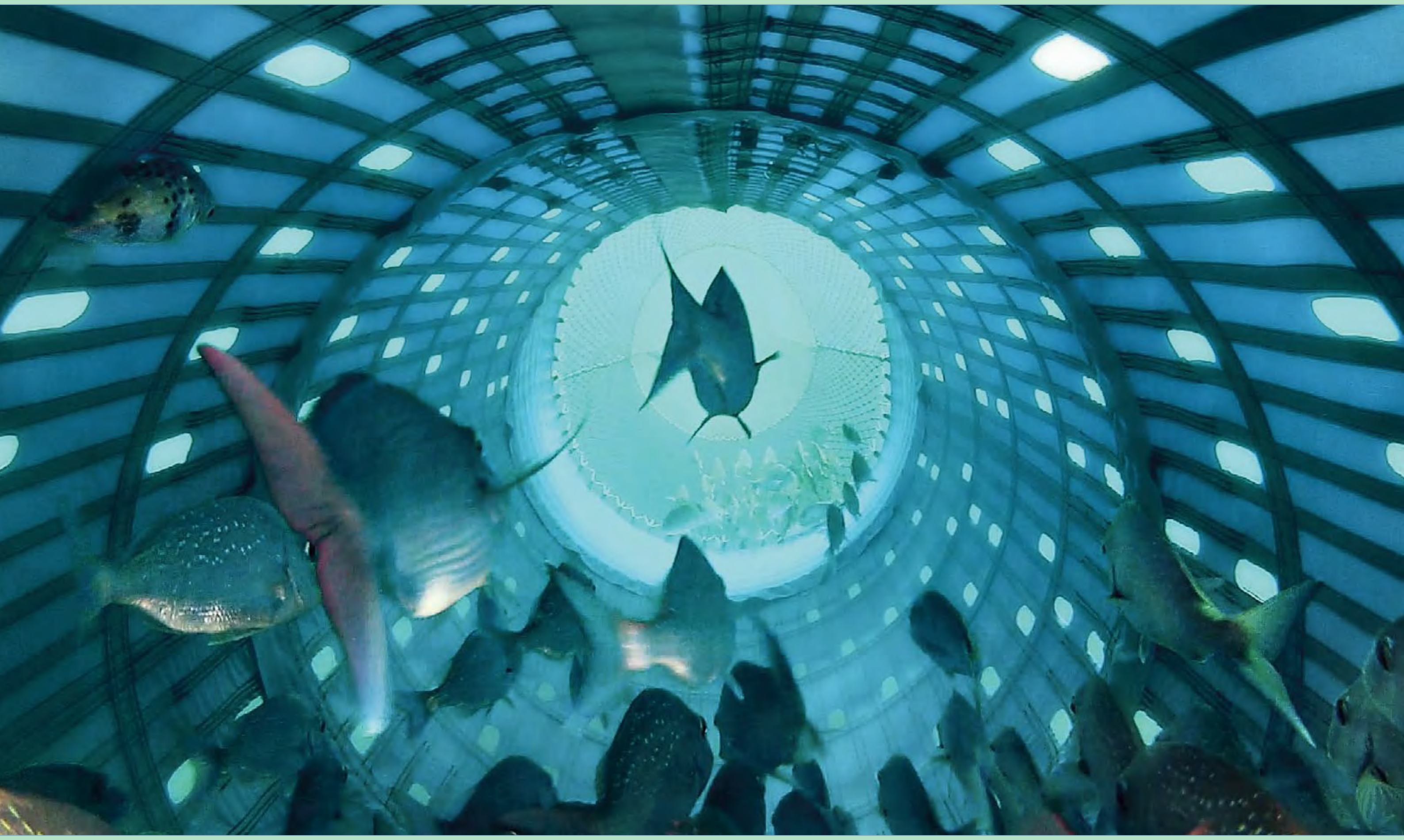
SANFORD LIMITED
SUSTAINABLE SEAFOOD



Annual Report 2013

From sea to food – over 100 years of sustained growth

Corporate 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

Registered Office
22 Jellicoe Street
Freemans Bay
Auckland 1010
New Zealand

Postal Address
PO Box 443
Shortland Street
Auckland 1140
New Zealand

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

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

Principal Bankers
ANZ Bank New Zealand Limited
Bank of New Zealand
Rabobank New Zealand Limited

Solicitors
Chapman Tripp
Fletcher Vautier Moore

Group Auditors
KPMG, Auckland

Stock Exchange
The Company's shares trade on the New Zealand Stock Exchange (NZX).

NZX Trading Code: SAN

The minimum marketable parcel on the Exchange is 100 shares (price $2 to $5 per share) or 50 shares (price $5 to $10 per share)

Share Registrar
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road,
Takapuna, North Shore City 0622
Private Bag 92119, 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.

Annual Meeting
The Annual Meeting will be held at 2.00pm Thursday 19 December 2013 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010

Cover image New Precision Seafood Harvesting technology.

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Annual Report

The Directors are pleased to present the Annual Report of Sanford Limited for the year ended 30 September 2013.

For and on behalf of the Board of Directors:

J G Todd
Chairman
20 November 2013

E F Barratt
Managing Director

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Board of Directors

1. Jeff Todd CBE, BCom, FCA, DistFInstD

Jeff was appointed to the Board of Sanford Limited in 1998 and was elected Chairman in 2011. He is also Chairman of the Dynasty Hotel Group Limited and a Director of Watercare Services Limited. Jeff is President of the Auckland Medical Research Foundation and a former Chairman of Gullivers Travel Group Limited, The New Zealand Guardian Trust Company Limited and Southern Cross Healthcare. He is a former director of the Reserve Bank of New Zealand, the ANZ Banking Group (New Zealand) Limited and the Earthquake Commission. Jeff was Managing Partner of Price Waterhouse New Zealand (now PwC) until his retirement from the firm in 1998.

2. Eric Barratt BCA, FACA

Eric became an executive of Sanford Limited when Feron Seafoods Limited was purchased in 1982. He has been a Director of Sanford Limited since 1986. He was appointed Managing Director of Sanford Limited on 1 January 1998. He is also a director of Seafood New Zealand Limited and Weihai Dong Won Food Company Limited.

3. Elizabeth Coutts BMS, CA

Liz joined the Board of Sanford Limited in 2011. A former Chief Executive of Caxton Group, Liz is a director of EBOS Group Limited, Skellerup Holdings Limited, New Zealand Directories Holdings Limited, Ravensdown Fertiliser Cooperative Limited, Ports of Auckland Limited, Urwin and Company Limited, Tennis Auckland Region Incorporated, member of the Marsh Advisory Board, Chair of the Risk and Assurance Committee of the Inland Revenue and Chair of the Auckland Branch of the Institute of Directors Inc. Liz has previously been Chairman of the Meritec Group Limited, Industrial Research Limited, Deputy Chairman of Public Trust, director of Trust Bank New Zealand, Air New Zealand and Commissioner of the Commerce Commission. Liz has also been a member of the Monetary Policy Committee of the Reserve Bank, the Financial Standards Reporting Board of the Institute of Chartered Accountants, Board member of the Earthquake Commission, Health Funding Authority, Pharmac and Sport and Recreation New Zealand.

4. Mark Cowsill BCom, CA

Mark joined the Board of Sanford Limited in 2011. Mark is a New Zealand business leader with extensive experience in profitable and complex business enterprises. He has deep knowledge of a range of international consumer markets. For 18 years, until his retirement in 2011, he lead Frucor Beverages through a significant growth period and through a variety of ownership structures including a grower cooperative, a publicly listed entity and into multinational ownership. He served as a director of Frucor Beverages Limited during its time as a listed company and is currently a director of Hubbard Foods Limited. Mark is also a director of Hellaby Holdings Limited, The Comfort Group Limited, Wonderest Limited and New Zealand Comfort Group Limited.

5. Bruce Goodfellow ME, PhD

Bruce joined the Board of Sanford Limited in 2006. He has a Doctorate in Chemical Engineering from Auckland University and wide experience in trading, financial and commercial business management. He has been a director of ASX-listed firm Nufarm Limited (formerly Fernz Corporation) since 1991 and is a director of a number of private investment and manufacturing companies as well as being Chairman of The St Kentigern Trust Board and Refrigeration Engineering Company Limited.

6. Peter Goodfellow BCom / LLB(Hons), MBA

Peter joined the Board of Sanford Limited in 2006. He has degrees in Commerce and Law from Auckland University as well as an MBA from the University of California, in Los Angeles. He is Chairman of trade finance and factoring companies S H Lock (NZ) Limited and Easy Factors International Limited and Chairman of Cambridge Clothing Company Limited and a director of Refrigeration Engineering Company Limited. He has previously practised law and for some years was a director and Chairman of former listed radio company XS Corporation Limited.

7. Paul Norling

Paul joined the Board of Sanford Limited in 2008. He has had an extensive career in banking with senior executive and/or director roles in New Zealand and Australia. He was the founding Managing Director of merchant bank Bancorp Holdings Limited, established and listed on the New Zealand Stock Exchange in 1987, until he retired from this role in 1998. Since that time he has remained a non-executive member of the Bancorp Board. He was also a member of the Board of listed Gullivers Travel Group Limited and has other private company director interests. He is also a past director and President of the American Chamber of Commerce in New Zealand, and is a member of the New Zealand Institute of Directors.

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Chairman's Review and Directors' Report

Results for the Year

While the Company's full year results for 2013 are disappointing, given the Board's higher expectations twelve months ago, a stronger market outlook and improved operating projections indicate a prospect of improved returns in future years.

Profit for the year of $20.4m was slightly above last year's result of $19.7m and was achieved once again in the challenging exchange rate environment of the high New Zealand dollar. While returns from fishing activities in the Pacific (tuna) and Tauranga (jack mackerel) were well below expectations and growth of Greenshell mussels in the Marlborough Sounds was slow, good results were obtained from most other species, including mussels from Stewart Island and Coromandel. Prices generally strengthened as the year progressed.

The Board has continued to focus on innovative programmes and projects across the operating divisions aimed at securing improved returns on capital invested. On the revenue side, these initiatives cover a range of projects around increased market returns and the establishment of a dedicated product development team tasked with finding ways to extract full value in product or waste-stream across all our operations.

On the cost side of the business, the Company has continued to focus on achieving catch and production outcomes at lower costs. Sanford has maintained its investment in new technologies through the Primary Growth Partnership (PGP) projects with the Government. The results of research into improved fish-catching technology through the Precision Seafood Harvesting project were announced publicly in October 2013 to world-wide acclaim. Commercial trials will now follow, but the benefits of the new catching techniques are clear in higher quality fish being taken to market, and in the significant contribution to sustainability of the fishing resource.

As reported last year, Sanford is working constructively with our charter partners towards the conversion of our foreign charter vessel fleet to New Zealand flagged vessels by October 2014.

Dividends

Directors have again reviewed carefully the ratio of profitability against dividend levels and have concluded that, with limited capital expenditure commitments currently, and with the continued reduction in our debt levels in the current year, the dividend should remain unchanged at 23 cents per share.

The final dividend of 14 cents per share will be payable on 4 December 2013.

Sustainable Seafood

The Board continues to promote Sanford Limited as the leading producer of Sustainable Seafood. Sustainability encompasses and underpins our products, our people and our processes. The full Sustainable Development Report is available online at www.sanford.co.nz and an extract from the report is included later in this Annual Report.

Auditor

It is proposed that the current Auditor, KPMG, should continue in office, in accordance with Section 196 of the Companies Act 1993.

Corporate Governance

The Board continues to develop its corporate governance standards and this year has focused particular attention on further resourcing Sanford's compliance programmes. Management has worked with the Board to develop an improved strategy and reporting system that will increase the confidence that the Board has in our Company's compliance systems in respect of Employment, Health and Safety, Food Safety and Fisheries and Marine regulations. While we have gained increased confidence over the year that our systems are robust, the ability of the Board to engage more directly with executives carrying responsibility in these areas will ensure that the systems we have in place are properly maintained and upgraded when required.

Precision Seafood Harvesting catch, gurnard

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Chairman's Review and Directors' Report

Role of the Board

The Board is elected by Shareholders to provide corporate governance, direction and control of the Company's activities. The Board has determined that the Company's strategic direction will continue to be focused on the seafood and aquaculture businesses in New Zealand and internationally. Public interest in the industry and regulatory controls governing both the industry and Sanford require the highest standards of corporate governance and ethical conduct. Identification and mitigation, where possible, of business risks, the integrity of management systems and the quality and relevance of reporting to Shareholders are responsibilities of the Board.

Having established the Company's objectives, the Board develops major strategies and the policy frameworks intended to achieve those objectives. Management of the day-to-day affairs of the Company is delegated to the Managing Director and his senior executive team whose performance in achieving the strategic and operational objectives is monitored and assessed.

The Board is satisfied that there are sufficient written procedures, policies, guidelines and organisational structures in place to ensure an appropriate division of responsibility, as well as programmes to identify and manage areas of significant risk.

The Board engages external advisors to carry out internal audit functions on various parts of the business on a rotational basis each year.

One of the Company's key control documents is the annual operating budget which is prepared by management and approved by the Board. Monthly reporting of operational performance indicators is combined with the preparation and presentation of quarterly financial statements. Together, these allow the Board to review management's performance against the annual plan and the previous year. Review of strategic direction is a constant.

Beyond formal reports to Board meetings, protocols are in place to ensure Directors have regular access to information to ensure they are kept up-to-date with seafood industry activities and other relevant issues in New Zealand and internationally.

Board Membership

The retirement of Mr D G Anderson at the Annual Meeting earlier this year reduced the number of Directors on the Board from eight to seven.

Winter snow, Christchurch factory

The Board has determined that four are independent (Messrs M G Cowsill, P G Norling, J G Todd and Mrs E M Coutts). Three Directors, Mr E F Barratt (Managing Director), Dr W B Goodfellow and Mr P J Goodfellow (both associated with a major shareholder) are not independent.

Under the Constitution, one-third of the Directors (therefore two – the number nearest one-third) shall retire from office at the Company's Annual Meeting. This requires the retirement by rotation of Mrs E M Coutts and Mr M G Cowsill.

Mrs E M Coutts and Mr M G Cowsill both seek re-election at the Annual Meeting.

The positions of Chairman of the Board and Managing Director are not held as one office.

The Managing Director will retire from the Board at the conclusion of his service with the Company on 31 December 2013.

Board Committees

The Board has three committees to support best corporate governance practice:

- Audit Committee

The Audit Committee comprises a majority of independent directors. No executive directors are members. Mrs E M Coutts is Chair and Messrs J G Todd, M G Cowsill and P J Goodfellow are members. All committee members have accounting and financial backgrounds.

Chairman's Review and Directors' Report

The Committee has a written charter and its work is reviewed by the Board after each meeting. Directors who are not members of the Committee may attend meetings at the invitation of the Committee.

The Audit Committee assists the Board in carrying out its responsibilities under the Companies Act 1993 and Financial Reporting Act 1993, as well as reviewing the performance and findings of the external Auditor, KPMG, and the internal Auditor, Ernst & Young. The Auditors have direct access to the Audit Committee.

The Board formally reviews any non-audit work undertaken by the Auditors and has put in place procedures for the Audit Committee to determine and recommend the appropriateness of engaging the Auditors for such work.

The Audit Committee also reviews the adequacy of the Group's insurance policies before final Board sign-off, as well as approving applications for share trading by directors and executives.

- Employment and Regulatory Compliance Committee (ERC)

This Committee consists of Mr J G Todd (Chairman), Dr W B Goodfellow and Mr P G Norling. The Committee is responsible for Employment, Health and Safety, Food Safety and Fisheries and Marine regulatory matters and also determines the remuneration of the Managing Director and senior executives, and reviews remuneration paid at other levels of management.

The Committee has this year established a scheme of short and long term incentives that will be applied on the appointment of the new Chief Executive Officer (CEO) and will be progressively applied to other executives.

The Committee will update its written charter to be approved by the Board. The Board also reviews and approves Committee recommendations.

The Board as a whole considers Directors' remuneration and makes recommendations to Shareholders.

- Board Nominations and Succession Planning

The whole Board met during the year as the Board Nominations Committee and concluded that, with the retirement of Mr Barratt as Managing Director, a further appointment should be made to maintain Board size at its present level of seven directors. The Board therefore proposes to appoint a further independent director to the Board early in the New Year.

The Chairman, Mr Jeff Todd has informed the Board of his intention to retire from the Board during the 2014 calendar year. In anticipation of Mr Todd's retirement, Mr P G Norling has been appointed Deputy Chairman with effect from 1 December 2013.

Directors' Meetings

Attendance at Directors' and Committee meetings during the year was as follows:

	Directors	Audit	ERC	Nominations
D G Anderson*	3		2	1
E F Barratt	10			1
E M Coutts	10	6		1
M G Cowsill	10	6		1
P J Goodfellow	9	6		1
W B Goodfellow	10		5	1
P G Norling	10		5	1
J G Todd	10	6	5	1
Number of Meetings	**10**	**6**	**5**	**1**

* Retired 30 January 2013

Timaru fresh hoki vessel, San Tongariro

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Chairman's Review and Directors' Report

Directors' Fees

The Directors will propose Shareholders approve an increase in the Directors' fees pool by $80,000. When the Managing Director retires at the end of the year (although he is not remunerated by Directors' fees) the number of Board members will reduce to six. As mentioned earlier, the Board intends to increase its membership to seven early in the New Year and therefore seeks additional headroom in the pool from which Directors' fees are paid.

Reflecting the disappointing result this year, current Board members will not receive any increase in the standard Board fee for the year ended 30 September 2014.

The last increase in the Directors' fees pool was in 2011 when the pool was increased from $400,000 to $550,000. Fees paid to Directors totalled $500,000 in 2012 and 2013.

Share Trading by Directors

The Constitution requires that each Director holds a minimum of 500 shares in the Company.

Directors and executives are required to seek approval in advance of their share trading and certify to the Board that they are not in possession of inside information. The Board has determined that trading may occur during two trading-window periods in each year. The periods commence at the time the interim and annual results are announced and end on 31 July, after the end of the half-year and on 28 February, after the end of the financial year.

Details of share trading by Directors are included in the Statutory Information at the end of this report.

Marine farm vessels at Big Glory Bay, Stewart Island

Legislative Compliance and Code of Ethics

The Company utilises both internal resources and external consultants to ensure full compliance with all legislation governing its activities in fisheries, aquaculture, maritime transport, resource management and human resources. Beyond the statutory financial audit, there are in place other external audit processes, systems and reporting with respect to safe ship management, environmental management, Accident Compensation Corporation (accredited employer programme), sustainable development, finance and taxation, licensed fish-receiving and health and safety. Group policies require management and staff to comply fully with all legislative and operational requirements of authorities in all jurisdictions within which the Company operates.

No issues of unethical behaviour were brought to the Board's attention in the past year.

Gender and Diversity

At 30 September 2013 the gender balance of Sanford Limited Directors and Officers was as follows:

	2013	
Position	**Female**	**Male**
Directors	1 (14%)	6 (86%)
Officers	0 (0%)	8 (100%)

Shareholder Communication

The Board is committed to ensuring that Shareholders are informed of all major issues and developments affecting the Company. Such information is communicated to Shareholders in the Annual and Interim Reports as well as continuous disclosure announcements made to the New Zealand Stock Exchange.

The Company website www.sanford.co.nz also provides extensive information about the Company and its results. Announcements to the New Zealand Stock Exchange and any media statements made by the Company are immediately available on this website.

The Board encourages full participation of Shareholders at Annual Meetings to ensure that a high level of accountability exists and to encourage Shareholders' understanding of the Company's strategies to build their wealth. Consultations with interested share-market analysts and investors on half and full-year results and other Company developments also occur at regular intervals.

Surveys of Shareholders, customers and other stakeholders continue to be overwhelmingly supportive of the Company's

Chairman's Review and Directors' Report

Annual and Sustainable Development Reports, and constructive suggestions received are implemented.

This year's Annual Meeting will be held at 2.00pm, Thursday 19 December 2013 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010. Disabled parking is available at the venue. Alternative parking is in the car park adjacent to the Auckland Fish Market (accessed from Madden Street) or the Downtown Car Park from where attendees can walk across the Viaduct Bridge.

Retirement of Managing Director, Mr Eric Barratt

The retirement of Mr Eric Barratt was announced to Shareholders at the Annual Meeting on 30 January 2013. Mr Barratt will leave the Company on 31 December 2013.

Mr Barratt was appointed Managing Director of Sanford Limited on 1 January 1998 having joined Sanford through the acquisition of Feron Seafoods Limited in 1982. He joined the Sanford Board in 1986. As Managing Director, Mr Barratt has provided strong leadership both within Sanford and throughout the industry in New Zealand and globally. He is well-known, highly respected and knowledgeable right across the industry and his contribution to the development of Sanford through his years with the Company is significant. In particular, he leaves an enduring legacy from his commitment to the expansion and development of Sanford's investment in farming, processing and international marketing of New Zealand's Greenshell mussels.

Mr Barratt has represented with passion and enthusiasm our Company and the New Zealand industry at the highest levels of Government and internationally among other global industry leaders.

The Board, management and staff express our gratitude to Eric for a job well done and join in wishing him every success and happiness in his future pursuits.

CEO Appointment, Mr Volker Kuntzsch

Mr Volker Kuntzsch will succeed Mr Eric Barratt as the new CEO. He will take up his appointment in early December 2013.

Continuing a distinguished international career in the fishing industry spanning 25 years, Mr Kuntzsch was President of Nippon Suisan (USA) and President and CEO of King and Prince Seafood Corp in Brunswick, Georgia, USA before taking up this position.

Former industry appointments include Global Marketing Director for Nippon Suisan Kaisha Ltd, Tokyo, Managing Director of Hangana Seafood, Namibia, and senior roles with Unilever Europe in Germany and the United Kingdom.

Mr Kuntzsch was educated in South Africa where he gained a Master of Science from the University of Stellenbosch.

Mr Kuntzsch has developed an impressive international track record and global reputation in the fishing industry in a wide range of challenging senior management roles. His experience and achievements in developing awareness of seafood sustainability through development of Marine Stewardship Council (MSC) certification will further strengthen Sanford's commitment to 'sustainable seafood'. Mr Kuntzsch played a key role in the early accreditation of New Zealand's hoki fishery to MSC-certification and is well known to many executives in Sanford and the New Zealand fishing industry.

Conclusion

Our Company is engaged in substantial and complex business activities and our successes are achieved only with effective management and total commitment by our team to the catching, farming, processing and marketing of our product. While, once again this year we have faced some difficult operating challenges, we are looking forward to the coming year with more confidence.

I acknowledge with deep gratitude the constant support and assistance of my fellow Board members.

It is also appropriate once again to record the dedication and professionalism displayed by all our fishermen and marine farmers, and processing, administration, marketing and support staff along with the executive team for their efforts and responses to the particular challenges that we have faced over the last year. Sanford continues to be well served at all levels of its operations by the excellent competencies of its people. Sanford is fortunate in having such a dedicated and loyal complement of staff, customers and suppliers to support the Company's operations.

J G Todd
Chairman

20 November 2013

SANFORD LIMITED
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Managing Director's Review

Overview and Highlights

Profit for the year totalled $20.4m, up from $19.7m last year. EBITDA reduced by 5% from $50.1m to $47.4m with a number of sectors failing to perform to expectations in the second half of the year.

Slow growth of Greenshell mussels in the Marlborough Sounds, difficult tuna catching conditions in the Pacific and lower-than-expected jack mackerel catches in Tauranga all impacted the second half results. The ongoing high level of the New Zealand dollar continues to hamper growth in returns from generally-improved markets for most species. Impairment charges of $4.2m included an additional $2.8m in the second six months in respect to the valuation of our Australian business.

Depreciation and amortisation for the year totalled $16.3m, slightly up on the $15.8m of last year. Net interest costs were reduced from $10.2m to $8.2m on lower funding costs. Net currency exchange rate gains increased from $7.4m to $10.3m as a result of effective currency risk management strategies.

Revenue for the year increased by 1% over the previous year.

Summary Group Income Statement	**12 Months ended 30 Sep 13**	6 Months ended 30 Sep 13	6 Months ended 31 Mar 13	12 Months ended 30 Sep 12
	$000	$000	$000	$000
Revenue	**462,644**	**218,069**	**244,575**	**459,957**
EBITDA	**47,357**	**19,929**	**27,440**	**50,099**
Depreciation and amortisation	(16,301)	(8,524)	(7,777)	(15,797)
Impairment	(4,226)	(2,817)	(1,410)	(2,610)
EBIT	**26,830**	**8,588**	**18,253**	**31,692**
Net interest	(8,171)	(3,886)	(4,285)	(10,196)
Net currency exchange gains	10,349	4,486	5,852	7,385
Net (loss) gain on sale of investments, property, plant and equipment and intangible assets	152	(77)	229	(150)
Profit before income tax	**29,160**	**9,111**	**20,049**	**28,731**
Income tax expense	(8,760)	(2,776)	(5,984)	(9,074)
Profit for the year	**20,400**	**6,335**	**14,065**	**19,657**
Non controlling interest	(39)	(4)	(35)	(42)
Profit attributable to equity holders of the Group	**20,361**	**6,331**	**14,030**	**19,615**

Managing Director's Review

New Zealand Seafood Segment

Markets for most species throughout the year have been steady or improving. Pricing for salmon and Greenshell mussels has strengthened over the year influenced by lower production volumes internationally, and, in New Zealand. However, there has been widespread market acceptance at these new price levels which gives us some confidence going forward. Likewise, prices for the pelagic species jack and blue mackerel remain firm and are providing profitable prospects for our Tauranga-based fleet and processing plant. Skipjack tuna and squid prices have softened somewhat, although, that is off a high peak.

