



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD



# Financial Statements

## For the year ended 30 September 2009

From sea to food – over 100 years of sustained growth

# Financial Statements 2009

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2009.

For and on behalf of the Board of Directors:



**B S Cole**

*Chairman*

25 November 2009



**E F Barratt**

*Managing Director*

## Contents

|                                   |    |
|-----------------------------------|----|
| Five Year Financial Review        | 1  |
| Income Statement                  | 2  |
| Balance Sheet                     | 3  |
| Statement of Cash Flows           | 4  |
| Statement of Changes in Equity    | 5  |
| Notes to the Financial Statements | 6  |
| Audit Report                      | 35 |
| Comments on Annual Result         | 36 |



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD

## Five Year Financial Review

|   | 2009 <sup>#</sup> | 2008 <sup>#</sup> | 2007 <sup>#</sup> | 2006             | 2005             |
|---|-------------------|-------------------|-------------------|------------------|------------------|
|   | \$000             | \$000             | \$000             | \$000            | \$000            |
| <b>Revenue</b>  | <b>433,091</b>    | <b>436,564</b>    | <b>367,920</b>    | <b>390,402</b>   | <b>365,825</b>   |
| <b>EBITDA*</b>  | <b>68,366</b>     | <b>65,874</b>     | <b>52,197</b>     | <b>63,303</b>    | <b>38,295</b>    |
| Depreciation, amortisation and impairment                             | (14,892)          | (22,359)          | (13,635)          | (16,167)         | (21,097)         |
| Net interest  | (6,788)           | (10,021)          | (11,109)          | (12,247)         | (11,418)         |
| Net currency exchange gains (losses)                                  | 8,387             | 5,505             | (10,511)          | 4,773            | 40,404           |
| Net gain (loss) on sale of investments, property, plant and equipment | (35)              | 29,749            | 425               | 322              | 292              |
| Gain on sale of subsidiaries  | -                 | -                 | 7,528             | -                | -                |
| Profit before income tax  | 55,038            | 68,748            | 24,895            | 39,984           | 46,476           |
| Income tax (expense)  | (15,899)          | (15,328)          | (4,865)           | (13,393)         | (16,006)         |
| Profit for the year   | 39,139            | 53,420            | 20,030            | 26,591           | 30,470           |
| Minority interest   | (64)              | (76)              | 105               | (517)            | (102)            |
| <b>Profit attributable to equity holders of the Group</b>             | <b>39,075</b>     | <b>53,344</b>     | <b>20,135</b>     | <b>26,074</b>    | <b>30,368</b>    |
| <b>Equity</b>   |                   |                   |                   |                  |                  |
| Paid in capital   | 95,355            | 95,355            | 95,355            | 95,355           | 88,828           |
| Reserves  | 452,575           | 430,491           | 423,688           | 408,456          | 406,431          |
| Minority interest   | 591               | 523               | 443               | 978              | 354              |
| <b>Total equity</b>   | <b>548,521</b>    | <b>526,369</b>    | <b>519,486</b>    | <b>504,789</b>   | <b>495,613</b>   |
| <b>Represented by:</b>  |                   |                   |                   |                  |                  |
| Current assets  | 124,488           | 109,837           | 118,971           | 120,373          | 109,061          |
| Less current liabilities  | 67,828            | 44,891            | 50,353            | 56,430           | 46,458           |
| <b>Working capital</b>  | <b>56,660</b>     | <b>64,946</b>     | <b>68,618</b>     | <b>63,943</b>    | <b>62,603</b>    |
| Property, plant and equipment   | 113,195           | 106,760           | 109,965           | 116,709          | 131,180          |
| Investments   | 21,319            | 20,581            | 57,082            | 31,129           | 27,142           |
| Term receivable   | 2,749             | 6,419             | 4,752             | -                | -                |
| Biological assets   | 5,574             | 5,039             | 4,300             | -                | -                |
| Intangible assets   | 453,564           | 415,768           | 409,035           | 422,702          | 417,709          |
| Brand use rights  | -                 | -                 | -                 | 1,000            | 2,000            |
|   | 653,061           | 619,513           | 653,752           | 635,483          | 640,634          |
| Less non-current liabilities  | 104,540           | 93,144            | 134,266           | 130,694          | 145,021          |
| <b>Total net assets</b>   | <b>548,521</b>    | <b>526,369</b>    | <b>519,486</b>    | <b>504,789</b>   | <b>495,613</b>   |
| Dividend per share (cents)  | 23 <sup>†</sup>   | 23 <sup>†</sup>   | 22 <sup>†</sup>   | 22 <sup>†</sup>  | 22 <sup>†</sup>  |
| Dividend cover  | 1.8 <sup>†</sup>  | 2.5 <sup>†</sup>  | 1.0 <sup>†</sup>  | 1.3 <sup>†</sup> | 1.5 <sup>†</sup> |
| Return on average total equity  | 7.3%              | 10.2%             | 4.0%              | 5.2%             | 6.1%             |
| Earnings per share (cents)  | 41.7              | 57.0              | 21.5              | 27.8             | 32.1             |
| Net asset backing per share   | \$5.86            | \$5.62            | \$5.55            | \$5.39           | \$5.29           |

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

# Prepared in accordance with New Zealand equivalents to International Financial Reporting Standards. To comply with NZ IFRS the 2005 to 2006 comparatives would require disclosure of biological assets in accordance with NZIAS 41 and intangible assets (mainly quota and marine farm licences) restated in accordance with NZIAS 38.

† Includes the dividends proposed after balance date.

### Major events

May 2006 – Cancelled 2,036,982 shares

April 2005 – Repurchased 2,036,982 shares held as treasury stock

# Income Statement

for the year ended 30 September 2009

|  | Note | Group         |                | Parent        |                |
|--|------|---------------|----------------|---------------|----------------|
|  |      | 2009          | 2008           | 2009          | 2008           |
|  |      | \$000         | \$000          | \$000         | \$000          |
| Revenue  | 5    | 433,091       | 436,564        | 368,982       | 368,319        |
| Cost of sales  |      | (345,633)     | (351,889)      | (282,081)     | (286,620)      |
| <b>Gross profit</b>  |      | <b>87,458</b> | <b>84,675</b>  | <b>86,901</b> | <b>81,699</b>  |
| Other income   | 6    | 5,218         | 7,600          | 1,649         | 6,986          |
| Profit on sale of investment in Fishery Products International Limited | 14   | –             | 26,215         | –             | –              |
| Distribution expenses  |      | (24,186)      | (23,750)       | (24,186)      | (23,750)       |
| Administrative expenses  | 7    | (10,405)      | (10,266)       | (8,438)       | (8,704)        |
| Other expenses   | 7    | (4,490)       | (10,100)       | (4,260)       | (7,165)        |
| <b>Operating profit</b>  |      | <b>53,595</b> | <b>74,374</b>  | <b>51,666</b> | <b>49,066</b>  |
| Finance income   | 8    | 9,581         | 7,316          | 10,244        | 7,784          |
| Finance expenses   | 8    | (8,348)       | (13,112)       | (7,684)       | (11,685)       |
| <b>Net finance income (expenses)</b>                                   |      | <b>1,233</b>  | <b>(5,796)</b> | <b>2,560</b>  | <b>(3,901)</b> |
| Share of profit of equity accounted investees                          | 13   | 210           | 170            | –             | –              |
| <b>Profit before income tax</b>  |      | <b>55,038</b> | <b>68,748</b>  | <b>54,226</b> | <b>45,165</b>  |
| Income tax (expense)   | 9    | (15,899)      | (15,328)       | (16,031)      | (15,143)       |
| <b>Profit for the year</b>   |      | <b>39,139</b> | <b>53,420</b>  | <b>38,195</b> | <b>30,022</b>  |
| <b>Attributable to:</b>  |      |               |                |               |                |
| Equity holders of the Group  |      | 39,075        | 53,344         | 38,195        | 30,022         |
| Minority interest  |      | 64            | 76             | –             | –              |
|  |      | <b>39,139</b> | <b>53,420</b>  | <b>38,195</b> | <b>30,022</b>  |
| <b>Earnings per share</b>  |      |               |                |               |                |
| Basic earnings per share (cents)                                       | 21   | 41.7          | 57.0           |               |                |

Diluted earnings per share is not separately disclosed as no dilution occurred.



