SANFORD LIMITED
SUSTAINABLE SEAFOOD

Interim Report
2007/2008

From sea to food – over 100 years of sustained growth

Interim Report to Shareholders

Table of Contents

Cover images Examples of increasing use of automation and technology.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Directors' Report

Overview

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") applicable to interim financial statements. They have been prepared in accordance with New Zealand Equivalent to International Financial Reporting Standard (NZ IFRS) NZ IAS 34 Interim Financial Reporting. Compliance with NZ IAS 34 ensures that the financial statements also comply with IAS 34 Interim Financial Reporting.

Sanford is pleased to report a profit of $35.3m for the six month period ended 31 March 2008 compared with $11.4m for the same period last year.

Consolidated Interim Income Statement

	6 months ended 31 March 2008	6 months ended 31 March 2007	12 months ended 30 September 2007
	$000	$000	$000
Revenue	218,103	183,977	367,920
EBITDA *	**35,498**	**26,330**	**52,660**
Depreciation and amortisation	(7,575)	(7,810)	(15,820)
(Impairment) / reversal of impairment	(6,568)	-	2,185
Net interest (expense)	(5,890)	(5,907)	(11,572)
Net currency exchange (losses)	(2,051)	(7,311)	(10,511)
Profit on disposal of property, plant and equipment	985	333	425
Profit on disposal of subsidiaries and investments	26,215	7,528	7,528
Profit before income tax	**40,614**	**13,163**	**24,895**
Less income tax expense	5,255	1,736	4,865
Profit for the period	**35,359**	**11,427**	**20,030**

* Earnings before interest, income tax expense, depreciation and amortisation, impairment, currency exchange losses and profit on disposal of subsidiaries, investments and property, plant and equipment.

Revenue has increased by 18.5% from $184m last year to $218m this year.

Increased sales volumes and improving prices have lifted EBITDA from $26.3m last year to $35.5m this year.

Directors' Report

Included in the profit for the six months is a one-off gain of $26.2m on the sale of shares in the Canadian company Fishery Products International Limited (FPI) and an impairment charge of $5.6 (net of tax). Operational profitability of the business has been strong, with improved catches and prices offsetting the negative effects of higher exchange rates and fuel prices.

With the NZ dollar moving from US 70 cents at the beginning of October 2007 through to over 80 cents at the end of the period, we were fortunate to achieve an average rate of US 77.2 cents over the period compared to US 68.9 cents over the same period last year. Exchange losses for the period totalled $2.1m, down from $7.3m the previous period.

Strong cashflows in the first half of the year (including the proceeds from the sale of our investment in FPI) has resulted in a $20m reduction of our term loan for the six months with a further $20m repayment in April 2008.

Directors have maintained the interim dividend at 9 cents per share which will have full imputation credits attached.

International Financial Reporting Standards

This is the first adoption of International Financial Reporting Standards. While the impact of the new standards has been minimal on the results for the period there have been some more significant effects on the balance sheet. These changes are shown in the detailed accounts accompanying this report. It is fair to say this has been a frustrating exercise. The inconsistencies between the standards and their application to fishing and marine farming have been of doubtful benefit.

Impairment Charge

During the period the Company took an impairment charge of $5.6m (after tax). The Company took a write off of $1.5m (after tax) for the value of leasehold on the Auckland waterfront, where the lease was not renewed.

Two fishing vessels that are no longer being used, and will be sold, were written down from book value to their expected sales value resulting in a charge of $0.5m after tax.

In Australia a review of quota values resulted in a $2.8m write down, mainly related to the alfonsino quota where catch rates and profitability of catching the quota are lower than expected, and justify a lower carrying value.

Part of our acquisition of High Liner Food Inc (HLF) shares includes Series A preference shares that are presently unlisted and which will likely convert to non-voting ordinary shares. It is expected the shares will be listed later in the year, but unlikely to be listed at the carrying value of C$10 per ordinary share equivalent. We have taken a write down of $0.8m (after tax) on these shares.

The 450,000 ordinary voting shares in HLF will remain at the C$9 acquisition value which is about current market price.

Catching and Production

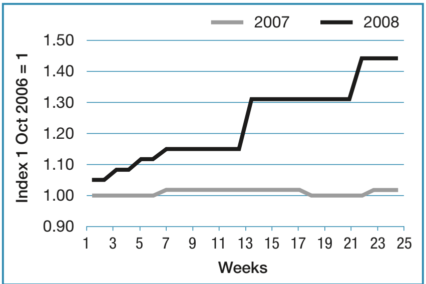
Catches of skipjack tuna in New Zealand and the Pacific were well ahead of previous years and this, coupled with substantially improved market prices, lifted returns from these operations. Inshore catches of other species were in line with previous years and deepwater catches were improved for most species. Demand, sales volumes and prices of deepwater species such as orange roughy, smooth dory and scampi were ahead of last year. Toothfish catches in the Ross Sea were lower as increased ice coverage this year forced an early end to catching. Aquaculture production was in line with expectations but sales volumes were restricted due to new processing and testing regimes which were implemented following the low level listeria incident in November 2007. This has resulted in inventories of mussels being higher than intended at the end of March, however demand is strong and prices have strengthened considerably. Returns from our Australian activities have steadily improved over the period and there has been a significant improvement from our China operations with increased volumes of product shipped and improved prices in America, Europe and Australia.

Directors' Report

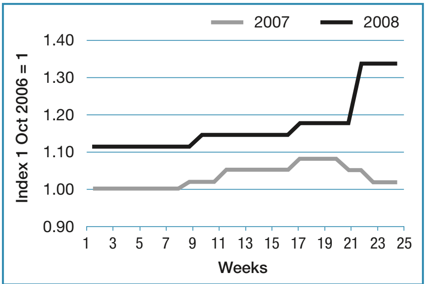
Markets and Pricing

In line with general increases in food and commodity prices seafood prices have increased over the period. The health aspects of seafood and increasing seafood consumption is driving demand in most western markets which is creating shortages in the more traditional seafood consuming nations in Asia and Southern Europe. The implications of higher fish and soya meal prices are lifting the cost of aquaculture wild fish substitutes such as salmon and tilapia. This, coupled with some production failures of farmed salmon in Chile and farmed tilapia in China, has contributed to record prices for many species.

