SANFORD LIMITED
SUSTAINABLE SEAFOOD

# Interim Report
## 2008/2009

From sea to food – over 100 years of sustained growth

# Interim Report to Shareholders

For the six months ended 31 March 2009

The Directors are pleased to present the Interim Report of Sanford Limited for the six months ended 31 March 2009.

**B S Cole**
*Chairman*

**E F Barratt**
*Managing Director*

17 June 2009

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**Cover image** New salmon farm system in Big Glory Bay, Stewart Island.

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# Directors' Report

## Overview

Operating earnings (EBITDA) increased from $35.5m last year to $43.6m this year with tax paid profit on operating earnings up from $14.7m last year to $27.1m this year. Overall profit for the six months totalled $26.0m, behind the $35.3m of the previous year that included one-off items (net gain of $20.6m last year versus an impairment charge (High Liner Foods Inc) of $1.1m this year). In addition foreign exchange gains improved from a loss of $2.1m last year to a gain of $6.5m this year as the New Zealand dollar declined.

## Consolidated Interim Income Statement

| | 6 months ended 31 March 2009 | 6 months ended 31 March 2008 | 12 months ended 30 September 2008 |
|---|---|---|---|
| | $000 | $000 | $000 |
| **Sales Revenue** | **228,441** | **218,103** | **436,564** |
| **EBITDA** | **43,620** | **35,498** | **65,874** |
| Depreciation, amortisation and impairment | (8,000) | (14,143) | (22,359) |
| Net interest | (4,213) | (5,890) | (10,021) |
| Net currency exchange gains / (losses) | 6,470 | (2,051) | 5,505 |
| Net gain on sale of investments, property, plant and equipment | (32) | 27,200 | 29,749 |
| **Operating surplus before taxation** | **37,845** | **40,614** | **68,748** |
| Less taxation | (11,790) | (5,255) | (15,328) |
| **Operating surplus after taxation** | **26,055** | **35,359** | **53,420** |
| Minority interests | (70) | (66) | (76) |
| **Net surplus attributable to shareholders** | **25,985** | **35,293** | **53,344** |

The increase in underlying earnings for the business resulted from improved contributions from deepwater and aquaculture operations more than offsetting declines in returns from inshore and international fishing. In the early part of the period we benefited from strong market demand and prices coupled with a declining New Zealand dollar. From October that slowed down as international markets reacted to the global financial crisis. While markets are slowly returning to normal there has been a build up in inventory levels for some species while markets find a new equilibrium. Foreign exchange gains were earned in the first three months as the New Zealand dollar declined from record highs. The average US currency conversion rate during the period was US 55.5 cents compared to US 77.2 cents

# Directors' Report

the previous year. In the early part of the year we commenced taking foreign currency hedges for United States dollars and Japanese yen for approximately 30% of estimated receipts over the next 12 months.

Markets for most of our main species declined during the period. Graphs showing some of the price declines are shown in this report. The three most significant price declines that impacted our results were ling fillets, half-shell mussels and skipjack tuna.

Fuel costs were the same in the first six months of the year as compared with the first half of last year.

Aquaculture sales and profits continued to improve following the significant gains in the second six months last year. However towards the end of the period half-shell mussel prices, particularly in the United States fell by almost 40% from their peak led predominantly by weak selling out of New Zealand. Salmon stocks at the end of the period from last year's harvest were higher than normal but have all been sold since.

The more rigorous testing regime and the progressive upgrade of the critical processing environments in our shellfish plants have meant that we have been able to ship product to market without any of the product recall issues of last year.

Skipjack tuna catches in the Pacific were lower than last year and in New Zealand we had a poor skipjack season at less than half the previous year. Market prices for skipjack tuna also declined over the period reducing returns from this species.

Catches in the deepwater were generally ahead of expectations. Hoki catch rates continue to improve as the resource recovers and early season squid catches have been reasonable. The freezer longliners had another difficult year in the Ross Sea targeting toothfish as total catches by the fleet reached the allowable limit earlier than prior seasons. The San Aspiring has again been approved to catch toothfish in the South Georgia area this year.