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD

## Balance Sheet

as at 30 September 2009

|   | Note  | Group          |                | Parent         |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | 2009           | 2008           | 2009           | 2008           |
|   |       | \$000          | \$000          | \$000          | \$000          |
| <b>Equity</b>   |       |                |                |                |                |
| Paid in capital   |       | 95,355         | 95,355         | 95,355         | 95,355         |
| Retained earnings   |       | 446,665        | 429,124        | 420,705        | 404,044        |
| Other reserves  |       | 5,910          | 1,367          | 4,115          | –              |
| <b>Total equity attributable to shareholders of the Company</b> |       | <b>547,930</b> | <b>525,846</b> | <b>520,175</b> | <b>499,399</b> |
| Minority interest   |       | 591            | 523            | –              | –              |
| <b>Total equity</b>   | 19    | <b>548,521</b> | <b>526,369</b> | <b>520,175</b> | <b>499,399</b> |
| <b>Non-current liabilities</b>                                  |       |                |                |                |                |
| Bank loans (unsecured)  |       | 100,000        | 90,000         | 100,000        | 90,000         |
| Advances from subsidiary companies                              | 26    | –              | –              | 60,772         | 59,901         |
| Deferred taxation   | 15    | 4,540          | 3,144          | 5,103          | 3,101          |
| <b>Total non-current liabilities</b>                            |       | <b>104,540</b> | <b>93,144</b>  | <b>165,875</b> | <b>153,002</b> |
| <b>Current liabilities</b>                                      |       |                |                |                |                |
| Bank overdraft and borrowings at call                           | 18    | 33,886         | 552            | 33,197         | –              |
| Derivative financial instruments                                |       | 371            | 89             | 371            | 89             |
| Trade creditors   |       | 9,500          | 13,506         | 8,630          | 12,361         |
| Other liabilities   |       | 15,511         | 20,958         | 14,752         | 20,205         |
| Employee entitlements   |       | 6,020          | 5,762          | 5,666          | 5,438          |
| Taxation payable  |       | 2,540          | 4,024          | 2,058          | 4,133          |
| <b>Total current liabilities</b>                                |       | <b>67,828</b>  | <b>44,891</b>  | <b>64,674</b>  | <b>42,226</b>  |
| <b>Total liabilities</b>  |       | <b>172,368</b> | <b>138,035</b> | <b>230,549</b> | <b>195,228</b> |
| <b>Total equity and liabilities</b>                             |       | <b>720,889</b> | <b>664,404</b> | <b>750,724</b> | <b>694,627</b> |
| <b>Non-current assets</b>                                       |       |                |                |                |                |
| Property, plant and equipment                                   | 10    | 113,195        | 106,760        | 113,616        | 106,353        |
| Investments   | 13,14 | 21,319         | 20,581         | 51,321         | 49,113         |
| Term receivable   |       | 2,749          | 6,419          | 2,749          | 6,419          |
| Biological assets   | 12    | 5,574          | 5,039          | 5,574          | 5,039          |
| Intangible assets   | 11    | 453,564        | 415,768        | 437,150        | 399,692        |
| Advances to subsidiary companies                                | 26    | –              | –              | 22,688         | 25,100         |
| <b>Total non-current assets</b>                                 |       | <b>596,401</b> | <b>554,567</b> | <b>633,098</b> | <b>591,716</b> |
| <b>Current assets</b>   |       |                |                |                |                |
| Cash on hand and at bank  | 18    | 4,003          | 9,955          | 2,657          | 8,447          |
| Trade debtors   | 17    | 41,253         | 44,706         | 37,665         | 41,153         |
| Derivative financial instruments                                |       | 9,968          | –              | 9,968          | –              |
| Other debtors and prepayments                                   |       | 10,202         | 6,602          | 8,629          | 5,110          |
| Current portion of term receivable                              |       | 2,706          | 1,045          | 2,706          | 1,045          |
| Biological assets   | 12    | 6,375          | 6,163          | 6,375          | 6,163          |
| Inventories   | 16    | 49,981         | 41,366         | 49,626         | 40,993         |
| <b>Total current assets</b>                                     |       | <b>124,488</b> | <b>109,837</b> | <b>117,626</b> | <b>102,911</b> |
| <b>Total assets</b>   |       | <b>720,889</b> | <b>664,404</b> | <b>750,724</b> | <b>694,627</b> |

# Statement of Cash Flows

for the year ended 30 September 2009

|   | Note | Group           |                 | Parent          |                 |
|---|------|-----------------|-----------------|-----------------|-----------------|
|   |      | 2009            | 2008            | 2009            | 2008            |
|   |      | \$000           | \$000           | \$000           | \$000           |
| <b>Cash flows from operating activities</b>                 |      |                 |                 |                 |                 |
| <b>Cash provided from:</b>                                  |      |                 |                 |                 |                 |
| Receipts from customers                                     |      | 444,851         | 439,228         | 377,001         | 370,596         |
| Interest received   |      | 924             | 1,641           | 800             | 1,503           |
| Dividends received  |      | 941             | 602             | 665             | 482             |
|   |      | 446,716         | 441,471         | 378,466         | 372,581         |
| <b>Cash applied to:</b>                                     |      |                 |                 |                 |                 |
| Payments to suppliers and employees                         |      | 391,305         | 352,386         | 325,376         | 285,639         |
| Income tax paid   |      | 17,189          | 8,409           | 17,516          | 8,872           |
| Interest paid   |      | 7,171           | 11,171          | 7,171           | 11,171          |
|   |      | 415,665         | 371,966         | 350,063         | 305,682         |
| <b>Net cash flows from operating activities</b>             | 25   | <b>31,051</b>   | <b>69,505</b>   | <b>28,403</b>   | <b>66,899</b>   |
| <b>Cash flows from investing activities</b>                 |      |                 |                 |                 |                 |
| <b>Cash provided from:</b>                                  |      |                 |                 |                 |                 |
| Disposal of property, plant and equipment                   |      | 296             | 3,638           | 296             | 3,636           |
| Sale of investments and subsidiaries                        |      | 426             | 47,732          | 3,284           | –               |
| Repayment of term receivable                                |      | 1,559           | 916             | 1,559           | 34,960          |
|   |      | 2,281           | 52,286          | 5,139           | 38,596          |
| <b>Cash applied to:</b>                                     |      |                 |                 |                 |                 |
| Purchase of property, plant and equipment                   |      | 21,309          | 14,922          | 21,243          | 14,580          |
| Purchase of intangibles                                     |      | 37,458          | 9,176           | 37,458          | 6,911           |
| Acquisition of other investments                            |      | 2,226           | 12,947          | 2,208           | 68              |
|   |      | 60,993          | 37,045          | 60,909          | 21,559          |
| <b>Net cash flows from investing activities</b>             |      | <b>(58,712)</b> | <b>15,241</b>   | <b>(55,770)</b> | <b>17,037</b>   |
| <b>Cash flows from financing activities</b>                 |      |                 |                 |                 |                 |
| <b>Cash provided from:</b>                                  |      |                 |                 |                 |                 |
| Proceeds from borrowings                                    |      | 10,000          | –               | 10,000          | –               |
|   |      | 10,000          | –               | 10,000          | –               |
| <b>Cash applied to:</b>                                     |      |                 |                 |                 |                 |
| Dividends paid  |      | 21,534          | 20,598          | 21,534          | 20,598          |
| Repayment of bank loans                                     |      | –               | 40,000          | –               | 40,000          |
|   |      | 21,534          | 60,598          | 21,534          | 60,598          |
| <b>Net cash flows from financing activities</b>             |      | <b>(11,534)</b> | <b>(60,598)</b> | <b>(11,534)</b> | <b>(60,598)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b> |      |                 |                 |                 |                 |
| Effect of exchange rate fluctuations on cash held           |      | (91)            | 52              | (86)            | 70              |
| Cash and cash equivalents at beginning of year              |      | 9,403           | (14,797)        | 8,447           | (14,961)        |
| <b>Cash and cash equivalents at end of year</b>             |      | <b>(29,883)</b> | <b>9,403</b>    | <b>(30,540)</b> | <b>8,447</b>    |
| <b>Represented by:</b>                                      |      |                 |                 |                 |                 |
| Bank overdraft and borrowings at call                       |      | (33,886)        | (552)           | (33,197)        | –               |
| Cash on hand and at bank                                    |      | 4,003           | 9,955           | 2,657           | 8,447           |
|   |      | <b>(29,883)</b> | <b>9,403</b>    | <b>(30,540)</b> | <b>8,447</b>    |