Inshore profitability, which had continued its improvement from previous years, suffered in the last three months of the year through poorer-than-expected jack mackerel catches. The effect on profitability of pelagic species such as jack and blue mackerel has become more pronounced in the last two years as prices for these species have moved to a new "normal" at much higher levels.

Palletising Greenshell mussels at Havelock

Chilled fresh snapper packed for export

Snapper continues to be the most valuable inshore species and the lifeblood of the industry in the northern part of New Zealand. Snapper resources are in great shape, the biomass is increasing and catch rates by commercial and recreational sectors continue to improve. The recent snapper debate tended to focus on the issue of waste, through the legal requirement to dump dead undersized fish back into the ocean, rather than the issue of the uncontrolled growth in the total recreational catch from more fishers fishing more often and catching more fish each time. There needs to be control over the total volume of recreational catch in the same way there is control over commercial harvest. The Precision Seafood Harvesting project discussed later in this report promises to further enhance the sustainability of inshore (as well as deepwater) fisheries.

Our deepwater operations continued with steady catches and consistent earnings. Markets for hoki remained steady with some improvement in pricing. In a number of important markets hoki is moving away from being seen as "just another whitefish species" to a unique species with a sustainable future and a quality supply chain. As a consequence, pricing is being less-linked to other commodity whitefish species and more to its own place in the market and pricing band. Ling, toothfish, warehou and hake prices have generally been stable or improving while squid prices softened on increased catches from the South Atlantic.

Our foreign charter vessels catches were in line with expectations. It was disappointing that one vessel failed to comply with the requirements of Sanford and New Zealand on environmental management issues in respect to oily waste, and as a result the charter vessel owner has pleaded guilty to two charges brought by Maritime New Zealand. We are reducing our reliance on foreign charter vessels by cutting our fleet from four to three with immediate effect and converting the remaining vessels to become New Zealand-flagged vessels by 1 October 2014. The foreign crew management system introduced in 2012 is well bedded down and our efforts to resolve back pay issues are progressing well despite some obstruction from New Zealand-based "agents" seeking 20% commission by creating unrealistic crew expectations.

The Greenshell mussel business in Coromandel, through North Island Mussels Limited (NIML), had a successful first year with more normal growth rates coupled with efficient farming and processing arrangements with product moving to market as processed.

Further development of mussel farming areas in Wilsons Bay has been undertaken and volume forecasts are for improved results in the coming year.

In the north of the South Island mussel growth slowed dramatically during the year and this resulted in substantially lower production and export sales of Greenshell mussels. The long dry summer with less-than-normal rainfall probably reflected a La Nina weather cycle that resulted in fewer nutrients for mussels to filter feed on. These events only serve to demonstrate that our business depends on the environment for much of our success. Clearly our mussel farming and processing business is set up to handle the expected volume, but when there is this level of environmental failure the result is unavoidable.

Surprisingly, mussel growth in Stewart Island improved dramatically and resulted in harvest levels well above normal and these mussels were able to be processed in Christchurch and Havelock, but are only about 10% of the volume farmed in the Marlborough Sounds. Good volumes of mussels were also harvested in Banks Peninsular and growing trials on the Pegasus Bay offshore site will commence this year.

Our SPATnz development, due to produce its first hatchery-reared mussel spat in 2015, will ensure the future security of our spat supply.

Improved results from our salmon farming operation in Stewart Island were achieved with a substantial increase in local and export fresh salmon markets. We have now achieved the ability to supply fresh salmon year-round which increases access to these markets. The range and destination of markets we can now serve for fresh salmon has increased.

A recent example is a high-end Shanghai market, dedicated to using New Zealand scampi, has now decided to source fresh New Zealand salmon from Stewart Island because they are satisfied with the supply chain quality.

During the year we reduced our inventory of frozen salmon, mainly destined for Asian markets at what are normally lower commodity prices. With the increased volumes of fresh fish we moved to only supply frozen salmon to markets prepared to pay the equivalent price to fresh. This has mostly taken us out of the commodity market for salmon.

Our Pacific tuna catches were significantly lower-than-expected in the second half of the year. The so-called management measures and the fish aggregation device (FAD) closures are not achieving the intended sustainability outcomes and the vessel day licencing scheme is providing a significant advantage to US-flagged tuna vessels that operate under a Pacific Island treaty arrangement that does not have the same restrictions as applied to our vessels. We are appreciative of the significant New Zealand government efforts to negotiate a treaty for New Zealand tuna vessels in the Pacific and hope that upcoming negotiations will have a positive outcome.

The significant upgrade programmes to the San Nikunau and the San Nanumea were completed during the year and the three Pacific tuna vessels are expected to be able to fish for substantially more days than the last two years. If access arrangements can be improved, average catches on an increased number of days will produce the right results for this operation. While tuna prices have softened from their peaks, current prices should provide an acceptable return.

Following the final sentencing in the San Nikunau US Court case in January 2013, ISO 14001 certification of our three Pacific tuna vessel fleet was issued in March 2013. In September 2013 we successfully completed our first six month ISO 14001 audit.

Mr Dave Evans, formerly of Maritime New Zealand, was appointed to the role of Corporate Compliance Manager Fisheries and Marine. Dave's appointment has resulted in a significantly increased level of support and training for line managers across marine and fisheries compliance and health and safety. We are moving to lift the level of monitoring, measuring, and managing health and safety and marine compliance in anticipation of proposed new legislation and the introduction of the Maritime Operator Safety Systems (MOSS) standards by Maritime New Zealand.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Managing Director's Review

Eric Barratt and Primary Industries Minister Nathan Guy, Precision Seafood Harvesting launch

Precision Seafood Harvesting

(www.precisionseafoodharvesting.co.nz)

Commercial trials and development of this revolutionary new wild fish harvesting technology are underway on our vessels.

Two Sanford vessels have been involved in trials this year. Over the next 12 months the trials will step up to include one vessel using the technology full time.

This technology eliminates traditional trawl nets and enables fish to be contained and swimming comfortably underwater inside a large flexible PVC liner where they can be sorted for correct size and species before being brought on board the vessel. Once fully developed the break-through design will eventually allow fishing vessels to be highly-selective in targeting specific species and fish size. It will greatly increase protection for small fish that can swim free through 'escape portals' and non-target fish (by-catch) which are released unharmed.

Once on deck, the fish are still swimming inside a liner, in perfect condition, meaning fresher, more sustainable fish for consumers and creating higher value products. The technology was unveiled on 1 October to the fishing industry and media in New Zealand. The story, and images of this technology in action, have gone around the world.

Greg Johansson, General Manager Operations, has provided a more detailed overview of the New Zealand seafood segment.

Vincent Stewart, Sanford/ICP scholarship winner

Iwi Collective Partnership

We continue to place reliance on our relationship with the 'Iwi Collective Partnership (ICP).' During some of the challenges we have faced over the last two years it has been a valuable learning experience to be able to share these challenges and explain the risks and rewards of successfully operating a fishing business. We have continued to explore various models with the ICP Directors to assist them obtain a more in-depth understanding of the economics around vessel operations and the various risk reward options available.

Our joint ICP scholarship programme to attract more Māori into the New Zealand industry is about to start this second round of awards. Scholarship winners get to experience a range of roles across Sanford's business to see the career opportunities available. Our inaugural scholarship winner Vincent Stewart is now in a full-time role with Sanford in Auckland. Stewardship, sustainability and improving economic returns to the ICP are the partnership's objectives. We remain committed to continue our journey together and to explore new ways that we can grow together.

Kei te kaha, kei te tipu ngātahi tonu ai tā mātou hononga ki te 'Ohu Rangapū ā Iwi (ICP).' I ngā tau e rua ki muri, ka nui ā mātou pikinga hekenga i pā kaha nei otirā, he uara āua wheako ā, ka āhei ki te tohatoha, ki te whakamārama hoki i ngā tūpono me ngā utu kia whakahaere pai ai tētahi pākihi h ī ika. Kei te haere tonu mātou kia rapu i ngā momo tauira ki

Managing Director's Review

ngā Kaiwhakahere o te Ohu Rangapū ā Iwi. Ka āwhinatia rātou kia riro ai i te māramatanga me te hōhonutanga o te ohanga ki ngā whakahaere waka me ngā momo tūpono, ngā whiringa hoki e wātea ai.

Ā ko ko ake nei, ka tīmata, ka whakahaere anō te whakawhiwhi karahipi e mātou me te Ohu Rangapū ā Iwi kia whakamanea mai ā Ngāi Māori ki tēnei momo mahi i Aotearoa. Mā te karahipi nei, ka toa, ka kite hoki āua whiringa toa ki ngā wheako, ki ngā mea angitu me ngā tūranga hoki e wātea ai huri noa i te pākihi o Sanford. Ko Vincent Stewart nāna tā mātou karahipi tuatahi i toa ā, e whiwhi mahi ana ia hei kaimahi wā kikī ināianei ki Sanford i Tāmaki. Ko te whāinga o te tā māua whakahoa, ko te arahitanga, ko te ukauka me te whakapai ake i ngā ohanga hua ki te Ohu Rangapū ā Iwi. Ka ū, ka haere tonu nei mātou kia haere pai ai, kia tipu ngātahi ai tātou me te rapu hoki i ngā ara hou.

Australia Seafood Segment

We are seeing slowly improving results from our Australian operations as we realign our business processes and integrate more of the business transactions between our New Zealand operations and market activity in Australia.

The San Tangaroa has returned to New Zealand to be deployed in the scampi fishery. Fishing activity in Australia is likely to be based on the temporary transfer of vessels from New Zealand. A quota impairment charge of NZ$3.2m has been taken this year. Directors now believe that future returns available in Australia justify the value of our investment.

International Investments

Weihai Dong Won Food Company Limited (50% owned)

Returns from this business continue to improve as plant capacity is more fully utilized, but potential remains for further growth. While the business continues to focus on expanding reprocessing of fish from New Zealand, other opportunities are being explored to process raw materials from other fisheries. These include existing market contacts looking for species not able to be supplied from New Zealand.

Dividend payments continue to be received on an annual basis.

Maruha personnel visiting Marlborough Sounds marine farms

Pure NZ Greenshell Mussels (PNZGM) (jointly owned by Sanford, Sealord, Greenshell NZ and Kono NZ)

Slow growth in the Marlborough Sounds this year has meant we have not been able to meet the volume of orders generated by this business. Had we been able to fulfil all orders, we would have had another significant lift in volumes sold in China, at substantially higher market prices.

The PNZGM Shanghai-based management team deserve credit for maintaining excellent relationships with our customer group, at a time when prices needed to increase substantially to match other markets, and yet we were unable to fulfil orders.

A visit to New Zealand by a customer group of PNZGM, gratefully assisted by New Zealand Trade and Enterprise (NZTE), gave them a better understanding of how mussels are farmed and processed. The visit showed the nutritional and food safety systems that underpin our Pure New Zealand brand of Greenshell mussels in China. Support from NZTE, at food and beverage events in major locations in China, and the coordination of a New Zealand seafood stand at the China Seafood show is appreciated.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Managing Director's Review

Markets and Pricing

Markets for most species have continued to firm over the year. Of particular importance is the increased pricing of half-shell Greenshell mussels in all export markets. This momentum, that started with industry consolidation in 2011, has seen export prices (in US$ terms) increase by over 30% in the past two years. Our expectation is that there is further price growth in the market.

Hoki markets have also generally remained firm and the recent increase in the total allowable commercial catch (TACC) will likely be absorbed with existing customers.

Markets for pelagic species, jack and blue mackerel, remain strong and although skipjack tuna markets have softened over recent months, they are still higher than historical averages. Vaughan Wilkinson, General Manager Marketing and Development has provided a more detailed market commentary later in this report.

Sustainable Development

Our 2012 revamped Sustainable Development Report incorporates "Our Resources, Our Operations, Our Impacts and Our Outputs" achieved a wider distribution and readership last year and we are continuing this format in 2013.

An extract from the Sustainable Development Report is included in this report. We invite you to read the full report at www.sanford.co.nz. As always we welcome suggestions on how we can keep improving the report.

Outlook for Coming Year

We usually preface our predictions about expected outcomes with a note of caution about the environmental uncertainty we face when farming and fishing in a wild ocean environment. In particular, we point out the variability in pelagic species catches (skipjack tuna, jack and blue mackerel and squid) and the farming of Greenshell mussels which have been impacted by the same issues over recent years in both Coromandel and Marlborough regions.

Market pricing and exchange rate fluctuations are two other factors that we look to mitigate, through targeting products and markets that are less influenced by commodity pricing changes.

Sanford's outlook for the coming year is positive assuming the environmental factors referred to above remain at least neutral.

Next year we should be able to rely on almost full utilisation of our purse seine fleet, we therefore expect increased returns from this operation.

If Greenshell mussel growth returns to forecasted average levels, and, with market pricing at current levels, we would expect returns from our investment to lift significantly.

Increased salmon sales in the domestic market, and improved export markets, have already generated greater returns from farmed salmon.

Securing long term access rights for our Pacific tuna vessels with various Pacific Island countries remains a key focus, and forthcoming negotiations facilitated by the New Zealand Government are likely to produce a positive outcome.

Our inshore and deepwater operations will produce improved returns based on increased resource access to species such as hoki, orange roughy and ling.

The Company is well positioned for the future with an extensive quota and marine farm asset portfolio that can generate profitable returns. There will be challenges to come but the Company is well placed to deal with them.

Acknowledgements

It is again appropriate to record my heartfelt thanks to all the Sanford team for dealing with the challenges and changes throughout the year. The dedication of our executive, management, processing, administration, fishermen, marine farmers and support staff, and their families is, without question, superb. In many cases it goes well beyond what any company should expect. That commitment and loyalty is something that makes Sanford so strong even when times are difficult.

We also value the strong support we receive from our customers in all countries. We are proud of our record of working positively with customers to deliver seafood that their customers demand; the right species, the right quality and on time. When things do not always work out as planned there is always a constructive discussion to solve any problems. In the same way, our suppliers work with us to ensure we receive the quality goods and services that allow us to meet the needs of our customers.

I would like to take this opportunity to personally thank all customers and suppliers who have supported me over my time as Managing Director. If I have ever asked any of them for help with a particular issue to assist Sanford that help has always been given willingly and promptly, and without question.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Managing Director's Review

I have been lucky to have a dedicated and loyal executive team that has remained largely unchanged over my 16 years as Managing Director. I thank them for their support and contribution in making Sanford the company it is today.

I must also pay tribute to the support from all Sanford Limited Directors during my time. Their wise governance and counsel has always been constructive, supportive, valuable and helpful. I pay particular respect to the three Chairmen I have worked for, Mr W D (Douglas) Goodfellow, the late Mr B S (Bruce) Cole and Mr J G (Jeff) Todd. It has been a privilege to have worked so closely with these three leaders.

To you, the shareholders, I pay my respects and thank you for your patience and loyalty. Over the past 16 years Sanford has paid $340m in dividends with the annual dividend per share increasing from 11 cents to 23 cents.

For most of the last 16 years Vicky Hunt has been my Executive Assistant. She has been far more than that. She has been the person that has most ably and competently carried out all the tasks assigned as well as many that weren't. Many times, if I have forgotten to do or arrange something, I would find it either done or a reminder for me to do it. I pay tribute to and thank her for her unwavering dedication, commitment, effort and loyalty.

Finally, I would like to welcome Volker Kuntzsch to the Chief Executive Officer (CEO) role and endorse him to Shareholders. I have known Volker throughout my tenure as Managing Director and his wide background and experience in fishing and processing companies, as well as in international market and company roles, makes him an ideal executive to assume the CEO role at Sanford. I have every confidence that he will lead Sanford well into the future and bring improved and increased returns to shareholders.

Volker will become the 9th person to lead Sanford Limited since its formation in 1904.

E F Barratt
Managing Director

20 November 2013

The Annual Meeting will be held at 2.00pm Thursday 19 December 2013 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010.

We are again sending Shareholders a voucher to purchase discounted seafood or enjoy a discounted seafood school experience.

The discount voucher is redeemable at any of the operations listed at the Auckland Fish Market or Sanford retail shops in Tauranga, Timaru and Bluff, as well as Oceanz Auckland shops, Wellington Sea Market shops and "What a Catch" shop in Sydenham, Christchurch. Full address details of each location are shown on the voucher.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Marketing and Development

Vaughan Wilkinson
General Manager Marketing and Development

The last year saw prices for many species improve or remain relatively stable at strong levels. In a small number of cases prices declined as a result of competitive pressures from similar products in a range of international markets. There are several core species for which market demand remained firm and prices improved through much of the year, particularly mussels and salmon. Prices for most species are stable or improving at this time. For those that may soften further in coming months, such as skipjack, the expected pricing declines are not likely to be marked.

Prices for half-shell mussels increased through the year and are still improving. Over the past year there have been limitations in supply from New Zealand, relating mostly to environmental conditions affecting mussel growth, in the main growing region of Marlborough. The consequent shortage of mussel supply has stimulated demand and led to increased prices. It is also likely that the overall New Zealand supply of mussels will remain tight for at least the next 18-24 months. As a result current demand for half-shell mussels is firm from all markets. Order books are full, stocks minimal and pricing is expected to improve further.

Orange roughy pricing remained about 25% below previous historically high levels for most of the year. The lower pricing stabilised the United States market and rekindled demand. In the last quarter of the year there were strong signs of market recovery. Prices are likely to show some further improvement over the coming year.

Skipjack tuna prices firmed to reach record highs in the first half of the year. Prices have since eased to lower levels, but are still above historical averages. The major international canners began resisting record raw material pricing as their inventories of higher-priced canned goods grew as a result of slowing retail sales. The main canners also built up reasonable inventories of raw material prior to the winter season in an effort to reduce, what they perceive, as unsustainably high prices. It is likely that skipjack pricing will firm again in the early months of next year, but perhaps not reach the record heights of last year.

Packing fresh salmon

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Marketing and Development


Fresh hoki

Prices and demand in Asia and Australia for ling continued to be firm through the year, continuing a trend evident for the past few years. Ling prices are expected to remain high for some time to come.

The pricing of hoki fillet products (fillet block and fillets) remained reasonably steady throughout the year. Hoki fillet prices improved in the latter part of the year with hoki now appearing to be in less of a competitive position with North Pacific pollock than in the past. Hoki has now found its own particular market niche where it is preferred over pollock by a range of European customers. The demand for hoki in European markets continues to be aided by the high sustainability rating achieved in the New Zealand hoki fishery for the last Marine Stewardship Council (MSC) recertification. Discerning suppliers are well aware of the appeal that sustainability has to a significant sector of their customer base, particularly in Europe. The prices for hoki fillet products are expected to remain firm over the coming year. Demand is steady and we continue to have secured volume contracts with long-term customers for the next twelve months. Prices for headed and gutted hoki have been reasonably steady since softening about 10-15% at the start of the year. The Company continues to maintain a balance of production between the various fillet forms and headed and gutted product so as to mitigate exposure to price fluctuations.

International squid markets eased about 10% in pricing through the year for both whole and dressed products. Demand still remains reasonable in most markets, although squid prices are likely to remain soft in the coming year, particularly for dressed product. The softening in squid prices was expected as market supply has significantly improved from the major South American squid fisheries following a few years of poor catches.

Market pricing for smooth oreo dory fillets remained soft through the early part of the year but showed signs of recovery late in the third quarter. Since then market prices have stabilized and are likely to recover further over the coming year. There has been steady demand from Australia and we expect this demand to grow at favourable pricing. The traditional market for smooth oreo dory fillets has been Europe, where both demand and pricing for this product has been softening for the past few years, because of competitive pricing from cheaper white fish products. Efforts were made through the year to stimulate a growth in demand for smooth oreo dory products in other markets. As a result we now have steady volume markets for dressed oreo dory to Eastern Europe at pricing that compares favourably to that of fillets. This is a market that we expect to grow further in the coming year.

International salmon markets have improved significantly during the past year as supply imbalances of Atlantic salmon between the major Chilean and Norwegian producers have corrected themselves. The Atlantic salmon supply market is now reasonably tight and international prices are firm. As a result our king salmon (fresh and frozen) is now trading again at buoyant prices in a range of international markets.

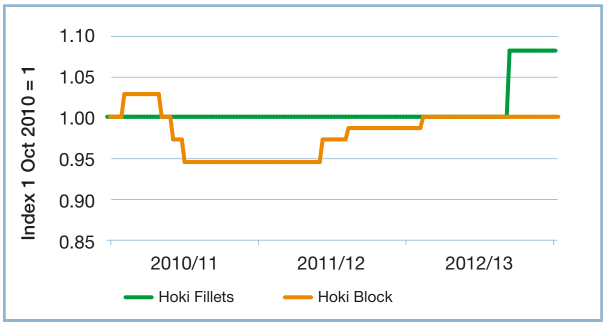
The Company has also focused more on the domestic market over the past eighteen months, to provide a natural hedge against the substantial fluctuations in international prices that we have experienced in recent years. There has been a substantial growth in fresh sales to the retail sector in the past year. Further growth is expected in domestic sales in the coming year.

Markets for scampi have been firm throughout last year with prices improving. The development of the Chinese market continues and is now well established. There is some room for further pricing improvement in the coming year.

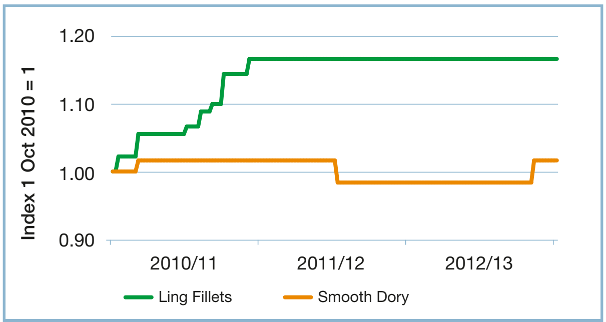
Toothfish prices improved throughout the year by about 10-15%, particularly in the American market. They now appear to be steady and demand is firm. The Asian market pricing for the smaller sizes also improved during the year and now appears steady. Demand in both markets is reasonable but current pricing is unlikely to improve substantially in the near future.

Marketing and Development

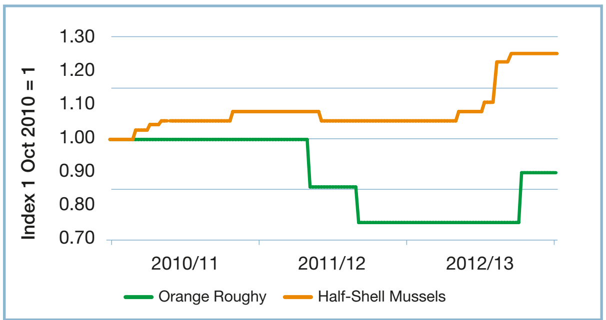
The pricing of many inshore species such as snapper and trevally also remained comparatively stable through the year. Demand is steady and forecast to remain so.



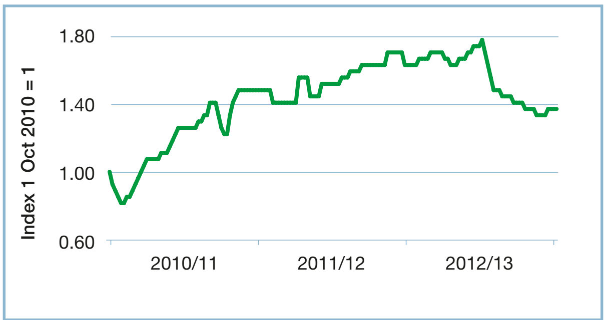
Hoki Fillets and Block



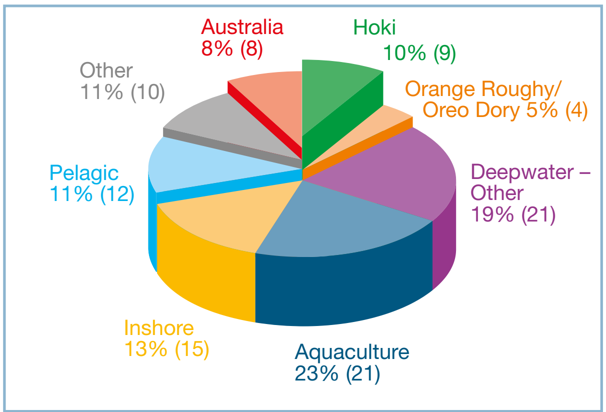
Ling and Smooth Dory Fillets



Orange Roughy and Half-Shell Mussels



Skipjack Tuna



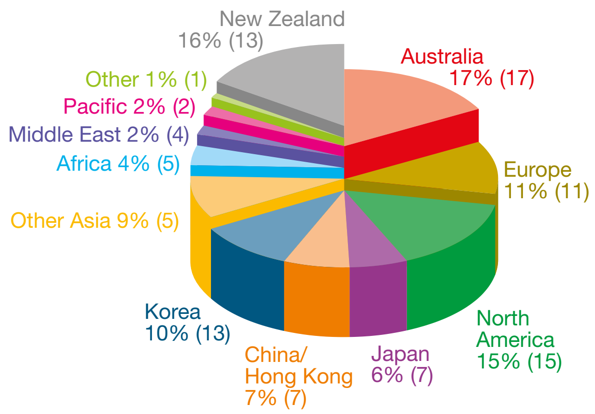
Approximate Percentages Species Split 2013 (2012)

Markets for both pelagic blue and jack mackerel have been steady with firm pricing being achieved throughout the year in a number of core markets. International demand for quality mackerel products is also forecast to remain buoyant for the year ahead.

