of financial strength – with no net debt expected at next balance date and cash in the bank. In addition, ordinary and rebate shareholders will receive a 30 cents per share special dividend following the investment.

The Year Ahead

We remain absolutely committed to our vision of "Inspirational Food created by Passionate People".

We remain absolutely committed to being "100% Made of New Zealand".

We remain absolutely committed to our consumer-led Plate to Pasture strategy.

Our global niche is high quality, grass-fed, New Zealand red meat. We want to establish Silver Fern Farms as the brand that consumers trust to deliver that, through a reliable and sustainable chain of care from the farm to the consumer. We believe we can build a proposition through the retail and food service channels which customers will pay a premium for.

We have set our short-term goals for the 2015/16 year:

- To deliver another material and sustainable improvement in our financial performance
- Build towards operational excellence
- Deepen the confidence and engagement of employees and suppliers
- Complete the Shanghai Maling investment and hit the ground running.

Firstly, there remains significant opportunity for further gains in performance. Our return on capital, despite the improvements this last year, remains low. We need to drive up profit and at the same time become more efficient with our capital.

One of the keys to expanding our profit margins is driving up the value chain and getting more of our sales into higher margin chilled and branded products. We have got a number of new product and market launches this year, as well as a full year of new partnerships entered into last year. That said, the impact of the Shanghai Maling investment on our China sales is more likely to be in 2017.

The partnership with USA-based Proliant on further processing of bovine blood into food grade pharmaceuticals will commence this year through their state-of–the-art plant in Feilding – a good opportunity to add value to a by-product.

We have invested in people and processes during the year to improve further our linkage between sales, procurement and processing. The goal is to reduce the average amount of inventory we require to deliver our sales.

Importantly we want to achieve all of this whilst sticking to our tighter processes around prudent management of our risk.

Secondly, we want to build towards operational excellence in health & safety and plant operational performance.

On health & safety we want to achieve a step change in behaviours and outcomes. We've made good progress in embedding the importance of health & safety in Silver Fern Farms – from the Board, to our agents driving on rural roads, to our staff in the plants. We've invested in training (including on how to have safe behavior conversations with your mates), we've invested in standardising best-in-class personal protective equipment across all of our plants. We're committed to making more progress.

Our plants want to improve their operational performance further; lifting the bar again on yields, productivity, and efficiency. One advantage of having 19 plants is the ability to benchmark, highlight high performance and then replicate those processes and behaviours across the network.

Thirdly, we want to deepen the confidence and engagement with both our staff and our suppliers.

The last 3 – 4 years have been challenging on the company as we have had a weight of debt on our shoulders, and there is no doubt that brings uncertainty with it.

We want to build on the confidence that our staff have in the company and where we are going. We need to create an environment where our people are passionate and want to make a difference.

Likewise we want to build that confidence with our suppliers, in particular our shareholder suppliers, who are invested in the company with little in the way of additional return over the last 3 – 4 years.

We are entering a new era for our co-operative shareholders.

We are entering a new era for our co-operative shareholders. The proposed partnership between Shanghai Maling and the co-operative is a timely opportunity to refresh our co-operative ethos.

It is the Board's intention to undertake a review in the next 3 – 6 months of the co-operative constitution, governance requirements and the approach to distribution of dividends it receives from Silver Fern Farms Limited in the future. We will keep shareholders updated on this process. The Board also wants to increase the level of suppliers who are also shareholders in the co-operative. We acknowledge that we need to create a value proposition to make that compelling.

The proposed redemption of the legacy Supplier Investment Shares will help reduce the complexity of the co-operative's current equity structure. The opportunity remains in the future to also redeem the remaining Rebate Shares in order to continue this simplification to an Ordinary Share structure only.

Fourthly, we want to complete the Shanghai Maling investment as soon as practicable and ensure we hit the ground running when we do. We intend to use the time between now and regulatory approval to build our sales and new product plan with Shanghai Maling. We will also prioritise other initiatives that will now become achievable with greater financial resources.

It's an exciting year ahead.

We'd like to take the opportunity to thank our shareholders, the Board, the leadership team and all the staff for their significant efforts over the past year. It is those efforts that have helped set up the opportunities in the years ahead.

We'd also like to thank Director, Angus Mabin, who is retiring at this year's Annual Meeting after 8 years of dedication to the Board, and prior to that as a representative on the North Island Supplier Council, and wish him well for the future.

Rob Hewett, Chairman

Dean Hamilton , Chief Executive

Market focused Plate to Pasture strategy

Driving up the value chain

Our Plate to Pasture strategy is focused on driving up the value chain, to achieve higher returns for our products. This in turn will allow us to be more profitable and pay premiums to our suppliers for livestock which meet the criteria for these higher returning products – profitably linking the plate to the pasture.

We are growing the confidence in our brand, our strategy and our story on the world stage.

In 2015 our chilled products, branded food service range and value added retail products made up 19% of our total global sales.

To create a sustainable future that makes a difference to our farmer partners we need to grow this area of our business.

We are absolutely committed to our Plate to Pasture strategy and being consumer-led.

Our global niche is high quality, grass-fed, red meat that is 100% Made of New Zealand. We want to establish Silver Fern Farms as the brand that consumers trust to deliver that, through a reliable and sustainable chain of care from the farm to the consumer. Our farmers are central to delivering on this promise. We are meeting consumers' needs. We are moving forward together.

> Our global niche is high quality, grass-fed, red meat that is 100% Made of New Zealand.

Shanghai Maling –

A GAME CHANGING PARTNERSHIP WITH CHINA'S LEADING MEAT PROCESSOR

On October 16, 82.2% of shareholders voting supported the partnership with Shanghai Maling – an overwhelming show of support to secure an improved and sustainable future for Silver Fern Farms.

Shanghai Maling is committed to our global Plate to Pasture strategy.

Shanghai Maling is to invest $261 million in cash to own 50% of Silver Fern Farms' business in equal partnership with our Co-operative.

The investment will provide Silver Fern Farms with significant financial capability to accelerate its global Plate to Pasture strategy, and to invest in its production facilities and capability.

Shanghai Maling is China's leading meat processor. Its largest shareholder is China's biggest food company, Bright Food Group. The partnership will position Silver Fern Farms with a competitive advantage in China, the world's fastest growing market for red meat.

This is an opportunity to make a significant step-change for our business.

On 30 October 2015 Shanghai Maling Shareholders voted 99% in favour of the proposed partnership.

The remaining steps to completing the investment are obtaining regulatory approvals from both the New Zealand Overseas Investment Office and Chinese authorities, applications for which have all been lodged.

The investment will see Silver Fern Farms with no debt and a positive cash position at financial year end on completion of the transaction.

The Board concluded that it would be desirable to reward Co-operative shareholders for their investment in the Co-operative during the period in which the Co-operative developed its 'Plate to Pasture' strategy. Following completion of the investment, all of the Supplier Investment Shares will be redeemed and a special dividend of 30 cents per share will be paid to holders of Ordinary Shares and Rebate Shares.

This is an opportunity to make a significant step-change for our business.

A GAME CHANGING PARTNERSHIP

50:50
Partnership

$261m
Investment

750
Retail stores

56
Specialist meat stores

19
Wholesale facilities

Strong alignment with our values

Shanghai Maling is listed on the Shanghai Stock Exchange and owned approximately 38% by Bright Food Group. For the 2014 financial year Shanghai Maling recorded sales of approximately NZ$2.7 billion.

As a partner, Shanghai Maling has strong alignment with our business and values. Shanghai Maling has a background in farming and its management understands the importance of where food comes from and how it is grown. It strongly values our Plate to Pasture strategy and is focused on being consumer driven. Shanghai Maling values experience in the industry and places a premium on working in partnerships.

The proposed partnership with Shanghai Maling provides us with a privileged position in China – the fastest growing market for red meat in the world.

Shanghai Maling operates a vertically integrated business comprising sourcing, processing, and the sale and distribution of various meat products. It also engages in the processing of canned meat, spices, cooked food and other food products.

Shanghai Maling has direct control of approximately 800 supermarket and retail stores, including 56 meat retail stores in Shanghai. The company's meat sales network, including 19 wholesale facilities, covers large to medium sized cities in Shanghai and other Chinese provinces.

Shanghai Maling and Bright Food Group together have an extensive distribution network, comprising:

- ownership of more than 6,000 retail stores, including supermarkets
- supply arrangements with a number of restaurant chains that serve beef and lamb products
- ownership of the largest wholesale market in China (Xi Jiao International) with a storage capacity of 100,000 tonnes for fresh and frozen foods. This market is the point of supply (on a wholesale basis) for an area of eastern China containing 400 million retail customers, and has one of the fastest customs clearance and quarantine facilities in China.

Shanghai Maling's integrated supply chain model will provide the opportunity to advance our product development and consumer marketing abilities in the Chinese market in ways we could not do ourselves, or with any other local or international investor.

The desire of the Co-operative and Shanghai Maling with respect to China is to develop Silver Fern Farms into the premium red meat brand in that market. We will be working with Shanghai Maling to create products specifically for China, and leveraging Shanghai Maling's (and Bright Food Group's) significant wholesale and retail networks.

our *vision*

INSPIRATIONAL

FOOD

CREATED BY

passionate people

We are 100% Made of

New Zealand

A natural connection to this special *place*, New Zealand — that inspires our *people* to create food with skill, care and an attention to detail. This fuels our *passion* for sharing the goodness we have with the world.

This is what we're made of — *100% Made of New Zealand.*

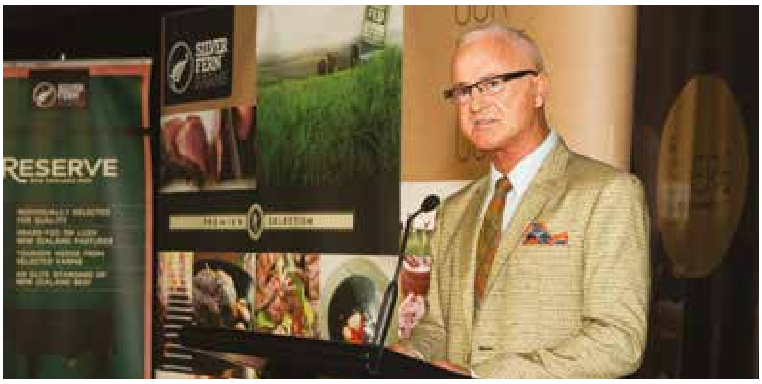






EXIT

ONLY THE BEST MAKE THE CUT



SILVER FERN FARMS
PREMIER SELECTION
AWARDS 2015

Congratulations

The Silver Fern Farms Premier Selection Awards challenge New Zealand's best chefs to showcase their creativity and artistry with our finest cuts of red meat.

