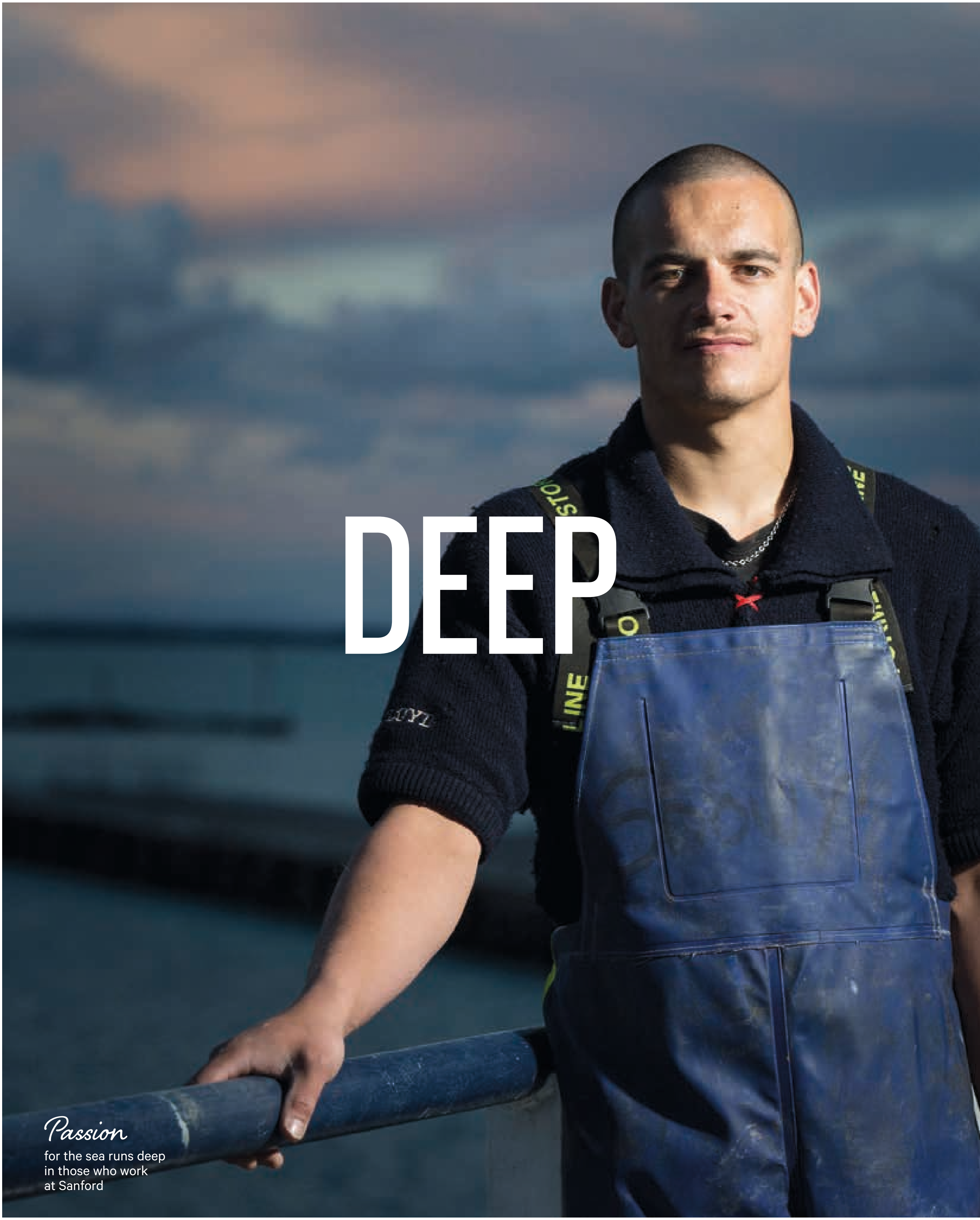

HOW
WE
SEE
THE
SEA
SANFORD
ANNUAL REPORT
2014


SEA
THE PLACE
where Sanford
is most at home


FOOD
MAKING
the most of the
raw materials
we catch & farm



DEEP

Passion
for the sea runs deep
in those who work
at Sanford

COMMITMENTS

ALWAYS
committed to sustainability, safety & people

CURRENT

A BUSINESS

that is always changing,
always challenging


THINKING
_Constant
innovation is key to
how we do business.

WELCOME

Proud History Exciting Future

We are Proud of our history, Passionate about our industry and Excited about our future.

Sanford people make Sanford great. Over 100 years of sustained growth is an achievement that should make every Sanford employee, past and present, very proud. With the strength of history behind us, we are excited to be launching our new strategy with a singular vision: to become the best seafood company in the world. It is the passion of our people that will make this happen.

Being the best seafood company in the world requires an awareness that operating in our precious marine environment is as much a privilege as a right. It means placing sustainability at the core of everything we do, treating our natural resources with care, to consistently deliver quality products for our customers.

Being the best seafood company in the world means continually improving. The world is changing at an increasing pace. Environmental limits are being stretched. Consumer preferences and market expectations are rapidly evolving.

Being the best seafood company in the world means operating with integrity and being transparent in our communication.

This report outlines how we have created value over the last year and our challenges and commitments for the future. It also summarises the next phase of our journey and highlights the people that will help us realise our ambition. **WE INVITE YOU TO JOIN US.**

One Direction One Report

Welcome to Sanford's 2014 Annual Report. This year, we have combined our previously separate Annual and Sustainable Development Reports to provide an integrated overview of our strategy and performance.

Our theme for this report – "HOW WE SEE THE SEA" – reflects our desire to tell a more complete story about the role Sanford plays in the seafood industry and the passion of the people that work for our Company. Seafood is our livelihood, and sustainable seafood is the only way we can secure our future.

This report details Sanford's environmental, social and economic performance from 1 October 2013 to 30 September 2014 in relation to each of our material focus areas. Unless otherwise indicated, the report covers performance from all of our operations. For details of our operations, please refer to our Group operations illustrated on page 51.

To improve our environmental data quality, during the year we implemented a data collection tool, standardising our approach across the Company. This has improved data completeness and identified additional areas of improvement. Any changes or restatements of previously reported figures will be identified throughout the report. Unless otherwise stated, financial data is presented in New Zealand Dollars.

At the request of the Board and the Chief Executive Officer, we engaged KPMG to externally verify and provide independent assurance of this report. For details of the assurance please refer to page 115, covering the statutory financial information, and pages 62-63 for all other elements. Our report is also available online at www.sanford.co.nz. We welcome your feedback to help us develop an even better publication next year by emailing info@sanford.co.nz.

This report was authored and produced by Sanford's management team, and has been reviewed by our executive team. The final report has been signed off by Volker Kuntzsch, our Chief Executive Officer.

CONTENTS

Value Creation and Integrated Reporting

For the first time, our report has been prepared using the worldwide Integrated Reporting (<IR>) framework to guide the content and presentation. We have also applied the Global Reporting Initiative (GRI) G4 guidelines to a 'Core' level of compliance – the GRI index table is available on page 60.

The emerging <IR> framework is designed to create a more complete picture of how a company creates value. The framework allows us to illustrate how we make sustainable financial returns for our shareholders, while managing and protecting the elements enabling our value creation – our people, operational capability, natural resources and market access.

More information on <IR> is available from www.theiirc.org.

The Directors are pleased to present the Annual Report of Sanford Limited for the year ended 30 September 2014.

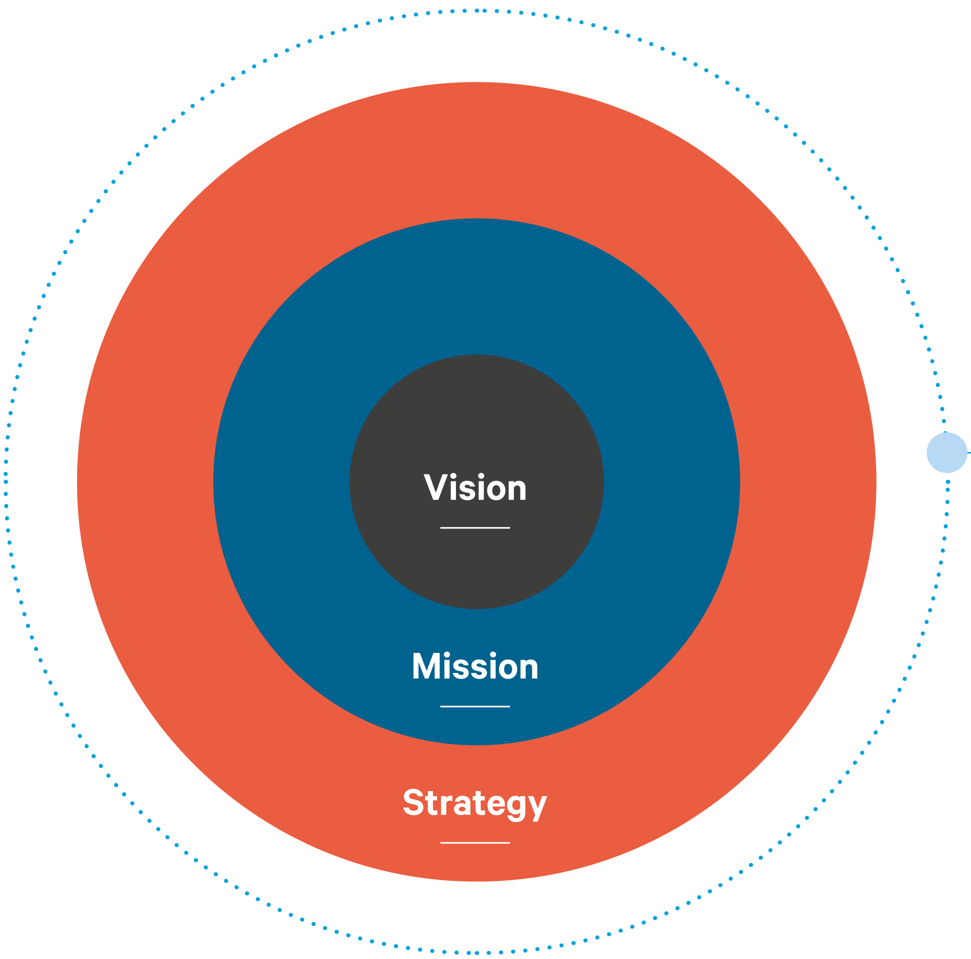
For and on behalf of the Board of Directors:

J G TODD
Chairman
19 November 2014

E M COUTTS
Director
19 November 2014

PERFORMANCE SNAPSHOT

How we've Performed



ENABLERS

Economic Performance

SEE PAGE 32

People & Safety

SEE PAGE 38

Sustainable Raw Materials

SEE PAGE 44

Operational Capability & Capacity

SEE PAGE 50

Consumers & Market Access

SEE PAGE 56

REVENUE $M

452.4

EBITDA $M

46.7

RETURN ON EQUITY

4.1%

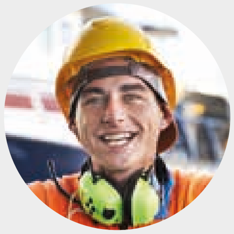
SANFORD'S FIRST INTEGRATED

G4

ANNUAL REPORT

1,611

EMPLOYEES AND SHAREFISHERS



SAFETY

6x

NEW H&S COORDINATORS

45%

REDUCTION IN SERIOUS HARM INCIDENTS

FISHING

SHARE OF NZ QUOTA HOLDINGS OF

23%

SEABIRDS

34%

REDUCTION IN INCIDENTAL CATCH MORTALITY RATE

SUSTAINABILITY

27%

OF SALES ARE MARINE STEWARDSHIP COUNCIL (MSC) CERTIFIED

AWARD WINNING

Precision Seafood Harvesting

KIWINET AWARDS
NZ INNOVATORS AWARDS

SAVINGS OF APPROXIMATELY

$2M

FROM CULTURE OF CONTINUOUS IMPROVEMENT PROJECTS

CERTIFICATION

SYSTEM CERTIFICATION
ISO 14001
SGS

CHAIRMAN'S REVIEW AND DIRECTORS' REPORT

Looking to the Future

Welcome to Sanford's 2014 integrated Annual Report. This year we have combined our statutory financial information with an assessment of our performance in relation to a broad range of factors, or 'value enablers'. Reporting in such a manner reflects that our ability to perform sustainably on a financial level is only made possible by our performance in relation to our people, operational capacity, access to market, and critically, the sustainability of our raw materials.

With the retirement of Mr Eric Barratt, the Company welcomed Mr Volker Kuntzsch as Chief Executive Officer in December 2013. Volker brings to Sanford a distinguished career in the seafood industry and he has instigated a number of operational and strategic changes which the Board has reviewed and endorsed. Further details of this may be found in Volker's commentary, on page 13.

2014 IN REVIEW

Revenue for the financial year was $452.4m, which is slightly behind the $462.6m reported last year and reflects the mixed operational performance across the business. Aquaculture had a very successful year with strong demand for mussels resulting in improved harvesting levels and increased sales. Seafood commodity prices generally show a slight upward trend given demand for high end species often outstrips supply. However, our fishing business performed below expectation, impacted by a combination of low commodity prices for a number of key pelagic species and weather and operational factors reducing catch levels, particularly in the inshore and Pacific tuna businesses.

The lower than anticipated revenue figures have resulted in EBITDA of $46.7m which is also behind the $49.3m recorded a year ago. Prudent foreign exchange management coupled with a successful deepwater fishing and aquaculture performance resulted in a net profit for the year of $22.4m, while behind plan, was slightly higher than last year. Although we have not met our financial targets this year the Sanford balance sheet remains strong and we are well positioned for growth.

Achieving our ambitions will require close oversight and strong management. The operating environment remains challenging and we continue to work on improving all aspects of our business and performance. The Board has an on-going focus on improving our health and safety processes and reporting and was pleased with the reduction in serious harm incidents during the year. We also worked closely on the revised strategy and new operational structure which we believe sets the business up for continued success in the fast-moving global environment in which we operate. Innovation is a key element of our strategy and we were delighted with the recognition received for the Precision Seafood Harvesting (PSH) technology, of which we are a partner. This technology is a revolutionary fishing method, with operational and environmental benefits, and underscores our commitment to sustainable seafood.

BOARD CHANGES

As indicated in 2013, this will be my final year as Chairman and Director of Sanford Limited. It has been an honour to serve the Company since 1998 and I am immensely proud of the changes we have seen over that time. Mr Paul Norling will assume the Chairmanship on 31 December 2014, and I have the utmost confidence that he and the Board will carry the Company to new heights.

DIVIDENDS

The Directors have again carefully reviewed the ratio of profitability against dividend levels and have concluded that the dividend should remain unchanged at 23 cents per share.

The final dividend of 14 cents per share will be payable on 10 December 2014.

ACKNOWLEDGEMENTS

My thanks go to Volker and his management team for their dedication and hard work over the year. The Board has already observed a demonstrable shift in the Company under Volker's leadership, and we believe this will be very positive for the future of our Company. While there is much to be done over the coming years the Company is in good heart and well positioned for sustainable growth. I also acknowledge the continued support and guidance from my fellow Directors. It has been a privilege to serve with you and I wish you all well.

J G TODD
Chairman
19 November 2014

CEO REVIEW

Realising our Potential

In December this year I will have completed one year as Chief Executive Officer of Sanford. The first few months I spent getting to know this diverse business and the passionate people that work for Sanford and I observed the strengths and values that have made Sanford an iconic New Zealand seafood company with over 100 years of proud history.

Sanford people have a passion for the industry and are the key drivers behind the Company's leadership role in New Zealand and further afield. The Company is open and honest in its dealings and there is an emphasis on integrity, transparency and collaboration, which is increasingly important as our right to operate in such a sensitive environment is continually scrutinised.

While we are looking to an exciting future for Sanford, it is important to reflect on the achievements and challenges of the 2014 financial year and understand the reasons for the changes we are introducing. This year has been as challenging as prior years. Although I am satisfied with our result given the many changes the organisation faced during the course of the year, our high dependency on commodities has once again resulted in a low return on equity (ROE). In 2014 the ROE was 4.1% which is well below the potential of a company dealing in natural resources that are in good demand. As we are involved in deepwater, inshore and international fishing operations as well as finfish and shellfish farming, Sanford is probably one of the most diverse seafood companies globally. This diversity has again helped to combat low commodity prices for key species like skipjack tuna and other pelagics. However, the unpredictability of commodity prices in an arena in which we play only a minor role, e.g. skipjack tuna, will need to be addressed through either adding more value to these species through further processing or by divesting from these businesses. This challenge is being addressed with priority.

We had a good year with our deepwater fleet delivering volumes in line with our expectations across most species. Favourable market conditions around the globe ensured stable demand for the majority of our deepwater species with prices being under pressure only for those that are easily replaceable with supplies originating from other fishing nations. Most deepwater species we supply generally enable us to differentiate our product from other commonly traded species. We do believe, however, that greater value can be obtained in the future by moving the focus from extracting resources to fulfilling customer and consumer needs. This will reduce the dependency on prices dictated by comparable whitefish products originating elsewhere, placing more emphasis on custom made items "made in New Zealand".

Inshore fishing had a poor year, which was mainly driven by our inability to sell large volumes of pelagic species. Although catches were better than expected we were faced with a difficult market for commodity products like blue mackerel, which are traditionally used by canners in certain countries as a replacement for skipjack tuna when prices for this species are high. While we were successful in creating new and rewarding markets for a variety of species, e.g. fresh snapper, the high volume of non-value added pelagics in our portfolio significantly outweighed those advances.

Our aquaculture business had a good year due to stable prices for Greenshell mussels and our prominent role in the supply of this species led to a more predictable environment marked by strong customer relationships. Our king salmon farming activities continue to grow and serve as an excellent example for the value we can derive from serving a high quality niche product to discerning customers.

A continuing focus on streamlining our supply chain has led to further decreases in cost in our processing facilities. The shift from solely being a fishing/farming company towards being a customer focused food producer will, however, bring about significant opportunity to create more value throughout the supply chain, ranging from a stronger appreciation of quality to reducing inventories of finished products.

As strong and iconic as Sanford is today, I believe we can be much more. I am excited to introduce our new strategy and vision to become the best seafood company in the world. We want Sanford to be the New Zealand company of choice for employees and our local and global customers in the seafood industry.

STRATEGY

Our new strategy is built around four interrelated pillars that, along with our core values of **passion**, **integrity** and **caring**, will drive everything we do. The strategy is referenced throughout this report but I summarise our four key strategic objectives below:

- Optimise value of raw materials
- Create a culture of innovation
- Consistently produce quality products
- Enhance our brand

These objectives overlap to some extent, but we will focus on each one individually at this stage of our strategy. A key element is to optimise the value of the beautiful seafood we fish and farm. This means making sure the processes we use to fully utilise our marine resources, the products we sell, and the markets we sell to, are aligned in terms of this ambition. Since New Zealand is a relatively small contributor to global seafood catches we should be encouraged to move away from a commodity focus and develop niche items for discerning markets. We must become nimble as an organisation and able to adapt to changing global market drivers, environmental concerns and consumer preferences. Creating a culture of innovation will be necessary to achieve this ambition.

We must ensure that the quality and safety of our seafood is at global best practice standard. Our customers deserve this from Sanford and it is a prerequisite to being a global leader in the seafood industry.

The Sanford brand reflects stability, history and sustainable seafood. Under our new strategy, we are going to do all that we can to enhance our brand and use it for responsible leveraging. We believe Sanford can be a global seafood brand recognised with pride by New Zealand consumers and identified as a quality producer of seafood with great provenance, by our customers worldwide.

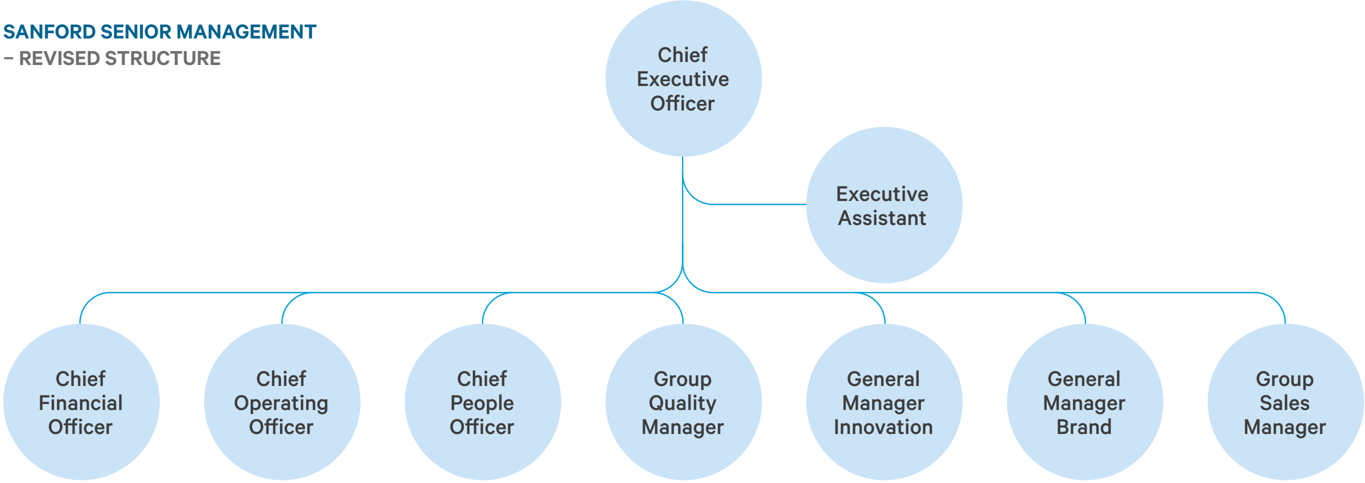
REALISING OUR AMBITION

Our strategy is ambitious and we are employing a cross-functional approach to realise it. Over recent months we have reviewed the structure and skills we need to drive this strategy over the coming years. This process has been extensive and involved staff, management and the Sanford Board. I would like to acknowledge and thank everyone for their patience and contribution to the process.

The outcome of this review has resulted in a realignment of the business, separating the operational focus on fishing, farming and

FROM LEFT
Greg Johansson
Claire Walker
Volker Kuntzsch
Clement Chia

SANFORD SENIOR MANAGEMENT – REVISED STRUCTURE



processing respectively, and establishing direct reporting lines between sales, innovation and quality assurance and the CEO. We are in the process of adding new roles in the areas of brand development and supply chain management.

I have also strengthened our executive team, and am delighted that Greg Johansson will be joined by Claire Walker and Clement Chia as Chief Operating, People and Financial Officers respectively. These roles are critical to the next phase of our journey and reflect our commitment to making it happen.

CHALLENGES

In many ways, articulating a strategy is the easy part – now we need to make it happen. The seafood industry faces many challenges. As global population increases and demographic changes move more people into the urban middle-class, seafood is an increasingly critical source of food security. This creates magnificent opportunities for our Company in the provision of safe, high quality products for discerning consumer markets – particularly Asia. However, the demographic changes that create our opportunities also place stress on natural resources. The threats of overfishing, ecosystem degradation and climate change create significant challenges to our industry.

As a leading New Zealand seafood company operating in global markets, we have a responsibility to acknowledge and address these challenges through our policies, operations and relationships. This report is a summary of our performance in relation to our assessed material issues. We encourage feedback on any element of the report or our performance.

THE YEAR AHEAD

My focus during 2015 will be on reducing our dependency on commodity pricing, bedding down the new organisational structure and completing recruitment of our new roles. As an organisation we will be working on driving a customer focused quality ethos across the business and continue to develop our people and processes in order to drive greater value from our marine resources.

We will work with our peers in industry to further the management of our resources and encourage a collaborative approach towards the development of "Made in NZ".

I would like to thank the Sanford Board, talented management team and exceptional people at Sanford for making my transition into the business extremely positive. We have an exciting future here at Sanford. There will be change, which is never easy, but we have an amazing opportunity to grow the Sanford legacy as we look to the next 100 years of sustainable seafood.

VOLKER KUNTZSCH
Chief Executive Officer

Our Values

Sanford people are passionate about our business and our industry. We bring our work to life through energy and excitement.

Our integrity means that we do what we say and do what is right – even when no one is looking.

Underpinning our business and our success is our caring for people and the environment.

These are our values, and they shape our business.

Passion

INTEGRITY

CARING

OUR STRATEGY

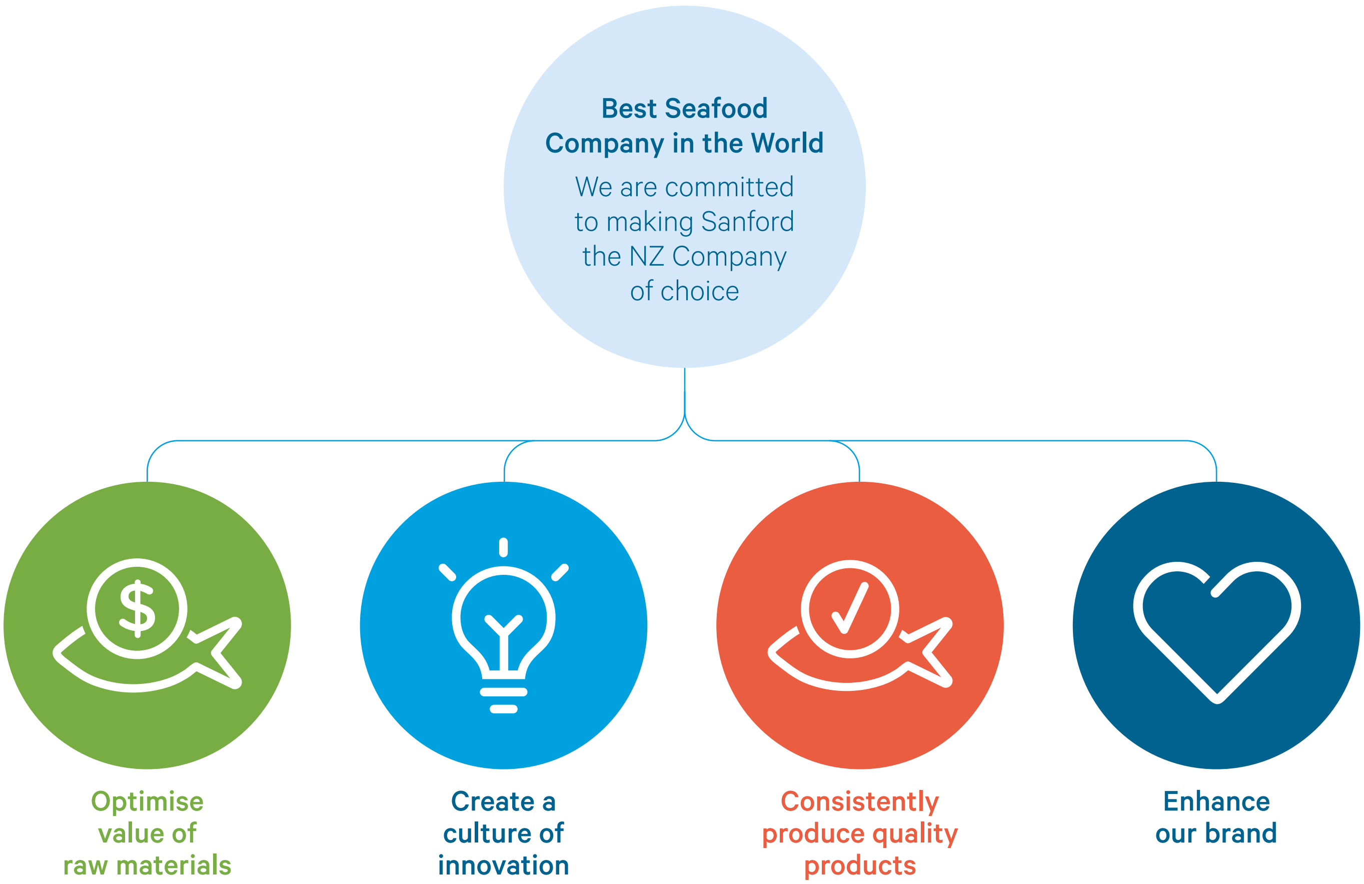
Being the Best

The scale and complexity of Sanford's interests has grown over our 100-year history as we have acquired and integrated fishing and aquaculture businesses across New Zealand, as well as fishing and food processing businesses internationally.

