SANFORD LIMITED
SUSTAINABLE SEAFOOD

Interim Report
2012/2013

From sea to food – over 100 years of sustained growth

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Interim Report to Shareholders

For the six months ended 31 March 2013

The Directors are pleased to present the Interim Report of Sanford Limited for the six months ended 31 March 2013.

For and on behalf of the Board of Directors:

J G Todd
Chairman

E F Barratt
Managing Director

19 June 2013

Contents

Cover photo Baader 200 fully automated salmon filleting machine at Sanford Bluff.

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Directors' Report

Overview

It is pleasing to report that after tax profit for the period increased by 5.5% to $14.1m ($13.3m last year), after impairment charges of $1.4m largely related to assets held for sale. Revenue for the six months ended 31 March 2013 increased by 6.2% to $244.6m while EBITDA declined by 8.2% from $29.9m to $27.4m as a result of lower margins from the high level of the New Zealand dollar for the period.

Consolidated Interim Income Statement

	Unaudited 6 months to 31 March 2013	Unaudited 6 months to 31 March 2012	Audited 12 months to 30 September 2012
	$000	$000	$000
Revenue	**244,575**	**230,303**	**459,957**
EBITDA*	27,440	29,899	51,239
Depreciation, amortisation and impairment	(9,187)	(9,969)	(18,320)
EBIT	**18,253**	**19,930**	**32,919**
Net interest	(4,285)	(5,315)	(10,196)
Net currency exchange gains	5,852	3,491	7,385
Net gain (loss) on sale of investments, property, plant & equipment	229	693	(150)
Profit before income tax	**20,049**	**18,799**	**29,958**
Income tax (expense)	(5,984)	(5,464)	(9,074)
Profit for the period	**14,065**	**13,335**	**20,884**
Non controlling interest	(35)	(28)	(42)
Profit attributable to equity holders of the Group	**14,030**	**13,307**	**20,842**

* 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 19 June 2013.

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Highlights

Greenshell mussel revenue was equivalent to last year although volumes were down with slower growth rates in the Marlborough Sounds impacting both Havelock and Christchurch. Improved throughput at the North Island Mussel Limited (NIML) plant in Tauranga offset some of the decline in Marlborough. Increased salmon sales on the domestic market were achieved through a strategic relationship with a large retail organisation, coupled with improved opportunities in international export markets for frozen salmon, which resulted in a substantial reduction of inventory. Improved skipjack tuna catches by both the Pacific tuna fleet and the inshore Tauranga vessels saw strong revenue gains in the last two months of the period.

The average US dollar exchange rate (before allowing for foreign exchange gains) for the six months increased to US$0.83 from US$0.80 for the same period last year.

Profitability improved with strong prices for pelagic species and skipjack tuna. Deepwater returns remained stable but profitability from aquaculture operations declined from lower harvested volumes of Greenshell mussels and low salmon prices. Pacific tuna operations improved over last year, some vessels were unavailable for part of the season; a substantial capital upgrade for the San Nanumea is nearing completion and the Ocean Breeze required further gearbox and tailshaft modifications. The San Nikunau had excellent catches for the period.

Markets and Pricing

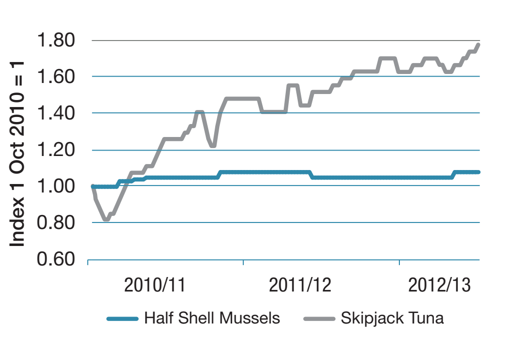
Prices over the first six months have remained reasonably firm and stable for most species during a period when many international commodity food prices have also been buoyant. We show in the following graphs some of our important species which illustrate trends in prices over the past six months as compared with the previous two years, with all prices indexed to 1 October 2010.

Directors' Report

Mussel prices have been firming recently in all markets and demand is firm. There is currently a supply shortage of suitable raw material from the major growing areas in Marlborough. These mussels haven't shown growth normally expected over the summer which is related to the effect of environmental conditions and the lack of plankton food availability. An extended drought has led to low nutrient runoff into the Marlborough Sounds region and this in turn is likely to have contributed to low plankton growth. The resultant shortage in raw material has caused some other producers to close their plants but Sanford has a sufficiently diversified source of supply to be able to continue production, albeit at a less than optimal level. Consequently the short supply has seen firm demand in all international markets. Prices have risen and 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 another record level as catches have been mediocre in a number of international fisheries. It is anticipated that skipjack prices will remain buoyant through at least the next quarter. Jack and blue mackerel prices continue to remain strong in most markets and demand is steady.