With results continuing to improve from our investment in Weihai Dong Won Food Company Limited (WDWF) operations in Weihai, China, we recently concluded arrangements to increase our shareholding to 50% and turn the operation into a 50/50 joint venture with Dong Won Fisheries Company Limited of Korea. Volumes being processed continue to improve and the negative perceptional impact on product processed in China is slowly diminishing.

## Impairment Charge

In the current period an impairment charge of $1.1m has been taken to align the value of our investment in High Liner Foods Inc with the market value of those shares as recorded on 31 March 2009.

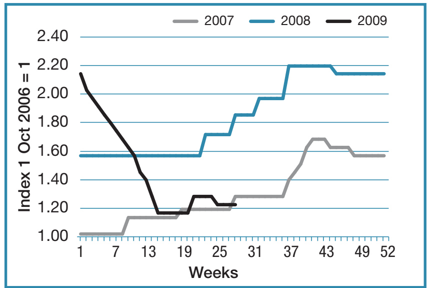
For the comparable period last year we recorded a $27.2m profit mainly from the disposal of our shares in Fisheries Products International Limited partially offset by various impairment charges totalling $6.6m.

## Markets and Pricing

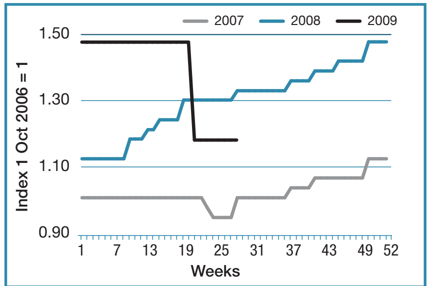
With the international economic crisis seafood prices mostly declined over the first six months of this year but coming off record highs in the previous six months. In most cases the price declines were more than offset by the decline in the New Zealand dollar. As a result net margins for many species were well ahead of last year. Stock levels of some species increased over the six months as a result of banking issues in some markets that made trading difficult and credit control imperative. The selling prices for half-shell mussels in the United States have dropped markedly with a flow on effect in other markets as well. In our view and experience they are now selling for less than the real market potential and are being held down by weak selling out of New Zealand.

# Directors' Report

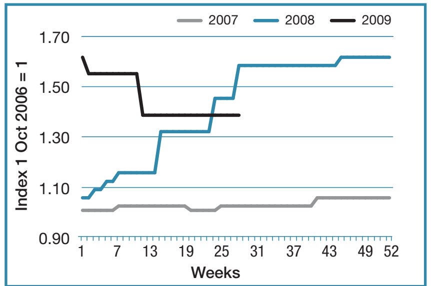
Consistent with past reporting the following species graphs depict the relative movement in selling prices in the market place.



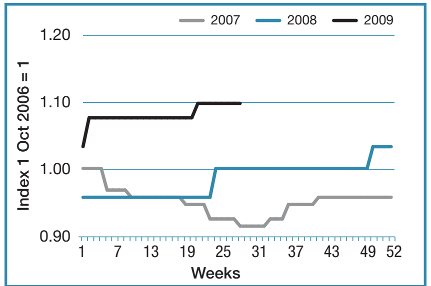
Skipjack Tuna



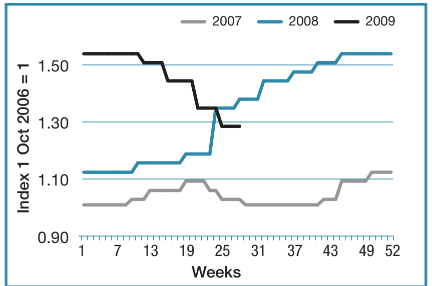
Hoki Fillets



Hoki Fillet Block



Orange Roughy



Half-Shell Mussels



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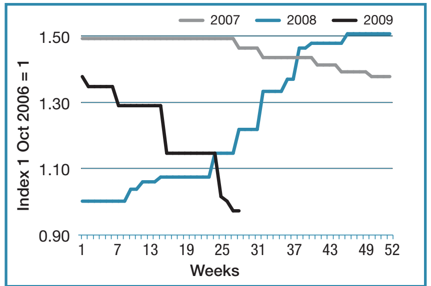
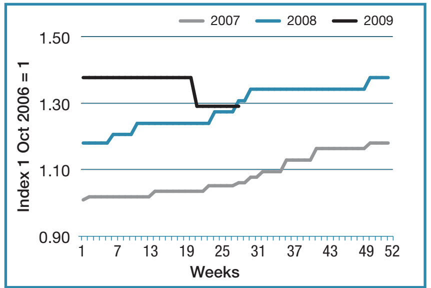


