



# Farming for the future

Annual Report 2022





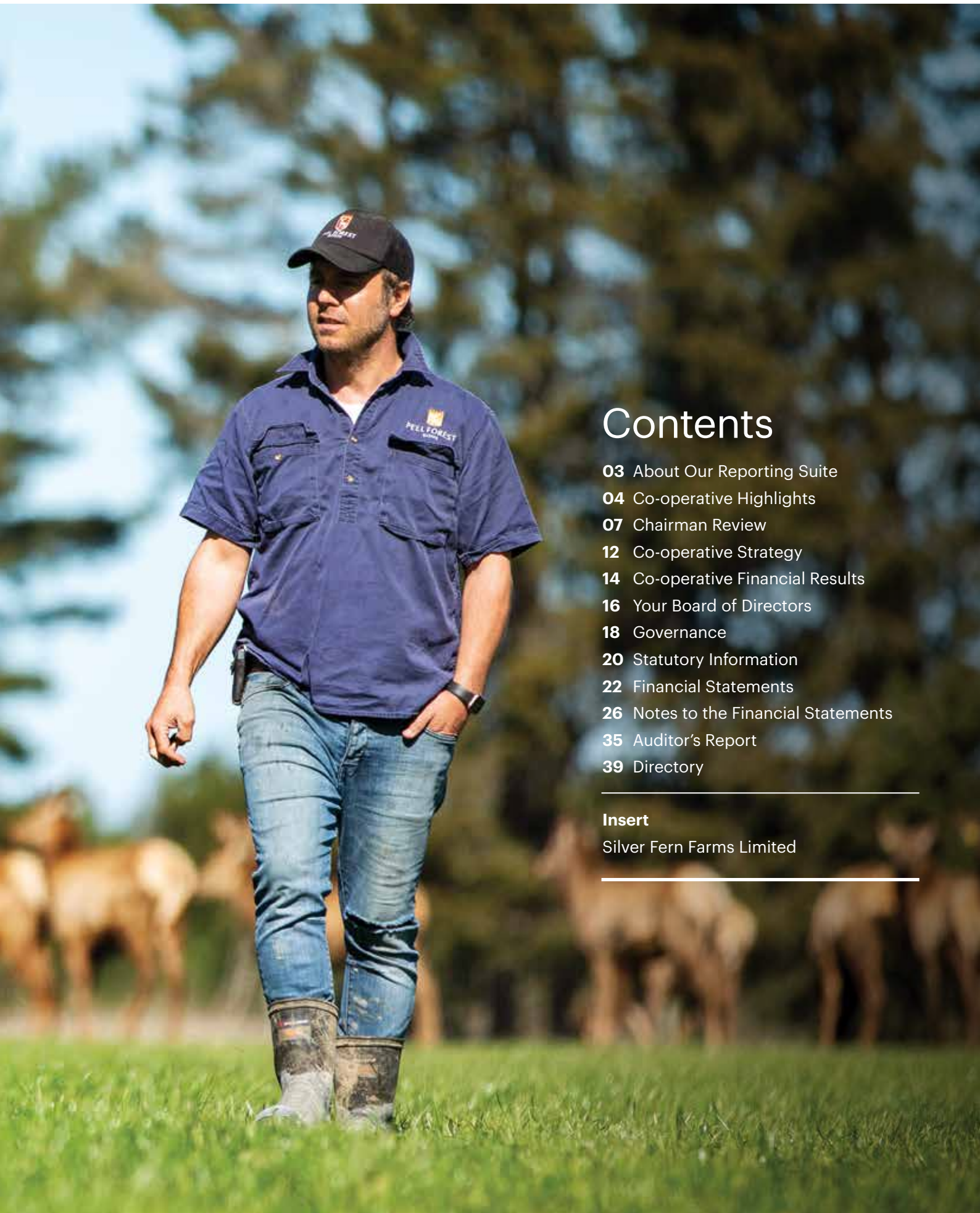
2022 Annual Meeting of  
Silver Fern Farms  
Co-operative Limited

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**Wednesday 3 May 2023, 11am**  
**Distinction Hotel Dunedin**

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## Insert

Silver Fern Farms Limited

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# About our Reporting Suite

The following information covers the results for Silver Fern Farms Co-operative Limited, and a summary of results for its investment, Silver Fern Farms Limited. Silver Fern Farms Co-operative Limited and Shanghai Maling Aquarius Limited are the equal joint owners of Silver Fern Farms Limited.

Silver Fern Farms Co-operative has a 50 percent share in Silver Fern Farms Limited, alongside its 50 percent partner investor Shanghai Maling Aquarius Limited.

Silver Fern Farms Limited is a leading producer and global marketer of grass-fed red meat.

In addition to the business of the Co-operative, this report describes Silver Fern Farms Limited's management strategy, and the relevant performance and achievements for the year that ended 31 December 2022.



## Silver Fern Farms Co-operative

To inform Co-operative Shareholders of the performance of the Co-operative. This report covers the Governance, Statutory Information, audited Financial Statements, Auditor's Report and commentary on performance of Silver Fern Farms Co-operative.



## Shanghai Maling Aquarius



## Silver Fern Farms Limited

To inform Co-operative Shareholders, and stakeholders of the performance and achievements of Silver Fern Farms Limited for the year ended 31 December 2022.

Note: detailed information relating to Silver Fern Farms Limited is also available on their website.



# Co-operative Highlights





6

successive years of dividend payments and/or patronage rewards to shareholders

Delivery of an enhanced shareholder benefits programme for fully shared suppliers

\$33.5M

dividend and patronage reward for shareholders

Over 150

participants in shareholder governance development programmes over the past 5 years

We have a big focus on developing successors for our Governance. Our *To the Core, TTC Extension* and recently established *EDG programmes* are putting a stronger cohort of potential governance candidates in front of you as shareholders.

Now over **\$40 million** in livestock premium payments paid out to our beef, sheepmeat, and venison farmer partners with over \$10 million in 2022 – an increase of almost 50 percent on the previous year

271

New Livestock Supplying Shareholders  
An additional 1.6 million shares receiving Patronage Reward







# Chairman's Review

2022 will stand out as an exceptional year in many different ways. Through the highs, and despite the challenges, our focus and delivery on our long-term strategy is unyielding.



**Rob Hewett**  
Chairman

Just over 75 years ago, a small group of progressive Otago farmers came together and decided to form a Co-operative called the Primary Producers Co-operative Society, or PPCS.

The objective of our founding farmers was simple: they wanted greater oversight and involvement in the processing and marketing of their livestock, which up until that point was kept at arm's length. Typical of the can-do attitude that has come to characterise New Zealand farmers since, things happened reasonably quickly; it was only around one month from their decision to form a co-operative that the first procurement of stock was secured.

The standard way that co-operatives like PPCS operated at that time was relatively primitive. It involved record keeping that was six weeks behind and 39kg handwritten ledgers that needed to be lugged around the office. Livestock transport was a basic affair as well. That first procurement of lambs was walked 42km along a dusty gravel road before being railed from Cromwell to the meat works. Unsurprisingly, their average weight was only 13kgs.

Things have clearly changed a lot in farming since that time and alongside our name change to Silver Fern Farms in 2008, a lot has changed in our Co-operative as well. In 1948, the bulk of our exports went to British consumers in relatively simple cuts. Nowadays, we export to over 60 different markets around the world and with thousands of different product specifications.

One thing hasn't changed however, and that's that core objective and attitude of that initial group of farmers which still forms the way your Board of Directors goes about their role.



As we celebrate the 75 years of our Co-operative, it's worth reflecting on our proud history. In particular, we should draw on the context our history provides as to the change which lies ahead of us. In time, the way we work now will be viewed the same way as we now view those 39 kg handwritten ledgers of the past. The way we farm will evolve as well. You can bet that our markets and consumers will continue to change, and that we will need to continue changing with them if we want to stay relevant.

But if we stay true to the objectives of your forefathers, and continue their attitude, I'm confident we will have another successful 75 years ahead of us.

### 2022 In Review

In the ever-changing world that we live in, the events of 2022 almost seem like an age ago for most of us. The world was (and still is) in a state of flux, the likes of which many of us haven't seen in our lifetimes.

It's easy to forget that last year we were still experiencing a continuation of the ongoing impacts of Covid-19 which disrupted everything from our ability to process livestock, the availability of shipping into market, and the consumption habits of our consumers.

This still continues to impact the business. Despite Covid-19, the first half of 2022 also saw some of the highest returns for farmers in our history which contributed to the best result for the Operating Company and our Co-operative by some considerable margin.

Of course, we've also now come to expect that the only certainty is uncertainty, and by the end of the year we were all feeling the impacts of world events which continue to influence the current state for many today. This included the rippling effect of the conflict in Ukraine, and the emergence of the cost-of-living crisis which have not only gripped many of our key markets but also impacted many of the key input costs across our farming systems here in New Zealand.