The following graphs show trends in prices over the past year compared with the previous three years; all prices indexed to 1 October 2010.

The comparative revenue-based species split for the past two years remains reasonably stable. The decline in deepwater species by 2% is indicative of softening squid market prices. Similarly the 1% gain by orange roughy/oreo dory species reflects the improving prices we have seen in those markets over the latter part of the year. The 1% gain in hoki is the result of hoki having maintained, and modestly improved, its price relative to squid. The 2% gain in aquaculture reflects the well-improved pricing achieved for both half-shell mussels and

Marketing and Development



Sales by Geographical Location of Customers 2013 (2012)

king salmon over the past year. Whereas the 1% decline in contribution from pelagic species is indicative of weakening in international skipjack pricing in the second half of the year. The comparative revenue contributions from the other species grouping have remained reasonably stable for the last two years, including that for the species sold in Australia. The sale of inshore species is consistent and steady, particularly on the domestic market because of the continuing strength of the New Zealand dollar. The inshore revenue comparatively declines (down from 15% to 13%) only because of the relative price gains achieved for aquaculture species.

The comparative revenue split by geographical customer location indicates the relatively stable nature of sales distribution among market sectors over the past two years.

Asian region sales remained stable at 32% with only some minor variance in the redistribution of market share between Korea and Other Asian market sales. This variation relates to shortages in available mussel supply affecting sales to the Korean market whilst the Other Asia sector benefited from improving toothfish and salmon prices. Sales to Asian countries are likely to continue to grow in relative importance in coming years. However, in the current year the Chinese government's austerity measures on banqueting had some impact on the previously growing demand for premium value species.

The collective European, North American and Australian sector market share of sales remains dominant and stable at 43%.

The European market share has stabilized at 11% after declines in recent years relating to the general turmoil and uncertainty that was experienced in a range of European economies. The European market appears to be showing more confidence and remains a market sector capable of recognizing, and, paying a premium for quality products.

The Australian market sector has also stabilised after declines of recent years relating to the impact of significant volumes of cheaper fish imported from many international sources. A number of our products, such as hoki, have now found their own premium market niche in Australia. We have also expanded into a range of value added products in this market in cooperation with a well-established market partner.

The American market remains our singular dominant market for Greenshell mussels, toothfish and orange roughy.

Trading in a range of other markets remained steady at 11% as sales for a number of products are well established in African, Middle Eastern and Pacific markets. The African market continues to have a steady demand for jack mackerel at firm pricing.

The New Zealand domestic sales share has shown strong growth, increasing from 13% to 16% of overall sales in the past year. This is largely the result of positioning our fresh salmon prominently with a major supermarket chain. Domestic sales are expected to maintain a sizeable share of overall sales for as long as the New Zealand dollar remains strong.

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Australia Seafood Segment

Vaughan Wilkinson
General Manager Marketing and Development

The Australian business faced another year of challenging trading and again yielded a result which was below expectations. However, there are now tangible signs that changes made in the current business model are leading to improved outcomes. Revenue growth has been achieved in spite of a general decline in local fish supply to our market facility. The declining fish supply in recent years is driven principally by many contributing vessels progressively ceasing operations because of poor economic returns. Revenue growth has been achieved through a range of initiatives from increasing trading of imported fish (fresh and frozen) through to better utilisation of blue grenadier quota in a deepwater fishing operation.

Wholesale market demand for fresh fish remains reasonable, but any significant volumes can rapidly depress prices as the Victorian food service economy remains highly competitive. The persistent strength of the Australian dollar over recent years has encouraged a greater volume of imports and these have also impacted on the domestic fresh-fish seafood market. There remains a much wider choice of fresh, reasonably priced imported fish than there ever has been before and, similarly, cheap frozen imported fish competes directly with domestic fresh supply for the consumer dollar spend.

The increase in imported seafood has affected the competiveness of our traditional customers (buyers) because the capital business entry cost for many new entrant competing importers is low (cost of product and storage). Hence debtor management of our traditional buyers continues to be an important focus for management as business closures/failures are now more prevalent than in the past.

The operations of the Company-owned trawler ceased during the year, with the vessel returning to New Zealand, because it was ill-suited to operating in the more exposed and weather challenging areas where it had been fishing. The vessel's catches, when operating, were smaller than would be expected although the quality produced was good and returns from fresh sales reasonable.

Early morning unloading into Melbourne Fish Market

Future fishing activity in Australia is being assessed based on a range of options including a permanent fresh fish vessel or a fresh or freezer vessel being deployed from New Zealand for peak fishing times.

This past winter a deepwater frozen-at-sea (FAS) fillet trawler, San Enterprise, was relocated to Australia for about two months to fish the Company's blue grenadier (known as hoki in New Zealand) quota. The operation was successful

Australia Seafood Segment

with the vessel catching around 1,100mt green weight of blue grenadier. All of the FAS fillets were sold in Australia at prices equivalent to that achieved for like New Zealand hoki products.

The production of FAS fillets on a large deep-sea trawler from the winter spawn fishery off Tasmania is about the only efficient way to utilise the substantial volume of blue grenadier quota that the Company holds. The domestic Australian market can only accommodate relatively small volumes of fresh blue grenadier at a time, before selling prices sharply decline. The temporary relocation of a FAS fillet trawler from New Zealand in future seasons is also the desirable way to ensure the most efficient economic utilisation of the Australian blue grenadier quota.

Returns from quota trading were lower-than-expected because of a lack of demand resulting from poor catches reducing requirements from the catching operators. The quota market in Australia is moribund, at this time, because there continues to be poor economic returns from most fisheries. A number of the quota assets have been impaired this year to better reflect their current market value. The best way for the Company to generate an economic return from these assets in the future is to catch them ourselves given that there is also limited demand for leasing of this quota.

Staff numbers in the trading business are being maintained at modest levels in the current economic climate. However, there is still a core staff capacity that needs to be maintained in order to continue operating the business on a reasonable basis. Management is experienced and all staff members are contributing positively to operating the business during challenging economic times.

Challenges and Opportunities

The year ahead is likely to prove no less challenging for the Australian operation, but emphasis is being placed on ways to improve both volume and returns through the facility. Active consideration is being given to creating an export processing facility within space available in the existing facility. A processing operation would provide the business the opportunity to produce basic frozen seafood products for export when surplus seasonal catch is available from a range of local fisheries. Export markets for the types of frozen products that could be produced are well known to the wider Sanford Group and would be readily accessible to Sanford Australia.

There are a number of ways that both revenue and returns from the current operation might be increased and careful consideration is now being given to the current business model, and further new initiatives for improvement.

New wholesale store opened in Melbourne Fish Market

New Zealand Seafood Segment

Operations Overview

Greg Johansson
General Manager Operations

There have been a number of highlights in what has otherwise been a very challenging year. The resurgence in the salmon market has produced a substantial turnaround in the contribution from this business unit, as has the restructuring of our Coromandel mussel farming and processing operations into the new joint venture company North Island Mussels Limited (NIML). The Primary Growth Partnership (PGP) project Precision Seafood Harvesting (PSH) has made excellent progress with noteworthy national and international interest in the revolutionary new technology following its recent initial public announcement of early progress. While receiving less public attention Sanford's second PGP project, SPATnz, a selective breeding programme for Greenshell mussel spat, is also making excellent progress with the first spat expected for commercial use in 2015.

Monitoring behaviour of selectively bred Greenshell mussels (photo: Cawthron Institute)

Sanford's contribution to toothfish science, its compliance record and minimal environmental impact was recognised again this year with the Company being offered a second licence to participate in the South Georgia toothfish fishery. These licences are highly sought after with only six being issued last season.

As always there are areas of the business that struggle to provide adequate returns for a variety of reasons, many beyond the control of staff that do not relent in the face of adversity. The cyclical nature of the primary industry is to some degree offset by the breadth of Sanford's seafood operations which provides a natural hedge against this variability with most operations providing adequate returns over the longer term.

This year we faced challenges with poor mussel growth and condition in our Marlborough Sounds crop where the company grows approximately 70% of its mussels. This problem affected the entire industry, and is expected to produce 20% to 30% fewer mussels than the high volumes seen two years ago. Increased vessel numbers in the Ross Sea resulted in lower-than-expected Antarctic toothfish catches for the Company vessels this year. With another potential increase in vessel numbers for the coming season, it is essential that the governing body take action to restrict effort in the region.

Refurbishment of the Pacific tuna fleet continued this year, with a sizeable capital upgrade of the San Nanumea, taking the vessel out of service for seven months. The Ocean Breeze commenced fishing in November following a dockyard fire and required re-docking later in the year due to tailshaft and gearbox problems. These lay-ups combined with scheduled work programmes, resulted in reduced fishing effort from the Pacific tuna fleet this year and an unacceptable contribution. We start the new year with all vessels at sea and optimistic for a turnaround in performance.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Operations Overview

Inshore fishing was well positioned for a strong contribution at the end of the third quarter but faded badly in the fourth quarter, with very poor catches of pelagic species and a consistent stream of weather low pressure systems restricting fishing time. The snapper fishery is the cornerstone of our northern inshore activities and the TACC debate this year certainly caught the public's attention. Despite reports to the contrary, snapper is a good news story; everyone agrees that the biomass is growing and that this abundance is creating a problem for the commercial sector, which must actively avoid snapper to harvest other inshore species. It was therefore disappointing that the regulated commercial sector received none of the TAC increase announced. Since 1986 the commercial catch limit has been reduced by 21% and over the same timeframe the unconstrained total recreational catch has increased by 149%. Sanford will actively engage in developing the long term management plan for snapper and fully supports industry initiatives identified during the debate.

Scampi vessel, San Tangaroa

The deepwater operation had a very strong year with reasonable catches in most fisheries, exceeding contribution while coping with several unexpected projects and challenges along the way. A change in fleet configuration saw the San Tangaroa return from Australia to be converted into a scampi vessel, a fishery the vessel is better suited to. At the same time the San Tongariro was converted from scampi fishing back to the inshore fleet, based in Timaru, where the vessel will target hoki year-round. The San Enterprise was deployed to Australia in July to fish hoki during the spawning season and as mentioned earlier the San Aotea II was unexpectedly offered, and accepted, a toothfish licence in South Georgia.

The foreign charter vessels (FCVs) had a very good year with strong catches. We continue to work with officials and our charter partners on reflagging issues. By mutual agreement Dong Won Fisheries Company Limited has agreed to reduce its vessel numbers in New Zealand from three to two for the 2013-14 fishing year. This allows Sanford to reduce its dependence on FCVs, and Dong Won to take up another opportunity outside of New Zealand.

Our aquaculture investments produced an improved result this year and are well placed to continue that trend into 2014. Salmon farming continues to improve stock management to even out the harvest on an annual basis, avoiding lumpy supply and periods of nil production. If mussel growth rates return to normal there is opportunity for considerable improvement in returns.

Securing long term, financially viable, access rights to the skipjack tuna resource in the Western and Central Pacific remains a major challenge for the Pacific tuna operation. Industry, officials and key Pacific Island partners continue to negotiate a mutually beneficial agreement and we are optimistic of a positive outcome.

There are a number of issues that have the potential to seriously impact on the Company's activities and long term property rights. The application by Chatham Rise Phosphate Limited to mine phosphate nodules from within the benthic protected area adjacent to our most productive deepwater fishing area is being monitored closely by the Company. While the fishing industry has no objection to the sustainable utilisation of the country's natural resources, a lack of transparency and science around potential long term impacts on our existing use rights is of grave concern.

New Zealand Seafood Segment

Operations Overview

The Company has been actively engaged in negotiations with officials over the proposed Regional Coastal Management Plan for the Kermadec and Subantarctic Islands. The draft plan in original form was completely unacceptable to the seafood industry, making several fisheries either unsafe or uneconomic to participate in.

Recently, preliminary meetings have been held to discuss the process and representation for discussions on the Hauraki Gulf Marine Spatial plan. This area of water has many different users from a variety of sectors and decisions taken here may set the precedent for elsewhere in New Zealand where there are competing interests for access rights to water space. New Zealand has over 15,000kms of coastline, the ninth longest in the world; we need to find ways to co-exist in this space.

There has been a renewed focus on health and safety over the last year, which will continue into the year ahead. The creation of a new position, Corporate Compliance Manager Fisheries and Marine has assisted to resource this drive and has provided line managers with "go to" support. This positions the Company well to comply with the new health and safety legislation and the new maritime operator safety system (MOSS), both coming into effect over the next 12 months.

As a result of the responsible management and conservative harvest strategies the total allowable commercial catch (TACC) limits have been increased for a number of important deepwater species for the 2013-14 fishing year. The key increases to note are in; Chatham Rise orange roughy, scampi, southern ocean ling, West Coast hoki and ling and these are set out in more detail later in this report.

We would like to thank all those people who have worked constructively to manage the resources, and, the environment upon which this Company is completely dependent. To the staff, crew, contractors and suppliers that make our business operations function, thank you for another outstanding effort.

Baader 200 fully automated salmon filleting machine, Bluff

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Inshore Fishing and Processing

Shane Walsh
Inshore Fishing and Processing Manager

The inshore operation had a challenging last six months with the result below expectations. The year started well with good catches and strong demand for most species, especially skipjack tuna, where prices were greater-than-expected. A fire in the Timaru coldstore in May affected the timing of sales and expenses for the Timaru operation. Tauranga also had a difficult last quarter with jack mackerel catches well below previous years.

Local market sales remain strong and ahead of expectations. Increased volumes of snapper, and higher sales price for tarakihi, had a positive effect. Lower gurnard catches and low availability of elephant fish fillets due to the Timaru coldstore fire reduced local sales. Auckland Fish Market auction sales and frozen products have continued to increase with strong demand and prices resulting in six record sales months during the year.

Export Cold Storage (ECS) and San Won coldstores performed well with continuing strong demand for storage space. ECS blast freezing revenue was reduced through lower-than-expected jack mackerel catches.

Tauranga bin tipper altered to tip two bins

Morning production meeting Auckland factory

Auckland

Auckland-based vessels, together with support from reliable independent fishers, ensured catches of all species were maximised. Vessel revenue benefitted from strong demand for trevally with catches above expectations, while tarakihi catches were lower-than-expected but prices higher. Despite some unplanned maintenance throughout the year costs were managed within budget.

The Auckland factory had another busy year. With stronger demand for local market snapper, reduced quantities were frozen for export markets. A reasonable albacore season contributed to improved factory revenue. Daily fresh-chilled exports remained a significant contributor while contract processing volumes for Foodstuffs supermarkets grew compared to the previous year.

Auckland Fish Market

The auction had another good year with record turnover in six of the 12 months. This is a reflection of strong demand for local market fish with the auction becoming the main source of supply. The market is supplied by Sanford with increased volume from external suppliers, who enjoyed a strong summer period and good prices throughout the year, which helped to boost sales revenue.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Inshore Fishing and Processing

Big Picture Wine was sold during the year to a new Auckland Fish Market retailer, Seafood Central. After taking possession on 1 August upgrades to this premise, the courtyard and retail shops have added value to Auckland Fish Market as a popular destination.

Increased competition from three new cooking schools in the area impacted on results from the Auckland Seafood School as it experienced a drop in demand for corporate and public classes, and rental income. The school, in response, has improved its website to increase online calls to action. The school entertained 9,000 visitors through the year who all enjoyed the experience of watching our chefs and then actively participating in hands-on cooking and eating of seafood.

Tauranga

Tauranga vessels had a good start to the year with strong skipjack tuna, blue mackerel and trevally catches. Unfortunately, the good start was tempered with poor jack mackerel catches in the last quarter. Vessel crews and spotter planes reported very little signs of jack mackerel through August and September resulting in catches well down on previous years. The performance of the purse seine fleet is important for this operation as demand for these species remains strong.

Timaru coldstore fire damage

The Tauranga factory also had a successful year with strong demand for pelagic species, especially skipjack, which sold at prices higher-than-anticipated. The factory was busy packing pelagic species catches and providing fish to the Auckland Fish Market auction and, when able, to the local market. Some additional storage charges were incurred with the need to store product in outside stores due to exceptional volumes of blue mackerel and skipjack tuna from the start of the year. The operation continues to benefit from increased throughput with more-efficient processing allowing quicker vessel unloading, thereby improving catching opportunities.

Returns from ECS in Mount Maunganui were lower-than-anticipated. The business benefitted from good volumes of pelagic fish at the start of the year and strong demand from mussel and meat companies, but, poor jack mackerel catches at year end reduced internal blast freezing revenue.

Timaru

Catches by the Ikawai were inconsistent during the year, and hoki catches were below expectations. During the year the San Tongariro was converted from a scampi vessel to a fresh-fish vessel and joined the Timaru inshore fleet at year-end. This coming year, San Tongariro will target hoki year-round, landing into the Timaru factory. Timaru also enjoyed increased landings from independent fishers supplying a wide range of species.

Timaru factory operations were challenged by a coldstore fire on 12 May. Despite the difficult conditions, the Timaru team was able to move 1,300mt of product out of the damaged store into other coldstores within 72 hours. The product then went through rigorous quality control checks to be either released for sale, repacked, disposed of, or re-graded. The building and product were fully insured and rebuilding started shortly after the fire, with completion expected late December.

The San Won coldstore performance was better-than-expected. The store benefited from high product turnover, and was kept very busy during the year. This store remains full, which has on occasions, meant we were unable to store product landed from our own vessels.

Nelson

It is pleasing to report the sale of our Nelson site was completed during the year with a Nelson marine engineering company taking possession on 7 July.

New Zealand Seafood Segment

Inshore Fishing and Processing

Bluff

Independent landings were in line with the previous record year, resulting in limited amounts of deepwater product being required for reprocessing.

Challenges and Opportunities

It was disappointing after such a good start to the year that the inshore operation was not able to carry that result through to year end. The ongoing challenge is to maximise returns to shareholders. Our focus continues to be on profitability, compliance, sustainability and ongoing improvement across all areas of the business.

A Culture of Continuous Improvement introduced last year to all branches is proving very successful. With the help of a specialist consulting company we are training staff to provide the skills required to manage operations, focussing on improving efficiency and eliminating waste. Each site is now fully immersed in this approach with many positive examples of projects and practises that have resulted in efficiency gains.

We will explore opportunities to grow the business as well as seeking to work together with other industry players to develop more cooperative business arrangements. We will continue to rationalise and upgrade our fishing fleet to improve catching, vessel and fuel efficiencies.

Investment in technology has added value and we will examine options that further enhance these investments and deliver ongoing efficiencies. An example of this is the recently-announced PSH project mentioned earlier in this report. Another investment is the installation of an individually quick frozen freezer into Timaru. This will allow us to develop a wider product range for our customers. The system is now installed and will be utilised during this coming financial year.

The Auckland Fish Market auction, retail complex and Seafood School, together with the Auckland Seafood Festival, will continue to be used as a tool to educate, promote and grow local market seafood consumption.

We will continue to support rationalisation of industry organisations. This is to ensure administration costs are minimised and investment in fisheries science is focused to provide the best possible information for sound management decisions.

I would like to acknowledge the dedication and hard work of fishers, management and all staff that work together to ensure we achieve the best possible outcomes.

Auckland Seafood School class

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Deepwater Fishing

Darryn Shaw
Deepwater Fishing Manager

While overall results from the deepwater operation are up to expectations, this past year has seen a number of challenges, with many parts of our fleet operations facing a departure from normal or historical activities to take on special projects or changing catch plans to meet new challenges – it has been very busy year for all staff, crew and contractors.

Some of these challenges included;

- San Aotea II obtaining a license to fish for toothfish in South Georgia
- San Tongariro moving back to the inshore fleet as a fresh fish vessel and subsequently replaced by San Tangaroa (returning from Australia)
- San Waitaki targeting jack mackerel for the first time
- San Enterprise undertaking an inaugural trip targeting hoki off Tasmania, Australia

These challenging initiatives were somewhat disruptive and demanding on resources and resulted in mixed outcomes.

Our main New Zealand fish stocks continue to be productive with the only fishery performing slightly-below-expectation being the Southern Ocean squid fishery, which had a slow start but improved as the season continued.

Our toothfish harvest from the Ross Sea fishery was again below that anticipated, due to the continued growth in vessel numbers licensed to fish there.

Our foreign charter operation had a good catching year.

This year significant effort has been put into improving vessel health and safety systems, incorporating a new computer-based compliance monitoring and management system. Specific focus has also gone into integration with Port of Timaru health and safety systems, along with our own contractor work-activity-management systems.

We have required all staff to "step up to a new level" with the introduction of our new health and safety and work management systems. This has taken significant effort and time to establish, but will put us in good shape for the introduction of the new Maritime Operator Safety System (MOSS) being implemented in 2014.

The deepwater operation is committed to ensuring we have a safe environment for our share fishermen, contractors and staff to work in.

Fillet Trawlers – San Discovery and San Enterprise

Our two frozen-at-sea fillet vessels have had another productive year with their activities focused predominantly on hoki catches, apart from one trip each targeting squid. They have both operated without any significant issues and have provided a solid contribution to the deepwater fleet output.

During the year, a significant volume of small sized hoki has been showing in the East Coast fishery. This is a reassuring sign and supports the recent TACC increase and trawl survey findings that identified a large year class coming into the fishery. This influx of fish will move throughout the East and West Coast fisheries over the next two years, further building the stability of the hoki fishery.

Following successful trials on the San Enterprise, the San Discovery has also converted its fishing gear over to stronger and lighter trawl material with smaller trawl doors, creating less drag and providing benefits in reducing vessel fuel usage.

The San Enterprise was deployed to fish Sanford Australia's hoki quota during the winter period. This was a departure from the norm, and provided a unique set of challenges to prepare the vessel for international operations, and fishing in an unfamiliar fishery. The key personnel involved put in an outstanding effort to get the vessel prepared, and relocated, in the short time period available. While catches were pleasing for the first period of the deployment, catches in the latter period disappointed.

New Zealand Seafood Segment

Deepwater Fishing

Longline Vessels – San Aotea II / San Aspiring

The Ross Sea toothfish fishery faced another difficult year, with vessel numbers operating in the competitive fishery increasing by another 3 (now 18 in total) and the TAC remaining the same. Ice cover was again extensive which limited options, and lingered for much of the season. The pre-recruit survey was successfully undertaken for a second year, with the data captured again providing valuable information to the Commission for the Conservation of Antarctic Living Resources (CCAMLR) science community and supporting MSC-certification of the fishery. With little difference in results to the previous survey, this provides reassurance that recruitment into the fishery of the sub-adult class remains consistent.

The Marine Protected Area (MPA) campaign for the Ross Sea hit media headlines and politics on the world stage over the year, culminating in a special meeting of CCAMLR held in Bremerhaven, Germany in July. The joint US/New Zealand proposal was not supported unanimously by CCAMLR members. Sanford put forward conditional support for the proposal if accompanying changes were put in place to raise safety standards, research outcomes and limit the number of vessels able to fish in the reduced-fishing areas. The revised MPA proposal considered at the annual CCAMLR meeting held in October 2013 failed to get agreement again.

This year Sanford was very fortunate to have our second longline vessel (San Aotea II) offered a licence to fish in the South Georgia fishery, alongside our regularly licenced vessel, San Aspiring. The notification was received late and required significant effort to prepare the vessel for departure to the fishing grounds in time for the start of the season. San Aspiring had a very good season with excellent catches, but unfortunately San Aotea II did not fare as well, as it was constantly plagued by marine mammals stripping toothfish off the lines before they could be brought aboard. After a frustrating first trip, the remaining toothfish quota was transferred to San Aspiring and San Aotea II returned back to New Zealand to fish for ling.

Scampi Fleet

Our scampi fleet has had a steady year with all of the various scampi fishery sub areas producing well - the most noteworthy being the Wairarapa fishery in area 2. This fishery has shown steady improvement in recent years and this season has rebounded further, leading to the Minister of Fisheries increasing the TACC for the 2013-14 year.

With the re-deployment of our scampi vessel San Tongariro to the Sanford Timaru inshore fleet, the San Tangaroa has returned to New Zealand from Australia and been deployed into the scampi fishery.

It is pleasing to report that the scampi vessel Christmas Creek (managed by Sanford Tauranga) which focuses its fishing in the northern area of New Zealand increased her fishing days significantly and was the top performing scampi vessel this year.

San Aotea, San Aspring and San Discovery along-side Timaru wharf

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SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Deepwater Fishing

San Waitaki, Lyttelton

San Waitaki

The San Waitaki continues to set new benchmarks for diversification in fishing activities. This year it added another species to its list, targeting jack mackerel for the first time. This was a trial trip to ascertain if the vessel had the capacity to target and process this pelagic species. The success was mixed, but, when able to locate fish aggregations the catching and processing activities went well.

The vessel had another successful year targeting its usual mixed bag of orange roughy, oreo dory and squid, and additionally spent two trips targeting hoki during the West Coast spawn period. The squid season proved to be challenging with variability in the catch rates during the early part of the season.

As set out later in the report, the Ministry for Primary Industries has approved a TACC increase next year for the orange roughly stock located on the East and South Chatham Rise. This will provide a welcome boost and further underpin the San Waitaki's annual catch plan.

Charter Operations

Our charter operations had a solid year with catch exceeding expectation. More intense oversight by officials from all Government departments associated with Foreign Charter Vessels (FCVs) continues, and while we are supportive of such action, it does result in the need for additional resources.

The new FCV crew management system has bedded in well. All crew have their own New Zealand bank accounts which their wages are paid into.We also now have our own local Indonesian interpreter who liaises with the crew when they come into port – this ensures effective and direct communication with crew on our FCVs.