**SANFORD LIMITED**  
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## Statement of Changes in Equity

for the year ended 30 September 2009

| Group  | Note | Share Capital | Translation Reserve | Fair Value Reserve | Cash Flow Hedge Reserve | Retained Earnings | Total          | Minority Interest | Total Equity   |
|--|------|---------------|---------------------|--------------------|-------------------------|-------------------|----------------|-------------------|----------------|
|  |      | \$000         | \$000               | \$000              | \$000                   | \$000             | \$000          | \$000             | \$000          |
| <b>Balance at 1 October 2008</b>   |      | <b>95,355</b> | <b>1,367</b>        | <b>-</b>           | <b>-</b>                | <b>429,124</b>    | <b>525,846</b> | <b>523</b>        | <b>526,369</b> |
| Foreign currency translation differences   |      | -             | 428                 | -                  | -                       | -                 | 428            | 4                 | 432            |
| Effective portion of changes in fair value of cash flow hedges (net of tax)            |      | -             | -                   | -                  | 6,977                   | -                 | 6,977          | -                 | 6,977          |
| Change in fair value of cash flow hedges transferred to profit or loss                 |      | -             | -                   | -                  | (2,862)                 | -                 | (2,862)        | -                 | (2,862)        |
| Income and expense recognised in equity  |      | -             | 428                 | -                  | 4,115                   | -                 | 4,543          | 4                 | 4,547          |
| Profit for the year  |      | -             | -                   | -                  | -                       | 39,075            | 39,075         | 64                | 39,139         |
| Total recognised income and expense for the year                                       |      | -             | 428                 | -                  | 4,115                   | 39,075            | 43,618         | 68                | 43,686         |
| Distributions to shareholders  | 20   | -             | -                   | -                  | -                       | (21,534)          | (21,534)       | -                 | (21,534)       |
| <b>Balance at 30 September 2009</b>  |      | <b>95,355</b> | <b>1,795</b>        | <b>-</b>           | <b>4,115</b>            | <b>446,665</b>    | <b>547,930</b> | <b>591</b>        | <b>548,521</b> |
| <b>Balance at 1 October 2007</b>   |      | <b>95,355</b> | <b>1,044</b>        | <b>26,237</b>      | <b>-</b>                | <b>396,407</b>    | <b>519,043</b> | <b>443</b>        | <b>519,486</b> |
| Foreign currency translation differences   |      | -             | 323                 | -                  | -                       | -                 | 323            | 4                 | 327            |
| Gain on available-for-sale financial assets transferred to profit or loss (net of tax) |      | -             | -                   | (26,237)           | -                       | -                 | (26,237)       | -                 | (26,237)       |
| Income and expense recognised in equity  |      | -             | 323                 | (26,237)           | -                       | -                 | (25,914)       | 4                 | (25,910)       |
| Profit for the year  |      | -             | -                   | -                  | -                       | 53,344            | 53,344         | 76                | 53,420         |
| Total recognised income and expense for the year                                       |      | -             | 323                 | (26,237)           | -                       | 53,344            | 27,430         | 80                | 27,510         |
| Other  |      | -             | -                   | -                  | -                       | (29)              | (29)           | -                 | (29)           |
| Distributions to shareholders  | 20   | -             | -                   | -                  | -                       | (20,598)          | (20,598)       | -                 | (20,598)       |
| <b>Balance at 30 September 2008</b>  |      | <b>95,355</b> | <b>1,367</b>        | <b>-</b>           | <b>-</b>                | <b>429,124</b>    | <b>525,846</b> | <b>523</b>        | <b>526,369</b> |

| Parent  | Note | Share Capital | Cash Flow Hedge Reserve | Retained Earnings | Total Equity   |
|---|------|---------------|-------------------------|-------------------|----------------|
|   |      | \$000         | \$000                   | \$000             | \$000          |
| <b>Balance at 1 October 2008</b>  |      | <b>95,355</b> | <b>-</b>                | <b>404,044</b>    | <b>499,399</b> |
| Effective portion of changes in fair value of cash flow hedges (net of tax) |      | -             | 6,977                   | -                 | 6,977          |
| Change in fair value of cash flow hedges transferred to profit or loss      |      | -             | (2,862)                 | -                 | (2,862)        |
| Profit for the year   |      | -             | -                       | 38,195            | 38,195         |
| Total recognised income and expense for the year                            |      | -             | 4,115                   | 38,195            | 42,310         |
| Distributions to shareholders   | 20   | -             | -                       | (21,534)          | (21,534)       |
| <b>Balance at 30 September 2009</b>   |      | <b>95,355</b> | <b>4,115</b>            | <b>420,705</b>    | <b>520,175</b> |
| <b>Balance at 1 October 2007</b>  |      | <b>95,355</b> | <b>-</b>                | <b>394,620</b>    | <b>489,975</b> |
| Profit for the year   |      | -             | -                       | 30,022            | 30,022         |
| Total recognised income and expense for the year                            |      | -             | -                       | 30,022            | 30,022         |
| Distributions to shareholders   | 20   | -             | -                       | (20,598)          | (20,598)       |
| <b>Balance at 30 September 2008</b>   |      | <b>95,355</b> | <b>-</b>                | <b>404,044</b>    | <b>499,399</b> |

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 1 – Reporting Entity

Sanford Limited (the Company) is a profit-oriented company registered in New Zealand under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer for the purposes of the Financial Reporting Act 1993 and its Financial Statements comply with that Act. The Financial Statements presented include the individual Financial Statements of the Company and the consolidated Financial Statements of the Company, its subsidiaries and associates (the Group) for the year ended 30 September 2009.

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

## Note 2 – Basis of Preparation

### (a) Statement of compliance

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

### (b) Basis of measurement

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

- Interest rate swaps and forward exchange contracts
- Immature salmon, mussels and oysters are measured at fair value less point-of-sale costs.

### (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:

- Valuation of allocated quota (refer note 11)
- Valuation of biological assets (refer note 12)
- Valuation of financial instruments (refer note 22).

# Notes to the Financial Statements

for the year ended 30 September 2009

## 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.

### (a) Basis of consolidation

#### *(i) Subsidiaries*

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

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

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

#### *(iii) Acquisitions or disposals during the year*

Where an entity becomes or ceases to be part of the Group during the year, the results of the entity are included in the consolidated results from the date that control or significant influence commenced or until the date that control or significant influence ceased. When an entity is acquired all identifiable assets and liabilities are recognised at their fair value at acquisition date. The fair value does not take into consideration any future intentions by the Group. 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 and the carrying amount of the entity.

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

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

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 3 – Significant Accounting Policies (continued)

### (d) Fish quota and marine farm licences

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

Marine farm licences are recorded at cost.

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

### (e) Research and development

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

### (f) Property, plant and equipment

#### (i) Recognition and measurement

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

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. As a result of a reassessment at the beginning of the financial year, useful lives for some classes of assets were adjusted resulting in an estimated decrease of \$1.5m in depreciation for the year and an increase in net profit before and after tax by the same amount. 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:

|                                    | 2009  | 2008  |
|------------------------------------|-------|-------|
|                                    | Years | Years |
| Buildings (freehold and leasehold) | 25    | 25    |
| Fishing vessels:                   |       |       |
| Hulls                              | 20–30 | 15-20 |
| Engines                            | 12–15 | 10-12 |
| 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  | 3     |

## Notes to the Financial Statements

for the year ended 30 September 2009

### 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 point-of-sale costs at the date of transfer.

#### (h) Biological assets

Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in the Income Statement. The fair value is determined with reference to the present value of the expected cashflows using anticipated harvest volumes, market prices and the costs of cultivation until sold. Point-of-sale costs include commissions to brokers and dealers and other costs directly related to selling the asset but exclude transport and other costs necessary to get assets to market. 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 Balance Sheet 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. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date.

##### (ii) Non-derivative financial assets

###### Trade and other receivables

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

###### Investments in equity securities

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

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

#### (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 equity. The fair value is their quoted bid price at the balance sheet 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.