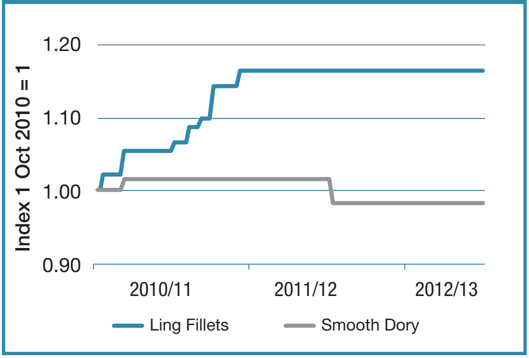
Half Shell Mussels and Skipjack Tuna



Directors' Report

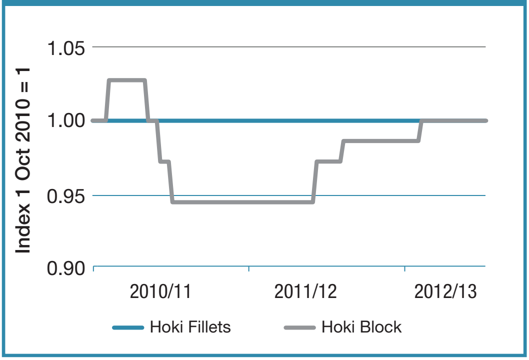
Ling prices remain firm in all markets, particularly Asia and all available supply ships to market promptly. The smooth dory fillet prices softened in most markets three years ago, again in response to competitive pressures from alternative whitefish supplies. Since that time prices have stabilised and demand is firm at current levels.

Ling Fillets and Smooth Dory



Hoki prices continue to remain steady for fillet block whilst fillets are showing small gains in pricing. Competitive pressures continue in a range of international markets from the supply of alternative whitefish such as Atlantic cod as well as Alaskan and Russian pollock.

Hoki Fillets and Block



Directors' Report

Other Species

The orange roughy price has stabilised over the past six months at levels last experienced around three to four years ago. The downward trend is a result of some US retailers having concerns about the sustainability of orange roughy catches, and as a consequence they have curtailed stocking this product. In our view these concerns remain unfounded as all New Zealand orange roughy fisheries are robustly managed under the quota management system. Efforts are now being made to pursue sustainability certification for the mainstream orange roughy fishery, and this is likely to bolster pricing in the future.

Squid market prices remain firm but have continued to ease from the previous highs experienced last year because catches in other major international fisheries have improved. The demand for squid remains steady from all markets.

Scampi prices are stable and demand is firm with product shipping as it is caught. The Chinese market now accounts for a substantial proportion of our sales but demand is also firm from all of the traditional markets, including Japan.

International salmon prices have shown some signs of tentative recovery in the past six months. Many buyers remain hesitant about pricing decisions as they wait for signs of more market stability but it is clear that the market is improving. Our Bluff salmon processing facility has diversified its exposure to this international market risk, both by producing specialist portion products for a range of overseas restaurant chains, and focusing more on fillet production for the domestic retail market.

Iwi Collective Partnership

We continue to value our partnership with the Iwi Collective Partnership (ICP) as we learn more of the challenges and opportunities where we can work together. We have and continue to explore ideas for mutual expansion of our relationship as well as ways of increasing the value and benefit of quota ownership. Our first scholarship awards have been made and one of the recipients has now been engaged to join the Sanford team as a fulltime employee.

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New Zealand Seafood Segment

The New Zealand seafood segment of the business has produced an improved performance particularly inshore and deepwater operations. Lower throughput at the Havelock and Christchurch Greenshell mussel plants was the result of a period of unusually slow growth in the Marlborough Sounds over summer. Results improved for the Pacific tuna fleet with good catches by the San Nikunau in New Zealand.

Auckland

Inshore catches of snapper and trevally have been in line with expectations although this year will see more snapper caught in the second half of the year. Gurnard and trevally catches have been better than expected. The Auckland Fish Market, Seafood School and Big Picture Wine operations are experiencing increased patronage and this is expected to lift further when the retail area beneath the new ASB head office opens in the next few months.

Increased processing at the Auckland plant was due to an improved albacore season and higher volumes processed for local supermarkets.

