SANFORD LIMITED
SUSTAINABLE SEAFOOD

Interim Report
2011/2012

From sea to food – over 100 years of sustained growth

SYSTEM CERTIFICATION ISO 14001 SGS

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Interim Report to Shareholders

For the six months ended 31 March 2012

The Directors are pleased to present the Interim Report of Sanford Limited for the six months ended 31 March 2012.

For and on behalf of the Board of Directors:

J G Todd
Chairman

E F Barratt
Managing Director

20 June 2012

Contents

Cover photo taken by Dr Stu Hanchet (NIWA, New Zealand) as he and Dr Hyun-Su Jo (National Fisheries Research and Development Institute, Korea) prepare to join the San Aotea II in the Ross Sea to undertake an Antarctic toothfish pre-recruit survey, February 2012.

SANFORD LIMITED
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Directors' Report

Overview

Revenue for the six months ended 31 March 2012 is up slightly on the same period last year to a total of $230m. It is pleasing to report a 15% increase in EBITDA from $26.0m in the first six months last year to $29.9m in the current period. After tax profit for the period increased slightly to $13.3m ($13.1m last year) after taking into account a NZ$2m impairment charge in respect to our Australian operation.

Consolidated Interim Income Statement

	Unaudited 6 months ended 31 March 2012	Unaudited 6 months ended 31 March 2011	Audited 12 months ended 30 September 2011
	$000	$000	$000
Revenue	**230,303**	**228,030**	**463,954**
EBITDA*	29,899	25,998	49,244
Depreciation, amortisation and impairment	(9,969)	(7,516)	(16,255)
EBIT	**19,930**	**18,482**	**32,989**
Net interest	(5,315)	(4,645)	(10,607)
Net currency exchange gains	3,491	4,325	10,196
Net gain on sale of intangible assets, property, plant & equipment	693	58	52
Profit before income tax	**18,799**	**18,220**	**32,630**
Income tax (expense)	(5,464)	(5,103)	(10,320)
Profit for the period	**13,335**	**13,117**	**22,310**
Non controlling interest	(28)	(22)	(24)
Profit attributable to equity holders of the Group	**13,307**	**13,095**	**22,286**

* Earnings before interest, taxation, depreciation, amortisation and impairment, total currency exchange gains (losses) and gain on sale of intangible and long term assets.

Dividend

Directors have decided to maintain the interim dividend at 9 cents per share which will be payable 20 June 2012. The Board continues to focus on prudent management of capital expenditure and efficient use of working capital.

Directors' Report

Highlights

Greenshell mussel sales volumes and revenues grew by over 40% for the period as the acquisition of Pacifica Seafoods and the upgrade at Havelock produced the expected benefits. Scampi sales increased significantly as the Chinese market opened up and reduced inventory to current catch levels. These increases offset declines in sales volumes of hoki, squid, salmon and skipjack tuna.

Price increases for hake, hoki, ling, Greenshell mussels, skipjack tuna and squid were in most cases reduced or negated by the strengthened NZ dollar exchange rate, while prices decreased for salmon, orange roughy and toothfish. The average exchange rate (i.e. before allowing for foreign exchange gains) for the six months increased to US$0.80 this year from US$0.76 for the same period last year.

Profitability improved from inshore and aquaculture operations while deepwater returns remained stable. Pacific tuna profitability suffered from the unavailability of the San Nikunau for the first part of the year and lower-than-expected catches from the other two vessels.

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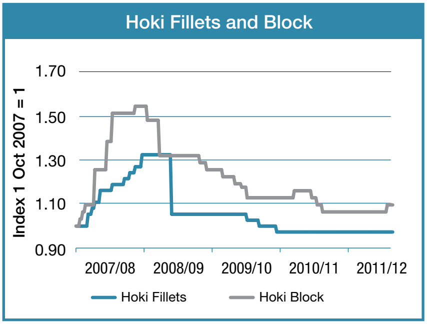
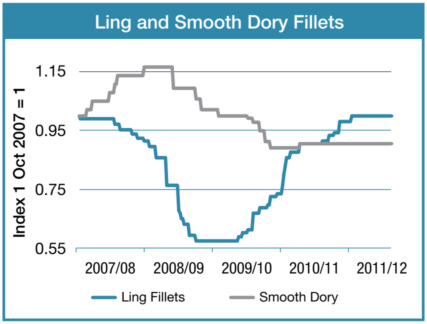
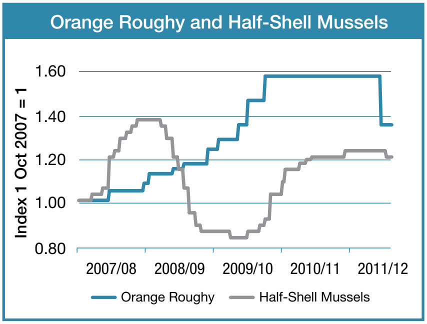
Directors' Report