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 3 – Significant Accounting Policies (continued)

### (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 equity.

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 using the balance sheet method, providing for 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 Cash Flow Statement, cash comprises cash balances and demand deposits. Bank overdrafts are included to the extent they are repayable on demand and form an integral part of the Group's cash management.

### (o) Bank loans

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

### (p) Revenue

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

### (q) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets and losses on derivative instruments that are recognised in the Income Statement. All borrowing costs are recognised in the Income Statement using the effective interest method.

### (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.

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 3 – Significant Accounting Policies (continued)

#### (t) 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.

#### (u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment) or in providing related products or services (business segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments.

#### (v) New standards and interpretations not yet adopted

A number of new standards and interpretations are not yet effective for the year ended 30 September 2009, and have not been applied in preparing these consolidated Financial Statements.

Sanford Limited has chosen not to early adopt the following standards:

- IFRS 8 – *Operating Segments* – introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for the Group's 2010 Interim Financial Statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 4). The effect on reporting will be assessed before the next interim report to shareholders.
- Revised IAS 23 – *Borrowing Costs* – removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2010 Interim Financial Statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

The following standards have been recently issued. The likely effect on the Group's 2010 Financial Statements has not yet been assessed.

- NZ IFRS 1 – *Amendments to cost of investment in a subsidiary, jointly controlled entity or associate*.
- NZ IFRS 3 – *Business Combinations (revised)*.
- NZ IAS 27 – *Consolidated and Separate Financial Statements (amended)*.
- NZ IAS 39 – *Amendment to NZ equivalent to IAS 39 Financial instruments: recognition and measurement – Eligible hedged items*.
- Various – *Improvements to New Zealand equivalents to IFRS*.

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 4 – Segment Reporting

The Group operates in two geographical areas, being New Zealand and Australia.

The Group has disclosed segmental results only on directly attributable income and expenditure. There is no reasonable basis upon which to allocate expenditures that are not directly attributable.

Inter-segment transactions are at market prices based on similar transactions to outside parties in the same segment.

The Sanford group of companies operates in the one-industry segment, harvesting, processing and selling seafood products.

### (a) Income and expenditure

|   | New Zealand   |               | Australia  |                | Eliminations |                | Total         |               |
|---|---------------|---------------|------------|----------------|--------------|----------------|---------------|---------------|
|   | 2009          | 2008          | 2009       | 2008           | 2009         | 2008           | 2009          | 2008          |
|   | \$000         | \$000         | \$000      | \$000          | \$000        | \$000          | \$000         | \$000         |
| Total external revenues                       | 373,575       | 376,347       | 59,516     | 60,217         | –            | –              | 433,091       | 436,564       |
| Inter-segment revenue                         | 3,899         | 3,225         | –          | –              | (3,899)      | (3,225)        | –             | –             |
| Segment revenue                               | 377,474       | 379,572       | 59,516     | 60,217         | (3,899)      | (3,225)        | 433,091       | 436,564       |
| <b>Segment result</b>                         | <b>37,879</b> | <b>57,046</b> | <b>997</b> | <b>(1,598)</b> | <b>53</b>    | <b>(2,198)</b> | <b>38,929</b> | <b>53,250</b> |
| Share of profit of equity accounted investees |               |               |            |                |              |                | 210           | 170           |
| <b>Profit for the year</b>                    |               |               |            |                |              |                | <b>39,139</b> | <b>53,420</b> |

### (b) Assets and liabilities

|  | New Zealand    |                | Australia     |               | Total          |                |
|--|----------------|----------------|---------------|---------------|----------------|----------------|
|  | 2009           | 2008           | 2009          | 2008          | 2009           | 2008           |
|  | \$000          | \$000          | \$000         | \$000         | \$000          | \$000          |
| Segment assets   | 684,936        | 629,388        | 23,294        | 24,150        | 708,230        | 653,538        |
| Investment in equity accounted investees                                   | 12,659         | 10,866         | –             | –             | 12,659         | 10,866         |
| <b>Total assets</b>  | <b>697,595</b> | <b>640,254</b> | <b>23,294</b> | <b>24,150</b> | <b>720,889</b> | <b>664,404</b> |
| Segment liabilities  | 146,667        | 116,269        | 25,701        | 21,766        | 172,368        | 138,035        |
| <b>Total liabilities</b>   | <b>146,667</b> | <b>116,269</b> | <b>25,701</b> | <b>21,766</b> | <b>172,368</b> | <b>138,035</b> |
| Capital expenditure  | 58,723         | 21,525         | 46            | 2,608         | 58,769         | 24,133         |
| Depreciation   | 13,321         | 14,852         | 189           | 257           | 13,510         | 15,109         |
| Impairment after tax (intangible assets and property, plant and equipment) | 342            | 2,004          | 230           | 2,831         | 572            | 4,835          |

## Note 5 – Revenue

|                      | Group          |                | Parent         |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2009           | 2008           | 2009           | 2008           |
|                      | \$000          | \$000          | \$000          | \$000          |
| Sale of goods        | 433,091        | 436,564        | 368,982        | 368,319        |
| <b>Total revenue</b> | <b>433,091</b> | <b>436,564</b> | <b>368,982</b> | <b>368,319</b> |

## Notes to the Financial Statements

for the year ended 30 September 2009

| Note 6 – Other Income                                    | Note | Group        |              | Parent       |              |
|--|------|--------------|--------------|--------------|--------------|
|  |      | 2009         | 2008         | 2009         | 2008         |
|  |      | \$000        | \$000        | \$000        | \$000        |
| Change in fair value of biological assets                | 12   | (1,553)      | 1,337        | (1,553)      | 1,337        |
| Net gain (loss) on sale of property, plant and equipment |      | (35)         | 3,533        | (35)         | 3,533        |
| Sundry income  |      | 6,806        | 2,730        | 3,237        | 2,116        |
|  |      | <b>5,218</b> | <b>7,600</b> | <b>1,649</b> | <b>6,986</b> |

| Note 7 – Expenses                            | Note                                   | Group  |        | Parent |        |
|--|--|--------|--------|--------|--------|
|  |  | 2009   | 2008   | 2009   | 2008   |
|  |  | \$000  | \$000  | \$000  | \$000  |
| <b>(a) Administrative and other expenses</b> |  |        |        |        |        |
| Directors' fees                              |  | 316    | 250    | 316    | 250    |
| Donations                                    |  | 66     | 17     | 33     | 15     |
| Audit fees                                   | – KPMG                                 | 147    | 141    | 104    | 100    |
| KPMG fees for other services                 | – IFRS advice                          | –      | 62     | –      | 62     |
|  | – Accounting services                  | 2      | 43     | –      | –      |
| Leasing charges                              |  | 2,696  | 2,586  | 2,263  | 2,159  |
| Doubtful debts                               | – Written off                          | 199    | 509    | 17     | 380    |
|  | – Decrease in doubtful debts provision | (124)  | (119)  | –      | (248)  |
| Impairment of property, plant and equipment  | 10                                     | 718    | 2,992  | 488    | 2,992  |
| Impairment of intangible assets              | 11                                     | –      | 2,831  | –      | –      |
| <b>(b) Personnel expenses</b>                |  |        |        |        |        |
| Wages and salaries                           |  | 81,003 | 83,370 | 77,518 | 79,643 |

| Note 8 – Finance Income and Expenses                         | Note | Group        |                | Parent        |                |
|--|------|--------------|----------------|---------------|----------------|
|  |      | 2009         | 2008           | 2009          | 2008           |
|  |      | \$000        | \$000          | \$000         | \$000          |
| <b>Finance income</b>  |      |              |                |               |                |
| Interest income on bank deposits                             |      | 896          | 1,664          | 1,075         | 1,857          |
| Dividend   |      | 298          | 147            | 666           | 482            |
| Net foreign exchange gain                                    |      | 8,387        | 5,505          | 8,503         | 5,445          |
|  |      | <b>9,581</b> | <b>7,316</b>   | <b>10,244</b> | <b>7,784</b>   |
| <b>Finance expenses</b>                                      |      |              |                |               |                |
| Interest rate swaps fair value movement                      |      | 282          | 700            | 282           | 700            |
| Interest expense on term loan and bank overdraft             |      | 7,402        | 10,985         | 7,402         | 10,985         |
| High Liner Foods Incorporated investment fair value movement | 14   | 664          | 1,427          | –             | –              |
|  |      | <b>8,348</b> | <b>13,112</b>  | <b>7,684</b>  | <b>11,685</b>  |
| <b>Net finance income (expense)</b>                          |      | <b>1,233</b> | <b>(5,796)</b> | <b>2,560</b>  | <b>(3,901)</b> |

