



SANFORD LIMITED
SUSTAINABLE SEAFOOD



Interim Report
2004/2005



From sea to food – over 100 years of sustained growth

Interim Report to Shareholders

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Directors' Report

The Directors of Sanford Limited report an unaudited tax paid profit of \$15.4m for the six month period ended 31 March 2005 compared with \$23.7m for the same period last year. Turnover increased by 3.5% in the period from \$171m last year to \$177m this year. Directors have maintained the interim dividend at 9 cents per share, being paid to Sanford shareholders today. Full imputation credits will be attached to this dividend.

The continuing high New Zealand dollar impacted net returns for most species although in some markets prices for some of our species such as greenshell mussels increased. While earnings have increased from the integration of the Simunovich assets purchased in early October, there will be an increase in benefits in the second half as scampi becomes an established part of our supply chain.

Catches and market prices of scampi have been in line with expectations. Earnings from scampi will be enhanced in the second half of the year by the leasing of additional quota in the current fishing year.

EBITDA increased from \$12.7m last year to \$18.6m this year, but overall earnings declined because of lower foreign exchange earnings (down from \$28.1m to \$19.1m) and increased interest costs of \$5.6m in the current period. The taxation charge decreased from \$11.4m last year to \$7.4m this year.

Overview and Highlights

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

- Overall catch and production levels are slightly ahead of last year. Catches from one less freezer vessel and lower catches from independent vessels both in the North and South Islands have been offset by increased trawl fleet catches in the North Island, and improved catches of ling and toothfish by the freezer longline fleet. The introduction of the Simunovich scampi fleet also increased catches.

Directors' Report continued

- Sales volumes of hoki, salmon and snapper were lower than last year. Ling, mussels, skipjack and squid volumes and values were well ahead of the last year. Catches of tuna in the Pacific were slow during the first three months of the year but improved in the second three months, resulting in below expectation results from our Pacific tuna operations.
- The integration of the scampi quota and vessels acquired from Simunovich Fisheries Limited on 1 October 2004 proceeded smoothly and catches are in line with expectations. Additional earnings from scampi will flow in the second six months as we complete a full year of operations including enhanced earnings from the leasing of additional quota.
- Yields from aquaculture production and increased market selling prices improved returns over last year and we expect continued improvement in these returns during the second half of the year.
- Fuel prices continued to increase through to January 2005, having most impact on deepwater and international tuna fishing operations. Since January there has been some decline in international fuel prices.
- Foreign exchange earnings decreased from \$28.1m last year to \$19.1m this year, as the number of hedge contracts taken out over two years ago slowly mature. Foreign exchange earnings for the second half of the year will be similar to the first if the New Zealand dollar remains at levels above US\$0.70.
- Interest cost of \$5.6m for the six month period reflects the debt taken on to finance the purchase of the Simunovich Fisheries Limited assets.

Trading and Marketing Overview

North America

The market in North America has been relatively stable over the six month period. Steady volumes of mussels, orange roughy and hoki have been sold with improved mussel and orange roughy prices off-setting some of the exchange rate effects.

Toothfish demand has been strong and improved volumes at higher prices will be sold in the second six month period.

Europe

Hoki fillet and fillet block volumes continued to decline into Europe as the impact of the catch reductions take effect. One less freezer vessel and increased targeting of squid by other vessels means more of our hoki catch will occur in the second six month period. Sales into Europe have increased particularly with pelagic species being shipped into Eastern European markets. Smooth dory sales into France and Germany have increased and higher volumes of hake and ling have been sold into Spain.

Squid prices have been strong in Europe with poor catches in South America driving up demand for New Zealand squid. Asian prices have also improved and reasonable catches through to the end of the squid season in New Zealand will see increased returns from squid in the second six months of the year.

Asia

The mix of sales into Asia is changing with our increased scampi quota lifting sales volumes into Japan. Off-setting this has been a decline in salmon and snapper. While salmon sales will be greater in the second six months we need to create stronger demand for wild caught New Zealand snapper to offset the increasing quantities and influence of farmed snapper. Ling, squid and other species are in steady demand with improving prices in China and Hong Kong. Korea continues to be a growing market for snapper, greenshell mussels and squid.

Directors' Report continued

Australia

Exports of fish into Australia from New Zealand and South America increased over the previous year, as did sales within Australia. However the increase in sales within Australia was achieved with substantially higher volumes but lower average unit prices. This was caused by increased fresh fish landed by our vessels and others from the Great Australian Bight.