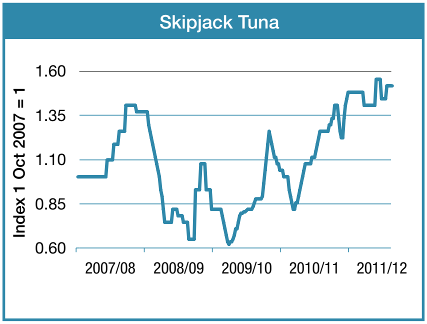
Markets and Pricing

Market prices over the period have remained reasonably firm and stable for most species during a time when many international commodity food prices have softened. We show in the following graphs some of our important species which illustrate trends in prices over the past six months as compared with the previous four years, with all prices indexed to 1 October 2007.









Directors' Report

Mussel prices have remained more stable this year and in almost all markets demand is firm. There have been signs of softness in European markets which reflect the economic turmoil currently affecting the Euro centric economies. There is a potential supply shortage of raw material looming that is related to the effect of environmental conditions on the natural growing cycle of mussels in the Coromandel area. This resultant shortage is likely to balance out any softness in demand in international markets and prices are expected to remain firm. The sale of retail pack mussels into a range of overseas markets continues to progress steadily.

Skipjack tuna prices have reached record levels as catches have been mediocre in a number of international fisheries. It is anticipated that skipjack prices will remain firm through at least the next quarter. Jack and blue mackerel prices continue to remain strong in most markets and demand is steady.

Squid market prices remain strong but have eased from the record highs experienced last year because catches in the major South Atlantic fisheries have improved. The demand for squid remains buoyant from all markets.

Hoki prices have remained steady for both fillets and fillet block. Competitive pressures continue in a range of international markets from the supply of alternative MSC-certified whitefish such as Alaskan and Russian pollock.

Ling prices remain firm in all markets, particularly Asia and all available product is shipped to market as it is produced.

Scampi prices are stable and demand is firm with product shipping as it is produced. In the past year the scampi market has been expanded to China which is now accounting for a substantial proportion of our sales.

Directors' Report

The orange roughy price has been softening over the past quarter and has now returned to levels last experienced around three years ago. The downward trend in prices is a result of some US retailers expressing concerns about the sustainability of orange roughy catches and as a consequence they have curtailed stocking this product. In our view these concerns are unfounded as all New Zealand orange roughy fisheries are robustly managed under the quota management system and there is no rational reason to be concerned about their sustainability, either now or in the future.

The oreo dory fillet prices had been softening in most markets over the past few years in response to competitive pressures from alternative whitefish supplies but prices appear to have stabilised during the last six months.

International salmon prices have continued to decline for the past year. Global market prices have been impacted by the renewal of substantial Atlantic salmon production from Chile after a period where disease had decimated supply from that source. Many buyers are hesitant to make pricing decisions until they see signs of more market stability. In this climate salmon prices may remain in flux for some time. In recent years our Bluff facility has diversified its exposure to this market risk by producing specialist portion products for a range of overseas restaurant chains.

Iwi Collective Partnership

We are now well into the second year of our partnership with the Iwi Collective Partnership (ICP) and we continue to progress at a positive rate our shared values and targeted result areas. Besides investigating future investment opportunities we have implemented programmes around education and work opportunities and continued to work together on long term industry sustainability issues.

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Directors' Report

New Zealand Seafood Segment

The New Zealand seafood segment of the business has produced an improved performance despite several challenges as reported below, whilst benefiting from a significant increase in mussel volumes.

Auckland

The Auckland factory and inshore vessels have exceeded expectations with strong catches of snapper and trevally. The Auckland Fish Market auction has set a number of new sales records so far this year and the Seafood School facility is being well utilised. Retail activity remains stronger following the opening of the Wynyard Quarter and the Rugby World Cup peak.

Tauranga

Early season blue mackerel catches were well ahead of previous years while the skipjack tuna season was slower than anticipated, mainly due to unfavourable weather conditions, rather than fish availability.

Export Cold Storage has been operating at close to capacity and results were up to expectations.

Timaru

Improved red cod catches from the inshore fleet this year have kept the Timaru factory busy when not processing frozen-at-sea orange roughy and smooth dory.

The San Won coldstore has been busy and close to capacity for most of the period. Alterations to the building will commence shortly to provide an additional environmental load out area to improve efficiency and inventory rotation.