We continue to work with our charter partners and officials to prepare for reflagging of vessels to the New Zealand registry.

Our long time charter partner, Dong Won Fisheries Company Limited, has reviewed its spread of international catching operations and, in conjunction with Sanford's desire to reduce its reliance on charter vessels, has decided to reduce its New Zealand fleet from three vessels to two. This vessel ceased its New Zealand operations at the end of September 2013 with the remaining two vessels continuing operations as usual.

Korean charter vessel, Dong Won 519

New Zealand Seafood Segment

Deepwater Fishing

Challenges and Opportunities for the year ahead

Looking forward, our fish stocks remain in good health, with a number of our key deepwater fisheries experiencing TACC increases and no decreases.

Of significant note for our operations are:

Stock / Area	Previous TACC (mt)	New TACC (mt)	Increase (mt)	Sanford Share of increase (mt)	Comment
Ling 5	3,595	3,955	400	114	Fully harvestable
Ling 7	2,474	3,080	606	118	By-catch: supports hoki West Coast catch
Hoki 1	130,000	150,000	20,000	3,076	Increase on West Coast stock only
Orange Roughy 3B	1,950	3,100	1,150	400	Fully harvestable
Scampi 2	100	133	33	18	Fully harvestable

The above changes are across all New Zealand quota owners, with Sanford's increase relative to our shareholding, as shown, for each stock.

The increases listed above are a reflection of conservative approaches taken to grow or rebuild stocks where required and subsequently provide greater economic returns to shareholders. This is specifically relevant in the orange roughy, hoki and scampi sub-stocks where continual monitoring, management and professional science processes have resulted in these increases.

The Deepwater Group (industry stakeholder group for deepwater quota owners), is putting a number of key species through the Marine Stewardship Council (MSC) certification for sustainability. Stocks going through (or about to) include various sub stocks of ling, hake and, of significant note, orange roughy.

MSC-certification is recognised in international markets (wholesale and retail) as the gold standard for sustainability certification. The orange roughly fishery is very well managed and is rebuilding as expected. The MSC-process will be very challenging however the process is open and transparent, giving interested parties the opportunity to participate.

Another significant issue being championed by the Deepwater Group is the proposed underwater phosphate mining on the Chatham Rise seabed, within a "Benthic Protected Area (BPA)". The area is part of the shallow water nursery for our juvenile hoki stocks and was gazetted a number of years ago as a specially protected area to allow a representative area of undisturbed seabed on the Chatham Rise. Industry is concerned with both the effect of the mining itself on the area, but perhaps more importantly, the silt plume that will result when mining spoil is returned to the seabed – which could travel significant distances in the current and affect the habitat of hoki and other juvenile fish stocks well outside the proposed mining area.

Industry is not opposed to the mining process and economic benefit it may provide to New Zealand, but more the location and potential effect on our long term property rights. BPAs are promulgated under the Fisheries Act only because there is no applicable conservation statute for the New Zealand Exclusive Economic Zone (EEZ). These protection measures should apply equally to all seabed activities; fishing, mining and others.

As reported last year, Maritime New Zealand (MNZ) signalled the implementation of a change in the safety-management system for commercial vessel activities in New Zealand through the new MOSS system. The new MOSS rules have now been signed off by the Minister of Transport and it is now scheduled for implementation commencing July 2014. During the intervening period, we have used the time to further-develop our systems which should assist in a smoother transition to the new scheme. However, with any system change of this magnitude there will be challenges that require additional resources to implement.

Integration of the Korean charter vessel fleet to the New Zealand flag will be a primary focus during the year ahead. There are still a number of significant issues to be worked through, including recognition of Korean maritime qualifications into Maritime New Zealand's (MNZ) certification system. We will work with MNZ to determine a smooth transition and effective recognition of Korean Maritime qualifications.

New Zealand Seafood Segment

Aquaculture

Ted Culley
Aquaculture Manager

The aquaculture operation delivered an improved performance on last year, but was still below expectations, despite a good result from salmon operations. The primary cause was reduced mussel volumes this year.

Mussel volumes were impacted by a poor growing and conditioning season in the Marlborough Sounds which currently grows 70% of the industry volume. Growth and condition in Stewart Island were again exceptional, Banks Peninsula mussels also experienced good growth. The Coromandel region had an average year of growth and condition, but significantly better than the previous year.

Coromandel farming and processing operations again went through a significant restructure with the formation of the new joint venture between Sanford Limited and Sealord Group Limited – North Island Mussels Limited (NIML). This venture combined the farming and harvesting units of the two shareholders, as well as the processing plant to gain efficiencies from scale, and, vertically integrating the business from farming through to processing.

Industry-wide mussel volumes are down from levels harvested and processed in 2012, which assisted market pricing and demand for half-shell mussels as the year progressed.

Following the sale of the Kaeo oyster processing site we have now either sold or transferred all remaining assets previously deployed in the Pacific oyster operation.

Our salmon operations have continued to concentrate on growing our business to enable year-round fresh-chilled supply, increasing the proportion of added value frozen packs and therefore reducing dependency on frozen headed and gutted (H&G) commodity markets in Asia.

An investment in a filleting machine to improve yields, productivity and capacity has enabled us to meet increased local market demand for fresh salmon.

Salmon production volumes are slightly down over the previous year as we continue to balance seasonal growth rates to meet year-round fresh-market demand for large sized fish.

Half-shell mussel processing, North Island Mussels Limited, Tauranga

SANFORD LIMITED
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New Zealand Seafood Segment

Aquaculture

Greenshell Mussels, Havelock

A La Nina weather pattern impacted mussel growth and condition in the last quarter of the 2011-2012 financial year and continued to impact areas at the top of the South Island this financial year.

The effect on the growing season has resulted in more small half-shell mussels being produced, with the meat-to-shell ratio being less than what we would expect. This also caused the meat to half-shell production ratio to increase, with more raw material turned into meat because it did not satisfy required quality standards. This results in increased production costs and reduces profitability.

Due to limited mussel availability, the plant had a longer-than-planned shutdown period this year. As a result of improved farming efficiencies a farm vessel was sold and another will be offered for sale in the new financial year.

Given our recent experience in a poor growing season the farming operations team has been reviewing seeding strategies to ensure a good spread of growing areas suitable for half-shell production. We have made modest applications for farm extensions or spat/seed holding areas where we consider existing site growth and condition performance will not be impacted.

Climatic conditions have impacted spat supply volumes and performance; the farming operations team are trialling new areas and initiatives to mitigate these impacts until hatchery spat comes on stream in 2015.

New contract grower relationships have been established and expanded with new line development in Golden Bay/Tasman Bay. The new-technology mussel grow rope has been used in a good proportion of these new developments and we anticipate this crop will be harvested in the fourth quarter of next financial year or the first quarter of the following year.

Overall volumes processed were down on last year, and as a consequence of the poor growing season, the contribution from these operations was lower than last year and our expectations.

Pelorus Trader and San Nikau unloading mussels, Havelock

New Zealand Seafood Segment

Aquaculture

Greenshell Mussels, Christchurch

The Christchurch operation has also suffered from the poor growing season in the Marlborough Sounds but was less-impacted by having the benefit of processing raw material from Bluff and Banks Peninsula.

The shortage of volume however did impact on the plant which only operated on one shift, processing half-shell mussels through to its annual maintenance shutdown in late July, with production not recommencing until mid-September. During this time a small team was employed to assist with reprocessing of product from the Timaru fire and a meat line was run for the first two weeks in September.

Remedial building work following the 2011 earthquakes was largely completed this year with only some yard surface work left to be completed. All costs have been covered by insurance.

The contribution from the Christchurch branch was also lower-than-expectations and down on last year as a result of the poor growing season.

Mussel openers Christchurch factory

Greenshell Mussels, Coromandel

Coromandel had a significantly better growing season with mussel volumes significantly up on last year's numbers and very close to expectations for this year.

The synergies anticipated from incorporating farming operations into the NIML business have been progressing well.

Sanford's water space in Group B, Wilsons Bay has been developed, and further space is also being developed from leased water space to increase farming volumes closer to the plant's processing capacity. This will further improve the economies of scale for the combined farming and harvesting operations, and allow extra product for the processing plant in Tauranga.

The processing plant had a considerably better year than last year with improved product supply, and condition, and, with product moving steadily to market, operational costs were better than last year.

Overall the operation had a significantly improved result over last year.

King Salmon, Stewart Island and Bluff

The Bluff operation has had an intense year with increased demand in fresh-chilled salmon production over frozen H&G, and we continue to make improvements to systems that reduce production input costs and improve quality and service to our customers.

The multiple input of smolt from the hatcheries at Kaitangata and Waitaki into the sea farms is pivotal in achieving our year-round supply focus and this process is working well. There is still opportunity to further improve our performance in achieving a higher proportion of fish at the market optimal size.

The steady improvements being achieved in performance, based on our salmon breeding programme to improve the genetic performance of our stock, will assist in improved outcomes. Salmon operations had a much improved year, with a significant reduction in the level of frozen inventory now being carried.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Aquaculture

Oysters, Bluff

This was our fifth year operating in the Bluff oyster fishery. Catch was better than budget and with more quota being made available this year we managed to catch the extra allocation, whilst improving the quality of our production. Contribution was better than last year and exceeded expectation.

Challenges and Opportunities

There are positive market signs for Greenshell mussels and salmon over the next two or three years.

This should result in an improved operating environment, but we will still have considerable work ahead of us to increase the efficiency of our operations.

A culture and programme of continual improvement in our operations has been adopted and is being introduced across aquaculture operations and will be a crucial tool in assisting us to achieve these objectives in the new year.

The Primary Growth Partnership (PGP) programme for mussel hatchery spat development commenced in November 2012. The 7-year work plan is on schedule to produce its first hatchery spat in 2015. We are convinced this project will provide step change in the productivity of our farming operations, efficiencies in our processing plants and reduce our reliance on wild caught spat.

This year we will be trialling the Pegasus Bay open-water marine farm site to evaluate the viability of this site in the current economic climate. Farming of this site will require different management techniques than those deployed in inshore waters.

A key challenge for the next two years is to improve diversity in our spat catching operation and the performance and retention of this spat in poor growing seasons. Another challenge is the ongoing work with regional councils to improve access to new water space.

A special thanks to the aquaculture team, for their continued dedication and passion for the aquaculture business and for their commitment to the challenges and initiatives the new year will bring.

Sunrise over mussel lines in the Marlborough Sounds

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Pacific Tuna

Martin de Beer
Pacific Tuna Manager

The performance of the Pacific tuna operation this year mirrored, to a large degree, results from the previous year, with the final contribution being well below expectations. Total sales revenue for this year was again well down due to lack of catch. Fish prices reached a new record high at the start of the year but, as occurred last year, these higher prices were not sufficient to offset the lack of catch, with two of the three vessels being out of operation for extended periods again this year.

Following completion of its refurbishment last year, the San Nikunau resumed normal fishing operations in the Western & Central Pacific Ocean (WCPO) region. The vessel returned to New Zealand at the start of January and had a successful summer season fishing for skipjack in local waters. At the end of the New Zealand season the vessel returned to fishing in the WCPO until July, when it returned to New Zealand for a planned maintenance period to install a new starboard generator. The work programme continued until the end of the financial year with the vessel resuming operations in October.

San Nikunau – new starboard generator being lifted onto vessel for installation

As previously reported Sanford was prosecuted by the US Government for alleged offences on the San Nikunau. Sanford was found guilty on 6 of the 7 counts (see www.sanfordfacts.com for details). This was a very disappointing outcome and, in our view, disproportionate given the nature of the offences for which Sanford was held vicariously liable. However, a decision was made not to appeal the sentence and to concentrate on continuing to improve the Company's environmental management systems. All of the Pacific tuna vessels are now certified to ISO 14001 Environmental Standard and all have been audited, passing the certification process.

After initially fishing in the WCPO at the beginning of the year, the San Nanumea returned to New Zealand at the end of November for its scheduled out-of-water survey and a substantial capital upgrade. This resulted in the vessel being out of commission for 7 months whilst the planned works were undertaken. The vessel resumed service at the beginning of June and returned to fishing in the WCPO for the remainder of the year.

The Ocean Breeze departed New Zealand at the end of October 2012, after completion of repairs following damage suffered during the fire which occurred whilst the vessel was in dry-dock last year. Catch rates, once the vessel had returned to the WCPO, were initially in line with expectations, but deteriorated during January and February with lower-than-expected catch rates experienced. At the beginning of March the vessel returned to New Zealand to finalise repairs to the tailshaft and gearbox. After repairs were concluded, the vessel returned to fishing in the WCPO

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Pacific Tuna

San Nanumea – at Auckland Viaduct Harbour following completion of refurbishment

in mid-May. As with the San Nanumea the Ocean Breeze also experienced slow fishing for the remainder of the year.

The decision to undertake major upgrades and improvements to the vessels was made to reduce the number of problems that these vessels were encountering all resulting in considerable lost fishing time throughout the year. The loss of fishing time meant catch levels fell well below expectations.

For the vessels fishing in the WCPO, particularly during the fish aggregation device (FAD) closure period, the poor catch results were also exacerbated by the decision of the countries who are members of the Parties to the Nauru Agreement (PNA) to implement, via their bi-lateral fisheries access agreements, conditions which not only kept the Western high seas pockets closed, but also the Eastern high seas between 175°E and 150°W. As mentioned earlier, school fish signs were sparse during the FAD closure period. However bodies of school fish were seen in these Eastern high seas areas during this period, but as our vessels were not permitted to fish in these waters under the terms of our licences with certain PNA member countries. In contrast, the US fleet operating under the provisions of the tuna treaty between Forum Fisheries Agency members (which includes the PNA countries), was able to capitalise on this opportunity. As there was no conservation benefit from this management measure the countries have agreed to remove this closure from the licence conditions as from 1 January 2014. In the meantime, it continues to impact on the fishing operations for our vessels due to the restriction of available areas to search and fish, particularly given tuna are migratory species that move from area to area.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Pacific Tuna

Challenges & Opportunities

The challenges for the operation remain similar to those from past years with regard to fishing access within the WCPO as well as the Conservation and Management Measures (CMMs) that are either in force or being developed in order to manage the fishery. The Western & Central Pacific Fisheries Commission (WCPFC) met in Manila, Philippines from 2-6 December 2012 and at the meeting adopted a new CMM. The new measure for skipjack, yellowfin and bigeye tuna was effectively a roll over of the existing measure for a one-year period, except the FAD closure period was extended from 3 to 4 months running now from 1 July to 31 October. The WCPFC agreed that a new measure would be developed during the year which would be put forward for adoption at the next Commission meeting to be held in Cairns, Australia from 2-6 December 2013.

There will also be new challenges in a New Zealand context with the new Maritime Operator Safety System (MOSS) having been approved to come into force from 1 July 2014 plus the likely introduction of the new Seafarer Certification (SeaCert) system which is to replace the current Qualifications and Operating Limits (QOL) framework. Each of these will require time and resources to implement throughout the fleet.

In conjunction with the New Zealand Government, work has progressed throughout the year in developing the framework of a possible vessel day pooling access arrangement with certain Pacific Island countries. A meeting has been scheduled for November to meet with officials from these Pacific Islands countries to commence discussions on implementing such an arrangement next year.

Whilst the operation this year did not deliver the expected return on investment, the work that has been undertaken on the fleet should now position our vessels to operate reliably through the coming year and maximize available fishing opportunities. Should this occur then the operation will return to providing a positive contribution to Sanford.

Special thanks must be made once again to the crew, staff and contractors for all their hard work during the year, particularly to those involved in the extensive project to upgrade the San Nanumea, and to repair the fire damage, tailshaft and gearbox on the Ocean Breeze. We look forward to meeting the challenges, and capitalising on the opportunities in the year ahead.

Ocean Breeze – on slipway at Whangarei for tailshaft and gearbox repairs

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Finance and Administration

Dean McIntosh
General Manager Finance and Administration

It has been another challenging year in many ways for the finance and administration team however, we are seeing the benefits from the improvements in our processes and systems which is pleasing and rewarding, especially for the staff involved who have continued to contribute many additional work hours in addition to their day-to-day responsibilities.

In particular we have seen the completion of the WisePeripherals project that was commenced last year. Overall the implementation has been successful with the involvement of many committed and dedicated staff. However, the project did have its frustrations and difficulties, one of which was the delay in completion date.

While costs were well controlled and on budget, some of the ‘go-live’ phases had to be postponed due to external software development delays. These delays were compounded as we had to re-schedule planned implementation dates to fit with freezer vessel port calls and seasonal factory shutdowns.

One of the primary benefits of WisePeripherals is the enhanced traceability from fish and shellfish in the water to product in the market place; this is a growing requirement from many of our overseas markets, and, consumers in general. Other benefits include improvements to our catch landing, production and inventory management systems as well as efficiency gains from having one integrated management system.

Following completion of the project, we believed it was an appropriate time to undertake an in-depth IT ‘health check’. We engaged KPMG to undertake the review which focused on applications, infrastructure, processes and capabilities. This review, only recently completed, has provided management with a useful IT strategic and roadmap document that will be considered in the coming months.

Timaru coldstore rebuild progress

While we have seen slightly less volatility in exchange rates this year, management of currency risk remains difficult, as large dips in the currency are often short-lived and there is a need to react quickly to take advantage of these. Our treasury policy has continued to provide benefits as we manage our foreign exchange exposures using a mix of forward contracts and zero cost collar options.

The graph on the following page compares the United States accounting exchange rate compared to 2012 and the forecast rate. The average accounting rate for the 12 months was 0.8207. The first six months average was 0.8292 and 0.8121 for the second six months.

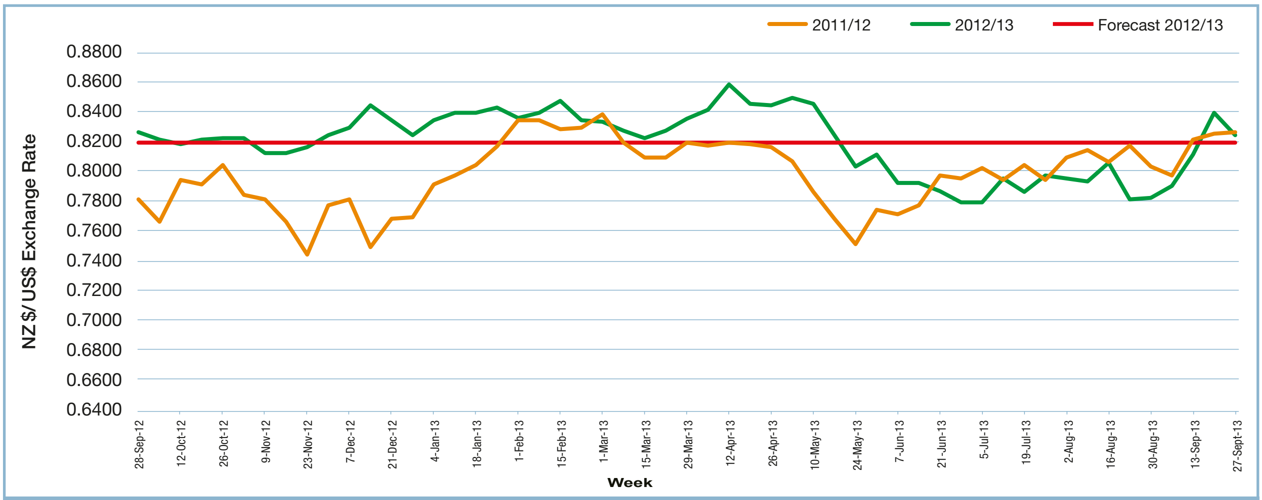
Interest rates have remained low, as expected, however, it is likely we will see levels increase over the next 12 to 18 months. We have continued to hedge a portion of our interest rate exposures using interest rate swaps that expire progressively over the next one to six years.

In March we undertook a review of our bank funding arrangements which resulted in adding a third bank, as well as extending the maturity dates of our loan facilities beyond

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Finance and Administration

Exchange Rate Analysis



US$ (Accounting) Exchange Rate

the traditional one to three years and reducing our overall financing costs. Our principal bankers now comprise ANZ, BNZ and Rabobank with terms ranging from one to five years. While we did not increase total facilities it was pleasing that all three banks offered us additional facilities above that requested. External treasury advisors were used for this process and are also used for both foreign exchange and interest rate risk advice.

After two years of challenging insurance renewals, we believe we have achieved a good result with an overall increase of 5% in premiums for the 2013/14 year. We had increases in the material damage, marine cargo (stock) and protection and indemnity policies. This was a pleasing outcome considering the fire suffered at the Timaru coldstore.

The Timaru coldstore fire in May has resulted in a large and time-consuming insurance claim. We are fortunate to have an excellent team of employees, both from operations and finance who are assisting with this claim. The coldstore is currently being rebuilt and expected to be operational late December. The estimated cost to rebuild is $4.0m - $4.5m for which we are fully insured, except for the $0.5m excess. The insurance company has been funding the rebuild through timely progress payments. We have also received a progress payment of $1.5m, net of a $0.5m excess, relating to the extensively damaged frozen fish product that was in the coldstore at the time of the fire. The remaining stock that was affected will also be subject to ongoing insurance claims (for repackaging and other costs), which have yet to be finalised.

The earthquake repairs at Christchurch are almost completed with total repair costs increasing to just over $2.0m up from $1.5m this time last year. All insured costs incurred to date have been received through progress claims, with minimal insurance excess applied. The only remaining matter relates to non-urgent remedial works to the concrete yard which suffered cracking.

Sanford has again retained its accreditation of the Accredited Employer Programme (AEP) with the Accident Compensation Corporation (ACC) that we have been a member of since its inception in July 2000. We remain focused on workplace heath and safety and, as noted in our 2013 Sustainability Development Report, we gained ‘secondary’ level in September as a result of the annual ACC renewal audit. This improvement can be seen as one of the many benefits from the new Environmental and Health and Safety system, ‘Mango’, which was implemented last year.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Finance and Administration

Challenges and Opportunities

The year ahead will no doubt include many challenges. We will look to ensure our IT infrastructure and systems are appropriately maintained to support the business going forward with future state architecture in the fast changing IT environment. We will continue to strive to improve the accuracy and timeliness of management reporting including appropriate staff training to get the best out of the powerful systems at our disposal.

Treasury management will continue to challenge and we will maintain a robust treasury policy to manage these risks in the current economic environment.

Health and safety systems and reporting continues to improve and there will be opportunities to assist with this process to provide tangible benefits to the Company in improving workplace health and safety.

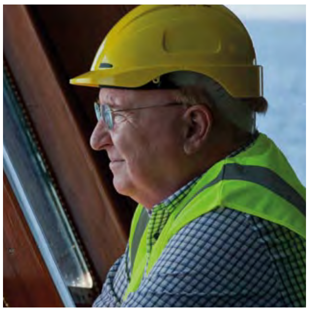
The finance and administration teams throughout the Group deserve sincere thanks for their support and tireless efforts during the year. Getting things done accurately and on time does not just happen and it is only with the experience and dedication of our finance and administration staff that we can achieve the results we have.

Rebecca Zhang, Inshore Accountant, team building at the Seafood School

Sustainable Development

Our Sustainable Development Report is available online. The complete report is available at **www.sanford.co.nz**

Managing Director's Review



ERIC BARRATT
MANAGING DIRECTOR

'Sustainable Seafood' has been Sanford's promise to our customers since 1998. Those words remain at the heart of our business – From sea to food – over 100 years of sustained growth.

We understand that our right to fish comes with the responsibility of care and guardianship to protect the ocean and fish stocks for future generations. We have to be up front and transparent about how we farm and harvest seafood and what we are doing to improve our environmental impact.

When someone chooses seafood caught by Sanford for their dining table, they deserve to know the story of that seafood, and how we brought it to market. That is why, for the past 14 years, we have produced our Sustainable Development Report, which details the environmental, social and economic measures of our performance. For example, we have set targets for reducing the amount of non renewable resources that we use as a business. This report lets you see how we are measuring up against these goals.

For the first time, the 2013 report unveils details of the Precision Seafood Harvesting technology, which is the most important step towards more sustainable wild fish harvesting in 150 years.

We are proud to be a part of the six-year Precision Seafood Harvesting partnership programme to commercialise the technology for the New Zealand fishing industry.

Fishing companies Sanford Limited, Aotearoa Fisheries and Sealord Group Limited are investing $26 million into the project under a Primary Growth Partnership with the New Zealand Government, which is matching industry investment. Scientists at Plant & Food Research are partnering with these companies to develop and trial the technology on commercial fishing vessels.

"For the first time, the 2013 report unveils details of the Precision Seafood Harvesting technology, which is the most important step towards more sustainable wild fish harvesting in 150 years."

The nature of fishing and marine farming brings unique challenges both on the water and through the supply chain. Our innovative mussel selective spat breeding programme (SPATnz) is addressing one of those challenges on the aquaculture side of our business where we are currently reliant on capturing wild-caught mussel spat to populate our mussel farms. The next step in this programme is the construction of a hatchery in Nelson to commercially produce spat for our expanding mussel business, is about to get underway.

One of the unexpected challenges this year was the fire at our Timaru coldstore. We were fully insured for any damage to plant or product, but the temporary loss of infrastructure and the loss of product tested staff and customers. Teamwork was critical to getting our operation up and running in the aftermath of the May fire.

In light of my retirement as Managing Director, Mr Volker Kuntzsch has been appointed Sanford's new Chief Executive Officer, and will take up the reins in early December 2013.

Volker's international track record, global reputation and experience in the global fishing industry will be of significant benefit to Sanford. Volker played an influential role in the establishment of the Marine Stewardship Council (MSC), which operates the widest and most significant fisheries certification scheme in the world.