In 2021, the Board was focused on ensuring the Operating Company continues to make the most of its favourable financial position to increase investment consistent with our strategy in sustainability, technology, and capital expenditure for the long-term benefit of shareholders. Pleasingly, 2022 not only saw a continuation of that but also many of these investments and initiatives coming to tangible fruition.





*Of the many highlights of the year, one of the standouts was the launch of Net Carbon Zero in the United States in March – the result of a number of years of hard work.*

Of the many highlights of the year, one of the standouts was the launch of Net Carbon Zero in the United States in March – the result of a number of years of hard work. By the time the Board travelled to the United States in May, not only was Net Carbon Zero being sold in supermarkets in New York, the Midwest and California, it was also being passed around in chilly bags on the Stephen Colbert Show in front of an audience of millions.

While the current scale of Net Carbon Zero product is still relatively small compared to the overall size of the business, it represents a direction of travel of much more significance. It is a reflection of two things:

- a strong alignment against the needs of our increasingly discerning customers; and
- a celebration of the best of our pastoral-based farming system on the world stage.

Another moment which perhaps best encapsulated our direction of travel was small but significant. Silver Fern Farms was centre stage at an event in the Beehive in Wellington to open the Festival for the Future. On the menu was our Net Carbon Zero product, and on the podium was the story of our farmers. The MC on the night had been a vegetarian for 10 years for environmental reasons. When she took to the stage and proclaimed she was eating her first steak in a decade based on what she heard, it was a powerful statement to us on who we can connect with if we get it right.

Consideration of farm gate emissions pricing was one of the major focuses for many during the year through He Waka Eke Noa. We've taken an active and constructive approach to these discussions. We support a fair and equitable farm-level system for emissions pricing and we are confident New Zealand farmers can continue to lead the world in low emissions, nature-positive food production.

The solution to emissions reductions is threefold: initiatives like Net Carbon Zero are part of the market solution, a fair and equitable farm-level system is part of the pricing component, but most importantly, farmers need actual tools in the toolbox to bring reductions into effect.

Silver Fern Farms has shown leadership in helping establish the Government-Industry Joint Venture (JV) into reducing agricultural emissions. The JV means the agribusiness sector now has real skin-in-the-game for methane reduction technology and can help accelerate solutions into the hands of farmers through the resources, networks, and the commercial knowledge we bring to the table.

The Operating Company also entered into one of New Zealand's largest sustainability-linked working capital financing facilities. The facility means Silver Fern Farms will receive financial incentives as it delivers pre-agreed and pre-defined sustainability targets including adoption of the New Zealand Farm Assurance Programme Plus (NZFAP+) by Silver Fern Farms suppliers; reducing processing emissions in line with targets, and reducing waste and water use.





As has been the focus over a number of years, we continue our efforts to ensure we have a pipeline of talent coming through to serve you on our Board. In the last year we welcomed Adrian Ball to the Board as a board appointed farmer director, and William Beetham was also elected to the Board in a close election.

The Board also never lost sight of the importance of one of the key pillars of our strategy: prosperity, or in other words, providing financial value back to our shareholders.

The first half of 2022 saw record returns for our farmer suppliers. The Operating Company's ability to navigate risks in the market better than expected saw us proactively make over \$21 million of reward payments to suppliers over and above the record schedule pricing and other payments they received.

Silver Fern Farms has continued to grow new value streams for our farmers. Over \$10 million of livestock programme premiums were paid out to suppliers across the year — up almost 50 percent on the previous year.

The accumulative dividend payments of 23.2 per share and patronage reward of 21.6 cents per share for 2022 are the highest yield in the company's history.



## Acknowledgements

We are very grateful for the performance of the Operating Company, and in particular, Simon Limmer and his Executive, Leadership Team who have again proven their ability to not only navigate any challenges thrown their way but stay unrelenting in their delivery against strategy.

Richard Young and Dan Jex-Blake both joined the Board in December 2013. Both of them are passionate farmers, and their considered opinions helped the company navigate its way towards the Shanghai Maling transaction in 2015. Both joined the new partnership Board and continued to add value around the table. After reaching the maximum term of three terms of three years, Richard and Dan will retire at the 2022 Annual Meeting. On behalf of the Board, I'd like to thank them both for their contribution to Silver Fern Farms – both the Co-operative and Operating Company – over the past 10 years.

Jane Taylor joined the Board as an independent director in 2013. As Chair of the Audit, Risk Assessment and Mitigation Committee, Jane has had a huge influence on Silver Fern Farms as a Board member and sub-Committee Chair by championing the Company's position on sustainability. Jane retired from Silver Fern Farms in March 2023. Her last job was to sign off the 2022 dividend distribution from the Co-operative to shareholders. If the size of the distribution is a mark of success, then this is testament to Jane's impact.

Finally, the Board would like to acknowledge you – our suppliers of livestock and the owners of our business. 2022 demonstrated all the highs and challenges that we've often come to expect in farming. However, the board is confident that our strategy will deliver enduring value. While we will continue to lean into challenges, our overall trajectory is positive and our future is bright.

A handwritten signature in black ink, appearing to read 'Rob Hewett'.

**Rob Hewett**  
Chairman, Silver Fern Farms Co-operative





# Our Strategy

Long-term Sustainable Value  
Creation through our Investment  
in Silver Fern Farms Limited

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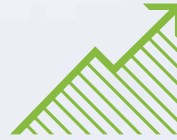
## Purpose

Leading progressive food producers committed to a sustainable future.

## Vision

A proud collective of consumer-focused farmers innovating to meet the highest possible standard of sustainable farming practice.





## Planet

- World-class sustainable farm practices led by evolving consumer preferences
- Leadership and transitioning towards low-carbon production across our sphere of influence.

## People

- Instill a culture of best-in-class Governance
- Deliver effective Governance extension for sitting and up-and-coming Governors
- Offer scholarship opportunities that support our people and their communities.

## Prosperity

- Delivering a compelling shareholder value proposition
- Transparent and authentic relationships with all stakeholders
- Delivering consistent returns on equity
- Ensure intention and integrity of the partnership with Shanghai Maling is maintained in accordance with its founding documents.



# Co-operative Financial Results

Your Co-operative has reported a net profit before tax of \$94.27m for the 12-month period from 1 January 2022 through to 31 December 2022.

The after-tax result for the period was a net profit of \$94.1m. At balance date, 31 December 2022, our Total Shareholder Equity rose to \$438.4m (up from \$369.0m FY21).

The administrative overhead for the Co-operative for the 12-month period was \$500k. This cost was met by Silver Fern Farms Limited as agreed under the terms of our partnership.

Under the founding partnership we have a targeted range for a dividend payment to the two shareholders of a minimum 30 percent of Silver Fern Farms Limited's Net Profit After Tax.

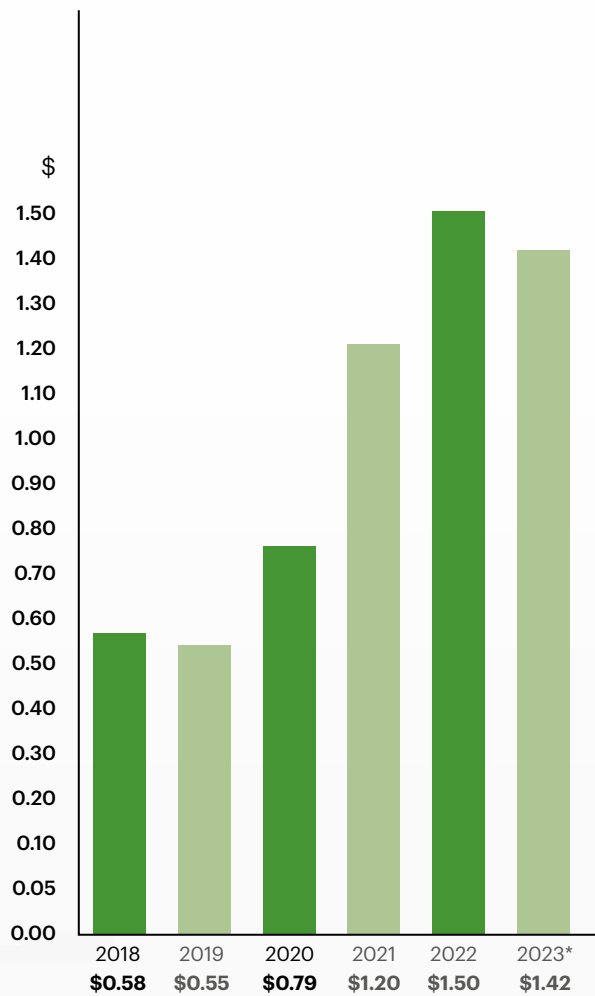
The Board of Directors of Silver Fern Farms Limited agreed to pay a dividend of \$76.9m representing 40 percent of the Operating Company's Net Profit After Tax for the year ending 31 December 2022. The Co-operative and our partner Shanghai Maling Aquarius Limited each receive a 50 percent share of this dividend. This represents a fully-imputed dividend receivable by the Co-operative of \$38.45m.