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 9 – Income Tax Expense

|   | Group         |                | Parent        |               |
|---|---------------|----------------|---------------|---------------|
|   | 2009          | 2008           | 2009          | 2008          |
|   | \$000         | \$000          | \$000         | \$000         |
| <b>(a) Income tax expense</b>                     |               |                |               |               |
| <b>Current period</b>                             |               |                |               |               |
| Adjustment for prior periods                      | 306           | –              | 306           | 16            |
|   | <b>15,960</b> | <b>16,450</b>  | <b>15,487</b> | <b>16,213</b> |
|   | <b>16,266</b> | <b>16,450</b>  | <b>15,793</b> | <b>16,229</b> |
| <b>Deferred tax expense</b>                       |               |                |               |               |
| Origination and reversal of temporary differences | 684           | (1,226)        | 877           | (1,196)       |
| Adjustments for prior periods                     | (1,051)       | –              | (639)         | –             |
| Reduction in tax rate                             | –             | 104            | –             | 110           |
|   | <b>15,899</b> | <b>15,328</b>  | <b>16,031</b> | <b>15,143</b> |
| <b>(b) Reconciliation of effective tax rate</b>   |               |                |               |               |
| Profit for the year                               | 39,139        | 53,420         | 38,195        | 30,022        |
| Income tax expense                                | 15,899        | 15,328         | 16,031        | 15,143        |
| <b>Profit before income tax</b>                   | <b>55,038</b> | <b>68,748</b>  | <b>54,226</b> | <b>45,165</b> |
|   | <b>16,511</b> | <b>22,687</b>  | <b>16,268</b> | <b>14,904</b> |
| <b>Tax at current rate of 30% (2008 – 33%)</b>    |               |                |               |               |
| Effect of tax rates in foreign jurisdictions      | –             | (42)           | –             | –             |
| Non-deductible expenses                           | 96            | 1,472          | 96            | 53            |
| Non-taxable income                                | (89)          | (8,862)        | –             | (80)          |
| Utilisation of tax losses previously unrecognised | (347)         | (421)          | –             | –             |
| Over provided in prior periods                    | (745)         | –              | (333)         | –             |
| Effect of future change in tax rate               | –             | 104            | –             | 110           |
| Other   | 473           | 390            | –             | 156           |
|   | <b>(612)</b>  | <b>(7,359)</b> | <b>(237)</b>  | <b>239</b>    |
| <b>Income tax expense</b>                         | <b>15,899</b> | <b>15,328</b>  | <b>16,031</b> | <b>15,143</b> |
| <b>(c) Imputation credit account</b>              |               |                |               |               |
| Balance at beginning of year                      | 55,303        | 56,346         |               |               |
| Tax payments                                      | 17,907        | 8,746          |               |               |
| Imputation credits attached to dividends received | 220           | 168            |               |               |
| Imputation credits attached to dividends paid     | (10,422)      | (9,957)        |               |               |
| Other movements                                   | –             | –              |               |               |
| <b>Balance at end of year</b>                     | <b>63,008</b> | <b>55,303</b>  |               |               |

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 2009

### Note 10 – Property, Plant and Equipment

|  | Land         | Freehold Buildings | Leasehold Buildings | Fishing Vessels | Plant and Equipment | Total          |
|--|--------------|--------------------|---------------------|-----------------|---------------------|----------------|
|  | \$000        | \$000              | \$000               | \$000           | \$000               | \$000          |
| <b>Group 2009</b>                              |              |                    |                     |                 |                     |                |
| <b>Cost</b>                                    |              |                    |                     |                 |                     |                |
| Balance at beginning of year                   | 1,738        | 10,850             | 39,249              | 150,490         | 82,980              | 285,307        |
| Additions                                      | –            | 240                | 744                 | 9,913           | 10,414              | 21,311         |
| Disposals                                      | –            | –                  | (195)               | (953)           | (724)               | (1,872)        |
| Effect of movements in exchange rates          | 4            | 8                  | –                   | 6               | 11                  | 29             |
| Balance at end of year                         | 1,742        | 11,098             | 39,798              | 159,456         | 92,681              | 304,775        |
| <b>Accumulated depreciation and impairment</b> |              |                    |                     |                 |                     |                |
| Balance at beginning of year                   | –            | (6,524)            | (16,571)            | (97,623)        | (57,829)            | (178,547)      |
| Depreciation                                   | –            | (336)              | (1,450)             | (7,064)         | (4,660)             | (13,510)       |
| Impairment                                     | (85)         | (145)              | –                   | (488)           | –                   | (718)          |
| Disposals                                      | –            | –                  | –                   | 850             | 345                 | 1,195          |
| Balance at end of year                         | (85)         | (7,005)            | (18,021)            | (104,325)       | (62,144)            | (191,580)      |
| <b>Net book value at 30 September 2009</b>     | <b>1,657</b> | <b>4,093</b>       | <b>21,777</b>       | <b>55,131</b>   | <b>30,537</b>       | <b>113,195</b> |
| <b>Group 2008</b>                              |              |                    |                     |                 |                     |                |
| <b>Cost</b>                                    |              |                    |                     |                 |                     |                |
| Balance at beginning of year                   | 1,733        | 10,688             | 39,518              | 156,224         | 71,332              | 279,495        |
| Additions                                      | –            | 172                | 98                  | 2,430           | 12,258              | 14,958         |
| Disposals                                      | –            | (20)               | (367)               | (8,177)         | (664)               | (9,228)        |
| Effect of movements in exchange rates          | 5            | 10                 | –                   | 13              | 54                  | 82             |
| Balance at end of year                         | 1,738        | 10,850             | 39,249              | 150,490         | 82,980              | 285,307        |
| <b>Accumulated depreciation and impairment</b> |              |                    |                     |                 |                     |                |
| Balance at beginning of year                   | –            | (6,117)            | (13,065)            | (96,060)        | (54,288)            | (169,530)      |
| Depreciation                                   | –            | (417)              | (1,616)             | (8,930)         | (4,146)             | (15,109)       |
| Impairment                                     | –            | –                  | (2,258)             | (734)           | –                   | (2,992)        |
| Disposals                                      | –            | 10                 | 368                 | 8,101           | 605                 | 9,084          |
| Balance at end of year                         | –            | (6,524)            | (16,571)            | (97,623)        | (57,829)            | (178,547)      |
| <b>Net book value at 30 September 2008</b>     | <b>1,738</b> | <b>4,326</b>       | <b>22,678</b>       | <b>52,867</b>   | <b>25,151</b>       | <b>106,760</b> |

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 10 – Property, Plant and Equipment (continued)