Today, we are responsible for over 1,600 employees and sharefishers, hold 23% of New Zealand's quota, sell 40% of New Zealand's Greenshell mussels and approximately 25% of New Zealand's salmon. We have fishing, aquaculture and/or processing operations in New Zealand, Australia and China.

With our size and significance in the primary sector comes the responsibility to continually evolve and grow in response to increasingly stringent regulatory requirements, changing market dynamics and increasing global and local expectations in relation to environmental and social matters.

With these challenges in mind, in April this year, 30 of Sanford's management team met over three days to determine the vision, mission, values and strategic direction for the Company. Our revised strategy, vision and mission statements reflect the next phase of Sanford's evolution, driven by our values of **passion**, **integrity** and **caring**.



The following table outlines each of our strategic objectives and the key initiatives we intend to implement in each area. We will keep you informed of progress over time.

OBJECTIVES	WHAT IT MEANS TO US	KEY INITIATIVES
Optimise value of raw materials	Raw materials are at the centre of our business and their utilisation must not exceed the capacity to replenish. It is increasingly important for us to continue optimising the value of this precious resource.	• Understand current cost of everything we do • Increase the returns on all raw materials through value stream mapping • Build organisational flexibility • Develop our collaboration both internally and externally and build strategic alliances
Create a culture of innovation	Innovation requires a culture of idea generation, with our targets to set global benchmarks in the field.	• Stimulate idea generation • Introduce Research and Development Key Performance Indicators • Benchmark against leading innovators
Consistently produce quality products	Implement a company wide focus on quality to preserve the inherent quality of our natural resources through the supply chain.	• Develop precise and relevant specifications • Align rewards with effective communication, training and performance • Quality assessment system to be appropriate • Sharing all customer feedback • Create quality culture
Enhance our brand	By living our values both internally and in the public sphere, we aim to become the employer of choice and enhance our overall brand.	• Enhance public image • Develop visibility • Live our values • Employer of Choice

WE ARE RESPONSIBLE FOR

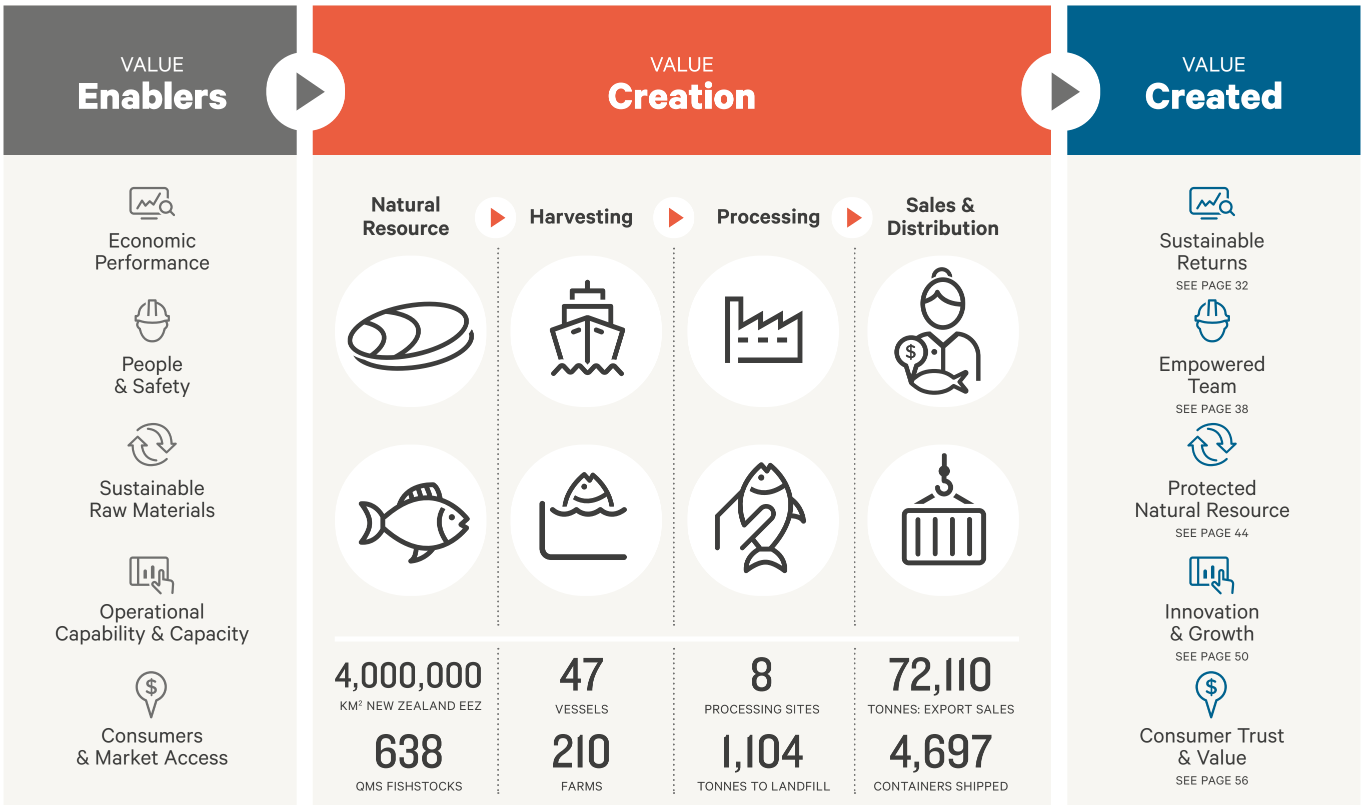
1,600+

EMPLOYEES AND SHAREFISHERS

OUR BUSINESS MODEL

How we Create Value

In order to turn our strategy into action, we have created a business model depicting the process of value creation through our five enablers. Our value enablers are the elements we need to protect and enhance in order to achieve our strategic objectives. Our business model reflects the activities we perform and how they shape our outputs and impacts.



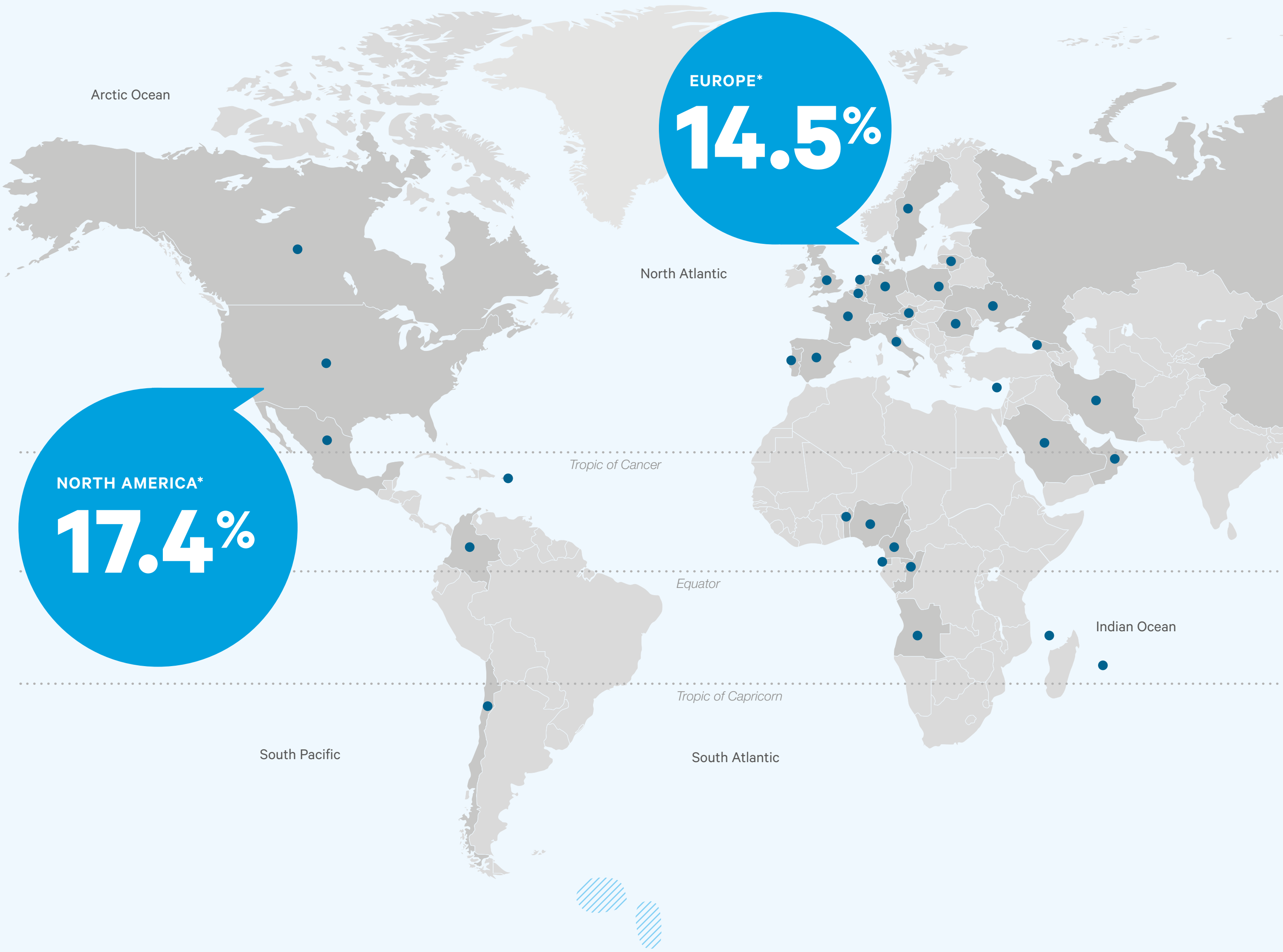
VALUE ENABLERS

In this report, we take a broader view of value creation, illustrating how it influences our enablers. We do this to emphasise the long-term nature of our outlook, which must be balanced against our immediate financial performance. **The performance sections of our report are organised in terms of our value enablers.**

ENABLERS	WHY WE FOCUS ON THESE?
Economic Performance	ENHANCE OUR FINANCIAL PERFORMANCE AND ECONOMIC IMPACT We have a responsibility to provide financial returns to our shareholders and create positive impacts for our communities and employees.
People & Safety	PROVIDE SAFE AND MEANINGFUL JOBS Our people are by far our most valuable resource, and their safety and well-being is our highest priority.
Sustainable Raw Materials	SUSTAIN THE HEALTH OF OUR NATURAL ENVIRONMENT Sanford's business depends on a healthy environment requiring our marine resources to be protected and enhanced.
Operational Capability & Capacity	COLLABORATE TO ACHIEVE BEST OUTCOMES Maximising our operational efficiency and minimising our impact through new technologies and innovative approaches to production.
Consumers & Market Access	GROW OUR RELATIONSHIPS BY PROVIDING HEALTHY SUSTAINABLE SEAFOOD Creating a culture of consistent quality and innovation is critical to meeting the present and future needs of consumers in our chosen markets.

OUR GLOBAL OPERATIONS

A Global Presence

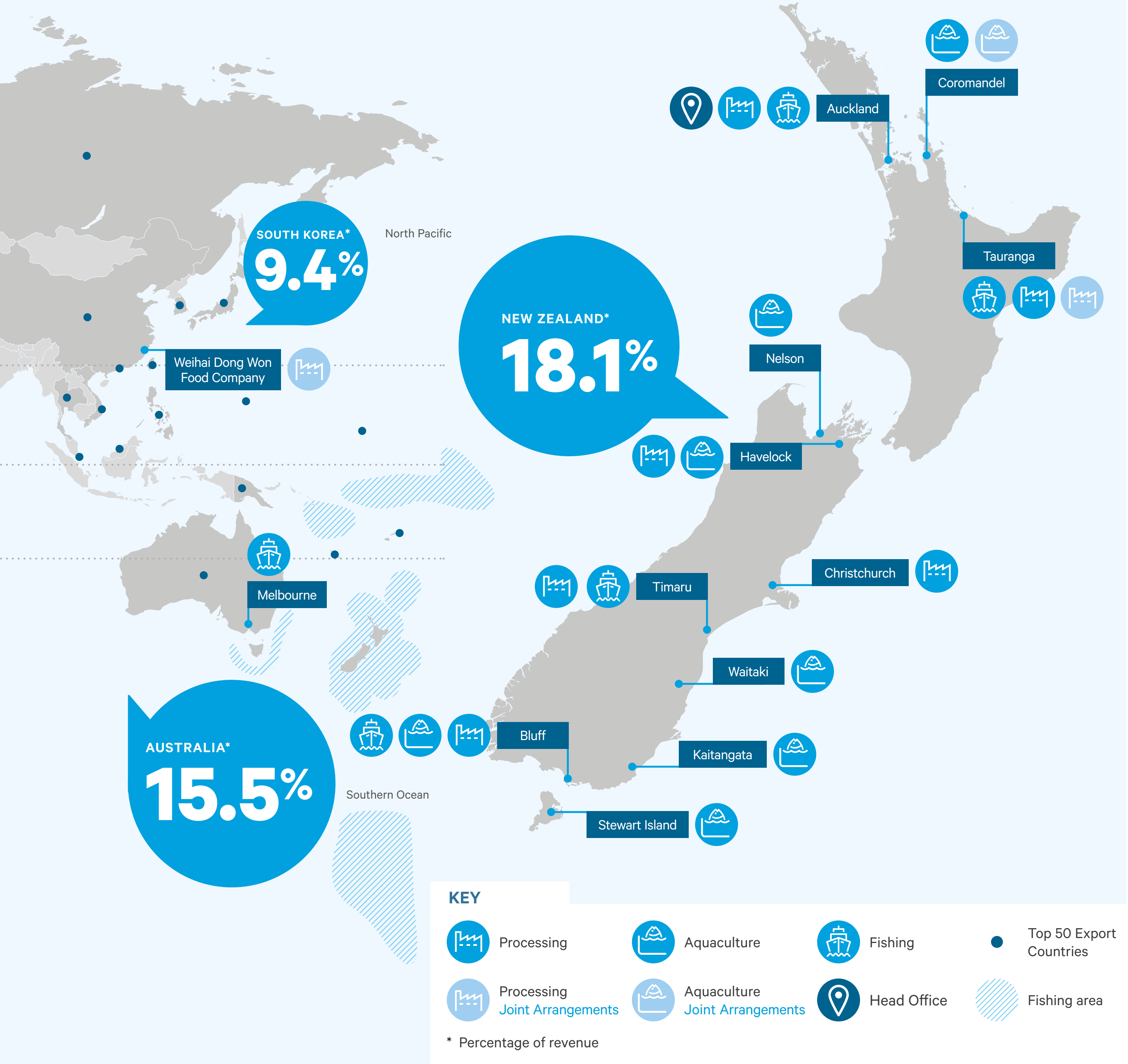


Starting in 1881 as a family business in Auckland, our operations now touch every continent in the world. We sell 18% of our product locally, and export the remaining 82% to our global customers.*

We hold 23% of New Zealand's quota, sell 40% of New Zealand's Greenshell mussels and approximately 25% of its salmon, across eight processing sites. This makes us the largest integrated fishing and aquaculture business in New Zealand. Our mission is to become the best seafood company in the world, driven by the strength, commitment and determination of our company and the people within it.

82%

OF OUR PRODUCT BY VALUE IS EXPORTED TO OUR GLOBAL CUSTOMERS

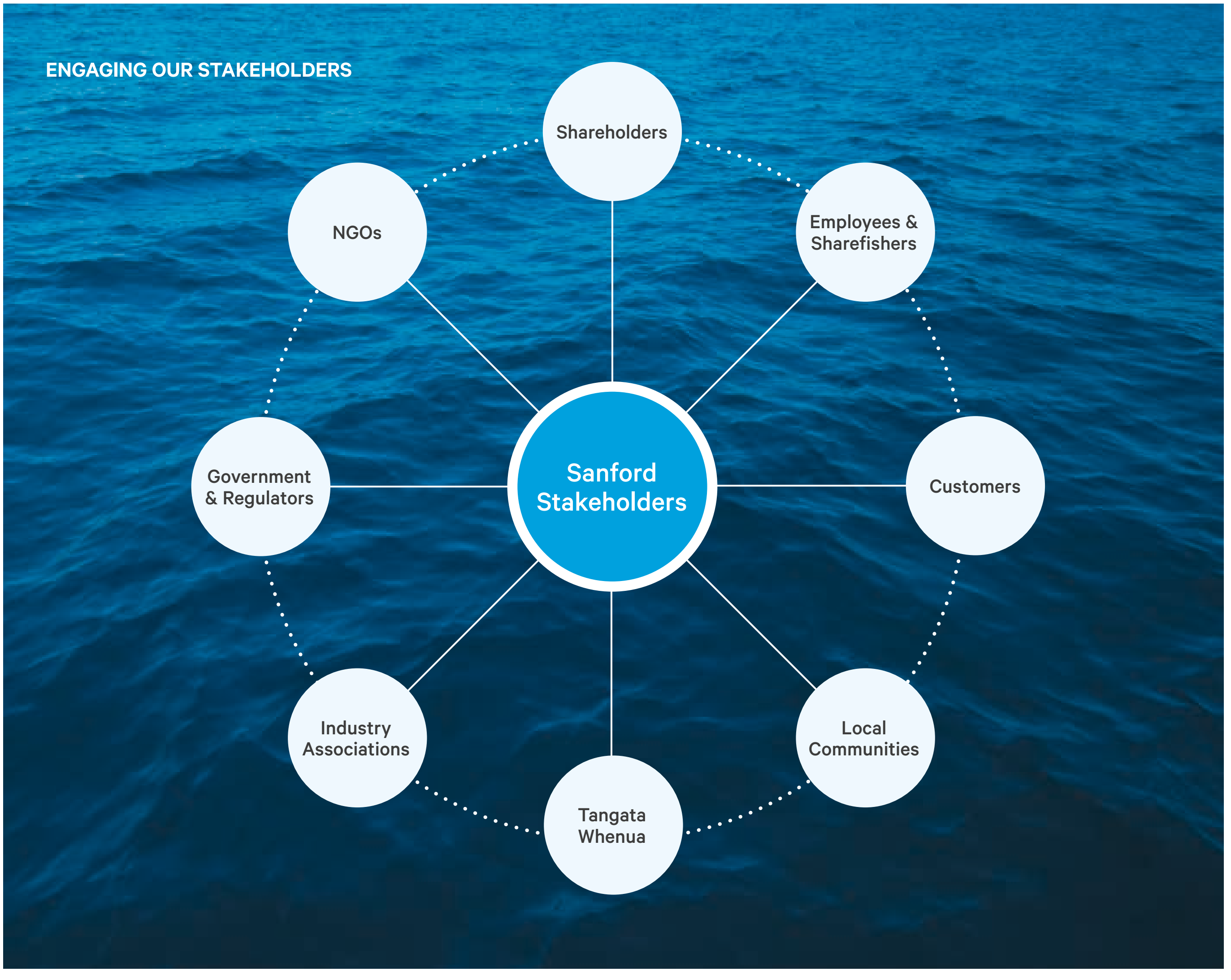


MATERIALITY & STAKEHOLDER ENGAGEMENT

Reporting what Matters

In this report we are challenging ourselves to only report on the issues most material to our business and our stakeholders. To determine what these would be, we collected information through stakeholder engagement and compared the findings against our strategy, value enablers and business model.

Sanford engages with a wide range of stakeholder groups identified by their impact on our business and their importance in achieving our objectives. This helps us to identify the issues arising around the wider industry (locally, nationally and globally), and those that relate specifically to Sanford.

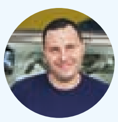


SHAREHOLDERS AND INVESTORS

The Board is committed to ensuring that shareholders are informed of all major issues and developments affecting Sanford's business. 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 Board also encourages full participation of shareholders at the Annual Meeting, and consultations with interested share market analysts occur at increasingly regular intervals.

EMPLOYEES AND SHAREFISHERS

Our people are our most valuable asset. We obtain feedback from staff through direct engagement in team and planning meetings and provide a monthly summary of events through our internal magazine – *Flying Fish*. As noted, Sanford recently appointed Claire Walker as Chief People Officer to enhance our engagement and support for Sanford staff.

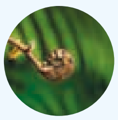


CUSTOMERS

Our business is largely export driven with customers being a mix of wholesalers, processors and retailers. Key export markets include North America, Australia, Europe, Japan, China and South Korea. Many customer relationships are long standing and we engage on a daily basis with these customers in relation to performance and quality and to address any specific issues that may arise. We also ensure Sanford is represented at significant local and global events and conferences relevant to our industry and perform targeted in-market visits to ensure relationships are enhanced.

LOCAL COMMUNITIES

We strive to be a positive and engaged member of the local communities in which we operate. We do this through supporting and attending local events and specific initiatives that align with our strategic intent.



TANGATA WHENUA

The business and cultural partnerships that we share with Iwi span Sanford's operations and include fishing Maori quota and joint arrangement aquaculture investments. Our special relationship with the Iwi Collective Partnership (ICP) supports Sanford to work confidently with all Iwi. We meet with the ICP formally at least twice per year to discuss our social and business activities and address any major concerns. We communicate regularly and freely throughout the year as and when issues arise, keeping Iwi well informed of matters, and seeking guidance from our ICP members as appropriate. Our goal is to grow the depth of our relationships with tangata whenua, demonstrating integrity and respect for all Iwi as *kaitiaki* within their *rohe*.

INDUSTRY ASSOCIATIONS

Being a leader in the seafood industry, Sanford is represented on key industry bodies including Seafood New Zealand, relevant Sector Representative Entities and Commercial Stakeholder Organisations. We are also an active member of the Fishing Safety Forum; a new forum introduced this year by principal fishing companies in New Zealand to enhance safety onboard vessels.

GOVERNMENT AND REGULATORS

We engage with the Minister for Primary Industries and other government agencies or officials when there are issues of significance for our Company and/or industry. Our CEO is also co-chair of the Government's and major companies Natural Resources Sector working group, which includes Chief Executives from business and a range of Government departments.

NON-GOVERNMENT ORGANISATIONS (NGOS)

Through meetings and working groups we directly engage with NGOs on key topics of interest. We attend training sessions and seminars to share and learn from experiences.

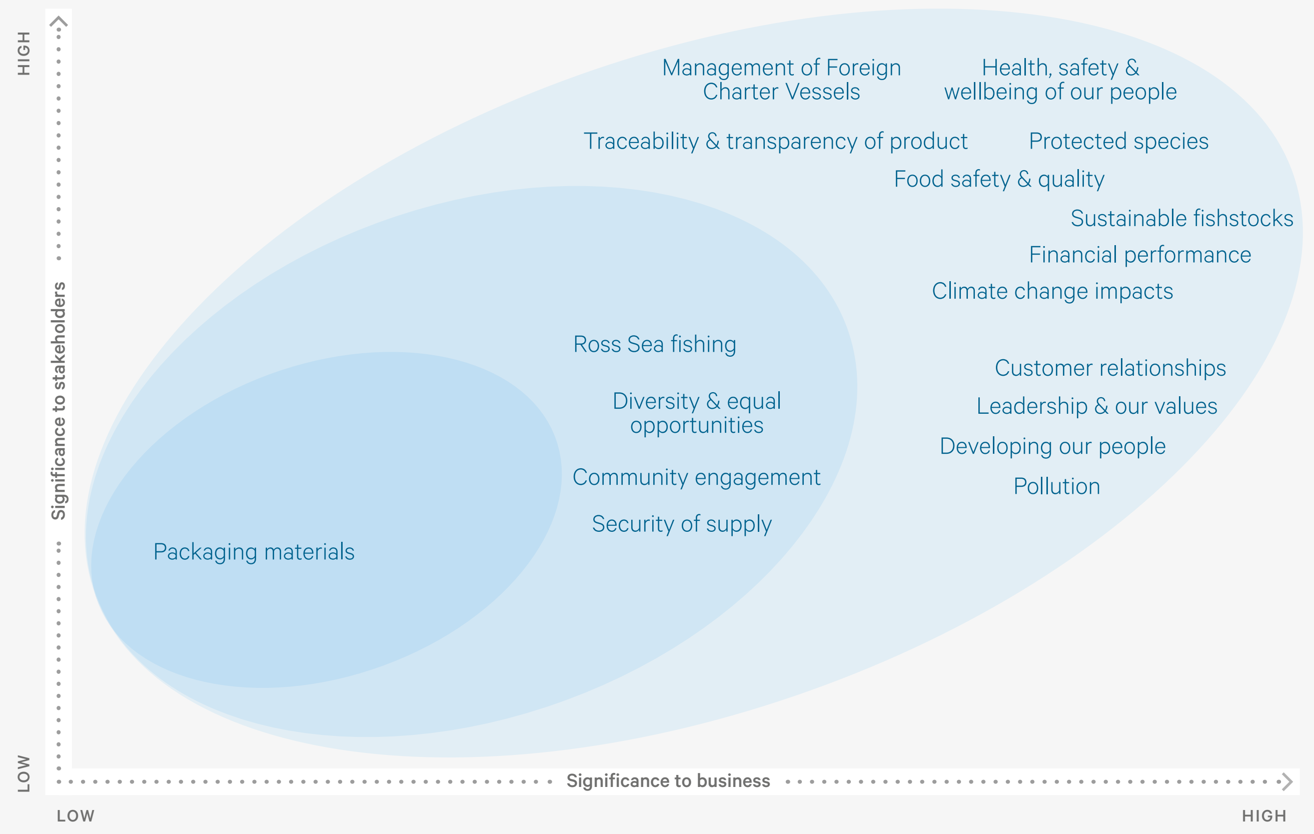
MATERIAL ISSUES

To prioritise the issues raised through stakeholder engagement, we held a materiality workshop with our senior management. The workshop assessed the identified topics detailed below, in terms of importance, to stakeholders, and our business. When considering the importance to the business, our values and strategic direction was the principal focus.

This year we have enhanced our materiality assessment by drawing on external and industry experts, to sense check the issues and evaluate their weighting. The results of this process are depicted below. The topics in the top right quadrant are material and considered critical for disclosure. For each material area reported, unless otherwise indicated, we include results from all our operations.