This distribution out of taxed paid profits represents a sixth consecutive year of returns.

|                       | 2022            | 2021            | Movement       |
|-----------------------|-----------------|-----------------|----------------|
| Share of Earnings     | \$94.7m         | \$51.9m         | \$42.8m        |
| Dividends Received    | \$39.3m         | \$13.1m         | \$26.2m        |
| Net Profit Before Tax | \$94.3m         | \$51.3m         | \$43.0m        |
| Net Profit After Tax  | \$94.1m         | \$51.5m         | \$42.6m        |
| <b>Total Equity</b>   | <b>\$438.4m</b> | <b>\$369.0m</b> | <b>\$69.4m</b> |

## Share Value

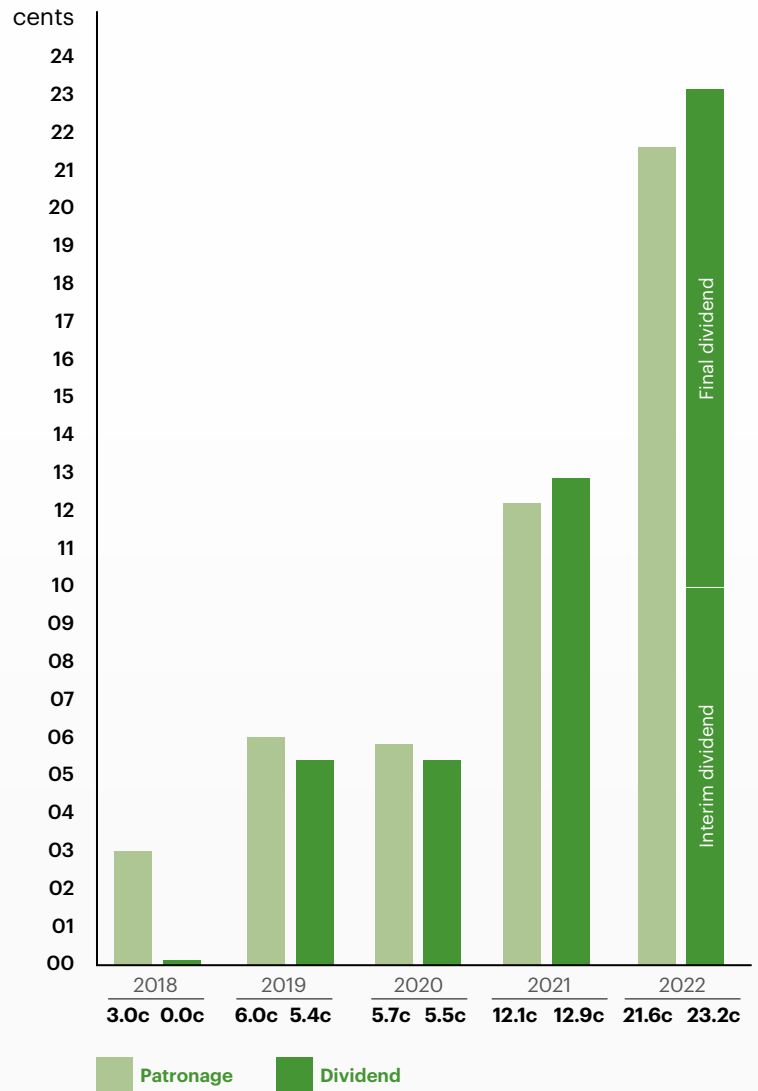
(Value at Year End)



\*As at 30 March

## Patronage Reward and Dividend

Fully Imputed





# Your Co-operative Board of Directors



**Rob Hewett**  
Chairman,  
Shareholder Elected Director

Rob became Chairman of Silver Fern Farms Limited in December 2013. He is the current Chair of Silver Fern Farms Co-operative Limited and was elected to the Board in 2008. Rob farms 10,000 sheep and beef stock units on a breeding/finishing unit of 1020 ha in Manuka Gorge, South Otago. He is the chairman of Farmlands Co-operative Society Limited, New Zealand Woolscours Limited (Woolworks), Fern Energy Limited, Hilton Haulage Limited and Pioneer Energy Limited, as well as a Director of T&G Global Limited and Pulse Energy Limited. Rob is a past Council member of Lincoln University and previous Chair of the Strong Wool Action Group (now Wool Impact). He is a Chartered Fellow of the Institute of Directors and a graduate of Lincoln University, holding an MCom (hons) – (Marketing) and a BCom (Ag) (Economics).



**Tim Gibson**  
Independent

Tim is Managing Director of Tūhana Consulting Limited. He is a successful international executive with strengths in strategy development and implementation, stakeholder management, and building high performing teams. He has been a Chief Executive in Government and held Managing Director and senior executive positions in co-operative, and public companies.

Tim's career spans roles in the New Zealand Dairy Industry, in New Zealand, Asia and Europe. It includes Managing Director, Anchor (UK) Limited; Managing Director, North Asia, New Zealand Dairy Board; and Group Director Global Strategy, New Zealand Dairy Board.

Tim is Chair of the Port Otago Ltd (port and property); and a Director of Skills Consulting Limited (workplace training); Silver Fern Farms Ltd (New Zealand's largest meat processing and sales business); ManageMyHealth Global Ltd (online health management services); Tūhana Business & Human Rights Limited (consultancy and advisory services); and Omniece ("intelligent eye" livestock monitoring).



**Adrian Ball**  
Board Appointed Farmer Director

Alongside his wife Pauline, Tirau farmer Adrian runs Dennley Farms, a 196 ha fully integrated dairy and dairy beef finishing farm supplying finished cattle to Silver Fern Farms. He is also the Chairman of Rahinga Dairies in Dacre, Southland.

Adrian and his wife were the recipients of the 2019 Gordon Stephenson Trophy which is part of the Ballance Farm Environment Awards. They were the 2019 National Ambassadors for sustainable farming and growing. He has also recently completed a strategy specialisation certificate at the Harvard Business School and an Advanced Directors course at the Institute of Directors NZ.



**William Beetham**  
Shareholder Elected Director

William farms in Wainuioru, situated 15 minutes east of Masterton in the Wairarapa. He is the Managing Director of Beetham Pastoral Ltd, operating two farms over 1,250 ha effective with semi-intensive sheep and beef finishing. He is a Director of the Food and Fibre Centre of Vocational Excellence and former Board Member of Federated Farmers and Chair of the Meat and Wool Section.



**Dan Jex-Blake**  
Shareholder Elected Director

Dan was elected to the Co-op Board in 2013 and has served 3 terms unopposed. Since 2016 he has sat on the Silver Fern Farms Ltd operating Board and has been a Silver Fern Farms Representative Director of FarmIQ Systems Ltd. He is the Managing Director of Mangapoike Ltd, a 2000 ha pastoral farming business near Gisborne, in addition to having horticultural interests.



**Anna Nelson**  
Board Appointed Farmer Director

Together with husband Blair (Munta) and family, Anna runs a 1450 ha sheep and beef breeding and finishing farm in Aria in the King Country.

Anna is originally from Cheviot and has a Veterinary degree from Massey University. She is currently a catchment coordinator at King Country River Care. Anna completed the Kellogg Rural Leaders programme in 2016.



**Jane Taylor**  
Independent

Jane was appointed to the Board in June 2013 and is Chair of the Audit, Risk Assessment and Mitigation Committee. She is a professional director with strong commercial, legal, regulatory and governance experience. Jane chairs Orion New Zealand and Manaaki Whenua Landcare Research and is currently a director of Port Otago and Ontario Teachers' Pension Plan Forest Investments. She is also Deputy Chair of the External Reporting Board (XRB) and a Guardian of the Aotearoa Circle.



**Gabrielle Thompson**  
Shareholder Elected Director

Gabrielle graduated from Massey University with a Veterinary degree in 2000. Gabrielle developed her own companion animal clinic in 2004, growing to five clinics around the lower South Island over a 10-year period before selling these clinics to a nationwide company. Gabrielle and her family own and operate a 530 ha arable and store lamb farm at Dorie, Mid Canterbury. She is a chartered member of the Institute of Directors. She is a member of the Lincoln University Council.



**Richard Young**  
Shareholder Elected Director

Richard operates a 300 ha sheep/beef and cropping property at Tapanui, West Otago. He was elected to the Board in 2013. He also is Chairman of the Primary Wool Co-operative and a director of Wools of New Zealand and Telford Farms. He has a Bachelor of Commerce in Economics from Otago University. He is a chartered member of the Institute of Directors and completed the Institute of Directors company directors' course in 2014 and audit and risk committees course in 2016. He also completed the Kellogg Rural Leaders Programme in 2011.

## Your Shareholder Relations Manager



**Clark Taylor**

Clark ensures all aspects of the Co-operative's business requirements are fulfilled. One of his critical functions is to work closely with the Board and the Silver Fern Farms Executive Team to ensure that our fully shared suppliers are receiving the level of access to our Shareholder Benefits Programme they deserve.

Clark joined the Co-operative in August 2017, following a 37-year career with Bank of New Zealand, in senior leadership roles including leading the agribusiness, commercial banking and private banking sectors across the Otago/Southland region.