From 12 exceptional finalists Scott Corbett of No8 Restaurant & Bar – Whitianga was named the Silver Fern Farms 2015 'Master of Fine Cuisine'.

Congratulations to all the Restaurants and Chefs who demonstrate their exceptional craft with our Silver Fern Farms red meat so consumers can experience inspirational food.

In 2015 Silver Fern Farms celebrated the efforts of the talented and committed chefs

Upper South Island Winners:
Stonyhurst – Douglas-Cliffords

Eastern North Island Winners:
Kumenga Farms – McCreary & Casey

Western North Island Winners:
Pukemarama – McKelvies

National Winner:
Waikawa Farms Trust – Neil Aicken

Lower South Island winners:
Brae Lynn – Clevelands

PLATE TO PASTURE AWARDS 2015

Congratulations

Neil Aicken, Waikawa Farms Trust – Plate to Pasture Awards 2015 winner.

The Plate to Pasture Awards recognise the great lengths our farmer partners go to to meet the needs of consumers.

Neil's finely tuned understanding of consumers and customers' expectations has helped him make significant steps in the areas of food safety, environmental performance, people development and animal performance and welfare.

and farmer partners who bring our Plate to Pasture to life for our consumers.

Board of Directors

Trevor Burt
Independent

Trevor joined the Board in August 2009 and is Chairman of the Remuneration and Appointments Committee. Trevor has high-level experience in the strategic leadership of large and complex corporate organisations and a proven record of implementing change and achieving results. Trevor is currently Chairman of Ngai Tahu Holdings Corporation Ltd, Lyttleton Port of Christchurch Ltd and New Zealand Lamb Company Ltd, Deputy Chair of PGG Wrightson Ltd, and Director of MainPower NZ Ltd, Landpower NZ Ltd as well as a former member of the Executive Board of the Munich based Linde Group.

Dan Jex-Blake

Dan was elected to the Board in 2013. He is the Managing Director of Mangapoike Ltd, a 24,000 stock unit pastoral farming company near Gisborne. He was invited to take part in the 2014 Rabobank Global Farmers Masterclass and is in the final stages of the 2014/15 Fonterra Governance Development Programme.

Rob Hewett
Chairman

Rob became the Chairman of Silver Fern Farms in December 2013. He was elected to the Board in February 2008. Rob currently farms 9,250 stock units, on a 960 hectare sheep and beef breeding and finishing unit in Manuka Gorge, South Otago. He is also a Director of Farmlands Co-operative and is a chartered member of the Institute of Directors. Rob is a Graduate of Lincoln University, holding an M.Com in marketing and a B.Com (Ag) in Economics.

Jane Taylor
Independent

Jane was appointed to the Board in June 2013 and is the Chairman of the Board's Audit, Risk Assessment and Mitigation Committee. Her experience as a barrister, chartered accountant and as an independent hearings commissioner under the Resource Management Act are a valuable addition to the Directorate. Jane is currently Chairman of Landcare Research New Zealand Ltd and a Director of Heartland New Zealand Ltd, Hirepool Group Ltd, OTPP New Zealand Forest Investments Ltd and a Governor of Radio New Zealand Ltd. She is also a Board Member of the External Reporting Board and has recently completed a year's secondment to the NZ Accounting Standards Board.

Richard Young

Richard operates a 300ha sheep and cropping property at Tapanui, West Otago. He was elected to the Board in 2013. Richard is a past Chairman of the Meat Industry Excellence Group. He has a Bachelor of Commerce in Economics from Otago University. He completed the institute of Directors company directors course in 2014 and is a member of the Institute of Directors. He also completed the Kellogg Rural Leaders Programme in 2011 and the Leading Board co-operative governance course in 2013.

Fiona Hancox

Fiona operates a 27,000 stock unit sheep and beef finishing operation in Tapanui, West Otago. Fiona is on the Beef + Lamb NZ Southern South Island Farmers Council, and is a member of the Beef + Lamb NZ West Otago Farming for Profit Steering Group. She is a former South Island Farmer of the Year. Fiona is a Director of three farming companies and also holds a National Diploma in Ambulance Practice and is a Volunteer Ambulance Officer.

Tony Balfour
Independent

Tony joined the Silver Fern Farms' Board in August 2009. He is a globally experienced senior executive in a wide range of industries and categories with a strong track record of success leading innovation and market/category development. His experience across various industries ensures Silver Fern Farms has a diverse knowledge base across the board. Tony is also a Director of The Warehouse Group Ltd, Real Journeys Ltd, Les Mills International, and is Chair of Boosted (the digital wing of the NZ Arts Foundation).

Angus Mabin

Angus was appointed to the Board in September 2007. He farms bull-beef on a 1,000 ha property in Waipukurau, Central Hawke's Bay. Angus has held a number of positions in the deer industry during the 1990s. He is a graduate of Massey University.

Your Leadership Team

Sharon Angus
General Manager Marketing

Sharon is passionate about the Silver Fern Farms brand and works on developing products that consumers want. She is responsible for the growth and strategic development of the Silver Fern Farms brand. Sharon brings with her more than 20 years' experience in senior FMCG marketing roles. She joined the company in 2009. Sharon has worked with Mainland Products Limited/ Fonterra and has owned her own consultancy business, providing strategic marketing advice on significant projects to various divisions of Fonterra. Sharon holds a marketing management degree from the University of Otago.

Kevin Winders
Chief Operating Officer

Kevin is responsible for ensuring Silver Fern Farms' operations including livestock procurement, processing and logistics run smoothly and efficiently on a daily basis. He recognises that globally integrated value chains are Silver Fern Farms' future. Kevin was first appointed Chief Financial Officer in August 2009 and then Chief Operating Officer in 2011. Kevin has a strong financial and strategic skill set based on a wide exposure to a variety of sectors as a senior executive, including roles with PGG Wrightson, Contact and KPMG. He is also a past director of the NZ Merino Company and a Director of Kotahi Logistics Ltd.

Grant Howie
General Manager Sales

Grant leads the sales team at Silver Fern Farms. He is responsible for customer focus, discovery and development, inventory management and sales of value added brands. This involves a broad range of activities, including; developing new category management programmes with key global customers, leading our Discovery & Development team in creating differentiated products. Grant joined the company in August 2008 after a sales and marketing career in a number of fast-moving consumer goods (FMCG) companies including Mainland Products, Fonterra and Cadbury Confectionery. He is also a Director at Farm^IQ and Alpine Origin Merino Ltd.

Dean Hamilton
Chief Executive

Dean was appointed Chief Executive of Silver Fern Farms in November 2014. He is responsible for leading the company, the delivery of strategy and financial performance, and engaging with customers, staff, suppliers and shareholders. Dean has significant experience at Chief Executive level, including in the red meat food sector with Riverlands foods, then a subsidiary to Brierley Investments. Dean was formerly a Managing Director and Co-Head of Industrials and Financial Sponsors for Deutsche Bank for Australia & New Zealand. Dean brings a wealth of expertise and experience across both the New Zealand and Australian corporate landscapes.

Rob Woodgate
Chief Financial Officer

Rob was appointed to the role of Chief Financial Officer at the beginning of 2015, he is responsible for the group's finance, and accounting, customer services, and IT functions. He has held a number of senior finance roles and joined us after over five years as CFO at PGG Wrightson, where he was responsible for accounting, IT, audit, property and procurement. Rob gained his degree and accounting qualification in the UK, where he worked in a number of organisations before moving to NZ in 2001. Since in NZ he has gained experience across a number of sectors including manufacturing, logistics, utilities and, of course, the primary sector.

Eric Gamperle
Human Resources Manager

Having worked in the food manufacturing, agriculture and energy sector for many years Eric brings considerable knowledge and experience in human resource management, particularly in HR policy, recruitment, remuneration, performance & talent management, learning and development, health and safety, HRIS, and HR metrics. Eric holds a Bachelor of Applied Business Management-Strategic Management, is a professional member of the Human Resource Institute of New Zealand (MHRINZ) and a NZ Institute of Management Mentor.

Phil Buck
General Manager Plant Operations

Phil Buck has over 30 years' of knowledge of the meat industry. As General Manager Plant Operations he is responsible for all processing operations across the group. Phil has worked for Silver Fern Farms since 2007 both in the UK and New Zealand. Phil's previous roles include running numerous sites and overseeing operations in the UK and Australia where he gained a broad understanding of processing beef, lamb, pork and chicken.

» GREAT FOOD BRINGS PEOPLE TOGETHER

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

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

Role of Board of Directors

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

Policies

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

Director Independence

Silver Fern Farms currently has three Independent Directors.

Board Composition

The company's Constitution determines that:

a. Silver Fern Farms will have a Board of between six and eight directors;

b. up to five directors are to be elected by shareholders who are suppliers of livestock to the Company ('Shareholder-elected Directors');

c. up to three directors may be appointed by the Board ('Independent 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 2015 comprised, five supplier-elected Directors and three Board-appointed Independent Directors as follows:

Rob Hewett	Chairman, Shareholder-elected
Tony Balfour	Independent
Trevor Burt	Independent
Fiona Hancox	Shareholder-elected
Dan Jex-Blake	Shareholder-elected
Angus Mabin	Shareholder-elected
Jane Taylor	Independent
Richard Young	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, particularly among the share-holder-elected constituents.

In addition to working with organisations such as the NZ Co-operative Association and the Institute of Directors and Fonterra 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 9054

Committees

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

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

Operation of the Board

The Silver Fern Farms Board meets formally 12 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.

The Board has established a Board Capability Matrix that outlines the ideal competencies and skills required by Directors to operate effectively on the Silver Fern Farms Board. This matrix is used to assess performance of the Board collectively and the performance of Directors individually. An independent consultant has been used to establish the Competency Matrix and complete the Board and Director Effectiveness reviews. Reviews are generally completed every two years.

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 $673,348 per annum.

Public release of material information

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

Attendance at meetings

During the financial year ended 30 September 2015, the Board met 11 times (plus 7 telephone conferences) as follows:

Director	Board*	Annual Meeting	Board Committee#
A J Balfour	11	1	-
T J Burt	11	1	10
F M Hancox**	7	-	-
R J Hewett	11	1	11
D C Jex-Blake	11	1	3
A C Mabin	10	1	3
D J Taylor	11	1	14
P H Ulrich **	3	1	-
R G Young	11	1	-

* Seven teleconference meetings were also held during the year

\# Board committee meetings include Audit, Risk Assessment & Mitigation / Remuneration & Appointments

** P H Ulrich retired from the Board in February 2015 and was replaced by F M Hancox.

Statutory Information

Directors' Statement

This Annual Report is dated 23 December 2015 and is signed on behalf of the Board by:

RJ Hewett
Chairman

DJ Taylor
Chairman – Audit, Risk Assessment and Mitigation Committee

Directors

The Directors of Silver Fern Farms as at 30 September 2015 are:

- Robert James Hewett (Chairman)
- Antony John Balfour
- Trevor John Burt
- Fiona Margaret Hancox
- Dan Charles Jex-Blake
- Angus Collis Mabin
- Deborah Jane Taylor
- Richard George Young

Directors' Interest in Transactions

For the year ended 30 September 2015, 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 17 November 2015:

"In the opinion of the Board, Silver Fern Farms Limited has throughout the year ended 30 September 2015 been a co-operative company under the Co-operative Companies Act 1996 for the following reasons:

a. 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;

b. The Company carries on a co-operative activity as set out in Section 3 of the said Act."