This year has seen some minor changes to the material issues that were identified last year. In particular, Ross Sea fishing has a lesser bearing upon our operations in this reporting year. For the first time we have included customer relationships as a material issue. This reflects our increased efforts on quality and innovation, and a heightened focus on food safety. Even though the changes are minor, the process has been enhanced and we will be looking to continue improving our approach to stakeholder engagement and issue identification and prioritisation.

MATERIALITY MATRIX




THINK SAFETY
GER
DS AREA

CORPORATE GOVERNANCE

Setting the Standard

Sanford is a listed New Zealand company operating fishing, fish processing and aquaculture businesses in New Zealand and in selected international markets. The Board of Directors is responsible for the governance and oversight of Sanford.

FROM LEFT

Paul Norling
Jeff Todd
Liz Coutts
Peter Goodfellow
Mark Cowsill
Bruce Goodfellow

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 President of the Auckland Medical Research Foundation. He is 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, the Earthquake Commission, and Watercare Services Limited. Jeff was Managing Partner of Price Waterhouse New Zealand (now PwC) until his retirement from the firm in 1998.

ELIZABETH (LIZ) 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, Ports of Auckland Limited, Tennis Auckland Region Incorporated, member of the Marsh Advisory Board, Chair of Urwin and Company Limited, 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, Life Pharmacy Limited, Deputy Chairman of Public Trust, director of 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.

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, Chair of The Comfort Group Limited, Wonderest Limited and New Zealand Comfort Group Limited.

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.

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 company S H Lock (NZ) Limited, Chairman of Cambridge Clothing Company Limited and a director of Refrigeration Engineering Company Limited. Peter is a trustee of the Auckland Medical Research Foundation and St Andrew's Village in Glendowie. He has previously practised law and for some years was a director and Chairman of former listed radio company XS Corporation Limited.

PAUL NORLING

Paul joined the Board of Sanford Limited in 2008; he was appointed Deputy Chair on 1 December 2013. 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 remained a non-executive member of the Bancorp Board until 2014 when he also retired from this position. 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 / Chairman of the American Chamber of Commerce in New Zealand, and is a Chartered member of the New Zealand Institute of Directors.

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 food processing, derived from fishing and aquaculture businesses in New Zealand and internationally.

BOARD MEMBERSHIP AND DIVERSITY

After the retirement of Eric Barratt in 2013, the Sanford Board comprises 6 members (2013: 7), 5 of whom are male and one female (2013: 6:1). With the revised senior management structure we have four executives, three of whom are male (2013: 8) and one female (2013: 0).

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

Jeff Todd will retire on 31 December 2014. At that time, Paul Norling will be confirmed as the new Chairman.

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 Mr P J Goodfellow and Dr W B Goodfellow and both seek re-election.

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.

Further details of shareholder and other stakeholder communication and engagement is included in the "Reporting What Matters" section of this report.

The Board encourages full participation of shareholders at the Annual Meeting. This year the Annual Meeting will be held at 2pm on Wednesday 17 December 2014 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises a majority of independent directors.

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.

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 financial 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 approval, as well as approving applications for share trading by Directors and Executives.

In preparation for the impending retirement of Jeff Todd, Paul Norling joined the Audit Committee on 1 December 2013 and Mark Cowsill resigned to take up the Chairmanship of the Employment and Regulatory Compliance Committee on 31 December 2013.

Committee Chair: Elizabeth Coutts
Members: Jeff Todd, Paul Norling, Peter Goodfellow

Employment and Regulatory Compliance Committee (ERC)

The Committee is responsible for Employment, Health and Safety, Food Safety and Fisheries and Marine regulatory matters and also determines the remuneration of the Chief Executive and senior executives, and reviews remuneration paid at other levels of management.

Jeff Todd resigned as Chairman (although remains a member) on 31 December 2013, with Mark Cowsill assuming the Chairmanship from 1 January 2014.

Committee Chair: Mark Cowsill
Members: Jeff Todd, Paul Norling, Bruce Goodfellow

Board Nominations Committee

The full Board meets as a group once a year, or as required, in order to determine the most appropriate make-up for the Board and to nominate any changes. It is expected that the Board will appoint a new Director early in 2015.

DIRECTORS' AND COMMITTEE MEETINGS

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

	DIRECTORS	AUDIT	ERC	NOMINATIONS
J G Todd	10/10	4/4	6/6	1/1
E M Coutts	10/10	4/4	–	1/1
P G Norling	10/10	4/4	6/6	1/1
P J Goodfellow	10/10	4/4	–	1/1
W B Goodfellow	9/10	1/4	–	1/1
M G Cowsill*	10/10	2/4	5/6	1/1
E F Barratt**	3/10	2/4	–	–

* Resigned from Audit Committee effective 31 December 2013

** Retired 31 December 2013

SHARE TRADING

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 on page 117 this report.

AUDITOR

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

RISK MANAGEMENT AND COMPLIANCE

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.

Approach to Risk Management

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.

A number of interrelated mechanisms are used to identify and review enterprise risks. At each Board meeting, the Directors review the Sanford Enterprise Risk Management framework and assess the implementation and/or effectiveness of mitigation measures.

A key control is Sanford's annual operating budget, which is prepared by management and approved by the Board. This document, combined with the preparation and presentation of quarterly financial statements allow the Board to review management's performance against the annual plan and the previous year. The Board also has a constant focus on strategic direction and global and local trends impacting the Company and industry.

In addition to internal mechanisms, the Board also engages external advisors to carry out internal audit functions on various parts of the business on a rotational basis each year.

CORPORATE GOVERNANCE CONTINUED

Enterprise Risks and Mitigation

IMPACT ON STRATEGY

RISK	POTENTIAL IMPACT	Raw materials	Innovation	Quality	Brand	MITIGATION
Natural disaster	Severe damage/destruction of our coastal facilities, including mussel and salmon farms	✓		✓		Insurance cover Geographic diversity
Biological and/or environmental event	Our biological assets become unusable	✓		✓	✓	Insurance cover Geographic diversity
Food safety	A full scale product recall resulting in long term damage to our seafood/New Zealand brand or image	✓		✓	✓	Quality standards Traceability Recall controls
Fisheries compliance	A major offence resulting in the automatic forfeiture of all our quota	✓			✓	Compliance programme Training
Political and community risk	Losing our "licence" to operate by jeopardizing our "political and community" goodwill	✓			✓	Awareness of issues Responsible image Stakeholder engagement Industry support
Market risk	Major collapse of financial markets or the international banking system could destroy current market channels.	✓				Nature of industry Hedging
Ethics and social responsibility	Loss of reputation, integrity and ultimately business, if we are unable to demonstrate and verify high standard of ethical practice and social responsibility				✓	Company culture Policies and training
Government actions	Governments have powers to force companies into rescue or relief work where company resources can be used for emergency uses	✓	✓	✓		Diversity of operations Engagement

Legislative Compliance and 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, 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.

Any issues of unethical behaviour will be brought to the Board's attention and dealt with in line with our policies.

Memberships

The Company subscribes to a number of industry and sustainability related organisations. Our involvement is described throughout this report. Our principal memberships include the following:

- Seafood New Zealand – Industry body for New Zealand seafood sector
- Aquaculture New Zealand – Industry body for Aquaculture sector
- Deepwater Group – Industry body for deepwater stocks
- Fisheries Inshore – Industry body for inshore stocks
- Southern Seabird Solutions – Protection of seabirds
- Sustainable Business Council (SBC) – Advocacy body for sustainable business in New Zealand
- Trident Systems – Undertakes fisheries science and catch sampling

5

Our 5 Enablers

Economic Performance

People & Safety

Operational Capability & Capacity

Sustainable Raw Materials

Consumers & Market Access

Our value enablers are the elements we need to protect and enhance in order to be a sustainable business – growing the returns for our shareholders and earning the trust of our people, communities and other stakeholders. The enablers are interrelated. Impacts in one area will have consequences in others, requiring careful management and continuous balancing. The following sections outline our approach to each area and a summary of performance and future targets.

ENABLER 1.

Economic Performance

Sanford must make appropriate financial returns for our shareholders, now and into the future. This means balancing financial strength with investment in people, equipment and technology to create a long-term sustainable business.

Material issues covered in this section:

- Financial performance

Financial summary

	UNITS	2014	2013
Export sales	tonnes	72,110	84,927
Domestic sales	tonnes	24,417	13,596
Revenue	$m	452.4	462.6
Profit attributable to shareholders	$m	22.4	20.4
Total assets	$m	777.3	*780.0
Total equity	$m	545.8	554.9
Return on average equity	%	4.1	3.7
Dividend per share	cents	23.0	23.0
Earnings per share	cents	24.0	21.7
Payments to employees and vessel crew	$m	$101	$94
Domestic supplier payments	$m	$238	$225
New Zealand income taxes paid	$m	**$3.0	$12.6

* Comparative asset values restated due to change in accounting policy. Refer to details in Note 31 in the Financial Report.

** A significant income tax refund was received during the financial year.

For full details of Sanford's financial performance, financial position and the associated policies and note disclosures, please refer to our statutory financial report from page 65.

9.6%

INCREASE IN NPAT FROM 2013.

FINANCIAL STRENGTH

Profit for the year of $22.4 million, while above last year, was slightly below plan. Aquaculture had a successful and much improved result but with low commodity prices, the Pacific tuna business struggled to achieve against expectations.

The Company successfully completed the acquisition of mussel farming assets from Greenshell New Zealand Limited. The balance sheet remains strong with shareholders funds as a proportion of total assets at 70.2% (2013: 71.1% based on restated balance sheet).

The majority of our sales are to export customers with key markets being North America, Australia, Europe, Japan, Korea, China and Hong Kong. As an export-oriented company, the exchange rate has a significant impact on product margins and financial performance. Although recent trends in exchange rates are encouraging, the high level of the New Zealand dollar again hampered growth in returns from improved markets for most species.

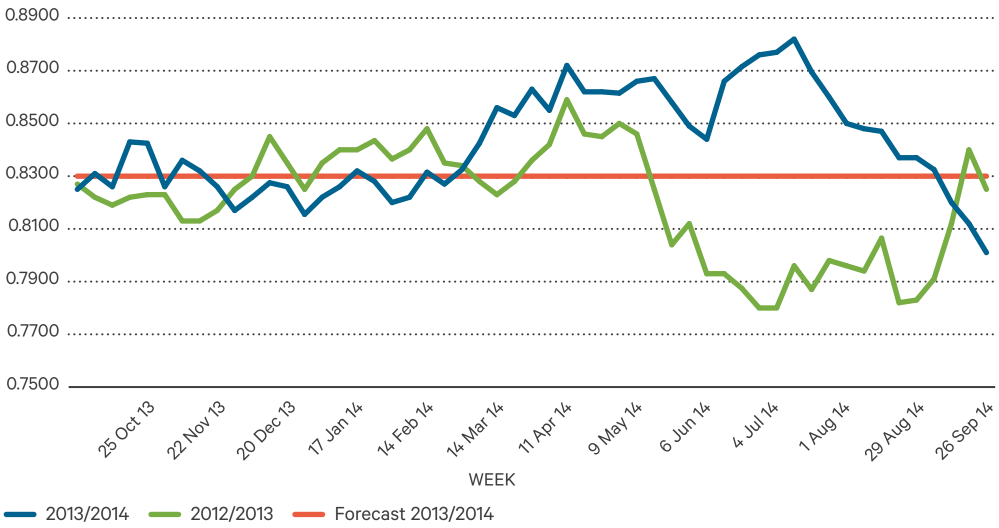
The average exchange rate for the 12 months was 0.8428 compared to 0.8207 last year. However a successful hedging policy was well executed to deliver an effective exchange rate of 0.8038.

The finance and administration team continued to work hard on improving back office systems and processes. A particular focus this year has been on improving IT infrastructure and making our technology smarter and fit for the future. This work continues but a significant development has been our transition to cloud computing for all email. Many thanks to all our dedicated staff who have helped embed these changes and continue to go above and beyond in delivering quality service to the business.

DEAN MCINTOSH
GENERAL MANAGER FINANCE AND ADMINISTRATION

The strength of the USD over the course of the 2014 financial year presented a significant challenge to the Company's earnings. Pleasingly that trend has abated since the middle of the year and is now trending down.

USD Exchange Rate 2013 Year compared to 2014 Year



ENABLER 1. CONTINUED

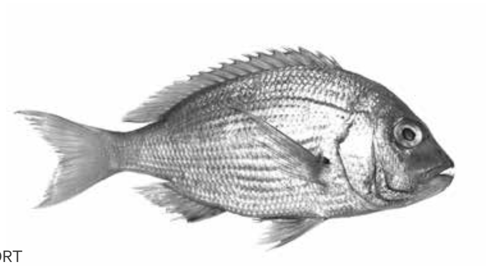
OPERATIONAL PERFORMANCE

The financial and operating performance across the company was mixed. The overall group sales performance has generally met expectations with steady to strong demand for aquaculture and deepwater species offsetting sluggish to flat sales of certain inshore species. The Pacific tuna business had a challenging year with lower than expected catch and low commodity prices impacting financial results.

Inshore

SHANE WALSH, INSHORE MANAGER

Inshore had a very poor year with export sales volume down and market prices for several key inshore species unexpectedly low. This has resulted in higher than anticipated inventory levels for these products at year-end. Export air freight snapper sales were better than anticipated and local sales remain strong and ahead of expectations. Overall catch levels were below expectation particularly trevally and hoki where the smaller vessels struggled to catch due to unseasonal bad weather and unplanned maintenance issues. Our purse seiners in Tauranga performed well, with catches significantly ahead of previous years, however the returns from this part of the business were heavily impacted by low market prices for all pelagic species.



EXPORT
AIR FREIGHT
SNAPPER SALES

Deepwater

DARRYN SHAW, DEEPWATER MANAGER

Overall deepwater performance for the year was ahead of expectations. Catches across most fisheries exceeded targets, particularly in the hoki eastern area and through additional volumes of orange roughy harvested from a recently reopened area where the biomass has recovered via a rebuild plan. Offsetting this were lower catches from the highly variable squid fishery which experienced a cyclical low this year. Squid live for less than two years which results in a highly variable stock size. The fleet achieved this result during a year where we experienced an unusually high number of lost fishing days due to adverse weather.

This was the first year that the Government of South Georgia has issued two year licences for its toothfish fishery. The San Aspiring was again successful in obtaining a licence for this important fishery and completed a good season. We experienced a relatively ice-free season in the Ross Sea toothfish fishery, which improved productivity and catches.

ORANGE ROUGHY
RECOVERED BIOMASS

Success

SOUTH GEORGIA
FISHING
LICENCE
EXTENDED

Pacific Tuna

MARTIN DE BEER, PACIFIC TUNA MANAGER

Reduced catches and low commodity prices made this year the most challenging for the Pacific tuna fleet since operations commenced in 2001. A poor New Zealand fishing season and unsatisfactory results from the Western and Central Pacific Ocean fishery led to lower than anticipated catches. The Vessel Day Scheme, which was introduced in the Pacific Islands to manage fishing effort led to an increase in the total number of vessels active in the area, negatively impacting total catch rates.

In June, the Ocean Breeze was sold, reducing our Pacific tuna fleet from three to two vessels.

While improvements in the management of the fishery are being discussed on an ongoing basis, increases in catch will be a challenge for now. We are fortunate to have very capable vessel management plus well qualified and experienced officers and crew on the vessels to support the operation.

OCEAN BREEZE
PRIOR TO SALE

Aquaculture

TED CULLEY, AQUACULTURE MANAGER

The aquaculture operation had a successful year, with supply largely balanced in terms of product mix and market distribution. As an indication of changing consumption patterns, Thailand has now emerged as the second largest market for New Zealand Greenshell mussels (behind the United States), and South East Asia presents opportunities for further growth over the coming year.

Favourable growing conditions and solid demand for mussels have resulted in a significant improvement in overall harvesting levels across the industry and an overall record volume being packed into the Sanford brand. Production at our Havelock plant was ahead of expectations, with Christchurch and our North Island Mussels Limited joint operation in Tauranga, finishing close to target.

Salmon production was on target for the year with approximately 70% of volume sold as fresh fish in New Zealand. Demand continues to increase, now exceeding the supply from our current farming space.

GREENSHELL MUSSELS

40% OF INDUSTRY VOLUME SOLD AS SANFORD BRAND

KING SALMON

70% OF VOLUME SOLD DOMESTICALLY

ENABLER 1. CONTINUED

ADDING VALUE TO LOCAL COMMUNITIES

We make positive contributions to all the communities in which we operate through local employment and supporting suitable community-based programmes.

Where our operations could involve significant environmental impacts, resource consents are obtained as appropriate which may involve community consultation and monitoring programmes. External auditors provide accreditation of our ongoing environmental management, ensuring policies and procedures are in place to manage our environmental impact.

In addition to local programmes, our most significant community investment again this year was our financial support of the Foundation for Youth Development (FYD) and its Kiwi Can programme. Kiwi Can is an organisation centred on educating youth on essential life skills and values. This support is aligned with our particular focus on youth and we will be looking to extend our relationship with FYD in the coming year.

Community Investment

2013

$155,800

2014

$172,180

Zane Charman (Havelock Farming Manager), Wayne McDonald (Havelock Manager) and Terry Denley (Christchurch Manager), abseiled off a building to raise funds for Kiwi Can. In total they raised approximately $5,000 dollars, which will put approximately 20 kids through a FYD programme. Pictured above, Zane Charman prior to his abseiling trip in October 2014 in Marlborough.

MANUREWA INTERMEDIATE SCHOOL DISSECTING FISH DONATED BY SANFORD FOR THEIR SCIENCE DISCOVERY WEEK.

STEWART ISLAND COASTAL CLEAN-UP

The opportunity left an ever-lingering thought of how we can minimise and reduce the waste on these beaches; by fishermen and their practices of on-board garbage management.

MATT HARVEY
VESSEL MANAGER

In late October, Matt Harvey (Vessel Manager) was given the opportunity to spend four days getting his hands dirty at Stewart Island in the name of conservation. The Stewart Island Coastal Clean-Up was funded by the Deepwater Group who represent the majority of quota owners in New Zealand's major deepwater fisheries, including Sanford. A video of the Clean-Up can be seen on the Deepwater Group website: http://deepwater.co.nz/stewart-island/.

30
VOLUNTEERS

2x
HELICOPTERS & 1 SUPPORT BOAT USED

500+
FISH CASES COLLECTED

100K
$100,000 OF FUNDING

Vessels
MAIN SOURCE OF WASTE (EMPTY 20 LITRE CHEMICAL CONTAINERS, PLASTIC DRINK BOTTLES, PLASTIC STRAPPING, CLEANING CONTAINERS)

Targets for 2015

- Continue sponsorship of Kiwi Can
- Each site to participate in one or more activity that contributes to a social or environmental need in the community
- Each site to undertake fundraising for a nominated charity over and above our commitment to Kiwi Can

ENABLER 2.

People and Safety

For Sanford to realise our ambition, we need Sanford people to realise their potential. To support our strategy we focus on developing our people, and improving policies and procedures associated with employee health and wellbeing. Appointing Claire Walker as our Chief People Officer is testament to this commitment.

Material issues covered in this section:

- Health, safety and wellbeing of our people
- Developing our people
- Leadership and our values
- Management of Foreign Charter Vessels

Sanford has a long history of caring and support for its people. This commitment was highlighted during the year with the introduction of an Employee Assistance Programme for all Sanford staff, contractors and their families.

We also had a continuing focus on the health and safety of our people – our employees, contractors and visitors. During the year Sanford implemented a revised strategy which included improved reporting and the recruitment of six Health and Safety Coordinators to support operations across the Company. While continual improvement is needed, our efforts are showing positive results, with an increase in reporting and reduction in lost-time injuries.

We also worked hard to implement the newly developed Maritime Operator Safety System, and have achieved some encouraging milestones at the Tauranga site and on both of the Dong Won Foreign Charter Vessels, illustrating our commitment to the safety and wellbeing of our people.

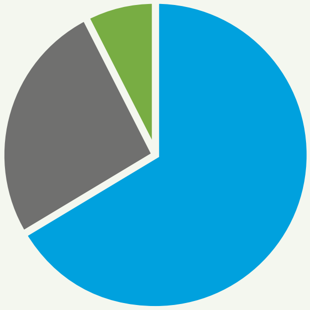
When the Sanford management team met in April to determine the strategic direction for the Company, out of the discussion came a clear mandate that will guide our people and safety activities into the future – to become an employer of choice. Attracting great people and offering them rewarding careers is critical to our achievement of this goal.

CLAIRE WALKER
CHIEF PEOPLE OFFICER

$101m

PAYMENTS TO EMPLOYEES AND VESSEL CREW.

People | Employment Type



● Permanent	**1,073**	(2013: 1,026)
● Independent sharefishers	**418**	(2013: 494)
● Other (casual, seasonal)	**120**	(2013: 83)

SANFORD PEOPLE AND DIVERSITY

As at 30 September, Sanford employed 1,193 land-based staff and 418 vessel crew. A total of 20% of our New Zealand land-based operations are members of relevant unions and are involved in the collective bargaining process (2013: 22%).

	2014	2013
Total Workforce	1,611	1,603
Average age*	40.42	38.64
Average length of service*	6.67	6.34

* Average age and length of service based on mean figures.

Note: Total workforce relates to Australasia region (excluding Pacific tuna and joint operations).

2014 figures based on revised approach to people data collection.

People | Employment Type by Gender

	Female 2014 (2013)	Male 2014 (2013)
Total Workforce	31% (30%)	69% (70%)
Permanent employees	40% (38%)	60% (62%)
Independent sharefishers	8 (8%)	92% (92%)
Other (casual, seasonal)	36% (31%)	64% (69%)

People | Average Age
2014

Average Age 2013

38.64

ENABLER 2. CONTINUED

Workforce Diversity | Ethnicity

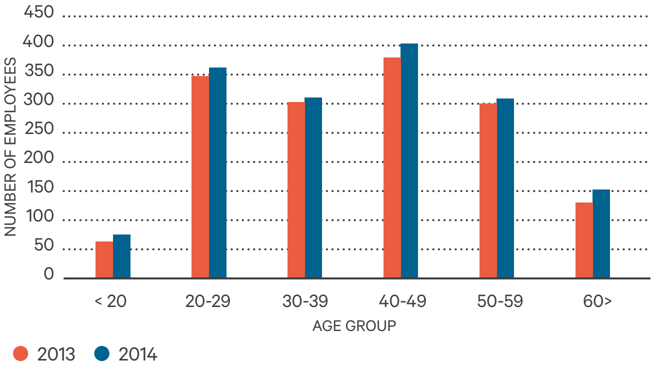
Sanford 2014

European	50%
Maori	20%
Pacific Island peoples	13%
Other	17%

Sanford 2013

European	53%
Maori	18%
Pacific Island peoples	13%
Other	16%

Age of New Zealand and Australia based team (including crew)



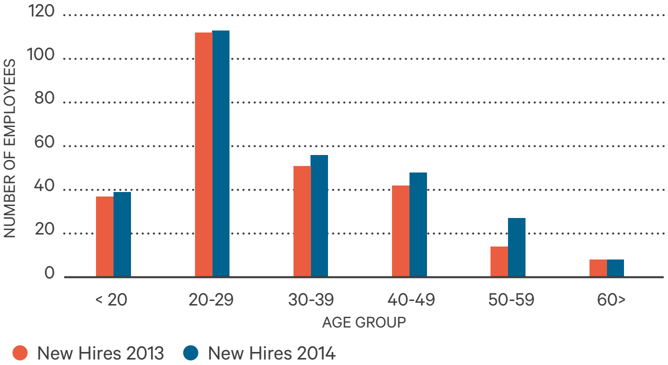
* This graph excludes joint operations and Pacific tuna crew.

STAFF TURNOVER

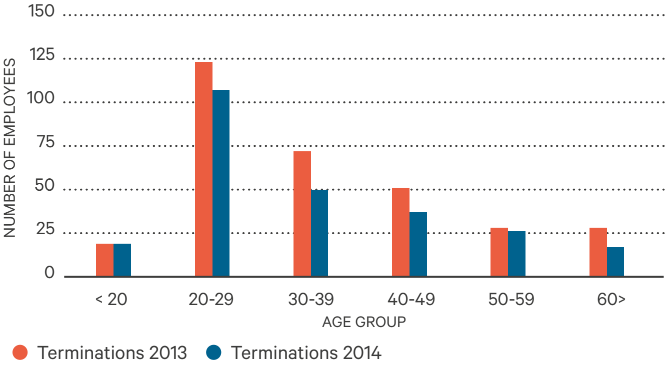
Within our New Zealand land-based operations we employed a total of 291 permanent new staff this year (2013: 264), including 126 female and 165 male (2013 105:159). These new hires were spread across our business, but significant areas of growth included our Auckland site due to increased local sales, an additional 15 new employees with our new acquisition in Coromandel and 6 new Health and Safety Coordinators joining our team. During the same reporting period, there was a total of 256 terminations (2013: 321), including 93 female and 163 male (2013 118:203). This indicates a turnover rate of 25% (2013:30%). According to a recent New Zealand recruitment survey, the industry turnover rate is 25% (source: LawsonWilliams 2013 New Zealand staff turnover survey).

The graphs demonstrate a consistency with last year, with most new hires and terminations falling into the 20-29 age group. Over the coming year, the quality of our recruitment and induction process will be enhanced with a focus on retaining our workforce.

New hires by age group



Terminations by age group



HEALTH, SAFETY AND WELLBEING

The safety of all Sanford staff and contractors remains a top priority for the Company and Directors. We are committed to developing a positive safety culture across the business and working collaboratively to make the health and wellbeing of our people central to everything we do.

Given the nature of our business, there are known risks associated with crew safety and this is reflected in the number of accidents in the sector. It is our responsibility to do everything practicable to minimise the risks and we have implemented a revised Health and Safety Strategy. One principal focus has been on creating a high level of awareness amongst all our employees by improving communication. This includes the sharing of safety statistics in company newsletters, making safety bulletin announcements and offering interactive hazard training classes.

Total number of ACC claims*

2014	2013
143	150

	2014	2013
Average cost paid per claim*	$907	$2,389
Costs including outstanding estimates*	$1,121	$2,494

Lost time injury frequency rate (LTIFR)*

2014	2013
7	13

	2014	2013
Number of reported injuries**	853	718
Number of serious harm injuries**	6	11
Number of near misses reported**	122	72

* Relates to ACC data for Sanford employees only (excludes sharefishers) and therefore addresses injuries of over 7 days

** Includes all employees, sharefishers and contractors

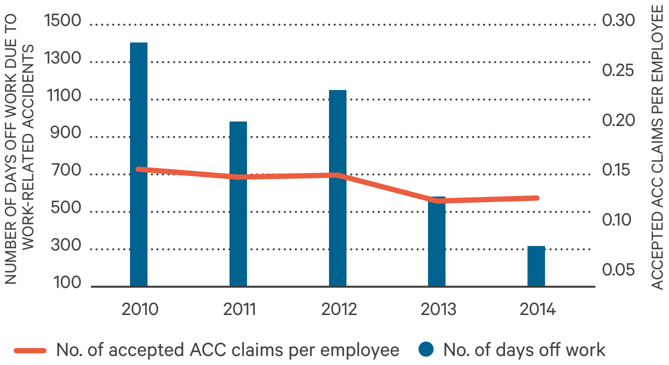
Our results are a reflection of our continuing efforts to embed the new strategy. There has been no safety-related prosecutions this year (2013: 1), a 38% reduction in lost-time injuries (16 compared to 26 in 2013) and a 45% reduction in serious harm injuries (6 compared to 11 in 2013).