# Your Co-operative Governance

## Silver Fern Farms Co-operative Limited's governance policies are reviewed to ensure they are consistent with best practice.

Silver Fern Farms Co-operative 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 group.

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

The constitution of Silver Fern Farms Co-operative Limited 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 Shareholder Relations Manager.

### Policies

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

### Director Independence

Silver Fern Farms Co-operative currently has two Independent Directors.

### Board Composition

The Co-operative's Constitution determines that:

- a. Silver Fern Farms Co-operative Limited will have a Board of between six and nine directors;

- b. up to five directors are to be elected by shareholders who are suppliers of livestock to the Company. Shareholder-elected Directors must also be an eligible person (supplying shareholder);
- c. up to four directors may be appointed by the Board ('Independent Directors'). If there are more than three Independent Directors, one must be an eligible person (supplying shareholder).

To qualify for election or appointment, a director must not be an employee of Silver Fern Farms Co-operative, Silver Fern Farms Limited or any of their subsidiaries.

The Board at 31 December 2022 comprised, five supplier-elected Directors, two Board-appointed Independent Directors and two Board-appointed farmer Directors as follows:

|                    |                                 |
|--------------------|---------------------------------|
| Adrian Ball        | Board appointed farmer director |
| William Beetham    | Shareholder elected             |
| Tim Gibson         | Independent                     |
| Rob Hewett         | Shareholder elected, Chairman   |
| Dan Jex-Blake      | Shareholder elected             |
| Anna Nelson        | Board appointed farmer director |
| Jane Taylor        | Independent                     |
| Gabrielle Thompson | Shareholder elected             |
| 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 shareholder 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 establishes the framework and appoints an independent evaluator. An independent director also chairs the candidate evaluation process. No other members of the Board are involved in this process. 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 Co-operative Business New Zealand 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 Shareholder Relations Manager  
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 oversight regarding the credibility of financial reporting and oversight regarding the discharge of its responsibilities related to financial reporting and regulatory compliance.

The Remuneration and Appointments Committee reviews the performance of the Shareholder Relations Manager 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 Co-operative Board meets formally four times each year, and as otherwise required. The Board's Audit, Risk Assessment and Mitigation Committee is scheduled to meet two to three times a year or as otherwise required. The Remuneration and Appointments Committee meets at least once a year.

The Chairman and Shareholder Relations Manager establish the agenda for each Board meeting. The Shareholder Relations Manager prepares a quarterly 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, Shareholder Relations Manager, Silver Fern Farms Limited's 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 Co-operative 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 \$980,000 per annum.

### Public release of material information

Silver Fern Farms Co-operative Limited 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 year ended 31 December 2022, the Board met six times as follows:

| Director           | Board | Annual | Committee# |
|--------------------|-------|--------|------------|
| Adrian Ball        | 2     | -      | -          |
| William Beetham    | 3     | -      | 1          |
| Tim Gibson         | 6     | 1      | 2          |
| Rob Hewett         | 6     | 1      | 2          |
| Dan Jex-Blake      | 5     | 1      | 3          |
| Anna Nelson        | 6     | 1      | 3          |
| Tony O'Boyle       | 3     | 1      | 2          |
| Jane Taylor        | 5     | 1      | 3          |
| Gabrielle Thompson | 6     | 1      | 2          |
| Richard Young      | 6     | 1      | 2          |

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



# Your Co-operative

## Statutory Information

### Directors

The Directors of Silver Fern Farms Co-operative Ltd as at 31 December 2022 are:

- Robert James Hewett (Chairman)
- Adrian Charles Ball
- Ralph William Trevor Beetham
- Timothy Dunlop Gibson
- Dan Charles Jex-Blake
- Anna Gioia Nelson
- Deborah Jane Taylor
- Gabrielle Jane Thompson
- Richard George Young.

### Directors' Interest in Transactions

For the period ended 31 December 2022, 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 February 2023:

"In the opinion of the Board, Silver Fern Farms Co-operative Limited has throughout the period ended 31 December 2022 been a "co-operative company" as defined in the *Co-operative Companies Act 1996* ("Act") for the following reasons:

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

### Information Disclosure

For the period ended 31 December 2022, no Director requested to use Company information received by them in their capacity as Directors.

### Remuneration and Appointments Committee

The Committee comprises Tim Gibson - Chair, Richard Young, Gabrielle Thomson, and Adrian Ball.

### Audit, Risk Assessment and Mitigation Committee

The Committee comprises Jane Taylor – Chair, Anna Nelson, Dan Jex-Blake, William Beetham.

### Directors' Insurance

Directors' and officers' liability insurance is taken out and paid for by Silver Fern Farms Limited, the Operating Company. In the event of a claim, the Directors may benefit under the terms of these policies.

### Donations

During the period ended 31 December 2022, Silver Fern Farms Co-operative made no donations (2021: \$nil).

### Auditor

KPMG were appointed as auditors of both the Co-operative and Silver Fern Farms Limited, the Operating Company. Audit fees for the period are disclosed in the notes to the financial statements.

### Directors' Interests in Silver Fern Farms Shares

The shares held in Silver Fern Farms Co-operative Limited by each director as at 31 December 2022 are set out in the following table:

| Director           | Holding as at<br>31 December 2022 |
|--------------------|-----------------------------------|
| Adrian Ball        | 20,000                            |
| William Beetham    | 58,327                            |
| Tim Gibson         | -                                 |
| Rob Hewett         | 70,000                            |
| Dan Jex-Blake      | 120,000                           |
| Anna Nelson        | 79,314                            |
| Jane Taylor        | -                                 |
| Gabrielle Thompson | 65,031                            |
| Richard Young      | 30,768                            |

Tim Gibson and Jane Taylor do not have any share ownership – directly or via another entity.

### Directors' Fees

Consistent with the terms of the Shareholders' Agreement between the Co-operative, Shanghai Maling and the operating company, the Co-operative Board appoints five directors to the Board of the operating company, including a Co-chair. The Co-operative is responsible for all remuneration of directors in connection with their appointments to the Board of the Co-operative, the Board of the operating company and to the Committees of those Boards. No Director of the Company has, since the end of the previous period, received or become entitled to receive a benefit other than Directors' fees and insurances. The total pool for directors' fees was \$980,000.

|                              |   | <b>Co-operative</b>                | <b>Operating Company</b>           | <b>Total</b>                       |
|------------------------------|---|------------------------------------|------------------------------------|------------------------------------|
| <b>Director</b>              | <b>Positions</b>  | <b>Year ended 31 December 2022</b> | <b>Year ended 31 December 2022</b> | <b>Year ended 31 December 2022</b> |
| Adrian Ball                  | Director of the Co-operative  | 11,783                             | -                                  | 11,783                             |
| William Beetham              | Director of the Co-operative  | 22,513                             | -                                  | 22,513                             |
| Tim Gibson                   | Director of the Co-operative and Operating Company, Chair of the Remuneration and Appointments Committee of the Co-operative and the Operating Company  | 36,008                             | 98,333                             | 134,342                            |
| Rob Hewett                   | Chair of the Co-operative, Co-chair of the Operating Company  | 64,933                             | 219,667                            | 284,600                            |
| Dan Jex-Blake                | Director of the Co-operative and Operating Company  | 34,486                             | 97,792                             | 132,278                            |
| Anna Nelson                  | Director of the Co-operative  | 34,571                             | -                                  | 34,571                             |
| Jane Taylor                  | Director of the Co-operative and operating company, Chair of Audit, Risk Assessment and Mitigation Committee of the Co-operative, Chair of the Risk & Sustainability Committee of the Operating Company | 36,342                             | 103,900                            | 140,242                            |
| Gabrielle Thompson           | Director of the Co-operative  | 34,571                             | -                                  | 34,571                             |
| Richard Young                | Director of the Co-operative and Operating Company  | 34,486                             | 92,587                             | 127,074                            |
| Tony O'Boyle                 | Director of the Co-operative  | 14,010                             | -                                  | 14,010                             |
| <b>Total Directors' fees</b> |   | <b>323,704</b>                     | <b>612,279</b>                     | <b>935,983</b>                     |

### Remuneration of Employees

One employee of Silver Fern Farms Co-operative Limited received remuneration and other benefits in excess of \$100,000 in the year ended 31 December 2022 (\$140,000 – \$150,000).