Directors' Report

Freezer Trawlers

The three large freezer trawlers have all performed well, targeting hoki, oreo dory and orange roughy for the first quarter, and squid during the second quarter, with pleasing results across all fisheries.

Freezer Longliners

It is pleasing to report improved catch rates by the San Aotea II in the southern area ling fisheries this year. Prior to the Ross Sea season, the San Aspiring successfully caught our recently purchased Patagonian toothfish quota within the New Zealand exclusive economic zone. While the Ross Sea toothfish season was very challenging, due to unfavourable ice conditions, collectively the two vessels performed very well.

Scampi Freezer Vessels

Scampi catches have been strong during the period and in line with the excellent performance of the same period last year.

Charter Vessels

An extensive survey period during the first quarter for three of the four charter vessels reduced fishing activity for the period with a subsequent reduction in landed catch. Fortunately recent squid catches have assisted in making up some of this lost ground. The review of foreign charter vessels will likely result in some changes to the ways in which foreign crews are remunerated and paid, and as a responsible operator and with our pre-existing 100% observer coverage, we expect to be able to implement any required changes.

Quota Trading

Income from trading surplus quota has been lower than last year, a likely reflection of the reduced catching capacity available across all sectors, and the further hoki quota increase.

Directors' Report

Pacific Oysters – Kaeo

The full impact of the OsHV-1 ("herpes") virus resulted in the closure of the Kaeo processing facility at the completion of the season in December 2011. All oyster farmers have been affected and there are now simply too many processing facilities for the significantly reduced crop expected next season. The farming operation and maintenance of the water space will continue, with the coming season's crop likely to be toll-processed at another facility. We continue to work with government and other industry participants to develop virus resistant oyster spat, as well as investigating alternative uses for the water space.

Greenshell™ Mussels – Coromandel, Havelock, Christchurch and Bluff

Mussel production volumes are significantly higher than last year due to the completion of the mechanisation upgrade at Havelock, full integration of the Pacifica Seafoods acquisition in Christchurch and no further earthquake disruptions in Christchurch. While mussel growth and volumes harvested from our main growing areas in the Marlborough Sounds have been up to expectation, the challenge this year has been the very slow growth rates experienced on Coromandel mussel farms, resulting in a shortage of suitable crop for harvesting and processing at the jointly owned North Island Mussel Processors facility in Tauranga. In contrast to this Stewart Island mussels are growing at record rates, clearly showing environmental factors in play.

King Salmon – Stewart Island and Bluff

Operationally the salmon growing activity at Stewart Island is improving year on year as new technology and innovations are implemented. Unfortunately the market impact of increased salmon production in Chile has produced some challenges for the profitability of this business unit.

Directors' Report

Bluff Oysters

Oyster fishers have had an excellent season to date, with settled weather and good catch rates producing one of the best seasons for many years. An additional in-season quota allocation has recently been announced, so customers can look forward to an ongoing supply of fresh Bluff oysters beyond the traditional season closure date.

Pacific Tuna Vessels

Skipjack tuna catches were well down on the same period last year due to slow catching in the Western and Central Pacific region and the San Nikunau being unable to fish for the early part of this period. Recent catches have been more promising and high market prices have assisted in offsetting, to some degree, the reduced overall catch.

Australia Seafood Segment

Results from the Australian segment were below expectations and an impairment charge of NZ$2m has been taken in the six months accounts. Going forward we will be selling certain non-core quota assets and licences to reduce the asset base of the business, and move to earn returns closer to the cost of capital invested.

There were some capital profits earned in the period arising from sale proceeds of other surplus licences. Catches in Australia were close to expectations and market revenue and profitability improved in the later part of the period.

Directors' Report

Other Investments

Weihai Dong Won Food Company Limited, China (50% owned)

This company continued to be a profitable operation although at a lower level than previously, as higher raw material costs were not sufficiently covered by higher selling and reprocessing charges. A cash dividend was received during the period. Staff levels continue to be satisfactory. Certain processing changes are being made to improve the efficiency of operations and reduce operating costs.

Pure New Zealand Greenshell Mussels Partnership (China 55% owned)

This company cooperatively markets Greenshell mussels in China for four companies (Sanford Limited, Sealord Group Limited, Kono LP, and Greenshell Investments Limited). Significant progress is being made in expanding the knowledge and use of Greenshell mussels across a wide range of consumers in China and volumes continue to grow as our promotion effort continues. This assists moving volume to a newer and non-traditional market and in keeping market demand for mussels close to supply availability.

