



**SILVER  
FERN<sup>®</sup>  
FARMS**

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**CO-OPERATIVE LTD**

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Annual Report **2023**



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2023 Annual Meeting of  
Silver Fern Farms  
Co-operative Limited

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**Wednesday 8 May 2024, 11am**  
**Distinction Hotel Dunedin**

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### Insert

Silver Fern Farms Limited



# 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.

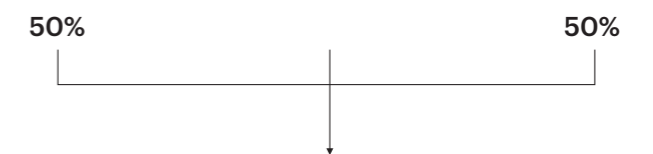


### Silver Fern Farms Co-operative

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 2023. Note: detailed information relating to Silver Fern Farms Limited is also available on their website.

# Chairman's Review

The 30th of September 2023 marked 75 years of Silver Fern Farms, which was established as the Primary Producers Co-operative Society or PPCS in 1948. While in many ways it was disappointing to mark this event with the adverse market conditions we have been experiencing, the reality is that this company has experienced (and come through) many similar cycles throughout its proud history.

The world, including our markets, is still navigating through a post-Covid reset which has caused plenty of disruption, a phenomenon which looks to continue dictating global events for the near future.

FY2022 was influenced by some factors working in our favour, with unprecedented demand and reduced competing production from other exporting nations. FY2023 saw the pendulum swing well and truly the other way, with depressed consumer confidence compounded by increased competition in our key markets from the likes of Australian lamb and South American beef.

The impact of this is still being felt right across our supply chain, and has put pressure on our customers, the Operating Company, and ultimately, returns for farmer suppliers. We anticipate that the financial year ahead will continue to present challenges in the recovery of consumer confidence.

## Adjusting to the times

Anticipating that these macro levers will continue working against us in the short-term, it is prudent that we cut our cloth accordingly.

Like all our partners in our supply chain, and in particular our farmer suppliers, the Operating Company has had to make careful and sometimes painful decisions to manage costs and reprioritise large elements of their proposed spend until there is greater confidence in the market's recovery.

At the same time, this is a moment in time that will pass. We need to strike the right balance of cost control and prioritisation to ensure we retain capability in the Operating Company so the strong momentum built over the last few years can continue at the right speed when times change.

The reality is that this is not a simple exercise, and much of the Board's time throughout the year has been focused on reviewing plans, monitoring forecasts and budgets, seeking cost savings and cost-outs, and critiquing spending priorities. The end result is a tempering of the speed we can chase some of the longer-term ambitions we have for the business and our shareholders.



**Rob Hewett**  
Chairman

# 75 YEARS



As someone who has served on the Board for over 16 years, it is worth noting that through the recapitalisation of Silver Fern Farms in 2016 and recent years of favourable performance, the Operating Company is in a better position to manage through the cyclical downturns of the red meat industry than it has been in the past.

Furthermore, after a lot of reflection, the Board still retains confidence that the strategy and direction of travel that Silver Fern Farms has developed over the last few years is the right one. However, we must earn the right to continue investing and avoiding reverting to the financial challenges that have impacted the company in years gone. As a Co-operative, our purpose of ensuring the ongoing viability of our farmer suppliers also remains front of mind.

## Celebrating our Wins

While farmgate and shareholder returns have been adversely impacted, the 2023 year has not been without its positives.

Firstly, the Board was proud to announce the introduction of patronage rewards for store stock suppliers. Our breeders are a critical part of the farming ecosystem, and it is appropriate that they receive reward for their contribution.

Up until this point, our visibility and confidence in store stock transactions was too limited for us to have the necessary controls to introducing patronage rewards. However, thanks to the introduction of the new store stock platform, we are pleased to introduce the patronage rewards for transactions completed through Silver Fern Farms from 1 January 2024 onwards.

In line with our refreshed purpose, there remains a continual focus on ensuring the Operating Company creates new forms of value which reward our suppliers over and above the schedule pricing. 2023 saw another increase in the number of farmers taking part in our beef and lamb programmes, and despite the market downturn, an increase in the amount of programme premiums paid.

In March we also signalled the start of our 100% Grass Fed Venison programme, a market led initiative to connect our forward-thinking deer farmers with high end consumers, initially in the USA but planned to be worldwide.

We also continue to see strong engagement through the various governance development programmes that the Co-operative has introduced. The last few years have seen many talented suppliers learn the ropes of modern governance practice, and it is fantastic to see one of the To The Core alumni, Anna Nelson, taking over the reins as Co-operative Chair following the Annual Meeting.





Above: Eoin Garden. Image ODT

## Reflections and Acknowledgements

Firstly, I would like to formally acknowledge former Chair Eoin Garden who passed away during the year. Eoin joined the Board of then-PPCS in 1998 before taking the mantle of Chair 10 years later. I served under Eoin and was grateful for his advice as I took over from him as Chair following his retirement.

After 16 years as a Director, and more than ten as Chair, I've announced that this will be my last term on the Co-operative Board and that of the Operating Company. With the end of my term on the Board in May coinciding with Silver Fern Farms Ltd recently appointing Dan Boulton as new Chief Executive, the Board has determined that I stay on as an Appointed Director for a short period to help through the transition.

From our experience working with her around the Board table, the Board and I have a great deal of confidence that Anna will be an exceptional Chair. Despite the prevailing market conditions we're experiencing, we're going into the next period in good health and with a clear focus.