The current MSC-certification of New Zealand's hoki, Southern blue whiting and albacore tuna fisheries are of significant commercial benefit to Sanford and the New Zealand industry. These certifications are proof of our work to sustainably fish and manage these valuable resources. Other New Zealand fisheries are currently moving through the rigorous certification process.

It has been a privilege to lead a company committed to sustainability. That commitment is backed by the work and dedication of our teams from the deck to the shore to the results published in this Report.

Eric Barratt
Managing Director
20 November 2013

Our Resources

Resources are vital to the success of any business, no matter its form or function. Non renewable, natural, human and marine resources all contribute to the continued operation and success of our business.

This section is in place to identify the key resources that are used in running our day-to-day business activities.

These are:

- Non Renewable
- Our People
- Quota
- Aquaculture Farms

Our Operations

Our Operations covers all aspects of the business from catching the raw seafood to marketing it as a packaged product. Throughout the operations chain there are a substantial amount of factors that need to be considered, managed, monitored and reported.

Of these, those we deem to be of greatest interest to our stakeholders have been included in this years report.

These are:

- Fleet Management
- San Nikunau
- Timaru Coldstore
- Foreign Charter Vessels
- Seafood School
- Compliance

Our Impacts

In all of our operations we try our best to keep our impacts minimal, especially when it comes to the environment. Although no matter how hard we try, it is not feasible to successfully operate our business without causing an impact.

This section highlights the impacts, both positive and negative that we have on the following categories:

- Communities
- The Environment
- Protected and Vulnerable Species

Our Outputs

Sanford is proud of the outputs that result from Our Resources, Our Operations and Our Impacts. All areas of the Company follow rigorous processes and procedures to ensure all of our products are produced to the highest possible standard whilst meeting stringent health, safety and environmental criteria.

One of our key focuses this year has been the development of new fishing technologies. The knowledge we gain from research and development assists us in striving to be a leader in the New Zealand seafood industry.

Our Outputs include:

- Products
- Financial Position
- Iwi Collective Partnership
- Industry Leadership

Our commitment to health and safety

GREG JOHANSSON
GENERAL MANAGER OPERATIONS

"At Sanford, we take health and safety seriously, especially as fishing was recently identified as one of the top five most dangerous industries in New Zealand. This is not an excuse for poor practices, but a challenge for us to prove the statistics wrong. Our vision is to ensure we have healthy people in safe and productive workplaces."

Key Performance Indicators

	Unit	2009	2010	2011	2012	2013
Production						
Onshore production[1]	tonnes	44,367*	47,008*	52,412*	58,524*	50,127
Fishmeal and oil produced[2]	tonnes	3,768	5,192	4,437	4,631	4,243
Frozen-at-sea product[3]	tonnes	34,409	28,168	30,677	26,282	24,583
Environmental						
Electricity consumed[4]	kWhrs	25,911,076	29,365,399	31,883,212	31,506,180	32,872,684
Water used[4]	m^3	757,472	771,960	1,062,487	1,136,290	1,122,054
Solid waste to landfill[4]	m^3	2,143	3,747	7,424	4,641	8,357
Coal consumed	kg	560,420	553,700	492,020	398,691	323,280
Liquid fossil fuels consumed[4, 5]	litres	27,054,288	26,362,099	25,733,866	25,883,957	25,962,511
Greenhouse Gas Emissions (CO_2-e)[6]	tonnes	82,554	96,222	83,981	81,610	88,304
Lube oil used	litres	105,307	95,874	103,643	127,226	154,889
Social						
Land-based employees[7]		1,137	1,055	1,401	1,184	1,109
Vessel crew		437	471	448	472	494
Lost-time injury frequency rate [8,9,10]			14	15	8	10
Number of ACC claims accepted[8]			147	205	173	143
Average age of employees	years	43.2	43.0	39.6	40.3	40.5
Average length of service	years	6.1	7.1	5.1	6.0	6.3
Economic						
Revenue	$000	433,091	421,087	463,954	459,957	462,644
Profit (after tax) for the year	$000	39,075	25,004	22,286	19,615**	20,361
Return on average total equity	%	7.3	4.5	4.1	3.6**	3.7
New Zealand domestic purchases	$000	182,000	185,000	213,000	212,000	225,000
Dividend per share	cents	23	23	23	23	23
Earnings per share	cents	41.7	26.7	23.8	21.0**	21.7
Charitable donations and community investment	$000	319.0	300.1	319.2	157.7	197.8
Business						
New Zealand quota share	%	23.58	23.53	23.44	23.43	23.10
Export sales	tonnes	69,725	88,593	83,956	82,044	84,927
Local sales	tonnes	15,689	9,959	12,672	12,920	13,596
Vessels owned		51	47	54	52	50
TEU[11] containers shipped		3,823	3,784	4,959	5,285	4,770

Notes

* Was incorrectly reported and has been restated.

** The 2012 profit has been re-stated in relation to the adjusted purchase gain recorded by NIML (refer to Note 13 of Annual Report for more information).

1. Onshore production includes New Zealand (inshore and aquaculture), Australia and China. From 2013, NIML data is included.
2. Fishmeal and oil produced at Timaru and on deepwater vessels.
3. Frozen-at-sea product includes deepwater, scampi, Pacific tuna and Australia vessels.
4. Includes China and Australia. From 2013, NIML data is included.
5. Liquid fossil fuels include diesel and light fuel oil from 2010 onwards.
6. From 2013, NIML data is included.
7. Includes permanent, seasonal and casual employees, excludes joint venture employees.
8. 2009 data was not recorded.
9. Number of lost-time injuries per million hours worked.
10. Inclusion of the first 7 days off work in the lost-time frequency rate calculation will be considered in the next reporting period.
11. TEU – twenty-foot equivalent units - export containers.

Further details on these indicators are included in this report.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Financial Statements

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2013.

For and on behalf of the Board of Directors:

J G Todd
Chairman

E F Barratt
Managing Director

20 November 2013

Contents

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Five Year Financial Review

	2013	2012	2011	2010	2009
	$000	$000	$000	$000	$000
Revenue	**462,644**	**459,957**	**463,954**	**421,087**	**433,091**
EBITDA*	**47,357**	**50,099**	**49,244**	**49,057**	**68,366**
Depreciation and amortisation	(16,301)	(15,797)	(16,255)	(13,754)	(13,509)
Impairment	(4,226)	(2,610)	–	–	(1,383)
EBIT	**26,830**	**31,692**	**32,989**	**35,303**	**53,474**
Net interest	(8,171)	(10,196)	(10,607)	(5,780)	(6,788)
Net currency exchange gains	10,349	7,385	10,196	7,836	8,387
Net gain (loss) on sale of investments, property, plant and equipment and intangible assets	152	(150)	52	409	(35)
Profit before income tax	**29,160**	**28,731**	**32,630**	**37,768**	**55,038**
Income tax expense	(8,760)	(9,074)	(10,320)	(12,743)	(15,899)
Profit for the year	**20,400**	**19,657**	**22,310**	**25,025**	**39,139**
Non controlling interest	(39)	(42)	(24)	(21)	(64)
Profit attributable to equity holders of the Group	**20,361**	**19,615**	**22,286**	**25,004**	**39,075**
Equity					
Paid in capital	95,355	95,355	95,355	95,355	95,355
Reserves	458,978	458,777	453,575	456,214	452,575
Non controlling interest	575	559	553	633	591
Total equity	**554,908**	**554,691**	**549,483**	**552,202**	**548,521**
Represented by:					
Current assets	129,732	136,095	118,875	139,049	124,488
Less current liabilities	46,119	62,924	58,760	89,023	67,828
Working capital	**83,613**	**73,171**	**60,115**	**50,026**	**56,660**
Property, plant and equipment	116,347	120,047	131,893	107,685	113,195
Investments	15,500	12,370	11,567	10,981	21,319
Term receivable	–	–	–	–	2,749
Biological assets	6,693	7,754	8,423	6,730	5,574
Intangible assets	499,177	496,786	508,925	454,850	453,564
	721,330	710,128	720,923	630,272	653,061
Less non-current liabilities	166,422	155,437	171,440	78,070	104,540
Total net assets	**554,908**	**554,691**	**549,483**	**552,202**	**548,521**
Dividend per share (cents)	23†	23†	23†	23†	23†
Dividend cover	1.0†	0.9†	1.1†	1.2†	1.8†
Return on average total equity	3.7%	3.6%	4.1%	4.5%	7.3%
Earnings per share (cents)	21.7	21.0	23.8	26.7	41.7
Net asset backing per share	$5.93	$5.92	$5.87	$5.90	$5.86

* Earnings before interest, taxation, depreciation and amortisation, impairment, total currency exchange gains and profit on disposal of investments and long term assets.

† Includes the dividends proposed after balance date.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Income Statement

for the year ended 30 September 2013

		Group		Parent	
		2013	2012	**2013**	2012
	Note	**$000**	$000	**$000**	$000
Revenue	5	462,644	459,957	422,376	414,536
Cost of sales		(390,996)	(377,228)	(350,849)	(331,570)
Gross profit		**71,648**	**82,729**	**71,527**	**82,966**
Other income	6	9,179	4,545	8,686	1,160
Distribution expenses		(30,203)	(30,320)	(30,203)	(30,319)
Administrative expenses	7	(13,291)	(15,461)	(11,437)	(13,376)
Other expenses	7	(12,156)	(12,088)	(11,998)	(7,477)
Operating profit		**25,177**	**29,405**	**26,575**	**32,954**
Finance income	8	10,476	7,597	12,272	8,720
Finance expenses	8	(8,247)	(10,391)	(8,247)	(10,391)
Net finance income		**2,229**	**(2,794)**	**4,025**	**(1,671)**
Share of profit of equity accounted investees	13	1,754	2,120	–	–
Profit before income tax		**29,160**	**28,731**	**30,600**	**31,283**
Income tax expense	9	(8,760)	(9,074)	(8,560)	(8,955)
Profit for the year		**20,400**	**19,657**	**22,040**	**22,328**
Profit attributable to:					
Equity holders of the Group		20,361	19,615	22,040	22,328
Non controlling interest		39	42	–	–
		20,400	**19,657**	**22,040**	**22,328**
Earnings per share					
Basic and diluted earnings per share (cents)	21	21.7	21.0		

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Comprehensive Income

for the year ended 30 September 2013

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Profit for the year (after tax)	**20,400**	**19,657**	**22,040**	**22,328**
Other comprehensive income				
Foreign currency translation differences	(1,821)	(245)	–	–
Change in fair value of cash flow hedges	4,405	10,224	4,405	10,224
Income tax on cash flow hedges	(1,233)	(2,863)	(1,233)	(2,863)
Total other comprehensive income for the year	**1,351**	**7,116**	**3,172**	**7,361**
Total comprehensive income for the year	**21,751**	**26,773**	**25,212**	**29,689**
Total comprehensive income for the year is attributable to:				
Equity holders of the Group	21,735	26,736	25,212	29,689
Non controlling interest	16	37	–	–
Total comprehensive income for the year	**21,751**	**26,773**	**25,212**	**29,689**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Financial Position

as at 30 September 2013

	Note	Group		Parent	
		2013	2012	**2013**	2012
		$000	$000	**$000**	$000
Equity					
Paid in capital		95,355	95,355	95,355	95,355
Retained earnings		447,795	448,968	427,176	426,670
Other reserves		11,183	9,809	10,395	7,223
Total equity attributable to shareholders of the Company		**554,333**	**554,132**	**532,926**	**529,248**
Non controlling interest		575	559	–	–
Total equity	19	**554,908**	**554,691**	**532,926**	**529,248**
Non-current liabilities					
Bank loans (secured)	23	151,150	145,000	151,150	145,000
Advances from subsidiary companies	27	–	–	63,720	67,200
Employee entitlements		1,896	1,757	1,885	1,748
Deferred taxation	15	13,376	8,680	13,498	8,797
Total non-current liabilities		**166,422**	**155,437**	**230,253**	**222,745**
Current liabilities					
Bank overdraft and borrowings (secured)	18	15,026	21,822	15,000	21,700
Derivative financial instruments		–	2,182	–	2,182
Trade creditors		10,008	12,444	9,354	11,822
Other creditors, provisions and accruals		15,088	16,675	14,348	16,204
Employee entitlements		5,997	6,673	5,762	6,448
Taxation payable		–	3,128	–	2,828
Total current liabilities		**46,119**	**62,924**	**44,464**	**61,184**
Total liabilities		**212,541**	**218,361**	**274,717**	**283,929**
Total equity and liabilities		**767,449**	**773,052**	**807,643**	**813,177**
Non-current assets					
Property, plant and equipment	10	116,347	120,047	116,801	118,998
Investments	13,14	15,500	12,370	51,170	51,697
Biological assets	12	6,693	7,754	6,693	7,754
Intangible assets	11	499,177	496,786	492,198	492,283
Advances to subsidiary companies	27	–	–	18,421	19,251
Total non-current assets		**637,717**	**636,957**	**685,283**	**689,983**
Current assets					
Cash on hand and at bank	18	4,506	3,345	2,860	1,863
Trade debtors	17	49,980	43,050	45,910	39,901
Derivative financial instruments		16,808	14,273	16,808	14,273
Other debtors and prepayments		10,461	6,958	9,434	5,952
Tax refund		4,456	–	4,703	–
Biological assets	12	7,927	8,931	7,927	8,931
Inventories	16	33,434	50,198	32,558	49,722
Non-current assets held for sale	32	2,160	9,340	2,160	2,552
Total current assets		**129,732**	**136,095**	**122,360**	**123,194**
Total assets		**767,449**	**773,052**	**807,643**	**813,177**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Cash Flows

for the year ended 30 September 2013

		Group		Parent	
		2013	2012	**2013**	2012
	Note	**$000**	$000	**$000**	$000
Cash flows from operating activities					
Cash provided from:					
Receipts from customers		474,095	477,923	434,410	426,586
Interest received		76	196	130	336
Dividends received		51	18	51	18
		474,222	478,137	434,591	426,940
Cash applied to:					
Payments to suppliers and employees		413,846	416,501	371,758	364,518
Income tax paid		12,624	7,101	12,624	7,096
Interest paid		9,465	10,566	9,465	10,566
		435,935	434,168	393,847	382,180
Net cash flows from operating activities	26	**38,287**	**43,969**	**40,744**	**44,760**
Cash flows from investing activities					
Cash provided from:					
Disposal of property, plant and equipment		989	1,411	989	1,009
Sale of intangible assets		–	3,111	–	401
Sale of investments and subsidiaries	13	17	–	17	–
Loans repaid by related parties		–	–	–	1,127
Dividends received from associates	13	1,035	954	1,035	954
Return of capital from associate	13	510	–	510	–
		2,551	5,476	2,551	3,491
Cash applied to:					
Purchase of property, plant and equipment		17,448	8,646	17,291	7,901
Loans advanced to related parties		–	–	2,899	–
		17,448	8,646	20,190	7,901
Net cash flows from investing activities		**(14,897)**	**(3,170)**	**(17,639)**	**(4,410)**
Cash flows from financing activities					
Cash provided from:					
Proceeds from borrowings		6,150	–	6,150	–
Cash applied to:					
Repayment of term loan		–	20,000	–	20,000
Dividends paid to parent shareholders	20	21,534	21,534	21,534	21,534
Dividends paid to non controlling shareholders in subsidiaries		–	31	–	–
		21,534	41,565	21,534	41,534
Net cash flows from financing activities		**(15,384)**	**(41,565)**	**(15,384)**	**(41,534)**
Net increase (decrease) in cash and cash equivalents		**8,006**	**(766)**	**7,721**	**(1,184)**
Effect of exchange rate fluctuations on cash held		(49)	(30)	(24)	(30)
Cash and cash equivalents at beginning of year		(18,477)	(17,681)	(19,837)	(18,623)
Cash and cash equivalents at 30 September		**(10,520)**	**(18,477)**	**(12,140)**	**(19,837)**
Represented by:					
Bank overdraft and borrowings at call		(15,026)	(21,822)	(15,000)	(21,700)
Cash on hand and at bank		4,506	3,345	2,860	1,863
	18	**(10,520)**	**(18,477)**	**(12,140)**	**(19,837)**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Changes in Equity

for the year ended 30 September 2013

Group	Note	Share Capital $000	Translation Reserve $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total Equity $000
Balance at 1 October 2012		**95,355**	**2,586**	**7,223**	**448,968**	**554,132**	**559**	**554,691**
Profit for the year (after tax)		–	–	–	20,361	20,361	39	20,400
Other comprehensive income								
Foreign currency translation differences		–	(1,798)	–	–	(1,798)	(23)	(1,821)
Change in fair value of cash flow hedges		–	–	4,405	–	4,405	–	4,405
Income tax on cash flow hedges		–	–	(1,233)	–	(1,233)	–	(1,233)
Total comprehensive income		**–**	**(1,798)**	**3,172**	**20,361**	**21,735**	**16**	**21,751**
Distributions to shareholders	20	–	–	–	(21,534)	(21,534)	–	(21,534)
Balance at 30 September 2013		**95,355**	**788**	**10,395**	**447,795**	**554,333**	**575**	**554,908**
Balance at 1 October 2011		**95,355**	**2,826**	**(138)**	**450,887**	**548,930**	**553**	**549,483**
Profit for the year (after tax)		–	–	–	19,615	19,615	42	19,657
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**	**19,615**	**26,736**	**37**	**26,773**
Distributions to shareholders	20	–	–	–	(21,534)	(21,534)	(31)	(21,565)
Balance at 30 September 2012		**95,355**	**2,586**	**7,223**	**448,968**	**554,132**	**559**	**554,691**

Parent	Note	Share Capital $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 October 2012		**95,355**	**7,223**	**426,670**	**529,248**
Profit for the year (after tax)		–	–	22,040	22,040
Other comprehensive income					
Change in fair value of cash flow hedges		–	4,405	–	4,405
Income tax on cash flow hedges		–	(1,233)	–	(1,233)
Total comprehensive income		**–**	**3,172**	**22,040**	**25,212**
Distributions to shareholders	20	–	–	(21,534)	(21,534)
Balance at 30 September 2013		**95,355**	**10,395**	**427,176**	**532,926**
Balance at 1 October 2011		**95,355**	**(138)**	**425,876**	**521,093**
Profit for the year (after tax)		–	–	22,328	22,328
Other comprehensive income					
Change in fair value of cash flow hedges		–	10,224	–	10,224
Income tax on cash flow hedges		–	(2,863)	–	(2,863)
Total comprehensive income		**–**	**7,361**	**22,328**	**29,689**
Distributions to shareholders	20	–	–	(21,534)	(21,534)
Balance at 30 September 2012		**95,355**	**7,223**	**426,670**	**529,248**

Notes to the Financial Statements

for the year ended 30 September 2013

Note 1 – Reporting Entity

Sanford Limited (the Company) is a profit-oriented company registered in New Zealand under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer for the purposes of the Financial Reporting Act 1993 and its Financial Statements comply with that Act. The Financial Statements presented include the individual Financial Statements of the Company and the consolidated Financial Statements of the Company, its subsidiaries and associates (the Group) for the year ended 30 September 2013.

The Group is a large and long-established fishing business devoted entirely to the harvesting, farming, processing, storage and marketing of quality seafood products and investments in related activities.

Note 2 – Basis of Preparation

(a) Statement of compliance

The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The Financial Statements also comply with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- Interest rate swaps, forward exchange contracts and foreign currency options
- Biological Assets: immature salmon and mussels are measured at fair value less costs to sell
- Carrying value of equity accounted investees

(c) Functional and presentation currency

These Financial Statements are presented in New Zealand dollars (NZD) – the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

(d) Use of estimates and judgements

The preparation of Financial Statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Specific areas requiring significant estimates and judgements include:

- Impairment testing of intangible assets (refer note 11)
- Valuation of biological assets (refer note 12)
- Valuation of financial instruments (refer note 22)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the relevant notes.

(e) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Notes to the Financial Statements

Note 3 – Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and have been applied consistently by Group entities, except as disclosed in note 2 (e), which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The consolidated Financial Statements include all subsidiary companies using the acquisition method of consolidation. All inter-company transactions are eliminated on consolidation.

(ii) Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated Financial Statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. If the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Acquisitions or disposals during the year

Where an entity becomes or ceases to be part of the Group during the year, the results of the entity are included in the consolidated results from the date that control or significant influence commenced or until the date that control or significant influence ceased. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.When an entity is acquired all identifiable assets and liabilities are recognised at their fair value at acquisition date.

The fair value does not take into consideration any future intentions by the Group.

The Group measures goodwill as the fair value of the consideration transferred, including the recognised amount of any non controlling interest in the acquiree, less net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in the Income Statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in the Income Statement. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the Income Statement.

Where an entity that is part of the Group is disposed of, the gain or loss recognised in the Income Statement is calculated as the difference between the sale price less costs to sell and the carrying amount of the related group of assets and any related goodwill. Transaction costs of acquistions are expensed as incurred and recognised in the Income Statement.

(iv) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the dates of the transactions. At balance date foreign currency monetary assets and liabilities are translated at the closing rate. The exchange variations arising from these translations are recognised in the Income Statement.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 3 – Significant Accounting Policies (continued)

(ii) Foreign operations

Foreign operations are entities within the Group, the activities of which are based in a country other than New Zealand, or which are conducted in a currency other than NZD. The assets and liabilities of foreign operations are translated into the presentation currency of the Company (NZD) at the balance date closing rate, while revenue and expenses are translated at rates approximating the exchange rate ruling at the date of the transaction. Exchange variations are taken directly to the foreign currency translation reserve (FCTR).

(c) Derivative financial instruments

The Group uses derivative financial instruments including foreign exchange forward contracts, foreign currency options and interest rate swaps to manage exposure to foreign exchange and interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Income Statement, except that where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Income Statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs.

(d) Fish quota and marine farm licences

Purchased fish quota is carried at cost. Quota and licences which are initially recognised on the basis of previous permits or catch history or when purchased through business combinations are initially valued at fair value on allocation. Fair value is determined by reference to Crown tender prices and market prices available close to the time of the acquisition. This became the deemed cost upon the adoption of NZ IFRS.

Marine farm licences are recorded at cost or when purchased through business combinations are initially valued at fair value.

Marine farm licences and quota which have indefinite useful lives are not amortised but are tested annually for impairment at balance date. Quota has no expiry date and is therefore deemed to have an indefinite useful life. Marine farm licences have indefinite useful lives as it is highly probable that they are renewed and the costs of renewal are minimal.

(e) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in the Income Statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Other development expenditure is recognised in the Income Statement as an expense as incurred.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Income Statement as incurred.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 3 – Significant Accounting Policies (continued)

(iii) Depreciation

Depreciation is calculated using straight-line rates to write off the cost of property, plant and equipment over their estimated useful lives. Depreciation methods, useful lives and residual values are reassessed at balance date. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Land is not depreciated. Estimated useful lives are as follows:

	2013	2012
	Years	Years
Buildings (freehold and leasehold)	20–25	20–25
Fishing vessels:		
Hulls	20–30	20–30
Engines	12–15	12–15
Electronic equipment	3–4	3–4
Machinery and plant	7–10	7–10
Motor vehicles	5	5
Office fixtures and fittings	5–7	5–7
Marine farm assets	5–15	5–15

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The estimated costs of marketing, selling and distribution are deducted in calculating net realisable value.

Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventory and bringing it to its existing condition and location. In the case of processed inventories and work in progress, cost includes an appropriate share of overheads. Fixed overheads are allocated on the basis of normal operating capacity. The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

(h) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in the Income Statement. The fair value is determined with reference to the present value of the expected cashflows using anticipated harvest volumes, market prices and the costs of cultivation until sold. Costs to sell include all costs that would be necessary to sell the assets. Biological assets are transferred to inventories at the date of harvest.

(i) Impairment

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories, biological assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount which is the greater of its value in use and its fair value less cost to sell. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date.

(ii) Non-derivative financial assets

Trade and other receivables

Impairment losses of trade and other receivables that are individually significant are determined by an evaluation of the exposures on a line by line basis. For trade and other receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar number of days overdue.

Investments in equity securities

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. For this purpose prolonged is regarded as any period longer than nine months and significant as more than 20% of the original purchase price of the equity instrument.

Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the Income Statement but taken to equity through other comprehensive income.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 3 – Significant Accounting Policies (continued)

(j) Trade and other receivables

Short term trade and other receivables are not discounted and are stated at cost less impairment losses. Long term receivables are stated at their amortised cost less impairment losses.

(k) Investments in equity securities

Investments in equity securities held by the Group are classified as available-for-sale and carried at their fair value with fair value changes recognised in other comprehensive income. The fair value is their quoted bid price at the balance date. Where the fair value of equity investments cannot be reliably determined then the investments are recorded at cost.

(l) Investments in subsidiaries

Investments in subsidiaries and receivables (payables) in respect of subsidiaries are stated at cost in the separate Financial Statements of the Company.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences; the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

(n) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash comprises cash balances and demand deposits. Bank overdrafts are included to the extent they are repayable on demand and form an integral part of the Group's cash management.

(o) Bank loans

Bank loans are recognised initially at fair value less directly attributed transaction costs. Subsequent to initial recognition interest-bearing borrowings are measured at amortised cost applying the effective interest method.

(p) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received and is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer.

(q) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, foreign currency gains, and gains on derivative instruments that are recognised in the Income Statement. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on derivative instruments that are recognised in the Income Statement. All borrowing costs are recognised in the Income Statement using the effective interest method with the exception of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

Note 3 – Significant Accounting Policies (continued)

(r) Trade creditors and other payables

Trade creditors and other payables are stated at cost.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.
The unwinding of the discount is recognised as a finance cost.