#### Directors' Statement

This Annual Report is dated 27 March 2023 and is signed on behalf of the Board by:



**R J Hewett**  
Chairman



**D J Taylor**  
Chairman – Audit, Risk Assessment and Mitigation Committee



# Your Co-operative Financial Statements

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

| NZD IN THOUSANDS (\$000)                                      | Notes | Year ended<br>31 December 2022 | Year ended<br>31 December 2021 |
|---|-------|--------------------------------|--------------------------------|
| Share of earnings of Silver Fern Farms Limited                | 2(b)  | 94,654                         | 51,900                         |
| Interest income   |       | 787                            | 342                            |
| <b>Total income</b>   |       | <b>95,441</b>                  | <b>52,242</b>                  |
| Operating expenditure   |       | (1,174)                        | (944)                          |
| <b>Total expenses</b>   |       | <b>(1,174)</b>                 | <b>(944)</b>                   |
| <b>Profit before tax</b>                                      |       | <b>94,267</b>                  | <b>51,298</b>                  |
| Tax benefit/(expense)   | 3     | (168)                          | 168                            |
| <b>Profit after tax</b>                                       |       | <b>94,099</b>                  | <b>51,466</b>                  |
| <b>Other comprehensive income</b>                             |       |                                |                                |
| Share of Silver Fern Farms Limited other comprehensive income | 2(b)  | 4,741                          | (1,731)                        |
| <b>Total comprehensive income</b>                             |       | <b>98,840</b>                  | <b>49,735</b>                  |
| Earnings per share attributable to shareholders of the parent |       | Cents                          | Cents                          |
| Basic earnings per share                                      | 4     | 94.73                          | 51.98                          |
| Diluted earnings per share                                    | 4     | 94.74                          | 51.27                          |

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

# Consolidated Statement of Financial Position

As at 31 December 2022

| NZD IN THOUSANDS (\$000)                                 | Notes | 2022           | 2021           |
|--|-------|----------------|----------------|
| <b>ASSETS</b>  |       |                |                |
| <b>Current assets</b>                                    |       |                |                |
| Cash and cash equivalents                                |       | 211            | 213            |
| Short term deposits                                      |       | 34,370         | 23,170         |
| Trade and other receivables                              | 5     | 33,871         | 31,508         |
| Equity receivable  | 7(b)  | 327            | 765            |
| Current tax receivable                                   |       | -              | 284            |
| <b>Total current assets</b>                              |       | <b>68,779</b>  | <b>55,940</b>  |
| <b>Non-current assets</b>                                |       |                |                |
| Equity-accounted investment in Silver Fern Farms Limited | 2(a)  | 417,336        | 357,242        |
| <b>Total non-current assets</b>                          |       | <b>417,336</b> | <b>357,242</b> |
| <b>TOTAL ASSETS</b>                                      |       | <b>486,115</b> | <b>413,182</b> |
| <b>LIABILITIES</b>                                       |       |                |                |
| <b>Current liabilities</b>                               |       |                |                |
| Trade and other payables                                 | 6     | 37,143         | 33,360         |
| <b>Total Current liabilities</b>                         |       | <b>37,143</b>  | <b>33,360</b>  |
| <b>Non-current liabilities</b>                           |       |                |                |
| Members' rebate shares                                   | 7     | 10,581         | 10,799         |
| <b>Total non-current liabilities</b>                     |       | <b>10,581</b>  | <b>10,799</b>  |
| <b>TOTAL LIABILITIES</b>                                 |       | <b>47,724</b>  | <b>44,159</b>  |
| <b>NET ASSETS</b>  |       | <b>438,391</b> | <b>369,023</b> |
| <b>EQUITY</b>  |       |                |                |
| Ordinary share capital                                   | 7     | 136,495        | 136,495        |
| Foreign currency translation reserve                     |       | 1,417          | 1,460          |
| Cash flow hedge reserve                                  |       | 2,824          | (1,960)        |
| Retained earnings  |       | 297,655        | 233,028        |
| <b>TOTAL EQUITY</b>                                      |       | <b>438,391</b> | <b>369,023</b> |

The Consolidated Statement of Financial Position above should be read in conjunction with the accompanying notes.  
For and on behalf of the Board.



**Robert Hewett** Chair  
27 March 2023



**Jane Taylor** Chair – Audit, Risk Assessment and Mitigation Committee  
27 March 2023



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

| NZD IN THOUSANDS (\$000)                                      | Notes | Share capital  | Cash flow hedge reserve | Foreign currency translation reserve | Retained earnings | Total equity   |
|---|-------|----------------|-------------------------|--------------------------------------|-------------------|----------------|
| <b>Balance as at 1 January 2021</b>                           |       | <b>136,495</b> | <b>-</b>                | <b>1,231</b>                         | <b>189,632</b>    | <b>327,358</b> |
| Profit for the year   |       | -              | -                       | -                                    | 51,466            | 51,466         |
| <b>Other comprehensive income</b>                             |       |                |                         |                                      |                   |                |
| Share of Silver Fern Farms Limited other comprehensive income | 2(b)  | -              | (1,960)                 | 229                                  | -                 | (1,731)        |
| <b>Total comprehensive profit</b>                             |       | <b>-</b>       | <b>(1,960)</b>          | <b>229</b>                           | <b>51,466</b>     | <b>49,735</b>  |
| <b>Transactions with owners in their capacity as owners:</b>  |       |                |                         |                                      |                   |                |
| Dividends paid  | 7(c)  | -              | -                       | -                                    | (8,070)           | (8,070)        |
| <b>Balance as at 31 December 2021</b>                         |       | <b>136,495</b> | <b>(1,960)</b>          | <b>1,460</b>                         | <b>233,028</b>    | <b>369,023</b> |

| NZD IN THOUSANDS (\$000)                                      | Notes | Share capital  | Cash flow hedge reserve | Foreign currency translation reserve | Retained earnings | Total equity   |
|---|-------|----------------|-------------------------|--------------------------------------|-------------------|----------------|
| <b>Balance as at 1 January 2022</b>                           |       | <b>136,495</b> | <b>(1,960)</b>          | <b>1,460</b>                         | <b>233,028</b>    | <b>369,023</b> |
| Profit for the year   |       | -              | -                       | -                                    | 94,099            | 94,099         |
| <b>Other comprehensive income</b>                             |       |                |                         |                                      |                   |                |
| Share of Silver Fern Farms Limited other comprehensive income | 2(b)  | -              | 4,784                   | (43)                                 | -                 | 4,741          |
| <b>Total comprehensive profit</b>                             |       | <b>-</b>       | <b>4,784</b>            | <b>(43)</b>                          | <b>94,099</b>     | <b>98,840</b>  |
| <b>Transactions with owners in their capacity as owners:</b>  |       |                |                         |                                      |                   |                |
| Dividends paid  | 7(c)  | -              | -                       | -                                    | (29,472)          | (29,472)       |
| <b>Balance as at 31 December 2022</b>                         |       | <b>136,495</b> | <b>2,824</b>            | <b>1,417</b>                         | <b>297,655</b>    | <b>438,391</b> |

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

| NZD IN THOUSANDS (\$000)   | Notes    | 2022            | 2021            |
|--|----------|-----------------|-----------------|
| <b>Cash flows from/(used in) operating activities</b>            |          |                 |                 |
| Payments to suppliers and directors                              |          | (1,031)         | (924)           |
| Dividends received from Silver Fern Farms Limited                | 2        | 39,300          | 13,100          |
| Interest received  |          | 639             | 347             |
| Income taxes received/(paid)                                     |          | 116             | (779)           |
| <b>Net cash flows from operating activities</b>                  | <b>8</b> | <b>39,024</b>   | <b>11,744</b>   |
| <b>Cash flows from/(used in) investing activities</b>            |          |                 |                 |
| Proceeds from short term deposits                                |          | -               | 3,400           |
| Investment in short term deposits                                |          | (11,200)        | (4,600)         |
| <b>Net cash flows used in investing activities</b>               |          | <b>(11,200)</b> | <b>(1,200)</b>  |
| <b>Cash flows from/(used in) financing activities</b>            |          |                 |                 |
| Dividends paid   | 7(c)     | (29,472)        | (8,069)         |
| Deferred proceeds from issue of ordinary shares                  | 7(b)     | 439             | 136             |
| Cash returned from unclaimed dividends and share redemptions     | 6        | 1,425           | -               |
| Members' rebate shares redeemed                                  | 7        | (218)           | (2,763)         |
| <b>Net cash flows (used in) financing activities</b>             |          | <b>(27,826)</b> | <b>(10,696)</b> |
| <b>Net (decrease) in cash and cash equivalents</b>               |          | <b>(2)</b>      | <b>(152)</b>    |
| Cash and cash equivalents at the beginning of the financial year |          | 213             | 365             |
| <b>Cash and cash equivalents at end of year</b>                  |          | <b>211</b>      | <b>213</b>      |

In addition to cash and cash equivalents, the Co-operative held short term deposits of \$34,370,000 at balance date (2021: \$23,170,000).

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



# Your Co-operative

# Notes to the Financial Statements

## GENERAL INFORMATION AND SUMMARY OF ACCOUNTING POLICIES

### 1. General information and summary of accounting policies

The consolidated financial statements of Silver Fern Farms Co-operative Limited (the 'Co-operative'), for the year ended 31 December 2022, comprise the Co-operative, its subsidiary and its equity-accounted investment in Silver Fern Farms Limited (the 'Operating Company'). The Co-operative is registered under the *Companies Act 1993* and the *Co-operative Companies Act 1996*. The Co-operative is a reporting entity under the *Financial Markets Conduct Act 2013* (FMC Act). Under the FMC Act, parent company numbers are not required to be presented in the consolidated financial statements.

