



SANFORD LIMITED
SUSTAINABLE SEAFOOD



Interim Report
2003/2004

From sea to food – over 100 years of sustained growth

Interim Report to Shareholders



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Directors' Report

Overview and Highlights

The Directors of Sanford Limited are pleased to report an unaudited net profit of \$23.7m for the six month period ended 31 March 2004 compared to \$23.8m for the seven months ended 31 March 2003.

Turnover for the six month period was \$171m compared to \$210m for the seven months last year, a 5% decrease when adjusted for the shorter period this year.

The Directors have maintained the interim dividend at 9 cents per share, which is being paid to Sanford shareholders today. Full imputation credits will be attached to this dividend.

Lower selling prices and the effect of the high New Zealand dollar reduced EBITDA or operating earnings from \$31.8m last year to \$12.7m this year. However foreign exchange gains increased to \$28.1m for the six months this year compared to \$14.0m for the last period, which helped offset the lower returns from export sales.

The taxation charge decreased from \$13.0m last year to \$11.4m this year.

A number of factors affected profits during the first six months of the financial year including:

- Overall catch levels were in line with expectations, with lower catches of hoki in New Zealand and skipjack tuna in the Pacific area being offset by higher catches of skipjack tuna and squid in New Zealand waters.
- Sales volumes of hoki, ling, snapper and smooth dory were lower than last year.
- Catch rates of snapper, particularly on the West Coast of the North Island, have shown a steady improvement over past years and are indicative of a fishery that is in a rebuilding phase. Catches on the East Coast of the North Island continue to be up to expectations with increased catches of longline fish achieving higher returns in export airfreight markets.

Directors' Report continued

- Aquaculture production is ahead of last year – production of Greenshell mussels is running ahead of last year on a monthly basis. As market demand increases and prices improve coupled with a lower New Zealand dollar we would expect increased profitability from our mussel operations in the second half of the year.
- Markets in Europe, America and Asia have steadily improved over recent months and in some cases such as ling are returning to price levels not seen since prior to the SARS impacts.
- The continued high international fuel prices continues to impact the larger deep water and international fleet operations particularly as we have had no hedges in place over the past six months.
- Foreign exchange gains increased from \$14.0m for the seven months to \$28.1m this year. With the reduced value of the New Zealand dollar we would expect increased export earnings and an evening out of foreign exchange gains in the second six months. We have not taken further forward currency cover since the New Zealand dollar rose above US\$0.60 in October 2003. Based on current exchange rates the total of future foreign currency gains still to accrue after the end of March 2004 is \$62m, of which 40% will flow into the second six months and most of the remainder in the following financial year.
- With a favourable Canadian / New Zealand dollar cross, surplus cash funds were used to repay the hedge loan owing on our Canadian investment in Fishery Products International Limited (FPI). The value of our investment in FPI will now be expressed at the repayment rate of the hedge loan.

Trading and Marketing Overview

North America

Trading in the October to December period into the United States and Canada was particularly difficult with restaurant traffic in particular being the slowest for some years. However, since that time trade and markets have recovered and orange roughy, mussels and hoki are in strong demand with prices improving through to the

end of March. It is particularly pleasing to see the mussel price lift from its low level which will result in improved returns in the second period of the year.

Europe

Hoki fillet block volumes have decreased as two of our hoki vessels spent the first three months of the year targeting scampi and later in the six month period moved into the squid fishery. More of their production this year will be focused on the spawn season in July through to September at which time hoki block sales to Europe are expected to increase.

The squid market in Europe has improved dramatically over the six month period, particularly since the Falklands and Argentine squid fisheries produced much lower volumes than previous years. The squid markets in Spain, Greece and Italy were all strong at the end of the six month period and with good catches in New Zealand, should lead to an improved return in the second six months.

Demand for smooth dory, hake and mussels improved throughout many countries in Europe with prices gradually increasing during the latter part of the six months.

Asia

While Japan continues to be an important market for many of our specialist species such as snapper, salmon, mussels and large tunas the demand for snapper has not been as great this year. Consequently shipments of frozen product particularly to Japan are behind last year. However markets in Hong Kong, China and Taiwan have been quite strong with squid prices also benefiting from the shortages of product in South America. Larger sized ling fillets are also experiencing good demand particularly from Hong Kong.

Australia

Hoki continues to be in steady demand from Australia although increased supply of hoki product from South America has reduced the amount of product shipped and sold from New Zealand.

Directors' Report continued

Increased quantities of fresh fish are air freighted to markets in Australia and demand and prices for pelagic species into Western Australia have been stronger this year.