Other Markets

Sales to the Middle East of species such as trevally and tuna were well up on previous years however sales to the Pacific Islands were well down as most skipjack tuna for the period was sold to canneries in South East Asia. Regular sales of jack mackerel and barracouta continue to be made into African markets.

Inshore Operations

Auckland

Increased inshore fishing effort followed from the purchase of vessels and inshore quota from Simunovich Fisheries Limited. Most of the catch and quota from these vessels was used to service increased demand at the Auckland Fish Market auction. There was also increased emphasis on moving snapper into airfreight markets throughout the Pacific as Asian demand for frozen snapper declines.

Auckland Fish Market

Wholesale sales through the Auckland Fish Market auction continue to steadily increase. The range and diversity of suppliers has gradually increased over the past six months. Increased supplies of large tunas flown in from the Pacific Islands are meeting good buyer demand for fresh quality tuna. Supplies of fresh fish have also increased from outside the Auckland region.

The Auckland Fish Market Seafood School is continuing to develop a regular following among customers who want to know more about different ways of preparing and serving seafood. In addition to the scheduled classes the use of the premises for corporate training, education or entertainment functions has proved increasingly popular and above expectations.

The patronage at the retail and wholesale markets has increased with the addition of a free bus service that circulates throughout the central Auckland area, bringing and taking customers to and from the market. Increasingly the Auckland Fish Market is becoming a destination in its own right and increased emphasis is being placed on providing a seafood experience for visiting tourists.

Tauranga

Tauranga has had a positive start to the year with good early season catches of blue mackerel and the beginnings of an improving skipjack tuna season, although by the end of the season in May catches are about average.

Timaru

Catches have been lower from our own vessels operating in the area. Input from private fisherman has also decreased reducing fresh fish throughput through the Timaru processing plant. However, reprocessing smooth dory and orange roughly volumes increased and sales of stocks held over from the previous year provided improved returns.

The San Won coldstore operation had a quiet time in the first part of the year. As the squid season got under way the coldstore quickly filled and has been operating at maximum capacity since February.

The programmed upgrade of the Timaru fish meal plant has continued on track with final completion and installation of new cooking equipment expected in the second half of this year.

Directors' Report continued

Deepwater Operations

Freezer Trawlers

Two of the 64 metre freezer vessels have operated partly in the hoki fishery and partly in the squid fishery during the period with catches of the two vessels being almost equivalent to the catch of the three vessels operating last year. Results in the squid fishery of the two vessels were improved by the recruitment of specialist fishing masters with more experience in squid fishing. The San Waitaki has continued its programme of catching smooth dory and orange roughy on a year round basis with catches to the end of March similar to last year. For a short period we operated the 43 metre Rover in the squid fishery although this was less successful than the 64 metre freezer vessels.

Freezer Longliners

Our two freezer longliners, San Aotea II and San Aspiring, spent the early part of the year in the ling fishery before being deployed in the January to March period in the toothfish fishery in the Ross Sea. Both vessels had improved catches landed at the end of the half year, and as this product is moved into the market in the second six months will produce increased returns from these two vessels.

Scampi Freezer Vessels

We now operate six vessels in the scampi fishery. Catches for the first six months of the year are in line with our expectations and the introduction of scampi into the Quota Management System from 1 October 2004 has enabled us to plan our catching programme for each vessel, for each area, to maximise efficiency. Catching scampi in an orderly manner throughout the year results in a more regular supply of product to the market and a better quality of product compared with the previous olympic fishing system. Although much of the scampi ends up in the specialised Japanese market, volumes to other markets in Europe and America are increasing all the time.

Charter Vessels

At the end of December our charter vessel fleet reduced from four to three, a flow on effect of the hoki quota reduction. However the catch of the three remaining charter trawlers has been in line with expectations and with a reasonable squid season produced better than expected results. A single squid jigger was chartered from Taiwan and although initial results were poor, catches improved in the second part of the season.

Quota Trading

Increased income from quota trading in the current period resulted from the trade of squid and other quota species not required for our own operations. The increased market prices for squid enabled us to attract higher prices for the lease out of our surplus quota.