North Island Mussel Processors Limited (33% owned)

This company operates a large automated toll mussel processing plant in Tauranga and toll processes mussels on behalf of Sanford Limited, Sealord Group Limited and Greenshell Investments Limited. With the slow growth rates being experienced in the Coromandel region the facility was shut down in early May and is not expected to reopen until some time towards the end of 2012. With the temporary closure of processing facilities, shareholders are now required to service the company's debt directly from their own resources.

Subsequent to 31 March 2012 Greenshell Investments Limited advised it does not wish to continue funding its share of commitments and is seeking to transfer its ownership in NIMPL jointly to Sanford Limited and Sealord Group Limited.

Negotiations are currently underway among the shareholders and as the outcome is uncertain the impact on the Financial Statements cannot be quantified.

Directors' Report

Statement of Financial Position

Sanford's ratio of shareholders equity to total assets at 69% continues to improve as we focus on reducing bank debt following the Pacifica Seafoods purchase on 30 November 2010. The working capital ratio decreased slightly from 2.32 at end March 2011 to 2.12 as we reduced term debt whilst continuing to use a slightly higher level of short term debt. Inventory levels were consistent with the same time last year and reflect the seasonal increase over the September to March period. We would expect the level to decline over the next six months if markets remain consistent with previous years.

Our banking facilities continue to be shared approximately two thirds with the ANZ Banking Group and one third with Rabobank. We have continued to meet all obligations in respect to our banking arrangements.

Capital Expenditure

Capital expenditure has been limited in the period with no major capital expenditure contemplated for the remainder of this financial year.

Sustainable Development

We have recently renewed our ISO 14001 certification of our New Zealand sites and Sanford-owned and New Zealand-based fishing vessels. Our commitment to continue to push for sustainable certification of our fisheries to the highest possible standards continues with the southern blue whiting fisheries in New Zealand recently certified, and the hoki fishery has now been re-assessed with what we understand to be amongst the highest scores for any fishery assessed by MSC, demonstrating our commitments to continuous improvements within our sustainable management practices in New Zealand.

Directors' Report

Foreign Charter Vessels

There has been significant news media coverage of the negative aspects of some foreign charter vessels. A government commissioned independent inquiry also recently presented a report to Government Ministers. In response to the report and media coverage we proactively (in some cases in conjunction with some of our customers), conducted extensive independent investigations and audits of various aspects of our charter operations in New Zealand, Korea and Indonesia. As a result of these investigations we are implementing new systems to ensure increased accuracy, transparency and traceability exists between Sanford and all relevant parties, particularly the crews.

The recent Government decision to require all foreign chartered vessels to be reflagged to the New Zealand flag over a four year phase-in period will require us to carefully assess our future options. It is too early to assess whether we or our Korean partners see reflagging as a viable option.

Sanford would also need to consider what other catching capability options might be feasible in the future.

San Nikunau Court Case

The United States federal court case against Sanford Limited over alleged incorrect recording and reporting of oily water separator operations and discharges, and various alleged obstruction and other charges, will be heard in Washington DC in August. Sanford will vigorously defend these charges on various grounds. As with any litigation there is a risk as to the outcome of this action.

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Directors' Report

Outlook for the Six Months to 30 September 2012

We expect profitability in the second six months of this year will be improved over the same period last year providing international market conditions remain the same as they have been over the first six months. The recent reduction in the value of the New Zealand dollar will assist if it remains below US$0.80. We have recently increased our foreign exchange hedging position to protect us from further extreme variations of the New Zealand dollar.

There is no reason to expect that catches of species such as hoki, ling, silver warehou, scampi, snapper, trevally, jack mackerel and tarakihi will not be in line with our expectations. Greenshell mussel production in Havelock and Christchurch should continue to be at high levels and will likely minimise the effect of the reduced mussel production from the Coromandel area.

Market conditions for most species should be stable although there is concern over salmon prices as Chile production volumes increase. The squid season has been reasonable so far although it is too early to say whether it will run as long as last year. With high prices for skipjack tuna the final result for the year will very much depend on catch rates in the Pacific over coming months. The San Nikunau will have a delayed start to the Pacific season as it undergoes its planned survey and maintenance programme.

Earlier this year we instituted a range of initiatives across the business to improve the return on capital employed. Some of these initiatives are short term and are already delivering cost saving benefits and others are more strategic and will require a longer time frame for the benefits to flow. One of the initiatives is the establishment of a small dedicated research and development team working with specialist in-house facilities and our more strategic customers to deliver increased value from our valuable seafood resources.

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Directors' Report

Our excellent and well qualified management team and staff have taken up the challenge of improving the return on capital employed with dedication and enthusiasm.