Tauranga

Catches of blue and jack mackerel were in line with expectations early in the season, following on from that skipjack tuna catches were well ahead of last year.

Our Export Cold Storage business in Mt Maunganui continues to operate close to capacity and results are in line with expectations.

Timaru

While Timaru inshore catches are steady the production plant has had to recruit staff to meet additional processing requirements for new retail production lines. The recent fire in the coldstore will not impact processing.

The San Won facility has begun using its new environmental load out area (ELA) which is resulting in improved efficiency.

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Freezer Trawlers

The three 64 metre freezer trawlers all performed to expectations on catches of orange roughy, oreo dory, hoki and squid.

Freezer Longliners

Increased vessel numbers in the CCAMLR controlled Ross Sea resulted in the catch season being shortened through increased competition. Sanford has sought backing for its proposal to improve the standard of vessels allowed to fish in this area. This year we have been successful in having two vessels authorised to fish for Patagonian toothfish in South Georgia and both long liners are currently operating in that region.

Scampi Freezer Vessels

Our scampi fleet continues to perform up to expectations and, with an improved market, financial results are moving toward meeting our expectations.

Charter Vessels

After their traditional survey and maintenance period at the start of the year the vessels have mainly been involved in the squid fishery and catches are in line with previous years.

Quota Trading

Trading of surplus quota has resulted in increased returns this year which is a reflection of increased demand for pelagic species quota for which we have insufficient vessel catching capability.

Greenshell Mussels – Coromandel, Havelock, Christchurch and Bluff

Mussel production volumes at Havelock and Christchurch have reduced as slow growth in the Marlborough Sounds curtailed harvesting over the period. However, with our wide spread of farming operations, and being able to harvest mussels from Banks Peninsula and Stewart Island, we have been able to maintain our level of throughput in the plants and avoid costly shutdowns. Harvests are now starting to return to normal and the plants are increasing capacity which is needed to meet strong demand from customers in all markets.

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King Salmon – Stewart Island and Bluff

For the first time we achieved all year round harvesting of salmon which is assisting to increase volumes of salmon sold on the New Zealand market. All year round production has also helped in being able to access fresh export markets where demand and prices are higher than can be obtained from the traditional frozen market.

Bluff Oysters

The Bluff oyster season continues to produce results and while catch is weather dependent the quality of oysters and catch rates continue to improve.

Pacific Tuna Vessels

Skipjack tuna catches were similar to last year with the San Nikunau, in particular performing well during the New Zealand season. The upgrade to the San Nanumea is nearing completion and the vessel is expected to return to fishing shortly. The Ocean Breeze has fished intermittently during the period and has now returned to fishing full time in the Pacific.

Australia Seafood Segment

Results from the Australian segment continue to be below expectations. As a result of an increased focus on ways to re-engineer our business in Australia we have recently changed the way in which supplier and buyer transactions are processed. An analysis of the historical practices has found that transactions may not have been recorded in the manner required. Provision has been made for the estimated financial effects of any corrections required and a more detailed audit is being conducted to determine the effect of this practice. We will also look at the way in which our quota portfolio is utilised, the way in which we operate the consignment market on behalf of our fishers, and the way in which we market New Zealand products sold in Victoria. This will take some time and should result in improved returns from 2014.

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Investments

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

Production volumes have remained steady through our China processing company. Profitability continues to be in line with expectations although new opportunities are being constantly explored. Recruiting staff continues to be a challenge, however the company has a good reputation and generally maintains satisfactory staff levels. The contract processing carried out for Sanford provides valuable throughput to the plant and enables us to deliver a wider range of value added products to our international customers.

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 NZ Limited). Increased international pricing, coupled with supply shortages, has made it difficult to supply all the product requirements of the Chinese customer base. We are hopeful these issues will be resolved in the near future. A recent visit to New Zealand by the four largest customers enabled them to fully understand the farming water quality and the processing controls to ensure we deliver a high quality and safe product to the Chinese market.

North Island Mussels Limited (50% owned)

This company operates the water farming space owned by Sanford Limited and Sealord Group Limited in the Coromandel, as well as the large automated mussel processing plant in Tauranga. The company farms and processes Greenshell mussels on behalf of both companies and also purchases product from other farmers in the area. Growth rates have been satisfactory in the area this year and processed volumes have pleasingly increased. The business is focused on achieving volumes that justify the capital investment.

Primary Growth Partnership (PGP) Projects

Our two PGP projects are proceeding according to plan. The spat project (SPATnz) has concluded arrangements to construct the hatchery on land adjacent to the

Directors' Report

Cawthron Institute near Nelson. It is expected that the hatchery will be ready to commence operation towards the end of 2014.