WORK RELATED ACCIDENTS

While we continue to report and monitor injuries and lost-time incidents, this year we have significantly increased our focus on near miss reporting and improved investigations through root cause analysis. This has shown encouraging results, particularly in the significant reduction in serious harm injuries.

In August 2014 our Auckland site was audited as part of our annual ACC Partnership Programme renewal. Unfortunately, we missed achieving secondary level due to recent changes in our contractor management programme not being fully implemented and the review of health and safety within management roles not being documented. We did however meet the requirements for primary level. This was disappointing, but we have made a commitment to achieving a minimum of secondary level in the coming year.

Work related accidents



HEALTH AND SAFETY LAW REFORM

New Zealand has an unacceptably poor workplace health and safety record. In 2015 new legislation is expected to become effective that will significantly increase Director accountability and clarify the role of management in ensuring health and safety for all workers.

In general, Sanford is supportive of the intention of the proposed changes and the focus on increasing awareness and accountability of workplace health and safety. However, we do have some concerns regarding aspects of the proposed legislation and have submitted to the Select Committee on these issues. Sanford management and Directors have carefully considered the pending requirements and are comfortable our existing and planned health and safety systems will meet the expectations of the proposed legislation.

ENABLER 2. CONTINUED

ENVIRONMENTAL, HEALTH AND SAFETY MANAGEMENT SYSTEM

During the year we fully implemented a new Environmental, Health and Safety (EHS) management system supported by the web-based application MANGO (management-on-the-go), which we have standardised across all of our operations. This "one-stop shop" allows us to keep track of all environmental and health and safety processes, providing a robust and auditable system company-wide.

Whilst implementing our new EHS management system, we identified health monitoring as a priority, and have noted which parts of our workforce (e.g. engineers), are at a higher risk of specified diseases. With this information, we have implemented a rigorous health monitoring system. Results of monitoring will identify any operational changes needed to mitigate the risk of health issues arising. For example, this may include changes to infrastructure, processes and personal protective equipment.

MARITIME OPERATOR SAFETY SYSTEM

The Maritime Operator Safety System (MOSS) was adopted by Maritime New Zealand on 1 July 2014 and covers the majority of commercial operations in New Zealand waters. Under MOSS, operators are required to develop a safety system that is tailored to their vessels and operation. The entire operation is examined to ensure that any safety risks are identified and managed. The intention is to improve safety outcomes through a focus on safety management systems and oversight relating to both the fleet and the operator.

Each one of Sanford's operations has and continues to put a lot of effort into implementing the Maritime Transport Operator Plan (MTOP) to meet this regulatory change. We are proud to note that our Tauranga fleet received the first Maritime Transport Operator Certificate in New Zealand and the Dong Won vessels were the first FCVs to receive their certificate.

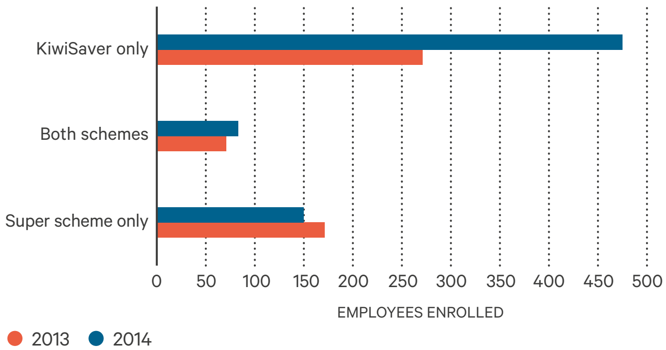
DAVE EVANS
COMPLIANCE MANAGER FISHERIES AND MARINE

SUPERANNUATION AND HEALTH INSURANCE

We encourage employees to save for their retirement. Alongside KiwiSaver, Sanford has its own subsidised superannuation plan, which eligible employees can join after two years of continuous service.

During the year we performed workshops in each of our Company sites to inform our staff on their superannuation options and the possible benefits. Approximately 240 staff attended these and as a result we have seen a significant increase in the numbers enrolled in KiwiSaver.

Employees Enrolled in Superannuation



For the Sanford scheme employees made contributions of $868,886 during the year (2013: $852,740) and the Company's contributions totalled $1,050,314 (2013: $1,053,840).

Sanford also offers New Zealand employees a health insurance plan that currently has 176 members, which is consistent with last year's total (2013: 175).

$1,050,314

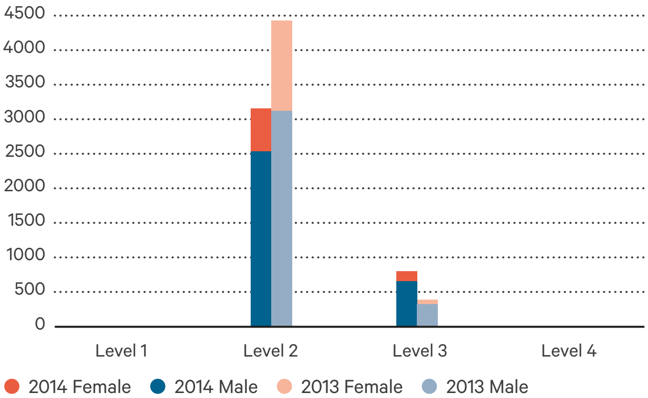
FOR THE SANFORD SCHEME EMPLOYEES MADE CONTRIBUTIONS OF $868,886 DURING THE YEAR AND THE COMPANY'S CONTRIBUTIONS TOTALLED $1,050,314

TRAINING

In collaboration with our industry training organisation (ITO), our New Zealand processing staff undertake a variety of training programmes. At a minimum, these programmes address seafood freshness, hygienic working practices, workplace health and safety and the handling of seafood products.

Over the current year, staff completed 113 ITO programmes (2013: 143) resulting in 3,953 (2013: 4,821) NZQA credits being awarded and 71 formal qualifications received (2013: 88). The majority of credits received relate to seafood processing and vessel operations.

Credits achieved by level and gender



Note: one credit equates to approximately 10 hours of learning
The different levels indicate the level of training by employee category:
Level 1: Basic awareness by all staff
Level 2: Competent operator
Level 3: Supervisor
Level 4: Management

While the number of credits has reduced compared to last year, the Christchurch plant conducted a large amount of training in 2013 and therefore less technical training was required during 2014. However, we expect an increase in the coming year with end-of-year enrolments (115) tracking higher than last year (99).

While technical training is important, we also spend time and resource training staff in non-technical skills and professional development. We are looking to improve processes associated with monitoring this information in order to track performance and report on this training in future years.

MANAGEMENT OF FOREIGN CHARTER VESSELS

Over recent years there has been much debate and scrutiny around the management of Foreign Charter Vessels (FCVs) and in particular the treatment and payment of FCV crew. For more than two years Sanford, in conjunction with our Charter partners, have had systems and processes in place to effectively deal with governmental and public concerns around FCVs and foreign crew. Our work around FCV and foreign crew matters has moved at pace and is positive.

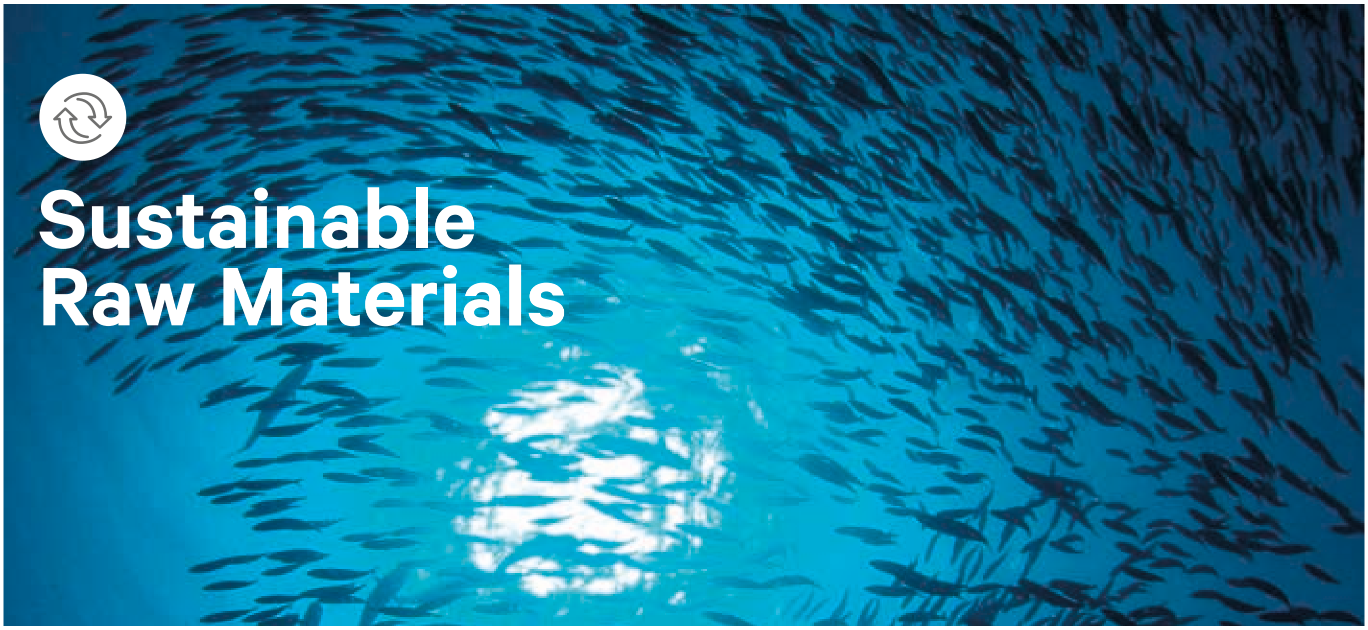
The government settled any ongoing debate with the passing of the Fisheries (Foreign Charter Vessels and Other Matters) Bill. There remain some outstanding concerns by ex-crew over wage claims, which our Charter partners are currently in mediation over. Sanford is keeping a watching brief on these and we expect their merits to be determined through the Employment Relations Authority processes.

Sanford has two long term relationships with Korean companies, encompassing three foreign flagged vessels. We continue to value the chartering of these vessels that remain an important component of our deepwater fleet - providing flexibility in managing catch capacity and expertise in certain deepwater species such as squid. Sanford's charter operations are forward-focused, and in conjunction with our charter partners we are pushing ahead to have these vessels reflagged (New Zealand registered) well ahead of Government deadlines. Moving the vessels into the new Maritime Operator Safety System (MOSS) is an important step in this process and we are pleased that both Dong Won vessels have already achieved certification under this enhanced safety scheme.

Targets for 2015

- Integrate health and safety with Culture of Continuous Improvement projects at each location
- Complete hazard management training for all supervisors and management by the end of 2015
- Complete health and safety legislation training for all management by April 2015
- Obtain Secondary ACC accreditation at 2015 audit
- Each site runs initiatives to support and encourage young people in relevant professions, e.g. scholarships, mentoring, school, university e.g. Shadow a Leader, Career Navigator (FYD)

ENABLER 3.



Sustainable Raw Materials

Seafood is our business. We are passionate about the sea and ensuring the sustainable management of the species that constitute our livelihood. This includes the protection and enhancement of supporting ecosystems and bird life. For us, there is no Plan B.

Material issues covered in this section:

- Sustainable fishstocks
- Protected species

Customers want to know who caught the fish and how and where it was caught. This is not just about sustainability but is also about quality.

It's possible to fish in ways that are less disruptive to the ecosystem, ones with less waste and less damage. We can have more fish caught and higher market values achieved but it will require us to think differently about how we catch, process and market our fish. We will have to change some of what we do and consider our wider environmental footprint. The industry can not do this on its own but can do so working collaboratively with others who use and impact our oceans and our fishstocks.

My vision for the New Zealand fishing industry could be one producing top quality, sustainably harvested product sold in the premium markets in the world. It supports many local jobs and the ecosystems and the communities where it operates. Its social license is strong.

NICK MAIN
INDEPENDENT CHAIR HAURAKI GULF MARINE SPATIAL PLAN

The continued success of our business is dependent on the health of the natural environment. As a commercial fishing company, Sanford operates under New Zealand's internationally regarded Quota Management System (QMS).

Compliance with the QMS is a baseline requirement. As a company, our commitment to sustainable fishing goes well beyond this, and is the focus of our investment in research and development (refer PSH on page 52) and our leadership in ocean stewardship (refer Ocean Mining on page 47). We are actively investing in techniques that maximise the value of the product harvested and that minimise our impact on the environment.

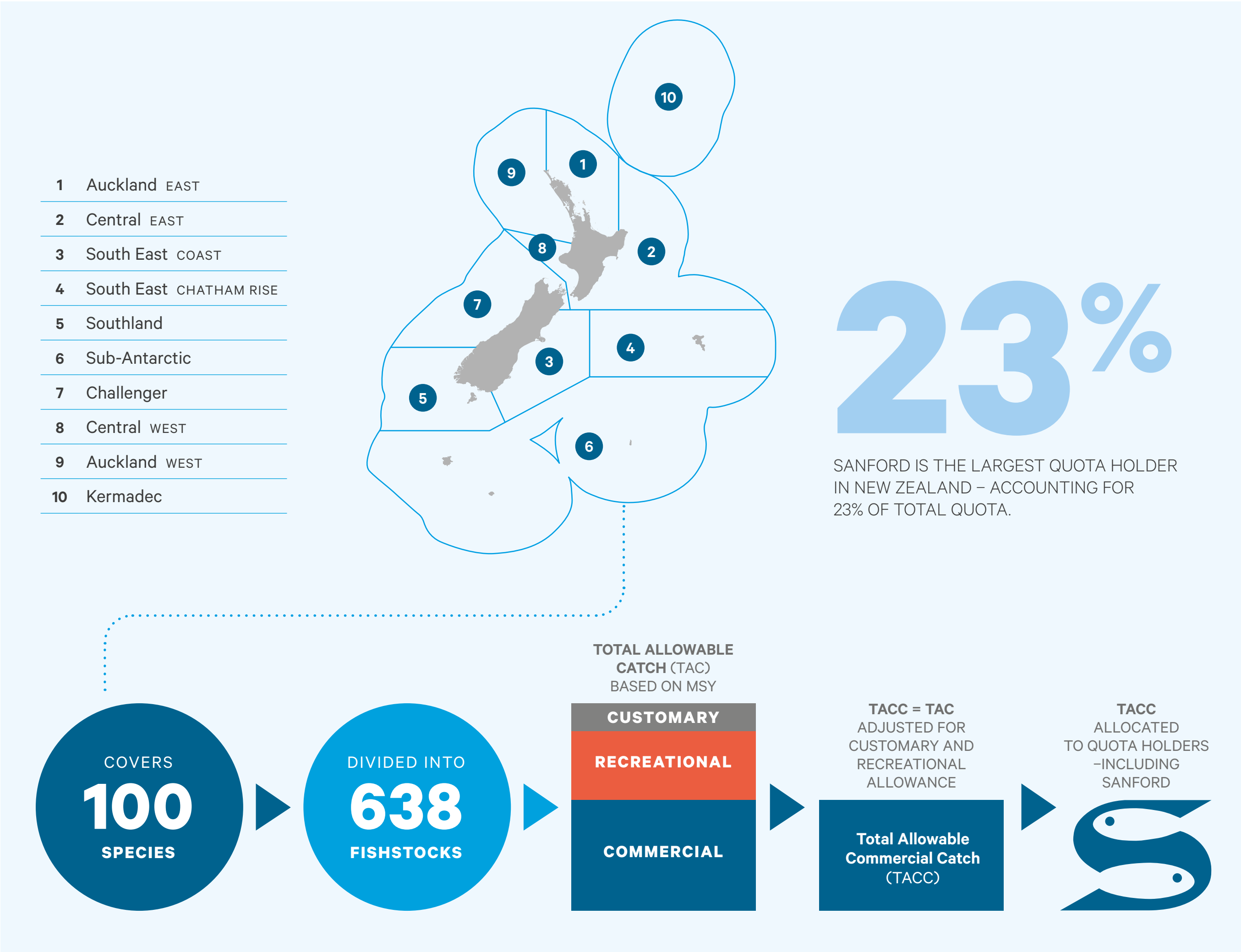
While we are conscious of our role and responsibility as an industry leader, we recognise that we share the sea and its surrounds with others. During the year we have been engaged in important discussions associated with the impact of seabed mining operations and the shared management of our inshore snapper fishstocks.

QUOTA MANAGEMENT

New Zealand's Quota Management System (QMS) was established in 1986 in order to manage the commercial fishstocks included in New Zealand's Exclusive Economic Zone (EEZ). As a management system to support sustainable harvesting, the QMS is considered world class.

The QMS is responsible for ensuring that fishstocks are maintained at or above the level that produces the maximum sustainable yield (MSY). This is calculated by taking into account the fishstocks productive capabilities and the population dynamics and migratory factors that may affect the stock.

The MSY of each of the 638 fishstocks captured by the QMS is used to calculate the total allowable commercial catch (tonnes) which is then allocated to each quota holder based on their quota share in that fishstock.



Quota Holders – Top 10 Quota owners as at 1 October 2014

	2014 (%)	2013 (%)
Sanford Limited	22.82	23.10
Pupuri Taonga Limited	20.46	19.89
Talley's Group Management Limited	13.28	13.11
Independent Fisheries Holdings Limited	8.46	8.28
Vela Quota Number One Limited	4.30	4.27
KPF Investments Limited	2.24	2.26
Ngai Tahu Fisheries Limited	1.98	2.01
Te Ohu Kai Moana Trustee Limited	1.64	1.69
Aotearoa Fisheries Limited	1.52	1.48
Solander Developments Limited	1.19	1.16
All Others	22.09	22.75

Source: New Zealand Seafood Industry Council Limited

A full table detailing quota quantity and stock sustainability of species in which we have an interest is available on our website. **www.sanford.co.nz**

ENABLER 3. CONTINUED

SHARING NATURE'S RESOURCES

Interview with Sanford Industry Liaison Manager, Alison Undorf-Lay

Q Making sure fishstocks are sustainably managed is important for all users of the ocean's resources. How do the current mechanisms help ensure we can all enjoy a feed of fish?

The ocean is not only the place where we work and make our living, it is also where many New Zealanders go to have fun and to catch a feed of fish. Each managed fish species has an annual catch limit which is shared between commercial, recreational and customary fishers. Commercial catch details are closely monitored through the Quota Management System (refer to previous page). Recreational fishers have catch limits but there is limited information on their catch as there is no requirement to report. There is a lot of science involved in estimating biomass and fish stock that feeds into the overall management of shared fishery resources.

Q A lot of attention and public concern seems to be on the inshore snapper fishery. Why is that?

Yes, there has been a lot of debate about the Snapper 1 (SNA1) fishery – it is the largest and most valuable inshore finfish fishery in New Zealand and a large number of recreational fishers enjoy catching snapper in the Hauraki Gulf (part of the SNA1 fishery). Concern has been raised about the level of commercial catch and potential changes to allocation levels between commercial and recreational fishing. The debate has been understandably emotional – snapper fishing is a big part of many New Zealanders enjoyment of the sea. However, there has unfortunately been some incorrect information about the state of SNA1 and the impact of commercial fishing.

Q What is the current status of the Snapper 1 fishery?

The fishery is well managed and scientific evidence indicates that the stock is growing and in good health. The fishery has already met a 20-year biomass target which was set in 1997. The science has highlighted that snapper numbers are continuing to increase and catch data shows the numbers of mature fish are abundant. Although positive, continued information and research is required. For instance, better data on recreational fish numbers and numbers of under-sized or juvenile fish returned by commercial and recreational fishers would significantly add to our understanding.

Q How does the fishing industry ensure it is playing its part in sharing this important resource?

The industry is committed to constructive engagement with the public about the state of the resource and our collective impacts. We all share a love of the ocean and fishing and are committed to a sustainable future for all users. We have formed a working group called SNA1 Commercial which has agreed to a suite of measures to safeguard and enhance snapper stocks. These include a voluntary move-on rule when areas with a high percentage of small fish are encountered, reporting of the numbers of undersize fish caught and returned and installing vessel tracking systems. We are also investing heavily in technology – a great example is the Precision Seafood Harvesting (PSH) technology (refer page 52). This is a huge change in fishing technology, enabling a reduction in mortality rates in unintended catch as all fish can be landed live, unharmed and undersize fish and by-catch can be reduced through selectivity devices in the technology.

OCEAN MINING – CHATHAM RISE

The sustainability of our raw materials is central to our business model. We do not expect or require exclusive rights to the ocean's resources, however where we believe proposed activities could have negative biological and ecosystem repercussions that will affect fisheries, we will speak out. This is the case in relation to the Chatham Rise and the application to mine phosphorite from this very significant area of ocean space to the East of New Zealand.

The Chatham Rise is a very productive and vibrant biological area with many deepwater fishstocks inhabiting that ecosystem at some stage of their life cycle – whether as a spawning ground, a nursery area for juvenile fish or as a habitat for larger fish.

As a commercial fishery, the Chatham Rise is an exceptionally important area with significant economic value to Sanford. All Sanford deepwater vessels fish at some time of the year on the Chatham Rise.

The mining application is currently being heard by the Environmental Protection Authority (EPA). Sanford has submitted on this application and is opposed. We are not confident that the interdependence of the fishery and supporting ecosystems are sufficiently understood in order to protect it and our existing use rights effectively.

We are closely monitoring developments in this application.

PROTECTED SPECIES AND INCIDENTAL CATCH

While accidental by-catch is an unfortunate consequence of our industry, we are very serious about reducing our impact as much as possible. We are constantly promoting awareness, making alterations and trialling different methods to try and reduce incidental catches and death rates. The New Zealand seafood industry's development of SLEDs (refer page 48) and Precision Seafood Harvesting (refer page 52) are examples of innovation that address this issue.

Due to our continued mitigation efforts, the mortality rate from incidental catches of marine mammals has reduced by 22% over last year, and the total for seabirds has significantly dropped by 34%.

34%

SEABIRDS INCIDENTAL CATCH MORTALITY RATE DROPPED BY 34% THIS YEAR

22%

MARINE MAMMALS INCIDENTAL CATCH RATE DROPPED BY 22% THIS YEAR

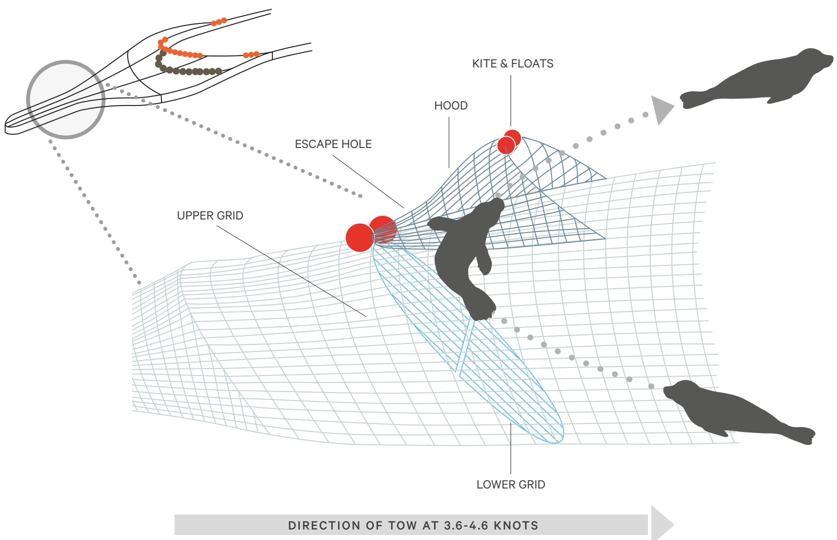
ENABLER 3. CONTINUED

SEA LION PROTECTION

Sea lions are a category of protected species by-catch that we record and monitor. Trawl nets occasionally kill sea lions when they become curious and enter the nets and find themselves unable to escape. Industry responded to this problem by agreeing to a range of conservation measures including a 12 nautical mile marine reserve around the Auckland Islands (an important sea lion breeding ground) and the development of sea lion exclusion devices (SLEDs).

SLEDs are solid stainless steel grids inserted into the trawl net. The escape hole remains open during fishing providing an opportunity for the sea lion to escape unharmed when they encounter the grid. Scientific observations have proven that SLEDS direct the majority of sea lions out of the net however a small number of sea lions are still caught and are recorded as protected species by-catch.

Sea Lion Exclusion Device - SLED



SHARK POLICY

In response to the level of global concern associated with shark finning, the Ministry for Primary Industries (MPI) has made it illegal (from 1 October 2014) for a commercial fisher to remove the fins from any shark and discard the trunk at sea.

In September 2013 we released our Shark Policy, which gives effect to the National Plan of Action on Sharks. We will maintain full legal compliance and remain within the sustainable fishing levels dictated by the QMS (11 species of shark are currently included under the QMS). Additionally, we always uphold animal welfare legislation and do not condone cruel practices such as live finning under any circumstances.

A copy of our Shark Policy is available on our website.
www.sanford.co.nz

During March I was privileged to take part in the Project Jonah Mammal Medic Training scheme sponsored by Sanford. Not only did the training provided give us the skills to help rescue marine mammals, it gave us the opportunity to further develop our team and encourage great teamwork.

DAVE CAWDRON
LOGISTICS MANAGER

PROJECT JONAH

Project Jonah is a registered charity with a focus on the protection and recovery of marine mammals. Sanford supports Project Jonah and provides the opportunity for our staff to attend their marine mammal medic training course. During March and April, over 30 Sanford staff volunteered to support this good cause.

Targets for 2015

- Engage with New Zealand's Deepwater Group to achieve Marine Stewardship Council (MSC) sustainability certification for all deepwater species in our EEZ
- Continue support of Southern Seabird Solutions including management representation
- Perform Marine Mammal Medic Training when available at all relevant Sanford locations
- Promote and encourage fishery improvement projects for key species
- Actively engage in Snapper 1 Commercial working group

ENABLER 4.

Operational Capability and Capacity

Sanford's operational capability and capacity relates to the scale of our operations, the quality and efficiency of our infrastructure, the strength of our collaboration and the effective application of research and technology.