Ling Fillets



Smooth Dory

The most dramatic price changes are in ling, half-shell mussels and skipjack tuna with only minimal effect on hoki fillet blocks and smooth dory and price increases in respect of orange roughy.

## Inshore Operations

### Auckland

Auckland's processing and packing for local supermarkets has continued to grow and is helping to eliminate dependence on reprocessing during the normal seasonal fluctuations associated with inshore fisheries. New processing plant technology installed in January 2009 is already assisting in minimising labour costs. Further investments in technology are planned over the next six months. A slow down in demand for some species is affecting profitability.

### Auckland Fish Market

Auction sales declined in the second quarter but have since returned to normal levels and the business is expected to achieve its targeted returns. Demand for Seafood School corporate classes weakened as a result of a more cost conscious trading environment. The Big Picture attraction at the Auckland Fish Market started trading in late December. This joint venture is a wine tasting experience; sales are slowly increasing as awareness grows but are hampered by the difficult trading environment and downturn in tourist numbers.

# Directors' Report

### Tauranga

Poor blue mackerel and skipjack tuna catches have resulted in lower revenue and profitability in Tauranga. New processing technology installed and commissioned over the next six months will increase processing efficiency. The Mount Maunganui-based Export Cold Storage business has performed ahead of expectations reflecting the increasing demand for storage as a result of a slow down in demand for some seafood and other frozen export products.

### Timaru

While catches of barracouta have improved, inshore squid catches have been below expectations. The factory continues to benefit from the strong demand and improved prices for orange roughy. The fishmeal plant is performing above expectations due to the steady demand for fish oil and the fishmeal price remains strong.

The San Won coldstore has had a strong last quarter due to the lack of cold storage capacity around the country as a result of the general slow down in demand for some frozen products.

## Deepwater Operations

### Freezer Trawlers

The 64-metre freezer vessels continue to perform well with continuing improved catch rates in the hoki fishery likely to result in a quota increase later this year. All three trawlers are switching to a heavier grade, lower cost fuel which will result in lower fuel costs during the second half of the year. The orange roughy and oreo dory fisheries on the Chatham Rise continue to produce as expected and are harvested under the "One Fleet" co-operative catching arrangement, which is proving effective.

### Freezer Longliners

Ling fishing by the San Aotea II in the early and latter part of the period has been slower than previous years. Unfortunately this vessel and the San Aspiring had lower catches of toothfish in the Ross Sea as the fishery was closed (prematurely) with the total catch reportedly taken. The San Aspiring has moved to the South Georgia area, fishing for toothfish.





### Scampi Freezer Vessels

The scampi fleet configuration was changed during the period with the retirement of the two oldest vessels and the acquisition of one newer vessel. Markets remain steady for scampi, with the weaker exchange rate improving returns.

### Charter Vessels

The four Korean charter vessels have improved their catching performance this year.

The transition to the new Ministry of Fisheries and Maritime New Zealand requirements for foreign charter vessels has been successfully achieved. Financial returns continue to be steady and in line with expectations.

### Quota Trading

Income from quota trading is consistent with previous periods and continues to make a useful contribution to income.

## Aquaculture Operations

Aquaculture contributions increased over the previous year. Good market demand and strong prices for mussels in the first quarter and tight control of costs have been the main contributors.

### Pacific Oysters – Kaeo

Oyster production was below expectations for the period but we expect to pick up this shortfall in the new season starting June. Market demand and price outlook is steady for the new season production. We will commence harvesting some oysters grown in bags rather than sticks in the coming period; we expect they will produce better quality oysters.