Information Disclosure

For the year ended 30 September 2015, 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, R J Hewett and D J Taylor.

Audit, Risk Assessment and Mitigation Committee

The Committee comprises D J Taylor – Chairman, T J Burt, A C Mabin and D C Jex-Blake.

Directors' Insurance

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

Donations

During the financial year ended 30 September 2015, Silver Fern Farms made no donations (2014: $nil).

Auditor

The amount payable by the Silver Fern Farms Group to Ernst & Young as audit fees in respect of the financial year ended 30 September 2015 was $400,000. Fees payable to Ernst & Young for tax advisory and other services in respect of the financial year ended 30 September 2015 were $178,000.

Directors' Interests in Silver Fern Farms Shares

The shares held in Silver Fern Farms by each director as at 30 September 2015 are set out in the following table.

DIRECTOR	Holding as at 30 Sept 2015
A J Balfour	–
T J Burt	18,166
F M Hancox	212,646
R J Hewett	70,000
D C Jex-Blake	120,000
A C Mabin	137,146
D J Taylor	–
R G Young	30,768

Directors' Fees (NZD ($))

Director	Position	Year Ended 30 Sept 2015
A J Balfour	Director	65,167
T J Burt	Director and Chairman Remuneration and Appointments Committee	79,850
F M Hancox	Director	38,333
R J Hewett	Director and Chairman	166,397
D C Jex-Blake	Director	65,583
A C Mabin	Director	65,584
D J Taylor	Director and Chairman Audit, Risk Assessment and Mitigation Committee	86,933
P H Ulrich	Director	40,333
R G Young	Director	65,167
Total Directors' fees		673,348

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. The total pool for directors' fees was $673,348.

Remuneration of Employees

The following table shows the number of Silver Fern Farms employees and former employees of Silver Fern Farms and its subsidiaries who in their capacity as employees received remuneration and other benefits or entitlements (including non-recurring payments to employees on leaving the Group) during the year ended 30 September 2015, the value of which was or exceeded $100,000.

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

Long-serving Chief Executive, Keith Cooper, ceased being an employee during the period. The payments made to him reflect a combination of base salary for a period, a short term incentive related to the prior year, a retention incentive that related to prior and future years, annual and long service leave as well as a payment that reflected his significant contribution to the company over the prior eighteen years, the most recent eight as Chief Executive.

Remuneration Range	Parent	Subsidiaries	Cessations	Total
100,000 - 110,000	26	1	3	30
110,001 - 120,000	27	2	9	38
120,001 - 130,000	18	-	2	20
130,001 - 140,000	17	1	3	21
140,001 - 150,000	13	1	1	15
150,001 - 160,000	4	2	1	7
160,001 - 170,000	4	1	-	5
170,001 - 180,000	4	-	1	5
180,001 - 190,000	5	-	-	5
190,001 - 200,000	-	1	1	2
200,001 - 210,000	2	-	-	2
210,001 - 220,000	8	-	-	8
220,001 - 230,000	3	-	-	3
230,001 - 240,000	2	-	-	2
240,001 - 250,000	1	-	-	1
260,001 - 270,000	-	2	-	2
270,001 - 280,000	4	-	-	4
300,001 - 310,000	1	-	-	1
410,001 - 420,000	-	-	1	1
510,001 - 520,000	1	-	-	1
520,001 - 530,000	1	-	-	1
1,130,001 - 1,140,000	1	-	-	1
1,840,001 - 1,850,000	-	-	1	1

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NZD IN THOUSANDS ($000)	Notes	Year ended 30 Sept 15	Year ended 30 Sept 14
Sale of goods		2,434,204	2,309,317
Other revenue	5	213	77
Revenue		**2,434,417**	**2,309,394**
Other income	6	6,565	11,546
Share of profit of associates	26	10,852	7,117
Total income		**2,451,834**	**2,328,057**
Raw materials and consumables used		1,749,473	1,647,953
Employee benefits expense	7	321,060	324,855
Depreciation and amortisation		28,880	28,829
Finance costs	7	30,828	37,483
Other operational expenses	7	294,426	287,118
Profit/(loss) before income tax		**27,167**	**1,819**
Income tax expense/(benefit)	8	2,263	1,345
Net profit/(loss) for the year		**24,904**	**474**
Profit/(loss) attributable to shareholders of the parent		**24,904**	**474**
Other comprehensive income			
Foreign currency translation gain/(loss)		4,545	1,113
Property revaluation gain/(loss)		(1,176)	18,100
Income tax on items of other comprehensive income - (charged)/credited		(148)	1,652
Other comprehensive income for the year, net of tax		**3,221**	**20,865**
Total comprehensive income for the year attributable to shareholders of the parent		**28,125**	**21,339**
Earnings per share attributable to the shareholders of the parent		**cents**	**cents**
Basic earnings per ordinary share	9	25.68	0.47
Diluted earnings per ordinary share	9	24.81	0.47

The above Consolidated 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 9 November 2015.

R J HEWETT
Chairman

D J TAYLOR
Chairman- Audit, Risk Asssessment and Mitigation Committee

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NZD IN THOUSANDS ($000)	Share Capital	Retained Earnings	Foreign Currency Reserve	Asset Revaluation Reserve	Total Equity
Opening balance at 1 October 2013	**136,495**	**72,507**	**(12,984)**	**101,899**	**297,917**
Net profit/(loss) for the year	-	474	-	-	474
Foreign currency translation gain/(loss)	-	-	1,113	-	1,113
Transfer on sale of assets	-	9,850	-	(9,850)	-
Other comprehensive income	-	-	-	19,752	19,752
Total comprehensive income for the year	**-**	**10,324**	**1,113**	**9,902**	**21,339**
Closing balance at 30 September 2014	**136,495**	**82,831**	**(11,871)**	**111,801**	**319,256**
Opening balance at 1 October 2014	**136,495**	**82,831**	**(11,871)**	**111,801**	**319,256**
Net profit/(loss) for the year	-	24,904	-	-	24,904
Foreign currency translation gain/(loss)	-	-	4,545	-	4,545
Transfer on disposal of assets	-	13,473	-	(13,473)	-
Property revaluation gain/(loss)	-	-	-	(1,176)	(1,176)
Income tax on items of other comprehensive income - (charged)/credited	-	-	-	(148)	(148)
Total comprehensive income for the year	**-**	**38,377**	**4,545**	**(14,797)**	**28,125**
Closing balance at 30 September 2015	**136,495**	**121,208**	**(7,326)**	**97,004**	**347,381**

*Refer to note 19 for additional information regarding the Group's Capital position in the current year

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2015

NZD IN THOUSANDS ($000)	Notes	As at 30 Sept 15	As at 30 Sept 14
ASSETS – Current Assets			
Cash and cash equivalents	21	13,933	978
Derivative financial instruments	23	1,182	435
Trade and other receivables	13	168,811	183,350
Financial assets	22	1,324	1,309
Inventories	11	73,127	99,277
Livestock	12	3,055	55,597
Tax receivable	8	82	11
Assets held for sale	15	-	15,189
Total Current Assets		**261,514**	**356,146**
ASSETS – Non-current Assets			
Available for sale financial assets	14	82	82
Trade and other receivables	13	1,620	12,158
Investments in associates	26	22,433	20,700
Property, plant and equipment	15	334,310	364,173
Intangible assets	25	7,122	7,588
Total Non-current Assets		**365,567**	**404,701**
TOTAL ASSETS		**627,081**	**760,847**
LIABILITIES – Current Liabilities			
Bank overdraft	17	1,127	3,601
Derivative financial instruments	23	4,034	10,343
Trade and other payables	16	89,923	90,236
Provisions	18	17,319	20,819
Tax provision	8	129	25
Interest bearing loans and borrowings	17	133,707	285,511
Total Current Liabilities		**246,239**	**410,535**
LIABILITIES – Non-current Liabilities			
Provisions	18	10,573	9,102
Interest bearing loans and borrowings	17	38	499
Deferred income tax	8	1,834	-
Total Non-current liabilities excluding members' shares		**12,445**	**9,601**
TOTAL LIABILITIES EXCLUDING MEMBERS' SHARES		**258,684**	**420,136**
NET ASSETS EXCLUDING MEMBERS' SHARES		**368,397**	**340,711**
Supplier investment shares	19	5,478	5,548
Members' ordinary shares	19	15,538	15,907
Total Members' Shares		**21,016**	**21,455**
NET ASSETS		**347,381**	**319,256**
EQUITY – Equity attributable to equity holders of the parent			
New ordinary shares	19	136,495	136,495
Retained earnings		121,208	82,831
Other reserves	20	89,678	99,930
TOTAL EQUITY		**347,381**	**319,256**

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NZD IN THOUSANDS ($000)	Notes	Year ended 30 Sept 15	Year ended 30 Sept 14
Cash flows from operating activities			
Receipts from customers		2,462,793	2,321,047
Payments to suppliers and employees		(2,282,004)	(2,197,505)
Interest received		182	263
Dividends received		4,270	6,852
Finance costs paid		(32,042)	(38,841)
Tax refund received/(tax paid)		(891)	(362)
Net cash flows (used in)/from operating activities	10	**152,308**	**91,454**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		12,108	18,840
Proceeds from sale of investments in associates		6,514	-
Purchase of property, plant and equipment and intangibles		(6,444)	(10,204)
Proceeds from/(advance to) associates		3,740	107
Investment in associates		(98)	(553)
Net cash flows (used in)/from investing activities		**15,820**	**8,190**
Cash flows from financing activities			
Deferred proceeds from the issue of New ordinary shares		6	16
Loans repaid		265	225
Repayment of borrowings		(152,267)	(101,166)
Members' ordinary shares surrendered		(391)	(723)
Supplier investment shares surrendered		(70)	(144)
Net cash flows (used in)/from financing activities		**(152,457)**	**(101,792)**
Net increase/(decrease) in cash and cash equivalents		15,671	(2,148)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(242)	(48)
Cash and cash equivalents at the beginning of the year		(2,623)	(427)
Cash and cash equivalents at the end of the year		**12,806**	**(2,623)**
Represented by:			
Cash	22	13,933	978
Bank overdraft	22	(1,127)	(3,601)
Cash at the end of the year		**12,806**	**(2,623)**

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 CORPORATE INFORMATION

The consolidated financial statements of Silver Fern Farms Limited for the year ended 30 September 2015 were authorised for issue in accordance with a resolution of the directors on 9 November 2015.