|  | Land         | Freehold Buildings | Leasehold Buildings | Fishing Vessels | Plant and Equipment | Total          |
|--|--------------|--------------------|---------------------|-----------------|---------------------|----------------|
|  | \$000        | \$000              | \$000               | \$000           | \$000               | \$000          |
| <b>Parent 2009</b>                             |              |                    |                     |                 |                     |                |
| <b>Cost</b>                                    |              |                    |                     |                 |                     |                |
| Balance at beginning of year                   | 1,550        | 10,431             | 39,249              | 149,198         | 79,184              | 279,612        |
| Additions                                      | –            | 240                | 744                 | 9,913           | 10,348              | 21,245         |
| Disposals                                      | –            | –                  | (195)               | (953)           | (364)               | (1,512)        |
| Balance at end of year                         | 1,550        | 10,671             | 39,798              | 158,158         | 89,168              | 299,345        |
| <b>Accumulated depreciation and impairment</b> |              |                    |                     |                 |                     |                |
| Balance at beginning of year                   | –            | (6,495)            | (16,499)            | (94,752)        | (55,513)            | (173,259)      |
| Depreciation                                   | –            | (414)              | (1,450)             | (7,171)         | (4,131)             | (13,166)       |
| Impairment                                     | –            | –                  | –                   | (488)           | –                   | (488)          |
| Disposals                                      | –            | –                  | –                   | 850             | 334                 | 1,184          |
| Balance at end of year                         | –            | (6,909)            | (17,949)            | (101,561)       | (59,310)            | (185,729)      |
| <b>Net book value at 30 September 2009</b>     | <b>1,550</b> | <b>3,762</b>       | <b>21,849</b>       | <b>56,597</b>   | <b>29,858</b>       | <b>113,616</b> |
| <b>Parent 2008</b>                             |              |                    |                     |                 |                     |                |
| <b>Cost</b>                                    |              |                    |                     |                 |                     |                |
| Balance at beginning of year                   | 1,550        | 10,279             | 39,518              | 154,945         | 67,899              | 274,191        |
| Additions                                      | –            | 172                | 98                  | 2,430           | 11,949              | 14,649         |
| Disposals                                      | –            | (20)               | (367)               | (8,177)         | (664)               | (9,228)        |
| Balance at end of year                         | 1,550        | 10,431             | 39,249              | 149,198         | 79,184              | 279,612        |
| <b>Accumulated depreciation and impairment</b> |              |                    |                     |                 |                     |                |
| Balance at beginning of year                   | –            | (6,115)            | (13,065)            | (93,420)        | (52,023)            | (164,623)      |
| Depreciation                                   | –            | (390)              | (1,544)             | (8,742)         | (4,061)             | (14,737)       |
| Impairment                                     | –            | –                  | (2,258)             | (734)           | –                   | (2,992)        |
| Disposals                                      | –            | 10                 | 368                 | 8,144           | 571                 | 9,093          |
| Balance at end of year                         | –            | (6,495)            | (16,499)            | (94,752)        | (55,513)            | (173,259)      |
| <b>Net book value at 30 September 2008</b>     | <b>1,550</b> | <b>3,936</b>       | <b>22,750</b>       | <b>54,446</b>   | <b>23,671</b>       | <b>106,353</b> |

### Impairment loss

In 2009 two fishing vessels were written down from book value to their expected sales values. This resulted in a charge of \$0.488m before tax. A property in Australia was written down from book value to expected sales value. This resulted in a charge of \$0.230m before tax (NZD).

In 2008 two fishing vessels were written down from book value to their expected sales values. This resulted in a charge of \$0.734m before tax. The impairment of leasehold buildings of \$2.258m was due to expiry of the lease.

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 11 – Intangible Assets

|   | Fishing Quota  | Marine Farm Licences | Total          |
|---|----------------|----------------------|----------------|
|   | \$000          | \$000                | \$000          |
| <b>Group 2009</b>                           |                |                      |                |
| <b>Carrying amount</b>                      |                |                      |                |
| Balance at beginning of year                | 398,031        | 20,568               | 418,599        |
| Acquisitions                                | 20,656         | 16,802               | 37,458         |
| Effect of movements in exchange rates       | 338            | –                    | 338            |
| Balance at end of year                      | 419,025        | 37,370               | 456,395        |
| <b>Impairment</b>                           |                |                      |                |
| Balance at beginning of year                | (2,831)        | –                    | (2,831)        |
| Impairment                                  | –              | –                    | –              |
| Balance at end of year                      | (2,831)        | –                    | (2,831)        |
| <b>Carrying amount at 30 September 2009</b> | <b>416,194</b> | <b>37,370</b>        | <b>453,564</b> |
| <b>Group 2008</b>                           |                |                      |                |
| <b>Carrying amount</b>                      |                |                      |                |
| Balance at beginning of year                | 395,080        | 13,955               | 409,035        |
| Acquisitions                                | 2,562          | 6,613                | 9,175          |
| Effect of movements in exchange rates       | 389            | –                    | 389            |
| Balance at end of year                      | 398,031        | 20,568               | 418,599        |
| <b>Impairment</b>                           |                |                      |                |
| Balance at beginning of year                | –              | –                    | –              |
| Impairment                                  | (2,831)        | –                    | (2,831)        |
| Balance at end of year                      | (2,831)        | –                    | (2,831)        |
| <b>Carrying amount at 30 September 2008</b> | <b>395,200</b> | <b>20,568</b>        | <b>415,768</b> |

#### Impairment testing

Impairment testing was performed on the applicable New Zealand cash generating unit (CGU) to determine whether fishing quota and marine farm licences were impaired using a discounted cash flow model based on value-in-use. Post-tax discount rates of between 8% and 8.9% were applied. Future cash flows were projected for 5 years and terminal growth rates of between 3% and 3.5% were applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecasts for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cashflows in the terminal year.

The Australian CGU applied similar assumptions to those stated above.

The recoverable amount of the CGUs exceeded the carrying value of the net assets of the CGUs. Therefore management has determined that no impairment to fishing quota and marine farm licences has occurred.

#### Impairment charge

In 2008 in Australia a review of quota values resulted in a \$2.8m write down, mainly relating to the alfonsino quota where catch rates and profitability are lower, justifying a lower carrying value.

|   | Fishing Quota  | Marine Farm Licences | Total          |
|---|----------------|----------------------|----------------|
|   | \$000          | \$000                | \$000          |
| <b>Parent 2009</b>                          |                |                      |                |
| <b>Carrying amount</b>                      |                |                      |                |
| Balance at beginning of year                | 379,124        | 20,568               | 399,692        |
| Acquisitions                                | 20,656         | 16,802               | 37,458         |
| <b>Carrying amount at 30 September 2009</b> | <b>399,780</b> | <b>37,370</b>        | <b>437,150</b> |
| <b>Parent 2008</b>                          |                |                      |                |
| <b>Carrying amount</b>                      |                |                      |                |
| Balance at beginning of year                | 378,827        | 13,955               | 392,782        |
| Acquisitions                                | 297            | 6,613                | 6,910          |
| <b>Carrying amount at 30 September 2008</b> | <b>379,124</b> | <b>20,568</b>        | <b>399,692</b> |

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 12 – Biological Assets

|   | Mussels      | Oysters    | Salmon       | Total         |
|---|--------------|------------|--------------|---------------|
|   | \$000        | \$000      | \$000        | \$000         |
| <b>Group and Parent 2009</b>                            |              |            |              |               |
| Balance at 1 October 2008                               | 5,844        | 730        | 4,628        | 11,202        |
| Change in fair value less estimated point-of-sale costs | 11,424       | 472        | 3,291        | 15,187        |
| Increase due to acquisitions                            | 2,300        | –          | –            | 2,300         |
| Harvested produce transferred to inventories            | (12,316)     | (594)      | (3,830)      | (16,740)      |
| <b>Balance at 30 September 2009</b>                     | <b>7,252</b> | <b>608</b> | <b>4,089</b> | <b>11,949</b> |
| Non-current   | 3,720        | –          | 1,854        | 5,574         |
| Current   | 3,532        | 608        | 2,235        | 6,375         |
|   | <b>7,252</b> | <b>608</b> | <b>4,089</b> | <b>11,949</b> |
| <b>Group and Parent 2008</b>                            |              |            |              |               |
| Balance at 1 October 2007                               | 5,437        | 688        | 3,740        | 9,865         |
| Change in fair value less estimated point-of-sale costs | 9,744        | 1,025      | 3,469        | 14,238        |
| Increase due to acquisitions                            | 70           | –          | –            | 70            |
| Harvested produce transferred to inventories            | (9,407)      | (983)      | (2,581)      | (12,971)      |
| <b>Balance at 30 September 2008</b>                     | <b>5,844</b> | <b>730</b> | <b>4,628</b> | <b>11,202</b> |
| Non-current   | 3,144        | –          | 1,895        | 5,039         |
| Current   | 2,700        | 730        | 2,733        | 6,163         |
|   | <b>5,844</b> | <b>730</b> | <b>4,628</b> | <b>11,202</b> |

The Company is exposed to a number of risks relating to its growing of salmon, mussels and oyster 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.