It's been one very interesting ride for me. Since February 2008 when I joined this board as a very green Director aged 38, I've seen and been part of three Silver Fern Farms Chairs, four Chief Executives and over 25 fellow Directors, a complete change of banking syndicate members, and a new partner in the business.

Revenue has doubled, a rebrand completed and a market-led strategy rolled out and become simply the way things are done round here.

We have bought then closed Frasertown, closed Shannon, Pareora, the Napier tannery, Sockburn, Fairton, Silverstream, Mossburn, watched in dismay as Te Aroha burned down and then we rebuilt it, purchased Waitoa, had earthquakes in Christchurch, 1-in-200 year floods in Pacific and Dargaville.

We faced down the banks who had lost confidence in us and came through stronger. We set up Kotahi with Fonterra, Farmbrands with SAPI and, then morphed into an agreement with Lowe Corp and then brought pelts and hides back in house. We had an attempted partnership with PGG Wrightsons (PGGW), only to be stymied by the Global Financial Crisis and ability for PGGW to obtain funding, and now we have our partnership with Shanghai Maling.

Over the years we have invested hundreds of millions in capital programmes within the business, particularly in Pacific, Dargaville, Te Aroha, Belfast and Finegand, as well as setting up offshore offices in the Middle East, China and the USA to complement the network in the UK, Japan and Korea. Branded products are available in all New Zealand supermarkets. Silver Fern Farms is a globally recognised high quality red meat brand as it strives to *Create Goodness from the Farms the World Needs every day*, and the Co-operative striving to *Create Value for the Farmers the World Needs*.

I am mindful every day of the challenges facing New Zealand livestock farmers and the role Silver Fern Farms has in ensuring your ongoing relevance to consumers, profitability behind the farm gate, and the future success of a sector which has underpinned New Zealand's.

I see the current emissions and sustainability focus as critical for us to overcome as a sector and remain convinced that not only will we overcome the current challenges we face into, but we'll do it in a way that cements New Zealand, and Silver Fern Farms in particular, as leaders in the sector globally, providing high quality food to discerning consumers permanently. I am not scared of the issues we face into, we need to embrace the challenge and opportunity it brings to us as farmers and as a country.

### To my Boards and Board members I have served with, thank you –

Reese Hart, Richard Somerville, Bill Luff, Herstatt Ulrich, Ian Grogan, Alastair Polson, Angus Mabin, Rupert Curd, Joe Ferraby, Murray Borthwick, Bruce McNab, Eoin Garden, Robbie Burnside, Rob Lawson, Trevor Burt, Jane Taylor, Tony Balfour, David Shaw, Fiona Hancox, Tony O'Boyle, Richard Young and Dan Jex-Blake all go before us, and the mantle is currently worn by the group sitting in front of you.



Image: ODT

**To my Chief Executives –**

Keith Cooper, Dean Hamilton, Simon Limmer and now Dan Boulton – a very good job. Right people for the time, every one of you. And apart from Dean who took a haircut as a consequence of his time here, everyone has emerged relatively unscathed from the experience!

**To my Co-op –**

the only employee we have had since 2017 – Clark Taylor. What an outstanding find you were in 2017 when Richard Young and I interviewed you at the Dunedin airport, and how good you have been for the Co-operative business since then. The Co-operative Board and I really value your input, as does the Operating Company's Management team. Your style and competence are perfect for this role and business and I thank you from the bottom of my heart for being there and doing what you do so well. Don't be in any hurry to play more golf!

“  
The Operating Company's  
'Creating Goodness from the  
Farms the World Needs' and  
the Co-operative's 'Creating  
Value for the Farmers the  
World Needs.' Clear purpose,  
clear relevance.”

**To Robbie Burnside –**

thank you for getting me started on this journey. While governance was on my to do list, I had reservations about joining the Board in 2008, mainly because I had a lot of uncompleted work on the farm and a bunch of young kids at home. However, as Robbie said in that fateful November 2007 phone call “You don't know when opportunity will knock again. Busy people make things happen. Have a look.” So thank you Robbie for your straight talking. It's advice I give people now when they asked me for my thoughts on their governance careers.

**Finally to my family –**

and particularly my three children Amelia, William and Angus, for having Silver Fern Farms as part of their lives for the past 16 years – most of their lives – and for keeping it real. I recall William my eldest son saying in 2013 at 13 years old when I had taken over as Co-op Chair “what does a Chairman do? Are you the guy that goes round stacking all the chairs at the end of the meeting?” Nothing like some honest feedback to keep the feet on the ground. To my Jane, thank you for being so accommodating and tolerant as I have kept on this path of rural governance. I've certainly appreciated your indulgence and the sacrifices it has meant.

And now the time comes to hand over the baton. Well, in reality, there is still 12 months to go of keeping a close eye on things, so I'll probably be dusting this speech off in May 2025 and rehashing a fair chunk of it when I do the passing out parade properly. However, Anna, I'm really looking forward to you taking charge of the team and shepherding them all in the right direction, getting the best out of everyone. You're not on your own, you've got lots of support around you and a bunch of goodwill to go with it.

**This is a great company –**

with great people and a great mission. The Operating Company's “*Creating Goodness from the Farms the World Needs*” and the Co-operative's “*Creating Value for the Farmers the World Needs*.” Clear purpose, clear relevance. Need I say more?

Thank you.




OUR CO-OPERATIVE PURPOSE

# Creating value for the farmers the world needs



## Our People

- Aspirational leadership driving a prosperous future.
- Deliver best in class governance with clarity of purpose.
- Deliver effective succession and governance extension for current and future directors.
- Support our wider Co-operative community.