Other Markets

We have expanded our customer base and sales to Eastern European countries and more products are being sold to a wider range of customers in the Middle East. Steady sales of mackerel are continuing into West and South African markets.

Inshore Operations

Auckland

Longline and trawl vessels on the West Coast and East Coast of New Zealand continued to enjoy increased catch rates, particularly snapper. Catch rates of trevally were also ahead of last year. The Auckland processing plant has been fully committed with freshly landed fish for processing as well as reprocessing of previously frozen-at-sea products.

Tauranga

Tauranga enjoyed a good start to the blue mackerel season from October to December and after a slow start catches of skipjack tuna increased over previous years particularly on the West Coast of the North Island.

Kahawai will be introduced into the Quota Management System from 1 October 2004. Sanford Limited will be entitled to a large share of the quota based on its purse seine catching history. For our Tauranga operation purse seining for kahawai fish is a crucial issue as some recreational fishers argue that purse seining for kahawai is unnecessary. However kahawai is an important component of an all-year-round catch plan for our purse seine vessels; these vessels alternate through skipjack tuna, kahawai, jack mackerel and blue mackerel throughout the year and without any one of these species the vessel and plant processing operations become uneconomic and threaten the viability of our whole Tauranga operation.

Nelson

The Bullen Street cold storage operation in Nelson has been sold, however a sale for the Nelson plant site has not yet been achieved.

Timaru

The San Tongariro was again diverted into the competitive scampi fishery for the first part of the year and reverted to its normal ice fish operations targeting barracouta, red cod, squid and oreo dory later in the six month period. The other ice trawlers based in Timaru continued with their regular catching program focused more on inshore species.

While deep water catches for squid by larger vessels have been the best for a number of years the inshore catches of squid by our smaller fleet of vessels has been behind last year. However, higher catches of barracouta were recorded earlier in the year.

The San Won cold storage operation continues to operate at almost maximum capacity and returns from this operation have been very satisfactory.

The fish meal plant is being upgraded to improve throughput, recovery and quality.

Deepwater Operations

Hoki Freezer Vessels

Two of the 64 meter hoki freezer vessels spent the first few months of the year targeting scampi which results in a lower catch volume but a higher unit price, although the overall financial results were behind last year.

Two vessels moved into the squid fishery in the latter part of the six month period where catch rates and prices were better than previous years.

In late May the San Venturer was sold and for the rest of the year including the spawn season our two remaining vessels will target hoki. If spawn catch rates are satisfactory these vessels will achieve an improved return in the second half year.

Directors' Report continued

San Waitaki

The San Waitaki continues its regular program targeting orange roughy and smooth dory. This product is landed in dressed form and reprocessed into fillets in our inshore plants when fresh fish is not available.

The vessel operates on a year-round pattern and is on target to achieve its scheduled catching program by the end of the fishing/financial year.

San Aotea II / Gudni Olafsson

This vessel completed a successful voyage in the Ross Sea as part of a co-operative SS Fishing venture.

The second longline vessel (Gudni Olafsson - purchased early in the financial year) also operated in the Ross Sea successfully, as part of the now four vessel SS Fishing operation.

While the two Sanford vessels had satisfactory results one of the other two vessels in the fishery had a disappointing year which will reduce overall returns this year. While ice conditions this year were again more difficult the overall results achieved by our two vessels and their dedicated crews were more than satisfactory.

Last year the San Aotea II was successful in obtaining access to the South Georgia toothfish fishery, however this year, because of a reduction in the total allowable catch in that area, the vessel was not able to be licensed and consequently both the San Aotea II and the Gudni Olafsson are targeting ling in the New Zealand fishing zone.

The Gudni Olafsson will be renamed San Aspiring prior to the next toothfish season.

Charter Vessels

The three Korean and one Japanese charter vessels performed steadily up to the end of March but since that time have increased their catch rates with an excellent squid season. With good demand for squid products improved returns for both Sanford and the charter vessel operators will follow in the second six month period.

Aquaculture Operations

Pacific Oysters – Kaeo

Production volumes at Kaeo were well ahead of last year as a result of the condition of oysters remaining high through into January this year. Production at Kaeo ceases over the peak summer months from January through to May, however it is hoped that the volumes processed through to the end of the year will result in record volumes and improved returns.

Greenshell Mussels – Coromandel

Production volumes of Greenshell mussels at Coromandel increased over previous years with the first production volumes coming off the new Wilsons Bay area. However the increased volumes moved into a market that was difficult, both from a pricing point of view and the high New Zealand dollar, until later in the six month period.