### Greenshell™ Mussels – Coromandel, Havelock and Bluff

Production volumes at Coromandel and Bluff are ahead of last year with Havelock behind due to unseasonal rainfall closures and poor mussel condition during the first quarter. All processing plants have been operating two shifts at full capacity. Market prices have been strong in the first quarter but have deteriorated significantly as the year has progressed which is partly due to the global economic downturn and partly due to industry activity in the market place.

An additional vessel has been purchased to assist with the increased production from our Coromandel farms and we have also invested in new farming technology that will improve the productivity of our farming operations in this region.

Construction of the factory expansion at North Island Mussel Processors (NIMPL) joint venture in Tauranga is now well underway and proceeding to plan with equipment installation due in October and commissioning due to commence in December 2009.

### King Salmon – Stewart Island and Bluff

Salmon production levels are close to expectation and well ahead of last year. During the first six months salmon stocks increased as the market has continued to be difficult, with sales volume and price pressures from salmon harvested early in Chile due to disease problems. This situation has now eased and sales and markets are improving, particularly in Asia.

The farm upgrade for the second (Kiwa) site in Big Glory Bay is behind schedule but will be complete and fully operational by the end of May. Performance of the new automated feeding technology on the first (47 South) site is exceeding expectations.

### Bluff Oysters

Following on from our purchase of the Jones Group Limited assets the results from our first season in the Bluff oyster fishery are pleasing. The season started on 1 March and catches, quality and market returns have exceeded expectations to date.

## International Fishing Operations

### Australia

The Australian business had a lower level of sales than anticipated for the six months and this environment looks likely to continue for the balance of the year with all sectors of trading affected. The fresh fish trawler has performed above expectations





and should continue at this level for the rest of the year. A new Melbourne Consignment Market facility is in the final stages of planning and construction will commence in the near future. There have been some changes in quotas made by the Government, with the overall result being a slight reduction in our holdings. Some opportunities for business growth are being pursued.

### Pacific Tuna Vessels

The three Pacific tuna vessels made a reasonably positive contribution for the six months and their overall performance was in line with expectations. The operating climate is more challenging in comparison to the first six months of last year with catches being down and prices having declined around 50% since the start of the year. Fuel prices also fell about 50% over the six months which helped to mitigate the price decline and thereby safeguard a creditable contribution. The second six months is likely to see a continued steady performance of the vessels in what is expected to remain a tight operating climate.

## Overseas Investments

### High Liner Foods Inc (TSX:HLF)

High Liner Foods Inc recently announced significantly improved results for the first three months of this calendar year although in the current difficult financial environment this improvement is not always recognised in equity markets. In the current period an impairment charge of $1.1m has been taken to align the value of our holding in High Liner shares with the market value of those shares as recorded on 31 March 2009.

### Weihai Dong Won Food Company Limited, China (50% owned from 1 May 2009)

With results continuing to improve from our investment in Weihai Dong Won Food Company Limited (WDWF) operations in Weihai, China, we recently concluded arrangements to increase our stake to 50% and turn the operation into a 50/50 joint venture with Dong Won Fisheries Company Limited of Korea. Volumes being processed continue to improve and the negative perceptional impact on product processed in China is slowly diminishing.

# Directors' Report

## Consolidated Balance Sheet

Sanford ratio of shareholders equity in proportion to total assets continues at 76%. The working capital ratio has declined from 2.7:1 at the end of the half last year to 2.1:1 this year mainly as a result of increased inventory levels. Inventory levels are up from $46.8m a year ago and $41.4m six months ago to $55.6m at the end of the period. The increased inventory levels reflect the difficult and uncertain market conditions during the period which have now eased somewhat. Inventory is expected to return to a more normal level by the end of the financial year.

## Capital Expenditure

During the period the Jones Group Limited assets (principally quota) were acquired for $19.3m. In addition capital expenditure for the period totalled $11m of which $7m was new technology processing installed in the inshore plants, $3m on an additional scampi vessel and other deepwater vessel improvements and $1m on additional aquaculture equipment. Since the end of the period we have purchased a recently built, second hand inshore vessel from the Faroe Islands for $3m.