Material issues covered in this section:

- Pollution
- Climate change impacts

OPERATING MODEL AND BUSINESS CHANGES

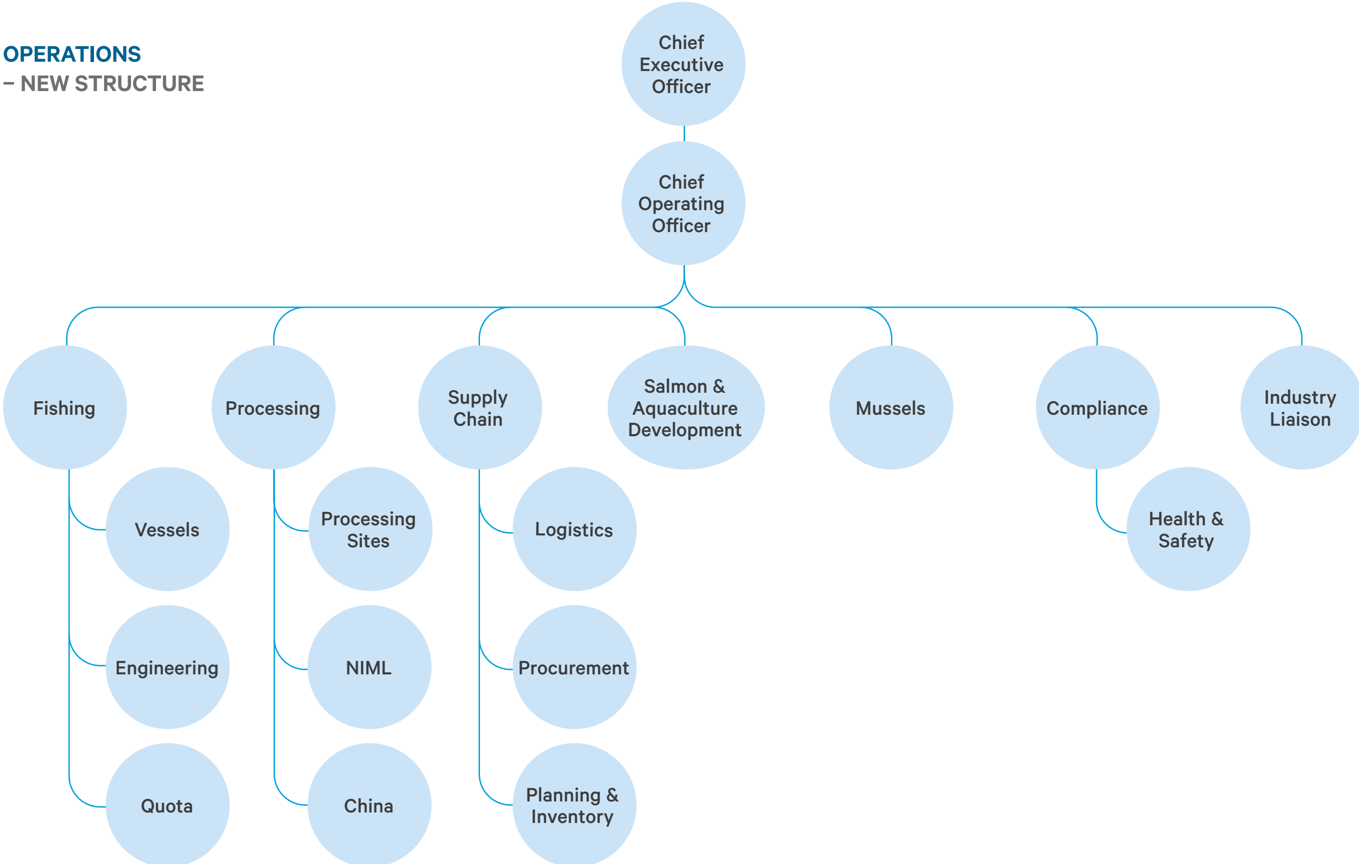
To set Sanford up for future growth, a significant realignment of our operating structure commenced during the year. This process was extensive and involved engagement across all operations. Due to the change, a number of new roles were created, including management positions in the areas of engineering, supply chain, innovation and brand development. Refer to page 14 for a summary of the new Sanford management structure.

In terms of the operations side of the business we have separated the operational focus on fishing, farming and processing, and added additional roles in logistics, planning and inventory management. A summary is illustrated on the following page. This refreshed structure and focus should set us up well for future growth.

Looking forward the Company is well placed to build on a very solid foundation of excellent access to raw materials, professional staff and the opportunity to add additional value and productivity to our harvest. A review of the Company's catching capacity and configuration is required due to the age of our fleet, product type demanded from the market and increasing quotas in a range of species. Aquaculture will continue to grow in both value and volume as we continue developing the unused water space we own and further explore business opportunities in the aquaculture arena. We also expect significant value to be gained through an increased focus on supply chain logistics.

GREG JOHANSSON
CHIEF OPERATING OFFICER

OPERATIONS
– NEW STRUCTURE



BUSINESS CHANGES AND FLEET MANAGEMENT

Sanford operates 47 vessels and 210 aquaculture farms.

In May we purchased the assets of Greenshell NZ Limited from the receivers and employed its 15 Coromandel-based employees. During the past 5 months we have been integrating this business into the Sanford aquaculture family and this is progressing well.

The other significant change saw the sale of the Ocean Breeze in June, reducing the number of our Pacific tuna vessels to two.

Capital upgrades to the San Nikunau and San Nanumea over recent years were undertaken to ensure the reliable operation of these vessels. In July, the San Nikunau had to return to New Zealand for repairs to the main engine gearbox. As a result, we decided to bring forward the intermediate out-of-water survey which took the vessel out of operation for the remainder of the year.

In May, a vessel belonging to Perna Contracting, a joint operation, grounded in Golden Bay. Following the incident, we undertook major repairs to the vessel to bring it back into service and improve its capacity.

	2014	2013
Inshore Vessels	13	13
Deepwater Vessels	10	10
Pacific tuna Vessels	2	3
Foreign Charter Vessels	3	4
Aquaculture Vessels	19	19
Salmon Farms	2	2
Mussel Farms	208	206

47
VESSELS

210
AQUACULTURE FARMS

ENABLER 4. CONTINUED

CULTURE OF CONTINUOUS IMPROVEMENT

Over the last two years we have successfully implemented our Culture of Continuous Improvement (CCI) programme across the inshore operations and more recently to the aquaculture operation. The intention of the initiative is to make innovation and the generation of ideas everyone's responsibility.

To date we have had over 160 CCI projects that have generated approximately $2m projected savings. This is a great result and these ideas are making our business smarter and more efficient.

$2m

TO DATE WE HAVE HAD OVER 160 CCI PROJECTS THAT HAVE GENERATED APPROXIMATELY $2M PROJECTED SAVINGS.

This year we introduced Culture of Continuous Improvement (CCI) to our aquaculture processing sites and more recently to our farming operations. This initiative has been well received in all areas, with good buy-in from all involved. Already, good ideas for improvements are being generated vertically through our operations. The challenge for the coming year is to continue the momentum generated in the first year and embed the culture change within our organisation.

TED CULLEY
AQUACULTURE MANAGER

RESEARCH AND TECHNOLOGY

Building a culture of innovation across the organisation is one of our key strategic objectives. This means we must accelerate the uptake of technology in our business, and support research and collaboration to improve production and efficiency. To help embed this culture in the coming year we intend to establish KPIs in relation to research and development and benchmark performance.

PRECISION SEAFOOD HARVESTING

NEW ZEALAND INNOVATOR OF THE YEAR SUPREME AWARD WINNER

Precision Seafood Harvesting (PSH), a revolutionary fishing method, was presented with the Supreme New Zealand Innovator Award, chosen from all categories and given to the best overall entry. PSH also won the Innovation in Sustainability and Clean Tech Award.

PSH is intended to enhance the sustainability and value of commercial fish harvesting operations.

Sanford, Sealord and Aotearoa Fisheries have joined in a Primary Growth Partnership (PGP) project with the New Zealand Government to develop the new technology. The seafood industry is committing $26m to the innovation, which is being matched by the Government. By 2025, the project is expected to contribute almost $44m to the economy annually.

The PSH technology allows for improved fishing returns and enhanced fishery management. A large PVC liner with 'escape portals' allows undersized fish to escape unharmed and lands fish alive. This allows us to provide fresher, more sustainable fish for customers.

With its breakthrough technology, PSH has received a great deal of industry acclaim – along with the Supreme New Zealand Innovator Award, it won two major categories at the KiwiNet Awards.

THE WINNER OF THE SUPREME NEW ZEALAND INNOVATOR AWARD AND TWO CATEGORIES AT THE KIWINET AWARDS

Multi-award winning

Greg Johansson, Sanford's Chief Operating Officer, believes that the new technology is just the start of a more sustainable industry and will lead to opportunities to further enhance fishing practices. He also believes these improvements will have significant flow on effects, not just for the fishing grounds, but for the whole industry. They will increase the value of all New Zealand seafood products when the global markets realise the progress towards more environmentally-friendly seafood harvesting.

SPATnz

The New Zealand mussel industry has always been reliant on wild-caught spat, resulting in an uncertainty of supply quantity and quality. Shellfish Production and Technology New Zealand Limited (SPATnz) is a Sanford subsidiary aimed at addressing this challenge through a selective breeding programme. Sanford and the Government have each committed $13m over the 7-year life of this programme.

The project commenced in November 2012, and the first spat are scheduled to be produced from the pilot-scale hatchery in 2015. Once the programme is fully operational, there is potential for it to contribute up to $193m to GDP annually.

The successful outcome from this project will create a step change for the mussel industry, promising significant environmental and economic benefits, while ensuring a consistent supply of high quality mussels to meet global customer demands.

ONCE THE PROGRAMME IS FULLY OPERATIONAL, THERE IS POTENTIAL FOR IT TO CONTRIBUTE UP TO $193M TO GDP ANNUALLY

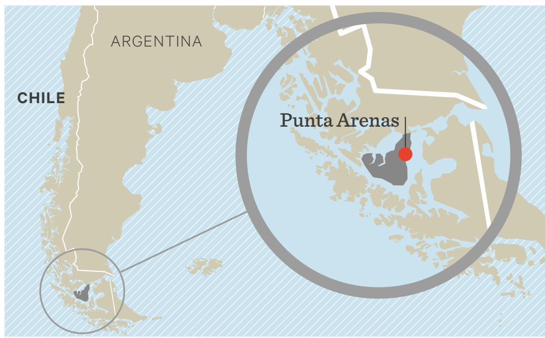
$193m

RELATIONSHIPS

An important enabler of our future growth will be the constructive collaboration with other industry players as well as organisations outside the seafood sector. Sanford is already an active member of seafood industry organisations within New Zealand and overseas, however as we look to enhance our brand and move into new markets we will need to broaden and deepen these relationships. An example of where we do this well is with our Iwi Collective Partnership (ICP).

During the year we continued to extend our relationship with ICP and supported three ICP-Sanford scholarships during 2013. Raymond Tana (Ray) was one of our recipients and is an example of ways we are working together to create benefits for ICP, for Sanford and for the seafood industry as a whole.

We invited Ray to write a paper on the life history of Antarctic toothfish and present his analysis to the NZ Aquatic Science Working Group for peer review. After a positive review, we sponsored his participation on the New Zealand delegation that attended the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) fisheries managers' annual Working Group on Statistics, Assessments and Modelling in Punta Arenas, Chile.



The ICP partnership with Sanford enabled me to attend a fisheries science meeting on Antarctic toothfish in Punta Arenas (Chile). The scholarship also gave me the opportunity to visit fisheries and oceanography scientists doing similar research to my own at the University of Concepcion (Central Chile), and University of Los Lagos (Puerto Montt, Southern Chile).

RAYMOND TANA
WHAKAPAPA THROUGH HIS GRANDMOTHER TO TE RUNANGA O TE RARAWA, ICP SCHOLARSHIP RECIPIENT.

ENABLER 4. CONTINUED

IMPROVING OUR ENVIRONMENTAL PERFORMANCE

Although every effort is made to avoid pollution associated with our operations, we do occasionally inadvertently spill diesel or other contaminants into the marine environment. We continue to be transparent in reporting our spills and we provide training, practice emergency drills, perform systems audits and develop prevention plans with a focus on our goal of zero spills to the environment.

During 2014, there was a total of 4 spills (2013: 7), which equated to approximately 65 litres (2013: 218 litres). As a comparison, total fuel usage on our vessels was approximately 24m litres. Once again we are encouraged by our efforts to minimise our total spills with a 70% reduction from the previous year.

70%

A 70% REDUCTION IN TOTAL SPILLS FROM THE PREVIOUS YEAR.

DATE	VESSEL	CAUSE	TYPE	LOCATION	APPROXIMATE AMOUNT (LITRES)
November 2013	San Aspiring	Human Error	Diesel	Timaru	4
November 2013	San Aotea II	Fitting failure	Hydraulic Oil	Timaru	38
April 2014	Ocean Breeze	Fuel overflow	Diesel	Whangarei	20
April 2014	San Colville	Pipe corrosion	Diesel	Auckland	3
				2014 total:	**65**
				2013 total:	**218**

During the current year, we made changes in relation to fuel management practices, ensuring scuppers are plugged whilst in port to mitigate the risk of environmental damage should a spill occur on-board. In addition, procedures around Contractor Management were updated to ensure there is a lock out / tag out system in place for any work being carried out where fluids are involved and ensure proper containment processes are in place.

INFRINGEMENTS AND PROSECUTIONS

In December 2013 the owners of a vessel chartered to Sanford pleaded guilty to two charges under the Maritime Transport Act 1994. The charges were against the owners of the Pacinui and were for a) discharging a harmful substance into the sea in a manner other than in accordance with maritime protection rules, and b) failing to report the discharge of a harmful substance to the authorities. As stated, the vessel owner, Juham Industries Co Ltd pleaded guilty to the charges and received fines totalling approximately $37,000.

CLIMATE CHANGE IMPACTS

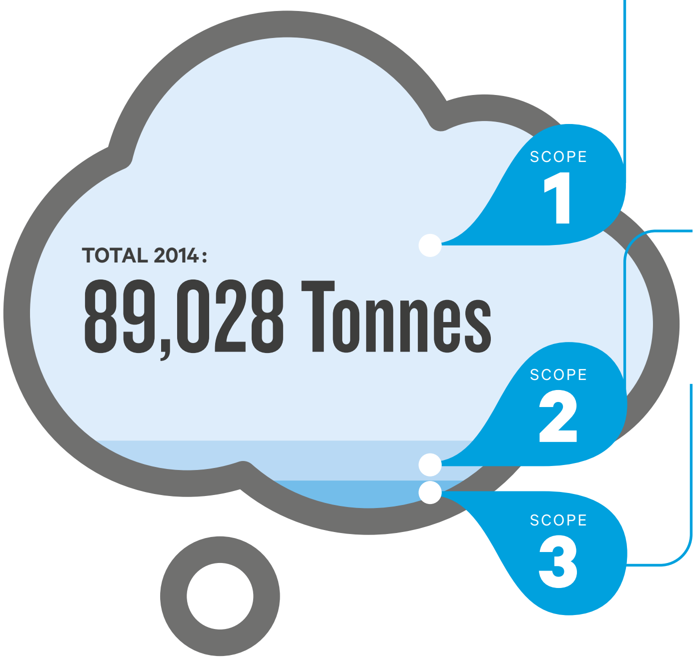
Although we are not subject to any specific emission related regulations or policies, climate change remains one of the greatest challenges of our time. The impacts of climate change have the potential to dramatically affect our industry, particularly in relation to marine species and the changes resulting from ocean acidification. In order to be the best seafood company in the world we need to recognise that our operations have an impact, measure this and put in place initiatives to manage and reduce these over time. In order to ensure accuracy and consistency, our Greenhouse Gas (GHG) information is collated through a standardised reporting tool used across the business. This tool is also used to support our ISO 14001 accreditation process.

As illustrated in our GHG inventory, emissions relating to coal increased with double the throughput of fishmeal into the Timaru fishmeal plant. Refrigeration use increased with the refilling of the new Timaru coldstore, and our primary climate change impact relates to the use of fuels in our fishing vessels. During the current year our total emissions reduced due to significant reductions in diesel use by our vessels and an overall 7% reduction in fuel use.

7%

OVERALL REDUCTION IN FUEL USE

Greenhouse Gas Inventory



DIRECT EMISSIONS (t)	2014	2013
Coal	1,589	844
Liquid fossil fuels	66,519	71,312
Natural gas	362	394
Refrigerants	13,084	9,439
TOTAL SCOPE 1	**81,554**	**81,989**

SCOPE 1 activity data based on invoiced use of relevant fuel source

PURCHASED ELECTRICITY (t)	2014	2013
Electricity used	5,049	4,995
TOTAL SCOPE 2	**5,049**	**4,995**

SCOPE 2 activity data based on invoiced electricity

OTHER INDIRECT EMISSIONS (t)	2014	2013
Line losses – electricity	468	463
Line losses – gas	43	47
Waste to landfill	1,314	1,971
Other (Air Miles, Rental Cars)	601	616
TOTAL SCOPE 3	**2,425**	**3,096**

SCOPE 3 activity data based on a combination of invoices and reasonable estimation as follows: electricity and gas line losses from invoiced totals; travel incurred reflects travel invoiced during the period; waste to landfill based on reasonable estimations of bin weights based on invoiced totals

Notes:

All six Kyoto greenhouse gases are included in the calculation as appropriate

Emission factors based on the most recent Ministry for the Environment guidelines

Greenhouse Gas Emissions for 2013 have changed due to the use of updated emission factors

All data collated in standardised environmental data template from operations where Sanford has operational control

2013 has been used as a baseline to compare year on year data

2013 data has been updated based on implementation of new data collection tool

ENERGY SAVINGS

In terms of energy, our biggest electricity user is refrigeration units. During the year we worked with EECA to see what support was achievable in order to reduce our impact in this area and undertook an assessment at our Auckland and Tauranga sites. The audit identified savings that could be made in Tauranga including LED lighting within the coldstore and wet room and a roller door on the coldstore. These changes will be made over the next 12 months with expected energy savings of approximately 390,000 kWh.

CLIMATE CHANGE AND OCEAN ACIDIFICATION

Ocean water becomes more acidic when it absorbs carbon dioxide, this creates a risk to the marine environment and the sustainability of our business.

Ted Culley, Sanford Aquaculture Manager, attended a workshop initiated by the NZ government to study the needs of aquaculture in this changing environment. Along with a group of scientists, officials, other industry farmers from New Zealand and the United States, they discussed emerging issues, raised awareness and exchanged information relevant to addressing the challenge of ocean acidification.

Although we are geographically isolated and yet to see the full impact of ocean acidification, Ted Culley notes the importance of good baseline data and ongoing monitoring programmes. We continue to collaborate with the United States when required to develop effective monitoring programmes, collect data and find solutions to this challenge.

TARGETS FOR 2015

- Complete internal environmental auditing training
- Implement KPIs associated with environmental monitoring by 2015
- Raise awareness of environmental stewardship within the CCI programme
- Review fleet/catching configuration for greater efficiency

ENABLER 5.

Consumers and Market Access

As we continue our journey to become the best seafood company in the world, our brand must be synonymous with safe, high quality food. With increasing consumer and regulatory focus, our efforts in this area require constant attention and continual improvement. To create differentiation in the market, Sanford must be attuned to customer trends and be innovative in how we extract value from our beautiful, natural raw material.

Material issues covered in this section:

- Traceability and transparency of product
- Customer relationships
- Food safety and quality

Recent food safety scares have heightened the interest of local and international regulators in relation to food safety and quality issues. In particular we have noticed:

- Increased focus by customers and regulatory authorities on the hygienic design of processing facilities and equipment
- Additional microbiological testing requirements in some markets (e.g. Customs Union)
- More sophisticated labelling regulations for product destined for the European Union

Developing quality and food safety systems that meet these requirements and can adapt to changing customer expectations is a constant challenge for Sanford's 28-strong quality team. All of our products, are manufactured in accordance with strict policies, requirements and specifications outlined in our Risk Management Programme. This helps ensure consistent quality and compliance with the Ministry for Primary Industries (MPI) Seafood Code of Practice.

TRACEABILITY AND TRANSPARENCY

Consumers are increasingly making purchasing decisions based on the source and provenance of products. There is an expectation that products should be traceable and that the product's source and constitution is communicated to customers through clear and honest labelling.

Each product finished in a Sanford processing site includes the following minimum traceability details:

1 | Fishing area

2 | Fishing trip

3 | Lot (batch) number

4 | Net weight

5 | Producer name

6 | Product code (includes size grade and quality grade)

7 | Production date

We capture this information through our lot/batch numbering system and track it through each processing stage. Details of our batches and records of sales are recorded in our WisePeripherals inventory management system. These details are accessible through the batch number process.

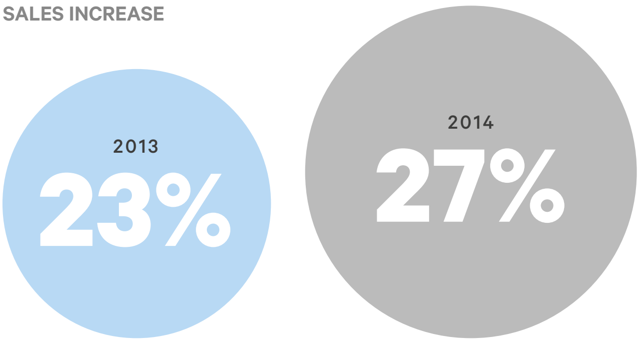
MARINE STEWARDSHIP COUNCIL (MSC)

An important element in telling our sustainability and transparency story is the Marine Stewardship Council (MSC) certification of our wild-capture fisheries. MSC certification provides a scientifically robust standard for assessing whether fisheries are ecologically sustainable and well managed.

During the year we had New Zealand ling and hake confirmed as MSC certified, taking the total number of our New Zealand based certified fisheries to five, in addition to the other two MSC certified fisheries we participate in (Ross Sea and South Georgia).

Based on this year's figures, MSC certified sales by value has increased to 27% (2013: 23%); these figures have been updated to reflect actual sales relevant to wild-caught species and excludes aquaculture. The orange roughy fishery is currently under assessment.

MSC CERTIFIED:
SALES INCREASE



MSC CERTIFIED

NEW ZEALAND FISHERIES:

- New Zealand hoki
- Southern blue whiting
- New Zealand ling
- New Zealand hake
- Albacore

CERTIFIED SUSTAINABLE SEAFOOD MSC www.msc.org

OTHER FISHERIES:

- Patagonian toothfish
- Antarctic toothfish

THE PRODUCT DEVELOPMENT TEAM OF ANDREW STANLEY, MORGAN BURKETT, ROBERT LETHBRIDGE AND SABRINA TIAN UNDERTAKING RESEARCH AT THE FOODBOWL.

CUSTOMER RELATIONSHIPS

Sanford has a number of long-term customer relationships, but is constantly building and extending new relationships as well as making sure all our customers receive a consistently high standard of product and service. We receive customer feedback on an ongoing basis which is communicated to our management team in weekly management meetings. This allows all sites to respond and take a consistent approach to dealing with feedback.

Increasing value

Investment in innovation creates a significant opportunity to increase sales and improve profitability by adding value to our activities and by ensuring the maximum possible return from our natural resources.

Continuous renewal of existing products and creation of new products is a core element of Sanford's innovation strategy. Exciting work is underway in a wide range of areas where value is created for both Sanford and its customers.

Sanford has partnered with the The FoodBowl to progress a range of seafood derived by-product processing opportunities with a view to commercialisation in the short to medium term. The FoodBowl facility not only offers a location to carry out pilot plant work but also provides a convenient and efficient service for process and system development.

ENABLER 5. CONTINUED

We continue to operate a Zero Fish waste policy by sending all scraps to fishmeal, but are increasingly looking to higher value options, including nutraceuticals, pet foods and fertilisers.

A good example of our culture of innovation during the year was tapping into the US$50 billion pet food market by turning our fish fins, tails and mussels into canine and feline products. The natural basis for these products is increasingly attractive to the United States market.

These innovative product ideas include:

- Blue mussel cat treats
- Salmon fin dog treats
- Salmon dog treats
- Greenshell mussel dog treats

The real thing I'm going away with from here is the passion with which people are doing this and their spinoffs. It's not just mussels, it's also the technology behind it and innovation used to create other products.

GOVERNOR-GENERAL SIR JERRY MATEPARAE

FOOD SAFETY AND QUALITY

Increasingly, our customers and markets are focusing on food safety, quality and traceability - they deserve to receive products that they can trust. Before going to market, all of our products go through multiple stages of assessment by our dedicated quality team. This reflects our deep commitment to consistently produce quality products and drive a culture of excellence.

DAVID JONES
GROUP QUALITY MANAGER

Consistently producing safe, quality products is of the utmost importance to our Company. We consider all staff to be part of the quality team and product inspections take place through each stage of the process flow. This involves, as a minimum, temperature monitoring and sensory evaluation. Our quality team further assesses our product through a Product Quality Index (PQI). The PQI scores our product against the required specification and indicates if it should be reworked or released for sale. The PQI allows us to monitor our performance and highlights areas for improvement.

The British Retail Consortium (BRC) is a globally recognised standard for the production, packaging, storage and distribution of safe food and consumer products. Our Christchurch site has been certified to the BRC food safety standard since March 2011 and we continue to use BRC as a best practice benchmark to further improve the standards of our other sites.

A key element of our quality control and food safety systems is comprehensive and consistent internal and external testing. Our testing approach is summarised in the table on the following page.

Product Testing

PRODUCTS	EXTERNAL LABORATORIES	INTERNAL
Greenshell Mussels	Microbiological – Daily testing for pathogens Biotoxins – growing areas tested weekly Other: As per market requirements (e.g. heavy metals)	Finished product quality assessed for each production period In process product quality checks – frequency proportional to volume
Fish	Microbiological – As per customer and regulatory requirements Other: As per market requirements (e.g. heavy metals)	Finished product quality assessed for each production period In process product quality checks – frequency proportional to volume

COMPLIANCE AUDITS

When an issue is detected, depending on the timeline, products may need to be recalled from distribution or customer networks. Sanford operates a product recall system that meets the requirements of MPI guidelines. These require that the products are able to be traced back to origin (e.g. marine farm or fishing trip). We had no product recalls in this reporting year (2013: 0).

We are also subject to a range of external audit requirements, covering process, management systems, testing and export requirements. All of our New Zealand processing sites are certified to ISO 14001 (Environmental Management Standard) and undergo audits for customers (BRC, MSC) and the Ministry of Primary Industries. During the year we were subject to 67 external audit examinations.