## Nature Positive

- Enduring value from sustainable and ethical farming systems.
- Connecting consumers and producers through our Nature Positive story.
- Backing our farmers to continue their advancement of Nature Positive systems.



## Creating Value

- Delivering an irrefutable and compelling shareholder value proposition.
- Partnering and investing for future revenue streams.
- Building pastoral farming resilience.



# Co-operative Financial Results

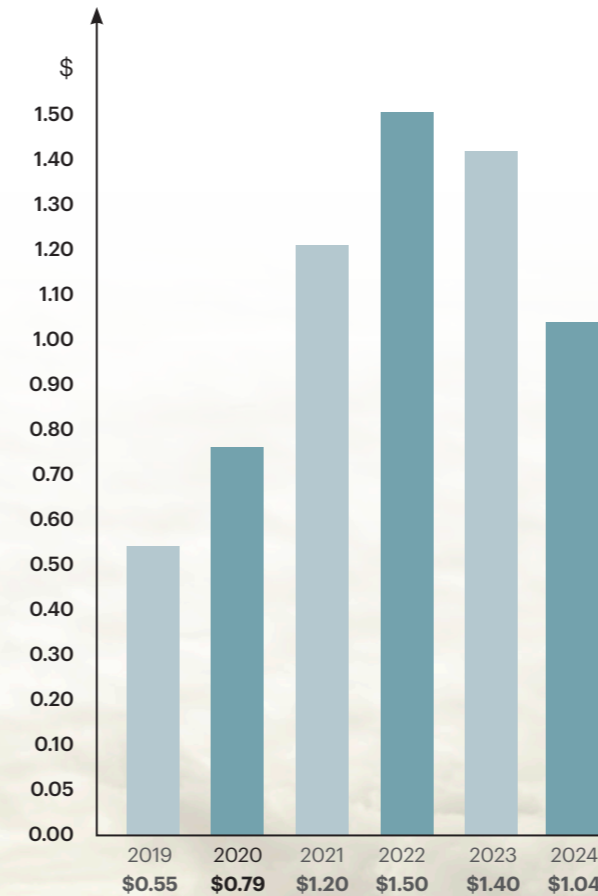
Your Co-operative has reported a net loss before tax of \$10.8m for the 12-month period from 1 January 2023 to 31 December 2023.

The after-tax result for the period was a net loss of \$10.7m. At balance date, 31 December 2023, our Total Shareholder Equity decreased to \$406.8 (down from \$438.4m FY22).

The administrative overhead for the Co-operative for the 12-month period was 783k, of which \$500k was provided by Silver Fern Farms Limited. This cost was met by Silver Fern Farms Limited as agreed under the terms of our partnership.

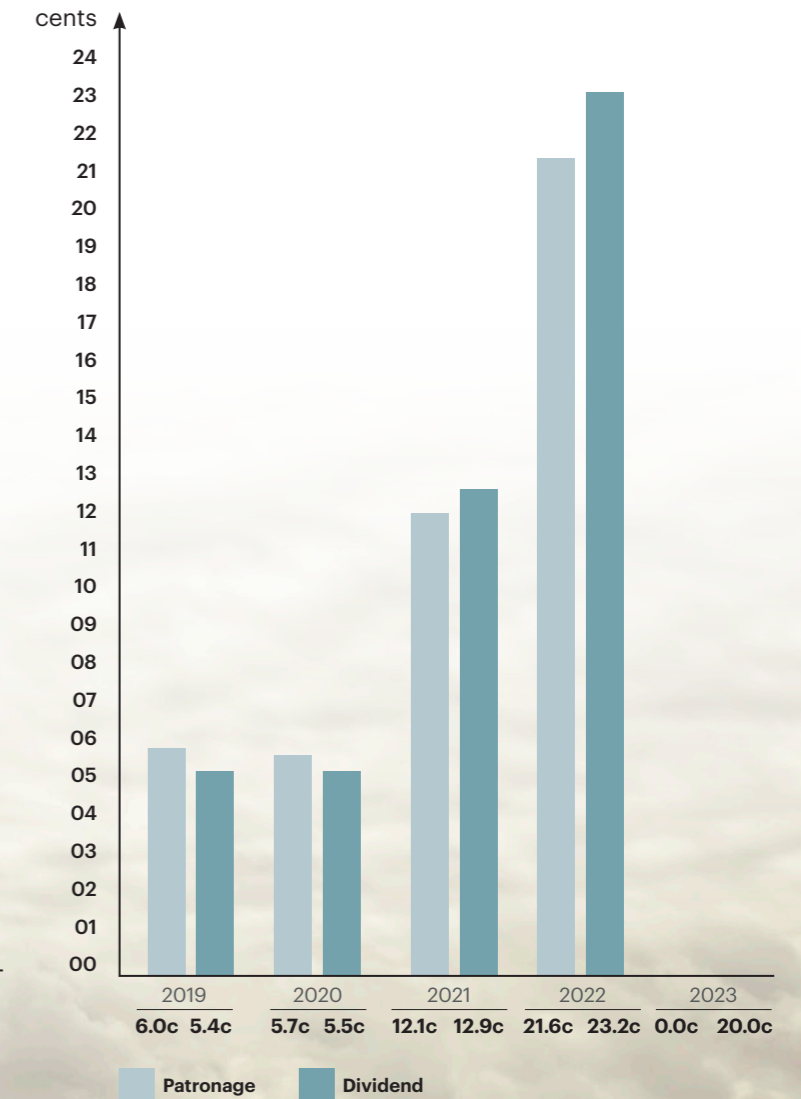
	2023	2022	Movement
Share of Earnings	(\$12.19m)	\$94.65m	(\$106.84m)
Dividends Received	\$22.50m	\$39.30m	(\$16.80m)
Net Profit Before Tax	(\$10.81m)	\$94.27m	(\$105.08m)
Net Profit After Tax	(\$10.75m)	\$94.10m	(\$104.85m)
<b>Total Equity</b>	<b>\$406.84m</b>	<b>\$438.39m</b>	<b>(\$31.55m)</b>