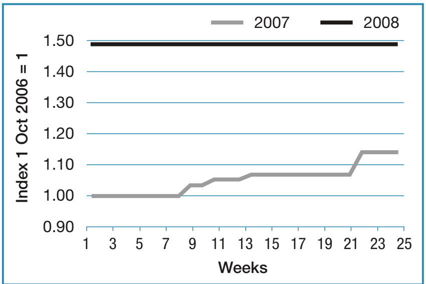
Here are some examples of the increase of seafood prices for a range of species this year compared to last year with all prices indexed to 1 October 2006.



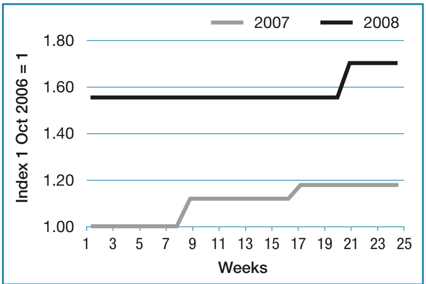
Hoki Fillet Block



Half Shell Mussels



Ling Fillets



Skipjack Tuna

Prices for species such as orange roughy and toothfish are also improving, although not to the extent as the species shown above. Squid prices, which have been low for the last two years are starting to show some signs of improvement over recent months.

Fuel Pricing

Although fuel prices increased by 50% in the period since 1 October 2007 overall fuel costs were up by 24% ($2.7m) for the six months compared to the same period last year. While some benefits have been achieved in efficiency gains the outlook for the future is particularly challenging in the deepwater and pacific tuna fleets where fuel costs are a substantial proportion of operating costs.

Inshore Operations

Auckland

Inshore catching has been managed to balance demand between local and export air freight markets with only surplus catches being processed for the Asian market. This has resulted in improved average prices for most inshore species. Besides processing and packing increasing volumes for local supermarket chains the Auckland plant has also been working additional shifts reprocessing orange roughy for American customers.

Auckland Fish Market

The Auckland Fish Market continues its preeminent position as a seafood venue in Auckland, and over recent months there has been increased investment by tenants in retail display space and restaurant facilities. Further enhancements to the market are being studied to increase the range of attractions on site. There are a number of matters of serious concern for us with planning proposals for the Western Viaduct and we are actively engaged in consulting and submitting on the proposals.

Tauranga

Blue mackerel catches in Tauranga were in line with expectations in the October to December period but skipjack tuna catches were 50% ahead of expectations in a period when market prices were at record levels. This resulted in a substantial increase in profitability.

Timaru

While catches from our ice vessels continued to be lower than expectations profitability was enhanced from stronger demand and additional volumes of orange roughy being reprocessed on extra shifts. Prices for barracouta, red cod and squid have improved in line with other seafood species while landings from private fishermen were comparable to previous years.

The San Won coldstore operation continues to produce acceptable returns although stronger markets have resulted in earlier shipments and lower volumes being held in store.

Deepwater Operations

Freezer Trawlers

The 64-metre freezer vessels continue to perform well with improved catches of hoki in the period up to January and similar catch levels in the squid fishery in the later part of the period. The "one fleet" operation on the Chatham rise (with Sealord and Talley's) has operated very well for the first half of the year with increased catch rates and lower fuel consumption.

Freezer Longliners

Ling fishing by San Aotea II in the early and later part of the period has been better than previous years. However this vessel and the San Aspiring had lower catches of toothfish in the Ross Sea as they were forced to stop fishing early because of rapidly increasing ice cover in February. The San Aspiring has moved to the South Georgia area, fishing for toothfish. It completed its experimental fishing quota earlier than projected and has now moved into the commercial fishing area of the MSC-certified South Georgia fishery.

Scampi Freezer Vessels

The six freezer vessels were on target catching scampi for the first six months although catching rates were slower than expected in April and early May. Markets remain steady for scampi without the price increases experienced by other seafood products.

Charter Vessels

The three Dong Won and one Juahm charter vessels have operated close to plan and are again enjoying a productive squid catching season. Financial returns continue to be steady and in line with expectations although we continue to have to work hard to comply with the regulatory requirements for foreign crew on charter vessels.

Quota Trading

Income from quota trading continues to make a useful contribution to income.

Aquaculture Operations

Pacific Oysters – Kaeo

Half shell oyster production and sales value increased during the period leading up to the closure for the summer spawn in December. Market demand has been strong and prices have improved. Production will recommence in late May and prospects for the remainder of the year are positive. The quality benefits of the upgraded freezer system are now feeding into market demand.

Greenshell Mussels – Coromandel, Havelock and Bluff

Production levels were up to expectations at Coromandel, Havelock and Bluff although shipment volumes were down and inventory levels increased. This was due to the introduction of new processing and testing regimes to ensure that our products met the highest standards of food safety. Current production volumes are being shipped to markets that are in short supply, and where price levels have improved dramatically, particularly in the United States and Europe. Prices in these markets now make it uneconomic to ship half shell mussels to Asia unless price levels increase.

Planning for a substantial expansion of the North Island Mussel Processors (NIMPL) joint venture in Tauranga is well advanced and necessary to meet the increased volumes of mussels being grown by Sanford and other NIMPL partners in the Coromandel region. Sanford has acquired additional water space in both Coromandel and Marlborough in the past six months as we seek to grow our volumes available for harvest and processing. At the same time we value and continue to seek mussels from a wide variety of independent growers in all regions.

King Salmon – Bluff

International markets for salmon have suffered over the past six months from larger than normal Chilean harvest where a significant number of farms have been struck by disease. This additional production is slowly working its way through the supply chain and we are expecting prices to improve as shortages are likely to arise in the period when the market would normally take the Chilean production. The additional equipment to expand and automate feeding at our Stewart Island salmon farms is now arriving and the expanded farms are expected to be operational before the end of the financial year.

International Fishing Operations

Australia

Our Australian business is now producing cash flows in line with expectations and we are seeking opportunities to expand our business there. We have taken an impairment charge in respect to the alfonsino quota as catch rates are not sufficient to justify the previous value.

Pacific Tuna Vessels

The three Pacific tuna vessels had an excellent six months. Catches were 10% ahead of last year and prices were up to 50% ahead of last year. This resulted in a significant improvement to their contribution despite the impact of escalating fuel prices. It is not likely that profitability will be as strong in the second six months as two of the three vessels are required to undergo scheduled maintenance and repair programmes.