## Note 13 – Equity Accounted Investees

|   | Group         |               |
|---|---------------|---------------|
|   | 2009          | 2008          |
|   | \$000         | \$000         |
| <b>(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:</b> |               |               |
| Current assets  | 10,641        | 10,469        |
| Non-current assets  | 25,601        | 28,902        |
| <b>Total assets</b>   | <b>36,242</b> | <b>39,371</b> |
| Current liabilities   | 5,861         | 7,965         |
| Non-current liabilities   | 936           | 496           |
| <b>Total liabilities</b>  | <b>6,797</b>  | <b>8,461</b>  |
| Revenue   | 39,150        | 36,010        |
| Expenses  | (38,773)      | (35,661)      |
| <b>Profit</b>   | <b>377</b>    | <b>349</b>    |
| <b>(b) Movements in carrying value of equity accounted investees:</b>   |               |               |
| Balance at beginning of year  | 10,866        | 11,180        |
| Share of profit   | 210           | 170           |
| Dividends from associates   | (643)         | (455)         |
| Acquisitions  | 2,226         | –             |
| Other   | –             | (29)          |
| <b>Balance at end of year</b>   | <b>12,659</b> | <b>10,866</b> |

In 2009 the Company purchased a further 10% of the shares in Weihai Dong Won Food Company Limited for US\$1m.



**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 14 – Other Investments

|                              | Group        |              | Parent        |               |
|------------------------------|--------------|--------------|---------------|---------------|
|                              | 2009         | 2008         | 2009          | 2008          |
|                              | \$000        | \$000        | \$000         | \$000         |
| Shares in other companies    | 8,660        | 9,715        | 35            | 35            |
| Shares in subsidiaries       | –            | –            | 41,238        | 41,238        |
| Shares in associates at cost | –            | –            | 10,048        | 7,840         |
|                              | <b>8,660</b> | <b>9,715</b> | <b>51,321</b> | <b>49,113</b> |

A fair value decrease of \$0.7m (2008: \$1.4m) has been recognised in respect of the investment in High Liner Foods Incorporated based on the listed price of the shares at balance date.

In 2008 a profit of \$26.2m has been recognised in the Income Statement for the sale of shares in Fishery Products International Limited.

### Note 15 – Deferred Taxation

|   | Group |       | Parent |       |
|---|-------|-------|--------|-------|
|   | 2009  | 2008  | 2009   | 2008  |
|   | \$000 | \$000 | \$000  | \$000 |
| <b>(a) Unrecognised deferred tax assets</b> |       |       |        |       |
| Net tax losses – Australia                  | 2,209 | 2,421 | –      | –     |

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            |                |
|--|--------------|--------------|----------------|----------------|----------------|----------------|
|  | 2009         | 2008         | 2009           | 2008           | 2009           | 2008           |
|  | \$000        | \$000        | \$000          | \$000          | \$000          | \$000          |
| <b>Group</b>                             |              |              |                |                |                |                |
| Property, plant and equipment            | –            | –            | (2,384)        | (2,409)        | (2,384)        | (2,409)        |
| Investments                              | 607          | –            | –              | –              | 607            | –              |
| Intangible assets                        | –            | –            | (2,567)        | (2,526)        | (2,567)        | (2,526)        |
| Trade debtors                            | 43           | 43           | –              | –              | 43             | 43             |
| Term receivable                          | 15           | –            | –              | –              | 15             | –              |
| Derivative financial instruments         | –            | –            | (1,763)        | –              | (1,763)        | –              |
| Other debtors and prepayments            | –            | –            | (22)           | (22)           | (22)           | (22)           |
| Biological assets                        | –            | –            | (2,358)        | (1,972)        | (2,358)        | (1,972)        |
| Trade creditors                          | –            | –            | –              | (49)           | –              | (49)           |
| Other liabilities                        | 3,889        | 3,791        | –              | –              | 3,889          | 3,791          |
| <b>Deferred tax assets (liabilities)</b> | <b>4,554</b> | <b>3,834</b> | <b>(9,094)</b> | <b>(6,978)</b> | <b>(4,540)</b> | <b>(3,144)</b> |
| <b>Parent</b>                            |              |              |                |                |                |                |
| Property, plant and equipment            | –            | –            | (2,185)        | (2,207)        | (2,185)        | (2,207)        |
| Intangible assets                        | –            | –            | (2,567)        | (2,526)        | (2,567)        | (2,526)        |
| Term receivable                          | 15           | –            | –              | –              | 15             | –              |
| Derivative financial instruments         | –            | –            | (1,763)        | –              | (1,763)        | –              |
| Biological assets                        | –            | –            | (2,358)        | (1,972)        | (2,358)        | (1,972)        |
| Trade creditors                          | –            | –            | –              | (49)           | –              | (49)           |
| Other liabilities                        | 3,755        | 3,653        | –              | –              | 3,755          | 3,653          |
| <b>Deferred tax assets (liabilities)</b> | <b>3,770</b> | <b>3,653</b> | <b>(8,873)</b> | <b>(6,754)</b> | <b>(5,103)</b> | <b>(3,101)</b> |

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 15 – Deferred Taxation (continued)

### (c) Movement in temporary differences during the year

#### Group 2009

|   | Balance<br>30 Sept<br>2008 | Recognised<br>in Income<br>Statement | Recognised<br>in Equity | Balance<br>30 Sept<br>2009 |
|---|----------------------------|--------------------------------------|-------------------------|----------------------------|
|   | \$000                      | \$000                                | \$000                   | \$000                      |
| Property, plant and equipment             | (2,409)                    | 25                                   | –                       | (2,384)                    |
| Investments                               | –                          | 607                                  | –                       | 607                        |
| Intangible assets                         | (2,526)                    | (41)                                 | –                       | (2,567)                    |
| Trade debtors                             | 43                         | –                                    | –                       | 43                         |
| Term receivable                           | –                          | 15                                   | –                       | 15                         |
| Derivative financial instruments          | –                          | –                                    | (1,763)                 | (1,763)                    |
| Other debtors and prepayments             | (22)                       | –                                    | –                       | (22)                       |
| Biological assets                         | (1,972)                    | (386)                                | –                       | (2,358)                    |
| Trade creditors                           | (49)                       | 49                                   | –                       | –                          |
| Other liabilities                         | 3,791                      | 98                                   | –                       | 3,889                      |
| <b>Net deferred tax asset (liability)</b> | <b>(3,144)</b>             | <b>367</b>                           | <b>(1,763)</b>          | <b>(4,540)</b>             |

#### Group 2008

|   |                |              |          |                |
|---|----------------|--------------|----------|----------------|
| Property, plant and equipment             | (3,409)        | 1,000        | –        | (2,409)        |
| Intangible assets                         | (2,431)        | (95)         | –        | (2,526)        |
| Trade debtors                             | 286            | (243)        | –        | 43             |
| Derivative financial instruments          | (183)          | 183          | –        | –              |
| Other debtors and prepayments             | (6)            | (16)         | –        | (22)           |
| Biological assets                         | (1,960)        | (12)         | –        | (1,972)        |
| Trade creditors                           | (34)           | (15)         | –        | (49)           |
| Other liabilities                         | 3,471          | 320          | –        | 3,791          |
| <b>Net deferred tax asset (liability)</b> | <b>(4,266)</b> | <b>1,122</b> | <b>–</b> | <b>(3,144)</b> |

#### Parent 2009

|   |                |              |                |                |
|---|----------------|--------------|----------------|----------------|
| Property, plant and equipment             | (2,207)        | 22           | –              | (2,185)        |
| Intangible assets                         | (2,526)        | (41)         | –              | (2,567)        |
| Term receivable                           | –              | 15           | –              | 15             |
| Derivative financial instruments          | –              | –            | (1,763)        | (1,763)        |
| Biological assets                         | (1,972)        | (386)        | –              | (2,358)        |
| Trade creditors                           | (49)           | 49           | –              | –              |
| Other liabilities                         | 3,653          | 102          | –              | 3,755          |
| <b>Net deferred tax asset (liability)</b> | <b>(3,101)</b> | <b>(239)</b> | <b>(1,763)</b> | <b>(5,103)</b> |

#### Parent 2008

|   |                |              |          |                |
|---|----------------|--------------|----------|----------------|
| Property, plant and equipment             | (3,185)        | 978          | –        | (2,207)        |
| Intangible assets                         | (2,431)        | (95)         | –        | (2,526)        |
| Trade debtors                             | 281            | (281)        | –        | –              |
| Derivative financial instruments          | (183)          | 183          | –        | –              |
| Biological assets                         | (1,960)        | (12)         | –        | (1,972)        |
| Trade creditors                           | (34)           | (15)         | –        | (49)           |
| Other liabilities                         | 3,325          | 328          | –        | 3,653          |
| <b>Net deferred tax asset (liability)</b> | <b>(4,187)</b> | <b>1,086</b> | <b>–</b> | <b>(3,101)</b> |