Further expansions to the Wilsons Bay farming areas have recently been approved and this will again allow planning of additional farming and processing of mussels in the Coromandel region.

Greenshell Mussels – Havelock

Production volumes continue to increase with much of the volume increase being offset initially by lower market prices and a high New Zealand dollar. However in the latter part of the period mussel prices improved and, with the value of the New Zealand dollar dropping from its peak, there is optimism that returns from our largest mussel operation will improve in the second six months.

We continue to be frustrated by the Government's inability to offer any degree of certainty over the future of our marine farm sites. This is a key issue for us in terms of continuing the development of the aquaculture industry not only in terms of farming but in terms of processing, production, and product and market development.

Directors' Report continued

Greenshell Mussels – Bluff

Mussel production increased over the previous period but again while returns were affected adversely as they were for Coromandel and Havelock in the early part of the year, profitability is now increasing with higher market prices and a lower New Zealand dollar.

King Salmon – Bluff

We have continued to achieve improved returns from the salmon operations as inventory levels return to normal. Our hatchery at Kaitangata and the salmon farm off Stewart Island continue to operate efficiently.

International Fishing Operations

Australia

Our Melbourne based fish business handled increased volumes of catches at steady returns. The commissioning of the San Tangaroa catching operation in Australia took longer than expected but it is now producing positive input and returns to the overall operation.

Pacific Tuna Vessels

The catch rates for the two Pacific tuna vessels, San Nikunau and San Nanumea were very variable throughout the first half of the year; however market prices were maintained at much higher levels than previously. The tuna catches have continued to be below expectations and results from these operations are marginal.

The recent legislative changes proposed by the Government to allocate 20% of the catch history in this fishery to Maori are being strongly opposed by the Company and may in the end result in us removing these vessels from the New Zealand register and basing these operations in a foreign jurisdiction. The Government proposal is based on poor policy advice and an incorrect legal interpretation of the Deed of Settlement. Our entry to this international fishing would not have been made if the policy had existed at the time of our investment.

Argentina

The hoki catching operation in Argentina has made good progress over the last six months with improved catch rates, higher grades of product being produced and increased market acceptance by our customers.

The logistical challenges that require special attention are being well managed and if results continue to improve we will be looking at ways of expanding our operations there.

Overseas Investments

Fishery Products International Limited (FPI) – Canada

While the overall profitability of this business is disappointing for the year ended 31 December 2003, the result did not reflect the significant improvements made both to the Newfoundland fishing operation and the United States based marketing and value added business over the year.

Results from the business for the first quarter of 2004 are significantly improved and should result in increased returns from this business in the future.

At the same time our trading links with the United States based marketing and value added business (MVA) have increased over the period resulting in new and improved business for both companies.

Other Developments

Auckland Fish Market

The development of the Auckland Fish Market complex is almost complete. The first wholesale fish auction took place on 27 May 2004 and successful auctions have been held each working day since then.

The Seafood School opened on 11 June and the fully tenanted wholesale and retail complex will open to the public towards the end of July when a more formal opening ceremony for the Auckland Fish Market will take place.

Directors' Report continued

There has been widespread interest in the development in the complex from wholesalers, retailers, restaurants, tourism operators and the general public.

Project Fish

For the last eighteen months the Company has been engaged in a major upgrade to its IT and accounting systems. This has involved a great deal of additional time and effort throughout the organisation and the system was successfully implemented from 1 May 2004.

Almost all aspects of the Company's operations are now integrated into the one computer system which encompasses catching, harvesting, landing, processing, storage, marketing, sales and export of our product in such a way that provides full traceability and accountability through all of our operations. While the implementation and go live stages are just being completed the new system will provide significant improvements in the ability of the Company to maintain and manage its inventory and working capital and improve operational efficiencies throughout its operations.

Sealord Discussions

On 10 March 2004 the Company released a continuous disclosure statement to the New Zealand Stock Exchange advising that the Company was engaged in discussions to merge Sanford Limited with Sealord Group Limited (owned 50% by Te Ohu Kai Moana -Treaty of Waitangi Fisheries Commission and 50% by Nippon Suisan Kaisha Limited of Japan) and Pacific Marine Farms Ltd (owned 100% by Te Ohu Kai Moana – Treaty of Waitangi Fisheries Commission).

On 16 April 2004 Sanford advised the New Zealand Stock Exchange that those discussions had ceased. While detailed investigations and discussions were able to be had in a constructive and positive environment there were issues that were not able to be resolved to the satisfaction of the Boards of all the companies.