Overseas Investments

High Liner Foods Inc (TSX:HLF)

As part of our exit from the Newfoundland-based Fishery Products International Limited (FPI) we agreed to acquire 450,000 ordinary listed shares at C$9 each and 180,000 Series A preference shares at C$25 each. The ordinary shares are listed on the Toronto Stock Exchange and have traded around C$9 for the last six months. The Series A preference shares will be converted to ordinary non voting shares at a ratio of 2.5 to 1 implying a value of C$10 each. These shares will be listed on the Toronto Stock Exchange before 9 August 2008 (or else redeemed for cash or listed ordinary shares). As the value of the non-voting shares is not known at this time an impairment charge of NZ$0.8m has been taken to lower the carrying value of these shares to C$8.50.

High Liner Foods Inc purchased the marketing and manufacturing business of FPI (in both USA and Canada) and is now integrating those businesses with its own. There are expected to be integration benefits from merging the two businesses. High Liner has reported its results for the three months to 31 March 2008 showing it is already achieving some of these benefits. The FPI USA business has for some years now been working on a range of products produced at the Weihai Dong Won Food Company plant in China (including some hoki products) and we expect that there will be opportunities to expand and develop these activities with High Liner.

Weihai Dong Won Food Company Limited, China (40% owned)

Production volumes for both Sanford and other customers increased at the Weihai plant over the same period last year. This resulted in improved profitability for the Weihai Dong Won company as well increasing returns to Sanford for the volumes being processed there on behalf of Sanford.

Directors' Report

Consolidated Statement of Financial Position (restated under IFRS)

Sanford continues to maintain a strong balance sheet with shareholders equity in proportion to total assets of 76% and a working capital ratio of 2.7:1. Biological assets, (now including mussels, oysters and salmon growing in the water), are now all included in the balance sheet. Inventory levels apart from biological assets are down from $55.2m at 30 September 2007 to $46.8m at 31 March 2008.

Capital Expenditure

Capital expenditure for the period totalled $14m of which $8.3m was spent on additional marine farms, with the balance related to fish and aquaculture processing technology and equipment.

Sustainable Development

While Sanford has continued to adopt a leadership role in sustainable development and reporting, the Emissions Trading Scheme as proposed would have placed Sanford and the seafood industry at a significant competitive disadvantage to seafood suppliers in other countries. The industry reliance on fuel to power fishing vessels is an unavoidable part of the industry. While we can, and are, seeking energy efficiency across all of our business activities it is unlikely we can ever avoid the use of carbon based fuels. Sanford is responding to the information requirements of the Carbon Disclosure Project (CDP), an international project to collect data for Climate Change.

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SUSTAINABLE SEAFOOD

Outlook for the Second Six Months to 30 September 2008

With some prospect of a declining New Zealand exchange rate, strong market prices, good catches and aquaculture production, the outlook for the second six months is positive. Continued increases in fuel prices will pull back some of those gains and may influence market prices. Seafood can be more of a discretionary food spend and in many markets is predominantly a restaurant choice which may come under more pressure as vehicle use declines.

However the strength of Sanford has always been the fact that, within the seafood industry, it has a spread of interests across inshore, deepwater, aquaculture and offshore fishing as well as a geographical spread that lessens the impact of variability across these sectors.

B S Cole
Chairman

E F Barratt
Managing Director

18 June 2008

Unaudited Condensed Consolidated Interim Income Statement

For the six months ended 31 March 2008

	Note	6 months ended 31 March 2008 $000	6 months ended 31 March 2007 $000	12 months ended 30 September 2007 $000
Continuing operations				
Revenue		218,103	183,977	367,920
Cost of sales		(166,652)	(144,876)	(288,203)
Gross profit		**51,451**	**39,101**	**79,717**
Other income		1,008	407	452
Profit on sale of Fishery Products International Limited shares	13	26,215	–	–
Administrative expenses		(7,725)	(7,863)	(15,369)
Other expenses		(21,618)	(13,825)	(27,834)
Operating profit		**49,331**	**17,820**	**36,966**
Financial income		931	1,097	4,962
Financial expenses		(9,705)	(13,218)	(24,397)
Net finance costs		**(8,774)**	**(12,121)**	**(19,435)**
Share of profit / (loss) of equity accounted investees		57	52	(48)
Profit before income tax		**40,614**	**5,751**	**17,483**
Less Income tax expense		5,255	1,611	4,740
Profit from continuing operations		**35,359**	**4,140**	**12,743**
Discontinued operation				
Profit from discontinued operation (net of tax)	12	–	7,287	7,287
Profit for the period		**35,359**	**11,427**	**20,030**
Attributable to:				
Equity holders of the Group		35,293	11,532	20,135
Minority interest		66	(105)	(105)
		35,359	**11,427**	**20,030**
Earnings per share				
Basic earnings per share		**37.8**	**12.2**	**21.4**
Earnings per share – continuing operations				
Basic earnings per share		**37.8**	**4.4**	**13.6**

Diluted earnings per share is not separately disclosed as no dilution occurred.

The accompanying notes form part of these financial statements.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Unaudited Condensed Consolidated Interim Balance Sheet

As at 31 March 2008

	Note	31 March 2008 $000	31 March 2007 $000	30 September 2007 $000
Equity				
Paid in capital		95,355	95,355	95,355
Retained earnings	14	419,528	396,143	396,407
Other reserves		878	7,540	27,281
Total equity attributable to shareholders of the company		**515,761**	**499,038**	**519,043**
Minority interest		508	173	443
Total equity		**516,269**	**499,211**	**519,486**
Non-current liabilities				
Bank loans	5	110,000	130,000	130,000
Deferred taxation	14(j)	3,542	4,848	4,266
Total non-current liabilities		**113,542**	**134,848**	**134,266**
Current liabilities				
Bank overdraft and borrowings at call		664	43,755	16,919
Trade creditors		14,564	12,412	12,696
Other liabilities		32,826	21,046	20,738
Provision for taxation		416	–	–
Total current liabilities		**48,470**	**77,213**	**50,353**
Total liabilities		**162,012**	**212,061**	**184,619**
Total equity and liabilities		**678,281**	**711,272**	**704,105**
Non-current assets				
Property, plant and equipment	14(f)	106,805	111,911	109,965
Investments	13	21,203	37,273	57,082
Term receivable		4,539	7,003	4,752
Intangible assets	14(f)	412,814	408,296	409,035
Brand use rights		–	500	–
Total non-current assets		**545,361**	**564,983**	**580,834**
Current assets				
Cash on hand and at bank		20,961	43,985	2,122
Trade debtors		39,429	26,805	41,823
Derivative financial instruments	14(i)	395	295	610
Other debtors and prepayments		12,112	10,091	7,447
Current portion of term receivable		2,553	2,801	2,673
Biological assets	14(d)	10,634	9,255	9,865
Inventories	14(d)	46,836	48,234	55,228
Taxation receivable		–	4,823	3,503
Total current assets		**132,920**	**146,289**	**123,271**
Total assets		**678,281**	**711,272**	**704,105**