The Co-operative is domiciled in New Zealand and the Operating Company's principal place of operations is New Zealand. The Co-operative's primary activity is the management of its investment in the Operating Company (also domiciled in New Zealand), which is involved in the processing, marketing and distribution of beef, sheepmeat, venison and related products.

At 31 December 2022, the Co-operative had one dormant New Zealand subsidiary, SFFC Sub Limited.

The ordinary shares of the Co-operative are traded on the Unlisted Securities Exchange (USX).

The consolidated financial statements were authorised for issue by the directors on 27 March 2023.

#### a. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with NZ IFRS requires directors to exercise their judgement in the process of applying the Co-operative's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Consideration of impairment of associate investment.

The Co-operative considers whether its equity accounted investment in the Operating Company might be impaired at each reporting date, firstly, by understanding if there are indicators of impairment under NZ IAS 28. If indicators of impairment exist, an evaluation of the current fair value of the investment is required. No indicators of impairment were identified at 31 December 2022.

## 2. Equity accounted investment in Silver Fern Farms Limited



### Accounting policy

#### Significant influence

With effect from 6 December 2016, the Co-operative has equity accounted for its investment in the Operating Company as an associate. The Co-operative owns 50 percent of the shares in the Operating Company; the other 50 percent is owned by Shanghai Maling Acquarius Co. Limited ('Maling'). The directors have concluded that the Co-operative has significant influence over the Operating Company, due to its appointment of five of its ten directors, including a co-chairperson, and other terms of the Shareholders' Agreement. However, it does not control the Operating Company, as defined by NZ IFRS 10 Consolidated Financial Statements, due to the casting vote rights of the Maling appointed co-chairperson on certain specific matters.

#### Measurement

The Co-operative's investment in the Operating Company was recorded at its fair value on initial recognition. Fair value was determined by reference to the subscription price paid by Maling. Subsequent to initial recognition, the consolidated financial statements include the Co-operative's share of profit or loss and other comprehensive income.

#### Consideration of impairment

The directors consider whether any objective indicators of impairment exist in relation to its investment in the Operating Company, by reference to NZ IAS 28 Investments in Associates and Joint Ventures, at each reporting date. Per NZ IAS 28, indicators of impairment might include significant financial difficulty, a need for financial reorganisation, the disappearance of an active market or significant adverse effects from changes to the technological, market, economic or legal environment in which the Operating Company operates. When indicators of impairment exist, an assessment of the fair value of the associate investment is required. An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. Goodwill was recognised by the Co-operative upon initial recognition of its associate investment.

### a. Carrying amount of investment in Silver Fern Farms Limited

The Co-operative equity accounts for its 50 percent investment in the Operating Company as an associate. The Co-operative holds no other investments in associates.

| NZD IN THOUSANDS (\$000)            | Notes | 2022           | 2021           |
|-------------------------------------|-------|----------------|----------------|
| <b>Opening balance</b>              |       | <b>357,242</b> | <b>320,173</b> |
| Share of profit after tax           | 2(b)  | 94,654         | 51,900         |
| Share of other comprehensive income | 2(b)  | 4,741          | (1,731)        |
| Dividend received                   |       | (39,300)       | (13,100)       |
| <b>Closing balance</b>              |       | <b>417,336</b> | <b>357,242</b> |

A final dividend of \$23,350,000 along with an interim dividend of \$15,950,000 was declared and paid during the year (Total 2022: \$39,300,000, 2021: \$13,100,000)



The directors have assessed that there are no objective indicators of impairment at 31 December 2022, noting the strong financial performance of the Operating Company in 2022. Economic circumstances and events which are outside of the control of the Operating Company are expected to continue to give rise to some variation in results year to year but forecasts indicate continued strong underlying demand globally for grass fed red meat.

**b. Co-operative's share of total comprehensive income of Silver Fern Farms Limited**

| <b>NZD IN THOUSANDS (\$000)</b>                                 | <b>2022</b>    | <b>2021</b>    |
|---|----------------|----------------|
| Revenue   | 3,277,764      | 2,752,650      |
| Share of profit of associates                                   | 15,013         | 8,878          |
| Interest income   | 1,686          | 193            |
| Raw materials and consumables used                              | (2,236,792)    | (1,930,759)    |
| Employee benefits expense                                       | (479,418)      | (436,958)      |
| Finance costs   | (3,660)        | (2,873)        |
| Other operating expenses  | (276,996)      | (214,288)      |
| Depreciation and amortisation                                   | (35,013)       | (33,396)       |
| <b>Profit before tax (100%)</b>                                 | <b>262,584</b> | <b>143,447</b> |
| Income tax expense  | (73,277)       | (39,648)       |
| <b>Profit after tax (100%)</b>                                  | <b>189,307</b> | <b>103,799</b> |
| Other comprehensive income (100%)                               | 9,481          | (3,461)        |
| <b>Total comprehensive income (100%)</b>                        | <b>198,788</b> | <b>100,338</b> |
| <b>Co-operative's share (50%)</b>                               |                |                |
| Co-operative's share of profit after tax (50%)                  | 94,654         | 51,900         |
| Co-operative's share of other comprehensive income (50%)        | 4,741          | (1,731)        |
| <b>Co-operative's share of total comprehensive income (50%)</b> | <b>99,395</b>  | <b>50,169</b>  |

c. Co-operative's share of net assets of Silver Fern Farms Limited

**Net assets of Silver Fern Farms Limited (100%)**

| <b>NZD IN THOUSANDS (\$000)</b>                                 | <b>2022</b>      | <b>2021</b>      |
|---|------------------|------------------|
| <b>ASSETS</b>   |                  |                  |
| <b>Current assets</b>   |                  |                  |
| Cash and cash equivalents                                       | 18,972           | 13,678           |
| Trade and other receivables                                     | 377,589          | 342,739          |
| Derivative financial instruments                                | 25,126           | 1,250            |
| Inventories   | 276,001          | 284,387          |
| Tax receivable  | -                | 19               |
| <b>Total current assets</b>                                     | <b>697,688</b>   | <b>642,073</b>   |
| <b>Non-current assets</b>                                       |                  |                  |
| Property, plant and equipment                                   | 413,919          | 348,202          |
| Intangible assets   | 7,928            | 5,859            |
| Investments in associates                                       | 26,583           | 25,390           |
| Shares in unlisted companies                                    | 101              | 101              |
| Right-of-use assets   | 14,547           | 14,319           |
| <b>Total non-current assets</b>                                 | <b>463,078</b>   | <b>393,871</b>   |
| <b>TOTAL ASSETS</b>   | <b>1,160,766</b> | <b>1,035,944</b> |
| <b>LIABILITIES</b>  |                  |                  |
| <b>Current liabilities</b>                                      |                  |                  |
| Trade and other payables  | 195,197          | 174,481          |
| Interest bearing loans and borrowings                           | 62,592           | 92,011           |
| Tax provision   | 54,011           | 32,443           |
| Provisions  | 7,443            | 6,941            |
| Derivative financial instruments                                | 1,628            | 11,941           |
| Lease liabilities   | 6,196            | 4,971            |
| <b>Total current liabilities</b>                                | <b>327,067</b>   | <b>322,788</b>   |
| <b>Non-current liabilities</b>                                  |                  |                  |
| Provisions  | 10,189           | 10,485           |
| Deferred tax liabilities  | 10,989           | 9,055            |
| Lease liabilities   | 8,691            | 9,974            |
| <b>Total non-current liabilities</b>                            | <b>29,869</b>    | <b>29,514</b>    |
| <b>TOTAL LIABILITIES</b>  | <b>356,936</b>   | <b>352,302</b>   |
| <b>Net assets of Silver Fern Farms Limited (100%)</b>           | <b>803,830</b>   | <b>683,642</b>   |
| Co-operative's share of net assets (50%)                        | 401,915          | 341,821          |
| Goodwill on initial recognition                                 | 15,421           | 15,421           |
| <b>Equity accounted investment in Silver Fern Farms Limited</b> | <b>417,336</b>   | <b>357,242</b>   |

A copy of the financial statements of Silver Fern Farms Limited can be obtained from the Companies Register in New Zealand at <https://companies-register.companiesoffice.govt.nz/>.



### 3. Income tax



#### Accounting policy

The income tax expense or credit for the period comprises current and deferred tax. Income tax is recognised in the income statement except when it relates to items recognised directly in other comprehensive income (in which case income tax is recognised in other comprehensive income). Income tax is based on tax rates and regulations enacted in the jurisdictions in which the entities operate.

