



**SILVER
FERN™
FARMS**

HALF YEAR REPORT 2009



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29 APRIL 2009



CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

Unaudited Interim Results

Silver Fern Farms has reported an unaudited net loss of \$5.9m for the six months ended 28 February 2009 on total income of \$1,002.4m (February 2008: \$884.5m).

Whilst unit revenues are up as a result of international market gains and currency depreciation, the results reflect timing changes in marketing programmes based around a flatter sales profile aimed at aligning supply to year round customer requirements.

Further, the company had to contend with an exceptionally volatile currency which had fluctuating impacts on revenues and margins.

The results would have been similar to the comparable six month period to February 2008 adjusted for currency mark to market and timing of sales volumes. Working capital requirements for the period were also substantially up on last year's as a result of the higher than forecast kill, albeit at lower overall levels than 2008, lower currency, the early season and shortening of customer orders as they assessed the impact of the international financial crisis.

The results are considered acceptable given the seasonality of the meat industry. It is also gratifying to note that farmer returns have moved to more sustainable levels, which is positive news for the pastoral sector as a whole.

Inventories (including livestock) stood at \$383.3m (February 2008: \$289.6m) from which margin will be gained over the second six months of the financial year.



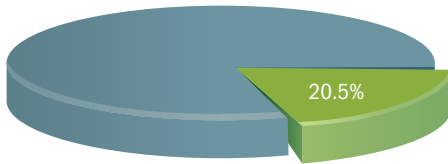
EOIN GARDEN
Chairman



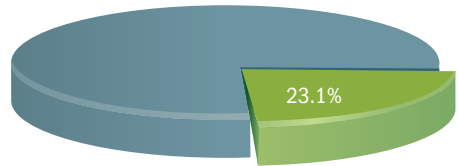
KEITH COOPER
Chief Executive

Percentage of Chilled Lamb Shipments

● Chilled ● Frozen



% of cut sales to April 2008



% of cut sales to April 2009

Market – Processing – Supply Alignment

Project Rightsize, implemented and largely completed in the 2008 financial year, had many facets, including:

- Improving supplier returns
- Rebranding and repositioning of our business
- Reconfiguration of our plants
- Disposal of non-core assets
- Debt reduction
- Business partnerships in non-core activities.

The company's overriding focus is on aligning market requirements to our livestock farmer partners. This has meant moving away from being production driven to market led, aligned with consumer requirements and hence the launch of our Backbone™ procurement tools. These induce and reward farmer partners who move with market led signals.

Inevitably Rightsize has led to an overall decrease in livestock market share, reflecting the move away from a production model based on the grass growth curve, and maximising plant throughputs, to that of being market led and pricing livestock in line with customer requirements.

Plant provides a service to this value chain as opposed to being the driver of profits.

The success of our strategy so far is demonstrated by the proportional movement of livestock from the peak period to the off peak period and resultant increase in market penetration with an overall increase in chilled sales versus frozen.

This is only a provisional measure of what will be an ongoing transformation of the business to being a truly integrated, market led organisation.

Settlement with PGG Wrightson

Post balance date, PGG Wrightson (PGW) and Silver Fern Farms have agreed the terms of a settlement following PGW's default on the equity transaction agreed last year.

PGW has paid \$30m in cash, inclusive of \$3.5m reimbursement of costs incurred by Silver Fern Farms on the transaction, and issued Silver Fern Farms with 10 million PGW ordinary shares. PGW and Silver Fern Farms will continue working on initiatives to pursue our 'plate to pasture' supply chain strategy.

Bank Facilities

Silver Fern Farms renewed its banking facilities on 21 August 2008 for a two year term through to 30 September 2010. The renewed facilities included specific funding to repay the \$50m SFF020 Bonds that matured and were repaid on 16 March 2009.

The company notified the market of a breach to its shareholders funds ratios on 9 December 2008, and a waiver was notified to the market on 6 March 2009.