TARGETS FOR 2015

- Maintain existing export certifications for all of our sites, work with MPI to improve factory hygienic design and hygienic work practices
- Increased product testing to verify our food safety systems
- Continued quality management and food safety system development to meet international and customer expectations
- Investigate software systems to improve service delivery to internal and external customers
- Training and resourcing of the quality compliance teams

GRI INDEX

General Standard Disclosures

GENERAL STANDARD DISCLOSURES	DESCRIPTION	PAGE NUMBER	EXTERNAL ASSURANCE:
Strategy and Analysis			
G4-1	Statement by Chair and CEO	Chairman' Review and Directors' Report, pg. 11; CEO Review, pg. 13	Yes
Organizational Profile			
G4-3	Name	Sanford Limited	Yes
G4-4	Operations	Fishing, fish processing and aquaculture. Refer Our Global Operations, pgs. 20-21	Yes
G4-5	Head Office	Auckland, New Zealand	Yes
G4-6	Locations	Refer Our Global Operations, pgs. 20-21	Yes
G4-7	Legal form	Listed New Zealand limited liability company	Yes
G4-8	Markets and customers	Our Global Operations, pgs. 20-21	Yes
G4-9	Scale of operation	Our Global Operations, pgs. 20-21; Economic Performance, pg. 32; People and Safety, pg. 39	Yes
G4-10	Workforce	People and Safety, pgs. 38-40	Yes
G4-11	Collective agreements	People and Safety, pg. 39	Yes
G4-12	Supply chain	How We Create Value, pg. 18	Yes
G4-13	Business changes	Operational Capability and Capacity, pg. 51	Yes
G4-14	Precautionary principle	Not specifically referenced but reflected in approach to risk management, pg. 29	Yes
G4-15	Charters	No charters endorsed	Yes
G4-16	Memberships	Corporate Governance, pg. 30	Yes
Identified Material Aspects and Boundaries			
G4-17	Organisation	Subsidiaries – refer statutory financial statements; Scope – refer pg. 6	Yes
G4-18	Report content	Reporting what Matters, pgs. 22-24	Yes
G4-19	Material issues	Reporting what Matters, pgs. 22-24	Yes
G4-20	Scope	Material issues cover all Sanford entities unless noted	Yes
G4-21	Scope	Boundary – refer pg. 6; pg. 24	Yes
G4-22	Restatements	Refer pg. 6	Yes
G4-23	Changes	No significant changes in Scope. Material issues amended, refer pg. 24	Yes
Stakeholder Engagement			
G4-24	Stakeholders	Reporting what Matters, pgs. 22-24	Yes
G4-25	Stakeholders	Reporting what Matters, pgs. 22-24	Yes
G4-26	Stakeholders	Reporting what Matters, pgs. 22-24	Yes
G4-27	Stakeholders	Reporting what Matters, pgs. 22-24	Yes
Report Profile			
G4-28	Report period	1 October 2013 to 30 September 2014	Yes
G4-29	Last report	Sustainable Development Report issued December 2013	Yes
G4-30	Reporting cycle	Annual	Yes
G4-31	Contact	Queries or comments, please email info@sanford.co.nz	Yes
G4-32	GRI Compliance	Core	Yes
G4-33	Assurance	Refer pg. 6; pgs. 62-63	Yes
Governance			
G4-34	Governance	Corporate Governance, pgs. 26-30	Yes
Ethics and Integrity			
G4-56	Ethics and values	Values – refer pg. 15; Ethics – refer pg. 30	Yes

Specific Standard Disclosures

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER	EXTERNAL ASSURANCE
CATEGORY: ECONOMIC			
Material Aspect: Economic Performance			
G4-DMA	Approach	Economic Performance, pgs. 32-37	Yes
G4-EC1	Economic value	Economic Performance, pgs. 32-37	Yes
CATEGORY: ENVIRONMENTAL			
Material Aspect: Biodiversity			
G4-DMA	Approach	Sustainable Raw Materials, pgs. 44-49	Yes
G4-EN12	Impacts	Sustainable Raw Materials, pgs. 44-49	Yes
Material Aspect: Emissions			
G4-DMA	Approach	Climate Change Impacts, pgs. 54-55	Yes
G4-EN15	Scope 1	Climate Change Impacts, pgs. 54-55	Yes
G4-EN16	Scope 2	Climate Change Impacts, pgs. 54-55	Yes
G4-EN17	Scope 3	Climate Change Impacts, pgs. 54-55	Yes
Material Aspect: Effluents and Waste			
G4-DMA	Approach	Improving Environmental Performance, pg. 54	Yes
G4-EN24	Spills	Improving Environmental Performance, pg. 54	Yes
CATEGORY: SOCIAL SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK			
Material Aspect: Employment			
G4-DMA	Approach	People and Safety, pg. 38	Yes
G4-LA1	Hires and turnover	People and Safety, pg. 40	Yes
Material Aspect: Occupational Health and Safety			
G4-DMA	Approach	People and Safety, pgs. 38, 41-42	Yes
G4-LA7	Diseases	People and Safety, pg. 42	Yes
Material Aspect: Training and Education			
G4-DMA	Approach	People and Safety, pgs. 38, 43	Yes
G4-LA9	Training	Report training credits as a proxy for hours - refer People and Safety, pg. 43	Yes
SUB-CATEGORY: SOCIETY			
Material Aspect: Local Communities			
G4-DMA	Approach	Adding Value to Local Communities, pg. 36	Yes
G4-SO1	Programmes	Adding Value to Local Communities, pgs. 23, 36	Yes
Sector Specific: Animal Welfare			
G4-DMA	Approach	Sustainable Raw Materials, pgs. 44-49	Yes
G4-FP13	Methods	Sustainable Raw Materials, pgs. 44-49 (Protected Species, Shark Policy)	Yes
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
Material Aspect: Customer Health and Safety			
G4-DMA	Approach	Consumers and Market Access, pgs. 56-59	Yes
G4-PR2	Non-compliance	No product recalls during the year	Yes
G4-FP5	BRC certification	Christchurch site manufactures 2.66% of total production volume, refer pg. 58	Yes
Material Aspect: Product and Service Labeling			
G4-DMA	Approach	Consumers and Market Access, pgs. 56-57	Yes
G4-PR3	Information Required	Consumers and Market Access, pgs. 56-57	Yes

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF SANFORD LIMITED

KPMG

We were engaged by the Board of Directors of Sanford Limited ("Sanford") to perform a limited assurance engagement in relation to Sanford's Annual Report for the year ended 30 September 2014 ("the Report").

Our assurance engagement involves providing a limited assurance conclusion as to whether anything has come to our attention that causes us to believe that:

- The "Selected Sustainability Information", as defined below, has not been prepared in all material respects in accordance with the Global Reporting Initiative ("GRI") G4 reporting principles and guidelines; and
- The self-declared GRI 'in accordance' assertion made on page 7 of the Report does not comply in all material respects with the relevant GRI G4 requirements.

SELECTED SUSTAINABILITY INFORMATION

The "Selected Sustainability Information" covers the collation and presentation of the significant indicators and claims made in the Report under the following sections:

- Reporting What Matters on pages 22 to 24;
- People and Safety on pages 38 to 43;
- Sustainable Raw Materials on pages 44 to 49;
- Operational Capability and Capacity on pages 50 to 55; and
- Consumers and Market Access on pages 56 to 59.

Specifically excluded is any information that is included in the 2014 Financial Statements.

We have not been engaged to provide assurance over any comparative indicators outside of the reporting period.

MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and presentation of the "Selected Sustainability Information" in accordance with the criteria set out in the GRI G4 guidelines, for each of the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Management is also responsible for determining Sanford's objectives in respect of sustainability reporting and for establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

OUR RESPONSIBILITY

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed.
We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE (NZ) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information. That standard requires that we comply with the requirements of Professional and Ethical Standards issued by the External Reporting Board of New Zealand, and implement quality control procedures that are applicable to the engagement.

ASSURANCE APPROACH

We planned and performed our work to obtain all the evidence, information and explanations we considered necessary in relation to the above scope. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

OUR PROCEDURES INCLUDED:

- Enquiries of Sanford personnel to understand the process for deriving the "Selected Sustainability Information";
- Analytical review and other testing to assess the reasonableness of the information presented;
- Comparing the GRI Content Index, referenced in the Report, to the requirements of the GRI G4 guidelines; and
- Overall sense check of the Report against our findings and understanding of Sanford.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

USE OF OUR REPORT

Our assurance report is made solely to the Directors of Sanford in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Sanford those matters we have been engaged to state in this assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of Sanford for our work, for this assurance report, or for the conclusions we have reached.

INDEPENDENCE

KPMG also provides financial statement audit and other advisory services to Sanford. Subject to certain restrictions the Partners and employees of our firm may also deal with Sanford on normal terms within the ordinary course of trading activities. This has not impaired our independence in respect of this engagement. The firm has no other relationship with, or interests in, Sanford.

CONCLUSION

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the:

- "Selected Sustainability Information" has not, in all material respects, been prepared in accordance with the GRI G4 reporting principles and guidelines.
- The self-declared GRI 'in accordance' assertion of Core does not comply in all material respects with the relevant GRI G4 requirements.

Our assurance engagement was completed as at 19 November 2014 and our conclusion is expressed as at that date.

KPMG

KPMG
Auckland

Non-GAAP Profit Measures

Sanford's standard profit measure prepared under New Zealand generally accepted accounting practice ("GAAP") is net profit. Sanford has used non-GAAP measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate divisional and total Company performance and to establish operating and capital budgets. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be viewed in isolation or as a substitute for GAAP profit measures as reported by Sanford in accordance with NZ IFRS.

Definitions

EBITDA: Earnings before interest, taxation, depreciation, amortisation and impairment, total currency exchange gains and gains on sales of intangible and long term assets.

EBIT: Earnings before interest, taxation, total currency exchange gains and gain on sales of intangible and long term assets.

GAAP to Non-GAAP Reconciliation

	AUDITED 12 MONTHS ENDED 30 SEPTEMBER 2014	AUDITED 12 MONTHS ENDED 30 SEPTEMBER 2013 (RESTATED)(i)
	$000	$000
Reported net profit for the period (GAAP)	**22,364**	**20,400**
Add back:		
Income tax expense	9,363	9,040
Net interest	9,607	8,692
Deduct:		
Net currency exchange gains	(13,139)	(10,349)
Net gain on sale of property, plant and equipment and intangible assets	(1,755)	(152)
EBIT	**26,440**	**27,631**
Add back:		
Depreciation and amortisation	17,975	17,428
Impairment of long term assets	2,260	4,226
EBITDA	**46,675**	**49,285**

(i) The Group, on adoption of NZ IFRS 11: *Joint Arrangements*, has adjusted the comparatives for the year ended 30 September 2013. The adjustments are detailed in Note 31 of the financial statements.

Financial Statements

The Directors are pleased to present the Financial Statements of Sanford Limited for the year ended 30 September 2014.

For and on behalf of the Board of Directors:

J G Todd
Chairman

E M Coutts
Director

19 November 2014

Contents

Five Year Financial Review

	2014 $000	2013 (restated)[i] $000	2012 $000	2011 $000	2010 $000
Revenue	**452,424**	**462,644**	**459,957**	**463,954**	**421,087**
EBITDA*	**46,675**	**49,285**	**50,099**	**49,244**	**49,057**
Depreciation and amortisation	(17,975)	(17,428)	(15,797)	(16,255)	(13,754)
Impairment	(2,260)	(4,226)	(2,610)	–	–
EBIT	**26,440**	**27,631**	**31,692**	**32,989**	**35,303**
Net interest	(9,607)	(8,692)	(10,196)	(10,607)	(5,780)
Net currency exchange gains	13,139	10,349	7,385	10,196	7,836
Net gain (loss) on sale of investments, property, plant and equipment and intangible assets	1,755	152	(150)	52	409
Profit before income tax	**31,727**	**29,440**	**28,731**	**32,630**	**37,768**
Income tax expense	(9,363)	(9,040)	(9,074)	(10,320)	(12,743)
Profit for the year	**22,364**	**20,400**	**19,657**	**22,310**	**25,025**
Non controlling interest	66	(39)	(42)	(24)	(21)
Profit attributable to equity holders of the Group	**22,430**	**20,361**	**19,615**	**22,286**	**25,004**
Equity					
Paid in capital	95,142	95,355	95,355	95,355	95,355
Reserves	450,216	458,978	458,777	453,575	456,214
Non controlling interest	483	575	559	553	633
Total equity	**545,841**	**554,908**	**554,691**	**549,483**	**552,202**
Represented by:					
Current assets	121,543	132,416	136,095	118,875	139,049
Less current liabilities	53,972	48,366	62,924	58,760	89,023
Working capital	**67,571**	**84,050**	**73,171**	**60,115**	**50,026**
Property, plant and equipment	128,769	131,077	120,047	131,893	107,685
Investments	10,438	10,651	12,370	11,567	10,981
Biological assets	10,510	6,693	7,754	8,423	6,730
Intangible assets	506,078	499,177	496,786	508,925	454,850
	723,366	731,648	710,128	720,923	630,272
Less non-current liabilities	177,525	176,740	155,437	171,440	78,070
Total net assets	**545,841**	**554,908**	**554,691**	**549,483**	**552,202**
Dividend per share (cents)	23†	23†	23†	23†	23†
Dividend cover	1.0†	1.0†	0.9†	1.1†	1.2†
Return on average total equity	4.1%	3.7%	3.6%	4.1%	4.5%
Earnings per share (cents)	24.0	21.7	21.0	23.8	26.7
Net asset backing per share	$5.83	$5.93	$5.92	$5.87	$5.90

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

† Includes the dividends proposed after balance date.

(i) The Group, on adoption of NZ IFRS 11: *Joint Arrangements*, has adjusted the comparatives for the year ended 30 September 2013. The adjustments are detailed in Note 31 of the financial statements.

Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2014

		GROUP		PARENT	
	Note	**2014 $000**	2013 (restated)(i) $000	**2014 $000**	2013 $000
Revenue	5	452,424	462,644	418,279	422,376
Cost of sales		(381,229)	(389,491)	(348,554)	(350,849)
Gross profit		**71,195**	**73,153**	**69,725**	**71,527**
Other income	6	11,891	9,802	9,221	8,686
Distribution expenses		(28,698)	(30,289)	(28,654)	(30,203)
Administrative expenses	7	(16,735)	(13,759)	(14,852)	(11,437)
Other expenses	7	(10,396)	(12,403)	(8,364)	(11,998)
Operating profit		**27,257**	**26,504**	**27,076**	**26,575**
Finance income	8	13,524	10,497	14,560	12,272
Finance expenses	8	(9,972)	(8,789)	(9,188)	(8,247)
Net finance income		**3,552**	**1,708**	**5,372**	**4,025**
Share of profit of equity accounted investees	13	918	1,228	–	–
Profit before income tax		**31,727**	**29,440**	**32,448**	**30,600**
Income tax expense	9	(9,363)	(9,040)	(8,533)	(8,560)
Profit for the year		**22,364**	**20,400**	**23,915**	**22,040**
Profit attributable to:					
Equity holders of the Group		22,430	20,361	23,915	22,040
Non controlling interest		(66)	39	–	–
		22,364	**20,400**	**23,915**	**22,040**
Earnings per share					
Basic and diluted earnings per share (cents)	21	**24.0**	**21.7**		

(i) The Group, on adoption of NZ IFRS 11: *Joint Arrangements,* has adjusted the comparatives for the year ended 30 September 2013. The adjustments are detailed in Note 31.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Profit for the year (after tax)	**22,364**	**20,400**	**23,915**	**22,040**
Other comprehensive income				
Foreign currency translation differences	(147)	(1,821)	–	–
Change in fair value of cash flow hedges	(13,223)	4,405	(13,223)	4,405
Income tax on cash flow hedges	3,702	(1,233)	3,702	(1,233)
Share based payment expenses	10	–	10	–
Total other comprehensive income for the year	**(9,658)**	**1,351**	**(9,511)**	**3,172**
Total comprehensive income for the year	**12,706**	**21,751**	**14,404**	**25,212**
Total comprehensive income for the year is attributable to:				
Equity holders of the Group	12,772	21,735	14,404	25,212
Non controlling interest	(66)	16	–	–
Total comprehensive income for the year	**12,706**	**21,751**	**14,404**	**25,212**

Statement of Financial Position

AS AT 30 SEPTEMBER 2014

		GROUP		PARENT	
	Note	**2014 $000**	2013 (restated)[i] $000	**2014 $000**	2013 $000
Equity					
Paid in capital		95,142	95,355	95,142	95,355
Retained earnings		448,701	447,795	429,567	427,176
Other reserves		1,515	11,183	874	10,395
Total equity attributable to shareholders of the Company		**545,358**	**554,333**	**525,583**	**532,926**
Non controlling interest		483	575	–	–
Total equity	19	**545,841**	**554,908**	**525,583**	**532,926**
Non-current liabilities					
Bank loans (secured)	23	160,076	161,469	149,670	151,150
Contributions received in advance		2,510	–	–	–
Advances from subsidiary companies	27	–	–	64,397	63,720
Employee entitlements		1,895	1,895	1,881	1,885
Deferred taxation	15	12,041	13,376	11,582	13,498
Lease obligation	32	1,003	–	1,003	–
Total non-current liabilities		**177,525**	**176,740**	**228,533**	**230,253**
Current liabilities					
Bank overdraft and borrowings (secured)	18	18,285	15,401	17,109	15,000
Current portion of term loan		–	600	–	–
Derivative financial instruments		2,848	–	2,848	–
Trade creditors		11,304	10,858	8,954	9,354
Other creditors, provisions and accruals		14,258	15,088	13,725	14,348
Employee entitlements		6,763	6,146	6,509	5,762
Taxation payable		514	273	–	–
Total current liabilities		**53,972**	**48,366**	**49,145**	**44,464**
Total liabilities		**231,497**	**225,106**	**277,678**	**274,717**
Total equity and liabilities		**777,338**	**780,014**	**803,261**	**807,643**
Non-current assets					
Property, plant and equipment	10	128,769	131,077	109,856	116,801
Investments	13,14	10,438	10,651	50,827	51,170
Biological assets	12	10,510	6,693	10,101	6,693
Intangible assets	11	506,078	499,177	499,141	492,198
Advances to subsidiary companies	27	–	–	21,020	18,421
Total non-current assets		**655,795**	**647,598**	**690,945**	**685,283**
Current assets					
Cash on hand and at bank	18	2,464	4,745	331	2,860
Trade debtors	17	60,235	50,053	56,281	45,910
Derivative financial instruments		2,266	16,808	2,266	16,808
Other debtors and prepayments		8,427	10,499	7,405	9,434
Tax refund		–	4,456	125	4,703
Biological assets	12	12,549	10,199	10,902	7,927
Inventories	16	35,022	33,496	34,426	32,558
Non-current assets held for sale	30	580	2,160	580	2,160
Total current assets		**121,543**	**132,416**	**112,316**	**122,360**
Total assets		**777,338**	**780,014**	**803,261**	**807,643**

(i) The Group, on adoption of NZ IFRS 11: *Joint Arrangements*, has adjusted the comparatives as at 30 September 2013. The adjustments are detailed in Note 31.

Statement of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	GROUP 2014 $000	GROUP 2013 (restated)(i) $000	PARENT 2014 $000	PARENT 2013 $000
Cash flows from operating activities					
Cash provided from:					
Receipts from customers		469,816	474,095	428,479	434,410
Interest received		365	104	282	130
Dividends received		20	51	20	51
		470,201	474,250	428,781	434,591
Cash applied to:					
Payments to suppliers and employees		424,746	413,548	386,048	371,758
Income tax paid		3,007	12,624	3,007	12,624
Interest paid		9,970	9,465	9,186	9,465
		437,723	435,637	398,241	393,847
Net cash flows from operating activities	26	**32,478**	**38,613**	**30,540**	**40,744**
Cash flows from investing activities					
Cash provided from:					
Disposal of property, plant and equipment		6,714	989	6,714	989
Sale of intangible assets		1,934	–	1,900	–
Sale of investments and subsidiaries	13	12	17	12	17
Dividends received from associates	13	1,119	1,035	1,119	1,035
Return of capital from associate	13	–	510	–	510
		9,779	2,551	9,745	2,551
Cash applied to:					
Purchase of property, plant and equipment		12,301	17,910	6,243	17,291
Purchase of business	32	13,870	–	13,870	–
Loans advanced to related parties		–	–	1,589	2,899
		26,171	17,910	21,702	20,190
Net cash flows from investing activities		**(16,392)**	**(15,359)**	**(11,957)**	**(17,639)**
Cash flows from financing activities					
Cash provided from:					
Proceeds from borrowings		517	6,150	–	6,150
Cash applied to:					
Repayment of term loan		–	–	1,480	–
Dividends paid to parent shareholders	20	21,534	21,534	21,534	21,534
Dividends paid to non controlling shareholders in subsidiaries		26	–	–	–
Purchase of own shares	19	213	–	213	–
		21,773	21,534	23,227	21,534
Net cash flows from financing activities		**(21,256)**	**(15,384)**	**(23,227)**	**(15,384)**
Net increase (decrease) in cash and cash equivalents		**(5,170)**	**7,870**	**(4,644)**	**7,721**
Effect of exchange rate fluctuations on cash held		5	(49)	6	(24)
Cash and cash equivalents at beginning of year		(10,656)	(18,477)	(12,140)	(19,837)
Cash and cash equivalents at 30 September		**(15,821)**	**(10,656)**	**(16,778)**	**(12,140)**
Represented by:					
Bank overdraft and borrowings at call		(18,285)	(15,401)	(17,109)	(15,000)
Cash on hand and at bank		2,464	4,745	331	2,860
	18	**(15,821)**	**(10,656)**	**(16,778)**	**(12,140)**

(i) The Group, on adoption of NZ IFRS 11: *Joint Arrangements,* has adjusted the comparatives for the year ended 30 September 2013. The adjustments are detailed in Note 31.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2014

GROUP	Note	Share Capital $000	Treasury shares $000	Translation Reserve $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total Equity $000
Balance at 1 October 2013		**95,355**	**–**	**788**	**10,395**	**447,795**	**554,333**	**575**	**554,908**
Profit for the year (after tax)		–	–	–	–	22,430	22,430	(66)	22,364
Other comprehensive income									
Foreign currency translation differences		–	–	(147)	–	–	(147)	–	(147)
Change in fair value of cash flow hedges		–	–	–	(13,223)	–	(13,223)	–	(13,223)
Income tax on cash flow hedges		–	–	–	3,702	–	3,702	–	3,702
Share based payment expenses		–	–	–	–	10	10	–	10
Total comprehensive income		**–**	**–**	**(147)**	**(9,521)**	**22,440**	**12,772**	**(66)**	**12,706**
Acquisition of treasury shares	19	–	(213)	–	–	–	(213)	–	(213)
Distributions to shareholders	20	–	–	–	–	(21,534)	(21,534)	(26)	(21,560)
Balance at 30 September 2014		**95,355**	**(213)**	**641**	**874**	**448,701**	**545,358**	**483**	**545,841**
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**

PARENT	Note	Share Capital $000	Treasury shares $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 October 2013		**95,355**	**–**	**10,395**	**427,176**	**532,926**
Profit for the year (after tax)		–	–	–	23,915	23,915
Other comprehensive income						
Change in fair value of cash flow hedges		–	–	(13,223)	–	(13,223)
Income tax on cash flow hedges		–	–	3,702	–	3,702
Share based payment expenses		–	–	–	10	10
Total comprehensive income		**–**	–	**(9,521)**	**23,925**	**14,404**
Acquisition of treasury shares	19	–	(213)	–	–	(213)
Distributions to shareholders	20	–	–	–	(21,534)	(21,534)
Balance at 30 September 2014		**95,355**	**(213)**	**874**	**429,567**	**525,583**
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**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 1 – General Information

(a) Reporting entity

Sanford Limited (the Company) is a profit-oriented company that is domiciled and incorporated in New Zealand. The Company is registered under the New Zealand Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer for the purpose of the New Zealand Financial Reporting Act 1993 and is, accordingly, a reporting entity that is required to, and does, comply with the provisions of both the Companies Act 1993 and the Financial Reporting Act 1993 and with New Zealand Generally Accepted Accounting Practice. The Company is a Tier 1 entity in accordance with the External Reporting Board of New Zealand ("XRB") Standard A1 Accounting Standards Framework (For-Profit Entities Update). The financial statements presented are the consolidated financial statements of the Company, its subsidiaries, joint arrangements and associates (the Group) for the twelve months ended 30 September 2014.

From 1 April 2014, the new Financial Reporting Act 2013 came into effect, replacing the Financial Reporting Act 1993. This is effective for the Group's financial statements for the year ending 30 September 2015 and the change has no impact on the Group's obligations to prepare financial statements.

As well as the change in legislation the XRB has released a new accounting standards framework, which establishes the financial standards to be applied to entities with statutory reporting obligations. Under the new framework the Group continues to apply New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") as applicable for Tier 1 for-profit entities (as defined by the XRB).

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 comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards.

(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:

- Derivative instruments: interest rate swaps, forward exchange contracts and foreign currency options
- Biological assets: immature mussels and salmon 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.

Note 2 – Basis of Preparation (continued)

(e) Changes in accounting policies

There have been no changes in accounting policies except as detailed below. All other policies have been applied on bases consistent with those used in the previous financial statements. To ensure consistency with the current period, comparative figures have been restated where appropriate.

NZ IFRS 10: *Consolidated Financial Statements* has replaced NZ IAS 27: *Consolidated and Separate Financial Statements* and establishes the principles for presentation and preparation of consolidated financial statements. The application of NZ IFRS 10 has not had any impact on the Group financial statements.

NZ IFRS 11: *Joint Arrangements* has replaced NZ IAS 31: *Interests in Joint Ventures*. Accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint arrangements that give the Company a right to the underlying assets and obligations for liabilities are accounted for by recognising its share of those assets and liabilities using proportionate consolidation. Joint arrangements that give the Company a right to the net assets are joint ventures and are accounted for using the equity method.

The adoption of NZ IFRS 11 has resulted in the Group changing its accounting policy to distinguish between accounting for joint arrangements as either a joint operation or as a joint venture. The 50% investment in North Island Mussels Limited (NIML) has been classified as a joint operation so the Group now accounts for its right to the underlying assets and obligations for liabilities of NIML by recognising the share of those assets and liabilities using proportionate consolidation.

As required by NZ IFRS 11, the change in policy has been applied retrospectively and, as a consequence, adjustments were recognised in the statement of financial position as at 1 October 2012. The Group has derecognised its related investments in NIML at the beginning of the earliest period presented being 1 October 2012, and has recognised the carrying amounts of the assets and liabilities under proportionate consolidation. The change in accounting policy had no impact on the Group's net assets, items of equity, profit for the period and earnings per share. The effect of the change in accounting policy on individual line items in the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of financial position is shown in more detail in Note 31 - Impact on Group's Historical Financial Statements on Adoption of NZ IFRS 11: *Joint Arrangements*.

NZ IFRS 12: *Disclosure of Interests in Other Entities* is a new standard on disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. NZ IFRS 12 has replaced the disclosure requirements of NZ IAS 28: *Investment in Associates* and results in additional disclosures in the Group financial statements.

NZ IFRS 13: *Fair Value Measurement* establishes a single framework for measuring fair value and aims to enhance fair value disclosures. NZ IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other financial reporting standards including NZ IFRS 7: *Financial Instruments*: *Disclosures*.

The Group has included additional disclosures on financial instruments in accordance with the transitional provisions of NZ IFRS 13. The change in policy has not had a significant impact on the measurement of the Group's assets and liabilities.

Certain comparatives shown in the following notes do not correspond to the Annual Report as at 30 September 2013 and have been restated to reflect adjustments made as detailed in Note 31: Impact on Group's Historical Financial Statements on Adoption of NZFRS 11: *Joint Arrangements*.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

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.

(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 the Group is exposed to, or has rights to, variable returns from its involvement in the investees and has the ability to affect those returns through its power over the investee. Power arises when the Group has existing rights to direct the relevant activities of the investee, i.e. those that significantly affect the investee's returns. Control is assessed on a continuous basis.