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 a reporting entity under Financial Markets Conduct Act 2013 for the purposes of the Financial Reporting Act 2013. The company is domiciled in New Zealand.

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 consolidated 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, the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013 (FMC Act).

As of 30 September 2015, the company has opted in as an FMC reporting entity under Clause 19 of Schedule 4 of the FMC Act. Under the FMC Act, parent company numbers are no longer required to be presented in the consolidated financial statements.

The consolidated financial statements have also been prepared on a historical cost basis, except for a number of balances including operational land and buildings, livestock inventory, business combinations, derivative financial instruments and available for sale financial assets which are measured at fair value.

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

b Statement of compliance

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards (IFRS).

c New accounting standards and interpretations

i Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Group has adopted the following new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations as of 1 October 2015.

- Amendments to NZ IAS 19 Employee Benefits
- Amendments to NZ IAS 32 Offsetting Financial Assets and Financial Liabilities
- NZ IFRIC 21 Levies

The new standards, if applicable, have no measurement impact upon the Group's financial statements. The Group has not elected to early adopt any new standards or interpretations that are issued but not yet effective.

ii Accounting standards and interpretations issued but not yet effective

The following standards and interpretations have recently been issued or amended and could have a material impact on the Group's financial statements. These standards are not yet effective and have not been adopted by the Group for the reporting year ended 30 September 2015. An assessment at a time closer to the application date will be carried out to ensure the Group is complying with the new standards.

- NZ IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets, financial liabilities, impairment of financial assets and hedge accounting. NZ IFRS 9 will be effective for the Group for the year ending 30 September 2019.
- NZ IFRS 15 Revenue from Contracts with Customers establishes a single comprehensive framework for revenue recognition. NZ IFRS 15 will be effective for the Group for the year ending 30 September 2019.

There are no other new or amended standards that are issued but not yet effective that would be expected to have a material impact on the Group.

d Basis of consolidation

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

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

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. A list of subsidiaries appears in note 27 to the consolidated financial statements.

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

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

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

e 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 noted above in the consolidated financial statements are taken to profit or loss for the year.

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.

f Cash and cash equivalents

Cash and short-term deposits on 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.

g 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.

h Inventories

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

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

i Livestock (biological assets)

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

Livestock programmes

Lamb and cattle are purchased from breeders and are placed with growers/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 held on land owned or leased by Silver Fern Farms adjacent to processing facilities.

Livestock is valued at fair value less costs to sell and the resulting gains or losses are recognised in profit and loss. Fair values are determined by reference to published livestock purchase data at the balance date, using market prices appropriate to each category of livestock, considering age, weight, sex, grade, location and other relevant factors.

j Derivative financial instruments

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

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

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

k 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.

l 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.

m 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 on the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. 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.

n 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 – 3 to 25 years
- Motor Vehicles – 5 to 15 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 and inclued in other comprehensive income 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 profit or loss.

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 derecognition 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.

o 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.

p Impairment

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

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

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

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

q 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.

r 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. Following initial recognition, all intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

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

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

i Goodwill

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

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

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

ii Research and software development costs

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

s 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.

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.

t 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.

u Convertible redeemable preference shares

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

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

v 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. Holders of Members' ordinary shares 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.

w 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.

x 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.

y Income tax and other taxes

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

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

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

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

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

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

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

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

z 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.

aa Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element, and assuming all partly paid shares have been proportionately paid for at the beginning of comparative financial period presented.

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

i Significant accounting judgements

Going concern

Management and the directors have considered the going concern assumption in the preparation of these financial statements and have concluded that the going concern basis of the consolidated financial statements preparation remains appropriate. See also note 17, interest bearing loans and borrowings.

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 by calculating value in use. Management and the directors have identified that the Group has one operating segment and one cash generating unit (CGU) for the purposes of calculating value in use.

The value in use calculation is based on cash flow projections for three years, using data from the Group's most recent budget. It incorporates a number of key estimates and assumptions, including:

- Estimated Group kill, based on internal and third party estimates of national kill, and the group's estimated market share of national kill
- Gross margins per head, based on achieved 2015 gross margins adjusted for margin improvements arising from current and planned operating initiatives including an increased level of sales of premium/value added product into the FMCG market, and a normal seasonal livestock supply profile
- a discount rate of 9% pa; and
- a terminal growth rate of 1.5% pa.

The Group has completed sensitivity analysis to the following key variables in the value in use calculation based on reasonably possible changes to the estimates and assumptions:

- gross margin improvements
- annual discount rate
- annual terminal growth rate.

No impairment write down of assets was required at year end.

Goodwill is allocated to this CGU and is tested for impairment each year.

ii Significant accounting estimates and assumptions

Long service leave provision

As discussed in note 2(t), 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 reporting date 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.

Livestock valuation

Livestock fair values at balance date are determined by reference to published livestock purchase data at the balance date, using market prices appropriate to each category of livestock, considering age, estimated weight, sex, grade, location and other relevant factors.

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 reassessed its reporting segments in the current year and concluded that it has one reporting segment, being 'Red meat and related products'. The Chief Executive makes resource allocation decisions based on the business performance of the Group's operations as a whole. In the prior year, the Group reported two segments, being 'Food' and 'Associated products'.

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.

		Year ended 30 Sept 15		Year ended 30 Sept 14
NZD IN THOUSANDS ($000)	Amount	% Total revenue	Amount	% Total revenue
USA	424,947	17%	312,241	14%
New Zealand	403,060	17%	347,752	15%
China	361,890	15%	385,616	17%
Australia	236,281	10%	177,916	8%
United Kingdom	155,296	6%	184,678	8%
Germany	135,443	6%	142,962	6%
Japan	93,189	4%	93,958	4%
Saudi Arabia	74,962	3%	59,061	3%
Canada	55,812	2%	41,132	2%
Korea	51,356	2%	54,928	2%
Other - Europe	211,491	9%	255,411	11%
Other - Asia / Middle East	203,770	8%	215,818	9%
Other - Rest of World	26,920	1%	37,922	2%
Total revenue	**2,434,417**	**100%**	**2,309,394**	**100%**

5 OTHER REVENUE

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
Interest revenue	213	77
Total other revenue	**213**	**77**

6 OTHER INCOME

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
Rental revenue	948	963
Gain on sale of property, plant and equipment, net of related costs	83	4,639
Sundry income	5,534	5,944
Total other income	**6,565**	**11,546**

7 EXPENSES

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
Employee benefits expense		
Wages and salaries	305,067	308,564
Wages and salaries capitalised	(17)	(118)
Workers' compensation costs	7,598	8,016
Superannuation costs	8,412	8,393
Total employee benefits expense	**321,060**	**324,855**
Finance costs		
Bank facility fees	8,840	11,639
Bank interest cost	21,748	25,472
Other interest cost	240	372
Total finance costs	**30,828**	**37,483**
Other expenses		
Audit fees	520	306
Bad debt expense/(recovery)	30	(4)
Energy costs	28,781	31,313
Leasing costs	6,134	6,006
Loss on sale of plant, property and equipment	3,676	88
Restructuring costs	1,657	628
Rental costs	2,761	2,928
Other operating costs	250,867	245,853
Total other expenses	**294,426**	**287,118**

8 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)	Year ended 30 Sept 15	Year ended 30 Sept 14
Income tax expense		
Current income tax charge	577	417
Deferred income tax		
Adjustments in respect of deferred income tax of previous years	(1,470)	222
Relating to origination and reversal of temporary differences	3,156	706
Income tax expense/(benefit) reported in profit or loss	**2,263**	**1,345**
Amounts charged or credited directly to other comprehensive income		
Revaluation of buildings – charged/ (credited)	148	(1,652)
Income tax expense/(benefit) reported in other comprehensive income	**148**	**(1,652)**

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)	Year ended 30 Sept 15	Year ended 30 Sept 14
Total accounting profit/(loss) before income tax	**27,167**	**1,819**
At the parent entity's statutory income tax rate of 28%	7,606	508
Adjustments in respect of current/deferred income tax of previous years	(1,470)	222
Permanent differences relating to assets	(1,548)	-
Non-deductible impairment of advances/investments	444	93
Non-deductible entertainment expenditure, legal expense and rebates	755	169
Dividends & Partnership profits/(losses)	726	163
Write off of foreign withholding tax	332	243
Losses (recognised)/not recognised	(3,531)	466
Other differences	(1,051)	(519)
Aggregate income tax expense/(benefit)	**2,263**	**1,345**

Recognised deferred tax assets and liabilities

	As at 30 Sept 15		As at 30 Sept 14	
NZD IN THOUSANDS ($000)	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening asset/(liability)	(14)	-	41	(725)
Charged to income	(577)	(1,686)	(417)	(928)
(Charged)/ credited to other comprehensive income	-	(148)	-	1,652
Other payments/movements	544	-	362	1
Closing asset/(liability)	**(47)**	**(1,834)**	**(14)**	**-**
Amounts recognised in the balance sheet:				
Tax asset	82	26,142	11	32,306
Tax liability	(129)	(27,976)	(25)	(32,306)
Closing asset/(liability)	**(47)**	**(1,834)**	**(14)**	**-**

This deferred taxation balance has been calculated at the corporate tax rate of 28%.

Deferred income tax at balance date

NZD IN THOUSANDS ($000)		As at 30 Sept 15	As at 30 Sept 14
i	**Deferred tax liabilities**		
	Fixed assets	27,976	32,306
	Gross deferred tax liabilities	**27,976**	**32,306**
	Set-off of deferred tax assets	(26,141)	(32,306)
	Net deferred tax liabilities	**1,834**	**-**
ii	**Deferred tax assets**		
	ACC provision	900	897
	Annual/long service leave	4,126	4,252
	Bad debts provision	29	188
	Bonus adjustment/admin provision	(342)	58
	IRD investigation adjustments	41	60
	Livestock procurement provision	561	608
	Livestock revaluation	(131)	(2,006)
	Losses carried forward	20,871	27,285
	Restructure accruals	84	951
	Stock provision	2	13
	Gross deferred tax assets	**26,141**	**32,306**
	Set-off of deferred tax liabilities	(26,141)	(32,306)
	Net deferred tax assets	**-**	**-**

Unrecognised temporary difference

At balance date there are no unrecognised temporary differences associated with the Group's investments in subsidiaries or associates, as the Group has no liability for additional taxes should unremitted earnings be remitted (2014: $nil). The company has tax losses carried forward of $74,538,000 (2014: $107,728,000) of which none are not recognised (2014: $12,611,000).