Capital Restructuring

As advised at the January Annual Meeting of Shareholders this year, Silver Fern Farms is currently evaluating capital raising options to ensure capital adequacy, fund the business reinvestment programme and insulate the company from the potential risks associated with the international credit crunch.

In line with renewed expressions of capital support from shareholders, your board favours a share issue, which we believe offers a number of inherent benefits while ensuring that farmers retain control of their processing and marketing assets – the cornerstone of the cooperative model. It is contemplated the option will be for suppliers to convert all Rebate and Supplier Investment Shares (SIS) to a new share class and move away from the \$1 in \$1 out principle. This new model would reflect the underlying value of the business on an ongoing basis.

It is likely we will propose a reduced board with a good balance between experienced farmer elected representatives and appointed directors with specific skill sets to cover our financial, strategic and global marketing needs. We are planning to launch the capital restructuring and governance review to shareholders in July of this year.

Farm Brands Limited

In January 2009 Silver Fern Farms and Modena Investments (New Zealand) Limited formed a joint venture company, Farm Brands Limited (FBL), to undertake the purchasing, production and marketing of meal and tallow.

The agreement is another step in our ongoing strategy of improving processing efficiencies and marketing, ensuring added value to supplier partners and customers by way of joint venture initiatives and becoming an integrated marketing company with specialist partners.

Modena Investments (New Zealand) is owned by Landmark (New Zealand) Limited, a domestic tallow trading company and Societa Azionaria Prodotti Industriali S.p.A (SAPI), an Italian renderer with operations in Europe and commercial agreements in South America.

As an international exporter, SAPI represents an ideal partner, offering technology, processing and global marketing expertise. An initiative of this nature will ensure we make the most of market opportunities, while providing a vehicle to aggregate raw material volumes to consolidate marketing strategies.

FBL will establish new rendering facilities for the production of meal and tallow. Annual budgeted sales by FBL would initially be valued at about \$70m.

Outlook

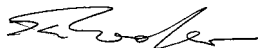
In the coming months, Silver Fern Farms will continue to work towards implementing its plate to pasture strategies, through initiatives such as the consumer brand launch, supply chain management and the installation of robotic technologies and X-Ray yield grading at plants.

We look forward to a positive second half of the year. Incorporating the PGW settlement, the year-end forecast is projected to be positive with an equity ratio of 50% up from 41% in August 2008 and an interest bearing debt position of \$165m (August 2008: \$245m).

While there is an expectation that lamb numbers will be approximately 20% down on last year, forecasts by M&WNZ Economic Service numbers show a modest appreciation next year, which will positively influence financial returns as Silver Fern Farms completes a business transformation programme that it embarked on in February 2007.



Eoin Garden
Chairman



Keith Cooper
Chief Executive

UNAUDITED FINANCIAL STATEMENTS



CONSOLIDATED INCOME STATEMENT
UNAUDITED

\$000	Note	Six Months Ended 28 Feb 09	Six Months Ended 29 Feb 08
Continuing Operations			
Sale of goods		996,887	849,323
Other revenue	2	753	204
Revenue		997,640	849,527
Other income	3	4,727	34,982
Total income		1,002,367	884,509
Raw materials and consumables used		594,952	551,339
Employee benefits expense	4	151,255	156,439
Depreciation and amortisation		12,605	13,428
Finance costs	4	10,924	14,368
Other operating expenses		249,161	133,862
Profit/(loss) from continuing operations before member distributions, income tax and non-recurring items		(16,530)	15,073
Member distributions		184	653
Profit/(loss) before income tax and non-recurring items		(16,714)	14,420
Non-recurring items - income	5	5,900	1,650
Non-recurring items - costs	5	(1,294)	(3,635)
Total non-recurring items		4,606	(1,985)
Profit/(loss) before income tax		(12,108)	12,435
Income tax expense/(benefit)		(6,151)	1,153
Net profit/(loss) for the period		(5,957)	11,282
Profit/(Loss) attributable to minority interest		-	(70)
Profit/(loss) attributable to shareholders of the Parent Company	9	(5,957)	11,212