(ii) Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. The Group classifies its joint arrangements as either joint operations or joint ventures depending on the legal, contractual or other rights and obligations. Where the interest in the joint arrangement is in the net assets of the business, the arrangement is a joint venture. Joint ventures are accounted for using the equity method; the equity method of accounting is detailed under (iii) Associates, seen below. Where the Group has rights to the underlying assets, and obligations for liabilities of the joint arrangement, this is a joint operation. The Group recognises its share of assets, liabilities, revenues and expenses of each joint operation.

(iii) Associates

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.

(iv) Acquisitions or disposals during the year

The Group consolidates the results of its investees from the date that control commences until the date on which control ceases. At such point as control ceases, it derecognises the assets, liabilities and any related non controlling interests in other components of equity. An interest retained in the former subsidiary is measured at fair value when control is lost.

The Group may recognise goodwill on the acquisition of subsidiaries. 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 the 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 remeasured 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.

(v) 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.

(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.

Note 3 – Significant Accounting Policies (continued)

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 less impairment losses. 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 is 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.

(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:

	2014	2013
	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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 3 – Significant Accounting Policies (continued)

(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 cash flows 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 on 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.

(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 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.

Note 3 – Significant Accounting Policies (continued)

(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 or receivable 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.

(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.

Assets that transfer substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

(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 Chief Executive Officer 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
- 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 through 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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 3 – Significant Accounting Policies (continued)

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.

(x) Share based payments

Equity settled share based payments awarded to employees are measured at fair value at the date of grant and are recognised as an employee expense, with a corresponding increase in equity, over the period from the date of grant to the date on which the employees become unconditionally entitled to the option. The fair value at grant date is determined using an appropriate valuation model. At each reporting date, the Group revises the estimate of the number of options expected to vest. The cumulative expense is revised to reflect the revised estimate, with a corresponding adjustment to equity.

(y) 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 2014, and have not been applied in preparing these financial statements.

(i) NZ IFRS 9: *Financial Instruments: Classification and Measurement*

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It will eventually replace NZ IAS 39 *Financial Instruments – Recognition and Measurement* and is required to be adopted by the Group in the financial statements for the year ended 30 September 2019. The Group has not determined the impact of this new standard.

(ii) NZ IFRS 15: *Revenue from Contracts with Customers*

NZ IFRS 15 was issued on 28 May 2014 and addresses recognition and measurement of revenue. It is required to be adopted by the Group in the financial statements for the year ended 30 September 2018. The Group has not determined the impact of this new standard.

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 operating profit or loss. 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 operation farms, harvests and processes mussels and salmon
- International purse seiners – Sanford's two 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 farming, harvesting, processing and selling of seafood products.

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.

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 of 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 2014

Note 4 – Segment Reporting (continued)

(a) Income and expenditure

	NEW ZEALAND		AUSTRALIA		ELIMINATIONS		TOTAL	
	2014 $000	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000
Total external revenues	425,330	424,564	27,094	38,080	–	–	452,424	462,644
Inter-segment revenue	2,511	3,442	–	–	(2,511)	(3,442)	–	–
Segment revenue	427,841	428,006	27,094	38,080	(2,511)	(3,442)	452,424	462,644
Segment profit for the year	**21,926**	**21,897**	**(480)**	**(2,738)**	**–**	**13**	**21,446**	**19,172**
Share of profit of equity accounted investees							918	1,228
Reported profit for the year							**22,364**	**20,400**

Inter-segment transactions

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

(b) Revenue by geographical location of customers

	2014 $000	2013 $000
New Zealand	81,761	73,102
Australia	70,151	79,479
Europe	65,740	53,056
North America	78,819	67,367
Japan	19,718	29,236
China/Hong Kong	31,680	32,700
Korea	42,505	46,716
Other Asia	27,585	41,676
Africa	14,834	19,778
Middle East	7,547	7,860
Pacific	9,338	9,456
Other	2,746	2,218
Revenue	**452,424**	**462,644**

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

Sales to one customer for the year accounted for $55.8m or 12% of total sales.

There were no customers with revenue for the comparative year exceeding 10% of total sales.

Note 4 – Segment Reporting (continued)

(c) Assets and liabilities (restated)

		NEW ZEALAND		AUSTRALIA		TOTAL	
	Note	**2014 $000**	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000
Segment assets		756,123	754,459	10,912	14,967	767,035	769,426
Investment in equity accounted investees	13	10,303	10,588	–	–	10,303	10,588
Total assets		**766,426**	**765,047**	**10,912**	**14,967**	**777,338**	**780,014**
Segment liabilities		212,181	203,986	19,316	21,120	231,497	225,106
Total liabilities		**212,181**	**203,986**	**19,316**	**21,120**	**231,497**	**225,106**
Capital expenditure		30,794	17,764	15	146	30,809	17,910
Depreciation and amortisation		17,836	17,249	139	179	17,975	17,428

Note 5 – Revenue

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Sale of goods	452,424	462,644	418,279	422,376
Total revenue	**452,424**	**462,644**	**418,279**	**422,376**

Note 6 – Other Income

		GROUP		PARENT	
	Note	**2014 $000**	2013 $000	**2014 $000**	2013 $000
Insurance recovery – Timaru coldstore fire		2,173	4,928	2,173	4,928
Insurance recovery – Salmon loss		1,000	–	1,000	–
Gain on business combination	32	2,159	–	2,159	–
Commissions received		1,449	1,817	–	–
Net gain on sale of property, plant and equipment and intangible assets		1,755	152	1,755	166
Sundry income		3,355	2,905	2,134	3,592
		11,891	**9,802**	**9,221**	**8,686**

In 2013 an initial insurance recovery of $4.9m was recorded in the income statement in respect of the May 2013 Timaru coldstore fire. $3.4m was for the damaged building and $1.5m was for damaged stock (both net of insurance excess of $0.5m for each policy). In 2014 a further $2.2m was recorded in the income statement in respect of the damaged building, mitigation costs and business interruption. The final insurance payout was recognised as a receivable at balance date. As a result of an extreme weather event on 24 October 2013 approximately 77,000 live salmon (203,000kg) escaped from Stewart Island, resulting in an impairment of salmon stock of $0.9m which has been included in cost of sales in the income statement. The insurance proceeds of $1m (net of an insurance excess of $0.5m) has been included in other income in the income statement.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 7 – Expenses (restated)

	Note	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
(a) Administrative and other expenses include					
Directors' fees		509	500	509	500
Donations		26	42	26	42
Audit fees - KPMG		170	214	170	156
KPMG fees for other services †		123	142	123	47
Leasing charges		3,303	3,010	3,025	2,804
Bad debts written off		211	243	210	137
Increase (decrease) in doubtful debts provision		130	(70)	–	(18)
Share based payment expense		10	–	10	–
Impairment of property, plant and equipment	10	–	1,077	–	1,077
Impairment of assets held for sale	30	1,016	–	1,016	–
Provision for write down of advance to subsidiary		–	–	–	3,149
Impairment of intangible assets	11	1,244	3,149	1,244	–
(b) Personnel expenses					
Wages and salaries		101,290	94,006	99,043	91,807
(c) Movement in Biological Assets					
Change in fair value of biological assets (gain) loss	12	(4,105)	(207)	(4,321)	2,065

† KPMG fees for other services are in respect of assurance of selected sustainability information $30,000 and IT consulting $93,000 (2013: Sustainable Development Report $23,000, Strategic IT review $24,000 and advisory services on the Australian business $95,000).

The fair value arising from the equity settled share based payment scheme has been assessed at $9,641 for 2014 (2013: not applicable).

Note 8 – Finance Income and Expenses (restated)

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Finance income				
Interest income	365	97	282	130
Dividend	20	51	1,139	1,086
Net foreign exchange gain	13,139	10,349	13,139	11,056
	13,524	**10,497**	**14,560**	**12,272**
Finance expenses				
Interest rate swaps fair value movement (gain)	(351)	(1,052)	(351)	(1,052)
Interest expense on bank loans and bank overdraft	10,323	9,841	9,539	9,299
	9,972	**8,789**	**9,188**	**8,247**
Net finance income	**3,552**	**1,708**	**5,372**	**4,025**

Note 9 – Income Tax Expense (restated)

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
(a) Income tax expense				
Current period	**7,165**	**4,660**	**6,916**	**4,175**
Adjustment for prior periods	(169)	917	(169)	917
	6,996	**5,577**	**6,747**	**5,092**
Deferred tax expense				
Origination and reversal of temporary differences	2,185	4,350	1,604	4,355
Adjustments for prior periods	182	(887)	182	(887)
	2,367	**3,463**	**1,786**	**3,468**
Income tax expense	**9,363**	**9,040**	**8,533**	**8,560**
(b) Reconciliation of effective tax rate				
Profit for the year	22,364	20,400	23,915	22,040
Income tax expense	9,363	9,040	8,533	8,560
Profit before income tax	**31,727**	**29,440**	**32,448**	**30,600**
Tax at current rate of 28%	**8,884**	**8,243**	**9,086**	**8,568**
Non-deductible expenses	475	2,103	475	1,340
Non-taxable income	(436)	(1,139)	(436)	(1,378)
Utilisation of tax losses previously unrecognised	(2)	–	–	–
Over provided in prior periods	13	30	13	30
Different foreign tax rate	1	3	–	–
Other	428	(200)	(605)	–
	479	**797**	**(553)**	**(8)**
Income tax expense	**9,363**	**9,040**	**8,533**	**8,560**

(c) Imputation credit account

	GROUP 2014 $000	GROUP 2013 $000
Imputation credits available for use in subsequent reporting periods	61,126	66,500

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 10 – Property, Plant and Equipment (restated)

	Note	LAND	FREEHOLD BUILDINGS	LEASEHOLD BUILDINGS	FISHING VESSELS	PLANT AND EQUIPMENT	TOTAL
		$000	$000	$000	$000	$000	$000
Group 2014							
Cost							
Balance at beginning of year		3,595	19,726	42,722	176,784	118,960	361,787
Additions – business combination	32	245	150	–	3,595	1,255	5,245
Additions – other		–	8,399	91	3,290	3,291	15,071
Disposals		–	(2)	–	(9,923)	(1,099)	(11,024)
Effect of movements in exchange rates		–	–	–	–	(2)	(2)
Balance at end of year		3,840	28,273	42,813	173,746	122,405	371,077
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,150)	(21,923)	(123,403)	(78,234)	(230,710)
Depreciation		–	(820)	(1,498)	(7,883)	(7,689)	(17,890)
Disposals		–	–	–	5,238	1,054	6,292
Balance at end of year		–	(7,970)	(23,421)	(126,048)	(84,869)	(242,308)
Net book value at 30 September 2014		**3,840**	**20,303**	**19,392**	**47,698**	**37,536**	**128,769**
Group 2013							
Cost							
Balance at beginning of year		3,595	20,844	42,652	165,226	120,908	353,225
Additions		–	220	56	15,363	6,988	22,627
Disposals		(17)	(3,051)	(2,923)	(2,462)	(8,699)	(17,152)
Transfer to assets held for sale	30	17	1,713	2,937	(1,373)	(13)	3,281
Effect of movements in exchange rates		–	–	–	30	(224)	(194)
Balance at end of year		3,595	19,726	42,722	176,784	118,960	361,787
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,627)	(20,027)	(118,233)	(75,051)	(220,938)
Depreciation		–	(779)	(1,642)	(6,873)	(8,049)	(17,343)
Impairment		–	(115)	(408)	(554)	–	(1,077)
Transfer to assets held for sale	30	–	(1,501)	(2,476)	1,083	5	(2,889)
Disposals		–	2,872	2,630	1,174	4,861	11,537
Balance at end of year		–	(7,150)	(21,923)	(123,403)	(78,234)	(230,710)
Net book value at 30 September 2013		**3,595**	**12,576**	**20,799**	**53,381**	**40,726**	**131,077**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 10 – Property, Plant and Equipment (continued)

	Note	LAND	FREEHOLD BUILDINGS	LEASEHOLD BUILDINGS	FISHING VESSELS	PLANT AND EQUIPMENT	TOTAL
		$000	$000	$000	$000	$000	$000
Parent 2014							
Cost							
Balance at beginning of year		2,586	16,139	42,650	175,381	100,961	337,717
Additions – business combination	32	245	150	–	3,595	1,255	5,245
Additions – other		–	3,696	91	3,281	1,935	9,003
Disposals		–	(2)	–	(9,923)	(1,073)	(10,998)
Balance at end of year		2,831	19,983	42,741	172,334	103,078	340,967
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,058)	(21,852)	(120,361)	(71,645)	(220,916)
Depreciation		–	(670)	(1,498)	(7,817)	(6,486)	(16,471)
Disposals		–	–	–	5,238	1,038	6,276
Balance at end of year		–	(7,728)	(23,350)	(122,940)	(77,093)	(231,111)
Net book value at 30 September 2014		**2,831**	**12,255**	**19,391**	**49,394**	**25,985**	**109,856**
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	30	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	30	–	(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**

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 11 – Intangible Assets (restated)

	Note	INTELLECTUAL PROPERTY $000	FISHING QUOTA $000	MARINE FARM LICENCES $000	TOTAL $000
Group 2014					
Carrying amount					
Balance at beginning of year		205	412,722	91,400	504,327
Acquired as part of business combination	32	–	135	10,303	10,438
Acquisitions – other		–	–	55	55
Amortisation		(85)	–	–	(85)
Disposals		–	(34)	(2,221)	(2,255)
Effect of movements in exchange rates		–	(9)	–	(9)
Balance at end of year		120	412,814	99,537	512,471
Impairment					
Balance at beginning of year		–	(5,149)	–	(5,149)
Impairment		–	–	(1,244)	(1,244)
Balance at end of year		–	(5,149)	(1,244)	(6,393)
Carrying amount at 30 September 2014		**120**	**407,665**	**98,293**	**506,078**
Group 2013					
Carrying amount					
Balance at beginning of year		290	407,096	91,400	498,786
Amortisation		(85)	–	–	(85)
Transfer from assets held for sale		–	6,788	–	6,788
Effect of movements in exchange rates		–	(1,162)	–	(1,162)
Balance at end of year		205	412,722	91,400	504,327
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**

Fishing Quota

In 2013 an impairment charge of $3.1m was recorded which reduced the carrying value of Australian fishing quota and licences. This was based on the Group's inability to sell certain quota and licences at market prices. Based on impairment testing undertaken in September 2014 no further impairment was required. Prior year impairments will be reversed in future years if circumstances positively change.

Marine Farm Licences

An impairment of $1.24m arose from the non-renewal of a resource consent for the Port Gore marine farm.

Cash Generating Units

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

	INTELLECTUAL PROPERTY $000	FISHING QUOTA $000	MARINE FARM LICENCES $000	TOTAL $000
New Zealand Seafood	120	400,738	98,293	499,151
Australia Seafood	–	6,927	–	6,927
	120	**407,665**	**98,293**	**506,078**

Note 11 – Intangible Assets (continued)

Impairment testing

Impairment testing was performed on the applicable New Zealand 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 6.7% and 8.4% (2013: 7.4% and 8.6%) were applied.

Future cash flows were projected for five years and a terminal growth rate of 3% (2013: 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, commodity prices and cash flows in the terminal year.

The recoverable amount of the New Zealand CGUs exceeded the carrying value of the net assets as at 30 September 2014. 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 6.9% and 8.5% (2013: 8.0% and 8.8%) and a terminal growth rate of 3% (2013: 3%). The recoverable amount of the Australian CGU exceeded the carrying value of the net assets as at 30 September 2014. Therefore management has determined that no impairment to quota and licences has occurred (2013: NZ$3.1m was recorded as an impairment in respect of Australian quota and licences).

		INTELLECTUAL PROPERTY	FISHING QUOTA	MARINE FARM LICENCES	TOTAL
	Note	$000	$000	$000	$000
Parent 2014					
Carrying amount					
Balance at beginning of year		205	400,593	91,400	492,198
Acquired as part of business combination	32	–	135	10,303	10,438
Acquisitions – other		–	–	55	55
Amortisation		(85)	–	–	(85)
Disposals		–	–	(2,221)	(2,221)
Balance at end of year		**120**	**400,728**	**99,537**	**500,385**
Impairment					
Balance at beginning of year		–	–	–	–
Impairment		–	–	(1,244)	(1,244)
Balance at end of year		**–**	**–**	**(1,244)**	**(1,244)**
Carrying amount at 30 September 2014		**120**	**400,728**	**98,293**	**499,141**
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**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 12 – Biological Assets (restated)

		MUSSELS	SALMON	TOTAL
	Note	$000	$000	$000
Group 2014				
Balance at beginning of year		13,523	3,369	16,892
Change in fair value less estimated costs to sell		25,433	2,459	27,892
Acquired as part of business combination	32	2,062	–	2,062
Harvested produce transferred to inventories		(22,301)	(1,486)	(23,787)
Balance at 30 September 2014		**18,717**	**4,342**	**23,059**
Non-current		9,138	1,372	10,510
Current		9,579	2,970	12,549
		18,717	**4,342**	**23,059**
Group 2013				
Balance at beginning of year		12,914	3,771	16,685
Change in fair value less estimated costs to sell		19,609	3,852	23,461
Harvested produce transferred to inventories		(19,000)	(4,254)	(23,254)
Balance at 30 September 2013		**13,523**	**3,369**	**16,892**
Non-current		4,933	1,760	6,693
Current		8,590	1,609	10,199
		13,523	**3,369**	**16,892**

Risk factors

The Company is exposed to a number of risks relating to its growing of mussel and salmon 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 the 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 2014.

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 the market selling prices, as at 30 September 2014.

Note 12 – Biological Assets

		MUSSELS	SALMON	TOTAL
	Note	$000	$000	$000
Parent 2014				
Balance at beginning of year		11,251	3,369	14,620
Change in fair value less estimated costs to sell		23,228	2,459	25,687
Acquired as part of business combination	32	2,062	–	2,062
Harvested produce transferred to inventories		(19,880)	(1,486)	(21,366)
Balance at 30 September 2014		**16,661**	**4,342**	**21,003**
Non-current		8,729	1,372	10,101
Current		7,932	2,970	10,902
		16,661	**4,342**	**21,003**
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**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 13 – Equity Accounted Investees (restated)

	GROUP	
	2014 $000	2013 $000
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:		
Current assets	19,321	16,707
Non-current assets	12,934	13,879
Total assets	**32,255**	**30,586**
Current liabilities	5,685	4,764
Non-current liabilities	1,395	1,203
Total liabilities	**7,080**	**5,967**
Revenue	39,507	50,503
Expenses	(37,595)	(47,919)
Profit	**1,912**	**2,584**
(b) Movements in carrying value of equity accounted investees:		
Balance at beginning of year	10,588	10,922
Share of profit	918	1,228
Dividends from associates	(1,119)	(1,035)
Decrease in investment	(12)	(17)
Return of capital from associate	–	(510)
Associate reclassified as other investments	(72)	–
Balance at 30 September	**10,303**	**10,588**

Note 14 – Other Investments

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Shares in other companies	135	63	135	63
Shares in subsidiaries	–	–	41,245	41,576
Shares in associates at cost	–	–	9,447	9,531
	135	**63**	**50,827**	**51,170**

Note 15 – Deferred Taxation

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
(a) Unrecognised deferred tax assets				
Net tax losses – Australia	2,210	2,098	–	–

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		LIABILITIES		NET	
	2014 $000	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000
Group						
Property, plant and equipment	–	–	(7,401)	(7,665)	(7,401)	(7,665)
Intangible assets	–	–	(7,793)	(6,460)	(7,793)	(6,460)
Trade debtors	60	60	–	–	60	60
Derivative financial instruments	–	–	(340)	(4,042)	(340)	(4,042)
Biological assets	508	1,446	–	–	508	1,446
Other liabilities	2,925	3,285	–	–	2,925	3,285
Deferred tax assets (liabilities)	**3,493**	**4,791**	**(15,534)**	**(18,167)**	**(12,041)**	**(13,376)**
Parent						
Property, plant and equipment	–	–	(6,311)	(7,673)	(6,311)	(7,673)
Intangible assets	–	–	(7,793)	(6,460)	(7,793)	(6,460)
Derivative financial instruments	–	–	(340)	(4,042)	(340)	(4,042)
Biological assets	–	1,446	(8)	–	(8)	1,446
Other liabilities	2,870	3,231	–	–	2,870	3,231
Deferred tax assets (liabilities)	**2,870**	**4,677**	**(14,452)**	**(18,175)**	**(11,582)**	**(13,498)**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 15 – Deferred Taxation (continued)

	BALANCE 30 SEPT 2013	RECOGNISED IN INCOME STATEMENT	RECOGNISED IN OTHER COMPREHENSIVE INCOME	BALANCE 30 SEPT 2014
	$000	$000	$000	$000
(c) Movement in temporary differences during the year				
Group 2014				
Property, plant and equipment	(7,665)	264	–	(7,401)
Intangible assets	(6,460)	(1,333)	–	(7,793)
Trade debtors	60	–	–	60
Derivative financial instruments	(4,042)	–	3,702	(340)
Biological assets	1,446	(938)	–	508
Other liabilities	3,285	(360)	–	2,925
Net deferred tax asset (liability)	**(13,376)**	**(2,367)**	**3,702**	**(12,041)**
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)**
Parent 2014				
Property, plant and equipment	(7,673)	1,362	–	(6,311)
Intangible assets	(6,460)	(1,333)	–	(7,793)
Derivative financial instruments	(4,042)	–	3,702	(340)
Biological assets	1,446	(1,454)	–	(8)
Other liabilities	3,231	(361)	–	2,870
Net deferred tax asset (liability)	**(13,498)**	**(1,786)**	**3,702**	**(11,582)**
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)**

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.

Note 16 – Inventories (restated)

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Fish	27,662	24,416	27,114	23,547
Packaging, fishing gear, fuel and stores	7,360	9,080	7,312	9,011
	35,022	**33,496**	**34,426**	**32,558**

Note 17 – Trade Debtors (restated)

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Trade debtors	60,235	50,053	55,809	45,603
Trade debtors due from related parties	–	–	472	307
	60,235	**50,053**	**56,281**	**45,910**

Note 18 – Cash and Cash Equivalents (restated)

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Cash on hand and at bank	2,464	4,745	331	2,860
Bank overdraft and borrowings at call (secured)	(18,285)	(15,401)	(17,109)	(15,000)
	(15,821)	**(10,656)**	**(16,778)**	**(12,140)**

Interest rates applicable on call deposits range from 2.50% – 3.50% (2013: 0% – 2.5%).

Interest rates applicable on the bank overdraft range from 1.45% – 14.65% (2013: 3.19% – 14.65%).

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

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	
	2014 No. of Shares	2013 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.

(d) Treasury shares

The Company acquired 53,097 of Sanford Limited shares on 28 July at $4.025.

Note 20 – Dividends

	2014 $000	2013 $000
The following dividends were declared and paid by the Company during the period:		
$0.23 per ordinary share (2013: $0.23)	21,534	21,534

On 19 November 2014 the Directors proposed a final dividend of 14 cents per share (2013:14 cents per share) to be paid on 10 December 2014.

This dividend has not been provided for in the accounts at 30 September 2014.

Note 21 – Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 September 2014 was based on the profit attributable to ordinary shareholders of $22.430m (2013: $20.361m) and a weighted average number of ordinary shares outstanding of 93,617,279 (2013: 93,626,735). The movement from prior year is due to the acquisition of treasury shares.

(b) Profit attributable to ordinary shareholders

	2014 $000	2013 $000
Net profit attributable to ordinary shareholders	22,430	20,361

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

Note 22 – Financial Instruments (restated)

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 and interest 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 8.97m which comprised 19% of trade debtors. Since balance date, and in accordance with agreed credit terms, the customer has subsequently paid 33% 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 $45m 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 and options 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 profit or loss when the highly probable forecast transactions affected profit or loss.

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

As at 30 September 2014, the foreign exchange contracts and options designated in a hedge relationship had a fair value of $1.866m (2013: $15.104m).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 22 – Financial Instruments (restated) (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.

The fair value of interest rate swaps at year end is $1.284m (2013: $1.704m).

(f) Other market price risk

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

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	
	2014 $000	2013 $000
New Zealand	23,458	17,557
Australia	6,917	8,603
Europe	13,347	10,184
North America	17,316	15,391
Japan	1,014	2,161
Other	6,610	6,656
Trade and other receivables	**68,662**	**60,552**

Note 22 – Financial Instruments (restated) (continued)

(g) Credit risk (continued)

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

	GROSS RECEIVABLES	IMPAIRMENT	GROSS RECEIVABLES	IMPAIRMENT
	2014 $000	**2014 $000**	2013 $000	2013 $000
Not past due	53,832	–	44,808	–
Past due 0 - 30 days	5,898	–	4,463	–
Past due 31 - 120 days	484	–	471	–
Past due 121 - 365 days	2	–	220	–
Past due more than 1 year	149	(130)	91	–
	60,365	**(130)**	**50,053**	**–**

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

	2014 $000	2013 $000
Gross trade receivables	60,365	50,053
Provision for doubtful debts	(130)	–
Trade receivables net	**60,235**	**50,053**

(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 2014						
Bank loans	160,076	181,842	43,065	3,303	52,010	83,464
Trade creditors	11,304	11,304	11,304	–	–	–
Other creditors	14,258	14,258	14,258	–	–	–
Bank overdraft	18,285	18,285	18,285	–	–	–
Total non-derivative liabilities	**203,923**	**225,689**	**86,912**	**3,303**	**52,010**	**83,464**
Forward exchange options	2,848	3,890	1,406	2,545	(61)	–
Forward exchange contracts	(982)	(3,309)	(3,310)	(484)	485	–
Interest rate swaps	(1,284)	(1,312)	112	24	(440)	(1,008)
Total derivative liabilities (assets)	**582**	**(731)**	**(1,792)**	**2,085**	**(16)**	**(1,008)**
Group 2013						
Bank loans	161,469	176,984	3,975	2,623	39,975	130,411
Trade creditors	10,858	10,858	10,858	–	–	–
Other creditors	15,088	15,088	15,088	–	–	–
Bank overdraft	15,401	15,401	15,401	–	–	–
Total non-derivative liabilities	**202,816**	**218,331**	**45,322**	**2,623**	**39,975**	**130,411**
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)**

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FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 22 – Financial Instruments (restated) (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 2014						
Bank loans	149,670	171,324	43,014	3,251	43,251	81,808
Trade creditors	8,954	8,954	8,954	–	–	–
Other payables	13,725	13,725	13,725	–	–	–
Bank overdraft	17,109	17,109	17,109	–	–	–
Total non-derivative liabilities	**189,458**	**211,112**	**82,802**	**3,251**	**43,251**	**81,808**
Forward exchange options	2,848	3,890	1,406	2,545	(61)	–
Forward exchange contracts	(982)	(3,309)	(3,310)	(484)	485	–
Interest rate swaps	(1,284)	(1,312)	112	24	(440)	(1,008)
Total derivative liabilities (assets)	**582**	**(731)**	**(1,792)**	**2,085**	**(16)**	**(1,008)**
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)**

(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 2014					
Foreign currency risk					
Cash	201	(29)	128	4	–
Trade debtors	22,890	1,841	62	643	270
Trade creditors	(1,187)	–	–	–	–
Net Statement of Financial Position exposure before hedging activity	21,904	1,812	190	647	270
Estimated forecast sales	284,212	35,405	12,759	3,731	4,357
Estimated forecast purchases	(81,983)	(16,119)	–	–	–
Net cash flow exposure before hedging activity	224,133	21,098	12,949	4,378	4,627
Forward exchange contracts and options	(154,513)	(16,554)	(10,439)	–	–
Net un-hedged exposure	**69,620**	**4,544**	**2,510**	**4,378**	**4,627**

Note 22 – Financial Instruments (restated) (continued)

(i) Foreign currency exchange risk (continued)

	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**

(j) Interest rate risk – repricing analysis

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

	TOTAL	6 MONTHS OR LESS	6-12 MONTHS	1-3 YEARS	3-4 YEARS	4-5 YEARS
	$000	$000	$000	$000	$000	$000
Group 2014						
Cash and cash equivalents	2,464	2,464	–	–	–	–
Bank overdrafts	(18,285)	(18,285)	–	–	–	–
Bank loans	(160,076)	(160,076)	–	–	–	–
Interest rate swaps						
Notional cash inflows	160,000	160,000	–	–	–	–
Notional cash outflows	(160,000)	–	(40,000)	(35,000)	(20,000)	(65,000)
Total variable rate	**(175,897)**	**(15,897)**	**(40,000)**	**(35,000)**	**(20,000)**	**(65,000)**
Group 2013						
Cash and cash equivalents	4,745	4,745	–	–	–	–
Bank overdrafts	(15,401)	(15,401)	–	–	–	–
Bank loans	(162,069)	(162,069)	–	–	–	–
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	**(172,725)**	**(67,725)**	**15,000**	**(50,000)**	**(25,000)**	**(45,000)**

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

Notes to the Financial Statements

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Note 22 – Financial Instruments (restated) (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/NZD exchange rate or interest rates changed by 1%.

