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'Plate-to-pasture' strategy a winner

From humble beginnings in Otago more than 60 years ago, Silver Fern Farms has built a strong reputation as one of New Zealand's leading marketers of sheepmeat, lamb, beef and venison. Today, this co-operative company represents more than 20,000 farmers and is fully focused on marketing its products to consumers – both here in New Zealand and overseas.

An ongoing challenge for the company is the continued decline in the national lamb flock and changing land use by farmers. However, as John points out, the company's product base is diverse, ranging from sheep and lamb to beef and venison. It's also very consumer-focused and driven.

"We've introduced a 'plate-to-pasture' marketing strategy, which puts the consumer first, looking at what they need and then asking farmers to grow animals specifically to meet those needs," says John. This targeted approach has been successful, not only in generating new revenue, but also in educating and informing the company's farmer suppliers.

Another win for the company and its



John Yates, Corporate Services Manager, has been involved with the company for 39 years. He is proud of its heritage as one of New Zealand's longest-standing, grass-roots farming co-operatives. "We changed our name and brand to Silver Fern Farms in 2008, after years operating as Primary Producers Co-operative Society (PPCS). The name change better reflected our vision to be a fully-integrated market-focused company," says John.

So how is Silver Fern Farms performing in what are arguably challenging times for the farming sector? "We've concentrated on efficiency and rationalisation and that has seen Silver Fern Farms markedly reduce debt from \$331m to an expected \$118m over the past three years. As a result of the improved balance sheet, the company will be repaying its NZDX five-year bonds ahead of schedule," says John.

shareholders has been the quoting of Silver Fern Farms' shares on Unlisted in 2009. "Being quoted on Unlisted means our shareholders have transparency into the value of their investment and has removed the burden on Silver Fern Farms to administer any share trading," says John.

"Unlisted communicates regularly with our shareholders and gives them the opportunity to trade shares in a public forum, which has been a very positive move for everyone. For the company, it means we can focus on our core business."

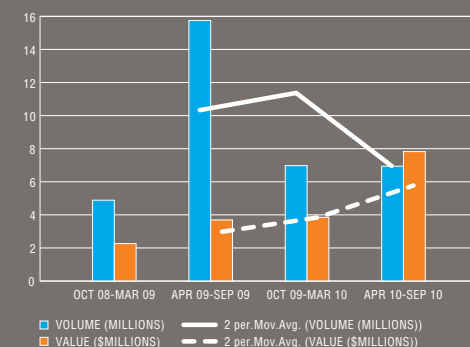
Looking ahead, John says the company will continue to concentrate on cost efficiencies while also looking at expanding into emerging markets including China and South America. "We operate in a global, consumer-driven market and that drives our business, our farmers and our people," says John.

Trading Review April '10 - September '10

TRADE SUMMARY

In the six months of trading from 1 April to 30 September 2010, Unlisted has facilitated 502 trades of 6.9 million shares worth \$7.8 million, at a monthly average of 84 trades of over 1 million shares worth \$1.3 million. This compares with 500 trades of 6.9 million shares worth \$3.8 million over the six month period to 31 March 2010, and 519 trades of 15 million shares worth \$3.7 million over the six month period to 30 September 2009.

HALF YEARLY VOLUME AND VALUE COMPARISONS



Posting the most trades was DNZ Property Fund at 86 trades (17.1% of all trades) worth \$986K (13% of trades by value) followed by King Country Energy with 84 trades (16.7% of all trades) worth \$448K (6% by value).

Skyline had 61 trades (12.1% of all trades) worth the highest value of \$3.6 million (46% of total value traded).

Compared with prices at the end of the previous six months (31 March 2010) price movements have been generally positive. Vehicle Inspection NZ has improved 35 cents (32%) to \$1.45, Rangatira (B) increased 85 cents (17%) to \$6.00, Silver Fern Farms rose 9 cents (16%) to 65 cents and Skyline was up 62 cents (11%) to \$6.02. Going down were King Country Energy off 24 cents (6%) to \$3.76, Irongate Property down 5 cents (57%) to 4 cents and Kaimai Cheese fell 8 cents (5%) to \$1.52.

ISSUER ACTIVITY

Issuer movement over the last six months has seen the departure of Tasman Farms Limited and DNZ Property Trust. There were no new issuers during the period; however Dorchester Property Trust joined Unlisted on 1 October.

Unlisted's perspective of Securities Law Review

by Bevan Wallace, Unlisted Chairman

It was with some trepidation that Unlisted reviewed the Ministry of Economic Development's June 2010 discussion document 'Review of Securities Law' (RSL). Our concern, based on our experience and our requirement to commit substantial resource to the 2005 regulatory review of Unlisted, was that the proposals would not be fully developed and potentially biased by a predilection for increased regulation.

From a market operator's perspective our concerns were realised. The current clear distinction between registered and unregistered markets risks being blurred by a proposal to merge the Securities Act 1978 and the Securities Markets Act 1988 and introduce an exemption regime for market operators.

Our fundamental concern is based on the proposition that any change in the regulatory compliance obligations of securities trading facilities and/or their issuers as a consequence of the introduction of a single Act, will impact on the commercial merit to both the operator and the issuer of any securities trading proposition. Accordingly, Unlisted made a submission on aspects of the RSL relevant to operating securities trading platforms¹.