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
UNAUDITED

\$000	Retained Earnings	Foreign Currency Reserve	Asset Revaluation Reserve	Minority Interest	Total Equity
2008					
Opening balance at 1 September 2007	114,576	733	51,746	(35)	167,020
Movement resulting from sale of land and buildings	(5,652)	-	5,652	-	-
Transfer from ARR to retained earnings	5,793	-	(5,793)	-	-
Transfer of foreign currency	-	(4,594)	-	-	(4,594)
Total income and expense for the period recognised directly in equity	141	(4,594)	(141)	-	(4,594)
Recognised profit for the period	11,282	-	-	(70)	11,212
Total income and expense for the period	11,423	(4,594)	(141)	(70)	6,618
Attributable to:					
Equity holders of the Parent	-	-	-	-	6,688
Minority Interest	-	-	-	-	(70)
At 29 February 2008	125,999	(3,861)	51,605	(105)	173,638
\$000	Retained Earnings	Foreign Currency Reserve	Asset Revaluation Reserve	Minority Interest	Total Equity
2009					
Opening balance at 1 September 2008	143,298	(1,561)	60,016	-	201,753
Movement resulting from sale of land and buildings	1,178	-	(1,178)	-	-
Deferred tax	-	-	96	-	96
Transfer of foreign currency	-	8,611	-	-	8,611
Total income and expense for the period recognised directly in equity	1,178	8,611	(1,082)	-	8,707
Recognised loss for the period	(5,957)	-	-	-	(5,957)
Total income and expense for the period	(4,779)	8,611	(1,082)	-	2,750
Attributable to:					
Equity holders of the Parent	-	-	-	-	(2,750)
At 28 February 2009	138,519	7,050	58,934	-	204,503

CONSOLIDATED BALANCE SHEET

\$000	Note	UNAUDITED As at 28 Feb 09	UNAUDITED As at 29 Feb 08	AUDITED As at 31 Aug 08
ASSETS: Current Assets				
Cash		3,462	12,427	3,845
Derivative financial instruments		-	13,097	10,786
Trade receivables and other receivables		263,266	195,491	158,407
Share of company superannuation scheme		222	-	7,222
Inventories		356,422	279,416	190,977
Biological assets		26,925	10,182	3,149
Tax receivables		3,271	606	360
Assets held for sale		8,942	4,900	12,175
Total Current Assets		662,510	516,119	386,921
ASSETS: Non-current Assets				
Available for sale financial assets		884	884	884
Share of company superannuation scheme		-	8,032	-
Investments in associates		9,048	4,751	5,609
Property plant and equipment		281,274	310,898	272,384
Intangible assets		2,399	3,047	2,907
Total Non-current Assets		293,605	327,612	281,784
Total Assets		956,115	843,731	668,705
LIABILITIES: Current Liabilities				
Bank overdraft		46,199	5,587	2,996
Derivative financial instruments		47,402	1,892	10,254
Trade and other payables		157,901	119,871	92,555
Provisions		20,391	19,945	29,108
Tax provision		1,061	93	396
Interest bearing loans and borrowings		101,096	309,231	166,844
Total Current Liabilities		374,050	456,619	302,153
LIABILITIES: Non-current Liabilities				
Provisions		11,502	12,126	10,932
Interest bearing loans and borrowings		290,577	125,412	75,372
Deferred income tax		158	7,058	4,127
Total Non-current Liabilities excluding Members' Shares		302,237	144,596	90,431
Total Liabilities excluding Members' Shares		676,287	601,215	392,584
Net Assets excluding Members' Shares		279,828	242,516	276,121
Convertible redeemable preference shares		1,633	2,691	2,654
Supplier investment shares		24,991	17,303	23,937
Members' ordinary shares		48,701	48,884	47,777
Total Members' Shares		75,325	68,878	74,368
Net Assets		204,503	173,638	201,753
EQUITY: Equity attributable to Equity Holders of the Parent				
Retained earnings		138,518	120,136	143,298
Other reserves		65,985	53,537	58,455
Parent interests		204,503	173,673	201,753
Minority interests		-	(35)	-
Total Equity		204,503	173,638	201,753