The accompanying notes form part of these financial statements.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2008	Note	Share Capital $000	Translation reserve $000
Balance at 1 October 2006		**95,355**	**–**
Foreign currency translation differences		–	444
Net change in fair value of available-for-sale financial assets, net of tax		–	–
Income and expense recognised in equity		**–**	**444**
Profit for the period		–	–
Total recognised income and expense for the period		**–**	**444**
Contributions (to) / from minority interest		–	–
Distributions to shareholders		–	–
Balance at 31 March 2007		**95,355**	**444**
Balance at 1 October 2007		**95,355**	**1,044**
Foreign currency translation differences		–	(166)
Gain on available-for-sale financial assets transferred to profit or loss, net of tax	13	–	–
Income and expense recognised in equity		**–**	**(166)**
Profit for the period		–	–
Total recognised income and expense for the period		**–**	**(166)**
Distributions to shareholders		–	–
Balance at 31 March 2008		**95,355**	**878**

The accompanying notes form part of these financial statements.

Attributable to equity holders of the Company				
Fair value reserve	Retained earnings	Total	Minority Interest	Total Equity
$000	$000	$000	$000	$000
–	396,779	492,134	978	493,112
–	–	444	(39)	405
7,097	–	7,097	–	7,097
7,097	–	7,541	(39)	7,502
–	11,532	11,532	(105)	11,427
7,097	11,532	19,073	(144)	18,929
–	–	–	(661)	(661)
–	(12,169)	(12,169)	–	(12,169)
7,097	396,142	499,038	173	499,211
26,237	396,407	519,043	443	519,486
–	–	(166)	(1)	(167)
(26,237)	–	(26,237)	–	(26,237)
(26,237)	–	(26,403)	(1)	(26,404)
–	35,293	35,293	66	35,359
(26,237)	35,293	8,890	65	8,955
–	(12,172)	(12,172)	–	(12,172)
–	419,528	515,761	508	516,269

Unaudited Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 March 2008	Note	6 months ended 31 March 2008 $000	6 months ended 31 March 2007 $000	12 months ended 30 September 2007 $000
Continuing operations				
Cash flows from operating activities				
Cash provided from:				
Receipts from customers		214,416	185,482	357,249
Interest received		263	948	2,313
Dividends received		322	172	362
		215,001	186,602	359,924
Cash applied to:				
Payments to suppliers and employees		172,758	169,651	339,526
Income tax paid		1,921	6,751	9,101
Interest paid		5,428	6,509	14,298
		180,107	182,911	362,925
Net cash flows from operating activities	8	**34,894**	**3,691**	**(3,001)**
Cash flows from investing activities				
Cash provided from:				
Disposal of property, plant and equipment		1,005	1,672	1,813
Sale of investments and subsidiaries		47,778	5,046	4,940
Repayment of loans		–	–	2,944
		48,783	6,718	9,697
Cash applied to:				
Purchase of property, plant and equipment		14,027	4,003	9,693
Acquisition of other investments		2,382	–	180
		16,409	4,003	9,873
Net cash flows from investing activities		**32,374**	**2,715**	**(176)**
Cash flows from financing activities				
Cash applied to:				
Dividends paid		12,171	12,169	20,595
Repayment of loans		20,000	–	–
Net cash flows from financing activities		**(32,171)**	**(12,169)**	**(20,595)**
Discontinued operation				
Net cash from operating activities		–	(23)	(23)
Net cash from investing activities		–	–	–
Net cash from financing activities		–	–	–
Net cash flows from discontinued operation		**–**	**(23)**	**(23)**
Net increase / (decrease) in cash and cash equivalents		**35,097**	**(5,786)**	**(23,795)**
Effect of exchange rate fluctuations on cash held		(3)	(3,047)	(65)
Cash and cash equivalents at beginning of year		(14,797)	9,063	9,063
Cash and cash equivalents at end of year		**20,297**	**230**	**(14,797)**
Represented by:				
Bank overdraft and borrowings at call		(664)	(43,755)	(16,919)
Cash on hand and at bank		20,961	43,985	2,122
		20,297	**230**	**(14,797)**

The accompanying notes form part of these financial statements.

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 31 March 2008

1. Reporting Entity

Sanford Limited (the Company) is a profit-oriented company registered in New Zealand under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The consolidated financial statements comprise the Company, its subsidiaries and associates (the Group) for the six months ended 31 March 2008.

The Group is a large and long-established fishing business devoted entirely to the harvesting, farming, processing, storage and marketing of quality seafood and aquaculture products and investments in related activities.

2. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") applicable to interim financial statements. They have been prepared in accordance with New Zealand Equivalent to International Financial Reporting Standard (NZ IFRS) NZ IAS 34 Interim Financial Reporting. Compliance with NZ IAS 34 ensures that the financial statements also comply with IAS 34 Interim Financial Reporting. The interim financial statements do not include all of the information required for full annual financial statements. These are the Group's first NZ IFRS financial statements and NZ IFRS 1 has been applied. An explanation of how the transition to NZ IFRS has affected the previously reported financial performance and equity of the Group is provided in note 14.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- Some financial instruments
- Immature mussels, oysters and salmon are measured at fair value less point-of-sale costs

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars (NZD), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements requires the Board of directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Specific areas requiring significant estimates and judgements include:

- Valuation of financial instruments (refer note 3(c))
- Valuation of biological assets (refer note 3(h))
- Valuation of allocated quota (refer note 3(d))

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The consolidated financial statements include all subsidiary companies using the purchase method of consolidation. All inter-company transactions are eliminated on consolidation.

(ii) Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date it ceases. If the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Acquisitions or disposals during the year

Where an entity becomes, or ceases to be, part of the Group during the year, the results of the entity are included in the consolidated results from the date that control or significant influence commenced or until the date that control or significant influence ceased. When an entity is acquired all identifiable assets and liabilities are recognised at their fair value at acquisition date. The fair value does not take into consideration any future intentions by the Group. Where an entity that is part of the Group is disposed of, the gain or loss recognised in the income statement is calculated as the difference between the sale price and the carrying amount of the entity.