(t) Lease payments

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. An operating lease is where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment.

(u) Employee benefits

(i) Defined contribution plans

Certain employees are members of defined contribution pension plans and the Group contributes to those plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement when they are due.

(ii) Long service leave

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using an actuarial technique. Changes in long service leave provision are recognised in the Income Statement.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(v) Segment reporting

An operating segment is a distinguishable component of the Group whose operating results are regularly reviewed by the Group's chief operating decision maker in order to assess performance and make decisions about resources to be allocated to the segment. The Managing Director has been identified as Sanford's chief operating decision maker for the purpose of applying NZ IFRS 8: *Operating Segments*.

Segments are aggregated having regard to the requirements of NZ IFRS 8, including similarities in economic characteristics and in each of the following respects:

- the nature of the products;
- the nature of the production processes;
- the type or class of customers for their products;
- the methods used to distribute their products; and
- the regulatory environment.

Segmental information is presented in respect of the Group's industry and geographical segments.

(w) Held for sale assets

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally though a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 3 – Significant Accounting Policies (continued)

(x) New standards and interpretations not yet adopted

The following recently published standards and interpretations, which are considered relevant to the Group, are not effective for the year ended 30 September 2013, and have not been applied in preparing these financial statements.

(i) NZ IFRS 9: Financial Instruments: Classification and Measurement (effective 1 Janury 2015)

NZ IFRS 9: *Financial Instruments: Classification and Measurement* will supersede NZ IAS 39 and specifies how an entity should classify and measure financial assets. The standard is effective for Sanford Limited for the year ending 30 September 2016. The Group has not yet determined the potential impact of the standard.

(ii) NZ IFRS 10: Consolidated Financial Statements (effective 1 January 2013)

NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27:*Consolidated and Separate Financial Statements*, and NZ IFRIC 12:*Consolidation – Special Purpose Entities*.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships.

NZ IFRS 10 is effective for the year ending 30 September 2014 and is not expected to have any significant impact on the Group Financial Statements.

(iii) NZ IFRS 11: Joint Arrangements (effective 1 January 2013)

Under NZ IFRS 11: *Joint Arrangements*, joint arrangements are essentially defined in the same way as under NZ IAS 31: *Interests in Joint Ventures*: an arrangement over which there is joint control. What is new is the way in which NZ IFRS 11 sub-categorises joint arrangements into:

- joint operations, whereby the parties with joint control have rights to the assets and obligations for the liabilities relating to the arrangement; and
- joint ventures, whereby the parties with joint control have rights to the net assets of the arrangement and how it accounts for them. All joint arrangements will need to be re-assessed on transition to NZ IFRS 11.

NZ IFRS 11 is effective for the year ending 30 September 2014 and is not expected to have any significant impact on the Group Financial Statements.

(iv) NZ IFRS 12: Disclosure of Interests in Other Entities (effective 1 January 2013)

NZ IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

NZ IFRS 12 which is effective for the year ending 30 September 2014 is not expected to have any significant impact on the Group Financial Statements.

(v) NZ IFRS 13: Fair Value Measurement (effective 1 January 2013)

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures.

NZ IFRS 13 is effective for the year ending 30 September 2014 is not expected to have any significant impact on the Group Financial Statements.

Note 4 – Segment Reporting

The executive management of the Group monitors the operating results of the inshore fishing, deepwater fishing, aquaculture and international purse seiners divisions separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the operating Income Statement. Capital expenditure consists of additions of property, plant and equipment.

The Group's key operating segments are:

- Inshore fishing – responsible for catching and processing inshore species of fish.
- Deepwater fishing – responsible for catching deepwater species of fish, several of the deepwater vessels also have processing facilities on board.
- Aquaculture – this division farms, harvests and processes salmon and mussels.
- International purse seiners – Sanford's three Pacific tuna vessels operate in international waters and are specifically designed for tuna fishing.

The Group has determined that the above operating segments should be aggregated to form one reportable segment to reflect the harvesting, processing and selling of seafood products.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 4 – Segment Reporting (continued)

The criteria as set out in paragraph 12 of NZ IFRS 8: *Operating Segments* was considered in determining the aggregation of the operating segments. In aggregating these operating segments into one reportable segment, the Group identified similarities in the following:

Similar economic characteristics

The Group considered and identified similarities in economic characteristics in the inshore fishing, deepwater fishing, aquaculture and international purse seiner operating segments. The Group concluded, having considered several factors, that the operating segments exhibited similar long term economic characteristics because the impact of these factors is expected to be similar across all four operating segments. This is supported by the following observations:

Foreign exchange

The majority of the Group's sales are derived from exporting seafood products. Movements in foreign exchange rates, particularly the US dollar, have a significant influence on the degree of profitability of the Group.

Competitive and operating risks

The operating risks are similar for all of the seafood products in which the Group trades, due to the vagaries of nature and its impact in respect of weather patterns, nutrients in the oceans, parasites and disease.

The global growth in seafood product demand and rising commodity prices has led to a heightened competitive environment in which the Group trades, this applies in a similar manner across all of the four operating segments.

Economic and political risk

Economic/political prosperity and stability for countries in which Sanford's customers are based, have a direct impact across the Group in its ability to derive increasing positive returns to Shareholders. The current continued growth in Asia has led to increases in demand for wild and farmed fish and other aquaculture products. Conversely the austerity measures impacting several European countries has led to falling demand for seafood products.

Other variables impacting profit

There are many other variables that directly or indirectly impact the profitability of the operating segments such as international trade rules and tariffs and climate change. The Group has assessed that the four operating segments are similarly impacted by these variables.

Nature of the products

All of the seafood products have similar nutritional factors, principally they are a good source of protein and relatively low in fat.

Similar nature of production processes

The Group has determined that all of the seafood products produced for its customers are harvested from the sea. Additionally certain fish species and mussels have hand opening or machine opening processes involved in the final completion of the production chain.

The type or class of customer for the product

The Group sells products derived from all of its operating segments to nine of its top ten customers. The Group's customers are largely of a wholesale nature.

The methods used to distribute the product

The Group's sales and marketing team is structured geographically and not by product type or by operating segment.

The nature of the regulatory environment

Both aquaculture and fish products are governed by the quality control regulations set by the Ministry for Primary Industries in New Zealand and those countries to which the Group export. In respect of vessels these must meet Maritime New Zealand regulations; this requirement is similar for all operating segments.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 4 – Segment Reporting (continued)

(a) Income and expenditure

	New Zealand		Australia		Eliminations		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Total external revenues	424,564	422,683	38,080	37,274	–	–	462,644	459,957
Inter-segment revenue	3,442	2,763	–	–	(3,442)	(2,763)	–	–
Segment revenue	428,006	425,446	38,080	37,274	(3,442)	(2,763)	462,644	459,957
Segment profit for the year	**21,371**	**16,872**	**(2,738)**	**634**	**13**	**31**	**18,646**	**17,537**
Share of profit of equity accounted investees							1,754	2,120
Reported profit for the year							**20,400**	**19,657**

Inter-segment transactions

Inter-segment revenues are eliminated upon consolidation and reflected in the eliminations column.

(b) Revenue by geographical location of customers

	2013	2012
	$000	$000
New Zealand	73,102	61,195
Australia	79,479	79,216
Europe	53,056	50,482
North America	67,367	70,862
Japan	29,236	30,573
China/Hong Kong	32,700	30,807
Korea	46,716	57,722
Other Asia	41,676	23,633
Africa	19,778	22,104
Middle East	7,860	18,450
Pacific	9,456	10,021
Other	2,218	4,892
Revenue	**462,644**	**459,957**

The revenue information above is based on the locations of the customers.

There are no customers with revenue for the year exceeding 10% of total sales from the harvesting, processing and selling of seafood products reportable segment.

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Note 4 – Segment Reporting (continued)

(c) Assets and liabilities

		New Zealand		Australia		Total	
		2013	2012	**2013**	2012	**2013**	2012
	Note	**$000**	$000	**$000**	$000	**$000**	$000
Segment assets		737,045	742,169	14,967	18,577	752,012	760,746
Investment in equity accounted investees	13	15,437	12,306	–	–	15,437	12,306
Total assets		**752,482**	**754,475**	**14,967**	**18,577**	**767,449**	**773,052**
Segment liabilities		191,421	196,414	21,120	21,947	212,541	218,361
Total liabilities		**191,421**	**196,414**	**21,120**	**21,947**	**212,541**	**218,361**
Capital expenditure		17,301	7,608	146	15	17,447	8,554
Depreciation and amortisation		16,122	15,452	179	345	16,301	15,797

Note 5 – Revenue

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Sale of goods	462,644	459,957	422,376	414,536
Total revenue	**462,644**	**459,957**	**422,376**	**414,536**

Note 6 – Other Income

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Insurance recovery	4,928	–	4,928	–
Commissions received	1,817	2,109	–	17
Net gain (loss) on sale of property, plant and equipment and intangible assets	152	(150)	166	(964)
Sundry income	2,282	2,586	3,592	2,107
	9,179	**4,545**	**8,686**	**1,160**

On 12 May 2013 a fire occurred in the Timaru coldstore which is primarily used for storage of frozen product. The extent of the damage to the building has led to a write down in respect of related assets of $0.1 million, and for damaged product of $0.6m. The Group's insurer has agreed an initial settlement in respect of the damaged building of $3.9m and in respect of damaged product of $2.0m. The insurance recovery has been recognised in other income net of the $1.0m insurance excess.

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for the year ended 30 September 2013

Note 7 – Expenses

	Note	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
(a) Administrative and other expenses					
Directors' fees		500	500	500	500
Donations		42	50	42	50
Audit fees – KPMG		214	197	156	149
KPMG fees for other services*		142	26	47	26
Leasing charges		3,010	3,092	2,804	2,885
Bad debts written off		243	894	137	659
(Decrease) increase in doubtful debts provision		(70)	(138)	(18)	10
Investment in North Island Mussel Processors Limited written off	13	–	526	–	–
Advance to North Island Mussel Processors Limited written off		–	2,085	–	–
Impairment of property, plant and equipment	10	1,077	610	1,077	610
Provision for write down of advance to subsidiary		–	–	3,149	–
Impairment of intangible assets	11	3,149	2,000	–	–
(b) Personnel expenses					
Wages and salaries		94,006	96,471	91,807	94,132
(c) Movement in Biological Assets					
Change in fair value of biological assets loss	12	2,065	534	2,065	534

*KPMG fees for other services are in respect of assurance and advisory services for IT, the Sustainable Development Report and Australia.

Note 8 – Finance Income and Expenses

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Finance income				
Interest income	76	195	130	335
Dividend	51	17	1,086	972
Net foreign exchange gain	10,349	7,385	11,056	7,413
	10,476	**7,597**	**12,272**	**8,720**
Finance expenses				
Interest rate swaps fair value movement (gain)	(1,052)	(31)	(1,052)	(31)
Interest expense on bank loans and bank overdraft	9,299	10,422	9,299	10,422
	8,247	**10,391**	**8,247**	**10,391**
Net finance income (expense)	**2,229**	**(2,794)**	**4,025**	**(1,671)**

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Note 9 – Income Tax Expense

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
(a) Income tax expense				
Current period	**4,380**	**9,456**	**4,175**	**9,353**
Adjustment for prior periods	917	241	917	241
	5,297	**9,697**	**5,092**	**9,594**
Deferred tax expense				
Origination and reversal of temporary differences	4,350	(497)	4,355	(513)
Adjustments for prior periods	(887)	(126)	(887)	(126)
	3,463	**(623)**	**3,468**	**(639)**
Income tax expense	**8,760**	**9,074**	**8,560**	**8,955**
(b) Reconciliation of effective tax rate				
Profit for the year	20,400	19,657	22,040	22,328
Income tax expense	8,760	9,074	8,560	8,955
Profit before income tax	**29,160**	**28,731**	**30,600**	**31,283**
Tax at current rate of 28%	**8,165**	**8,045**	**8,568**	**8,759**
Non-deductible expenses	2,103	1,283	1,340	337
Non-taxable income – other	(1,139)	(257)	(1,378)	(257)
Utilisation of tax losses previously unrecognised	–	(161)	–	–
Over (under) provided in prior periods	30	116	30	116
Different foreign tax rate	3	4	–	–
Other	(402)	44	–	–
	595	**1,029**	**(8)**	**196**
Income tax expense	**8,760**	**9,074**	**8,560**	**8,955**
(c) Imputation credit account				
Imputation credits available for use in subsequent reporting periods	66,500	62,785		

The Group imputation credits are available to be attached to dividends paid by the parent Company.

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Note 10 – Property, Plant and Equipment

	Note	Land $000	Freehold Buildings $000	Leasehold Buildings $000	Fishing Vessels $000	Plant and Equipment $000	Total $000
Group 2013							
Cost							
Balance at beginning of year		2,582	17,206	42,652	165,226	113,319	340,985
Additions		–	220	56	14,416	2,755	17,447
Disposals		(17)	(3,051)	(2,923)	(2,462)	(8,699)	(17,152)
Net transfer of assets held for sale	32	17	1,713	2,937	(1,373)	(13)	3,281
Effect of movements in exchange rates		–	–	–	30	(224)	(194)
Balance at end of year		2,582	16,088	42,722	175,837	107,138	344,367
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,627)	(20,027)	(118,233)	(75,051)	(220,938)
Depreciation		–	(632)	(1,642)	(6,812)	(7,130)	(16,216)
Impairment		–	(115)	(408)	(554)	–	(1,077)
Net transfer of assets held for sale	32	–	(1,501)	(2,476)	1,083	5	(2,889)
Disposals		–	2,872	2,630	1,195	6,403	13,100
Balance at end of year		–	(7,003)	(21,923)	(123,321)	(75,773)	(228,020)
Net book value at 30 September 2013		**2,582**	**9,085**	**20,799**	**52,516**	**31,365**	**116,347**
Group 2012							
Cost							
Balance at beginning of year		2,760	19,244	40,240	162,354	122,635	347,233
Additions		–	27	427	6,863	1,237	8,554
Reclassification		(20)	28	4,969	–	(6,166)	(1,189)
Disposals		(12)	–	(48)	(1,539)	(4,346)	(5,945)
Transfer to assets held for sale	32	(146)	(2,093)	(2,937)	(2,447)	–	(7,623)
Effect of movements in exchange rates		–	–	1	(5)	(41)	(45)
Balance at end of year		2,582	17,206	42,652	165,226	113,319	340,985
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,902)	(20,664)	(114,581)	(72,193)	(215,340)
Depreciation		–	(658)	(1,864)	(6,197)	(6,993)	(15,712)
Impairment		–	(610)	–	–	–	(610)
Transfer to assets held for sale	32	–	1,543	2,476	1,052	–	5,071
Disposals		–	–	25	1,493	4,135	5,653
Balance at end of year		–	(7,627)	(20,027)	(118,233)	(75,051)	(220,938)
Net book value at 30 September 2012		**2,582**	**9,579**	**22,625**	**46,993**	**38,268**	**120,047**

Notes to the Financial Statements

for the year ended 30 September 2013

Note 10 – Property, Plant and Equipment (continued)

	Note	Land $000	Freehold Buildings $000	Leasehold Buildings $000	Fishing Vessels $000	Plant and Equipment $000	Total $000
Parent 2013							
Cost							
Balance at beginning of year		2,586	17,257	42,266	163,906	106,934	332,949
Additions		–	220	56	15,310	2,597	18,183
Disposals		(17)	(3,051)	(2,609)	(2,462)	(8,557)	(16,696)
Net transfer of assets held for sale	32	17	1,713	2,937	(1,373)	(13)	3,281
Balance at end of year		2,586	16,139	42,650	175,381	100,961	337,717
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,682)	(19,907)	(115,306)	(71,056)	(213,951)
Depreciation		–	(632)	(1,632)	(6,778)	(6,892)	(15,934)
Impairment		–	(115)	(408)	(554)	–	(1,077)
Disposals		–	2,872	2,571	1,194	6,298	12,935
Net transfer of assets held for sale	32	–	(1,501)	(2,476)	1,083	5	(2,889)
Balance at end of year		–	(7,058)	(21,852)	(120,361)	(71,645)	(220,916)
Net book value at 30 September 2013		**2,586**	**9,081**	**20,798**	**55,020**	**29,316**	**116,801**
Parent 2012							
Cost							
Balance at beginning of year		2,764	19,295	40,168	161,029	116,324	339,580
Reclassification		(20)	28	4,969	–	(6,166)	(1,189)
Additions		–	27	114	6,863	1,079	8,083
Disposals		(12)	–	(48)	(1,539)	(4,303)	(5,902)
Transfer to assets held for sale	32	(146)	(2,093)	(2,937)	(2,447)	–	(7,623)
Balance at end of year		2,586	17,257	42,266	163,906	106,934	332,949
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,957)	(20,592)	(111,705)	(68,607)	(208,861)
Depreciation		–	(658)	(1,816)	(6,146)	(6,555)	(15,175)
Impairment		–	(610)	–	–	–	(610)
Disposals		–	–	25	1,493	4,106	5,624
Transfer to assets held for sale	32	–	1,543	2,476	1,052	–	5,071
Balance at end of year		–	(7,682)	(19,907)	(115,306)	(71,056)	(213,951)
Net book value at 30 September 2012		**2,586**	**9,575**	**22,359**	**48,600**	**35,878**	**118,998**

In 2013 the impairment charge relates to a building in Nelson ($0.4m), an inshore vessel ($0.6m) and the Timaru coldstore ($0.1m).

In 2012 the impairment charge of $0.6m relates to the Kaeo processing plant which was closed in December 2011.

Note 11 – Intangible Assets

	Note	Intellectual Property $000	Fishing Quota $000	Marine Farm Licences $000	Total $000
Group 2013					
Balance at beginning of year		290	407,096	91,400	498,786
Amortisation		(85)	–	–	(85)
Transfer from assets held for sale	32	–	6,788	–	6,788
Effect of movements in exchange rates		–	(1,163)	–	(1,163)
Balance at end of year		205	412,721	91,400	504,326
Impairment					
Balance at beginning of year		–	(2,000)	–	(2,000)
Impairment		–	(3,149)	–	(3,149)
Balance at end of year		–	(5,149)	–	(5,149)
Carrying amount at 30 September 2013		**205**	**407,572**	**91,400**	**499,177**
Group 2012					
Balance at beginning of year		375	416,060	92,490	508,925
Reclassification		–	–	1,189	1,189
Acquisitions		–	–	–	–
Amortisation		(85)	–	–	(85)
Disposals		–	(1,942)	(2,279)	(4,221)
Transfer to assets held for sale	32	–	(6,788)	–	(6,788)
Effect of movements in exchange rates		–	(234)	–	(234)
Balance at end of year		290	407,096	91,400	498,786
Impairment					
Balance at beginning of year		–	–	–	–
Impairment		–	(2,000)	–	(2,000)
Balance at end of year		–	(2,000)	–	(2,000)
Carrying amount at 30 September 2012		**290**	**405,096**	**91,400**	**496,786**

Fishing Quota

The Group has impaired $3.1m (2012: $2m) of the carrying value of Australian fishing quota and licences. This is based on management's assessment of the carrying value of each asset. The impairment arises in light of the Group's inability to sell certain quota and licences at market price, which were held for sale in 2012, and profitably leasing or fishing certain quota and licences. This and other prior year impairments will be reversed in future years if circumstances positively change.

Cash Generating Units

The table below outlines the allocations of intangible assets with indefinite useful lives to cash generating units:

	Intellectual Property $000	Fishing Quota $000	Marine Farm Licences $000	Total $000
New Zealand Seafood	205	400,603	91,400	492,208
Australia Seafood	–	6,969	–	6,969
	205	**407,572**	**91,400**	**499,177**

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Note 11 – Intangible Assets (continued)

Impairment testing

Impairment testing was performed on the applicable New Zealand cash generating unit (CGU) to determine whether fishing quota and marine farm licences were impaired using a discounted cash flow model based on value-in-use. Post-tax discount rates of between 7.4% and 8.6% (2012: 7.4% and 7.8%) were applied. Future cash flows were projected for 5 years and a terminal growth rate of 3% (2012: 3%) was applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecasts for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cashflows in the terminal year.

The recoverable amount of the New Zealand CGUs exceeded the carrying value of the net assets as at 30 September 2013. Therefore management has determined that no impairment to New Zealand fishing quota and marine farm licences has occurred.

The Australian CGU applied similar assumptions to those stated above using post-tax discount rates of between 8.0% to 8.8% (2012: 7.9% and 8.3%) and a terminal growth rate of 3% (2012: 2.5%). The recoverable amount determined from the discounted cash flow modelling was less than the carrying value of the of net assets indicating the quota and licences were impaired. In light of this, and further analysis performed by the Group, certain quota and fishing licences have been written down as at 30 September 2013; the impairment charge of NZ$3.1m has been recorded in the income statement (2012: NZ$2m was recorded as an impairment in respect of Australian quota and licences).

	Intellectual Property	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000	$000
Parent 2013				
Carrying amount				
Balance at beginning of year	290	400,593	91,400	492,283
Amortisation	(85)	–	–	(85)
Carrying amount at 30 September 2013	**205**	**400,593**	**91,400**	**492,198**
Non-current	205	400,593	91,400	492,198
	205	**400,593**	**91,400**	**492,198**
Parent 2012				
Carrying amount				
Balance at beginning of year	375	400,593	92,491	493,459
Reclassification	–	–	1,189	1,189
Amortisation	(85)	–	–	(85)
Disposals	–	–	(2,280)	(2,280)
Carrying amount at 30 September 2012	**290**	**400,593**	**91,400**	**492,283**
Non-current	290	400,593	91,400	492,283
	290	**400,593**	**91,400**	**492,283**

Notes to the Financial Statements

Note 12 – Biological Assets

	Mussels $000	Oysters $000	Salmon $000	Total $000
Group and Parent 2013				
Balance at beginning of year	12,914	–	3,771	16,685
Change in fair value less estimated costs to sell	17,337	–	3,852	21,189
Harvested produce transferred to inventories	(19,000)	–	(4,254)	(23,254)
Balance at 30 September 2013	**11,251**	**–**	**3,369**	**14,620**
Non-current	4,933	–	1,760	6,693
Current	6,318	–	1,609	7,927
	11,251	**–**	**3,369**	**14,620**
Group and Parent 2012				
Balance at beginning of year	11,723	125	5,371	17,219
Change in fair value less estimated costs to sell	20,820	229	2,950	23,999
Harvested produce transferred to inventories	(19,629)	(354)	(4,550)	(24,533)
Balance at 30 September 2012	**12,914**	**–**	**3,771**	**16,685**
Non-current	6,848	–	906	7,754
Current	6,066	–	2,865	8,931
	12,914	**–**	**3,771**	**16,685**

Risk factors

The Company is exposed to a number of risks relating to its growing of salmon and mussel stocks. These include storms, marine predators, toxic algae blooms and other contamination of the water space. The Company has extensive processes in place to monitor and mitigate these risks including insurance, regular inspection of the growing areas and contingency plans in the event of an adverse climatic event. The key assumption which would lead to future uncertainty, which may cause an adjustment to the carrying amounts of biological assets, is the fair value per kg at the point of harvest. The value of these assets may fluctuate with both market prices and foreign exchange movements.

Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volumes of salmon and mussels. Management performs regular analysis to ensure that the Group's pricing structure is in line with the market and to ensure harvest volumes are appropriate.

Determining fair value

Salmon

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value per kg at the point of harvest. The fair value per kg at the point of harvest is determined with reference to the market selling prices, as at 30 September 2013.

Mussels

The pre-harvest mussel stock has been valued with reference to their stage of development, the length of the growth cycle for the mussels in the regions being farmed, the fair value per kg at point of harvest, and the physical quantity in the water at year end. The fair value per kg at the point of harvest is determined with reference to market selling prices, as at 30 September 2013.

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Note 13 – Equity Accounted Investees

	Group 2013 $000	Group 2012 $000
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:		
Current assets	16,633	14,229
Non-current assets	52,780	18,054
Total assets	**69,413**	**32,283**
Current liabilities	7,621	2,801
Non-current liabilities	23,040	–
Total liabilities	**30,661**	**2,801**
Revenue	76,575	34,900
Expenses	(72,933)	(33,394)
Profit	**3,642**	**1,506**
(b) Movements in carrying value of equity accounted investees:		
Balance at beginning of year	12,306	11,504
Share of profit	1,754	736
Gain in share of equity earnings in North Island Mussels Limited	–	1,384
Write off investment in North Island Mussel Processors Limited	–	(526)
Dividends from associates	(1,035)	(954)
Further investment in North Island Mussels Limited	2,939	–
Sales	(17)	–
Return of capital from associate	(510)	–
Other	–	162
Balance at 30 September	**15,437**	**12,306**

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. The determination of the fair value of assets acquired was done on provisional basis at 30 September 2012. On the basis of NIML's provisional fair value acquisition accounting Sanford recorded $2.6 million in equity earnings in the 2012 Financial Statements representing its share of this gain.

NZ IFRS permits an acquirer of a business a 12 month measurement period post acquisition to finalise the fair value of assets acquired. Retrospective adjustment of the provisional amounts recognised at acquisition date is permitted to reflect new information obtained about facts and circumstances that existed at the acquisition date. NIML has completed its assessment of fair value which has resulted in an adjustment to Sanford's 2012 earnings of $1.227m, as the bargain purchase gain was determined to be less than provisionally determined at acquisition date.