The Co-operative's main source of income is its share of associate income from the Operating Company. The share of associate income is not directly taxable in the Co-operative and an adjustment is made in the note below. Dividends received from the Operating Company are taxable and are recognised as taxable income, as indicated in the note below.

| NZD IN THOUSANDS (\$000)  | 2022       | 2021         |
|---|------------|--------------|
| <b>INCOME TAX EXPENSE</b>   |            |              |
| <b>Current tax</b>  |            |              |
| Current tax on profits for the year                                       | 168        | (168)        |
| <b>Income tax (benefit)/expense</b>                                       | <b>168</b> | <b>(168)</b> |
| <b>Numerical reconciliation of prima facie tax payable to tax expense</b> |            |              |
| Profit before income tax expense  | 94,267     | 51,298       |
| Income tax @ 28%  | 26,396     | 14,364       |
| Tax effects of:   |            |              |
| • Non-assessable earnings from Silver Fern Farms Limited                  | (26,503)   | (14,532)     |
| • Dividends from Silver Fern Farms Limited                                | 15,283     | 5,094        |
| • Imputation credits attached   | (15,283)   | (5,094)      |
| • Adjustment in respect of prior years                                    | 168        | -            |
| • Tax losses to be carried forward  | 107        | -            |
| <b>Tax (benefit)/expense recognised in profit or loss</b>                 | <b>168</b> | <b>(168)</b> |

**Tax losses** Silver Fern Farms Co-Operative Limited had \$275,000 (2021: \$nil) of unused tax losses for which no deferred tax asset has been recognised, as they did not meet the recognition criteria.

### 4. Earnings per share

#### a. Earnings used in calculating earnings per share

| NZD IN THOUSANDS (\$000)  | 2022   | 2021   |
|---|--------|--------|
| Profit attributable to the ordinary equity holders of the Co-operative used in calculating basic and diluted earnings per share | 94,099 | 51,466 |

#### b. Weighted average number of shares

| NUMBER OF SHARES IN THOUSANDS (000)  | 2022           | 2021           |
|--|----------------|----------------|
| Weighted average number of ordinary shares for basic earnings per share          | 99,336         | 99,005         |
| Effect of dilution – partly paid ordinary shares                                 | 1,043          | 1,374          |
| <b>Weighted average number of ordinary shares for diluted earnings per share</b> | <b>100,379</b> | <b>100,379</b> |

There have been no transactions involving ordinary shares that would significantly change the number of ordinary shares outstanding between the reporting date and the date these financial statements have been signed.

## OPERATING ASSETS AND LIABILITIES

### 5 Trade and other receivables



#### Accounting policy

Trade and other receivables are amounts due from other entities in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment on trade receivables is considered by taking into account the expected future credit losses.

| <b>NZD IN THOUSANDS (\$000)</b>                  | <b>Notes</b> | <b>2022</b>   | <b>2021</b>   |
|--|--------------|---------------|---------------|
| Livestock receivables from the Operating Company | 13           | 33,337        | 31,142        |
| Other receivables from the Operating Company     | 13           | 15            | 9             |
| Other receivables                                |              | 519           | 357           |
| <b>Total trade and other receivables</b>         |              | <b>33,871</b> | <b>31,508</b> |

The largest component of receivables relates to amounts owed by the Operating Company for livestock supplied by Co-operative shareholders in the last 14 days of the financial year. Note 13 includes further details of the transactions between the Co-operative and the Operating Company during the year.

### 6. Trade and other payables



#### Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

| <b>NZD IN THOUSANDS (\$000)</b>             | <b>Notes</b> | <b>2022</b>   | <b>2021</b>   |
|---|--------------|---------------|---------------|
| Livestock payables to shareholder suppliers | 13           | 33,337        | 31,142        |
| Other payables                              |              | 3,806         | 2,218         |
| <b>Total trade and other payables</b>       |              | <b>37,143</b> | <b>33,360</b> |

The payables balance mostly relates to amounts due to Co-operative shareholders for livestock supplied to the Operating Company in the last 14 days of the financial year. Note 13 includes further details of the transactions between the Co-operative and its shareholders during the year.

As at 31 December 2022, other payables include amounts owed to shareholders of \$3,553,000 (2021: \$2,100,000). This represents \$1,635,000 (2021: \$1,423,000) of dividends, \$1,425,000 (2021: nil) of rebate shares and \$600,000 (2021: \$680,000) of Supplier Investment Share redemptions and which were unable to be distributed to shareholders as incomplete details were held by the Co-operative's third party share registrar. The share registrar continue to hold the balance of \$130,000 in trust, which is included within other receivables, disclosed in note 5. Some of the unclaimed amounts arose in connection with the payment of a special dividend and the redemption of Supplier Investment Shares in 2017. Unclaimed funds were held in trust until 2019, when, following legal advice, \$1,970,000 was returned to the Co-operative. There has since been a further \$1,425,000 returned to the Co-operative. These funds are held on deposit by the Co-operative and interest earned will be used for the benefit of shareholders.

## FUNDING

### 7. Members' rebate shares and ordinary shares



#### Accounting policy

Ordinary share capital is classified as equity.

Members' rebate shares are hybrid financial instruments as they have characteristics of both equity and financial liabilities. The equity component has a nominal value of \$nil. Since members' rebate shares are redeemable, a financial liability component is recognised, measured at fair value; fair value is the redemption amount of \$1 per share. Accordingly, a financial liability component of \$10,581,000 (2021: \$10,799,000) is recognised.

Since the payment of dividends on members' rebate shares is discretionary and there is no contractual obligation, dividends on members' rebate shares are accounted for as a deduction from equity.

Patronage rewards are a component of the overall dividend paid to qualifying shareholders. Whilst the calculation of patronage rewards is connected to the volume of livestock supplied within the qualifying period, payment of patronage rewards is discretionary. Accordingly, patronage rewards paid to holders of both ordinary and members' rebate shares are accounted for as deductions from equity.

| NZD IN THOUSANDS (\$000)   | Members'<br>Rebate Shares | Ordinary<br>Shares |
|----------------------------|---------------------------|--------------------|
| <b>At 31 December 2020</b> | <b>13,562</b>             | <b>136,495</b>     |
| Shares redeemed            | (2,763)                   | –                  |
| <b>At 31 December 2021</b> | <b>10,799</b>             | <b>136,495</b>     |
| Shares redeemed            | (218)                     | –                  |
| <b>At 31 December 2022</b> | <b>10,581</b>             | <b>136,495</b>     |

#### a. Members' rebate shares

All members' rebate shares have a nominal value of one dollar per share. Under the Co-operative Companies Act 1996, the Co-operative has a right to defer redemption but not to withhold payment.

Members' rebate shares carry full voting rights subject to the shareholder being a current supplier (as defined in the constitution of the Co-operative) at the time of voting. Members' rebate shares participate equally on winding up.

The maximum shareholding for members' rebate shares is 17,500 (2021:17,500).

During 2021 Directors approved the redemption of all shareholder rebate shares where shareholding was less than a \$1,000 to reduce ongoing share registry costs.

The number of shares redeemed for year ended 31 December 2022 where the shareholding was less than \$1,000 was 29,429 shares (2021: 26,290 shares).

#### b. Ordinary share capital

##### i. Partly paid shares

As part of a change in capital structure in 2009, shareholders could elect to exchange rebate shares and supplier investment shares for 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 ordinary shares for every one ordinary share issued to them under the exchange offer.

The rights issue price per 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. Some shares remain partly paid and the balance receivable is \$327,000 (2021: \$765,000). During the year, \$439,000 was received in respect of partly paid shares (2021: \$136,000).



### c. Dividends

During the year ended 31 December 2022, an ordinary dividend was paid of 12.9 cents per share to shareholders (2021: 5.5 cents per share) with distribution amounting to \$14,238,000 (2021: \$6,212,000). This year, eligible shareholder suppliers were rewarded with a patronage reward of 12.1 cents per share (2021: 5.7 cents per share), with distribution amounting to \$4,062,000 (2021: \$1,857,000). An interim ordinary dividend of 10.1 cents per share (2021: nil) was paid to shareholders during the year ended 31 December 2022 with the amount distributed being \$11,165,000 (2021: nil).

Total distribution during the year ended 31 December amounted to \$29,472,000 (2021: \$8,069,324).

## 8. Reconciliation of profit after tax to net cash flow from operating activities

| <b>NZD IN THOUSANDS (\$000)</b>                   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
| <b>Profit for the period</b>                      | 94,099        | 51,466        |
| Share of earnings of Silver Fern Farms Limited    | (94,654)      | (51,900)      |
| Dividends received from Silver Fern Farms Limited | 39,300        | 13,100        |
| <b>Movement in working capital</b>                |               |               |
| Increase in receivables                           | (2,364)       | (11,528)      |
| (Decrease)/increase in tax payable                | 284           | (947)         |
| Increase in payables                              | 2,359         | 11,553        |
| <b>Net cash inflow from operating activities</b>  | <b>39,024</b> | <b>11,744</b> |

## 9. Risk management

The Co-operative is exposed to financial risks, which are outlined in summary below, together with the Co-operative's approach to managing these risks, to protect its financial position and financial performance.

### Credit risk

As detailed in the note 5, the Co-operative is exposed to credit risk in respect of trade and other receivables and equity receivable. The Co-operative is able to manage risk in respect of trade and other receivables by maintaining visibility over the solvency of the Operating Company through reports received as a 50 percent shareholder and the directors it appoints to the Operating Company's board.