(b) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the dates of the transactions. At balance date, foreign currency monetary assets and liabilities are translated at the closing rate. The exchange variations arising from these translations are recognised in the income statement.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency of the Company (NZD) at the balance date closing rate, while revenue and expenses are translated at rates approximating the exchange rate ruling at the date of the transaction. Exchange variations are taken directly to the foreign currency translation reserve (FCTR).

If a foreign currency liability is designated as a hedge of a foreign non-monetary asset (or vice versa), both the asset and the liability are translated at the closing rate. Exchange differences are taken to the foreign currency translation reserve to the extent that the hedge is effective. Any ineffectiveness is recognised in the income statement. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the income statement.

(c) Derivative financial instruments

The Group uses derivative financial instruments including foreign exchange forward contracts and interest rate swaps to manage exposure to foreign exchange and interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. The Group did not apply hedge accounting during the period.

(d) Fish quota, licences and marine farm licences

Purchased fish quota is carried at cost. Quota which was allocated on the basis of previous permits or catch history was initially valued at fair value on allocation. Fair value is determined by reference to Crown tender prices and market prices available close to the time of the acquisition.

Marine farm licences are recorded at cost.

Marine farm licences and quota are not amortised but are tested annually for impairment at balance date and when indicators of impairment are identified.

(e) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Other development expenditure is recognised in the income statement as an expense as incurred.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is calculated using straight-line rates to write off the cost of property, plant and equipment over their estimated useful lives. Depreciation methods, useful lives and residual values are reassessed at balance date. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Land is not depreciated. Estimated useful lives are as follows:

	Years
Specialist buildings in permanent materials	25
Fishing vessels:	
– Hulls	15–20
– Engines	10–12
– Electronic equipment	3–4
– Machinery and plant	7–10
– Motor vehicles	5
Office fixtures and fittings	5–7
Leasehold buildings	25
Marine farm assets	3

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The estimated costs of marketing, selling and distribution are deducted in calculating net realisable value.

Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventory and bringing it to its existing condition and location. In the case of processed inventories and work in progress, cost includes an appropriate share of overheads. Fixed overheads are allocated on the basis of normal operating capacity. The cost of items transferred from biological assets is their fair value less point-of-sale costs at the date of transfer.

(h) Biological assets

Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in the income statement. The fair value is determined with reference to the present value of the expected cash flows using anticipated harvest volumes, market prices and the costs of cultivation until sold. Point-of-sale costs include commissions to brokers and dealers and other costs directly related to selling the asset but exclude transport and other costs necessary to get assets to market. Biological assets are transferred to inventories at the date of harvest.

(i) Impairment

The carrying amounts of the Group's assets referred to below are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

(i) Impairment of receivables

Impairment losses of receivables that are individually significant are determined by an evaluation of the exposures on a line-by-line basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar number of days overdue.

(ii) Investments in equity securities

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. For this purpose, prolonged is regarded as any period longer than nine months and significant as more than 20 percent of the original purchase price of the equity instrument.

Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement.

(iii) Indefinite life intangible assets

For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date and when there are indicators of impairment.

(iv) Property, plant and equipment and investments in associates

Impairment is tested when there are indicators of impairment.

(j) Trade, term and other receivables

Trade, term and other receivables are stated at their cost less impairment losses.

(k) Investments in equity securities

Investments in equity securities held by the Group are classified as available-for-sale and carried at their fair value with fair value changes recognised in equity. The fair value is their quoted bid price at the balance sheet date. Where the fair value of equity investments cannot be reliably determined, the investments are recorded at cost.

(l) Investments in subsidiaries

Investments in and advances to / from subsidiaries are stated at cost in the separate financial statements of the Company.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for these temporary differences – the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash comprises cash balances and demand deposits. Bank overdrafts are included to the extent they are repayable on demand and form an integral part of the Group's cash management.

(o) Bank loans

Bank loans are recognised initially at fair value less directly attributed transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost applying the effective interest method.

(p) Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services is recognised in the income statement when the service is provided.

(q) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which, in the case of quoted securities, is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in profit or loss using the effective interest method.

(r) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(s) Employee benefits

(i) Defined contribution plans

Certain employees are members of defined contribution pension plans and the Group contributes to those plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(ii) Long service leave

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using an actuarial technique. Changes in long service leave provision are recognised in the income statement.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment) or in providing related products or services (business segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments. Refer note 4.

4. Segment Reporting

The Group operates in two geographical areas, being New Zealand and Australia.
The Group has disclosed segmental results only on directly attributable income and expenditure.

Geographical Segments	New Zealand		Australia		Eliminations		Total	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007
	$000	$000	$000	$000	$000	$000	$000	$000
Segment revenue	188,242	155,617	33,531	31,729	(3,670)	(3,369)	**218,103**	**183,977**
Segment result	37,102	10,626	(1,800)	749	–	–	**35,302**	**11,375**
Results from operating activities (continuing)							**35,302**	**4,088**
Results from discontinued operation							**–**	**7,287**
Share of profit of equity accounted investees							**57**	**52**
Profit for the period							**35,359**	**11,427**

5. Bank Loans

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 March 2008:

	Carrying and face value	
	31 March 2008	31 March 2007
	$000	$000
Balance at 1 October 2007	**130,000**	**130,000**
Repaid		
Bank loans	20,000	–
Balance at 31 March 2008	**110,000**	**130,000**
Interest rates applicable	**7.57%–9.28%**	6.58%–9.05%

6. Dividends

The following dividends were declared and paid by the Group for the six months ended 31 March 2008:

	31 March 2008	31 March 2007
	$000	$000
Ordinary dividend (13 cents per share) December	12,171	12,169

7. Contingent Liabilities and Commitments

	31 March 2008	31 March 2007
	$000	$000
Guarantees and commitments		
Commitments to discounted letters of credit	63	–
Other	185	185

There were no other contingent liabilities identified as at 31 March 2008.

