



HALF YEAR REPORT 2010

UNAUDITED INTERIM RESULTS



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SILVER FERN FARMS REDUCES DEBT BY \$153M



EOIN GARDEN
Chairman



KEITH COOPER
Chief Executive

Silver Fern Farms has continued its successful focus on balance sheet improvement with bank debt as at 28 February 2010 totalling \$205.4m, reduced by \$102.8m and bonds on issue totalling \$76.0m, reduced by \$50.3m compared to the comparative period ended February 2009. The equity ratio has also improved to 43% at February 2010 versus 29% at February 2009.

The strengthened balance sheet comes on the back of a slow season and whilst market share has been maintained, the New Zealand lamb kill at the end of February 2010, was 1.5m lambs behind the same time in the 2009 season.

Profitability was impacted by New Zealand currency strength against the weaker Euro and Pound, resulting in a net loss before tax of \$14.3m, from revenues of \$784.3m (February 2009: \$1,001.3m). The results are considered acceptable in light of the season, the current international trading climate and against the \$16.5m loss recorded for the comparable period in 2009.

The lower turnover, down 22%, reflects the appreciating NZ dollar compared to the same period last year with the main currencies appreciating by 29% to the US dollar, 21% to the Pound and 17% to the Euro. The impact of the appreciating currency can be translated into \$18 per lamb and \$200 per prime steer less than the same time in the previous year.

The half year result is consistent with previous years, reflecting the fixed cost nature of the business and under utilisation of assets for the first half of the year as a result of low throughputs and supply seasonality.

Working capital requirements for the period were also substantially down on last year's as a result of lower throughputs because of the late season and increased focus on optimising the use of working capital throughout the business. Inventories stood at \$243.7m (February 2009: \$383.3m), a significant improvement.

	Group unaudited 6 months ending 28 Feb 2010	Group unaudited 6 months ending 28 Feb 2009
Revenue	\$784.3m	\$1,001.3m
Net operating loss before tax	(\$14.3m)	(\$16.5m)
Non-recurring items	(\$0.6m)	\$4.6m
Net loss after tax	(\$9.2m)	(\$6.0m)
Operating cash flow	(\$94.4m)	(\$151.4m)
Bank debt	\$205.4m	\$308.2m
Equity ratio	43%	29%

IMPROVED COST EFFICIENCIES

The company embarked on Project Optimal at the beginning of the year to review the use of working capital within the business, challenge the existing cost base and implement "Bright Ideas" that would benefit the business. As a result of this project, significant gains have been achieved in the last 6 months, with the majority of these gains flowing into future periods. These gains are vital as we must ensure Silver Fern Farms continues to improve operating efficiencies to deal with the reducing margins in the sector, particularly given the current season where the gross market returns have provided revenue to suppliers in excess of the market but at the expense of processors' margins.

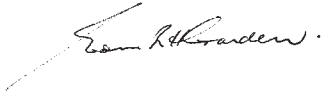
CHANGE OF BALANCE DATE

The company has changed the existing balance date from 31 August each year to 30 September, with this year being a transitional 13 month period to 30 September 2010. Next year's interim period will be the 6 months ending 31 March 2011. This change is to align with farming seasons, traditionally starting on 1 October and to enable shareholders and analysts ease of comparison to competitors with a September balance date.

OUTLOOK

March and April have been positive for the Company with plants running at capacity and the Company has recouped the losses of the first 6 months and is now in a profit position. The challenge will be to maintain the profits achieved through to year end, particularly lamb retention choices as a higher retention will have a negative impact on the remainder of the season but will have a positive impact in the medium term due to increased capital stock numbers.

The year end result will also be impacted by the transitional 13 month period as September is traditionally a loss-making month and as such, Silver Fern Farms will have two Septembers included in this 13 month transition year to the new balance date of 30 September 2010.