	Final fair value acquisition accounting 2012 $000	Provisional acquisition accounting 2012 $000
Gain in share of equity earnings in North Island Mussels Limited	1,384	2,611

The comparative balances have been restated to reflect the finalisation of the acquisiton accounting.

Note 14 – Other Investments

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Shares in other companies	63	64	63	63
Shares in subsidiaries	–	–	41,576	41,576
Shares in associates at cost	–	–	9,531	10,058
	63	**64**	**51,170**	**51,697**

Note 15 – Deferred Taxation

(a) Unrecognised deferred tax assets

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Net tax losses - Australia	1,867	2,356	–	–

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. There is no expiry time for the use of these tax losses.

(b) Recognised deferred tax assets and liabilities

	Assets 2013 $000	Assets 2012 $000	Liabilities 2013 $000	Liabilities 2012 $000	Net 2013 $000	Net 2012 $000
Group						
Property, plant and equipment	–	–	(7,665)	(4,695)	(7,665)	(4,695)
Intangible assets	–	–	(6,460)	(4,920)	(6,460)	(4,920)
Trade debtors	60	65	–	–	60	65
Derivative financial instruments	–	–	(4,042)	(2,809)	(4,042)	(2,809)
Biological assets	1,446	312	–	–	1,446	312
Other liabilities	3,285	3,367	–	–	3,285	3,367
Deferred tax assets (liabilities)	**4,791**	**3,744**	**(18,167)**	**(12,424)**	**(13,376)**	**(8,680)**
Parent						
Property, plant and equipment	–	–	(7,673)	(4,698)	(7,673)	(4,698)
Intangible assets	–	–	(6,460)	(4,920)	(6,460)	(4,920)
Trade debtors	–	5	–	–	–	5
Derivative financial instruments	–	–	(4,042)	(2,809)	(4,042)	(2,809)
Biological assets	1,446	312	–	–	1,446	312
Other liabilities	3,231	3,313	–	–	3,231	3,313
Deferred tax assets (liabilities)	**4,677**	**3,630**	**(18,175)**	**(12,427)**	**(13,498)**	**(8,797)**

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Note 15 – Deferred Taxation (continued)

	Balance 30 Sept 2012	Recognised in Income Statement	Recognised in Other Comprehensive Income	**Balance 30 Sept 2013**
	$000	$000	$000	**$000**
(c) Movement in temporary differences during the year				
Group 2013				
Property, plant and equipment	(4,695)	(2,970)	–	(7,665)
Intangible assets	(4,920)	(1,540)	–	(6,460)
Trade debtors	65	(5)	–	60
Derivative financial instruments	(2,809)	–	(1,233)	(4,042)
Biological assets	312	1,134	–	1,446
Other liabilities	3,367	(82)	–	3,285
Net deferred tax asset (liability)	**(8,680)**	**(3,463)**	**(1,233)**	**(13,376)**
Group 2012				
Property, plant and equipment	(4,852)	157	–	(4,695)
Intangible assets	(4,283)	(637)	–	(4,920)
Trade debtors	62	3	–	65
Derivative financial instruments	54	–	(2,863)	(2,809)
Biological assets	(599)	911	–	312
Other liabilities	3,178	189	–	3,367
Net deferred tax asset (liability)	**(6,440)**	**623**	**(2,863)**	**(8,680)**
Parent 2013				
Property, plant and equipment	(4,698)	(2,975)	–	(7,673)
Intangible assets	(4,920)	(1,540)	–	(6,460)
Trade debtors	5	(5)	–	–
Derivative financial instruments	(2,809)	–	(1,233)	(4,042)
Biological assets	312	1,134	–	1,446
Other liabilities	3,313	(82)	–	3,231
Net deferred tax asset (liability)	**(8,797)**	**(3,468)**	**(1,233)**	**(13,498)**
Parent 2012				
Property, plant and equipment	(4,871)	173	–	(4,698)
Intangible assets	(4,283)	(637)	–	(4,920)
Trade debtors	2	3	–	5
Derivative financial instruments	54	–	(2,863)	(2,809)
Biological assets	(599)	911	–	312
Other liabilities	3,124	189	–	3,313
Net deferred tax asset (liability)	**(6,573)**	**639**	**(2,863)**	**(8,797)**

Deferred tax expense recognised in other comprehensive income relates to tax on the effective portion of the change in fair value of cash flow hedges.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 16 – Inventories

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Fish	24,416	40,593	23,547	40,148
Packaging, fishing gear, fuel and stores	9,018	9,605	9,011	9,574
	33,434	**50,198**	**32,558**	**49,722**

Note 17 – Trade Debtors

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Trade debtors	49,980	43,050	45,603	39,711
Trade debtors due from related parties	–	–	307	190
	49,980	**43,050**	**45,910**	**39,901**

Note 18 – Cash and Cash Equivalents

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Cash on hand and at bank	4,506	3,345	2,860	1,863
Bank overdraft and borrowings at call (secured)	(15,026)	(21,822)	(15,000)	(21,700)
	(10,520)	**(18,477)**	**(12,140)**	**(19,837)**

Interest rates applicable on call deposits range from 0% – 2.5% (2012: 0% – 3.0%).

Interest rates applicable on bank overdraft and borrowings at call range from 3.31% – 14.65% (2012: 3.34% – 14.65%).

Bank loans are secured by a general security interest over property and a mortgage over quota shares.

Notes to the Financial Statements

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Note 19 – Capital and Reserves

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

(b) Cash flow hedge reserve

The reserve comprises the effective portion of changes in the fair value of derivative contracts for highly probable forecast sales.

(c) Share capital

	Ordinary Shares	
	2013	2012
	No. of Shares	No. of Shares
On issue at beginning and end of year	93,626,735	93,626,735

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

Note 20 – Dividends

	2013	2012
	$000	$000
The following dividends were declared and paid by the Company for the year ended 30 September: $0.23 per ordinary share (2012: $0.23)	21,534	21,534

On 20 November 2013 the Directors proposed a final dividend of 14 cents per share (2012:14 cents per share) to be paid on 4 December 2013. The dividend has not been provided for in the accounts at 30 September 2013.

Note 21 – Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 September 2013 was based on the profit attributable to ordinary shareholders of $20.361m (2012: $19.615m) and a weighted average number of ordinary shares outstanding of 93,626,735 (2012: 93,626,735).

(b) Profit attributable to ordinary shareholders

	2013	2012
	$000	$000
Net profit attributable to ordinary shareholders	20,361	19,615

Diluted earnings per share is not separately disclosed as no dilutive instruments have been issued.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 22 – Financial Instruments

Exposure to credit, interest rate, foreign currency, equity price and liquidity risks arises in the normal course of the Group's business. Derivatives may be used as a means of reducing exposure to fluctuations in foreign exchange rates. While these instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged, sales and investments.

The Group manages commodity price risks through negotiated supply contracts and forward physical contracts. However, these contracts are for the purpose of the receipt in accordance with the Group's expected usage requirements only and are not accounted for as financial instruments.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group does not generally require collateral in respect of trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions (defined as having a minimum credit rating of A-) are used for investing and cash handling purposes.

The Group has credit insurance in respect of its largest customer for USD 8.4m. At balance date the Group's exposure in respect of this debt is USD 9.1m which comprised 22.7% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently now paid 43% of the outstanding balance. There are no concerns with the collectability of this debt.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

(b) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on a daily basis. The Group has secured bank loans which contain debt covenants. A breach of covenant may require accelerated repayment of the loans earlier than indicated in the loan contract. It is not expected that the cash flows included in the maturity analysis in the quantitative liquidity note 22 (h) will occur significantly earlier or at significantly different amounts.

The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. At year end the Group had available approximately $35m of headroom funding to meet any unforeseen liability obligations.

(c) Market risk

Market risk is the risk that arises from changes in foreign exchange rates, interest rates or equity/commodity prices. Such changes will affect the Group's earnings and/or the value of its holdings of financial instruments. These risks arise due to the Group having financial instruments that would be impacted by changes in these market factors.

The Group enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks. Senior management are involved in the operation and oversight of risk management and derivative activities. Regular reporting of the activities is provided to the Board of Directors which provides policy for the use of derivative instruments.

(d) Currency risk

The Group incurs currency risk as a result of sales and investments that are denominated in foreign currencies. The currencies giving rise to currency risk in which the Group primarily deals are US Dollars, Australian Dollars and Japanese Yen. Group entities may hedge a proportion of trade debtors denominated in foreign currency. The Group also uses foreign currency (FX) contracts and options to hedge a portion of its forecast sales denominated in foreign currency up to two years forward. In the current period, the Group designated the highly probable forecast transactions and the foreign currency contracts into a cash flow hedge relationship. The fair value gains and losses on the forward exchange contracts and options were recognised in other comprehensive income and transferred to income statement when the highly probably forecast transactions affected income statement.

As at 30 September 2013, the foreign exchange contracts designated in a hedge relationship had a fair value of $15.104m (2012: $14.273m)

Notes to the Financial Statements

for the year ended 30 September 2013

Note 22 – Financial Instruments (continued)

(e) Interest rate risk

The Group is exposed to interest rate risk primarily through its cash balances, borrowings at call and term loans. The Group generally adopts a policy of ensuring that its exposure to changes in interest rates on short term borrowings is on a floating interest rate basis and its policy for long term loans is to hedge 25% to 75% by using interest rate swaps to hedge the floating rate debt. At balance date the Group has interest rate swaps of $10m maturing in November 2013, $10m maturing in August 2014, $25m maturing in May 2015, $15m maturing in August 2015, $10m maturing in September 2016, $25m maturing in June 2017, $20m maturing in May 2018, and $25m maturing in May 2019 (2012: $10m maturing in November 2012, $25m maturing in May 2013, $25m maturing in June 2013, $10m maturing in November 2013, $10m maturing in August 2014, $25m maturing in May 2015, $15m maturing in August 2015, $25m maturing in June 2017, and $20m maturing in May 2018). The fair value of interest rate swaps at year end is $1.704m (2012: $(1.480m)).

(f) Other market price risk

The entity is not exposed to substantial other market price risk arising from financial instruments.

Equity price risk relates to available-for-sale equity securities and is not a significant risk to the Group.

QUANTITATIVE DISCLOSURES

(g) Credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The Group's maximum exposure to credit risk for trade and other receivables by geographic regions is as follows:

	Group	
	2013	2012
	$000	$000
New Zealand	17,446	12,145
Australia	8,603	8,675
Europe	10,184	9,346
North America	15,391	10,663
Japan	2,161	2,275
Other	6,656	6,904
Trade and other receivables	**60,441**	**50,008**

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Note 22 – Financial Instruments (continued)

(g) Credit risk (continued)

The status of trade receivables at the reporting date is as follows:

	Gross Receivables	Impairment	Gross Receivables	Impairment
	2013	**2013**	2012	2012
	$000	**$000**	$000	$000
Not past due	44,735	–	34,789	–
Past due 0 – 30 days	4,463	–	7,205	–
Past due 31 – 120 days	471	–	1,035	(58)
Past due 121– 365 days	220	–	71	(18)
Past due more than 1 year	91	–	26	–
	49,980	**–**	**43,126**	**(76)**

In summary, trade receivables are determined to be impaired as follows:

	2013	2012
	$000	$000
Gross trade receivables	49,980	43,126
Provision for doubtful debt	–	(76)
Trade receivables net	**49,980**	**43,050**

(h) Liquidity risk

The following table sets out the contractual and expected cash flows for all financial liabilities.

	Statement of Financial Position	Contractual Cash Flows	6 months or less	6–12 months	1–2 years	2–5 years
	$000	$000	$000	$000	$000	$000
Group 2013						
Bank loans	151,150	166,665	3,975	2,623	39,975	120,092
Trade creditors	10,008	10,008	10,008	–	–	–
Other creditors	15,088	15,088	15,088	–	–	–
Bank overdraft	15,026	15,026	15,026	–	–	–
Total non-derivative liabilities	**191,272**	**206,787**	**44,097**	**2,623**	**39,975**	**120,092**
Forward exchange options	(5,093)	8,307	2,701	1,351	3,992	263
Forward exchange contracts	(10,011)	(10,190)	(3,709)	(3,793)	(2,688)	–
Interest rate swaps	(1,704)	(2,103)	521	321	(243)	(2,702)
Total derivative liabilities (assets)	**(16,808)**	**(3,986)**	**(487)**	**(2,121)**	**1,061**	**(2,439)**
Group 2012						
Bank loans	145,000	151,191	2,631	2,670	145,890	–
Trade creditors	12,444	12,444	12,444	–	–	–
Other creditors	16,675	16,675	16,675	–	–	–
Bank overdraft	21,822	21,822	21,822	–	–	–
Total non-derivative liabilities	**195,941**	**202,132**	**53,572**	**2,670**	**145,890**	**–**
Forward exchange options	(5,950)	7,771	3,121	2,014	2,270	366
Forward exchange contracts	(8,323)	(8,323)	(3,718)	(2,243)	(2,362)	–
Interest rate swaps	2,182	1,859	785	595	651	(172)
Total derivative liabilities (assets)	**(12,091)**	**1,307**	**188**	**366**	**559**	**194**

Notes to the Financial Statements

for the year ended 30 September 2013

Note 22 – Financial Instruments (continued)

(h) Liquidity risk (continued)

	Statement of Financial Position	Contractual Cash Flows	6 months or less	6–12 months	1–2 years	2–5 years
	$000	$000	$000	$000	$000	$000
Parent 2013						
Bank loans	151,150	166,665	3,975	2,623	39,975	120,092
Trade creditors	9,354	9,354	9,354	–	–	–
Other payables	14,348	14,348	14,348	–	–	–
Bank overdraft	15,000	15,000	15,000	–	–	–
Total non-derivative liabilities	**189,852**	**205,367**	**42,677**	**2,623**	**39,975**	**120,092**
Forward exchange options	(5,093)	8,307	2,701	1,351	3,992	263
Forward exchange contracts	(10,011)	(10,190)	(3,709)	(3,793)	(2,688)	–
Interest rate swaps	(1,704)	(2,103)	521	321	(243)	(2,702)
Total derivative liabilities (assets)	**(16,808)**	**(3,986)**	**(487)**	**(2,121)**	**1,061**	**(2,439)**
Parent 2012						
Bank loans	145,000	151,191	2,631	2,670	145,890	–
Trade creditors	11,822	11,822	11,822	–	–	–
Other payables	16,204	16,204	16,204	–	–	–
Bank overdraft	21,700	21,700	21,700	–	–	–
Total non-derivative liabilities	**194,726**	**200,917**	**52,357**	**2,670**	**145,890**	**–**
Forward exchange options	(5,950)	7,771	3,121	2,014	2,270	366
Forward exchange contracts	(8,323)	(8,323)	(3,718)	(2,243)	(2,362)	–
Interest rate swaps	2,182	1,859	785	595	651	(172)
Total derivative liabilities (assets)	**(12,091)**	**1,307**	**188**	**366**	**559**	**194**

(i) Foreign currency exchange risk

The Group's exposure to foreign currency risk can be summarised as follows:

	USD	AUD	JPY	EUR	GBP
(figures are NZD)	$000	$000	$000	$000	$000
Group 2013					
Foreign currency risk					
Cash	1,084	969	219	399	23
Trade debtors	11,348	2,658	2,154	1,442	447
Trade creditors	(2,245)	–	–	–	–
Net Statement of Financial Position exposure before hedging activity	10,187	3,627	2,373	1,841	470
Estimated forecast sales	274,537	36,776	21,146	8,066	3,134
Estimated forecast purchases	(84,359)	(16,042)	(34)	(1,307)	(2,773)
Net cash flow exposure before hedging activity	200,365	24,361	23,485	8,600	831
Forward exchange contracts and options	(121,878)	(16,011)	(10,164)	–	–
Net un-hedged exposure	**78,487**	**8,350**	**13,321**	**8,600**	**831**

Notes to the Financial Statements

for the year ended 30 September 2013

Note 22 – Financial Instruments (continued)

(i) Foreign currency exchange risk (continued)

(figures are NZD)	USD $000	AUD $000	JPY $000	EUR $000	GBP $000
Group 2012					
Foreign currency risk					
Cash	813	471	(4)	321	6
Trade debtors	5,076	2,762	652	541	415
Trade creditors	(1,868)	–	–	–	–
Net Statement of Financial Position exposure before hedging activity	4,201	3,233	648	862	421
Estimated forecast sales	273,580	34,609	19,836	5,153	3,699
Estimated forecast purchases	(57,453)	(9,948)	–	–	–
Net cash flow exposure before hedging activity	220,148	27,894	20,484	6,015	4,120
Forward exchange contracts	(99,330)	(18,477)	(14,897)	–	–
Net un-hedged exposure	**120,818**	**9,417**	**5,587**	**6,015**	**4,120**

(j) Interest rate risk – repricing analysis

Interest-bearing variable rate instruments and related derivatives reprice as follows:

	Total **$000**	6 months or less $000	6–12 months $000	1–3 years $000	3–4 years $000	4–5 years $000
Group 2013						
Cash and cash equivalents	4,506	4,506	–	–	–	–
Bank overdrafts	(15,026)	(15,026)	–	–	–	–
Bank loans	(151,150)	(151,150)	–	–	–	–
Interest rate swaps						
Notional cash inflows	140,000	115,000	25,000	–	–	–
Notional cash outflows	(140,000)	(10,000)	(10,000)	(50,000)	(25,000)	(45,000)
Total variable rate	**(161,670)**	**(56,670)**	**15,000**	**(50,000)**	**(25,000)**	**(45,000)**
Group 2012						
Cash and cash equivalents	3,345	3,345	–	–	–	–
Bank overdrafts	(21,822)	(21,822)	–	–	–	–
Bank loans	(145,000)	(145,000)	–	–	–	–
Interest rate swaps						
Notional cash inflows	120,000	120,000	–	–	–	–
Notional cash outflows	(165,000)	(10,000)	(50,000)	(60,000)	(45,000)	–
Total variable rate	**(208,477)**	**(53,477)**	**(50,000)**	**(60,000)**	**(45,000)**	**–**

Foreign currency options are valued using an option valuation technique which involves discounting cash flows by reference to market interest rates at year end.

The Parent Company repricing analysis is consistent with the Group analysis.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 22 – Financial Instruments (continued)

(k) Capital management

The Group's capital includes share capital, reserves, retained earnings and non controlling interests.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

(l) Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

The table below provides an estimate of the impact on the Group's profit after tax if the USD or interest rates changed by 1%.

	Group and Parent			
	2013	**2013**	2012	2012
	$000	**$000**	$000	$000
	-1% change	**+1% change**	-1% change	+1% change
USD	(911)	911	(700)	700
Interest rate	1,116	(1,116)	1,200	(1,200)

Notes to the Financial Statements

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Note 22 – Financial Instruments (continued)

(m) Classification and fair values

	Fair Value through Profit or Loss	Loans and Receivables	Available-for-sale	Other Amortised Cost	Total Carrying Amount	Fair Value
	$000	$000	$000	$000	$000	$000
Group 2013						
Assets						
Investments						
Advances to associates	–	322	–	–	322	322
Shares in other companies	–	–	63	–	63	63
Total non-current assets	**–**	**322**	**63**	**–**	**385**	**385**
Trade debtors	–	49,980	–	–	49,980	49,980
Cash and cash equivalents	–	4,506	–	–	4,506	4,506
Derivative financial instruments						
Forward exchange contracts	10,011	–	–	–	10,011	10,011
Interest rate swaps	1,704	–	–	–	1,704	1,704
Foreign exchange options	5,093	–	–	–	5,093	5,093
Total current assets	**16,808**	**54,486**	**–**	**–**	**71,294**	**71,294**
Total assets	**16,808**	**54,808**	**63**	**–**	**71,679**	**71,679**
Liabilities						
Bank loans	–	–	–	151,150	151,150	151,150
Total non-current liabilities	**–**	**–**	**–**	**151,150**	**151,150**	**151,150**
Bank overdraft and borrowings	–	–	–	15,026	15,026	15,026
Trade creditors	–	–	–	10,008	10,008	10,008
Other payables	–	–	–	9,957	9,957	9,957
Total current liabilities	**–**	**–**	**–**	**34,991**	**34,991**	**34,991**
Total liabilities	**–**	**–**	**–**	**186,141**	**186,141**	**186,141**

Bank loan and derivatives are wholly within the Parent Company.

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Notes to the Financial Statements

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Note 22 – Financial Instruments (continued)

(m) Classification and fair values (continued)

	Fair Value through Profit or Loss	Loans and Receivables	Available-for-sale	Other Amortised Cost	Total Carrying Amount	Fair Value
	$000	$000	$000	$000	$000	$000
Group 2012						
Assets						
Investments						
Advances to associates	–	2,537	–	–	2,537	2,537
Shares in other companies	–	–	64	–	64	64
Total non-current assets	**–**	**2,537**	**64**	**–**	**2,601**	**2,601**
Trade debtors	–	43,050	–	–	43,050	43,050
Cash and cash equivalents	–	3,345	–	–	3,345	3,345
Derivative financial instruments						
Forward exchange contracts	8,323	–	–	–	8,323	8,323
Foreign exchange options	5,950	–	–	–	5,950	5,950
Total current assets	**14,273**	**46,395**	**–**	**–**	**60,668**	**60,668**
Total assets	**14,273**	**48,932**	**64**	**–**	**63,269**	**63,269**
Liabilities						
Bank loans	–	–	–	145,000	145,000	145,000
Total non-current liabilities	**–**	**–**	**–**	**145,000**	**145,000**	**145,000**
Bank overdraft and borrowings	–	–	–	21,822	21,822	21,822
Trade creditors	–	–	–	12,444	12,444	12,444
Other payables	–	–	–	9,448	9,448	9,448
Derivative financial instruments						
Interest rate swaps	2,182	–	–	–	2,182	2,182
Total current liabilities	**2,182**	**–**	**–**	**43,714**	**45,896**	**45,896**
Total liabilities	**2,182**	**–**	**–**	**188,714**	**190,896**	**190,896**

Notes to the Financial Statements

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Note 22 – Financial Instruments (continued)

(n) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Group 2013				
Derivatives – Forward exchange contracts used for hedging	–	10,011	–	10,011
Derivatives – Options contracts used for hedging	–	5,093	–	5,093
Interest rate swaps	–	1,704	–	1,704
	–	**16,808**	**–**	**16,808**
Group 2012				
Derivatives – Forward exchange contracts used for hedging	–	8,323	–	8,323
Derivatives – Options contracts used for hedging	–	5,950	–	5,950
Interest rate swaps	–	(2,182)	–	(2,182)
	–	**12,091**	**–**	**12,091**
Parent 2013				
Derivatives – Forward exchange contracts used for hedging	–	10,011	–	10,011
Derivatives – Options contracts used for hedging	–	5,093	–	5,093
Interest rate swaps	–	1,704	–	1,704
	–	**16,808**	**–**	**16,808**
Parent 2012				
Derivatives – Forward exchange contracts used for hedging	–	8,323	–	8,323
Derivatives – Options contracts used for hedging	–	5,950	–	5,950
Interest rate swaps	–	(2,182)	–	(2,182)
	–	**12,091**	**–**	**12,091**

There have been no transfers between fair value hierarchy levels during the period.

Total related gains (losses) recognised in other comprehensive income during the period was $3.2m (2012: $7.4m).

Notes to the Financial Statements

for the year ended 30 September 2013

Note 22 – Financial Instruments (continued)

(o) Determining fair value

(i) Derivatives

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward foreign exchange rate contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates. The fair value of options is estimated using option valuation methods with reference to current spot rates and market volatility.

(ii) Loans and receivables

Cash and cash equivalents, advances to associates and trade debtors are short term in nature and the related carrying value is equivalent to their fair value.

(iii) Other amortised costs

Bank overdraft and borrowings, trade creditors and other payables are short term in nature and the related carrying value is equivalent to their fair value.

The bank loans are floating rate debt, therefore their fair value approximates their carrying values.

The interest rates used for the determination of fair value for interest rate swaps and receivables are as follows:

	2013	2012
Interest rate swaps	2.67% – 4.31%	2.56% – 4.63%

Note 23 – Bank Loans

Facilities, interest rate ranges, expiry dates and balances of bank loans for both the Group and Parent are as follows:

	Facility	Expiry Date	Balance
	$000		$000
2013			
Non-current liabilities			
Bank loans (secured)			
2 year	35,000	March 2015	35,000
3 year	50,000	March 2016	50,000
4 year	50,000	March 2017	26,150
5 year	50,000	March 2018	40,000
	185,000		151,150
2012			
Non-current liabilities			
Bank loans (secured)	145,000	November 2013	145,000

Interest rates ranged from 3.19% – 4.08% (2012: 3.48% – 4.05%).

Bank loans are secured by a general security interest over property and a mortgage over quota shares.

All banking facility financial covenants have been complied with in accordance with the facility agreements.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 24 – Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Less than one year	1,327	1,520	1,118	1,294
Between one and five years	4,100	5,684	3,057	4,554
More than five years	3,445	3,675	3,323	3,317
	8,872	**10,879**	**7,498**	**9,165**

The Company leases land and buildings under operating leases. The leases typically run for a period of 25 years with an option to renew the lease after that date. Lease payments are increased periodically to reflect market rentals.

The Company acts as a lessor and lessee in respect of leasing certain Annual Catch Entitlement (ACE) to and from other ACE holders in the industry.

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Lessor of ACE	10,114	9,744	9,744	9,358
Lessee of ACE	8,264	8,802	8,148	8,780

The leasing arrangements are never for more than one year and vary each year in respect of species and amount.