8. Reconciliation of Profit for the Period with the Net Cash Flow from Operating Activities

	31 March 2008	31 March 2007	30 September 2007
	$000	$000	$000
Profit for the period (after tax)	**35,359**	**11,427**	**20,030**
Adjustments for non-cash items			
Depreciation and amortisation	7,575	7,810	15,820
Impairment losses	6,567	–	(2,185)
Equity accounted (profits) / losses in associated companies	(57)	(52)	48
(Decrease) in deferred taxation	(838)	(29)	(494)
Unrealised foreign exchange (gains) / losses	266	(28)	897
	13,513	**7,701**	**14,086**
Movement in working capital			
(Increase) / decrease in debtors and prepayments	(3,156)	1,532	(10,752)
(Increase) / decrease in inventories	8,109	(5,877)	(13,301)
Increase / (decrease) in creditors and other liabilities	4,347	1,688	(1,436)
Increase / (decrease) in current tax	3,922	(4,919)	(3,675)
	13,222	**(7,576)**	**(29,164)**
Items classified as investing activities			
Gain on sale of property	(985)	(333)	(425)
Gain on sale of other investments	(26,215)	(7,528)	(7,528)
	(27,200)	**(7,861)**	**(7,953)**
Net cash flows from operating activities	**34,894**	**3,691**	**(3,001)**

9. Related Party Transactions

(a) Basis of transactions

Transactions with related parties have been entered into in the ordinary course of business and undertaken on normal commercial terms. No related party debts have been written off or forgiven during the period.

(b) Material transactions and balances with related parties

	Transaction value Six months ended	
	31 March 2008	31 March 2007
	$000	$000
Associates and joint ventures		
Revenue		
Management fees	54	123
Dividend received	299	150
	353	273
Expenses		
Processing	1,568	1711
Freight	117	136
	1,685	1,847

	Balance Outstanding	
	31 March 2008	31 March 2007
	$000	$000
Due from associates	**200**	**533**

10. Subsequent Events

There were no significant events occurring after 31 March 2008.

11. Impairment

During the six months ended 31 March 2008, the directors have reviewed the carrying value of certain fixed assets, intangible assets and investments and compared the carrying values with market prices. As a result, deficits on individual assets resulted in impairment losses of $6.6m (March 2007: nil) being charged to the income statement. This related to leaseholds ($2.3m), Australian quota ($2.8m), vessels ($0.7m) and shares in listed companies ($0.8m).

12. Discontinued Operations

In February 2007, the Group sold its interest in Pesquera Sanford SA and Pesquera San Arawa SA. The effect of the disposal was a decrease in the net assets of the group of $7.0m whilst receiving consideration of $14.5m. The net cash inflow on disposal after deducting cash disposed of was $14.3m.

Profits attributable to the discontinued operation for the six months ended 31 March 2007 were as follows:

	31 March 2008	31 March 2007
	$000	$000
Results of discontinued operation		
Revenue	–	4,141
Expenses	–	(4,257)
Results from operation activities	**–**	**(116)**
Income tax expense	–	(125)
Profit after tax but before gain on sale of discontinued operation	**–**	**(241)**
Gain on sale of discontinued operation	–	7,528
Tax on gain of discontinued operation	–	–
Profit for the period	**–**	**7,287**

13. Investment in Fishery Products International Limited (FPI)

During the six months interim period the Group sold its interests in FPI. The resulting sale realised a gain of $26.2m which has been crystallised in the income statement for the period ended 31 March 2008.

14. Explanation of Transition to NZ IFRS on the Group's Financial Statements

These are the Group's first condensed consolidated interim financial statements for part of the period covered by the first NZ IFRS annual consolidated financial statements prepared in accordance with NZ IFRS, for the six months ending 31 March 2008.

The accounting policies have been applied consistently in preparing these condensed consolidated interim financial statements, the comparative information for the six months ended 31 March 2007, and the financial statements for the year ended 30 September 2007.

In preparing its opening NZ IFRS balance sheet and restating comparative information for the six months ended 31 March 2007 and financial statements for the year ended 30 September 2007, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZ IFRS has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables (along with description of key accounting policy changes when compared to the previous GAAP). The cash flow statement did not require restatement as there were no material transition adjustments identified.

(a) Reconciliation of equity

	Note	1 October 2006 Previous GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Equity				
Paid in capital		95,355	–	95,355
Retained earnings		246,632	150,147	396,779
Other Reserves		161,824	(161,824)	–
Total equity attributable to shareholders of the Company		**503,811**	**(11,677)**	**492,134**
Minority interest		978	–	978
Total equity		**504,789**	**(11,677)**	**493,112**
Non-current liabilities				
Bank loans		130,000	–	130,000
Deferred taxation	(j)	694	4,249	4,943
Total non-current liabilities		**130,694**	**4,249**	**134,943**
Current liabilities				
Bank overdraft and borrowings at call		27,201	–	27,201
Trade creditors		10,042	–	10,042
Other liabilities	(g), (h)	19,015	1,505	20,520
Provision for taxation		172	–	172
Total current liabilities		**56,430**	**1,505**	**57,935**
Total equity and liabilities		**691,913**	**(5,923)**	**685,990**
Non-current assets				
Property, plant and equipment		116,708	–	116,708
Investments	(e)	31,129	–	31,129
Term receivable		–	–	–
Intangible assets	(f)	422,703	(12,313)	410,390
Brand use rights		1,000	–	1,000
Total non-current assets		**571,540**	**(12,313)**	**559,227**
Current assets				
Cash on hand and at bank		36,264	–	36,264
Trade debtors		30,716	213	30,929
Derivative financial instruments	(i)	–	146	146
Other debtors and prepayments		7,737	–	7,737
Current portion of term receivable		–	–	–
Biological assets	(d)	–	8,953	8,953
Inventories	(d)	45,656	(2,922)	42,734
Taxation receivable		–	–	–
Total current assets		**120,373**	**6,390**	**126,763**
Total assets		**691,913**	**(5,923)**	**685,990**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