Share Value  
(Value at Year End)



\*As at 28 March, 2024

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 1020ha 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). In 2023, Rob won the Chairman of the Year award in the Deloitte Top 200 and in 2019 the Outstanding Co-operative Contribution award from Co-operative Business New Zealand.



**Adrian Ball**  
Board Appointed Farmer  
Director

Alongside his wife Pauline, Tirau farmer Adrian runs Dennley Farms, a 196ha 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.

Adrian was also appointed to the Fonterra Sustainability Advisory Panel in 2024.



**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 1,250ha effective with semi-intensive sheep and beef finishing.

He is Chair of the Food and Fibre Centre of Vocational Excellence and former Board Member of Federated Farmers and Chair of the Meat and Wool Section.



**Rodney Booth**  
Shareholder Elected Director

Rodney is joint owner and Managing Director of Dunfield Farming Limited, a 400ha finishing property at Hororata, Canterbury.

He was responsible for the development and transformation of the property from dryland to fully irrigated several years ago. Dunfield is predominantly a beef finishing property. Rodney's farm business has recently become one of the earliest to gain a gold standard in the NZFAP Plus accreditation programme.

Rodney graduated from Lincoln University with a Diploma in Farm Management. He completed the To the Core and To the Core Extension governance development programmes, and was also a member of the Silver Fern Farms' extended development group (EDG).



**Cassandra Crowley**  
Independent

Cassandra is a chartered accountant (Fellow), barrister and solicitor of the High Court of New Zealand and a member of the Institute of Directors.

In addition to her commercial advisory work, she holds non-executive directorship roles across several sectors of the New Zealand economy. These roles include chairing audit, finance and risk committees and overseeing digital transformation.

She is a past president of Chartered Accountants Australia and New Zealand and has been recognised for her leadership and governance contributions with the Supreme Award for Excellence in Governance from Women on Boards.



**Tim Gibson**  
Independent

Originally from Dunedin, Tim's career spans roles in the New Zealand Dairy Industry, in New Zealand, Asia and Europe. He was Chief Executive of New Zealand Trade and Enterprise and has held Managing Director and senior executive positions in co-operative, and public companies.

Tim is currently Chair of Port Otago Ltd (port and property); a Director of Skills Consulting Limited (vocational training) and Livestock Improvement Corporation (LIC).

Tim was educated at Otago University and has degrees in Law and German.



**Anna Nelson**  
Shareholder Elected  
Director

Together with husband Blair (Munta) and family, Anna runs a 1450ha 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.



**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 530ha arable and store lamb farm at Dorie, Mid Canterbury. She is a chartered member of the Institute of Director and a member of the Lincoln University Council.



## 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:

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

- 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 Limited, Silver Fern Farms Limited or any of their subsidiaries.

The Board at 31 December 2023 comprised, five supplier-elected Directors, two Board-appointed Independent Directors and one Board-appointed farmer Director as follows:

Adrian Ball	Board appointed farmer director
William Beetham	Shareholder elected
Rodney Booth	Shareholder elected
Cassandra Crowley	Independent
Tim Gibson	Independent
Rob Hewett	Shareholder elected, Chair
Anna Nelson	Shareholder elected
Gabrielle Thompson	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 shareholder-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.

### 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 Limited 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 Chair 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 Chair, 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 \$1,026 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 2023, the Board met five times as follows:

Director	Board	Annual	Committee*
Adrian Ball	5	1	2
William Beetham	5	1	2
Rodney Booth	3	-	-
Cassandra Crowley	3	1	1
Tim Gibson	5	1	2
Rob Hewett	5	1	4
Dan Jex-Blake	2	1	1
Anna Nelson	5	1	2
Jane Taylor	2	-	1
Gabrielle Thompson	5	1	2
Richard Young	3	1	1

# 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 2023 are:

- Adrian Charles Ball
- Ralph William Trevor Beetham
- Rodney Paul Booth
- Cassandra Rose Crowley
- Timothy Dunlop Gibson
- Robert James Hewett (Chair)
- Anna Gioia Nelson
- Gabrielle Jane Thompson.

## Directors' Interest in Transactions

For the period ended 31 December 2023, 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 6 March 2024:

"In the opinion of the Board, Silver Fern Farms Co-operative Limited has throughout the period ended 31 December 2023 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 2023, 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, Gabrielle Thompson and Adrian Ball.

## Audit, Risk Assessment and Mitigation Committee

The Committee comprises Cassandra Crowley - Chair, Anna Nelson, Rodney Booth and 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 2023, Silver Fern Farms Co-operative made no donations (2022: \$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 2023 are set out in the following table:

Director	Holding as at 31 December 2023
Adrian Ball	40,000
Rodney Booth	80,000
William Beetham	58,327
Rob Hewett	70,000
Anna Nelson	79,314
Gabrielle Thompson	125,031

Tim Gibson and Cassandra Crowley 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 \$1,026m.