Aquaculture Operations

Pacific Oysters – Kaeo

Production of half shell oysters at Kaeo increased over previous years from better farming practises and a slightly extended harvest season before the summer spawn. We are continuing to form important relationships with a range of independent oyster growers in Northland which enables us to supplement our own farm production and increase the throughput and efficiency of our processing operations. Increased water quality monitoring and certification of growing areas will enable export markets in Europe to be accessed with increased demand and improved prices.

Directors' Report continued

Greenshell Mussels – Coromandel, Havelock, Bluff

While harvest volumes of our own and contracted farms have increased over the period the availability of seasonal labour at Coromandel has constrained production volumes. The expansion of Wilsons Bay farming areas will result in further increases in harvestable volumes requiring us to address options to increase processing capacity for mussels grown in Coromandel.

Production volumes of the Havelock plant have been steady for the year with a concentration on maximising yields. The improved market prices and demand has lifted all our mussel production, being shipped almost immediately it is produced. This has resulted in improved returns for Havelock and all the mussel operations.

Production volumes have been steady through Bluff for the first three months of the year but increased as a new spiral freezer was installed and commissioned over the Christmas period. This has resulted in increased production, better quality freezing and higher yields.

King Salmon – Bluff

While production and harvest volumes have been up to expectations, a greater proportion of our salmon production will be sold in the second half of the year compared with previous years. Growth rates and food conversion ratios have been in line with expectations and the hatchery and breeding programme along with our farming practices on Stewart Island continue to produce the highest quality salmon.

International Fishing Operations

Australia

We purchased the Ocean Fresh Fishing business from Simunovich Fisheries Limited. This business has two large ice vessels and one 43 metre freezer trawler vessel that operate with a number of valuable fishing rights in existing and exploratory zones in Australian fishing waters. Most of the catch of the ice trawlers is now sold into our existing Racovolis Amalgamated market business in Melbourne with the freezer trawler catches sold to export markets outside Australia. Returns from the Ocean Fresh vessels for the first six months were less than expected, being affected by lower than expected revenues and higher than budgeted maintenance costs.

The Racovolis business produced steady returns in a more competitive environment.

Pacific Tuna Vessels

Our Pacific tuna vessel fleet increased to three with the acquisition of the former Simunovich vessel Ocean Breeze. It is hoped that a three vessel fleet will enable wider coverage of fishing opportunities as well as increased ability to secure more stable supply arrangements for the tuna caught by these vessels. Catches were poor for the first three months but improved in the second three months as all vessels were deployed for the first time for some years in New Zealand waters. While results for these vessels for the six months were less than expected it is hoped that a more concentrated effort to increase operational efficiency will improve returns over the medium term.

Argentina

Results from our operation targeting hoki in Argentina have improved this year with increased catch rates, improved market returns and better operational efficiency. Part of this improvement relates to the learning period involved in a new fishing area and dealing with different administration regimes. Maintaining the improved catch rates will determine the success of this operation for the rest of this year.

Directors' Report continued

Overseas Investments

Fishery Products International Limited (FPI) – Canada

For over 15 months FPI has been attempting to create and partially (40%) list as an income trust the United States-based marketing and added value group now called Ocean Cuisine International. The Government of Newfoundland and Labrador believe that (in terms of an act of Parliament called the FPI Act) they must give express permission for this to happen and have therefore attempted to negotiate an agreement with FPI over various matters related to fishing quotas, plant operations and investment in rural Newfoundland. At the time of writing these negotiations were not complete and a debate in the provincial government legislature was being scheduled.

This issue has created some uncertainty. At the time of writing the price on the Toronto Stock Exchange was C\$7.20 which is C\$1.50 less than our holding price. If the income trust transaction is approved and successful it will likely value the Ocean Cuisine business in excess of FPI itself.

Sanford continues to build profitable business opportunities with the Ocean Cuisine International business and the level of trading for the current twelve months will be well in excess of previous years.

Weihai Dong Won Food Company Limited – China

This investment continues to trade profitably and for the year ended 31 December 2004 declared a 6% dividend which has been paid to shareholders. This was based on the original plant operating at full capacity for the whole year producing added value seafood items for a number of customers, particularly in Japan.

The expansion of the business will be completed with formal commissioning of the second plant on 2 July 2005 in Weihai. This will enable the company to expand its good relationships with a number of users of advanced seafood products and

Sanford will be working with some of our North American, European and Asian customers on expanding the range and volume of processing carried out in the second plant.