	GROUP AND PARENT			
	2014 $000 -1% change	**2014 $000 +1% change**	2013 $000 -1% change	2013 $000 +1% change
USD/NZD exchange rate	868	(868)	933	(933)
NZD interest rate	1,260	(1,260)	1,116	(1,116)

(m) Master netting or similar arrangements

Sanford enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the rights to offset are enforceable only on the occurrence of future events such as default on the bank loans or other credit events.

	GROUP AND PARENT	
Net derivatives position under ISDA agreements	**2014 $000**	2013 $000
Derivative assets	2,266	16,808
Derivative liabilities	(2,848)	–
Net amount	**(582)**	**16,808**

Note 22 – Financial Instruments (restated) (continued)

(n) 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 2014						
Assets						
Investments						
– Shares in other companies	–	–	135	–	135	135
Total non-current assets	**–**	**–**	**135**	**–**	**135**	**135**
Trade debtors	–	60,235	–	–	60,235	60,235
Cash and cash equivalents	–	2,464	–	–	2,464	2,464
Other debtors – advances to associates	–	235	–	–	235	235
Derivative financial instruments						
– Forward exchange contracts	982	–	–	–	982	982
– Interest rate swaps	1,284	–	–	–	1,284	1,284
Total current assets	**2,266**	**62,934**	**–**	**–**	**65,200**	**65,200**
Total assets	**2,266**	**62,934**	**135**	**–**	**65,335**	**65,335**
Liabilities						
Bank loans	–	–	–	160,076	160,076	160,076
Total non-current liabilities	**–**	**–**	**–**	**160,076**	**160,076**	**160,076**
Bank overdraft and borrowings	–	–	–	18,285	18,285	18,285
Trade creditors	–	–	–	11,304	11,304	11,304
Other payables	–	–	–	12,284	12,284	12,284
Derivative financial instruments						
– Foreign exchange options	2,848	–	–	–	2,848	2,848
Total current liabilities	**2,848**	**–**	**–**	**41,873**	**44,721**	**44,721**
Total liabilities	**2,848**	**–**	**–**	**201,949**	**204,797**	**204,797**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 22 – Financial Instruments (restated) (continued)

(n) 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 2013						
Assets						
Investments						
– Shares in other companies	–	–	63	–	63	63
Total non-current assets	**–**	**–**	**63**	**–**	**63**	**63**
Trade debtors	–	50,053	–	–	50,053	50,053
Cash and cash equivalents	–	4,745	–	–	4,745	4,745
Other debtors – advances to associates	–	322	–	–	322	322
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**	**55,120**	**–**	**–**	**71,928**	**71,928**
Total assets	**16,808**	**55,120**	**63**	**–**	**71,991**	**71,991**
Liabilities						
Bank loans	–	–	–	161,469	161,469	161,469
Total non-current liabilities	**–**	**–**	**–**	**161,469**	**161,469**	**161,469**
Bank overdraft and borrowings	–	–	–	15,401	15,401	15,401
Current portion of term loan	–	–	–	600	600	600
Trade creditors	–	–	–	10,858	10,858	10,858
Other payables	–	–	–	9,957	9,957	9,957
Total current liabilities	**–**	**–**	**–**	**36,816**	**36,816**	**36,816**
Total liabilities	**–**	**–**	**–**	**198,285**	**198,285**	**198,285**

Note 22 – Financial Instruments (restated) (continued)

(o) 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 2014				
Derivatives – Forward exchange contracts used for hedging	–	982	–	982
Derivatives – Forward exchange options contracts used for hedging	–	(2,848)	–	(2,848)
Interest rate swaps	–	1,284	–	1,284
	–	**(582)**	**–**	**(582)**

	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 – Forward exchange options contracts used for hedging	–	5,093	–	5,093
Interest rate swaps	–	1,704	–	1,704
	–	**16,808**	**–**	**16,808**

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	$000	$000	$000	$000
Parent 2014				
Derivatives – Forward exchange contracts used for hedging	–	982	–	982
Derivatives – Forward exchange options contracts used for hedging	–	(2,848)	–	(2,848)
Interest rate swaps	–	1,284	–	1,284
	–	**(582)**	**–**	**(582)**

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	$000	$000	$000	$000
Parent 2013				
Derivatives – Forward exchange contracts used for hedging	–	10,011	–	10,011
Derivatives – Forward exchange options contracts used for hedging	–	5,093	–	5,093
Interest rate swaps	–	1,704	–	1,704
	–	**16,808**	**–**	**16,808**

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 a loss of $9.5m (2013: $3.2m profit).

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FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 22 – Financial Instruments (restated) (continued)

(p) 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.

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

	2014	2013
Interest rate swaps	3.19% – 4.8%	2.67% – 4.31%

(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.

Note 23 – Bank Loans (restated)

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

GROUP	FACILITY	EXPIRY DATE	BALANCE
	$000		$000
2014			
Non-current liabilities			
Bank loans (secured)			
2 year	10,406	October 2015	10,406
2 year	45,000	June 2016	39,670
3 year	50,000	July 2017	40,000
4 year	50,000	July 2018	25,000
5 year	50,000	June 2019	45,000
	205,406		160,076
2013			
Non-current liabilities			
Bank loans (secured)			
2 year	35,000	March 2015	35,000
3 year	10,319	October 2015	10,319
3 year	50,000	March 2016	50,000
4 year	50,000	March 2017	26,150
5 year	50,000	March 2018	40,000
	195,319		161,469

The above interest rates ranged from 3.19% - 6.22% (2013: 3.48% - 5.46%).

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

All borrowings are secured and subject to borrowing covenant arrangements. Sanford Limited has complied with all covenants during the period (September 2013: all covenants were complied with). North Island Mussels Limited (NIML), as a joint operation, did not comply with its covenants for the quarter ended 31 December 2013. However, a waiver was granted by ANZ on 12 February 2014 effective until 29 September 2014. NIML was in compliance with its covenants as at 30 September 2014.

Note 23 – Bank Loans (continued)

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

PARENT	FACILITY	EXPIRY DATE	BALANCE
	$000		$000
2014			
Non-current liabilities			
Bank loans (secured)			
2 year	45,000	June 2016	39,670
3 year	50,000	July 2017	40,000
4 year	50,000	July 2018	25,000
5 year	50,000	June 2019	45,000
	195,000		149,670
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

Note 24 – Operating Leases (restated)

Non-cancellable operating lease rentals are payable as follows:

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Less than one year	1,359	1,327	1,145	1,118
Between one and five years	4,570	5,005	3,591	3,961
More than five years	7,933	8,270	7,933	8,149
	13,862	**14,602**	**12,669**	**13,228**

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	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Lessor of ACE	11,507	10,114	11,054	9,744
Lessee of ACE	10,359	8,264	10,319	8,148

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

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FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 25 – Contingent Liabilities and Commitments (restated)

(a) Guarantees

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Guarantees (Joint Operation)	10,125	9,250	10,125	9,250
Guarantees (Other)	3,263	362	3,263	362

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

(b) Contingent liabilities

Sanford has been issued a claim for $1.35m from the liquidator of a customer. The likely outcome of this claim is currently unknown.

(c) Commitments

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Commitments for capital expenditure	3,587	4,152	1,021	3,624

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

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Profit for the year (after tax)	**22,364**	**20,400**	**23,915**	**22,040**
Adjustments for non-cash items:				
Depreciation and amortisation	17,975	17,428	16,556	16,019
Impairment	2,260	4,226	2,260	4,226
Gain on business combination	(2,159)	–	(2,159)	–
Change in fair value of biological assets	(4,105)	(207)	(4,321)	2,065
Change in fair value of interest rate swaps	(351)	(1,052)	(351)	(1,052)
Change in fair value of foreign exchange options	3,691	421	3,691	421
Change in fair value of foreign exchange contracts	826	320	826	320
Equity accounted (profit) in associated companies	(918)	(1,228)	–	–
Increase in deferred taxation	2,367	3,463	1,788	3,468
Unrealised foreign exchange (gains) losses	(4,026)	(63)	(4,026)	(919)
	15,560	**23,308**	**14,264**	**24,548**
Movement in working capital				
(Increase) in debtors and prepayments	(4,216)	(10,856)	(4,315)	(9,430)
(Increase) decrease in inventories	(1,527)	16,656	(1,868)	17,164
(Decrease) in creditors and other liabilities	(1,805)	(3,621)	(2,320)	(4,847)
Increase (decrease) in current tax	3,857	(7,122)	3,738	(7,530)
	(3,691)	**(4,943)**	**(4,765)**	**(4,643)**
Items classified as investing activities				
(Gain) on sale of property, plant and equipment	(2,077)	(152)	(2,077)	(166)
Net loss on disposal of intangible asset	322	–	322	–
Associate company dividends received by Parent	–	–	(1,119)	(1,035)
	(1,755)	**(152)**	**(2,874)**	**(1,201)**
Net cash flows from operating activities	**32,478**	**38,613**	**30,540**	**40,744**

Notes to the Financial Statements

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Note 27 – Related Party Transactions (restated)

(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	
	2014 $000	2013 $000
(i)Transactions with subsidiaries		
Income		
Management fees	153	117
Sales	13,850	14,605
Interest	66	54
Rent	336	336
	14,405	**15,112**

	BALANCE OUTSTANDING	
	2014 $000	2013 $000
Advances due from Parent to subsidiaries	(64,397)	(63,720)
Advances due to Parent from subsidiaries	21,020	18,421
	(43,377)	**(45,299)**

	TRANSACTION VALUE	
	2014 $000	2013 $000
(ii) Transactions with associates		
Income		
Management fees	248	312
Dividends received	1,119	1,035
	1,367	**1,347**
Expenses		
Processing	2,284	2,374
Freight	133	68
	2,417	**2,442**

	BALANCE OUTSTANDING	
	2014 $000	2013 $000
Advances due to Group	235	322
	235	**322**

	TRANSACTION VALUE	
	2014 $000	2013 $000
(iii) Transactions with joint operation		
Sales	4,025	7,378
Purchases	24,610	9,600

	BALANCE OUTSTANDING	
	2014 $000	2013 $000
Advance due from Joint Arrangement to Parent	450	–

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

Note 28 – Key Management Personnel Compensation (restated)

Key management personnel compensation comprised:

	2014 $000	2013 $000
Salary and short-term employee benefits	4,293	3,494
Directors' fees (Parent)	509	500
Share based payment	10	–
	4,812	**3,994**

Note 29 – Group Entities

The Sanford Group comprises the following principal entities:

Name	**2014 Interest Held (%)**	2013 Interest Held (%)	Balance Date	Principal Activity
Subsidiaries:				
New Zealand				
Auckland Fish Market Limited	100	100	30 September	Auction company
Sanford Investments Limited	100	100	30 September	Investment company
Sanford LTI Limited	100	–	30 September	Holding company
Shellfish Production & Technology NZ Limited	100	100	30 September	Development company
BreedCo Limited	80	80	30 September	Development company
Auckland Fishing Port Limited	67	67	31 March	Wharf company
Australia				
Sanford Australia Pty Limited	100	100	30 September	Fish catching and auction
Sanford Seafoods (Australia) Pty Limited	100	100	30 September	Holding company
Primestone Nominees Pty Limited	75	75	30 September	Seafood wholesaler
Joint Operation:				
New Zealand				
North Island Mussels Limited	50	50	30 September	Mussel farming and seafood processing
Associates:				
New Zealand				
Perna Contracting Limited	50	50	31 March	Mussel harvesting
San Won Limited	50	50	30 September	Cold storage
New Zealand Japan Tuna Company Limited	46.74	46.74	30 September	Fish catching and processing
Live Lobster Southland (1995) Limited	25	25	31 March	Seafood processing
China				
Weihai Dong Won Food Company Limited	50	50	31 December	Seafood processing

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Note 30 – Assets Classified as Held for Sale

	GROUP		PARENT	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Property, plant & equipment	580	2,160	580	2,160
Total assets held for sale	**580**	**2,160**	**580**	**2,160**

The movement between the comparative and current year reflects the sale of certain held for sale assets and the impairment of two vessels.

Note 31 – Impact on Group's Historical Financial Statements on Adoption of NZ IFRS 11: *Joint Arrangements*

As a result of the adoption of NZ IFRS 11: *Joint Arrangements*, certain amounts previously disclosed in the Group historical financial statements have been restated to reflect the retrospective impact of the change in accounting policy adopted from 1 October 2013.

The change in policy has been applied retrospectively per NZ IFRS requirements. This has resulted in derecognition of the Group's investment in North Island Mussels Limited (NIML) at the beginning of the earliest period presented being 1 October 2012 and recognition of the Group's proportionate interest in NIML's assets and liabilities. The change has had no impact on the Group's profit, earnings per share, items of equity or net assets.

The following tables summarise the adjustments made to the Group's consolidated income statement and consolidated statement of cash flows for the comparative twelve month period ended 30 September 2013 and to the Group's consolidated statement of financial position as at 30 September 2013.

Note 31 – Impact on Group's Historical Financial Statements on Adoption of NZ IFRS 11: *Joint Arrangements* (continued)

Impact on Consolidated Income Statement

	Audited 12 months ended 30 September 2013 $000	Change in Accounting Policy $000	Audited 12 months ended 30 September 2013 (restated) $000
Revenue	462,644	–	462,644
Cost of sales	(390,996)	1,505	(389,491)
Gross profit	**71,648**	**1,505**	**73,153**
Other income	9,179	623	9,802
Distribution expenses	(30,203)	(86)	(30,289)
Administrative expenses	(13,291)	(468)	(13,759)
Other expenses	(12,156)	(247)	(12,403)
Operating profit	**25,177**	**1,327**	**26,504**
Finance income	10,476	21	10,497
Finance expenses	(8,247)	(542)	(8,789)
Net finance income	**2,229**	**(521)**	**1,708**
Share of profit of equity accounted investees	1,754	(526)	1,228
Profit before income tax	**29,160**	**280**	**29,440**
Income tax (expense)	(8,760)	(280)	(9,040)
Profit for the period	**20,400**	**–**	**20,400**
Attributable to:			
Equity holders of the Group	20,361	–	20,361
Non controlling interest	39	–	39
	20,400	**–**	**20,400**
Earnings per share			
Basic and diluted earnings per share (cents)	21.7		21.7

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Note 31 – Impact on Group's Historical Financial Statements on Adoption of NZ IFRS 11: *Joint Arrangements* (continued)

Impact on Consolidated Statement of Cash Flows

	Audited 12 months ended 30 September 2013 $000	Change in Accounting Policy $000	Audited 12 months ended 30 September 2013 (restated) $000
Cash flows from operating activities			
Cash provided from:			
Receipts from customers	474,095	–	474,095
Interest received	76	28	104
Dividends received	51	–	51
	474,222	28	474,250
Cash applied to:			
Payments to suppliers and employees	413,846	(298)	413,548
Income tax paid	12,624	–	12,624
Interest paid	9,465	–	9,465
	435,935	(298)	435,637
Net cash flows from operating activities	**38,287**	**326**	**38,613**
Cash flows from investing activities			
Cash provided from:			
Sale of property, plant and equipment	989	–	989
Sale of investments and subsidiaries	17	–	17
Dividends received from associates	1,035	–	1,035
Return of capital from associate	510	–	510
	2,551	–	2,551
Cash applied to:			
Purchase of property, plant and equipment	17,448	462	17,910
	17,448	462	17,910
Net cash flows from investing activities	**(14,897)**	**(462)**	**(15,359)**
Cash flows from financing activities			
Cash provided from:			
Proceeds from borrowings	6,150	–	6,150
Cash applied to:			
Dividends paid to parent shareholders	21,534	–	21,534
	21,534	–	21,534
Net cash flows from financing activities	**(15,384)**	**–**	**(15,384)**
Net increase (decrease) in cash and cash equivalents	**8,006**	**(136)**	**7,870**
Effect of exchange rate fluctuations on cash held	(49)	–	(49)
Cash and cash equivalents at beginning of the period	(18,477)	–	(18,477)
Cash and cash equivalents at end of the period	**(10,520)**	**(136)**	**(10,656)**
Represented by:			
Bank overdraft and borrowings at call	(15,026)	(375)	(15,401)
Cash on hand and at bank	4,506	239	4,745
	(10,520)	**(136)**	**(10,656)**

Note 31 – Impact on Group's Historical Financial Statements on Adoption of NZ IFRS 11: *Joint Arrangements* (continued)

Impact on Consolidated Statement of Financial Position

	Audited 12 months ended 30 September 2013 $000	Change in Accounting Policy $000	Audited 12 months ended 30 September 2013 (restated) $000
Equity			
Paid in capital	95,355	–	95,355
Retained earnings	447,795	–	447,795
Other reserves	11,183	–	11,183
Total equity attributable to shareholders of the Company	**554,333**	**–**	**554,333**
Non controlling interest	575	–	575
Total equity	**554,908**	**–**	**554,908**
Non-current liabilities			
Bank loans (secured)	151,150	10,319	161,469
Employee entitlements	1,896	(1)	1,895
Deferred taxation	13,376	–	13,376
Total non-current liabilities	**166,422**	**10,318**	**176,740**
Current liabilities			
Bank overdraft and borrowings (secured)	15,026	375	15,401
Current portion of term loan	–	600	600
Trade creditors	10,008	850	10,858
Other creditors, provisions and accruals	15,088	–	15,088
Employee entitlements	5,997	149	6,146
Taxation payable	–	273	273
Total current liabilities	**46,119**	**2,247**	**48,366**
Total liabilities	**212,541**	**12,565**	**225,106**
Total equity and liabilities	**767,449**	**12,565**	**780,014**
Non-current assets			
Property, plant and equipment	116,347	14,730	131,077
Investments	15,500	(4,849)	10,651
Biological assets	6,693	–	6,693
Intangible assets	499,177	–	499,177
Total non-current assets	**637,717**	**9,881**	**647,598**
Current assets			
Cash on hand and at bank	4,506	239	4,745
Trade debtors	49,980	73	50,053
Derivative financial instruments	16,808	–	16,808
Other debtors and prepayments	10,461	38	10,499
Tax refund	4,456	–	4,456
Biological assets	7,927	2,272	10,199
Inventories	33,434	62	33,496
Non-current assets held for sale	2,160	–	2,160
Total current assets	**129,732**	**2,684**	**132,416**
Total assets	**767,449**	**12,565**	**780,014**

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Note 32 – Acquisition of Assets from Greenshell New Zealand Limited (in receivership) and Greenshell Investments Limited (in receivership)

On 5 May 2014 a conditional agreement for the sale and purchase of business assets was signed between Sanford Limited and the receivers of Greenshell New Zealand Limited (in receivership) and Greenshell Investments Limited (in receivership). The agreement went unconditional on 9 May 2014.

The Company has determined that the acquisition should be accounted for as a business combination in accordance with NZ IFRS 3: *Business Combinations*. The effect of this decision is that the identifiable assets acquired must be recorded at fair value. Fair values were determined by external valuations apart from mussels in the water which were valued consistently with the Company's accounting policy on valuation of biological assets (note 3(h)). The assets purchased and the fair values assigned to each category of asset were as follows:

	$m
Marine farm licences	10.3
Marine farm structures	1.0
Mussels in the water	2.1
Farming vessels	3.5
Land and buildings	0.4
Spat quota	0.1
Other assets	0.4
Deferred tax liability	(0.7)
Finance lease	(1.0)
Total fair value of assets acquired	16.1

The total acquisition price paid was $13.9m resulting in a bargain purchase gain of $2.159m. The bargain purchase gain arose from the acquiree companies being in receivership and has been recorded in other income in the income statement.

Note 33 – Subsequent Events

On 25 October 2014 Sanford acquired the business of one of its lease holders, Wynyard Seafood Market Limited, for $1.9 million.

There are no other events occurring after the reporting period that require disclosure (2013: none).

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 67 to 114. The financial statements comprise the statements of financial position as at 30 September 2014, 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 services to the company and group in relation to sustainability assurance and IT consulting. Subject to certain restrictions, 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 67 to 114:

- 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 2014 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

19 November 2014
Auckland

Statutory Information

Shareholding Analysis

as at 5 November 2014

	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
Size of Holding				
1 – 999	497	21.75	223,381	0.24
1,000 – 4,999	1,085	47.49	2,329,017	2.48
5,000 – 9,999	314	13.74	2,055,069	2.19
10,000 – 49,999	299	13.09	5,885,193	6.29
50,000 – 99,999	36	1.58	2,390,650	2.55
Over 100,000	54	2.35	80,743,425	86.25
	2,285	**100.0**	**93,626,735**	**100.0**

Twenty Largest Shareholders

as at 5 November 2014

	NUMBER OF SHARES
Shareholder	
Amalgamated Dairies Limited	35,059,067
Avalon Investment Trust Limited	8,606,054
New Zealand Central Securities Depository Limited[1]	8,251,810
Cazna (2904) Limited	4,434,370
Masfen Securities Limited	3,879,605
Investment Custodial Services Limited	2,632,432
Waikato Investment Company Limited	2,576,580
Sterling Nominees Limited	2,159,037
Kevin Glen Douglas & Michelle McKenney Douglas – K & M Douglas A/C	1,235,543
William Douglas Goodfellow – J A Goodfellow A/C	1,182,012
Ryca Investments Limited	720,328
NZ Guardian Trust Company Limited – A/c 01036200	699,994
James Douglas & Jean Ann Douglas – Douglas Family A/C	546,403
Kevin Douglas & Michelle Douglas – Douglas Irrevocable A/C	546,185
Seaford Holdings Limited	534,750
Vela Holdings Limited	531,404
The Goodfellow Foundation Incorporated	518,687
Mary Dorcas Spackman	500,000
Auckland Medical Research Foundation	494,920
Marie Roberta Taylor & Richard Heywood Taylor – Taylor Family A/C	431,314

[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	1,981,196
Citibank Nominees (New Zealand) Limited	1,704,712
HSBC Nominees (New Zealand) Limited	1,080,919
JP Morgan Chase Bank NA	710,961
New Zealand Superannuation Fund Nominees Limited	678,992
Accident Compensation Corporation	665,043
TEA Custodians Limited	539,814

Statutory Information

Substantial Security Holders

According to notices given to the Company under the Securities Amendment Act 1988, at 22 October 2014 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 93,573,638.

Because of the provisions of the Securities Amendment 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 2014

	BENEFICIAL INTEREST		NON BENEFICIAL INTEREST		ASSOCIATED PERSONS	
	2014	2013	**2014**	2013	**2014**	2013
E F Barratt*	–	720,828	–	–	–	–
E M Coutts	24,000	24,000	–	–	–	–
M G Cowsill	10,000	10,000	–	–	–	–
P J Goodfellow	127,200	127,200	–	–	–	–
W B Goodfellow	146,049	126,849	–	–	500	500
P G Norling	43,500	43,500	–	–	–	–
J G Todd	1,000	1,000	55,076	44,000	–	–

* Retired December 2013

Share Dealings by Directors

Directors acquired shares during the year as follows:

	NUMBER OF SHARES ACQUIRED	CONSIDERATION PAID	DATE
W B Goodfellow	10,000	$40,400	4 June 2014
W B Goodfellow	9,200	$37,168	6 June 2014
J G Todd	3,000	$13,650	7 February 2014
J G Todd	3,300	$15,510	14 February 2014
J G Todd	4,776	$22,447	17 February 2014

Directors' Indemnity and Insurance

The Company has insured and indemnified 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.

Statutory Information

Employees' Remuneration

	Number of Employees 2014	Number of Employees 2013
$100,000 – $109,999	20	22
$110,000 – $119,999	14	8
$120,000 – $129,999	6	5
$130,000 – $139,999	7	6
$140,000 – $149,999	4	7
$150,000 – $159,999	3	2
$160,000 – $169,999	1	2
$170,000 – $179,999	2	1
$180,000 – $189,999	1	–
$200,000 – $209,999	–	1
$210,000 – $219,999	2	2
$220,000 – $229,999	1	–
$240,000 – $249,999	1	–
$250,000 – $259,999	–	1
$280,000 – $289,999	–	1
$290,000 – $299,999	1	–
$320,000 – $329,999	–	1
$330,000 – $339,999	–	1
$340,000 – $349,999	1	–
$350,000 – $359,999	1	–
$420,000 – $429,999	1	2
$430,000 – $439,999	1	–
$700,000 – $709,999	1	–

Directors' Remuneration

	Director's Fees		Salary, Benefits and Other Payments	
	2014	2013	2014	2013
D G Anderson*	–	22,500	–	–
E F Barratt**	–	–	984,034	700,817
E M Coutts	80,000	80,000	–	–
M G Cowsill	77,500	70,000	–	–
P J Goodfellow	70,000	70,000	–	–
W B Goodfellow	70,000	67,500	–	–
P G Norling	86,667	67,500	–	–
J G Todd	125,000	122,500	–	–

* Retired January 2013

** Retired December 2013

Corporate Directory

Board of Directors

J G Todd, CBE, Chairman
P G Norling, Deputy Chairman
E M Coutts
M G Cowsill
P J Goodfellow
W B Goodfellow

Executive Management

Volker Kuntzsch, Chief Executive Officer
Greg Johansson, Chief Operating Officer
Clement Chia, Chief Financial Officer
Claire Walker, Chief People Officer

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
Wednesday 17th December 2014 at the
Viaduct Events Centre, 161 Halsey Street,
Wynyard Quarter, Auckland 1010

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