J G Todd
Chairman

20 June 2012

E F Barratt
Managing Director

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Consolidated Condensed Income Statement

For the six months ended 31 March 2012

	Unaudited 6 months ended 31 March 2012	Unaudited 6 months ended 31 March 2011	Audited 12 months ended 30 September 2011
	$000	$000	$000
Revenue	230,303	228,030	463,954
Cost of sales	(186,603)	(188,416)	(388,622)
Gross profit	**43,700**	**39,614**	**75,332**
Other income	3,149	3,680	5,896
Distribution expenses	(15,469)	(15,519)	(30,365)
Administrative expenses	(6,469)	(7,644)	(13,653)
Other expenses	(5,297)	(2,720)	(5,388)
Operating profit	**19,614**	**17,411**	**31,822**
Finance income	3,647	4,472	10,544
Finance expenses	(5,458)	(4,774)	(10,909)
Net finance income	**(1,811)**	**(302)**	**(365)**
Share of profit of equity accounted investees	996	1,111	1,173
Profit before income tax	**18,799**	**18,220**	**32,630**
Income tax (expense)	(5,464)	(5,103)	(10,320)
Profit for the period	**13,335**	**13,117**	**22,310**
Attributable to:			
Equity holders of the Group	13,307	13,095	22,286
Non controlling interest	28	22	24
	13,335	**13,117**	**22,310**
Earnings per share			
Basic and diluted earnings per share (cents)	14.2	14.0	23.8

Consolidated Condensed Statement of Comprehensive Income

For the six months ended 31 March 2012

	Unaudited 6 months ended 31 March 2012	Unaudited 6 months ended 31 March 2011	Audited 12 months ended 30 September 2011
	$000	$000	$000
Profit for the period (after tax)	**13,335**	**13,117**	**22,310**
Other comprehensive income			
Foreign currency translation differences	(854)	823	(541)
Change in fair value of cash flow hedges	7,896	91	(4,079)
Income tax on cash flow hedges	(2,213)	52	1,220
Total other comprehensive income (loss) for the period	**4,829**	**966**	**(3,400)**
Total comprehensive income for the period	**18,164**	**14,083**	**18,910**
Total comprehensive income for the period is attributable to:			
Equity holders of the Group	18,125	14,050	18,895
Non controlling interest	39	33	15
Total comprehensive income for the period	**18,164**	**14,083**	**18,910**

SANFORD LIMITED
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Consolidated Condensed Statement of Financial Position

As at 31 March 2012

	Note	Unaudited 31 March 2012 $000	Unaudited 31 March 2011 $000	Audited 30 September 2011 $000
Equity				
Paid in capital		95,355	95,355	95,355
Retained earnings		451,086	450,122	450,887
Other reserves		7,506	7,033	2,688
Total equity attributable to shareholders of the Company		**553,947**	**552,510**	**548,930**
Non controlling interest		592	565	553
Total equity		**554,539**	**553,075**	**549,483**
Non-current liabilities				
Bank loans (secured)	4	165,000	190,000	165,000
Deferred taxation		8,922	9,135	6,440
Total non-current liabilities		**173,922**	**199,135**	**171,440**
Current liabilities				
Bank overdraft and borrowings (secured)		33,669	28,389	20,374
Derivative financial instruments		1,605	816	1,734
Trade creditors		10,988	15,010	11,949
Other creditors, provisions and accruals		16,249	14,010	15,777
Employee entitlements		7,173	6,834	8,459
Taxation payable		1,239	–	467
Total current liabilities		**70,923**	**65,059**	**58,760**
Total liabilities		**244,845**	**264,194**	**230,200**
Total equity and liabilities		**799,384**	**817,269**	**779,683**
Non-current assets				
Property, plant and equipment		125,768	136,506	131,893
Investments		12,167	11,862	11,567
Biological assets		6,650	7,167	8,423
Intangible assets		504,261	510,845	508,925
Total non-current assets		**648,846**	**666,380**	**660,808**
Current assets				
Cash on hand and at bank		2,704	4,045	2,693
Trade debtors		55,500	58,302	49,773
Derivative financial instruments		10,446	5,840	224
Other debtors and prepayments		18,152	15,900	7,254
Current portion of term receivable		–	1,267	–
Biological assets		11,240	10,342	8,796
Inventories		52,496	53,569	50,135
Taxation receivable		–	1,624	–
Total current assets		**150,538**	**150,889**	**118,875**
Total assets		**799,384**	**817,269**	**779,683**

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Consolidated Condensed Statement of Cash Flows