Statement of Financial Position (Balance Sheet) following acquisition of Simunovich Fisheries Assets

Sanford purchased the New Zealand quota and fishing assets of Simunovich Fisheries Limited on 1 October 2004. The Ocean Fresh Fisheries business in Australia and the Pacific tuna vessel Ocean Breeze were acquired subsequently. Almost all the assets acquired were fishing quota and licences, fishing vessels, buildings, plant and vehicles.

A substantial portion of the assets acquired was scampi quota which was created and allocated to Simunovich Fisheries Limited on 1 October 2004 and immediately transferred to Sanford. Simunovich entitlement to this quota had been established on the basis of catch history in the scampi fishery in the 1991 and 1992 fishing years. In addition to the assets acquired Sanford also obtained the use of the SIMU brand which is particularly important for scampi into Japan.

The acquisition of a portion of the scampi quota was subject to the approval of the Minister of Fisheries. On 12 May 2005 the Minister of Fisheries approved the exemption from the aggregation limits for scampi for a period of 5 years and Sanford subsequently completed the purchase.

As a consequence of this purchase the ratio of shareholders equity as a proportion of total assets dropped from 95% at 30 September 2004 to 74% at 31 March 2005. If the remaining portion of scampi quota was included at the end of March the ratio would have been 72%. This shows that our balance sheet is still very strong and reflects Sanford's ability to take advantage of these business opportunities as they arise.

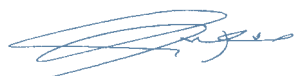
Directors' Report continued

Outlook for the Second Six Months to 30 September 2005

In the second six months earnings will increase from higher volume sales of squid, scampi and toothfish. Inshore and aquaculture operations will provide steady returns while international results will depend largely on catches of tuna in the Pacific.

Results will improve from the Ocean Fresh Fisheries business in Australia and more emphasis will occur on hoki catches by the deepwater division. Final results for the year will depend on the extent to which these products are able to be shipped to markets.

The conclusion and execution of the acquisition of the Simunovich Fisheries Limited assets in the period has been a highlight that has been achieved with a lot of extra work at all levels of management, staff and fishermen in the business. We continue to be well served by all those that work for, contract to or supply products or services to Sanford Limited. Our customers continue to support us and work with us to improve the yield, range and quality of our seafood products.



W D Goodfellow
Chairman

22 June 2005



E F Barratt
Managing Director

Consolidated Statement of Financial Performance

for the six months ended 31 March 2005

	6 months ended 31 March 2005 Unaudited	6 months ended 31 March 2004 Unaudited	12 months ended 30 September 2004 Audited
	\$000	\$000	\$000
Sales revenue	176,938	170,825	350,445
Dividend income	382	243	463
Equity accounted earnings of associates	103	98	200
Interest income	151	546	1,178
Profit (loss) on disposal of fixed and long term assets	(13)	1,335	6,691
Operating revenue	177,561	173,047	358,977
EBITDA *	18,626	12,705	35,639
Depreciation	(9,426)	(7,371)	(17,069)
Net interest income (expense)	(5,602)	59	598
Net currency exchange gains	19,132	28,080	55,202
Profit (loss) on disposal of and fixed and long term assets	(13)	1,335	6,691
Operating surplus before taxation	22,717	34,808	81,061
Less taxation	7,422	11,396	27,713
Operating surplus after taxation	15,295	23,412	53,348
Minority interests	59	330	522
Net surplus attributable to shareholders	15,354	23,742	53,870

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

Consolidated Statement of Movements in Equity

for the six months ended 31 March 2005

	6 months ended 31 March 2005 Unaudited	6 months ended 31 March 2004 Unaudited	12 months ended 30 September 2004 Audited
	\$000	\$000	\$000
Net surplus	15,354	23,742	53,870
Minority interests	(59)	(330)	(522)
Movements in asset revaluation reserve	-	-	33,000
Movements in foreign currency translation reserve	139	(1,254)	(1,375)
Total recognised revenues and expenses	15,434	22,158	84,973
Contributions from Minority interests	-	700	690
Distributions to shareholders	(12,436)	(30,612)	(39,222)
Movements in equity for the period	2,998	(7,754)	46,441
Total equity at beginning of period	493,212	446,771	446,771
Total equity at end of period	496,210	439,017	493,212