Imputation credit balance

NZD IN THOUSANDS ($000)	PARENT As at 30 Sept 15	PARENT As at 30 Sept 14
Balance at beginning of the year	**49**	**49**
Other adjustments	341	-
Balance at end of the year	**390**	**49**

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

NZD IN THOUSANDS ($000)	PARENT Year ended 30 Sept 15	PARENT Year ended 30 Sept 14
Through direct shareholding in the parent	390	49
Through indirect interest in subsidiaries	186	186

9 EARNINGS PER SHARE

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

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
a Earnings used in calculating earnings per share		
For basic earnings per share:		
Profit/(loss) attributable to New ordinary shareholders of the parent	24,904	474
For diluted earnings per share:		
Profit/(loss) attributable to New ordinary shareholders of the parent (from basic EPS)	24,904	474

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
b Weighted average number of shares		
Weighted average number of new ordinary shares for basic earnings per share	96,993	100,379
Effect of dilution:		
Partly paid New ordinary shares	3,386	-
Weighted average number of new ordinary shares adjusted for the effect of dilution	**100,379**	**100,379**

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.

10 CASH FLOW STATEMENT RECONCILIATION

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

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
Net profit/(loss)	**24,904**	**474**
Adjustments for:		
Depreciation and amortisation	28,880	28,829
Foreign exchange movements in cash	248	(322)
Write down of property, plant & equipment	3,501	-
Net (gain)/loss on disposal of property, plant and equipment	3,593	(4,550)
Net movement on changes in fair market value of derivatives	(7,056)	19,199
Associate dividends	6,841	7,464
Dividend Income classified as investing activity	(2,571)	(613)
Trade and other receivables movement classified as investing activities	2,067	(253)
Trade and other receivables movement classified as financing activities	-	(225)
Provisions, trade and other payables movement classified as investing activities	(1,154)	739
Share of associate income	(10,852)	(7,117)
Other items	(39)	(291)
	48,362	**43,334**
Changes in assets and liabilities:		
(Increase)/decrease in inventories and livestock	78,692	65,388
(Increase)/decrease in trade and other receivables	21,337	(16,861)
(Decrease)/increase in tax balance	1,719	983
(Decrease)/increase in provisions, trade and other payables	2,198	(1,390)
	103,946	48,120
Net cash flows (used in)/ from operating activities	**152,308**	**91,454**

11 INVENTORIES

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
Meat and associated product inventory	64,474	90,613
Consumables and packaging	8,653	8,664
Total inventories	**73,127**	**99,277**

The amounts released in other operating costs for obsolete packaging was $8,000 (2014: $45,000) for the Group.

12 LIVESTOCK

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
Opening balance	**55,597**	**54,883**
Net movements in livestock	(45,846)	(5,624)
Changes in livestock fair value less estimated selling cost	(6,696)	6,338
Closing balance	**3,055**	**55,597**

The inputs in the fair value calculation of livestock are level 2 in the classification hierarchy under NZ IFRS 13. The fair value has been determined by reference to published livestock purchase data at balance date, using market prices appropriate to each category of livestock, considering age, weight, sex, grade, region and other relevant factors.

Livestock consists of sheep and cattle.

The Group purchases sheep and cattle through Lambplan, Beefplan and other procurement plans, as part of its normal operations, and also carries livestock on its own farms at plant. Sheep and cattle are valued at fair value according to the accounting policy for livestock at note 2(i). At the end of the year the group held 1,950 head of cattle (2014: 42,830) and 1,545 head of sheep (2014: 56,692).

13 TRADE AND OTHER RECEIVABLES

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
Trade receivables	137,371	149,130
Allowance for impairment loss	(103)	(749)
Total trade receivables excluding related parties	**137,268**	**148,381**
Related party receivables		
Trade receivables due from associates	7,392	10,899
Total related party receivables	**7,392**	**10,899**
Total trade receivables	**144,660**	**159,280**
Other receivables		
Advances due from associates	1,620	5,360
Other prepayments and receivables	24,151	30,868
Total other receivables	**25,771**	**36,228**
Total trade and other receivables	**170,431**	**195,508**
Current	168,811	183,350
Non-Current	1,620	12,158
Total trade and other receivables	**170,431**	**195,508**

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.

Other prepayments and receivables include costs of $5,824,000 incurred during the current year in connection with raising equity. On completion of the transaction, it is expected that these costs will be accounted for as a deduction from equity of the subsidiary company that is expected to receive the new equity.

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 27.

Allowance for impairment loss

Movements in the provision for impairment loss were as follows:

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
Opening balance	**749**	**718**
Charge for the year	30	12
Utilised	(676)	35
Unused amounts reversed	-	(16)
Closing balance	**103**	**749**

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

NZD IN THOUSANDS ($000)	Total	0 - 30 Days	31 - 60 Days	61 - 90 Days PDNI*	91+ Days PDNI*
As at 30 Sept 15					
Consolidated	144,660	115,585	20,858	3,498	4,719
As at 30 Sept 14					
Consolidated	159,280	120,832	32,010	4,756	1,682

* Past due not impaired ('PDNI').

Receivables past due but not considered impaired is $8,217,000 (2014: $6,438,000).

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

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

Detail regarding foreign exchange exposure and interest rate risk exposure is disclosed in note 23 and note 21.

14 AVAILABLE FOR SALE FINANCIAL ASSETS

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
At fair value:		
Shares – New Zealand unlisted	82	82
Total available for sale financial assets	**82**	**82**
Current	-	-
Non-Current	82	82
Total available for sale financial assets	**82**	**82**

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.

15 PROPERTY, PLANT AND EQUIPMENT

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

NZD IN THOUSANDS ($000)	Land	Buildings	Plant and equipment	Vehicles	Work in progress	Total
Year ended 30 Sept 2015						
At 1 October 2014, net of accumulated depreciation	60,678	162,851	135,410	439	4,795	364,173
Additions	29	521	3,642	25	1,945	6,162
Disposals	(3,945)	(1,279)	(5,443)	(40)	-	(10,707)
Revaluations	1,621	(3,114)	-	-	-	(1,493)
Impairment of assets	-	(28)	(471)	-	(538)	(1,037)
Reclassification of assets	(168)	2,262	2,268	-	(4,362)	-
Reclassification from WIP to intangibles	-	-	-	-	(543)	(543)
Depreciation charge for the year	(158)	(10,845)	(16,724)	(71)	100	(27,698)
Accumulated depreciation on disposals	-	487	4,926	40	-	5,453
At 30 Sept 2015, net of accumulated depreciation	**58,057**	**150,855**	**123,608**	**393**	**1,397**	**334,310**
Cost or fair value	58,057	150,883	400,978	3,662	1,565	615,145
Accumulated depreciation and impairment	-	(28)	(277,370)	(3,269)	(168)	(280,835)
Net carrying value	**58,057**	**150,855**	**123,608**	**393**	**1,397**	**334,310**

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

NZD IN THOUSANDS ($000)	Land	Buildings	Plant and equipment	Vehicles	Work in progress	Total
Year ended 30 Sept 2014						
At 1 October 2013, net of accumulated depreciation	60,281	177,339	141,404	466	13,222	392,712
Additions	5	2,239	5,947	-	1,772	9,963
Disposals	(4,935)	(7,880)	(60,487)	(402)	5	(73,699)
Revaluations	18,170	-	-	-	-	18,170
Impairment of assets	(333)	-	-	-	-	(333)
Reclassification of assets	-	30	8,174	52	(8,256)	-
Reclassification from WIP to intangibles	-	-	-	-	(2,902)	(2,902)
Transfers (to)/from assets held for sale	(12,563)	457	478	-	-	(11,628)
Depreciation charge for the year	(158)	(10,740)	(17,474)	(75)	954	(27,493)
Accumulated depreciation on disposals	211	1,406	57,368	398	-	59,383
At 30 Sept 2014, net of accumulated depreciation	**60,678**	**162,851**	**135,410**	**439**	**4,795**	**364,173**
Cost or fair value	61,910	203,585	398,894	3,680	4,819	672,888
Accumulated depreciation and impairment	(1,232)	(40,734)	(263,484)	(3,241)	(24)	(308,715)
Net carrying value	**60,678**	**162,851**	**135,410**	**439**	**4,795**	**364,173**

c Revaluation of operational land and buildings

The Group engaged Crighton Anderson to determine the fair value of land and building at 30 September 2015. Crighton Anderson is an accredited independent valuer that uses the International Valuation Standards Committee and International Valuation Standards as a reference.

The revalued land and buildings consist of operational land and buildings in New Zealand. Based on the method of valuation used for these assets, the inputs in the fair value calculation are classified as level 2 for land and level 3 for buildings in accordance with the the classification hierarchy under NZ IFRS 13.

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 comparable in size and location to those held by the Group, and to market based yields for comparable properties. QV Cost Builder and The New Zealand Building Economist have also been used as a reference when determining fair value of buildings. 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. Economic adjustments have been applied when using the DRC method to revalue buildings. The adjustment rates range from (60%) to 0%.

The effective date of the land and buildings revaluation was 30 September 2015.

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

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
Cost	198,036	198,688
Accumulated depreciation	(81,469)	(79,328)
Net carrying amount	**116,567**	**119,360**

d Assets held for sale

NZD IN THOUSANDS ($000)	Cost/ Valuation	Accum Deprec.	Write-down	Book Value As at 30 Sept 15	Cost/ Valuation	Accum Deprec.	Write-down	Book Value As at 30 Sept 14
Freehold land (at valuation)	-	-	-	-	14,921	-	-	14,921
Plant and equipment	-	-	-	-	352	(84)	-	268
Total assets held for sale	**-**	**-**	**-**	**-**	**15,273**	**(84)**	**-**	**15,189**

e 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 2015 is nil (2014: $37,000).

16 TRADE AND OTHER PAYABLES

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
Trade payables	55,494	55,423
Other payables	32,391	29,641
Associates	2,038	5,172
Net carrying amount	**89,923**	**90,236**

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

17 INTEREST BEARING LOANS AND BORROWINGS

NZD IN THOUSANDS ($000)	Average Effective Interest Rate (%)	Maturity	As at 30 Sept 15	As at 30 Sept 14
Current				
NZ bank overdraft	11.45%	On demand	-	1,446
GBP bank overdraft (GBP 1.5m)	3.46%	On demand	1,127	2,155
Total overdrafts			**1,127**	**3,601**
Obligations under finance leases	1.38%	Current	448	479
Discounted bills of exchange	3.36%	Current	-	11,133
Secured loan	6.08%	Current	133,259	273,899
Total interest bearing loans and borrowings – current			**133,707**	**285,511**
Non-current				
Obligations under finance leases	1.38%		38	499
Total interest bearing loans and borrowings – non-current			**38**	**499**

The borrowing facilities in place at balance date expired on 31 October 2015, which was extended to 1 November 2015. Although the loans and borrowings are classified as current liabilities at balance date, the ability of the group to remain in compliance with its obligations under its banking facilities, and the assumptions inherent in forming that view, have been carefully considered by the directors.