Eoin Garden
Chairman



Keith Cooper
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 28 February 2010

NZD IN THOUSANDS (\$000)	Note	28 Feb 2010 Unaudited	28 Feb 2009 Unaudited
Sale of goods		765,693	996,887
Other revenue	2	672	753
REVENUE		766,365	997,640
Other income	3	17,912	3,685
Total income		784,277	1,001,325
Raw materials and consumables used		530,244	594,952
Employee benefits expense	4	134,045	151,255
Depreciation and amortisation		13,037	12,605
Finance costs	4	9,887	17,087
Other operational expenses		111,594	242,998
Share of profits of associates		(193)	(1,042)
Loss before member distributions, income tax and non-recurring items		(14,337)	(16,530)
Member distributions		97	184
Loss before income tax and non-recurring items		(14,434)	(16,714)
Non-recurring items – income	5	97	5,900
Non-recurring items – costs	5	(701)	(1,294)
Total non-recurring items		(604)	4,606
Loss before income tax		(15,038)	(12,108)
Income tax benefit		(5,833)	(6,151)
Net loss for the period attributable to shareholders of the parent		(9,205)	(5,957)
Other comprehensive income			
Foreign currency translation gain/(loss)		(3,277)	8,611
Income tax on items of other comprehensive income		(137)	96
Other comprehensive income for the period, net of tax		(3,414)	8,707
Total comprehensive income for the period attributable to shareholders of the parent		(12,619)	2,750
Earnings per share for loss attributable to the shareholders of the parent		Cents	Cents
Basic earnings per ordinary share		(19.52)	-
Diluted earnings per ordinary share		(15.62)	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 28 February 2010

NZD IN THOUSANDS (\$000)	Share Capital	Asset Revaluation Reserve	Foreign Currency Reserve	Retained Earnings	Total Equity
Opening balance at 1 September 2009	-	55,337	(5,062)	191,841	242,116
Net loss for the period	-	-	-	(9,205)	(9,205)
Other comprehensive income	-	(208)	(3,277)	71	(3,414)
Total comprehensive income for the period	-	(208)	(3,277)	(9,134)	(12,619)
Transactions with owners in their capacity as owners*					
Ordinary shares issued - cash received	4,173	-	-	-	4,173
Ordinary shares issued - deferred settlement	16,163	-	-	-	16,163
Supplier investment shares exchanged	17,235	-	-	-	17,235
Members' rebate ordinary shares exchanged	25,669	-	-	-	25,669
Transaction costs on share issue	(901)	-	-	-	(901)
Taxable bonus issue of ordinary shares	55,221	-	-	(55,221)	-
Closing balance at 28 February 2010	117,560	55,129	(8,339)	127,486	291,836

*Refer to note 6 for additional information regarding the Group's capital raising exercise in the current period

NZD IN THOUSANDS (\$000)	Share Capital	Asset Revaluation Reserve	Foreign Currency Reserve	Retained Earnings	Total Equity
Opening balance at 1 September 2008	-	60,016	(1,561)	143,298	201,753
Net loss for the period	-	-	-	(5,957)	(5,957)
Other comprehensive income	-	(1,082)	8,611	1,178	8,707
Total comprehensive income for the period	-	(1,082)	8,611	(4,779)	2,750
Transactions with owners in their capacity as owners					
Shares issued	-	-	-	-	-
Transaction costs on share issue	-	-	-	-	-
Dividends paid	-	-	-	-	-
Closing balance at 28 February 2009	-	58,934	7,050	138,519	204,503