FTSE4Good Index

In March 2004 Sanford Limited was included for the first time as a constituent member of the FTSE4Good Index Series. The indices have been designed to apply criteria to identify companies that are working towards environmental sustainability, developing positive relationships with stakeholders and up-holding and supporting universal human rights. This provides socially responsible investors with the opportunity to gain exposure to companies that meet globally recognised corporate social responsibility standards.

Quota Changes

The Company has been aware for some time now that recruitment in the hoki fishery has been lower than average for a number of years and the scientific model used to measure fish stocks required a rework based on this fact. We favour the most conservative approach by bringing the quota down to a level of around 100,000 tonnes because that will allow the quickest recovery. However the reduction in hoki quota will affect profitability because other opportunities for expansion are in lower value fisheries such as squid and mackerel. Hoki is likely to drop from around 18% of revenue to less than 10% in the 2005 year.

The Company decided to take advantage of an opportune time to reduce its hoki catching capability as part of the restructuring of our hoki catching operations in advance of a likely substantial cut in the hoki quota from 1 October 2004. We have concluded the sale to an overseas buyer of the 64 metre hoki freezer trawler San Venturer in the last few days. This sale will produce a one off profit of just over \$3m tax paid in the second six months.

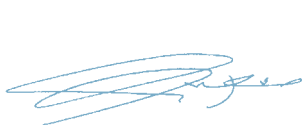
Directors' Report continued

Outlook for the second six months to 30 September 2004

We would expect improved results for the second six months as markets continue to improve and net returns for our products increase if the exchange rate continues at around the US\$0.60 to US\$0.62 level.

Results from a successful squid season, improved aquaculture and inshore operations should more than offset lower hoki and international skipjack catches. We would also expect steady results from our Australian operations and continued improvement from our Argentine operations.

The challenges of the past six months have been well met by the dedicated fishermen, staff and management team that continue to be totally committed to providing sustainable returns to shareholders and stakeholders of the company.



W D Goodfellow
Chairman

23 June 2004



E F Barratt
Managing Director

Consolidated Statement of Financial Performance

for the six months ended 31 March 2004

	6 months ended 31 March 2004 Unaudited	7 months ended 31 March 2003 Unaudited	13 months ended 30 September 2003 Audited
	\$000	\$000	\$000
Sales revenue	170,825	210,403	367,736
Dividend income	243	257	486
Equity accounted earnings of associates	98	38	229
Interest income	546	966	1,801
Profit (loss) on disposal of fixed and long term assets	1,335	(10)	153
Profit on disposal of investments	-	-	3,463
Operating revenue	173,047	211,654	373,868
EBITDA *	12,705	31,800	50,353
Depreciation	(7,371)	(8,956)	(16,402)
Net interest income	59	6	285
Net currency exchange gains	28,080	14,027	35,730
Profit (loss) on disposal of investments and fixed and long term assets	1,335	(10)	3,616
Operating surplus before taxation	34,808	36,867	73,582
Less taxation	11,396	13,032	26,876
Operating surplus after taxation	23,412	23,835	46,706
Minority interests	330	(53)	552
Net surplus attributable to shareholders	23,742	23,782	47,258

* Earnings before interest, taxation, depreciation, net currency exchange gains and profit (loss) on disposal of investments and fixed and long term assets.

Consolidated Statement of Movements in Equity

for the six months ended 31 March 2004

	6 months ended 31 March 2004 Unaudited	7 months ended 31 March 2003 Unaudited	13 months ended 30 September 2003 Audited
	\$000	\$000	\$000
Total equity at beginning of period	446,771	421,798	421,798
Net surplus	23,742	23,782	47,258
Minority interests	(330)	53	(552)
Movement in asset revaluation reserve	-	-	(97)
Movement in foreign currency translation reserve	(1,254)	(1,044)	(1,547)
Total recognised revenues and expenses	22,158	22,791	45,062
Contributions from Minority interests	700	-	-
Distributions to shareholders	(30,612)	(11,480)	(20,089)
Total equity at end of period	439,017	433,109	446,771