CONSOLIDATED STATEMENT OF CASH FLOWS
UNAUDITED

\$000	Note	Six Months Ended 28 Feb 09	Six Months Ended 29 Feb 08
Cash flows from operating activities			
Receipts from customers		917,390	781,362
Payments to suppliers and employees		(1,058,281)	(864,260)
Interest received		201	119
Dividends received		552	90
Interest paid		(11,245)	(7,364)
Net cash flows from/(used in) operating activities	9	(151,383)	(90,053)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,473	8,972
Proceeds from sale of investments		-	92
Investment in associate		(236)	-
Advance to associate		(400)	-
Purchase of property, plant and equipment		(22,053)	(13,463)
Net cash flows from investing activities		(18,216)	(4,399)
Cash flows from financing activities			
Proceeds from the issue of shares		2,905	4,427
Proceeds from borrowing		149,430	102,862
Distributions and retentions paid and shares redeemed		(24,633)	(7,648)
Supplier investment shares redeemed		(228)	-
Redeemable preference shares redeemed		(1,021)	(29)
Net cash flows from financing activities		126,453	99,612
Net increase/(decrease) in cash and cash equivalents		(43,146)	5,160
Net foreign exchange difference		849	49
Cash and cash equivalents at the beginning of the period		(440)	1,631
Cash and cash equivalents at the end of the period		(42,737)	6,840
Represented by:			
Cash		3,462	12,427
Bank overdraft		(46,199)	(5,587)
Cash and cash equivalents at the end of the half year		(42,737)	6,840

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1 Corporate Information and Compliance of Financial Statements

The financial statements of Silver Fern Farms Limited for the six months ended 28 February 2009 were authorised for issue in accordance with a resolution of the directors on 23 April 2009.

Silver Fern Farms Limited (the Parent) is registered under the Companies Act 1993 and the Co-operative Companies Act 1996. Silver Fern Farms Limited is an issuer for the purposes of the Financial Reporting Act 1993.

The nature of the operations and principal activities of the Group are described in Note 7.

The unaudited interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand

Equivalents to International Accounting Standard 34 (NZ IAS 34) "Interim Financial Reporting" and other applicable reporting standards appropriate for profit oriented entities.

These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 31 August 2008.

a Changes in Accounting Policies

All policies have been applied on bases consistent with those used in the annual financial statements. Prior year comparatives have been restated to reflect current presentation. Certain comparatives have been restated to reflect the impact of the transition to New Zealand equivalents of International Financial Reporting Standards.

2 Other Revenue

\$000	Six Months Ended 28 Feb 09	Six Months Ended 29 Feb 08
Dividend Revenue	201	90
Interest Revenue	552	114
	753	204

3 Other Income

\$000	Six Months Ended 28 Feb 09	Six Months Ended 29 Feb 08
Associate Income	1,042	-
Rental Revenue	205	389
Foreign exchange gains	25	32,006
Gain on sale of plant, property and equipment	173	-
Sundry Income	3,282	2,587
	4,727	34,982

4 Expenses

\$000	Six Months Ended 28 Feb 09	Six Months Ended 29 Feb 08
Employee benefits expense		
Wages and salaries	144,971	149,275
Workers' compensation costs	4,877	5,698
Superannuation costs	1,407	1,466
Total employee benefits expense	151,255	156,439
Finance costs		
Bank facility fees	2,240	1,745
Bank interest cost	7,401	9,036
Other interest cost	1,327	-
Interest in forward points	(6,163)	(3,382)
Bond interest cost and similar expenses	6,119	6,969
Total finance costs	10,924	14,368

5 Non-recurring Items

\$000	Six Months Ended 28 Feb 09	Six Months Ended 29 Feb 08
Gains on disposal	2,400	1,650
Recovery of costs PGG Wrightson Ltd	3,500	-
Total income	5,900	1,650
Restructuring costs	(1,294)	(1,995)
Assets written down in value	-	(1,640)
Total expenses	(1,294)	(3,635)
Total non-recurring items	4,606	(1,985)

6 Seasonality of Results

Silver Fern Farms operates in a seasonal industry which affects the distribution of earnings over its financial year. As a result, Silver Fern Farms Group six monthly earnings can be subject to substantial volatility, as the profile of Silver Fern Farms Limited processing season can vary from year to year between its two six monthly reporting periods.