## Sustainable Development

We continue to drive forward on our sustainable development to underpin our Sustainable Seafood motto. International pressure continues to build from consumers to ensure that the seafood they consume comes from sustainable sources. We fully support the recently announced move to seek Marine Stewardship Certification (MSC) of 5 additional fisheries in New Zealand. The hake, ling and southern blue whiting fisheries are relatively small compared with the hoki fishery but they are none-the-less important whitefish fisheries that will allow us to sell a wider range of MSC certified products. The certification of the Ross Sea toothfish fishery is due to be completed in the near future which will mean that both our Ross Sea and South Georgia toothfish is MSC certified. We continue to direct our charitable support to particular organisations and during the period our Australian subsidiary donated A$25,000 to the Victoria bushfire appeal.



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## Outlook for the Second Six Months to 30 September 2009

There is some prospect of international trading conditions in the second-half of the financial year being slightly easier but with the current strength of the New Zealand dollar it is still not possible or indeed wise for Sanford to project a year-end profit result. We continue to have a first rate team in place with a well balanced portfolio of interests in various fisheries. We see those operations continuing throughout the remainder of the year without the need for any downsizing and so our primary focus will be on continuing to build and improve the quality of our assets and operations to achieve future growth. We will continue to seek improved efficiencies in all facets of our business activity through both technological development and continuous and rigorous testing of our business model and continuing our focus on managing our foreign exchange and debt levels to minimise risk and to safeguard the interests of all shareholders.

**B S Cole**
*Chairman*
17 June 2009

**E F Barratt**
*Managing Director*

# Unaudited Condensed Consolidated Interim Income Statement

## For the six months ended 31 March 2009

| | 6 months ended 31 March 2009 | 6 months ended 31 March 2008 | 12 months ended 30 September 2008 |
|---|---|---|---|
| | $000 | $000 | $000 |
| Revenue | 228,441 | 218,103 | 436,564 |
| Cost of sales | (173,165) | (173,189) | (351,889) |
| **Gross profit** | **55,276** | **44,914** | **84,675** |
| Other income | 837 | 1,779 | 7,600 |
| Profit on sale of investment in Fishery Products International Limited | – | 26,215 | 26,215 |
| Distribution expenses | (12,387) | (11,812) | (23,750) |
| Administrative expenses | (5,490) | (4,840) | (10,266) |
| Other expenses | (1,929) | (7,059) | (10,100) |
| **Operating profit** | **36,307** | **49,197** | **74,374** |
| Financial income | 7,121 | 954 | 7,316 |
| Financial expenses | (5,776) | (9,594) | (13,112) |
| **Net finance costs** | **1,345** | **(8,640)** | **(5,796)** |
| Share of profit of equity accounted investees | 193 | 57 | 170 |
| **Profit before income tax** | **37,845** | **40,614** | **68,748** |
| Less income tax expense | 11,790 | 5,255 | 15,328 |
| **Profit after tax** | **26,055** | **35,359** | **53,420** |
| **Attributable to:** | | | |
| Equity holders of the Company | 25,985 | 35,293 | 53,344 |
| Minority interest | 70 | 66 | 76 |
| | **26,055** | **35,359** | **53,420** |
| **Earnings per share** | | | |
| Basic earnings per share (cents) | **27.8** | **37.8** | **57.0** |

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

The accompanying notes form part of these financial statements.