Director	Positions	Co-operative	Operating Company	Total
		Year ended 31 December 2023	Year ended 31 December 2023	Year ended 31 December 2023
Adrian Ball	Director of the Co-operative	35,137	-	35,137
William Beetham	Director of the Co-operative and Operating Company	36,550	67,479	104,029
Rodney Booth	Director of the Co-operative	24,457	-	24,457
Cassandra Crowley	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	36,825	102,654	139,479
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	38,700	111,771	150,471
Rob Hewett	Chair of the Co-operative, Co-chair of the Operating Company	68,800	233,167	301,967
Dan Jex-Blake	Former director of the Co-operative and Operating Company	12,093	34,417	46,510
Anna Nelson	Director of the Co-operative and Operating Company	36,547	67,482	104,029
Jane Taylor	Former director of the Co-operative and Operating Company	9,375	26,462	35,837
Gabrielle Thompson	Director of the Co-operative	39,646	-	39,646
Richard Young	Former director of the Co-operative and Operating Company	12,093	32,571	44,664
<b>Total Directors' fees</b>		<b>350,223</b>	<b>676,003</b>	<b>1,026,226</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 2023 (\$165,000 - \$175,000).

## Directors' Statement

This Annual Report is dated 28 March 2024 and is signed on behalf of the Board by:

  
R J Hewett  
Chair



**C R Crowley**  
Chair - Audit, Risk Assessment and  
Mitigation Committee

# Your Co-operative Financial Statements

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

NZD IN THOUSANDS (\$000)	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Share of earnings of Silver Fern Farms Limited	2(b)	(12,185)	94,654
Forfeiture of supplier investment share redemptions	8	601	-
Interest income		1,988	787
<b>Total income/(loss)</b>		<b>(9,596)</b>	<b>95,441</b>
Operating expenditure	3	(1,209)	(1,174)
<b>Total expenses</b>		<b>(1,209)</b>	<b>(1,174)</b>
<b>Profit/(loss) before tax</b>		<b>(10,805)</b>	<b>94,267</b>
Tax benefit/(expense)	4	58	(168)
<b>Profit/(loss) after tax</b>		<b>(10,747)</b>	<b>94,099</b>
<b>Other comprehensive income</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Share of Silver Fern Farms Limited other comprehensive income	2(b)	490	4,741
<b>Total comprehensive income/(loss)</b>		<b>(10,257)</b>	<b>98,840</b>
<b>Earnings per share attributable to shareholders of the parent</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	5	(10.81)	94.73
Diluted earnings per share	5	(10.71)	93.74

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

## Consolidated Statement of Financial Position

For the year ended 31 December 2023

NZD IN THOUSANDS (\$000)	Notes	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		272	211
Short term deposits	6	35,295	34,370
Trade and other receivables	7	61,450	33,871
Equity receivable	9(b)	19	327
<b>Total current assets</b>		<b>97,036</b>	<b>68,779</b>
<b>Non-current assets</b>			
Equity-accounted investment in Silver Fern Farms Limited	2(a)	383,140	417,336
Deferred tax assets	4	58	-
<b>Total non-current assets</b>		<b>383,198</b>	<b>417,336</b>
<b>TOTAL ASSETS</b>		<b>480,234</b>	<b>486,115</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	63,040	37,143
<b>Total current liabilities</b>		<b>63,040</b>	<b>37,143</b>
<b>Non-current liabilities</b>			
Members' rebate shares	9(a)	10,354	10,581
<b>Total non-current liabilities</b>		<b>10,354</b>	<b>10,581</b>
<b>TOTAL LIABILITIES</b>		<b>73,394</b>	<b>47,724</b>
<b>NET ASSETS</b>		<b>406,840</b>	<b>438,391</b>
<b>EQUITY</b>			
Ordinary share capital	9(b)	136,495	136,495
Foreign currency translation reserve		1,932	1,417
Cash flow hedge reserve		2,799	2,824
Retained earnings		265,614	297,655
<b>TOTAL EQUITY</b>		<b>406,840</b>	<b>438,391</b>

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



**R J Hewett**  
Chair  
28 March 2024



**C R Crowley**  
Chair - Audit, Risk Assessment and  
Mitigation Committee  
27 March 2024

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

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	9(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>

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 2023</b>		<b>136,495</b>	<b>2,824</b>	<b>1,417</b>	<b>297,655</b>	<b>438,391</b>
Profit for the year		-	-	-	(10,747)	(10,747)
<b>Other comprehensive income</b>						
Share of Silver Fern Farms Limited other comprehensive income	2(b)	-	(25)	515	-	490
<b>Total comprehensive income</b>		<b>-</b>	<b>(25)</b>	<b>515</b>	<b>(10,747)</b>	<b>(10,257)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Dividends paid	9(c)	-	-	-	(22,216)	(22,216)
Dividends forfeited	8	-	-	-	922	922
<b>Balance as at 31 December 2023</b>		<b>136,495</b>	<b>2,799</b>	<b>1,932</b>	<b>265,614</b>	<b>406,840</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 2023