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 March 2005

	31 March 2005 Unaudited	31 March 2004 Unaudited	30 September 2004 Audited
	\$000	\$000	\$000
Equity			
Paid in capital	97,392	97,392	97,392
Reserves	399,351	341,934	396,321
Minority interests	(533)	(309)	(501)
Total equity	496,210	439,017	493,212
Non current liabilities			
Bank loans (secured)	125,000	-	-
Deferred taxation	2,703	4,552	3,665
Total non current liabilities	127,703	4,552	3,665
Current liabilities			
Bank overdraft and borrowings at call (secured)	20,809	9,104	442
Trade creditors	10,154	11,356	8,786
Other liabilities	15,261	11,246	13,296
Total current liabilities	46,224	31,706	22,524
Total equity and liabilities	670,137	475,275	519,401
Non current assets			
Fixed and long term assets	536,362	367,368	394,759
Investments	27,192	24,526	27,340
Intangible assets	2,500	-	-
Total non current assets	566,054	391,894	422,099
Current assets			
Cash on hand and at bank	11,608	3,451	16,873
Trade debtors	29,661	33,283	30,888
Other debtors and prepayments	16,920	7,059	10,389
Stocks	45,523	36,537	37,398
Taxation	371	3,051	1,754
Total current assets	104,083	83,381	97,302
Total assets	670,137	475,275	519,401

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the six months ended 31 March 2005

	6 months ended 31 March 2005 Unaudited	6 months ended 31 March 2004 Unaudited	12 months ended 30 September 2004 Audited
	\$000	\$000	\$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers	192,038	193,621	346,016
Interest received	151	546	1,178
Dividends received	382	135	463
	192,571	194,302	347,657
Cash was applied to:			
Payments to suppliers and employees	164,035	155,803	259,104
Income tax paid	7,001	12,551	28,460
Interest paid	5,753	488	580
	176,789	168,842	288,144
Net cash flow - operating activities	15,782	25,460	59,513
Cash flows from investing activities			
Cash was provided from:			
Disposal of fixed and long term assets	695	2,602	13,735
Sale of investments	43	139	176
	738	2,741	13,911
Cash was applied to:			
Purchase of fixed and long term assets	131,779	16,595	28,373
Purchase of investments and subsidiaries	19,800	-	2,748
Purchase of intangible assets	3,000	-	-
	154,579	16,595	31,121
Net cash flow - investing activities	(153,841)	(13,854)	(17,210)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings	125,000	-	-
Cash was applied to:			
Dividends paid	12,436	30,612	39,222
Repayment of loans	-	21,110	21,110
	12,436	51,722	60,332
Net cash flow - financing activities	112,564	(51,722)	(60,332)
Net cash flows for the period from all activities	(25,495)	(40,116)	(18,029)
Cash at beginning of the period	16,431	34,679	34,679
Effects of exchange rate changes on cash	(137)	(216)	(219)
Cash at end of the period	(9,201)	(5,653)	16,431
Represented by:			
Bank overdraft and borrowings at call	(20,809)	(9,104)	(442)
Cash on hand and at bank	11,608	3,451	16,873
	(9,201)	(5,653)	16,431

The accompanying notes form
part of these financial statements.

Notes to the Financial Statements

for the six months ended 31 March 2005

- 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.
- 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.
- Reconciliation of Net surplus attributable to shareholders to Net cash flow - operating activities.

	6 months ended 31 March 2005 Unaudited	6 months ended 31 March 2004 Unaudited	12 months ended 30 September 2004 Audited
	\$000	\$000	\$000
Net surplus attributable to shareholders	15,354	23,742	53,870
Non cash items			
Depreciation	9,426	7,371	17,069
Amortisation of intangible assets	500	-	-
Minority interests	(59)	(330)	(522)
Equity accounted (profit) in associated companies	(103)	(98)	(200)
Increase (decrease) in deferred taxation	(959)	1,595	708
Unrealised foreign exchange (gains) losses	2,634	(3,644)	(2,154)
	11,439	4,894	14,901
Adjustments for other items			
Net (profit) loss on disposal of fixed and long term assets	13	(1,335)	(6,691)
(Increase) in debtors and prepayments	(6,666)	(2,701)	(2,275)
(Increase) decrease in stocks	(8,260)	3,769	1,303
Increase (decrease) in creditors and other liabilities	2,522	(1,112)	(1,101)
Increase (decrease) in provision for taxation	1,380	(1,797)	(494)
	(11,011)	(3,176)	(9,258)
Net cash flow – operating activities	15,782	25,460	59,513

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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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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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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SUSTAINABLE SEAFOOD

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