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# Unaudited Condensed Consolidated Interim Balance Sheet

## As at 31 March 2009

| | Note | 31 March 2009 | 31 March 2008 | 30 September 2008 |
|---|---|---|---|---|
| | | $000 | $000 | $000 |
| **Equity** | | | | |
| Paid in capital | | 95,355 | 95,355 | 95,355 |
| Retained earnings | | 442,001 | 419,528 | 429,124 |
| Other reserves | | 7,764 | 878 | 1,367 |
| **Total equity attributable to shareholders of the Company** | | **545,120** | **515,761** | **525,846** |
| Minority interest | | 596 | 508 | 523 |
| **Total equity** | | **545,716** | **516,269** | **526,369** |
| **Non-current liabilities** | | | | |
| Bank loans (unsecured) | 4 | 100,000 | 110,000 | 90,000 |
| Deferred taxation | | 3,410 | 3,542 | 3,144 |
| **Total non-current liabilities** | | **103,410** | **113,542** | **93,144** |
| **Current liabilities** | | | | |
| Bank overdraft and borrowings at call | | 26,378 | 664 | 552 |
| Derivative financial instruments | | – | – | 89 |
| Trade creditors | | 13,041 | 14,564 | 13,506 |
| Other liabilities | | 15,838 | 27,509 | 20,958 |
| Employee entitlements | | 5,438 | 5,317 | 5,762 |
| Taxation payable | | 5,180 | 416 | 4,024 |
| **Total current liabilities** | | **65,875** | **48,470** | **44,891** |
| **Total liabilities** | | **169,285** | **162,012** | **138,035** |
| **Total equity and liabilities** | | **715,001** | **678,281** | **664,404** |
| **Non-current assets** | | | | |
| Property, plant and equipment | | 110,640 | 106,805 | 106,760 |
| Investments | | 19,520 | 21,203 | 20,581 |
| Term receivable | | 5,265 | 4,539 | 6,419 |
| Biological assets | | 4,999 | 4,468 | 5,039 |
| Intangible assets | 8 | 436,682 | 412,814 | 415,768 |
| **Total non-current assets** | | **577,106** | **549,829** | **554,567** |
| **Current assets** | | | | |
| Cash on hand and at bank | | 5,355 | 20,961 | 9,955 |
| Trade debtors | | 46,506 | 39,429 | 44,706 |
| Derivative financial instruments | | 5,923 | 395 | – |
| Other debtors and prepayments | | 13,789 | 12,112 | 6,602 |
| Current portion of term receivable | | 3,529 | 2,553 | 1,045 |
| Biological assets | | 7,205 | 6,166 | 6,163 |
| Inventories | | 55,588 | 46,836 | 41,366 |
| **Total current assets** | | **137,895** | **128,452** | **109,837** |
| **Total assets** | | **715,001** | **678,281** | **664,404** |

The accompanying notes form part of these financial statements.

# Unaudited Condensed Consolidated Statement of Changes in Equity

| For the six months ended 31 March 2009 | Note | 6 months ended 31 March 2009 $000 | 6 months ended 31 March 2008 $000 | 12 months ended 30 September 2008 $000 |
|---|---|---|---|---|
| **Equity at the beginning of the period** | | **526,369** | **519,486** | **519,486** |
| Foreign currency translation differences | | 547 | (167) | 327 |
| Net change in fair value of available-for-sale financial assets, net of tax | | – | (26,237) | (26,237) |
| Net change in cash flow hedge reserve | | 5,853 | – | – |
| Total income recognised directly in equity | | 6,400 | (26,404) | (25,910) |
| Net profit for the period | | 26,055 | 35,359 | 53,420 |
| **Total recognised income and expenses for the period** | | **32,455** | **8,955** | **27,510** |
| Other | | – | – | (29) |
| Dividends | 5 | (13,108) | (12,172) | (20,598) |
| **Equity at the end of the period** | | **545,716** | **516,269** | **526,369** |
| **Total recognised income and expenses for the period is attributable to:** | | | | |
| Equity holders of the Company | | 32,382 | 8,890 | 27,430 |
| Minority Interests | | 73 | 65 | 80 |
| | | **32,455** | **8,955** | **27,510** |
| **Equity consists of:** | | | | |
| Share capital | | 95,355 | 95,355 | 95,355 |
| Foreign currency translation reserve | | 1,911 | 878 | 1,367 |
| Cash flow hedge reserve | | 5,853 | – | – |
| Retained earnings | | 442,001 | 419,528 | 429,124 |
| **Total equity attributable to equity holders of the Company** | | **545,120** | **515,761** | **525,846** |
| Minority Interests | | 596 | 508 | 523 |
| **Total equity** | | **545,716** | **516,269** | **526,369** |

The accompanying notes form part of these financial statements.