7 Business Segment Information

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products produced. The Group's secondary format is geographical segments.

The operating businesses are organised and managed according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The meat segment is a producer of beef, lamb, mutton and venison products for the international and domestic market.

The associated products segment produces by-products that are sold locally and internationally.

Prices between business segments are set at an arm's length in a manner similar to transactions with third parties.

The following table presents revenue and profit information regarding business segments for the six months ended 28 February 2009 and 29 February 2008.

\$000	Six Months Ended 28 Feb 09			Six Months Ended 29 Feb 08		
	Meat	Associated Products	Total	Meat	Associated Products	Total
Revenue						
Sales to external customers	828,738	168,149	996,887	684,997	164,326	849,323
Unallocated revenue	-	-	4,438	-	-	35,186
Share of associate income	-	-	1,042	-	-	-
Total consolidated revenue			1,002,367			884,509
Result	(4,653)	(953)	(5,606)	23,745	5,696	29,441
Finance costs	(9,067)	(1,857)	(10,924)	(11,588)	(2,780)	(14,368)
Members' distributions	-	-	(184)	-	-	(653)
Profit/(loss) before income tax and non-recurring items			(16,714)			14,420
Non-recurring items			4,606			(1,985)
Profit/(loss) before income tax			(12,108)			12,435
Income tax expense/(benefit)			(6,151)			1,153
Net profit/(loss) for the period			(5,957)			11,282

8 Changes In Contingencies

a Contingent Liabilities

Discounted bills of exchange are \$48.42 million compared to \$31.78 million at year end as disclosed in the 2008 Annual Report. There are no other changes in contingent liabilities.

b Contingent Assets

Changes in contingent assets refer Note 10: Events after Balance Sheet Date.

9 Reconciliation of Net Profit to Net Cash Flows from/(used in) Operating Activities

\$000	Six Months Ended 28 Feb 09	Six Months Ended 29 Feb 08
Net profit/(loss) attributable to shareholders of Parent company	(5,957)	11,212
Adjustments for:		
Depreciation and amortisation	12,647	13,886
Foreign exchange movement in cash	440	(48)
Net (profit)/loss on disposal of property, plant and equipment	(173)	36
Interest payable	2,291	4,801
Share of associate income	(1,042)	-
Member distributions	184	653
Movement in tax balance	(6,151)	1,298
	2,239	31,838
Changes in assets and liabilities		
(Increase)/decrease in inventories	(185,996)	(101,826)
(Increase)/decrease in trade and other receivables	(83,448)	(90,885)
(Increase)/decrease in trade and other payables	115,822	70,820
Net cash flows from operating activities	(151,383)	(90,053)

10 Events after the Balance Sheet Date

- a** The 2008 Annual Report Note 29 Events after the Balance Sheet date described a liability owed to the company by PGW as a result of PGW's inability to perform its obligations under an agreement to subscribe for a 50% shareholding in Silver Fern Farms Limited and enter into various related contracts.

On 24 April 2009 Silver Fern Farms and PGW agreed terms of a full and final settlement following PGW's default on the equity transaction agreed in 2008. The financial elements of which are;

PGW paid Silver Fern Farms \$30 in cash (\$3.5m accrued at 28 February 2009 representing costs incurred by the company until that date) and issued Silver Fern Farms 10 million ordinary shares in PGW (fully paid and ranking equally with all other PGW ordinary shares on issue).

The \$3.5m accrued at balance date was received on 2 March and the \$26.5m was received on 24 April.

- b** The \$50m SFF020 bond matured on 15 March 2009 and was repaid, together with the interest accrued.



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