The Precision Seafood Harvesting (PSH) project is making great progress with the first catches being made on each co-investor's vessels. These research trials have proved successful and generated sufficient interest for the co-investors to move to commercial trials earlier than originally planned. The equipment and the necessary regulatory arrangements for these commercial trials are expected to be completed to enable fishing in June.

Other Matters

San Nikunau Court Case

Following a trial in August 2012, the US District Court in Washington D.C. fined the Company US$1.9 million on 12 January 2013. The case related to non-compliance with MARPOL requirements aboard its tuna fishing vessel, the San Nikunau while it operated in international waters in the Pacific Ocean. The Court ordered that a further Community Service Payment of US$0.5m be paid to the US National Fisheries Foundation. The fine and Community Service Payment were paid in January and all costs associated with the case, additional to the provision made in the September 2012 Financial Statements, have been expensed in the current reporting period.

Fire at Timaru Coldstore

On Sunday 12 May 2013 a fire occurred in the Environmental Loadout Area (ELA) of a coldstore in Timaru used for storing frozen seafood products. No personnel were on site at the time the fire started and there were no injuries. The ELA and some of the walls and roof of the coldstore were destroyed and there was damage from smoke and water used to extinguish the fire. Most of the frozen product was able to be moved to other coldstores to be assessed for future sale. Work is underway to assess the most effective way to restore or rebuild the coldstore. Full insurance cover is held for the replacement of the coldstore and for the product in the coldstore and it will not impact ongoing processing operations in Timaru.

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Foreign Charter Vessels

The implementation of Sanford's Foreign Crew Management System has been completed.

The government is proposing through a Bill before Parliament to require all charter vessels to be reflagged. This coupled with ongoing disputes of recording hours worked by crews at sea has resulted in us deciding to implement some further changes to the structure of our charters.

Consolidated Balance Sheet

The balance sheet remains strong with shareholders funds as a proportion of total assets at 70.16%. Net asset backing is $5.96 per share, up from $5.94 at September 2012. The working capital ratio has increased from 2.12 at the end of March 2012 to 2.66 as a result of the refinancing of our debt in March, with extended repayment terms.

Strong sales in February and March resulted in a higher-than-normal level of trade debtors at the end of March ($62m) and lower inventory levels ($38m). This has resulted in strong cash flows since the end of March.

Financing

In March 2013 we refinanced and spread our debt with ANZ, Rabobank and BNZ. Total facilities of $200m are now $15m current and $185m term with repayment dates extending out to 2018. The refinancing also resulted in lower borrowing costs.

Capital Expenditure

Capital expenditure has been mainly focused on the upgrade of our Pacific tuna fleet with the San Nanumea due to complete its major upgrade by the end of May 2013.

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Sustainable Development

The revised Sustainable Development Report published in December was more widely circulated amongst stakeholders with very positive feedback. The concept of "sustainability" continues to be a term debated throughout the industry and issues around food safety, traceability, social issues, labelling, carbon usage and climate change are being linked into the term. We will continue to lead the industry in efforts to demonstrate the environmental positives around wild harvest and aquaculture seafood.

We completed the ISO 14001 certification of our Pacific tuna fleet during the period.

Outlook for the Six Months to 30 September 2013

Markets for our volume species of mussels and skipjack are expected to remain strong. If catches and aquaculture production levels are achieved as planned we expect that profitability for the second six months will be at a similar level as the first period.

While the value of the New Zealand dollar will remain a challenge, we believe the business can attain improved profitability compared to the last two years. We would expect catch volumes of species such as hoki, silver warehou, scampi, snapper, trevally and jack mackerel to meet our expectations. Ling catches are likely to be less this year as both our freezer longline vessels are engaged in targeting toothfish in the South Georgia area.

Greenshell mussel production should increase in the Marlborough area as more normal growing conditions return and other growing areas in Stewart Island and Banks Peninsula supply additional product. The new price levels for mussels, now established in all markets, will further assist profitability. The increased production of salmon being sold on the New Zealand market combined with the further processed salmon products for other markets will reduce our dependence on the price sensitive Japanese market.

Directors' Report

Work continues on a range of projects and initiatives across the business to try and improve the return on capital employed. Some change of vessel deployments will occur in the scampi, hoki and Australian fisheries that will contribute to improved efficiencies and high value product outcomes. One project, executed by the new product development team, to develop a range of natural fillet products suitable for Australian and New Zealand supermarkets has been completed and production of a range of products is now a regular outcome at various plants. Facilities to produce higher value Individually Quick Frozen fillets and portions in Timaru are being constructed utilising specialist equipment from the closure of our oyster processing plant in Kaeo.