Note 25 – Contingent Liabilities and Commitments

(a) Contingent liabilities

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Guarantees to associates	9,250	–	9,250	–
Guarantees – other	362	1,527	362	1,527

The Company considers guarantees to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contracts as contingent liabilities until such times as it becomes probable that the Company will be required to make payments under the guarantees.

(b) Commitments

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Commitments for capital expenditure	3,673	2,429	3,624	2,293

Notes to the Financial Statements

for the year ended 30 September 2013

Note 26 – Reconciliation of Profit for the Period with the Net Cash Flow from Operating Activities

	Group		Parent	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Profit for the year (after tax)	**20,400**	**19,657**	**22,040**	**22,328**
Adjustments for non-cash items:				
Depreciation and amortisation	16,301	15,710	16,019	15,260
Impairment	4,226	2,610	4,226	610
Change in fair value of biological assets	2,065	534	2,065	534
Change in fair value of interest rate swaps	(1,052)	(31)	(1,052)	(31)
Change in fair value of foreign exchange options	421	(2,050)	421	(2,050)
Change in fair value of foreign exchange contracts	320	(1,297)	320	(1,297)
Equity accounted (profit) in associated companies	(1,754)	(2,120)	–	–
Increase (decrease) in deferred taxation	3,463	(625)	3,468	(639)
Unrealised foreign exchange (gains) losses	(62)	3,909	(919)	3,909
	23,928	**16,640**	**24,548**	**16,296**
Movement in working capital				
(Increase) decrease in debtors and prepayments	(10,735)	3,527	(9,430)	967
Decrease (increase) in inventories	16,718	(72)	17,164	(194)
(Decrease) increase in creditors and other liabilities	(4,477)	1,406	(4,847)	2,680
(Decrease) increase in current tax	(7,395)	2,661	(7,530)	2,673
	(5,889)	**7,522**	**(4,643)**	**6,126**
Items classified as investing activities				
(Gain) on sale of property, plant and equipment	(152)	(914)	(166)	(914)
Net loss on disposal of intangible asset	–	1,064	–	1,878
Associate company dividends received by Parent	–	–	(1,035)	(954)
	(152)	**150**	**(1,201)**	**10**
Net cash inflows from operating activities	**38,287**	**43,969**	**40,744**	**44,760**

Notes to the Financial Statements

for the year ended 30 September 2013

Note 27 – Related Party Transactions

(a) Basis of transactions

The ultimate parent of the Group is Sanford Limited. Transactions with related parties have been entered into in the ordinary course of business and undertaken on normal commercial terms.

(b) Material transactions and balances with related parties

	Transaction Value	
	2013	2012
	$000	$000
(i)Transactions with subsidiairies		
Income		
Management fees	117	310
Sales	14,605	15,085
Interest	54	139
Rent	336	336
	15,112	**15,870**

	Balance Outstanding	
	2013	2012
	$000	$000
Due from Parent to subsidiaries	(63,720)	(67,200)
Due to Parent from subsidiaries	18,421	19,251
	(45,299)	**(47,949)**

	Transaction value	
	2013	2012
	$000	$000
(ii) Transactions with associates		
Income		
Management fees	312	255
Dividend received	1,035	954
	1,347	**1,209**
Expenses		
Processing	9,899	5,969
Freight	90	166
	9,989	**6,135**

	Balance Outstanding	
	2013	2012
	$000	$000
Due from Group	–	(520)
Due to Group	322	3,057
	322	**2,537**

No interest is charged on balances between New Zealand related parties. Interest is charged at market rates on balances with Australian subsidiaries. All related party balances are repayable on demand, however the parties have agreed not to call upon the loans within 12 months from balance date.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 28 – Key Management Personnel Compensation

Key management personnel compensation comprised:

	2013	2012
	$000	$000
Salary, short-term employee benefits and directors' fees included in note 7	3,994	4,009

Note 29 – Group Entities

The Sanford Group comprises the following principal entities:

Name	2013 Interest Held %	2012 Interest Held %	Balance Date	Principal Activity
Subsidiaries:				
New Zealand				
Sanford Investments Limited	100	100	30 September	Investment company
Auckland Fish Market Limited	100	100	30 September	Auction
Auckland Fishing Port Limited	67	67	31 March	Wharf company
Australia				
Sanford Australia Pty Limited	100	100	30 September	Fish catching and auction
Ocean Fresh Fisheries Pty Limited	100	100	30 September	Non-operating company
Primestone Nominees Pty Limited	75	75	30 September	Seafood wholesaler
Associates:				
New Zealand				
New Zealand Japan Tuna Company Limited	46.74	46.74	30 September	Fish catching and processing
Barnes Oysters Limited	16.67	20	30 September	Seafood processing and wholesaler
Live Lobster Southland (1995) Limited	25	25	31 March	Seafood processing
North Island Mussels Limited	50	50	30 September	Mussel farming and seafood processing
San Won Limited	50	50	30 September	Cold storage
Perna Contracting Limited	50	50	31 March	Mussel harvesting
Pure New Zealand Greenshell Mussels Limited Partnership	55	55	30 September	Greenshell Mussel exporting
China				
Weihai Dong Won Food Company Limited	50	50	31 December	Seafood processing

Note 30 – San Nikunau Case

Following a trial in August 2012, the US district Court in Washington DC, 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 provisions made in the September 2012 and 2011 financial statements have been expensed in the current reporting period.

Notes to the Financial Statements

for the year ended 30 September 2013

Note 31 – Discontinuance of Pacific Oyster Operations

The 2012 comparative balances reflect the impact of the Company's sale of its Pacific oyster farms in Northland to Aotearoa Fisheries Limited in July 2012. This comprised 16 farms totalling 128 hectares (6 near Kerikeri, 4 in Whangaroa Harbour and 6 in Houhora Harbour). The sale includes all relevant licences, racks, sticks and cages as well as oysters growing on the farms and vessels and vehicles relevant to the farms.

Note 32 – Assets Classified as Held for Sale

		Group		Parent	
		2013	2012	**2013**	2012
	Note	**$000**	$000	**$000**	$000
Property, plant & equipment at book value	10	2,160	2,552	2,160	2,552
Intangible assets at carrying value	11	–	6,788	–	–
Total assets held for sale		**2,160**	**9,340**	**2,160**	**2,552**

Australian quota was held for sale in the prior year. In the current year this quota is no longer held for sale.

An impairment change of $3.1m has been recognised in the current year in respect of Australian quota (see note 11).

Note 33 – Subsequent Events

There are no events occurring after the reporting period that require disclosure (2012: none).

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Independent Auditor's Report

KPMG

To the Shareholders of Sanford Limited

Report on the Company and Group Financial Statements

We have audited the accompanying financial statements of Sanford Limited (''the Company") and the Group, comprising the company and its subsidiaries, on pages 46 to 87. The financial statements comprise the statements of financial position as at 30 September 2013, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the Company and the Group.

Directors' Responsibility for the Company and Group Financial Statements

The directors are responsible for the preparation of Company and Group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of Company and Group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Company and Group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Company and Group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Company and Group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company and Group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other assurance and advisory services to the Company and Group. Partners and employees of our firm may also deal with the Company and Group on normal terms within the ordinary course of trading activities of the business of the Company and Group. These matters have not impaired our independence as auditor of the Company and Group. The firm has no other relationship with, or interest in, the Company and Group.

Opinion

In our opinion the financial statements on pages 46 to 87:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Company and the Group as at 30 September 2013 and of the financial performance and cash flows of the Company and the Group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Sanford Limited as far as appears from our examination of those records.

KPMG

20 November 2013
KPMG Auckland

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statutory Information

Shareholding Analysis
as at 6 November 2013

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 – 999	506	21.54	229,867	0.25
1,000 – 4,999	1,135	48.32	2,426,612	2.59
5,000 – 9,999	317	13.50	2,099,895	2.24
10,000 – 49,999	302	12.86	6,026,717	6.44
50,000 – 99,999	37	1.58	2,484,993	2.65
Over 100,000	52	2.20	80,358,651	85.83
	2,349	**100.0**	**93,626,735**	**100.0**

Twenty Largest Shareholders
as at 6 November 2013

Shareholder	Number of Shares
Amalgamated Dairies Limited	35,059,067
New Zealand Central Securities Depository Limited[1]	10,013,464
Avalon Investment Trust Limited	8,606,054
NZ Guardian Trust Company Limited – A/c 46911900	4,574,870
Masfen Securities Limited	3,112,951
NZ Guardian Trust Company Limited – A/c 01035700	2,571,508
Sterling Nominees Limited	2,099,866
Hauraki Trading Company Limited	1,643,630
William Douglas Goodfellow – J A Goodfellow A/C	1,143,940
Khyber Pass Investment Company Limited	932,950
Ryca Investments Limited	720,328
NZ Guardian Trust Company Limited – A/c 01036200	699,994
Vela Holdings Limited	531,404
The Goodfellow Foundation Incorporated	518,687
Seaford Holdings Limited	512,750
Mary Dorcas Spackman	500,000
Auckland Medical Research Foundation	494,920
Kevin Glen Douglas & Michelle McKenney Douglas – K & M Douglas A/C	465,812
Craig Leonard Heatley & Hayley Maree Pyle & Benjamin Alexander Heatley & Gregory Bernard Horton & Sophia Louise Heatley – Bell Investment A/C	435,503
Richard Heywood Taylor & Marie Roberta Taylor – F V Lindberg A/C	406,314

[1] New Zealand Central Securities Depository Limited provides a custodial depository service to institutional shareholders and does not have a beneficial interest in these shares. Its major holders are:

BNP Paribas Nominees (NZ) Limited	2,709,747
Citibank Nominees (New Zealand) Limited	1,713,615
Accident Compensation Corporation	1,509,842
HSBC Nominees (New Zealand) Limited	1,073,344
JP Morgan Chase Bank NA	995,294
New Zealand Superannuation Fund Nominees Limited	826,974
TEA Custodians Limited	587,814

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statutory Information

Substantial Security Holders

According to notices given to the Company under the Securities Markets Act 1988, as at 22 October 2013 the following were substantial security holders in the Company through having a relevant interest as below.

	Number of Voting Securities	Date of Notice
Avalon Investment Trust Limited	8,606,054	23 February 2006
Amalgamated Dairies Limited	35,059,067*	23 February 2006
Paul Gerard Keeling and Edgar William Preston	35,992,017*	23 February 2006

The total number of issued Voting Securities of Sanford Limited as at that date was 93,626,735.

Because of the provisions of the Securities Markets Act 1988 more than one relevant interest can exist in the same Voting Security.

* Because Messrs Keeling and Preston have a relevant interest in Amalgamated Dairies Limited, the shares held by Amalgamated Dairies Limited are included in the shares in which Messrs Keeling and Preston have a relevant interest.

Directors' Shareholding
as at 30 September 2013

	Beneficial Interest		Non Beneficial Interest		Associated Persons	
	2013	2012	**2013**	2012	**2013**	2012
D G Anderson*	–	11,952		160,000	–	287
E F Barratt	720,828	720,828	–	–	–	–
E M Coutts	24,000	20,000	–	–	–	–
M G Cowsill	10,000	10,000	–	–	–	–
P J Goodfellow	127,200	127,200	–	–	–	–
W B Goodfellow	126,849	126,849	–	–	500	500
P G Norling	43,500	43,500	–	–	–	–
J G Todd	1,000	1,000	44,000	24,000	–	–

* Retired January 2013

Share Dealings by Directors

Directors acquired shares during the year as follows:

	Number of Shares Acquired	Consideration Paid	Date
E M Coutts	2,000	$8,600	16 January 2013
E M Coutts	2,000	$8,600	21 January 2013

Directors' Indemnity and Insurance

The Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statutory Information

Employees' Remuneration

During the year, the following numbers of employees received remuneration and other benefits that exceeded $100,000:

	Number of Employees 2013	2012
$100,000 – $109,999	22	17
$110,000 – $119,999	8	11
$120,000 – $129,999	5	4
$130,000 – $139,999	6	4
$140,000 – $149,999	7	4
$150,000 – $159,999	2	–
$160,000 – $169,999	2	4
$170,000 – $179,999	1	1
$190,000 – $199,999	–	2
$200,000 – $209,999	1	1
$210,000 – $219,999	2	–
$220,000 – $229,999	–	1
$230,000 – $239,999	–	1
$250,000 – $259,999	1	–
$270,000 – $279,999	–	1
$280,000 – $289,999	1	–
$310,000 – $319,999	–	2
$320,000 – $329,999	1	1
$330,000 – $339,999	1	–
$390,000 – $399,999	–	1
$400,000 – $409,999	–	1
$420,000 – $429,999	2	–

Directors' Remuneration

During the year, Directors received the following remuneration (including the value of benefits):

	Director's Fee		Salary, Benefits and Other Payments	
	2013	2012	2013	2012
	$	$	$	$
D G Anderson*	22,500	62,500	–	–
E F Barratt	–	–	700,817	671,692
E M Coutts	80,000	75,000	–	–
M G Cowsill	70,000	65,000	–	–
P J Goodfellow	70,000	65,000	–	–
W B Goodfellow	67,500	62,500	–	–
P G Norling	67,500	62,500	–	–
J G Todd	122,500	107,500	–	–

* Retired January 2013

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Glossary of Terms

Annual Catch Entitlement (ACE)
A catching right for fish – from the first day of each fishing year ITQ generates an annual catch entitlement (ACE) for which catch is measured against. ACE is traded separately to ITQ, and expires at the end of the fishing year.

Benthic Protection Areas (BPAs)
BPAs are areas within the New Zealand EEZ that are closed to bottom trawl fishing methods, including dredging, in perpetuity.

Coalition of Legal Toothfish Operators (COLTO)
COLTO represents international legal toothfish operators who have a direct commercial interest in the well-being of the Antarctic and Patagonian toothfish resources and the eco-systems that support them. It supports legal and sustainable toothfish fishing.

Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR)
CCAMLR has 25 member countries that have established a commission that manages the marine living resources in waters surrounding Antarctica.

Deemed Values
Failure to accumulate sufficient ACE to cover catch by the end of the fishing year results in a deemed value liability – a monetary penalty. The deemed value rate for many fish stocks is ratcheted, i.e. the rate increases in line with the percentage of over-fishing for each fisher.

Department of Conservation (DOC)
DOC is the central government organisation charged with conserving the natural and historical heritage of New Zealand.

EBIT
Earnings before interest and taxation.

EBITDA
Earnings before interest, taxation, depreciation and amortisation, impairment, total currency exchange gains/losses and profit on disposal of investments and long-term assets.

Exclusive Economic Zone (EEZ)
The EEZ comprises the area which extends for a distance of 200 nautical miles from the nearest point of land from New Zealand, of which New Zealand has had control since the declaration of the EEZ in 1978.

Environmental Management System (EMS)
EMS is a framework that helps a company achieve its environmental goals through consistent oversight of its operations. A company's EMS is tailored to its specific business and goals.

Fishery Management Area (FMA)/Fish Stocks
There are 10 FMAs within the EEZ which form the basis for each fish stock in the Quota Management System. For some stocks FMAs are amalgamated. The fish stock is the combination of the species and area. For example, snapper in FMA 1 is fish stock SNA 1.

Fishing Permit
An appropriate fishing permit is necessary before a person can go commercial fishing. For most species, fishermen are not required to hold ACE prior to fishing.

Fishing year
The fishing year for the majority of species is 1 October to 30 September. Species managed from 1 April to 31 March include southern blue whiting, scallops and crayfish.

FishServe
FishServe is the commercial name of Commercial Fisheries Services Limited that provides administrative services to the New Zealand commercial fishing industry including quota balancing, issuing fishing permits, vessel registrations, registration of ACE transfers and processing of fishing returns.

Global Reporting Initiative (GRI)
GRI is a comprehensive sustainability reporting framework that enables all organisations to measure and report their economic, environmental, social and government performance – the four key areas of sustainability.

Greenhouse Gas Emission (GHG)
A greenhouse gas (sometimes abbreviated to GHG) is a gas in an atmosphere that absorbs and emits radiation within the thermal infrared range. This process is the fundamental cause of what is known as the greenhouse effect.

Individual Transferable Quota (ITQ)
ITQ is the fundamental proportional property owned in any commercial fish stock in the QMS and generates ACE each year. ITQ rights are maintained in a public register, are tradable in New Zealand, can be secured by registered mortgage and are issued in perpetuity.

ISO 14001
ISO is the world's leading developer of International Standards. ISO 14001 consists of standards relating to environmental management systems and others which are specific tools for realising environmental policy and achieving objectives and targets.

Iwi Collective Partnership (ICP)
The ICP is a formally constituted body of 12 North Island Iwi who have pooled their quota and in respect to their deepwater ACE, have formally agreed to engage with Sanford over its use.

Lost-time injury frequency rate (LTIFR)
LTIFR is measured as the number of lost-time claims per million hours worked and allows analysis of the number of such claims irrespective of the size of the workforce.

Marine Protected Areas (MPAs)
MPAs are protected areas within the New Zealand EEZ that are representative of New Zealand's marine habitats and ecosystems.

Marine Stewardship Council (MSC)
MSC is an independent non-profit organisation that promotes responsible fishing practices by certifying sustainable fisheries.

Ministry for Primary Industries (MPI)
A new Ministry formed from the merger of the Ministry of Agriculture and Forestry, the Ministry of Fisheries and the New Zealand Food Safety Authority. Some of its key functions include: being the Government's principal adviser on fisheries and aquaculture management, providing or purchased services to maintain the effective management of New Zealand's fisheries, protecting consumers of New Zealand food (whether here or overseas) and providing effective food regulation for food produced or consumed in New Zealand, including imported and exported food products.

Quota Management System (QMS)
The QMS is the framework for the management of the main commercial fisheries in the New Zealand's EEZ.

Seafood New Zealand (SNZ)
Seafood New Zealand provides a range of services that add value to the New Zealand seafood industry by providing one voice on whole-of-industry matters. Seafood New Zealand's core services support these industry sectors by: retaining and advancing cost-effective access to our international and domestic seafood markets, protecting and promoting the New Zealand seafood industry and its reputation and protecting and promoting the opportunity and right to produce seafood.

Southern Seabird Solutions Trust
A charitable trust formed in July 2002 to promote the adoption of fishing practices to avoid mortality of southern hemisphere seabirds.

Total Allowable Catch (TAC)
TAC is the annual catch limit for each fish stock, determined before taking into account interests in the fisheries.

Total Allowable Commercial Catch (TACC)
TACC is the annual catch limit for each fish stock, determined after taking into account recreational and non-commercial interests in the fisheries.

Western and Central Pacific Fisheries Commission (WCPFC)
The WCPFC comprises 25 members along with 8 participating territories that have established a Commission for the conservation and management of highly migratory fish stocks in the Western and Central Pacific Ocean.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Sanford welcomes your comments on our 2013 Annual and Sustainable Development reports

We would greatly appreciate your feedback on both our Annual and Sustainable Development reports to help us develop even better publications next year. For your convenience we have prepaid the postage or you can fax to +64 9 309 1190, or email to info@sanford.co.nz.

1) How do you rate our Annual and Sustainable Development reports?

	Annual Report			Sustainable Development Report		
Presentation	☐ Excellent	☐ Good	☐ Poor	☐ Excellent	☐ Good	☐ Poor
Comprehensiveness	☐ Excellent	☐ Good	☐ Poor	☐ Excellent	☐ Good	☐ Poor
Clarity of information	☐ Excellent	☐ Good	☐ Poor	☐ Excellent	☐ Good	☐ Poor
Clarity of figures/tables	☐ Excellent	☐ Good	☐ Poor	☐ Excellent	☐ Good	☐ Poor
Credibility	☐ Excellent	☐ Good	☐ Poor	☐ Excellent	☐ Good	☐ Poor

Comments:

2) Which section appealed to you most and why?

3) How did you access the Annual Report? ☐ Printed ☐ Website

4) How did you access the Sustainable Development Report? ☐ Printed ☐ Website

5) Please indicate how you would like to receive future reports.

Annual Report	☐ Printed	☐ Website	☐ Not at all
Sustainable Development Report	☐ Printed	☐ Website	☐ Not at all

If you wish us to action this request, please complete 8) below.

6) Do you have any additional comments or questions (e.g. information you would like to see included)?

7) What stakeholder group do you belong to?

☐ Sanford shareholder Shareholdernumber

☐ Sanford employee/family ☐ International customer ☐ New Zealand customer

☐ Contractor/supplier ☐ Community member ☐ Other (please specify)

8) Name

Address

Email

For more information or to view a copy of the Annual and Sustainable Development reports online please visit our website at **www.sanford.co.nz** or contact us on +64 9 379 4720.

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FreePost 173356
Sanford Limited
PO Box 443
Shortland Street
Auckland 1140

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Affix

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Management Directory

E F Barratt	*Managing Director*
V M Hunt	*Executive Assistant*

Finance and Administration

D C McIntosh	*General Manager*
S D Houliston	*Financial Controller*
N L Evans	*Environmental & Sustainability Manager*

Marketing and Development

V H Wilkinson	*General Manager*
A C Stanley	*Product Development Manager*
K M Thompson	*Quality Manager*

Marketing

M J Comber	*Senior Market Manager / Market Manager Europe*
P B Cox	*Market Manager Americas*
H I Kwon	*Market Manager Asia*
J Pearce	*Market Manager Fresh Chilled & Oceania*
A Leal	*Market Manager Pacific / Middle East & South America*
D K Cawdron	*Logistics Manager*
D A Stewart	*Shipping Coordinator*

Australia Seafood Segment

A E Nicholls	*Australia, General Manager*

New Zealand Seafood Segment

G L Johansson	*General Manager Operations*
D C Evans	*Corporate Compliance Manager Fisheries and Marine*
A E Undorf-Lay	*Industry Liaison Manager*

Inshore Fishing and Processing

S L Walsh	*Manager*
R S Zhang	*Accountant*

Auckland

M J Sprague	*Auckland Fish Market Manager*
J M Cooper	*Auckland Seafood School Manager*
J H Fitzgerald	*Vessel Manager*
M E Hall	*Production Manager*
B D Stubbs	*Services Manager*

Tauranga

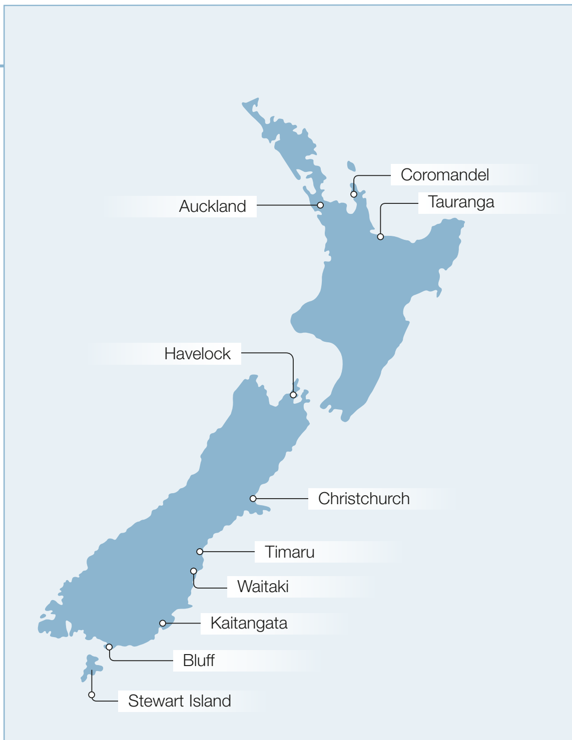
S D Keeves	*Manager*
D C Cowdrey	*Vessel Operations*
D N Anderson	*ECS Coldstores Manager*

Timaru

G J Day	*Manager*
J W Routhan	*Logistics Manager*
I Ryder	*Processing Manager*
S Brown	*San Won Limited Manager*

Deepwater Fishing

D J Shaw	*Manager*
J P Martyn	*Accountant*
S C Coles	*Charter Manager*
A D Adamson	*Quota Manager*
S Collier	*Freezer Vessel Manager*
S J Gibb	*Freezer Vessel Manager*
L A Cowan	*Freezer Vessel Manager*
M T Harvey	*Freezer Vessel Manager*
D V Jurasovich	*Freezer Vessel Manager*
D M Craig	*Engineering Manager*



New Zealand Operations

Aquaculture

E J Culley	*Manager*
B W Champion	*Accountant*

Havelock

W R MacDonald	*Manager*
A M J Tenerau-Love	*Shift Manager – Dayshift*
S I Lamb	*Shift Manager – Nightshift*
S S Dyer	*Plant Engineer*
Z Charman	*Farming Operations Manager*
D A Condon	*Spat Catching & Development Manager*
P Hawke	*Harvesting Coordinator*
D Herbert	*Seed & Spat Manager*
J Higgins	*Farm Support Services Manager*
R Roberts	*SPATnz Manager*

Christchurch

T J Denley	*Manager*
G D Boyd	*Factory Manager*
M K Stark	*Engineering Manager*

Bluff

T M Foggo	*Manager*
W J Crighton	*Assistant Manager*
S Ramsay	*Fish Factory Manager*
R Goodman	*Operations Manager*
N W Smith	*Salmon Portioning Factory Manager*
P J A Nicholson	*Salmon Farm Manager*
R Parry	*Mussel Farm Manager*
P M Buxton	*Hatchery Manager*

Pacific Tuna

M C de Beer	*Pacific Tuna Manager*

SANFORD LIMITED
SUSTAINABLE SEAFOOD

22 Jellicoe Street, Freemans Bay, Auckland 1010, New Zealand
PO Box 443, Shortland Street, Auckland 1140, New Zealand

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

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