We argued that a new regime must maintain issuer and investor ability to opt-in or out of a range of markets. We considered that such an environment fosters small capitalisation entities and initial public offerings, with unregistered markets allowing directors, officers and other insiders to also inform investors in the price discovery process.

We considered that registering all operators and introducing partial exemptions risked significant investor confusion. Our view is that expectations would be for the full gambit of regulatory protections to be afforded regardless of the facility through which transactions were executed. We considered an operator should be synonymous with the regulatory environment within which it operates.

Significantly, we argued that securities traded on unregistered share trading facilities should continue to be exempt from the Securities Markets Act 1988 Continuous Disclosure, Director and Officer Disclosure and Insider Trading provisions.

We noted that Insider Trading provisions of the Securities Markets Act 1988 are extremely difficult to monitor and enforce. Further, we asserted that for small and medium-size companies for which there is limited or indeed no third party research coverage or independent analysis, additional restrictions on trading by insiders arguably impedes the price discovery process and underlying liquidity and ultimately value of the securities. For such tightly held issuers where directors, officers and other insiders tend to be majority shareholders and market makers, sanctions against self-interested dealings by such "insiders" should continue to be available through the Companies Act and Fair Trading Act.

We observed that regulatory enforcement obligations, their associated costs and who bears them would be key considerations in assessing whether or not any variation to the regulatory boundaries of registered and unregistered securities trading facilities is justified.

We reiterated Unlisted has no desire to become an enforcement agency and that the Unlisted business case does not support additional costs associated with enforcement obligations.

Market integrity requires that regulatory obligations be policed. The migration of a number of Unlisted Issuers back to over-the-counter trading also suggests that small to medium-sized issuers are not in a position to sustain the costs associated with additional regulations. For this reason we deduced that the regulatory agencies would most likely have to meet incremental monitoring costs.

We concluded that, absent evidence to the contrary, the regulatory boundaries of registered and unregistered securities trading facilities should be maintained.

1 A copy of this submission can be obtained from the Unlisted Manager by emailing a request to info@unlisted.co.nz

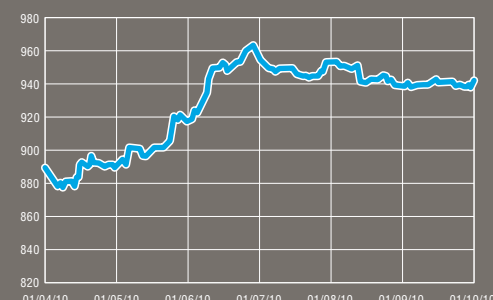
MARKET METRICS

As at 30 September 2010 the aggregate market capitalization of all stocks was \$0.72 billion. This decrease, compared with \$0.88 billion on 31 March 2010 and \$0.93 billion on 30 September 2009, was due to the loss of Tasman Farms (\$62 million) and DNZ (\$169 million).

Daily traded value reached a high during the six months of \$2.1 million on 23 September.

The Unlisted Weighted Average Market Price Indicator, which had a base of 1,000 points when it was introduced on Monday 2 April 2007, was up 5% (48 points) over the six months to 942 points as at 30 September (720 points last September, with an all-time high of 1,112 points on 28 June 2007).

UNLISTED WEIGHTED AVERAGE MARKET PRICE INDICATOR
1 APR TO 30 SEP 2010

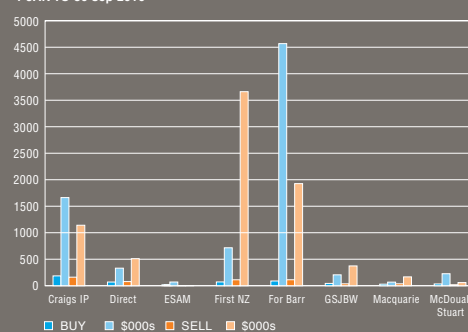


BROKER ACTIVITY

Craigs IP dominated buying activity by trades in the six months to 30 September accounting for 36% or 181 trades worth \$1.6 million. Forsyth Barr was in second spot at 17% (86 trades worth \$4.5 million) followed by Direct Broking at 14% (72 trades worth \$327K). Selling activity also saw Craigs IP holding top spot at 31% (158 trades worth \$1.1 million), with First NZ Capital in second at 22% (110 trades worth \$3.6 million), and Forsyth Barr not far behind at 21% (104 trades worth \$1.9 million).

On 31 May Forsyth Barr acquired 50% of Esam Cushing and has assumed the Unlisted trading and settlements for them.

BROKER ACTIVITY
1 JAN TO 30 sep 2010



CONCLUSION

The number of trades and the volume of shares traded over the period were similar to the previous six months. The value traded almost doubled over the period while prices, and consequently the Market Price Indicator, tracked slightly upwards over the six months.

Unlisted is pleased to welcome Dorchester Property Trust in October and continues to have discussions with several prospective issuers. It is anticipated that we will see some movement in this area in the coming months.

Please note Unlisted has changed its postal address to PO Box 3156, Wellington 6140.



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