We continue to be well served by our loyal and committed staff at all levels of the organisation. Management are well focused on delivering improved returns to shareholders. The process of recruiting a new Chief Executive Officer is proceeding as planned and an appointment is expected to be made well in advance of the Managing Director's retirement at the end of 2013.

J G Todd
Chairman
19 June 2013

E F Barratt
Managing Director

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Consolidated Condensed Income Statement

For the six months ended 31 March 2013

	Note	Unaudited 6 months ended 31 March 2013 $000	Unaudited 6 months ended 31 March 2012 $000	Audited 12 months ended 30 September 2012 $000
Revenue		244,575	230,303	459,957
Cost of sales		(200,723)	(186,603)	(377,228)
Gross profit		**43,852**	**43,700**	**82,729**
Other income		2,622	3,149	4,545
Distribution expenses		(16,627)	(15,469)	(30,320)
Administrative expenses		(6,568)	(6,469)	(15,461)
Other expenses	10, 11	(5,977)	(5,297)	(12,088)
Operating profit		**17,302**	**19,614**	**29,405**
Finance income		5,891	3,647	7,597
Finance expenses		(4,310)	(5,458)	(10,391)
Net finance income		**1,581**	**(1,811)**	**(2,794)**
Share of profit of equity accounted investees		1,166	996	3,347
Profit before income tax		**20,049**	**18,799**	**29,958**
Income tax (expense)		(5,984)	(5,464)	(9,074)
Profit for the period		**14,065**	**13,335**	**20,884**
Attributable to:				
Equity holders of the Group		14,030	13,307	20,842
Non controlling interest		35	28	42
		14,065	**13,335**	**20,884**
Earnings per share				
Basic and diluted earnings per share (cents)		15.0	14.2	22.3

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Consolidated Condensed Statement of Comprehensive Income

For the six months ended 31 March 2013

	Unaudited 6 months ended 31 March 2013	Unaudited 6 months ended 31 March 2012	Audited 12 months ended 30 September 2012
	$000	$000	$000
Profit for the period (after tax)	**14,065**	**13,335**	**20,884**
Other comprehensive income			
Items that are not reclassifed subsequently to profit or loss:			
Foreign currency translation differences	(79)	(854)	(245)
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges	1,240	7,896	10,224
Income tax on cash flow hedges	(347)	(2,213)	(2,863)
	893	5,683	7,361
Total other comprehensive income for the period	**814**	**4,829**	**7,116**
Total comprehensive income for the period	**14,879**	**18,164**	**28,000**
Total comprehensive income for the period is attributable to:			
Equity holders of the Group	14,845	18,125	27,963
Non controlling interest	34	39	37
Total comprehensive income for the period	**14,879**	**18,164**	**28,000**

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Consolidated Condensed Statement of Financial Position

As at 31 March 2013

	Note	Unaudited 31 March 2013 $000	Unaudited 31 March 2012 $000	Audited 30 September 2012 $000
Equity				
Paid in capital		95,355	95,355	95,355
Retained earnings		451,117	451,086	450,195
Other reserves		10,624	7,506	9,809
Total equity attributable to shareholders of the Company		**557,096**	**553,947**	**555,359**
Non controlling interest		593	592	559
Total equity		**557,689**	**554,539**	**555,918**
Non-current liabilities				
Bank loans (secured)	4	170,400	165,000	145,000
Deferred taxation		8,559	8,922	8,680
Total non-current liabilities		**178,959**	**173,922**	**153,680**
Current liabilities				
Bank overdraft and borrowings (secured)		15,513	33,669	21,822
Derivative financial instruments		1,224	1,605	2,182
Trade creditors		19,010	10,988	12,444
Other creditors, provisions and accruals		12,175	16,249	16,675
Employee entitlements		7,594	7,173	8,430
Taxation payable		2,691	1,239	3,128
Total current liabilities		**58,207**	**70,923**	**64,681**
Total liabilities		**237,166**	**244,845**	**218,361**
Total equity and liabilities		**794,855**	**799,384**	**774,279**
Non-current assets				
Property, plant and equipment		118,734	125,768	120,047
Investments		17,141	12,167	13,597
Biological assets		7,885	6,650	7,754
Intangible assets		496,275	504,261	496,786
Total non-current assets		**640,035**	**648,846**	**638,184**
Current assets				
Cash on hand and at bank		2,120	2,704	3,345
Trade debtors		61,971	55,500	43,050
Derivative financial instruments		14,623	10,446	14,273
Other debtors and prepayments		20,493	18,152	6,958
Biological assets		8,503	11,240	8,931
Inventories		37,988	52,496	50,198
Non-current assets held for sale		9,122	–	9,340
Total current assets		**154,820**	**150,538**	**136,095**
Total assets		**794,855**	**799,384**	**774,279**