NZD IN THOUSANDS (\$000)	Notes	2023	2022
<b>Cash flows from/(used in) operating activities</b>			
Payments to suppliers and directors		(1,202)	(1,031)
Dividends received from Silver Fern Farms Limited	2	22,500	39,300
Interest received		1,823	639
Income taxes received		-	116
<b>Net cash flows from operating activities</b>	10	<b>23,121</b>	<b>39,024</b>
<b>Cash flows from/(used in) investing activities</b>			
Investment in short term deposits		(925)	(11,200)
<b>Net cash flows used in investing activities</b>		<b>(925)</b>	<b>(11,200)</b>
<b>Cash flows from/(used in) financing activities</b>			
Dividends paid	9(c)	(22,216)	(29,472)
Deferred proceeds from issue of ordinary shares	9(b)	308	439
Cash returned from unclaimed dividends and share redemptions	8	-	1,425
Members' rebate shares redeemed	9	(227)	(218)
<b>Net cash flows used in financing activities</b>		<b>(22,135)</b>	<b>(27,826)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>61</b>	<b>(2)</b>
Cash and cash equivalents at the beginning of the financial year		211	213
<b>Cash and cash equivalents at end of year</b>		<b>272</b>	<b>211</b>

In addition to cash and cash equivalents, the Co-operative held short term deposits of \$35,295,000 at balance date (2022: \$34,370,000).

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 2023, 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, sheep meat, venison and related products.

Where applicable, certain comparatives have been reclassified to comply with the accounting presentation adopted in the current year.

At 31 December 2023, 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 28 March 2024.

#### a. Basis of preparation

These consolidated financial statements of the Co-operative have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for tier 1 for profit entities. These financial statements also comply with International Financial Reporting Standards ('IFRS').

These consolidated financial statements are presented in New Zealand Dollars (\$), which is the Co-operative's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Management has assessed the new standards implementation and have assessed that there is no impact of the implementation of new standards, amendments or IFRIC interpretations that apply to the Co-operative for the year ended 31 December 2023 or in the future.

The directors have considered the impact of standards and interpretations not yet effective and do not expect any of these to have a material impact.

#### Going Concern

In preparing these financial statements, the directors have assessed various events, conditions and uncertainties facing the Co-operative and its ability to continue as a going concern. This uncertainty does not give rise to any significant doubt upon the groups ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

#### b. 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. Indicators of impairment were identified at 31 December 2023. An assessment of the fair value of the associate investment was carried out accordingly under NZ IAS 28 (refer to note 2).

#### Climate risk

While the effects of climate change are a continuing source of uncertainty the risk lies with the operating company who have put controls in place to respond to the risk and opportunities that climate change creates.

## FINANCIAL PERFORMANCE

### 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% of the shares in the Operating Company; the other 50% 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% investment in the Operating Company as an associate. The Co-operative holds no other investments in associates.

NZD IN THOUSANDS (\$000)	Notes	2023	2022
<b>Opening balance</b>		<b>417,336</b>	<b>357,242</b>
Share of profit/(loss) after tax	2(b)	(12,185)	94,654
Share of other comprehensive income	2(b)	490	4,740
Dividend received		(22,500)	(39,300)
<b>Closing balance</b>		<b>383,140</b>	<b>417,336</b>

A final dividend in respect of the year ended 31 December 2022 of \$22,500,000 (2022: \$23,350,000) was declared and paid during the year (Total dividends 2023: \$22,500,000; 2022: \$39,300,000).

The directors have assessed that there were indicators of impairment as at 31 December 2023, being a significant market downturn impacting earnings in Silver Fern Farms Limited and also interest rates have continued to rise throughout the year.

An assessment on the fair value of the investment was conducted using a discounted cash flow model based on 5 year plan provided by Silver Fern Farms Limited. The 5 year plan reflects Silver Fern Farm Limited management's view that the current fall in market pricing being experienced due to the cyclical pattern around meat pricing lifts over the next 18 months. The model also uses externally sourced inputs to calculate discount rates and terminal growth rate. Sensitivity analysis was conducted on the inputs at plus and minus 10% with no issues.

The valuation was higher than the carrying amount of the investment so no impairment loss recognised.

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

NZD IN THOUSANDS (\$000)	2023	2022
Revenue	2,780,851	3,277,764
Share of profit of associates	17,690	15,013
Interest income	643	1,686
Raw materials and consumables used	(1,927,924)	(2,236,792)
Employee benefits expense	(534,198)	(479,418)
Finance costs	(11,361)	(3,660)
Other operating expenses	(320,671)	(276,996)
Depreciation and amortisation	(41,406)	(35,013)
<b>Profit/(loss) before tax (100%)</b>	<b>(36,376)</b>	<b>262,584</b>
Income tax benefit/(expense)	12,006	(73,277)
<b>Profit/(loss) after tax (100%)</b>	<b>(24,370)</b>	<b>189,307</b>
Other comprehensive income (100%)	980	9,481
<b>Total comprehensive income/(loss) (100%)</b>	<b>(23,390)</b>	<b>198,788</b>
<b>Co-operative's share (50%)</b>		
Co-operative's share of profit/(loss) after tax (50%)	(12,185)	94,654
Co-operative's share of other comprehensive income (50%)	490	4,741
<b>Co-operative's share of total comprehensive income/(loss) (50%)</b>	<b>(11,695)</b>	<b>99,395</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/>.