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# Unaudited Condensed Consolidated Interim Statement of Cash Flows

| For the six months ended 31 March 2009 | Note | 6 months ended 31 March 2009 $000 | 6 months ended 31 March 2008 $000 | 12 months ended 30 September 2008 $000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **Cash provided from:** | | | | |
| Receipts from customers | | 223,920 | 214,416 | 439,228 |
| Interest received | | 343 | 263 | 1,641 |
| Dividends received | | 498 | 322 | 602 |
| | | 224,761 | 215,001 | 441,471 |
| **Cash applied to:** | | | | |
| Payments to suppliers and employees | | 206,365 | 172,758 | 352,386 |
| Income tax paid | | 10,291 | 1,921 | 8,409 |
| Interest paid | | 3,905 | 5,428 | 11,171 |
| | | 220,561 | 180,107 | 371,966 |
| **Net cash flows from operating activities** | 7 | **4,200** | **34,894** | **69,505** |
| **Cash flows from investing activities** | | | | |
| **Cash provided from:** | | | | |
| Disposal of property, plant and equipment | | 284 | 1,005 | 3,638 |
| Sale of investments and subsidiaries | | 75 | 47,778 | 47,732 |
| Repayment of loans | | – | – | 916 |
| | | 359 | 48,783 | 52,286 |
| **Cash applied to:** | | | | |
| Purchase of property, plant and equipment | | 11,091 | 7,378 | 14,922 |
| Purchase of intangibles | 8 | 20,682 | 6,648 | 9,176 |
| Acquisition of other investments | | 235 | 2,382 | 12,947 |
| | | 32,008 | 16,408 | 37,045 |
| **Net cash flows from investing activities** | | **(31,649)** | **32,375** | **15,241** |
| **Cash flows from financing activities** | | | | |
| **Cash provided from:** | | | | |
| Proceeds from borrowings | | 10,000 | – | – |
| | | 10,000 | – | – |
| **Cash applied to:** | | | | |
| Dividends paid | 5 | 13,108 | 12,172 | 20,598 |
| Repayment of loans | | – | 20,000 | 40,000 |
| | | 13,108 | 32,172 | 60,598 |
| **Net cash flows from financing activities** | | **(3,108)** | **(32,172)** | **(60,598)** |
| **Net increase (decrease) in cash and cash equivalents** | | **(30,557)** | **35,097** | **24,148** |
| Effect of exchange rate fluctuations on cash held | | 131 | (3) | 52 |
| Cash and cash equivalents at beginning of the period | | 9,403 | (14,797) | (14,797) |
| **Cash and cash equivalents at end of the period** | | **(21,023)** | **20,297** | **9,403** |
| **Represented by:** | | | | |
| Bank overdraft and borrowings at call | | (26,378) | (664) | (552) |
| Cash on hand and at bank | | 5,355 | 20,961 | 9,955 |
| | | **(21,023)** | **20,297** | **9,403** |

The accompanying notes form part of these financial statements.



HOME

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 31 March 2009

### 1. Basis of Preparation

These condensed consolidated interim financial statements comply with NZ IAS 34 Interim Financial Reporting. They should be read in conjunction with the financial statements of the Group for the year ended 30 September 2008.

### 2. Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the previous interim and annual statements. To ensure consistency with current period, comparative figures have been restated where appropriate.