Since the last reporting period the Board has continued to evaluate options to improve the Group's capital structure and financial stability and to reduce debt. As a consequence, on 11 September 2015 the Company entered into a conditional agreement in relation to an equity investment of NZ$261.4 million by a Chinese company, Shanghai Maling Aquarius Co. Limited (the Proposed Capital Injection). See note 29.

On 10 September 2015, the Group entered into a credit approved term sheet for transitional banking facilities with the existing Banking Syndicate on broadly similar terms to the current facilities. The transitional facilities agreement was entered into on 2 November 2015, and covers the period from 2 November 2015 to 31 October 2016 or until the settlement of the Proposed Capital Injection. The transitional banking facilities are conditional on the approval of the Proposed Capital Injection by the shareholders of the Company and the shareholders of Shanghai Maling. These approvals were obtained post balance date – see additional disclosure in Note 29. The transitional banking facility agreement provides for the following events of review:

- Resignation of the Chief Executive, or Chief Financial Officer, or Chief Operating Officer;
- Failure to meet milestones in the Capital Raising process agreed between the Banking Syndicate and the Group;
- Completion of the capital injection from Shanghai Maling not occurring by 30 June 2016;
- Overseas Investment Office or other required regulatory approval is declined; and
- Cancellation or termination of the Share Subscription Agreement with Shanghai Maling.

In respect of the banking facility in place at balance date, there are three alleged events of default under the current facilities agreement that were not resolved between the Group and the Banking Syndicate as of balance date:

i During the year, the Group sold some livestock held under the Dairy Bull Beef programme to third parties. The Banking Syndicate considered this to be out of the ordinary course of business of the Group under the current facilities agreement and therefore required Banking Syndicate consent. Consent was not requested by the Group.

ii During the year the Group sold the assets of two small sales offices in Belgium and Germany. The Banking Syndicate considered these transactions to be a restructuring/optimisation strategy and therefore that it required Banking Syndicate consent. Consent was not requested by the Group.

iii A milestone in the banking facilities agreement required the Group to complete the sale of surplus land at Belfast, Christchurch, by 30 June 2015. The Banking Syndicate did not approve the Group's request to extend the sale completion deadline, notwithstanding that negotiations with several parties were well advanced. The sale, which was approved by the Banking Syndicate prior to completion in accordance with the provisions of the facilities agreement, was settled on 25 September 2015.

In respect of the first two alleged events of default, the Banking Syndicate remained of the view that failure to obtain their consent prior to these actions was, in each case, an event of default. The directors did not accept the Banking Syndicate's position and noted that the substantial proceeds from both transactions were used entirely to repay core debt during the year, a key objective of the Group. In respect of the third item, the Banking Syndicate advised that the Group's inability to complete the Belfast land sale transaction by 30 June 2015 was an event of default. Although the transaction was settled on 25 September 2015, the Banking Syndicate did not grant a waiver of this breach prior to balance date notwithstanding that consent for the land sale transaction was obtained at the time of completion.

A full waiver of the three alleged events was subsequently granted on 29 October 2015.

The directors have considered the achievability of budgeted financial performance and cash flows for the year ending 30 September 2016, together with the underlying assumptions. The key budget assumptions include normal seasonal conditions, improved sheep and beef operating margins and further reductions in net working capital resulting in further improved cash inflows. Achievement of these budgets, which would deliver an improvement on the 2015 financial performance, is subject to a number of factors outside the Group's control (including the risks inherent in the industry) as well as the successful implementation of planned initiatives to improve financial performance and the completion of the Proposed Capital Injection.

The directors consider that the completion of the Shanghai Maling capital injection is probable. However, should the Proposed Capital Injection not be completed, an event of borrowing facility review will occur, and the willingness of the Group's lenders to continue to support the business is uncertain, and the Company will continue to be under pressure from its Banking Syndicate to raise new capital. It is possible that some or all of the Group's lenders may elect not to provide borrowing facilities and unless others of the existing lenders are willing to increase their exposure or new lenders are willing to provide facilities, there would be material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result, should the Group then be unable to raise new equity and/or borrowing facilities.

Fair values and security

The carrying amount of the Group's current and non-current borrowings approximate their fair value. For interest rate, foreign exchange and liquidity risk, refer note 21.

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)	Year ended 30 Sept 15	Year ended 30 Sept 14
Current assets	261,514	356,146
Non-current assets	365,567	404,701
Total assets pledges as security	**627,081**	**760,847**

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

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

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

18 PROVISIONS

NZD IN THOUSANDS ($000)	Accident Future Costs	Livestock Procurement Provision	Employee Entitlements	Restructuring	Total
At 1 October 2014	**3,207**	**1,876**	**24,808**	**30**	**29,921**
Arising during the year	1,303	2,186	84,812	608	88,909
Utilised	(1,296)	(2,059)	(87,059)	(97)	(90,511)
Excess provision released	-	-	(106)	(321)	(427)
At 30 September 2015	**3,214**	**2,003**	**22,455**	**220**	**27,892**
Current 2015	2,194	2,003	12,902	220	17,319
Non-Current 2015	1,020	-	9,553	-	10,573
Total provision 2015	**3,214**	**2,003**	**22,455**	**220**	**27,892**
Current 2014	2,340	1,876	16,573	30	20,819
Non-Current 2014	867	-	8,235	-	9,102
Total provision 2014	**3,207**	**1,876**	**24,808**	**30**	**29,921**

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% (2014: 50%) of movements in the Consumer Price Index (CPI) and 50% (2014: 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 2.05% (2014: 2.50%) 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 2.20% (2014: 2.95%) 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 2015. The assessment is dated 14 October 2015 (2014: 17 October 2014).

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 2015 to estimate the present value of long service leave

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

The weighted average yields on NZ Government stock with terms of maturity that match closely to the estimated future cash outflows have been used in determining the discount rate. The discount rates applied to the anticipated annual future cashflows range from 2.5% to 4.1% (2014: 3.7% to 5.5%).

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 2.5% to 3.0% (2014: 2.0% 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 2015. The assessment is dated 20 October 2015 (2014: 10 October 2014).

c Other provisions

The livestock procurement provision relates to incentive payments made in addition to schedule payments for certain classes of livestock. Payments are made on a six monthly basis and annual basis. The restructuring provision was established for obligations at year end relating to the reconfiguration of operations. The residual in the restructuring provision will be utilised during the 2015/2016 financial year.

19 MEMBERS' SHARES AND NEW ORDINARY SHARES

NZD IN THOUSANDS ($000)	Supplier Investment Shares	Members' Ordinary shares	New Ordinary Shares	Total
Balance as at 1 October 2013	**5,692**	**16,630**	**136,495**	**158,817**
Shares surrendered	(144)	(723)	-	(867)
Balance as at 30 September 2014	**5,548**	**15,907**	**136,495**	**157,950**
Shares surrendered	(70)	(369)	-	(439)
Balance as at 30 September 2015	**5,478**	**15,538**	**136,495**	**157,511**
Called / Uncalled				
15.538m Members' ordinary shares of $1 each	-	15,538	-	15,538
5.478m Supplier Investment Shares of $1 each	5,478	-	-	5,478
98.220m New ordinary shares – fully paid	-	-	133,559	133,559
2.159m New ordinary shares – partly paid	-	-	2,936	2,936
Issued and fully paid	**5,478**	**15,538**	**136,495**	**157,511**

a Members shares

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

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

The maximum shareholding for Members' Ordinary Shares and Supplier Investment Shares is 17,500 (2014: 17,500) and 15,000 (2014: 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.

b 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.

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
Deferred payments due within 12 months	1,324	1,309
Total deferred payments	**1,324**	**1,309**

20 RESERVES

Nature and purpose of reserves

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

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

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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 0% and 100% of its borrowings at fixed rates of interest. At 30 September 2015, none of the Group's borrowings were at a fixed rate of interest (2014: 0%). 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 the group by $721,300 (2014: $1,369,500).

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)	As at 30 Sept 15	As at 30 Sept 14
Financial Assets		
Cash and cash equivalents	13,933	978
Financial Liabilities		
Bank overdrafts	(1,127)	(3,601)
Discounted bills of exchange	-	(11,133)
Bank loans	(133,259)	(273,899)
Net exposure to interest rate risk	**(120,453)**	**(287,655)**

Foreign currency risk management

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has exposure to foreign currency risk as a result of transactions denominated in foreign currencies arising from normal trading activities. Where exposures are certain, or able to be forecast with reasonable accuracy, it is Group's policy to economically hedge these risks as they arise. The Group uses foreign exchange contracts to manage these exposures. If exchange rates at balance date had fluctuated by plus or minus 5%, the effect would have been to increase or decrease the profit or loss by $4,707,000 (2014: $5,314,000) for the Group and other comprehensive income by $4,707,000 (2014: $5,314,000) for the Group.

The net exposures of other financial instruments is detailed below:

NZD IN THOUSANDS ($000)	AUD	CAD	EUR	GBP	SGD	USD
As at 30 September 2015						
Cash at bank/(overdraft)	35	1	43	(375)	212	699
Debtors	384	4,729	20,832	18,106	907	68,806
Foreign payables – marine freight and commission	-	-	(891)	-	-	(4,272)
Net exposure to currency risk	**419**	**4,730**	**19,984**	**17,731**	**1,119**	**65,233**
Foreign exchange cover	**-**	**-**	**46,749**	**22,834**	**-**	**137,084**
As at 30 September 2014						
Cash at bank/(overdraft)	-	-	4	(2,139)	11	591
Debtors	212	5,558	21,826	21,839	517	77,933
Foreign payables – marine freight and commission	-	-	(795)	-	-	(2,522)
Net exposure to currency risk	**212**	**5,558**	**21,035**	**19,700**	**528**	**76,002**
Foreign exchange cover	**-**	**2,000**	**46,848**	**27,638**	**-**	**171,285**

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

Credit risk management

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

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

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group. The carrying amount of financial assets that would otherwise be past due or impaired, whose terms have been negotiated is $nil (2014: $nil). No collateral is held on the above amounts.