CONSOLIDATED BALANCE SHEET

as at 28 February 2010

NZD IN THOUSANDS (\$000)	NOTE	As at 28 Feb 2010 Unaudited	As at 28 Feb 2009 Unaudited	As at 31 Aug 2009 Audited
ASSETS – Current Assets				
Cash and cash equivalents		2,607	3,462	1,554
Derivative financial instruments		3,491	-	20,577
Trade and other receivables		193,659	263,266	105,439
Share of company superannuation scheme		-	222	-
Inventories		203,423	356,422	150,398
Livestock		40,278	26,925	26,416
Tax receivable		54	3,271	218
Available for sale financial assets		-	-	7,200
Assets held for sale		57	8,942	191
Total Current Assets		443,569	662,510	311,993
ASSETS – Non-current Assets				
Available for sale financial assets		78	884	74
Investments in associates		9,554	9,048	10,702
Deferred income tax asset		3,843	-	-
Property, plant and equipment		278,895	281,274	277,763
Intangible assets		2,791	2,399	2,665
Total Non-current Assets		295,161	293,605	291,204
Total Assets		738,730	956,115	603,197
LIABILITIES – Current Liabilities				
Bank overdraft		1,156	46,199	452
Derivative financial instruments		2,211	47,402	291
Trade and other payables		99,271	157,901	71,811
Provisions		18,546	20,391	15,094
Tax provision		631	1,061	783
Interest bearing loans and borrowings		205,811	50,146	688
Bonds payable		75,951	50,950	-
Total Current Liabilities		403,577	374,050	89,119
LIABILITIES – Non-current Liabilities				
Provisions		12,182	11,502	11,340
Interest bearing loans and borrowings		990	215,295	108,183
Bonds payable		-	75,282	75,615
Deferred income tax		110	158	2,679
Total Non-current Liabilities Excluding Members' Shares		13,282	302,237	197,817
Total Liabilities Excluding Members' Shares		416,859	676,287	286,936
Net Assets Excluding Members' Shares		321,871	279,828	316,261
Convertible redeemable preference shares	6	1,615	1,633	1,622
Supplier investment shares	6	7,337	24,991	24,754
Members' rebate ordinary shares	6	21,083	48,701	47,769
Total Members' Shares		30,035	75,325	74,145
Net Assets		291,836	204,503	242,116
EQUITY – Equity Attributable to Shareholders of the Parent				
Ordinary shares	6	117,560	-	-
Retained earnings		127,486	138,519	191,841
Other reserves		46,790	65,984	50,275
Total Equity		291,836	204,503	242,116

CONSOLIDATED CASH FLOW STATEMENT

for the half year ended 28 February 2010

NZD IN THOUSANDS (\$000)	28 Feb 2010 Unaudited	28 Feb 2009 Unaudited
Cash flows from operating activities		
Receipts from customers	697,267	917,390
Payments to suppliers and employees	(782,670)	(1,052,118)
Interest received	202	201
Dividends received	529	552
Finance costs paid	(9,608)	(17,408)
Tax paid	(125)	-
Net cash flows used in operating activities	(94,405)	(151,383)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,127	4,473
Proceeds from sale of investments	7,297	-
Purchase of property, plant and equipment and intangibles	(16,001)	(22,053)
Advance to associate	(2,348)	(400)
Investment in/ (proceeds from) associate	812	(236)
Net cash flows used in investing activities	(9,113)	(18,216)
Cash flows from financing activities		
Proceeds from the issue of ordinary shares	7,257	2,905
Proceeds from borrowings	97,987	149,430
Distributions paid	(97)	(24,633)
Members' rebate ordinary shares surrendered	(1,017)	-
Supplier investment shares surrendered	(181)	(228)
Redeemable preference shares redeemed	(7)	(1,021)
Net cash flows from financing activities	103,942	126,453
Net increase/ (decrease) in cash and cash equivalents	424	(43,146)
Net foreign exchange differences	(75)	849
Cash and cash equivalents at the beginning of the period	1,102	(440)
Cash and cash equivalents at the end of the period	1,451	(42,737)
Represented by:		
Cash	2,607	3,462
Bank overdraft	(1,156)	(46,199)
Cash at the end of the period	1,451	(42,737)

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 28 February 2010

1 CORPORATE INFORMATION AND COMPLIANCE OF FINANCIAL STATEMENTS

The unaudited interim report of Silver Fern Farms Limited for the six months ended 28 February 2010 is authorised for issue in accordance with a resolution of the directors on 28 April 2010.

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 and a listed issuer on the NZ Debt Exchange.

The nature of the operations and principal activities of the Group are described in note 8.

The unaudited interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

The interim report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as comprehensive an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

This interim report 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 2009.

a. Changes in Accounting Policies

The following amendments to standards have been adopted from 1 September 2009. Adoption of these standards did not have any effect on the financial position or performance of the Group.