The Co-operative has several options to manage credit risk in connection with equity receivable, including the right to acquire partly paid shares where balances remain unpaid. The Co-operative would expect no impact on the statement of comprehensive income from any unrecoverable balances.

### Interest rate risk

The Co-operative is currently exposed to interest rate risk as it has funds invested in bank deposits at major New Zealand banks with approval from the Co-operative board. The Co-operative has outsourced its day to day treasury management to the Operating Company treasury function. The Co-operative has treasury policies and procedures in place to optimise the interest returned on these deposits and has not identified any significant interest rate risk on current bank deposits. Treasury policies include investing no more than \$20,000,000 with any one bank.

### Foreign currency risk

The Co-operative is not directly exposed to foreign currency risk. The Co-operative is only exposed to foreign currency risk through its investment in the Operating Company. The Operating Company exports most of its goods which exposes it to foreign currency risk. The Operating Company has treasury policies and procedures, including the use of hedging instruments, to mitigate foreign currency risk.

### Liquidity risk

The Co-operative is exposed to liquidity risk from the redemption of member's shares outstanding. These shares are subject to redemption at \$1 per share which could result in a significant portion of cash reserves being drawn down. The Co-operative mitigates this risk by retaining the right to defer redemption under the *Co-operative Companies Act 1996* and shareholder constitution, and by retaining cash and term deposits in excess of the maximum liability. The Co-operative is not permitted to accept the redemption of any shares unless it is able to satisfy the solvency test immediately after doing so.

## 10. Contingencies

As at 31 December 2022, the Co-operative had no contingent liabilities or assets (2021: \$Nil).

## 11. Commitments

As at 31 December 2022, the Co-operative had no capital commitments (2021: \$Nil).

## 12. Events occurring after the reporting period

Subsequent to balance date, the board of the Operating Company resolved to pay a dividend in respect of the year ended 31 December 2022. The Co-operative expects to receive a fully imputed dividend of \$31,200,000.

On 12 February 2023, Cyclone Gabrielle hit New Zealand affecting much of the North Island and top of the South Island of New Zealand. A National State of Emergency was declared on 14 February 2023.

The impact to the Co-operative is unknown at this stage but is likely to have an impact on Supplier's livestock. It has also had an impact on the Operating Company's ability to operate with a number of the North Island Sites forced into shutdown. The complete financial impact of the Cyclone is not known at this stage however it has already resulted in lost production days or reduced production capacities at most of the North Island Sites, damaged/downgraded product across impacted Sites and some third-party cool stores, damage to property plant and equipment, livestock at sites and supply chain disruption with a number of Port closures. Insurers have been notified and loss adjustors appointed. At this stage, it is unclear as to the financial effect of the event.

## 13. Related party disclosures

### Operating Company

- During the year \$1,204,221,000 (2021: \$1,106,464,000) was invoiced to the Operating Company in respect of livestock. \$1,204,221,000 (2021: \$1,106,464,000) was invoiced from shareholder suppliers in connection with livestock supplied for the year.
- At 31 December 2022 \$33,337,000 (2021: \$31,142,000) was receivable from the Operating Company and \$33,337,000 (2021: \$31,142,000) was payable to shareholder suppliers in connection with livestock supplied.
- Other receivables from the Operating Company amounted to \$15,000 as at 31 December 2022 (2021: \$9,000) payable from the Operating Company. Other payables to the Operating Company amounted to \$236,000 as at 31 December 2022 (2021: \$94,000).

In accordance with the Shareholders' Agreement between the Co-operative, Maling and the Operating Company, administrative services are provided to the Co-operative by the Operating Company. Administrative services include the maintenance of records, the preparation and audit of financial statements, taxation returns, the maintenance of bank accounts, share registry services, the conduct of shareholder meetings and director elections and the payment of dividends. The Operating Company undertakes to pay all reasonable costs of the Co-operative that relate to its governance and administration, excluding directors' fees, and all reasonable costs of engagement with its shareholders, up to a maximum of \$500,000 in any accounting period.

Governance and administration costs paid by the operating company totalled \$500,000 in the year ended 31 December 2022 (2021: \$500,000).

### Directors and their trading entities

The Co-operative purchased livestock and made other livestock related payments to the farming businesses of the Co-operative and Operating Company directors on the same terms and conditions as other suppliers.

- During the year purchases totalled \$11,111,000 (2021: \$8,083,500).
- At 31 December 2022, \$239,000 was payable to directors and their trading entities (2021: \$127,000).

### Key management personnel

Key management personnel of the Co-operative, as defined by NZ IAS 24, comprise the board of directors only. The Co-operative is responsible for paying fees to directors of the Co-operative and paying fees to directors of the Operating Company who have been appointed by the Co-operative. Fees for the year amounted to \$936,000 (2021: \$823,000).

## 14. Auditor's remuneration

In accordance with the Shareholders' Agreement described in note 13, audit fees in respect of the Co-operative are paid by the Operating Company.

| NZD IN THOUSANDS (\$000) | 2022 | 2021 |
|--------------------------|------|------|
| Audit fees               | 40   | 36   |



# Independent Auditor's Report

To the shareholders of Silver Fern Farms Co-Operative Limited

## Report on the audit of the consolidated financial statements

### Opinion

In our opinion, the consolidated financial statements of Silver Fern Farms Co-Operative Limited (the 'company') and its subsidiaries (the 'group') on pages 2 to 20 present fairly, in all material respects the Group's financial position as at 31 December 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided audit, audit related and other services in relation to climate change & sustainability to the equity accounted investee, Silver Fern Farms Limited. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

### Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the financial statements as a whole was set at \$4.9m determined with reference to a benchmark of group total assets. We chose the benchmark because, in our view, the value of the investment in Silver Fern Farms Limited (which represents the majority of





the group's assets) and the movement in this investment are the most important indicators of the group's performance. Materiality represents approximately 1% of the selected benchmark.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

### The key audit matter      How the matter was addressed in our audit

#### Equity accounted investment in Silver Fern Farms Limited

As disclosed in Note 2 to the Annual Report, the group holds an equity accounted investment for its 50% share in Silver Fern Farms Limited. The investment is carried at \$417.3 million having accounted for the Cooperative's share of profits made during the year of \$94.6 million and distributions received of \$39.3 million.

The equity accounted investment is a Key Audit Matter because:

- The investment is significant to the group's position and performance (representing 86% of total assets and 99% of total income in the current year); and

Management is required to assess whether there are any indicators of impairment relating to the investment in Silver Fern Farms Limited. The investee operates in a highly competitive market which is subject to fluctuations in livestock procurement, operating efficiency and selling prices. The financial performance can fluctuate in any given year. Consequently, the performance is considered over a longer horizon when considering whether any indicators of impairment exist.

Our audit procedures included:

- Reconciling the movement in the investment in associate to the audited accounts of Silver Fern Farms Limited;
- Challenging management's assessment of the impairment indicators. This included an independent assessment of the indicators which are noted in the relevant accounting standards and a comparison of current performance and outlook to management's historical and current valuation models.

Overall, we found the judgements and assumptions used in assessing whether any indicators of impairment existed in relation to the equity accounted investment to be balanced.

## Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, disclosures relating to corporate governance and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge



obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.



## Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



## Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our independent auditor's report.



The engagement partner on the audit resulting in this independent auditor's report is Ian Proudfoot

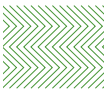
For and on behalf of

A handwritten signature of the KPMG logo in blue ink, appearing as 'KPMG.' with a period at the end.

KPMG  
Auckland

27 March 2023





# Our Directory

## Board of Directors

Rob Hewett – Chairman  
Adrian Ball  
William Beetham  
Tim Gibson  
Anna Nelson  
Dan Jex-Blake  
Jane Taylor  
Gabrielle Thompson  
Richard Young

## Management

Clark Taylor – Shareholder Relations Manager

## Office

Silver Fern Farms Co-operative Limited

283 Princes Street  
PO Box 941, Dunedin 9054  
New Zealand

T: +64 3 477 3980

F: +64 3 474 1087

E: [info@silverfernfarms.coop](mailto:info@silverfernfarms.coop)

[www.silverfernfarms.coop](http://www.silverfernfarms.coop)

## Shareholder Enquiries

For enquiries regarding Silver Fern Farms Co-operative Limited's Ordinary Shares and Rebate Shares, contact:

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

T: 0800 362 362

F: +64 3 474 1087

## Listed Securities

Unlisted  
PO Box 5422  
Lambton Quay  
Wellington 6145

T: 0508 UNLISTED (0508 865478)

## Share Registrar

Link Market Services  
PO Box 91976  
Auckland 1142

T: +64 9 375 5993

F: +64 9 375 5990

## Bankers

- Kiwibank Limited
- Westpac New Zealand Limited
- BNZ

## Auditor

KPMG

## Tax Advisors

PwC

## Legal Advisors

Harmos Horton Lusk







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FARMS**

**CO-OPERATIVE LTD**

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