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

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
Assets		
Cash and cash equivalents	13,933	978
Accounts receivable	170,431	195,508
Financial assets	1,324	1,309
Derivative financial instruments	1,182	435
Maximum exposure to credit risk	**186,870**	**198,230**
Liabilities		
Bank overdraft	(1,127)	(3,601)
Derivative financial instruments	(4,034)	(10,343)
Net exposure to credit risk	**181,709**	**184,286**

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 22 (b) for a contractual analysis of financial liabilities.

Price risk

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

If equity prices had been 5% higher or lower the effect would have been to increase or decrease other comprehensive income by $nil (2014: $nil).

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.

The company has agreed to certain capital requirements with the banking syndicate. Minimum Shareholder Funds and Debt to Equity ratios are regularly monitored. There were no breaches of financial covenants during the year.

22 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)		As at 30 Sept 15	As at 30 Sept 14
Financial Assets	**Category**		
Cash and bank	Fair value through profit and loss	13,933	978
Derivatives	Fair value through profit and loss	1,182	435
Financial assets	Loans and receivables	1,324	1,309
Trade & other receivables	Loans and receivables	168,811	183,350
Trade and other receivables (non-current)	Loans and receivables	1,620	12,158
Available for sale financial assets	Available for sale financial assets	82	82
Total financial assets		**186,952**	**198,312**
Financial Liabilities			
Bank overdraft	Fair value through profit and loss	1,127	3,601
Derivatives	Fair value through profit and loss	4,034	10,343
Trade and other payables	Recorded at amortised cost	89,923	90,236
Members' shares	Recorded at amortised cost	21,016	21,455
Interest bearing loans and borrowings	Recorded at amortised cost	133,707	285,511
Interest bearing loans and borrowings (non-current)	Recorded at amortised cost	38	499
Total financial liabilities		**249,845**	**411,645**
Net Exposure		**(62,893)**	**(213,333)**

b Maturity profile in contractual cashflow order

NZD IN THOUSANDS ($000)	6 months or less	Between 6 - 12 months	Between 1 - 5 years	> 5 years	Total
As at 30 September 2015					
Financial Assets					
Cash and cash equivalents	13,933	-	-	-	13,933
Derivatives	1,182	-	-	-	1,182
Financial assets	1,324	-	-	-	1,324
Trade and other receivables	165,860	-	1,620	2,951	170,431
Available for sale financial assets	-	-	82	-	82
Total financial assets	**182,299**	**-**	**1,702**	**2,951**	**186,952**
Financial Liabilities					
Bank overdraft	1,127	-	-	-	1,127
Derivatives	4,034	-	-	-	4,034
Trade and other payables	89,923	-	-	-	89,923
Interest bearing loans and borrowings	133,707	-	38	-	133,745
Supplier investment shares	-	-	-	5,478	5,478
Members' ordinary shares	-	-	-	15,538	15,538
Total financial liabilities	**228,791**	**-**	**38**	**21,016**	**249,845**
Net maturity	**(46,492)**	**-**	**1,664**	**(18,065)**	**(62,893)**

NZD IN THOUSANDS ($000)	6 months or less	Between 6 - 12 months	Between 1 - 5 years	> 5 years	Total
As at 30 September 2014					
Financial Assets					
Cash and cash equivalents	978	-	-	-	978
Derivatives	435	-	-	-	435
Financial assets	1,309	-	-	-	1,309
Trade and other receivables	182,977	347	7,472	4,712	195,508
Available for sale financial assets	-	-	82	-	82
Total financial assets	**185,699**	**347**	**7,554**	**4,712**	**198,312**
Financial Liabilities					
Bank overdraft	3,601	-	-	-	3,601
Derivatives	10,343	-	-	-	10,343
Trade and other payables	90,236	-	-	-	90,236
Interest bearing loans and borrowings	285,511	-	499	-	286,010
Supplier investment shares	-	-	-	5,548	5,548
Members' ordinary shares	-	-	-	15,907	15,907
Total financial liabilities	**389,691**	**-**	**499**	**21,455**	**411,645**
Net maturity	**(203,992)**	**347**	**7,055**	**(16,743)**	**(213,333)**

As at 30 September 2015 the Group report financial liabilities in excess of financial assets. Over time, inventory that is not recorded as a financial asset will convert to trade receivables. A new transitional facility has been arranged after expiry date of the current bank facilities. Refer to Note 17 for any additional disclosures.

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% (2014: 10%), with an estimated repayment date of 10 years (2014: 10 years).

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

	Carrying amount		Fair value	
NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14	As at 30 Sept 15	As at 30 Sept 14
Financial liabilities				
Members' ordinary shares	15,538	15,907	5,991	6,133

d Fair values of financial assets and financial liabilities

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

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

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

The Group does not have any significant financial assets or liabilities measured at fair value using Level 3 inputs as of 30 September 2015 or 30 September 2014.

NZD IN THOUSANDS ($000)	Level 1	Level 2	Level 3	Total
As at 30 September 2015				
Financial Assets				
Forward currency contracts	-	1,182	-	1,182
Financial Liabilities				
Forward currency contracts	-	(4,034)	-	(4,034)
Net fair values of financial assets and financial liabilities	**-**	**(2,852)**	**-**	**(2,852)**

NZD IN THOUSANDS ($000)	Level 1	Level 2	Level 3	Total
As at 30 September 2014				
Financial Assets				
Forward currency contracts	-	435	-	435
Financial Liabilities				
Forward currency contracts	-	(10,343)	-	(10,343)
Net fair values of financial assets and financial liabilities	**-**	**(9,908)**	**-**	**(9,908)**

23 DERIVATIVE FINANCIAL INSTRUMENTS

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
Current Assets		
Forward currency contracts	1,182	435
Current Liabilities		
Forward currency contracts	(4,034)	(10,343)
Net Derivative financial instruments	**(2,852)**	**(9,908)**

Derivative financial instruments are used by the Group in the normal course of business in order to mitigate exposure to foreign exchange rates arising from the sale of food and associated products in foreign currencies. The Group has entered into forward exchange contracts and options which are economic hedges but are not hedge accounted. During the year net foreign exchange losses arising from all foreign exchange transactions totalled $15.0m (2014: $13.6m gain).

Foreign currency risk

Information regarding foreign currency risk exposure is set out in note 21.

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.

		Notional amounts		Average forward exchange rate	
NZD IN THOUSANDS ($000)		As at 30 Sept 15	As at 30 Sept 14	As at 30 Sept 15	As at 30 Sept 14
Sell USD / Buy NZD	Maturity 0 - 12 months	137,084	171,285	0.6432	0.8261
Sell GBP / Buy NZD	Maturity 0 - 12 months	22,834	27,638	0.4249	0.4979
Sell CAD / Buy NZD	Maturity 0 - 12 months	-	2,000	-	0.8873
Sell EUR / Buy NZD	Maturity 0 - 12 months	46,749	46,848	0.5809	0.6216

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.

24 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 1 and 16 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)	As at 30 Sept 15	As at 30 Sept 14
Operating leases		
Within one year	6,784	7,939
After one year but not more than five years	12,923	15,275
More than five years	7,187	9,153
Total operating lease commitments	**26,894**	**32,367**

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:

NZD IN THOUSANDS ($000)	As at 30 Sept 15 Minimum payments	As at 30 Sept 14 Minimum payments
Finance lease and hire purchase commitments		
Within one year	449	490
After one year but not more than five years	38	490
Total minimum lease payments	**487**	**980**
Less amounts representing finance charges	(1)	(2)
Present value of minimum payments	**486**	**978**

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)	As at 30 Sept 15	As at 30 Sept 14
Within one year	185	287
Total operating lease commitments (as lessor)	**185**	**287**

Contingent asset

At 30 September 2015 the Group had no contingent assets (30 September 2014: nil).

Capital commitments

At 30 September 2015 the Group had no capital commitments (30 September 2014: $95,000).

Contingent liabilities

The group has no significiant contingent liabilities as at 30 September 2015.

Guarantees

The Group has the following bank guarantees at 30 September 2015:

Details	Entity	In favour of	Amount
Import guarantee	Subsidiary	RP Agency	GBP 30,000
Import guarantee	Subsidiary	RP Agency	EUR 36,000
Import guarantee	Subsidiary	Landlord of office premise	EUR 2,400

25 NON-CURRENT ASSETS – INTANGIBLE ASSETS & GOODWILL

	As at 30 Sept 15			As at 30 Sept 14		
NZD IN THOUSANDS ($000)	Software	Goodwill	Total	Software	Goodwill	Total
Opening balance net of accumulated amortisation and impairment	**2,813**	**4,775**	**7,588**	**1,036**	**4,775**	**5,811**
Additions - including internal development	172	-	172	220	-	220
Disposals	-	-	-	(7,101)	-	(7,101)
Reclassification between asset categories	543	-	543	2,902	-	2,902
Amortisation	(1,182)	-	(1,182)	(1,336)	-	(1,336)
Amortisation on disposals	-	-	-	7,092	-	7,092
Closing balance of net accumulated amortisation and impairment	**2,347**	**4,775**	**7,122**	**2,813**	**4,775**	**7,588**
Cost (gross carrying amount)	11,791	4,775	16,566	10,975	4,775	15,750
Accumulated amortisation and impairment	(9,445)	-	(9,445)	(8,162)	-	(8,162)
Net carrying amount	**2,347**	**4,775**	**7,122**	**2,813**	**4,775**	**7,588**

Carrying value of intangible assets under finance leases

The carrying value of intangible assets held under finance leases and hire purchase contracts at 30 September 2015 is $27,000 (2014: $40,000).