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Consolidated Condensed Statement of Cash Flows

For the six months ended 31 March 2013

	Note	Unaudited 6 months ended 31 March 2013 $000	Unaudited 6 months ended 31 March 2012 $000	Audited 12 months ended 30 September 2012 $000
Cash flows from operating activities				
Cash provided from:				
Receipts from customers		221,096	227,440	477,923
Interest received		25	139	196
Dividends received		14	12	18
		221,135	227,591	478,137
Cash applied to:				
Payments to suppliers and employees		207,090	218,924	416,501
Income tax paid		6,825	4,366	7,101
Interest paid		5,022	5,339	10,566
		218,937	228,629	434,168
Net cash flows from operating activities	5	**2,198**	**(1,038)**	**43,969**
Cash flows from investing activities				
Cash provided from:				
Disposal of property, plant and equipment		769	192	1,411
Sale of intangible assets		–	1,586	3,111
Dividends received from associates		556	271	954
		1,325	2,049	5,476
Cash applied to:				
Purchase of property, plant and equipment		10,683	1,148	8,646
Net cash flows from investing activities		**(9,358)**	**901**	**(3,170)**
Cash flows from financing activities				
Cash provided from:				
Proceeds from borrowings	4	25,400	–	–
Cash applied to:				
Repayment of term loan	4	–	–	20,000
Dividends paid to parent shareholders	6	13,108	13,108	21,534
Dividends paid to non controlling shareholders in subsidiaries		–	–	31
		13,108	13,108	41,565
Net cash flows from financing activities		**12,292**	**(13,108)**	**(41,565)**
Net (decrease) increase in cash and cash equivalents		**5,132**	**(13,245)**	**(766)**
Effect of exchange rate fluctuations on cash held		(48)	(39)	(30)
Cash and cash equivalents at beginning of the period		(18,477)	(17,681)	(17,681)
Cash and cash equivalents at end of the period		**(13,393)**	**(30,965)**	**(18,477)**
Represented by:				
Bank overdraft and borrowings at call		(15,513)	(33,669)	(21,822)
Cash on hand and at bank		2,120	2,704	3,345
		(13,393)	**(30,965)**	**(18,477)**

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Consolidated Condensed Statement of Changes in Equity

For the six months ended 31 March 2013

	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 2012	**95,355**	**2,586**	**7,223**	**450,195**	**555,359**	**559**	**555,918**
Profit for the period (after tax)	–	–	–	14,030	14,030	35	14,065
Other comprehensive income							
Foreign currency translation differences	–	(78)	–	–	(78)	(1)	(79)
Change in fair value of cash flow hedges	–	–	1,240	–	1,240	–	1,240
Income tax on cash flow hedges	–	–	(347)	–	(347)	–	(347)
Total comprehensive income	**–**	**(78)**	**893**	**14,030**	**14,845**	**34**	**14,879**
Distributions to shareholders	–	–	–	(13,108)	(13,108)	–	(13,108)
Balance at 31 March 2013	**95,355**	**2,508**	**8,116**	**451,117**	**557,096**	**593**	**557,689**
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 2011	**95,355**	**2,826**	**(138)**	**450,887**	**548,930**	**553**	**549,483**
Profit for the period (after tax)	–	–	–	20,842	20,842	42	20,884
Other comprehensive income							
Foreign currency translation differences	–	(240)	–	–	(240)	(5)	(245)
Change in fair value of cash flow hedges	–	–	10,224	–	10,224	–	10,224
Income tax on cash flow hedges	–	–	(2,863)	–	(2,863)	–	(2,863)
Total comprehensive income	**–**	**(240)**	**7,361**	**20,842**	**27,963**	**37**	**28,000**
Distributions to shareholders	–	–	–	(21,534)	(21,534)	(31)	(21,565)
Balance at 30 September 2012	**95,355**	**2,586**	**7,223**	**450,195**	**555,359**	**559**	**555,918**

Notes to the Interim Financial Statements

For the six months ended 31 March 2013

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 2012, are unaudited. The comparative information for the year ended 30 September 2012 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 2012. 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 2012.