For the six months ended 31 March 2012

	Note	Unaudited 6 months ended 31 March 2012 $000	Unaudited 6 months ended 31 March 2011 $000	Audited 12 months ended 30 September 2011 $000
Cash flows from operating activities				
Cash provided from:				
Receipts from customers		227,440	226,242	488,745
Interest received		139	139	305
Dividends received		12	17	46
		227,591	226,398	489,096
Cash applied to:				
Payments to suppliers and employees		218,924	207,974	418,826
Income tax paid		4,366	7,443	11,961
Interest paid		5,339	4,424	9,807
		228,629	219,841	440,594
Net cash flows from operating activities	5	**(1,038)**	**6,557**	**48,502**
Cash flows from investing activities				
Cash provided from:				
Sale of property, plant and equipment		192	42	665
Sale of intangible assets		1,586	4,704	5,537
Dividends received from associates		271	553	910
Repayment of term receivable		–	1,487	3,062
		2,049	6,786	10,174
Cash applied to:				
Purchase of property, plant and equipment		1,148	12,713	17,502
Pacifica Seafoods acquisition		–	85,651	85,651
Purchase of intangible assets		–	518	1,005
		1,148	98,882	104,158
Net cash flows from investing activities		**901**	**(92,096)**	**(93,984)**
Cash flows from financing activities				
Cash provided from:				
Proceeds from borrowings	4	–	85,000	85,000
Cash applied to:				
Dividends paid to parent shareholders	6	13,108	13,108	21,534
Dividends paid to non controlling shareholders in subsidiaries		–	102	96
Repayment of term loan	4	–	15,000	40,000
		13,108	28,210	61,630
Net cash flows from financing activities		**(13,108)**	**56,790**	**23,370**
Net decrease in cash and cash equivalents		**(13,245)**	**(28,749)**	**(22,112)**
Effect of exchange rate fluctuations on cash held		(39)	(13)	13
Cash and cash equivalents at beginning of the period		(17,681)	4,418	4,418
Cash and cash equivalents at end of the period		**(30,965)**	**(24,344)**	**(17,681)**
Represented by:				
Bank overdraft and borrowings at call		(33,669)	(28,389)	(20,374)
Cash on hand and at bank		2,704	4,045	2,693
		(30,965)	**(24,344)**	**(17,681)**

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Consolidated Condensed Statement of Changes in Equity

For the six months ended 31 March 2012

	Share Capital	Translation Reserve	Cash Flow Hedge Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
	$000	$000	$000	$000	$000	$000	$000
Balance at 1 October 2011	**95,355**	**2,826**	**(138)**	**450,887**	**548,930**	**553**	**549,483**
Profit for the period (after tax)	–	–	–	13,307	13,307	28	13,335
Other comprehensive income							
Foreign currency translation differences	–	(865)	–	–	(865)	11	(854)
Change in fair value of cash flow hedges	–	–	7,896	–	7,896	–	7,896
Income tax on cash flow hedges	–	–	(2,213)	–	(2,213)	–	(2,213)
Total comprehensive income	**–**	**(865)**	**5,683**	**13,307**	**18,125**	**39**	**18,164**
Distributions to shareholders	–	–	–	(13,108)	(13,108)	–	(13,108)
Balance at 31 March 2012	**95,355**	**1,961**	**5,545**	**451,086**	**553,947**	**592**	**554,539**
Balance at 1 October 2010	**95,355**	**3,358**	**2,721**	**450,135**	**551,569**	**633**	**552,202**
Profit for the period (after tax)	–	–	–	13,095	13,095	22	13,117
Other comprehensive income							
Foreign currency translation differences	–	811	–	–	811	12	823
Change in fair value of cash flow hedges	–	–	91	–	91	–	91
Income tax on cash flow hedges	–	–	52	–	52	–	52
Total comprehensive income	**–**	**811**	**143**	**13,095**	**14,049**	**34**	**14,083**
Distributions to shareholders	–	–	–	(13,108)	(13,108)	(102)	(13,210)
Balance at 31 March 2011	**95,355**	**4,169**	**2,864**	**450,122**	**552,510**	**565**	**553,075**
Balance at 1 October 2010	**95,355**	**3,358**	**2,721**	**450,135**	**551,569**	**633**	**552,202**
Profit for the period (after tax)	–	–	–	22,286	22,286	24	22,310
Other comprehensive income							
Foreign currency translation differences	–	(532)	–	–	(532)	(9)	(541)
Change in fair value of cash flow hedges	–	–	(4,079)	–	(4,079)	–	(4,079)
Income tax on cash flow hedges	–	–	1,220	–	1,220	–	1,220
Total comprehensive income	**–**	**(532)**	**(2,859)**	**22,286**	**18,895**	**15**	**18,910**
Distributions to shareholders	–	–	–	(21,534)	(21,534)	(95)	(21,629)
Balance at 30 September 2011	**95,355**	**2,826**	**(138)**	**450,887**	**548,930**	**553**	**549,483**