New Accounting Standard	Summary of Policy
NZ IFRS 7 Financial Instruments: Disclosure (Amendments)	Requires fair value measurements to be disclosed by the source of inputs.
NZ IFRS 8 Operating Segments	New standard replacing NZ IAS 14 Segment Reporting, which adopts a management approach to segment reporting
NZ IAS 1 Presentation of Financial Statements (Revised)	Introduces a statement of comprehensive income along with other presentation revisions.
NZ IAS 23 Borrowing Costs (Revised)	All borrowing costs associated with a qualifying asset must be capitalised.
NZ IAS 27 Consolidated and Separate Financial Statements (Amendments)	Requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in its separate financial statements.
NZ IAS 32 Financial Instruments: Presentation (Amendments)	Requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met.

The Group has early adopted the amendment to NZ IFRS 8 as part of the Accounting Standard Review Board's annual improvement project. The amendment provides clarification that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker.

All other policies have been applied on a basis consistent with those used in the annual financial statements. Prior year comparatives have been restated to reflect current presentation.

b. Statement of compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards ('IFRS').

2 Other Revenue

NZD IN THOUSANDS (\$000)	28 Feb 2010 Unaudited	28 Feb 2009 Unaudited
Interest revenue	672	201
Dividend revenue	-	552
	672	753

3 Other Income

NZD IN THOUSANDS (\$000)	28 Feb 2010 Unaudited	28 Feb 2009 Unaudited
Rental revenue	233	205
Net foreign exchange gains	15,135	25
Gain on sale of property, plant and equipment	384	173
Sundry income	2,160	3,282
	17,912	3,685

4 Expenses

NZD IN THOUSANDS (\$000)	28 Feb 2010 Unaudited	28 Feb 2009 Unaudited
Employee benefits expense		
Wages and salaries	128,111	144,971
Wages and salaries capitalised	(712)	-
Workers' compensation costs	4,273	4,877
Superannuation costs	2,373	1,407
Total employee benefits expense	134,045	151,255
Finance costs		
Bank facility fees	1,844	2,240
Bank interest cost	3,795	7,401
Other interest cost	68	1,327
Bond interest cost and similar expenses	4,180	6,119
Total finance costs	9,887	17,087

5 Non-recurring items

NZD IN THOUSANDS (\$000)	28 Feb 2010 Unaudited	28 Feb 2009 Unaudited
Gains on disposal	-	2,400
Gains on disposal of available for sale financial assets	97	-
Settlement received from PGG Wrightson Ltd	-	3,500
Total income	97	5,900
Restructuring costs	(701)	(1,294)
Total expenses	(701)	(1,294)
Total non-recurring items income/(expense)	(604)	4,606

6 Capital Raising

As disclosed in the 2009 Annual Report the capital raising process was finalised in October 2009 and the new ordinary shares began trading on the Unlisted exchange. As the new ordinary shares are not redeemable, they have been classified as equity. The details of the capital raising are as follows:

NZD IN THOUSANDS (\$000)	Redeemable Preference Shares	Supplier Investment Shares	Members' Ordinary Shares	New Ordinary Shares
Opening balance at 1 September 2009	1,622	24,754	47,769	-
Ordinary shares issued	-	-	-	4,173
Ordinary shares issued where settlement is deferred (non-cash)	-	-	-	16,163
Supplier investment shares exchanged (non-cash)	-	(17,235)	-	17,235
Members' rebate ordinary shares exchanged (non-cash)	-	-	(25,669)	25,669
Transaction costs paid on ordinary share issue	-	-	-	(901)
Taxable bonus issue of ordinary shares (non-cash)	-	-	-	55,221
Total of transactions associated with capital raising	-	(17,235)	(25,669)	117,560
Other transactions during the period	(7)	(182)	(1,017)	-
Closing balance at 28 February 2010	1,615	7,337	21,083	117,560

7 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 interim earnings can be subject to substantial volatility, as the profile of its processing and marketing season can vary from year to year between its two interim reporting periods.