31 March 2007			30 September 2007		
Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
$000	$000	$000	$000	$000	$000
95,355	–	95,355	95,355	–	95,355
246,131	150,012	396,143	245,981	150,426	396,407
162,267	(154,727)	7,540	162,689	(135,408)	27,281
503,753	**(4,715)**	**499,038**	**504,025**	**15,018**	**519,043**
173	–	173	443	–	443
503,926	**(4,715)**	**499,211**	**504,468**	**15,018**	**519,486**
130,000	–	130,000	130,000	–	130,000
665	4,183	4,848	198	4,068	4,266
130,665	**4,183**	**134,848**	**130,198**	**4,068**	**134,266**
43,755	–	43,755	16,919	–	16,919
12,412	–	12,412	12,696	–	12,696
19,471	1,575	21,046	19,164	1,574	20,738
–	–	–	–	–	–
75,638	**1,575**	**77,213**	**48,779**	**1,574**	**50,353**
710,229	**1,043**	**711,272**	**683,445**	**20,660**	**704,105**
111,911	–	111,911	109,965	–	109,965
30,176	7,097	37,273	30,844	26,238	57,082
7,003	–	7,003	4,752	–	4,752
420,609	(12,313)	408,296	421,348	(12,313)	409,035
500	–	500	–	–	–
570,199	**(5,216)**	**564,983**	**566,909**	**13,925**	**580,834**
43,985	–	43,985	2,122	–	2,122
26,805	–	26,805	41,823	–	41,823
–	295	295	–	610	610
10,091	–	10,091	7,447	–	7,447
2,801	–	2,801	2,673	–	2,673
–	9,255	9,255	–	9,865	9,865
51,525	(3,291)	48,234	58,968	(3,740)	55,228
4,823	–	4,823	3,503	–	3,503
140,030	**6,259**	**146,289**	**116,536**	**6,735**	**123,271**
710,229	**1,043**	**711,272**	**683,445**	**20,660**	**704,105**

(b) Reconciliation of profit

		For the six months ended 31 March 2007		
		Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
	Note	$000	$000	$000
Continuing operations				
Revenue		183,977	–	183,977
Cost of sales		(144,876)	–	(144,876)
Gross profit		**39,101**	**–**	**39,101**
Other income	(k)	7,935	(7,528)	407
Administrative expenses		(7,863)	–	(7,863)
Other expenses	(k)	(20,902)	7,077	(13,825)
Operating profit		**18,271**	**(451)**	**17,820**
Financial income	(i)	948	149	1,097
Financial expenses	(k)	(5,907)	(7,311)	(13,218)
Net finance costs		**(4,959)**	**(7,162)**	**(12,121)**
Share of profit / (losses) of equity accounted investees		52	–	52
Profit before income tax		**13,364**	**(7,613)**	**5,751**
Income tax expense / (credit)	(j), (k)	1,802	(191)	1,611
Profit from continuing operations		**11,562**	**(7,422)**	**4,140**
Discontinued operation				
Profit from discontinued operation (net of tax)	(k)	–	7,287	7,287
Profit for the period		**11,562**	**(135)**	**11,427**
Attributable to:				
Equity holders of the Group		11,667	(135)	11,532
Minority interest		(105)	–	(105)
		11,562	**(135)**	**11,427**
Earnings per share				
Basic earnings per share		**12.3**	**(0.1)**	**12.2**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

For the year ended 30 September 2007		
Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
$000	$000	$000
367,920	–	367,920
(288,203)	–	(288,203)
79,717	**–**	**79,717**
7,980	(7,528)	452
(15,369)	–	(15,369)
(36,088)	8,254	(27,834)
36,240	**726**	**36,966**
2,313	2,649	4,962
(13,886)	(10,511)	(24,397)
(11,573)	**(7,862)**	**(19,435)**
(48)	–	(48)
24,619	**(7,136)**	**17,483**
5,046	(306)	4,740
19,573	**(6,830)**	**12,743**
–	7,287	7,287
19,573	**457**	**20,030**
19,678	457	20,135
(105)	–	(105)
19,573	**457**	**20,030**
20.9	**0.5**	**21.4**

(c) Foreign currency translation reserve

The Group applied the exemption in NZ IFRS 1 in respect of foreign currency translation differences. Accordingly, the Group has deemed the cumulative translation differences to be zero at the NZ IFRS transition date, and has reclassified amounts recognised in the foreign currency translation reserve in accordance with NZ GAAP at that date as retained earnings.

The effect of this policy decision is to eliminate the balance in the foreign currency translation reserve of $1.2m as at 1 October 2006 and a corresponding adjustment to retained earnings. The same adjustment of $1.2m has been made to the foreign currency translation reserve and retained earnings as at 31 March 2007 and 30 September 2007.

(d) Biological assets

Under previous NZ GAAP, the Group measured mussels, oysters and salmon at cost. Immature mussels and oysters were accounted for 'off balance sheet' and brought on to the balance sheet only when harvested. Under NZ IFRS, mussels, oysters and salmon meet the definition of biological assets until the point that they are harvested. After harvest, they will be treated as inventory. Salmon has been reclassified from inventory to biological assets. Biological assets are measured at fair value at each balance date unless it is not possible to measure fair value reliably, in which case they are measured at cost.

(i) 1 October 2006 adjustment

The effect of recognising biological assets in accordance with NZ IFRS is an increase in current assets as at 1 October 2006 by $6.0m, an increase in retained earnings of $4.0m, and an increase in deferred taxation of $2.0m.

(ii) 31 March 2007 adjustment

The effect on the income statement for the six months ended 31 March 2007 was to recognise an expense of $0.1m due to a reduction in fair value of biological assets for the period with a corresponding decrease of $0.1m to biological assets as at 31 March 2007.

(iii) 30 September 2007 adjustment

The effect on the income statement for the six months ended 31 March 2007 was to recognise a gain of $0.1m due to an increase in fair value of biological assets for the period with a corresponding increase of $0.1m to biological assets as at 30 September 2007.

(e) Investment in Fishery Products International Limited (FPI)

Under previous NZ GAAP the investment in FPI was measured at cost less impairment losses. Under NZ IFRS the FPI investment is classified as available-for-sale assets and measured at fair value (this is a generic category and does not mean the Group is intending to sell the investment). Fair value must be determined with reference to an active market. In the absence of an active market, fair value should be estimated using a valuation technique, which may include considering the price of a recent transaction in a similar instrument.

Gains and losses on re-measurement of available-for-sale assets are recognised directly in equity. Amounts recognised directly in equity are transferred to profit or loss when the asset concerned is sold, realised (through dividends for example) or impaired.

(i) 1 October 2006 adjustment

The carrying value of the investment in FPI shares was not adjusted as it equalled fair value based on a comparison with the listed price at that date.

(ii) 31 March 2007 adjustment

The carrying value was increased by $7.1m with a corresponding entry in the available-for-sale reserve.

(iii) 30 September 2007 adjustment

The carrying value was increased by $26.2m with a corresponding entry in the available-for-sale reserve.