26 NON-CURRENT ASSETS – INVESTMENTS IN ASSOCIATES

The Group has ownership in the following entities:

	Principal activity	Place of incorporation	As at 30 Sept 15	As at 30 Sept 14
NZ Lamb Group				
New Zealand Lamb Holdings Limited	Holding company	Canada	31.5%	31.5%
New Zealand and Australian Lamb Company Limited	Sale of lamb	Canada	21.7%	21.9%
The Lamb Co-Operative, Inc	Sale of lamb	USA	24.9%	25.4%
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	0.0%	50.0%
Kotahi Logistics LP (i)	Export logistics	New Zealand	10.5%	12.0%
Ovine Automation Limited	R&D ovine systems	New Zealand	28.8%	28.8%
Farm^{IQ} Systems Limited (ii)	R&D red meat IVC	New Zealand	82.0%	82.0%
Alpine Origin Merino Limited	Marketing	New Zealand	50.0%	50.0%
Primary Collaboration NZ Limited (iii)	Marketing	New Zealand	16.7%	16.7%
Red Meat Profit Partnership LP (iii)	Marketing	New Zealand	4.8%	4.8%

All of the above associates are accounted for using the equity method in the Group's consolidated financial statements because the Group considers that it has significant influence over, but does not control, those entities. The following factors are relevant to this conclusion.

i The Group's beneficial interest in Kotahi Logistics LP is based upon freight volumes put through the entity but it owns 50% of the shares in Kotahi GP Limited, the general partner which is charged with managing the entity, and has board representation.

ii The Group owns 82% of the issued shares in Farm^{IQ} Systems Limited but does not control the entity, since, under the terms of the Shareholders' Agreement, the Group has a right to appoint only two out of five directors and certain other decisions require the approval of all participants.

iii Primary Collaboration NZ Limited and Red Meat Profit Partnership LP are collaborative enterprises, giving rights to all participants.

a Investment details

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
Unlisted		
NZ Lamb Group	9,450	8,011
Robotic Technologies Limited	551	544
Livestock Logistics Nationwide Limited	1,170	1,647
Farm Brands Limited	-	6,025
Kotahi Logistics LP	8,168	944
Ovine Automation Limited	106	(76)
Farm^{IQ} systems Limited	2,924	3,377
Alpine Origin Merino Limited	54	158
Primary Collaboration NZ Limited	10	70
Total investments in associates	**22,433**	**20,700**

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

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
Opening balance	**20,700**	**19,393**
Share of profits of associates	10,852	7,117
New investments	-	70
Exchange revaluations	1,580	236
Share of dividends	(4,270)	(6,852)
Increase/(decrease) in shareholding	(6,429)	736
Closing balance	**22,433**	**20,700**

Summarised financial information

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

NZD IN THOUSANDS ($000)	As at 30 Sept 15	As at 30 Sept 14
Extract from associates' balance sheets:		
Current assets	110,454	119,531
Non-current assets	60,835	46,002
Total assets	**171,289**	**165,533**
Current liabilities	66,552	93,718
Non-current liabilities	3,129	8,531
Total Liabilities	**69,681**	**102,249**
Net assets	**101,608**	**63,284**
Share of associates' net assets	24,965	23,232
Less impairments	(2,532)	(2,532)
Total investment in associates	**22,433**	**20,700**
Extract from the associates' Statements of Comprehensive Income:		
Revenue	1,363,955	1,145,460
Net Profit	92,353	45,417
Share of profits of associates	**10,852**	**7,117**

27 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 As at 30 Sept 15	% Equity Interest As at 30 Sept 14
Richmond Group Holdings	New Zealand	100%	100%
Richmond (NZ) Singapore Pte Limited	Singapore	100%	100%
Richmond New Zealand Limited	UK	100%	100%
Silver Fern Farms Beef Limited	New Zealand	100%	0%
Silver Fern Farms Venison Limited	New Zealand	100%	0%
Silver Fern Farms NV	Belgium	100%	100%
Silver Fern Farms GmbH	Belgium	100%	100%
Venison Rotorua Limited	New Zealand	100%	100%
Farm Enterprises (Otago) Limited	New Zealand	100%	100%
Waitotara Europe BV	New Zealand	100%	100%
Silver Fern Farms (UK) Limited	UK	100%	100%
PPCS USA Inc	USA	100%	100%
Global Technologies Limited	New Zealand	100%	100%
Frasertown Meat Co. Limited	New Zealand	100%	100%
Titan Meat Co. 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 13 and 16 respectively):

	Year ended 30 Sept 15			Year ended 30 Sept 14		
NZD IN THOUSANDS ($000)	Sales to related parties	Purchases from related parties	Other transactions	Sales to related parties	Purchases from related parties	Other transactions
Directors – current	-	5,368	-	-	3,026	-
Directors – resigned during the year	-	327	-	-	2,555	-
Associates	99,559	127,974	6,841	92,102	135,247	7,465
Key management personnel	-	35	-	-	889	-

The Company purchased livestock and made other livestock related payments to the farming businesses of directors and key management personnel 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 throughout the year.

28 KEY MANAGEMENT PERSONNEL

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
Short-term employee benefits	3,853	3,109
Directors' fees	673	609
Contributions to defined contribution plans	88	75

29 EVENTS AFTER THE BALANCE SHEET DATE

On 16 October 2015, the Group's Shareholders approved, by an 82.22% vote in favour, the proposed capital investment of NZ$ 261.4 million (adjusted up or down for a net assets adjustment and other specified completion adjustments) by Shanghai Maling (Hong Kong) Limited (a wholly owned subsidiary of Shanghai Maling Aquarius Co. Limited). The shareholders of Shanghai Maling Aquarius Co. Limited approved the investment, by a 99.9% vote in favour, on 30 October 2015. The following steps are required before the transaction will complete:

- Regulatory approvals from both New Zealand, including Overseas Investment Office, and Chinese authorities: the National Development and Reform Commission, Ministry of Commerce, and the State Foreign Exchange Administration. Regulatory approvals are expected to take several months.
- Completion of the Shanghai Maling Acquisition Agreement required legal restructuring of the Group.

Should the Shanghai Maling transaction be completed in accordance with the Subscription Agreement, the terms of the conditional Shareholders Agreement between the Company and Shanghai Maling indicate the Company is likely to lose accounting control of its subsidiary, Silver Fern Farms Beef Limited, and all other operating assets of the Company and Group, except $7m cash. From the transaction settlement date, the Company is likely to record a disposal of group businesses and net assets and is likely to treat the remaining interest in Silver Fern Farms Beef Limited, all other current group subsidiaries and all other assets that will be transferred into Silver Fern Farms Beef Limited (which will be renamed Silver Fern Farms Limited) as an investment in associate.

Further details of the proposed transaction, Acquisition Agreement, Subscription Agreement and Shareholders Agreement, are included in the Shareholder Information Pack dated 28 September 2015.

On 2 November 2015 the Group entered into a transitional banking facilities agreement as described at note 17.

30 AUDITOR'S REMUNERATION

NZD IN THOUSANDS ($000)	Year ended 30 Sept 15	Year ended 30 Sept 14
Costs incurred in respect of the financial year ended 30 Sept 2014	120	306
Costs incurred in respect of the financial year ended 30 Sept 2015	400	-
Ernst & Young: Audit/review of consolidated entities	**520**	**306**
Ernst & Young: Tax advisory	90	87
Ernst & Young: Risk management advice	32	-
Ernst & Young: Other services	56	7
Total remuneration to Ernst & Young	**698**	**400**
Total remuneration to auditors other than Ernst & Young	**-**	**-**

Chartered Accountants

Independent Auditor's Report

To the Shareholders of Silver Fern Farms Limited

Report on the Financial Statements

We have audited the group financial statements of Silver Fern Farms Limited and its subsidiaries ("the Group") on pages 26 to 61, which comprise the balance sheet of the Group as at 30 September 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended of the 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 461G(1) of the Financial Markets Conduct Act 2013. 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 and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand, 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 and fair presentation of the financial statements 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 and Young provide taxation and other assurance related services to the Group.

Opinion
In our opinion, the financial statements on pages 26 to 61:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- present fairly, in all material respects, the financial position of the Group as at 30 September 2015 and the financial performance and cash flows of the Group for the year then ended.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Notes 3(i) and 17 to the financial statements which indicate the going concern assumption is dependent on the completion, before 30 June 2016, of the capital injection from Shanghai Maling Aquarius Co. Ltd. Should the proposed capital injection not be completed there would be material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result should the banking syndicate members withdraw borrowing facilities currently in place, and the Group be unable to raise new equity and/or borrowing facilities.

Ernst + Young

9 November 2015
Christchurch

Five Year Historical Summary

AS AT 30 SEPTEMBER 2015

NZD IN MILLIONS ($M)	Notes	Year ended 30 Sept 15	Year ended 30 Sept 14	Year ended 30 Sept 13	Year ended 30 Sept 12	13 months to 30 Sept 11
Consolidated Statement of Comphrehensive Income						
Total income		**2,451.8**	**2,328.1**	**2,007.3**	**2,035.6**	**2,110.7**
Operating earnings before interest, tax, depreciation and amortisation (EBITDA)	1	86.9	68.1	22.0	9.0	87.7
Operating earnings before interest and tax (EBIT)		58.0	39.3	(8.5)	(16.2)	60.9
Net operating profit before tax		27.2	1.8	(36.5)	(42.3)	40.7
Income tax benefit/(expense)		(2.3)	(1.3)	8.0	11.2	(9.8)
Net profit after tax		**24.9**	**0.5**	**(28.6)**	**(31.0)**	**30.9**
Less member distributions		-	-	-	(0.1)	(0.1)
Net profit after member distributions		**24.9**	**0.5**	**(28.6)**	**(31.1)**	**30.8**
Financial Position						
Total assets		627.1	760.8	833.3	828.5	708.2
Net working capital	2	136.2	233.7	288.6	294.5	213.6
Net debt	3	120.9	288.6	387.6	347.7	153.2
Total equity including members' shares		368.4	340.7	320.2	349.0	394.8
Cash Flow						
Net cash flows (used in)/from operating activities		152.3	91.5	(5.1)	(104.0)	12.9
Key Ratios						
EBIT to total income	4	2.4%	1.7%	(0.4%)	(0.8%)	2.9%
Return on equity	5	6.8%	0.1%	(8.9%)	(8.9%)	7.8%
Equity ratio	6	59.4%	45.2%	38.7%	42.4%	56.2%

Notes

1. EBITDA includes share of profits/losses of associates
2. Current assets less current liabilities (exclusive of net debt items)
3. Total interest bearing debt less cash and cash equivalents
4. EBIT / total income
5. Net profit after tax / closing equity (including members' shares)
6. Equity (including members' shares) / total assets excluding intangibles

Directory

BOARD OF DIRECTORS

Rob Hewett – Chairman

Tony Balfour

Trevor Burt

Fiona Hancox

Dan Jex-Blake

Angus Mabin

Jane Taylor

Richard Young

LEADERSHIP TEAM

Dean Hamilton
– Chief Executive

Kevin Winders
– Chief Operating Officer

Rob Woodgate
– Chief Financial Officer

Sharon Angus
– General Manager Marketing

Grant Howie
– General Manager Sales

Eric Gamperle
– Human Resources Manager

Phil Buck
– General Manager Plant Operations

HEAD OFFICE

Silver Fern Farms Limited

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Justin Courtney
Communications Manager

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INTERNATIONAL OFFICES

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

SHAREHOLDER ENQUIRIES

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

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E: shares@silverfernfarms.com

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SHARE REGISTRAR

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BANKERS

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

AUDITOR

Ernst & Young

TAX ADVISORS

PWC

LEGAL ADVISORS

Harmos Horton Lusk

Thank you to the Tosswill family, our farmer partners in the Hawke's Bay, who are letting us share beautiful images of 'Birch Hill Station' with consumers around the world.


>>
When you love food
you make it well.
And when it's this
well made by nature,
you take care of it and
where it comes from.
Sharing only the best.
This is what we're
made of.
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