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 March 2004

	31 March 2004 Unaudited	31 March 2003 Unaudited	30 September 2003 Audited
	\$000	\$000	\$000
Equity			
Paid in capital	97,392	97,392	97,392
Reserves	341,934	335,993	350,133
Minority interests	(309)	(276)	(754)
Total equity	439,017	433,109	446,771
Non current liabilities			
Bank loans (secured)	-	23,717	23,998
Deferred taxation	4,552	891	2,957
Total non current liabilities	4,552	24,608	26,955
Current liabilities			
Bank overdraft and borrowings at call (secured)	9,104	3,207	1,171
Bank loans falling due within one year(secured)	-	11,183	-
Trade creditors	11,356	12,453	11,308
Other liabilities	11,246	13,169	11,998
Taxation	-	3,399	-
Total current liabilities	31,706	43,411	24,477
Total equity and liabilities	475,275	501,128	498,203
Non current assets			
Fixed and long term assets	367,368	359,260	357,887
Investments	24,526	33,033	27,457
Total non current assets	391,894	392,293	385,344
Current assets			
Cash on hand and at bank	3,451	36,159	35,850
Trade debtors	33,283	32,383	28,229
Other debtors and prepayments	7,059	5,605	6,991
Stocks	36,537	34,688	40,535
Taxation	3,051	-	1,254
Total current assets	83,381	108,835	112,859
Total assets	475,275	501,128	498,203

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the six months ended 31 March 2004

	6 months ended 31 March 2004 Unaudited	7 months ended 31 March 2003 Unaudited	13 months ended 30 September 2003 Audited
	\$000	\$000	\$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers	193,621	211,477	377,534
Interest received	546	965	1,763
Dividends received	135	371	605
	194,302	212,813	379,902
Cash was applied to:			
Payments to suppliers and employees	155,803	160,629	290,907
Income tax paid	12,551	7,862	26,368
Interest paid	488	1,030	1,514
	168,842	169,521	318,789
Net cash flow - operating activities	25,460	43,292	61,113
Cash flows from investing activities			
Cash was provided from:			
Disposal of fixed and long term assets	2,602	860	943
Sale of investments	139	124	9,659
Repayment of loans from other entities	-	1,603	1,803
	2,741	2,587	12,405
Cash was applied to:			
Purchase of fixed and long term assets	16,595	3,911	9,965
	16,595	3,911	9,965
Net cash flow - investing activities	(13,854)	(1,324)	2,440
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings	-	53	-
	-	53	-
Cash was applied to:			
Dividends paid	30,612	11,480	20,089
Repayment of loans	21,110	9,554	20,686
	51,722	21,034	40,775
Net cash flow - financing activities	(51,722)	(20,981)	(40,775)
Net cash flows for the period from all activities	(40,116)	20,987	22,778
Cash at beginning of the period	34,679	12,148	12,148
Effects of exchange rate changes on cash	(216)	(183)	(247)
Cash at end of the period	(5,653)	32,952	34,679
Represented by:			
Bank overdraft and borrowings at call	(9,104)	(3,207)	(1,171)
Cash on hand and at bank	3,451	36,159	35,850
	(5,653)	32,952	34,679

Notes to the Financial Statements

for the six months ended 31 March 2004

1. The Financial Statements have been prepared in accordance with Financial Reporting Standard No. 24 (Interim Financial Statements) and should be read in conjunction with the previous annual report.
2. There have been no significant changes in accounting policies. All policies have been applied on bases consistent with those used in the previous interim and annual financial statements.
3. Reconciliation of Net surplus attributable to shareholders to Net cash flow - operating activities.

	6 months ended 31 March 2004 Unaudited	7 months ended 31 March 2003 Unaudited	13 months ended 30 September 2003 Audited
	\$000	\$000	\$000
Net surplus attributable to shareholders	23,742	23,782	47,258
Non cash items			
Depreciation	7,371	8,956	16,402
Minority interests share of (profit) loss	(330)	53	(552)
Equity accounted profit in associated companies	(98)	(38)	(229)
Increase in deferred taxation	1,595	584	2,656
Unrealised foreign exchange gains	(3,644)	(4,021)	(6,564)
	4,894	5,534	11,713
Adjustments for other items			
Net (profit) loss on disposal of fixed and long term assets	(1,335)	10	(153)
Net (profit) on disposal of investments	-	-	(3,463)
(Increase) decrease in debtors and prepayments	(2,701)	2,514	9,211
Decrease in stocks	3,769	6,108	146
Increase (decrease) in creditors and other liabilities	(1,112)	2,172	(2,197)
Increase (decrease) in provision for taxation	(1,797)	3,172	(1,402)
	(3,176)	13,976	2,142
Net cash flow – operating activities	25,460	43,292	61,113



Directory

Board of Directors

W D Goodfellow, OBE, Chairman
 E F Barratt, Managing Director
 D G Anderson
 M P Bitossi, JP
 B S Cole, Deputy Chairman
 N L Mills
 J G Todd, CBE

Company Secretary

G L McNamara

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

Share Registrar

Computershare Investor Services Limited
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 Auckland 1020, New Zealand

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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.



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