Notes to the Interim Financial Statements

For the six months ended 31 March 2012

1. General Information

Sanford Limited (the Company) is a profit-orientated company that is domiciled and incorporated in New Zealand. The Company is registered under the New Zealand Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer for the purposes of the New Zealand Financial Reporting Act 1993 and is, accordingly, a reporting entity that is required to, and does, comply with the provisions of both the Companies Act 1993 and the Financial Reporting Act 1993 and with New Zealand Generally Accepted Accounting Practice.

The Interim Financial Statements are prepared in accordance with NZ IAS 34 Interim Financial Reporting. The Interim Financial Statements and the comparative information for the six months ended 31 March 2011, are unaudited. The comparative information for the year ended 30 September 2011 is audited.

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 Financial Statements. The accounting policies used in the preparation of the Interim Financial Statements are consistent with those of the Financial Statements for the year ended 30 September 2011. To ensure consistency with the current period comparative figures have been restated where appropriate. The Interim Financial Statements should be read in conjunction with the Financial Statements for the year ending 30 September 2011.

3. Segment Reporting

NZ IFRS 8 Operating Segments requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director who reviews the Group’s internal reporting in order to assess performance and to allocate funding and resources. Management has determined the operating segments based on these reports.

The Group operates in two segments, New Zealand Seafood and Australia Seafood.

The Group operates in the one-industry segment, harvesting, processing and selling seafood products.

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Notes to the Interim Financial Statements

For the six months ended 31 March 2012

3. Segment Reporting (continued)

(a) Income and expenditure

	New Zealand			Australia		
	31 March 2012	31 March 2011	30 September 2011	31 March 2012	31 March 2011	30 September 2011
	$000	$000	$000	$000	$000	$000
Total external revenues	209,842	205,767	422,984	20,461	22,263	40,970
Inter–segment revenue	1,803	643	994	–	–	–
Segment revenue	211,645	206,410	423,978	20,461	22,263	40,970
Segment profit for the period	**13,579**	**11,678**	**20,934**	**(1,256)**	**306**	**163**
Share of profit of equity accounted investees						
Reported profit for the period						

(b) Assets and liabilities

	New Zealand		
	31 March 2012	31 March 2011	30 September 2011
	$000	$000	$000
Segment assets	766,252	779,339	744,942
Investment in equity accounted investees	12,104	11,862	11,504
Total assets	**778,356**	**791,201**	**756,446**
Segment liabilities	220,732	235,345	203,947
Total liabilities	**220,732**	**235,345**	**203,947**
Capital expenditure	1,512	94,537	102,207
Depreciation	7,799	7,389	15,923
Impairment of intangible assets	–	–	–

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Notes to the Interim Financial Statements

For the six months ended 31 March 2012

Eliminations			Total		
31 March 2012	31 March 2011	30 September 2011	31 March 2012	31 March 2011	30 September 2011
$000	$000	$000	$000	$000	$000
–	–	–	230,303	228,030	463,954
(1,803)	(643)	(994)	–	–	–
(1,803)	(643)	(994)	230,303	228,030	463,954
16	**22**	**40**	**12,339**	**12,006**	**21,137**
			996	1,111	1,173
			13,335	**13,117**	**22,310**

Australia			Total		
31 March 2012	31 March 2011	30 September 2011	31 March 2012	31 March 2011	30 September 2011
$000	$000	$000	$000	$000	$000
21,028	26,068	23,237	787,280	805,407	768,179
–	–	–	12,104	11,862	11,504
21,028	**26,068**	**23,237**	**799,384**	**817,269**	**779,683**
24,113	28,849	26,253	244,845	264,194	230,200
24,113	**28,849**	**26,253**	**244,845**	**264,194**	**230,200**
15	1,564	1,962	1,527	96,101	104,169
170	127	332	7,969	7,516	16,255
2,000	–	–	2,000	–	–

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Notes to the Interim Financial Statements

For the six months ended 31 March 2012

3. Segment Reporting (continued)

(c) Revenue by geographical location of customers

	6 months ended 31 March 2012	6 months ended 31 March 2011	12 months ended 30 September 2011
	$000	$000	$000
New Zealand	31,688	31,652	58,031
Australia	44,937	43,380	82,922
Europe	25,297	29,411	61,088
North America	34,381	35,562	76,176
Japan	15,514	14,769	27,966
China/Hong Kong	17,950	12,816	28,929
Korea	23,343	20,487	53,882
Other Asia	11,750	7,529	17,853
Other	25,443	32,424	57,107
Revenue	**230,303**	**228,030**	**463,954**