**c. Co-operative's share of net assets of Silver Fern Farms Limited****Net assets of Silver Fern Farms Limited (100%)**

NZD IN THOUSANDS (\$000)	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	23,391	18,972
Trade and other receivables	300,331	377,589
Derivative financial instruments	18,770	25,126
Inventories	249,499	276,001
Current tax receivable	13,280	-
<b>Total current assets</b>	<b>605,271</b>	<b>697,688</b>
<b>Non-current assets</b>		
Property, plant and equipment	480,137	413,919
Intangible assets	16,836	7,928
Investments in associates	31,205	26,583
Other investments	3,701	101
Right-of-use assets	19,832	14,547
Deferred tax asset	1,474	-
<b>Total non-current assets</b>	<b>553,185</b>	<b>463,078</b>
<b>TOTAL ASSETS</b>	<b>1,158,456</b>	<b>1,160,766</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	189,016	195,197
Interest bearing loans and borrowings	195,485	62,592
Tax payable	-	54,011
Provisions	7,788	7,443
Derivative financial instruments	39	1,628
Lease liabilities	8,537	6,196
<b>Total current liabilities</b>	<b>400,865</b>	<b>327,067</b>
<b>Non-current liabilities</b>		
Provisions	10,093	10,189
Deferred tax liabilities	-	10,989
Lease liabilities	12,058	8,691
Other non current liabilities	10,354	-
<b>Total non-current liabilities</b>	<b>32,505</b>	<b>29,869</b>
<b>TOTAL LIABILITIES</b>	<b>433,370</b>	<b>356,936</b>
<b>Net assets of Silver Fern Farms Limited (100%)</b>	<b>725,086</b>	<b>803,830</b>
Co-operative's share of net assets (50%)	367,719	401,915
Goodwill on initial recognition	15,421	15,421
<b>Equity accounted investment in Silver Fern Farms Limited</b>	<b>383,140</b>	<b>417,336</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. Operating expenditure

NZD IN THOUSANDS (\$000)	2023	2022
Directors fees	1,026	936
Additional operating costs	183	238
<b>Total operating expenditure</b>	<b>1,209</b>	<b>1,174</b>

### 4. 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)	2023	2022
<b>INCOME TAX EXPENSE</b>		
<b>Current tax</b>		
Current tax on profits/(losses) for the year	-	168
<b>Deferred tax</b>		
Deferred tax in respect of the current year	(58)	" - "
<b>Income tax (benefit)/expense</b>	<b>(58)</b>	<b>168</b>
<b>Numerical reconciliation of prima facie tax payable to tax expense</b>		
Profit/(loss) before income tax expense	(10,805)	94,267
Income tax @ 28%	(3,025)	26,396
<b>Tax effects of:</b>		
• Non-assessable earnings from Silver Fern Farms Limited	3,411	(26,503)
• Other Non Taxable income	(169)	-
• Dividends from Silver Fern Farms Limited	8,750	15,283
<b>Other adjustments:</b>		
• Imputation credits attached to dividends received	(8,750)	(15,283)
• Recognised tax losses in respect of prior years	(275)	-
• Adjustment in respect of prior years tax losses carried forward	-	168
• Tax losses to be carried forward	-	107

#### Imputation credit balance

The Co-operative has an imputation credit balance as at 31 December 2023 of \$8,353,000 (2022: \$8,242,000).

#### Tax losses

Silver Fern Farms Co-operative Limited had \$58,000 of unused tax losses for which a deferred tax asset has been recognised (2022: \$275,000 no deferred tax asset was recognised for the losses as they did not meet the recognition criteria).

### 5. Earnings per share

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

NZD IN THOUSANDS (\$000)	2023	2022
Profit attributable to the ordinary equity holders of the Co-operative used in calculating basic and diluted earnings per share	(10,747)	94,099

#### b. Weighted average number of shares

NUMBER OF SHARES IN THOUSANDS (000)	2023	2022
Weighted average number of ordinary shares for basic earnings per share	99,450	99,336
Effect of dilution – partly paid ordinary shares	929	1,043
<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

### 6. Current assets - short term deposits



#### Accounting policy

Short term deposits are measured at amortised cost using the effective interest method.

NZD IN THOUSANDS (\$000)	2023	2022
Short term deposits	35,295	34,370
<b>Total short term deposits</b>	<b>35,295</b>	<b>34,370</b>

The Co-operative holds short term deposits in a mixture of on call and fixed term deposits. Maturity dates on term deposits range from one to five months and have interest rates of between 6.0% and 6.51%.



## 7. 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.

No expected future credit losses have been recognised as the only customer is the Operating Company. There have been no historical credit losses.

NZD IN THOUSANDS (\$000)	Notes	2023	2022
Livestock receivables from the Operating Company	13	59,907	33,337
Other receivables from the Operating Company	13	18	15
Other receivables		1,525	519
<b>Total trade and other receivables</b>		<b>61,450</b>	<b>33,871</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.

## 8. 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.

NZD IN THOUSANDS (\$000)	Notes	2023	2022
Livestock payables to shareholder suppliers	13	59,907	33,337
Other payables		2,950	3,570
Payables to the Operating Company	13	183	236
<b>Total trade and other payables</b>		<b>63,040</b>	<b>37,143</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 2023, other payables include amounts owed to shareholders of \$2,915,000 (2022: \$3,553,000). This represents \$1,466,000 (2022: \$1,635,000) of unclaimed dividends, \$1,449,000 (2022: \$1,458,000) of rebate shares and \$0 (2022: \$600,000) 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. 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. The share registrar holds \$1,067,000 in trust, which is included within other receivables, disclosed in note 7.

The directors resolved to forfeit distributions unclaimed for greater than 5 years. These amount to \$601,000 of supplier investment shares and \$922,000 of unclaimed dividend.

## FUNDING

### 9. 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 \$10,354,000 (2022: \$10,581,000) 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' Rebate Shares	Ordinary Shares
<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>
Shares redeemed	(227)	-
<b>At 31 December 2023</b>	<b>10,354</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 (2022: 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 2023 where the shareholding was less than \$1,000 was 42 (2022: 29,429 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 \$19,000 (2022: \$327,000). During the year, \$308,000 was received in respect of partly paid shares (2022: \$439,000).