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.

Notes to the Interim Financial Statements

For the six months ended 31 March 2013

3. Segment Reporting (continued)

(a) Income and expenditure

	New Zealand			Australia		
	31 March 2013	31 March 2012	30 September 2012	31 March 2013	31 March 2012	30 September 2012
	$000	$000	$000	$000	$000	$000
Total external revenues	224,046	209,842	422,683	20,529	20,461	37,274
Inter-segment revenue	10,099	1,803	2,763	–	–	–
Segment revenue	234,145	211,645	425,446	20,529	20,461	37,274
Segment profit for the period	**14,036**	**13,579**	**16,872**	**(1,149)**	**(1,256)**	**634**
Share of profit of equity accounted investees						
Reported profit for the period						

(b) Assets and liabilities

	New Zealand		
	31 March 2013	31 March 2012	30 September 2012
	$000	$000	$000
Segment assets	758,149	766,252	742,169
Investment in equity accounted investees	17,076	12,104	13,533
Total assets	**775,225**	**778,356**	**755,702**
Segment liabilities	213,045	220,732	196,414
Total liabilities	**213,045**	**220,732**	**196,414**
Capital expenditure	10,549	1,512	7,608
Depreciation	7,675	7,799	15,365
Impairment of intangible assets	–	–	–

Notes to the Interim Financial Statements

For the six months ended 31 March 2013

Eliminations			Total		
31 March 2013	31 March 2012	30 September 2012	31 March 2013	31 March 2012	30 September 2012
$000	$000	$000	$000	$000	$000
–	–	–	244,575	230,303	459,957
(10,099)	(1,803)	(2,763)	–	–	–
(10,099)	(1,803)	(2,763)	244,575	230,303	459,957
12	**16**	**31**	**12,899**	**12,339**	**17,537**
			1,166	996	3,347
			14,065	**13,335**	**20,884**

Australia			Total		
31 March 2013	31 March 2012	30 September 2012	31 March 2013	31 March 2012	30 September 2012
$000	$000	$000	$000	$000	$000
19,630	21,028	18,577	777,779	787,280	760,746
–	–	–	17,076	12,104	13,533
19,630	**21,028**	**18,577**	**794,855**	**799,384**	**774,279**
24,121	24,113	21,947	237,166	244,845	218,361
24,121	**24,113**	**21,947**	**237,166**	**244,845**	**218,361**
134	15	15	10,683	1,527	7,623
102	170	345	7,777	7,969	15,710
448	2,000	2,000	448	2,000	2,000

Notes to the Interim Financial Statements

For the six months ended 31 March 2013

3. Segment Reporting (continued)

(c) Revenue by geographical location of customers

	6 months ended 31 March 2013	6 months ended 31 March 2012	12 months ended 30 September 2012
	$000	$000	$000
New Zealand	39,313	31,688	61,195
Australia	44,049	44,937	79,216
Europe	29,777	25,297	50,482
North America	28,551	34,600	70,862
Japan	16,345	15,514	30,573
China/Hong Kong	14,856	17,950	30,807
Korea	23,162	23,343	57,722
Other Asia	20,771	11,900	23,633
Africa	15,490	14,363	22,104
Middle East	5,445	4,639	18,450
Pacific	5,585	3,969	10,021
Other	1,231	2,103	4,892
Revenue	**244,575**	**230,303**	**459,957**

4. Bank Loans (secured)

	Carrying and face value		
	31 March 2013	31 March 2012	30 September 2012
	$000	$000	$000
Balance at beginning of period	**145,000**	**165,000**	**165,000**
Issued	25,400	–	–
Repaid	–	–	(20,000)
Balance at end of period	**170,400**	**165,000**	**145,000**
Interest rates applicable	3.40%-3.87%	3.58%-4.05%	3.48%-4.05%

All borrowings are secured and subject to borrowing convenant arrangements. In March 2013 the Group refinanced the total available loan facilities of $200m with the ANZ Bank, Rabobank New Zealand and the Bank of New Zealand. The repayment dates of the loans outstanding at 31 March 2013 are: 31 March 2014 – $15m (disclosed as a current liability), 31 March 2015 – $35m, 31 March 2016 – $50m, 31 March 2017 – $35.4m and 31 March 2018 – $50m. Interest rates for all loans are floating based on the bank bill rate plus a margin.