(f) Intangible assets

(i) Fishing quota

Fishing quota is now classified in the balance sheet within intangible assets. Purchased fishing quota is recorded at cost and previous revaluations have been reversed. Allocated quota has been ascribed market values as at the date of allocation. The net effect of these changes was to reduce the value of the quota asset as at 1 October 2006 by $0.3m and by the same amount as at 31 March 2007 and 30 September 2007.

(ii) Marine farm licences

Marine farm licences are now classified in the balance sheet within intangible assets. Marine farm licences have been recognised at cost and previous revaluations and accumulated depreciation has been reversed. The net effect of these changes was to reduce the value of marine farm licences as at 1 October 2006 by $12.0m and by the same amount as at 31 March 2007 and 30 September 2007.

(g) Accident Compensation Commission (ACC) claims accrual

Sanford is an accredited employer under the ACC partnership programme. Participation in the ACC partnership programme is an insurance contract between the employer and the employee as the employer (insurer) accepts significant insurance risk from the employee (policyholder) by agreeing to compensate the employee if a work-related injury (the insured event) adversely affects the employee. Under NZ IFRS, Sanford accounts for its participation in the ACC partnership programme as an insurance contract and recognises an insurance liability.

(i) 1 October 2006 adjustment

The effect of recognising the ACC claims liability in accordance with NZ IFRS was to increase current liabilities as at 1 October 2006 by $0.4m, increase retained earnings by $0.3m, and deferred tax liability by $0.1m.

(ii) 31 March 2007 adjustment

The effect of recognising the ACC claims liability as at 31 March 2007 was to increase current liabilities by $0.4m, increase retained earnings by $0.3m, and deferred tax liability by $0.1m.

(iii) 30 September 2007 adjustment

The effect of recognising the ACC claims liability as at 30 September 2007 was to increase current liabilities by $0.4m, increase retained earnings by $0.3m, and deferred tax liability by $0.1m.

(h) Employee benefits – long service leave

Under previous NZ GAAP long service leave was recognised when the employees' long service leave days had vested. In accordance with NZ IAS 19, the provision for long service leave is calculated as the present value of the future benefit that employees have earned in return for their services in past periods.

(i) 1 October 2006 adjustment

The effect of recognising additional long service leave liability as at 1 October 2006 resulted in an increase in the provision for employee entitlements by $1.1m, a decrease to retained earnings of $0.7m and a decrease in deferred taxation by $0.4m.

(ii) 31 March 2007 adjustment

Similarly, the effect of recognising additional long service leave liability as at 31 March 2007 resulted in an increase in the provision for employee entitlements by $1.1m, a decrease in retained earnings of $0.7m and a decrease in deferred taxation by $0.4m.

(iii) 30 September 2007 adjustment

At 30 September 2007 the liability had moved only slightly so the adjustment still resulted in an increase in the provision for employee entitlements by $1.1m, a decrease in retained earnings of $0.7m and a decrease in deferred taxation by $0.4m.

(i) Interest rate swap

The Group hedges its exposure to fluctuations in foreign exchange rates and interest rates using foreign currency forward contracts and interest rate swaps. Under previous GAAP derivative financial instruments (i.e. forward foreign exchange contracts or interest rate swaps) were not recognised in its financial statements until the underlying cash flow occurred. Under NZ IFRS, all derivatives must be recognised on balance sheet at fair value. The Group has not held any foreign currency forward contracts since prior to 1 October 2006 but has held interest rate swaps. The impact of recognising these interest rate swap arrangements is as follows:

(i) 1 October 2006 adjustment

In accordance with NZ IAS 39, interest rate swaps have been recognised at their fair values. The effect of this is to increase assets (presented as derivative financial instruments) by $0.1m with a corresponding increase in retained earnings.

(ii) 31 March 2007 adjustment

The effect of the adjustment at 31 March 2007 was to increase derivative financial instruments by $0.3m with an increase in retained earnings of $0.1m, an increase in deferred taxation of $0.1m and a reduction in financial expenses of $0.1m.

(iii) 30 September 2007 adjustment

The effect of the adjustment as at 30 September 2007 was to increase derivative financial instruments by $0.6m, increase retained earnings by $0.1m, increase deferred taxation by $0.2m and reduce financial expenses by $0.3m.

(j) Deferred tax

Under previous NZ GAAP, deferred tax is recognised on all timing differences using an income statement method. In respect of unused losses, a deferred tax asset is recognised when there is virtual certainty of future taxable profits. In accordance with NZ IAS 12 Income Taxes, deferred tax is calculated on all temporary difference arising using a “balance sheet method” and a deferred tax asset can be recognised only where it is probable future taxable profit will be available to utilise these losses.

(i) 1 October 2006 adjustment

The effect of recalculating deferred tax in accordance with NZ IFRS resulted in an increase in deferred taxation of $4.2m as at 1 October 2006.

(ii) 31 March 2007 adjustment

The effect on the income statement for the six months ended 31 March 2007 was to decrease the previously reported tax charge for the period by $0.1m with a corresponding decrease of $0.1m in the deferred tax liability as at 31 March 2007.

(iii) 30 September 2007 adjustment

The effect on the income statement for the year ended 30 September 2007 was to decrease the previously reported tax charge for the period by $0.2m with a corresponding decrease of $0.2m in the deferred tax liability as at 30 September 2007.

(k) Income statement reclassifications

Certain items in the income statement have been reclassified to line up with NZ IFRS presentation requirements.

Foreign exchange losses have been reclassified from other expenses to financial expenses and gain on disposal of a subsidiary company from other income to profit from discontinued operations.

Directory

Board of Directors

B S Cole, Chairman
J G Todd, CBE, Deputy Chairman
E F Barratt, Managing Director
D G Anderson
P J Goodfellow
W B Goodfellow
P G Norling

Company Secretary

G L McNamara

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Stock Exchange

The Company's shares trade on the New Zealand Stock Exchange (NZX).

NZX Trading Code: SAN

The minimum marketable parcel on the Exchange is 100 shares (price $2 to $5 per share) or 50 shares (price $5 to $10 per share).

Share Registrar

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Private Bag 92 119, Auckland Mail Centre
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Enquiries

Shareholders with enquiries about transactions, change of address or dividend payments should contact Computershare Investor Services Limited.

Telephone + 64 9 488 8777
Email enquiry@computershare.co.nz

Other queries should be directed to the Company Secretary at the Registered Office.

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