4. Bank Loans (secured)

	Carrying and face value		
	31 March 2012	31 March 2011	30 September 2011
	$000	$000	$000
Balance at beginning of period	**165,000**	**120,000**	**120,000**
Issued	–	85,000	85,000
Repaid	–	(15,000)	(40,000)
Balance at end of period	**165,000**	**190,000**	**165,000**
Interest rates applicable	3.58%-4.05%	3.70%-4.05%	3.70%-4.05%

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Notes to the Interim Financial Statements

For the six months ended 31 March 2012

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

	6 months ended 31 March 2012	6 months ended 31 March 2011	12 months ended 30 September 2011
	$000	$000	$000
Profit for the period (after tax)	**13,335**	**13,117**	**22,310**
Adjustments for non-cash items			
Depreciation and amortisation	7,969	7,516	16,255
Impairment of intangible assets	2,000	–	–
Change in fair value of biological assets	(671)	(552)	(262)
Change in fair value of interest rate swaps	94	359	802
Change in fair value of foreign exchange options	(1,569)	(196)	224
New Zealand units income	–	–	(26)
Change in fair value of foreign exchange contracts	(981)	(740)	733
Equity accounted (profit) in associated companies	(996)	(1,111)	(1,173)
Increase (decrease) in deferred taxation	329	1,116	(409)
Unrealised foreign exchange loss (gains)	2,691	(233)	(3,843)
	8,866	**6,159**	**12,301**
Movement in working capital			
(Increase) decrease in debtors and prepayments	(19,152)	(8,014)	12,149
(Increase) in inventories	(2,338)	(5,705)	(2,301)
(Decrease) increase in creditors and other liabilities	(1,826)	4,428	5,373
Increase (decrease) in current tax	770	(3,370)	(1,278)
	(22,546)	**(12,661)**	**13,943**
Items classified as investing activities			
(Gain) on sale of property, plant and equipment	(146)	(32)	(52)
(Gain) on sale of intangible asset	(547)	(26)	–
	(693)	**(58)**	**(52)**
Net cash inflows (outflows) from operating activities	**(1,038)**	**6,557**	**48,502**

Notes to the Interim Financial Statements

For the six months ended 31 March 2012

6. Dividends

The following dividends were declared and paid by the Company:

	6 months ended 31 March 2012	6 months ended 31 March 2011	12 months ended 30 September 2011
	$000	$000	$000
Ordinary dividend (14 cents per share) December 2011 (14 cents December 2010, 9 cents June 2011)	13,108	13,108	21,534

On 30 May 2012 the Directors proposed an interim dividend of 9 cents per share (fully imputed) to be paid on 20 June 2012. This dividend has not been provided for in the accounts at 31 March 2012.

7. Contingent Liabilities and Commitments

	31 March 2012	31 March 2011	30 September 2011
	$000	$000	$000
Commitments to discounted letters of credit	–	124	–
Guarantees	1,553	311	311

8. Impairment of Intangible Assets

For the six months ended 31 March 2012 the Directors have reviewed the carrying value of Australia fishing quota and licences and compared them with market prices, given the decision to divest certain non-core assets. As a result of the review, the carrying value of Australia quota was written down resulting in an impairment loss of NZ$2.0m which has been recognised in Other expenses in the Income Statement.

9. Subsequent Events

Investment in North Island Mussel Processors Limited (33.3% owned)

North Island Mussel Processors Limited (NIMPL) operates a large automated toll mussel processing plant in Tauranga equally owned by Sanford Limited, Sealord Group Limited and Greenshell Investments Limited. At 31 March 2012 Sanford Limited's investment in the company has a carrying value of $1.2m and an advance to NIMPL of $1.8m.

Subsequent to 31 March 2012 Greenshell Investments Limited advised it does not wish to continue funding its share of commitments and is seeking to transfer its ownership in NIMPL jointly to Sanford Limited and Sealord Group Limited.

Negotiations are currently underway among the shareholders and as the outcome is uncertain the impact on the Financial Statements cannot be quantified.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Directory

Board of Directors

J G Todd, CBE, Chairman
E F Barratt, Managing Director
D G Anderson
E M Coutts
M G Cowsill
P J Goodfellow
W B Goodfellow
P G Norling

Company Secretary

G L McNamara

Registered Office

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Freemans Bay
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Auckland 1140
New Zealand

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

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622
Private Bag 92 119, Victoria Street West
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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