Notes to the Interim Financial Statements

For the six months ended 31 March 2013

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

	Unaudited 31 March 2013	Unaudited 31 March 2012	Audited 30 September 2012
	$000	$000	$000
Profit for the period (after tax)	**14,065**	**13,335**	**20,884**
Adjustments for non-cash items			
Depreciation and amortisation	7,777	7,969	15,710
Impairment	1,410	2,000	2,610
Change in fair value of biological assets	296	(671)	534
Change in fair value of interest rate swaps	(593)	94	(31)
Change in fair value of foreign exchange options	549	(1,569)	(2,050)
Change in fair value of foreign exchange contracts	(24)	(981)	(1,297)
Equity accounted (profit) in associated companies	(1,166)	(996)	(3,347)
Increase (decrease) in deferred taxation	(467)	329	(625)
Unrealised foreign exchange (gains) losses	(850)	2,691	3,909
	6,932	**8,866**	**15,413**
Movement in working capital			
(Increase) decrease in debtors and prepayments	(31,695)	(19,152)	3,527
Decrease (increase) in inventories	12,208	(2,338)	(72)
Increase (decrease) in creditors and other liabilities	1,233	(1,826)	1,406
(Decrease) increase in current tax	(316)	770	2,661
	(18,570)	**(22,546)**	**7,522**
Items classified as investing activities			
(Gain) on sale of property, plant and equipment	(229)	(146)	(914)
(Gain) loss on sale of intangible asset	–	(547)	1,064
	(229)	**(693)**	**150**
Net cash inflows (outflows) from operating activities	**2,198**	**(1,038)**	**43,969**

6. Dividends

The following dividends were declared and paid by the Group for the six months ended 31 March 2013:

	6 months ended 31 March 2013	6 months ended 31 March 2012	12 months ended 30 September 2012
	$000	$000	$000
Ordinary dividend (14 cents per share) December 2012 (14 cents December 2011, 9 cents June 2012)	13,108	13,108	21,534

On 24 May 2013 the Directors proposed an interim dividend of 9 cents per share (fully imputed) to be paid on 19 June 2013. This dividend has not been provided for in the accounts at 31 March 2013.

Notes to the Interim Financial Statements

For the six months ended 31 March 2013

7. Contingent Liabilities and Commitments

	31 March 2013	31 March 2012	30 September 2012
	$000	$000	$000
Guarantees	311	1,553	1,527

8. San Nikunau Case

Following a trial in August 2012, the US District Court in Washington D.C. fined the Company US$1.9 million on 12 January 2013. The case related to non-compliance with MARPOL requirements aboard its tuna fishing vessel, San Nikunau while it operated in international waters around American Samoa.

The Court ordered that a further community service payment of US$0.5 million be paid to the US National Fisheries Foundation. The fine and community service payment were paid in January and all costs associated with the case additional to the provision made in the September 2012 Financial Statements have been expensed in the current reporting period.

9. Investment in North Island Mussels Limited (NIML)

On 30 September 2012 NIML, a new joint venture company 50% owned by Sanford, purchased the mussel processing plant in Tauranga from the receivers of North Island Mussel Processors Limited (NIMPL). A purchase gain was recorded by NIML as the fair value of the assets acquired exceeded the price paid. Sanford recorded $2.6m in equity earnings in the 2012 Financial Statements representing its share of this gain. The fair value calculation will be finalised by 30 September 2013.

10. Impairment of Assets

For the six months ended 31 March 2013 the Directors have reviewed the carrying values of assets and determined that a write-down of $1.4m in respect of property, plant and equipment and intangibles be recognised (31 March 2012: $2m).

11. Australia

Results from the Australian segment continue to be below expectations. As a result of an increased focus on ways to re-engineer our business in Australia we have recently changed the way in which supplier and buyer transactions are processed. An analysis of the historical practices has found that transactions may not have been recorded in the manner required. Provision has been made for the estimated financial effects of any corrections required and a more detailed audit is being conducted to determine the effect of this practice.

12. Subsequent Event – Timaru Coldstore Fire

On 12 May 2013 a fire occurred in the Timaru coldstore which is primarily used for storage of frozen product. No personnel were harmed in the fire. The extent of the damage to the building and inventory is being assessed, as is how long the coldstore will be unavailable for use. The Company has arranged to use other Sanford and externally owned coldstores while the damaged building is repaired or rebuilt. The Directors consider the Company is adequately insured to cover any losses arising from damage to the building and finished product.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Directory

Board of Directors

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

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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
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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 General Manager Finance and Administration at the Registered Office.

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SUSTAINABLE SEAFOOD

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