8 Segment information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature and use of the end product(s).

Discrete financial information about each operating segment is reported to the Chief Executive on at least a monthly basis. The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and their channels to market, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Types of products and services

Meat

The meat business segment incorporates all meat production and sales (both domestic and international). It includes, amongst other things, all sales to independent meat wholesalers and distributors, and all sales to retailers and food service industry participants.

Associated products

The associated products business segment incorporates all non-meat by-products that are sold locally and internationally. It includes amongst other things skins, hides, wool, tallow and meal.

Some markets or customers of the Group may be serviced across more than one business segment depending on the nature of the products sold and the level of supply chain integration involved in servicing those markets or customers.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period except as detailed below:

Income tax expense

Income tax expense is calculated based on the segment operating net profit using a notional charge of 30% (2009: 30%). No effect is given for taxable or deductible temporary differences. It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Dividend revenue.
- Fair value gains/losses on held-for-trading derivatives.
- Net gains on disposal of available-for-sale investments.
- Finance costs - including adjustments on provisions due to discounting.
- Impairment of assets - impairment of assets are not included in the measurement of segment profit or loss where they are not expected to recur.

Business segments

The following tables present revenue and profit information for reportable segments for the half-years ended 28 February 2010 and 28 February 2009.

NZD IN THOUSANDS (\$000)	28 Feb 2010 Unaudited			28 Feb 2009 Unaudited		
	Meat	Associated Products	Total	Meat	Associated Products	Total
Revenue						
Sales to external customers	668,215	97,478	765,693	867,034	129,853	996,887
Other revenues from external customers	-	-	-	-	-	-
Total segment revenue	668,215	97,478	765,693	867,034	129,853	996,887
Segment net operating loss after tax	(12,233)	(1,499)	(13,732)	(8,873)	(1,134)	(10,007)

a. Segment revenue reconciliation to the statement of comprehensive income

NZD IN THOUSANDS (\$000)	28 Feb 2010 Unaudited	28 Feb 2009 Unaudited
Total segment revenue	765,693	996,887
Inter-segment sales elimination	-	-
Other revenue from continuing activities	672	753
Total revenue	766,365	997,640

b. Segment net operating profit after tax reconciliation to the statement of comprehensive income

The senior executive team (SET) meets on a monthly basis to assess the performance of each segment by analysing the segment's net operating profit after tax. A segment's net operating profit after tax excludes non operating income and expense such as dividends received, fair value gains and losses, gains and losses on disposal of assets and impairment charges. Income tax expenses are calculated as 30% (2009: 30%) of the segment's net operating profit.

NZD IN THOUSANDS (\$000)	28 Feb 2010 Unaudited	28 Feb 2009 Unaudited
Reconciliation of segment net operating loss after tax to net loss before tax		
Segment net operating loss after tax	(13,732)	(10,007)
Income tax benefit at 30% (2009: 30%)	5,833	6,151
Other revenue	672	753
Other income (excluding foreign exchange gains)	2,777	3,660
Finance costs	(9,887)	(17,087)
Member distributions	(97)	(184)
Net non-recurring items	(604)	4,606
Net loss before tax per the statement of comprehensive income	(15,038)	(12,108)

9 Changes In Contingencies

a. Contingent Liabilities

Discounted bills of exchange are \$49.2 million compared to \$27.5 million at year end as disclosed in the 2009 Annual Report.

At the end of the period the company had received various ACC claims which the company disputes. If the claims are pursued and are successful then the company will be liable, though the sum is currently non-quantifiable and has therefore not been provided for.

b. Contingent Assets

There were no contingent assets at 28 February 2010.

10 Events after the balance sheet date

Titan Meat Company Limited

Effective 1 March 2010, Silver Fern Farms began operating its Processed Products division as a 50/50 joint venture with National Meats NZ Limited. The new joint venture, called Titan Meat Company Limited, took over all plant and machinery previously used in the Processed Products operation. No additional capital contributions were required by the joint venture participants.



218 George St, PO Box 941, Dunedin 9054, New Zealand

T: +64 3 477 3980

F: +64 3 474 1087

www.silverfernfarms.co.nz