### 3. 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 2009 | 31 March 2008 | 31 March 2009 | 31 March 2008 | 31 March 2009 | 31 March 2008 | 31 March 2009 | 31 March 2008 |
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| Segment revenue | 198,158 | 188,242 | 33,542 | 33,531 | (3,259) | (3,670) | **228,441** | **218,103** |
| Segment result | 24,924 | 37,102 | 938 | (1,800) | – | – | **25,862** | **35,302** |
| Share of profit of equity accounted investees | | | | | | | **193** | **57** |
| **Profit for the period** | | | | | | | **26,055** | **35,359** |



SANFORD LIMITED
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### 4. Bank Loans

The following loans were drawn down and repaid during the six months ended 31 March 2009:

| | Carrying and face value | |
|---|---|---|
| | 31 March 2009 | 31 March 2008 |
| | $000 | $000 |
| **Balance at 1 October** | **90,000** | **130,000** |
| Drawn down | 10,000 | – |
| Repaid | – | (20,000) |
| **Balance at 31 March** | **100,000** | **110,000** |
| Interest rates applicable | 3.64%–8.66% | 7.57%–9.28% |

### 5. Dividends

The following dividends were declared and paid by the Group for the six months ended 31 March 2009:

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | $000 | $000 |
| Ordinary dividend (14 cents per share) December 2008 (13 cents December 2007) | 13,108 | 12,172 |

### 6. Contingent Liabilities and Commitments

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | $000 | $000 |
| Commitments to discounted letter of credit | 3,100 | 63 |
| Guarantees | 234 | 185 |

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 31 March 2009

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

| | 31 March 2009 | 31 March 2008 | 30 September 2008 |
|---|---|---|---|
| | $000 | $000 | $000 |
| **Profit for the period (after tax)** | **26,055** | **35,359** | **53,420** |
| **Adjustments for non-cash items** | | | |
| Depreciation and amortisation | 6,930 | 7,575 | 15,109 |
| Impairment | 1,070 | 6,567 | 7,249 |
| Change in fair value of biological assets | (1,002) | (769) | (1,337) |
| Change in fair value of interest rate swaps | 568 | 215 | 700 |
| Equity accounted (profit) in associated companies | (193) | (57) | (170) |
| Increase / (decrease) in deferred taxation | 266 | (838) | (1,122) |
| Unrealised foreign exchange (gains) losses | 1,876 | 266 | (3,087) |
| | **9,515** | **12,959** | **17,342** |
| **Movement in working capital** | | | |
| (Increase) / decrease in debtors and prepayments | (12,867) | (3,156) | 247 |
| (Increase) / decrease in inventories | (14,217) | 8,109 | 13,875 |
| Increase / (decrease) in creditors and other liabilities | (5,477) | 4,901 | 6,842 |
| Increase in current tax | 1,156 | 3,922 | 7,527 |
| | **(31,405)** | **13,776** | **28,491** |
| **Items classified as investing activities** | | | |
| (Gain) / loss on sale of property, plant and equipment | 32 | (985) | (3,533) |
| (Gain) / loss on sale of other investments | 3 | (26,215) | (26,215) |
| | **35** | **(27,200)** | **(29,748)** |
| **Net cash inflows from operating activities** | **4,200** | **34,894** | **69,505** |



### 8. Jones Group Acquisition

On 1 October 2008 the Company acquired assets (principally quota) from Jones Group Limited for consideration of $19.32m.

### 9. Subsequent Events

Effective 1 May 2009 the Company purchased a further 10% of the shares in Weihai Dong Won Food Company Limited from various minority shareholders for consideration of US$1m. The Company now owns 50% of Weihai Dong Won with the other 50% owned by Dong Won Fisheries Company Limited.

### 10. Impairment

During the six months ended 31 March 2009, the Directors have reviewed the carrying value of the investment in High Liner Foods Incorporated and compared the carrying value with market prices.
As a result an impairment loss of $1.1m (March 2008: $0.8m) has been charged to the income statement.

# 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

## Registered Office

22 Jellicoe Street
Freemans Bay
Auckland 1010
New Zealand

## Postal Address

PO Box 443
Auckland 1140
New Zealand

Telephone + 64 9 379 4720
Facsimile + 64 9 309 1190

Website **www.sanford.co.nz**
Email info@sanford.co.nz

## 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 50 shares (price $5 to $10 per share) or 100 shares (price $2 to $5 per share).

## Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622
Private Bag 92 119, Auckland Mail Centre
Auckland 1142, New Zealand

Telephone + 64 9 488 8777
Facsimile + 64 9 488 8787

## 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.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

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