### c. Dividends

The final dividend was paid by the Operating Company (received by the Co-operative) in respect of the year ended 31 December 2023 for \$22,500,000 (\$23,350,000) and was declared and paid during the year (Total dividends 2023: \$22,500,000 (2022: \$39,300,000)).

During the year ended 31 December 2023, an ordinary dividend was paid of 13.1 cents per share to shareholders (2022: 23 cents per share). This year, eligible shareholder suppliers were rewarded with a patronage reward of 21.6 cents per share (2022: 12.1 cents per share), with the total distributed amounting to \$22,216,000 (2022: \$29,472,000).

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

NZD IN THOUSANDS (\$000)	2023	2022
<b>Profit for the period</b>	(10,747)	94,099
Share of earnings of Silver Fern Farms Limited	12,185	(94,654)
Forfeiture of supplier investment share redemptions	(601)	-
Deferred tax recognised	(58)	-
Dividends received from Silver Fern Farms Limited	22,500	39,300
<b>Movement in working capital</b>		
(Increase) in receivables	(103)	(2,364)
Increase in tax payable	-	284
Increase/(decrease) in payables	(55)	2,359
<b>Net cash inflow from operating activities</b>	<b>23,121</b>	<b>39,024</b>

## 11. 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 7, 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% 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.

### Cash and cash equivalents

The Group held cash, cash equivalents and short term deposits of \$35,567,000 as at 31 December 2023 (2022: \$34,581,000). The cash, cash equivalents and short term deposits are held with banks which are rated AA to AA+ based on Standard & Poor's agency ratings.

Impairment on cash, cash equivalents and short term deposits have been measured on a 12 month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash, cash equivalents and short term deposits have low credit risk based on the external credit ratings of the counter-parties.

The Group uses a similar approach for assessment of ECL's for cash, cash equivalents and short term deposits to those used for debt securities.

### 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 \$15,000,000 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.

## 12. Events occurring after the reporting period

No subsequent events outside the normal course of business have been identified.

## 13. Related party disclosures

### Operating Company

- During the year \$1,113,264,000 (2022: \$1,204,221,000) was invoiced to the Operating Company in respect of livestock. \$1,113,264,000 (2022: \$1,204,221,000) was invoiced from shareholder suppliers in connection with livestock supplied for the year.
- At 31 December 2023 \$59,507,000 (2022: \$33,337,000) was receivable from the Operating Company and \$59,507,000 (2022: \$33,337,000) was payable to shareholder suppliers in connection with livestock supplied.
- Other receivables from the Operating Company amounted to (\$18,000) as at 31 December 2023 (2022: \$15,000) payable from the Operating Company. Other payables to the Operating Company amounted to \$183,000 as at 31 December 2023 (2022: \$236,000).

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 2023 (2022: \$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 \$11,629,000 (2022: \$11,111,000).
- At 31 December 2023, \$626,000 was payable to directors and their trading entities (2022: \$239,000).

### 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 \$1,026,000 (2022: \$936,000).

## 14. Auditor's remuneration

NZD IN THOUSANDS (\$000)	2023	2022
Audit fees	56	40

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



# Independent Auditor's Report

To the shareholders of Silver Fern Farms Co-Operative Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, the financial statements of Silver Fern Farms Co-Operative Limited (the 'company') and its subsidiary and equity accounted investment (the 'group') on pages 2 to 21 present fairly, in all material respects:

- i. the Group's financial position as at 31 December 2023 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 issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- The consolidated statement of financial position as at 31 December 2023;
- 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 other services to the group in relation to audit, and other services in relation to technology risk consulting and value chain analysis 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 consolidated financial statements as a whole was set at \$4.4m determined with reference to a benchmark of group total assets. We chose the benchmark because, in our view, this is a key measure of the group's performance.

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

The group holds an equity accounted investment for its 50% share in Silver Fern Farms Limited. The investment is carried at \$383.1m having accounted the for the co-operative share of losses during the year of \$12.1m.

This is a key audit matter because:

- The investment is significant to the group's position and performance (representing 80% of total assets); 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.
- Management assessed a range of factors and determined that indicators of impairment of the investment in SFFL 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;
- Evaluation of the future cash flow assumptions by considering the historical financial performance of the investment and obtaining an understanding of future plans and outlook;
- Review of the mathematical accuracy of the valuation model;
- Challenging management's assumptions and judgements by performing sensitivity analyses; and
- Engaging the specialists to assess the key assumptions used in the valuation model, including WACC ('Weighted average cost of capital') and TGR ('Terminal growth rate').

Overall, we found judgements and assumptions used in assessing the carrying value of the equity accounted investment to be balanced, noting a valuation headroom continues to exist.



## 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 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) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;

implementing necessary internal control to enable the preparation of a set of consolidated 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 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-4/>

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

KPMG  
KPMG Auckland  
28 March 2024

# Our Directory

## Board of Directors

Rob Hewett - Chairman  
 Adrian Ball  
 William Beetham  
 Rodney Booth  
 Cassandra Crowley  
 Tim Gibson  
 Anna Nelson  
 Gabrielle Thompson

## Management

Clark Taylor – Shareholder Relations Manager

## Office

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 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
- ANZ

## Auditor

KPMG

## Tax Advisors

PwC

## Legal Advisors

Harmos Horton Lusk







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