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 16 – Inventories

|  | Group         |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2009          | 2008          | 2009          | 2008          |
|  | \$000         | \$000         | \$000         | \$000         |
| Fish                                     | 44,180        | 34,041        | 43,843        | 33,668        |
| Packaging, fishing gear, fuel and stores | 5,801         | 7,325         | 5,783         | 7,325         |
|  | <b>49,981</b> | <b>41,366</b> | <b>49,626</b> | <b>40,993</b> |

### Note 17 – Trade Debtors

|  | Group         |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2009          | 2008          | 2009          | 2008          |
|  | \$000         | \$000         | \$000         | \$000         |
| Trade debtors                          | 41,253        | 44,706        | 37,567        | 40,737        |
| Trade debtors due from related parties | –             | –             | 98            | 416           |
|  | <b>41,253</b> | <b>44,706</b> | <b>37,665</b> | <b>41,153</b> |

### Note 18 – Cash and Cash Equivalents

|                                       | Group           |              | Parent          |              |
|---------------------------------------|-----------------|--------------|-----------------|--------------|
|                                       | 2009            | 2008         | 2009            | 2008         |
|                                       | \$000           | \$000        | \$000           | \$000        |
| Cash on hand and at bank              | 4,003           | 9,955        | 2,657           | 8,447        |
| Bank overdraft and borrowings at call | (33,886)        | (552)        | (33,197)        | –            |
|                                       | <b>(29,883)</b> | <b>9,403</b> | <b>(30,540)</b> | <b>8,447</b> |

Interest rates applicable on call deposits range from 0% – 5.0% (2008: 7.50% to 8.25%).

Interest rates applicable in the bank overdraft range from 4.28% to 8.43% (2008: 8.58% to 8.98%).

# Notes to the Financial Statements

for the year ended 30 September 2009

## 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) Fair value reserve

The reserve only represented the change in the fair value of the investment in Fishery Products International Limited. After sale of this asset the reserve became nil.

### (c) Cash flow hedge reserve

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

### (d) Share capital

|                                       | Ordinary Shares |               |
|---------------------------------------|-----------------|---------------|
|                                       | 2009            | 2008          |
|                                       | No. of Shares   | No. of Shares |
| On issue at beginning and end of year | 93,626,735      | 93,626,735    |

All issued shares are fully paid and have no par value. 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.

### (e) Employee share purchase scheme

In 2000 the Company established a share purchase scheme to assist employees in becoming shareholders in the Company.

A trust deed dated 6 December 2000 governs the operation of the scheme. Employees nominated are entitled to participate in the scheme.

In 2000, 348,000 ordinary shares were issued to employees at \$4.35 per share. The amount of \$1.51m advanced to the trustee to purchase the shares is interest free. Shares are paid up to \$2.45 (2008: \$2.22) and future dividends paid on the shares will be applied to the balance outstanding.

At 30 September 2009, the amount remaining to be paid is \$0.41m (2008: \$0.47m) and is included in the Balance Sheet as an investment.

The shares are held by Sanford Investments Limited until fully paid up. The trustee is Sanford Investments Limited.

## Note 20 – Dividends

|  | 2009   | 2008   |
|--|--------|--------|
|  | \$000  | \$000  |
| The following dividends were declared and paid by the Group for the year ended 30 September:<br>\$0.23 per ordinary share (2008: \$0.22) | 21,534 | 20,598 |

On 25 November 2009 the Directors proposed a final dividend of 14 cents per share to be paid on 16 December 2009. This dividend has not been provided for in the accounts at 30 September 2009.

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 21 – Earnings per Share

#### (a) Basic earnings per share

The calculation of basic earnings per share at 30 September 2009 was based on the profit attributable to ordinary shareholders of \$39.075m (2008: \$53.344m) and a weighted average number of ordinary shares outstanding of 93,626,735 (2008: 93,626,735).

#### (b) Profit attributable to ordinary shareholders

|  | 2009   | 2008   |
|--|--------|--------|
|  | \$000  | \$000  |
| Net profit attributable to ordinary shareholders | 39,075 | 53,344 |

Diluted earnings per share is not separately disclosed as no dilution has occurred.

### Note 22 – Financial Instruments

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

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

#### (a) Credit risk

No collateral is required in respect of financial assets. 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 are used for investing and cash handling purposes.

At balance date there was one customer which comprised 32% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 51% 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 Balance Sheet.

#### (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 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.

#### (c) Market risk

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.

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 22 – Financial Instruments (continued)

### (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 to hedge a portion of its forecast sales denominated in foreign currency up to two years forward. In the current period, the Group designated the highly probable forecast transactions and the foreign currency contracts into a cash flow hedge relationship. The fair value gains and losses on the forward exchange contracts were recognised in equity and transferred to profit or loss when the highly probable forecast transactions affected profit or loss.

As at 30 September 2009, the foreign exchange contracts designated in a hedge relationship had a fair value of \$9.968m (2008: nil).

The Group also takes out loans in foreign currencies to hedge investments in foreign currencies.

At balance date the Group has trade debtors of USD7.356m – NZD10.196m (2008: USD17.537m – NZD26.178m), AUD3.428m – NZD4.177m (2008: AUD2.334m – NZD2.786m), JPY 157.796m – NZD2.436m (2008: JPY151.218m – NZD2.165m), GBP0.219m – NZD0.487m (2008: GBP0.098m – NZD0.265m), EUR 0.155m – NZD0.315m (2008: EUR0.07m - NZD0.151m), trade creditors of USD0.628m – NZD0.871m (2008: USD2.282m – NZD3.406m) and cash of USD1.396m – NZD1.935m (2008: USD0.494m – NZD0.737m) and JPY4.626m – NZD0.071m (2008: nil) EUR nil (2008: EUR0.453m – NZD0.970m) which are not hedged.

The Group does not have any other foreign currency monetary assets or monetary liabilities that are not hedged for the lesser of the next twelve months and the period until settlement.

### (e) Interest rate risk

The Group is exposed to interest rate risk primarily through its cash balances, borrowings at call and term loans. The Group generally adopts a policy of ensuring that its exposure to changes in interest rates on short term borrowings is on a floating interest rate basis and its policy for long term loans is to hedge 25% to 75% by using interest rate swaps to hedge the floating rate debt. At balance date the Group has interest rate swaps of \$10m maturing in December 2009 and \$25m maturing in June 2010 (2008: \$60m maturing in December 2008 and \$10m maturing in June 2009).

### (f) Other market price risk

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

Equity price risk relates to available-for-sale equity securities held for meeting long-term obligations.

## 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         |               |
|------------------------------------|---------------|---------------|
|                                    | 2009          | 2008          |
|                                    | \$000         | \$000         |
| New Zealand                        | 16,558        | 10,053        |
| Australia                          | 9,677         | 7,697         |
| Europe                             | 8,153         | 9,229         |
| United States of America           | 10,685        | 16,523        |
| Japan                              | 3,362         | 2,088         |
| Other                              | 3,020         | 5,718         |
| <b>Trade and other receivables</b> | <b>51,455</b> | <b>51,308</b> |

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 22 – Financial Instruments (continued)

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

|                           | Gross<br>Receivables | Impairment  | Gross<br>Receivables | Impairment   |
|---------------------------|----------------------|-------------|----------------------|--------------|
|                           | 2009                 | 2009        | 2008                 | 2008         |
|                           | \$000                | \$000       | \$000                | \$000        |
| Not past due              | 34,606               | –           | 37,901               | –            |
| Past due 0 – 30 days      | 5,327                | –           | 4,353                | –            |
| Past due 31 – 120 days    | 1,310                | –           | 2,269                | –            |
| Past due 121 – 360 days   | 34                   | (24)        | 285                  | (102)        |
| Past due more than 1 year | –                    | –           | 44                   | (44)         |
|                           | <b>41,277</b>        | <b>(24)</b> | <b>44,852</b>        | <b>(146)</b> |

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

|                              | 2009          | 2008          |
|------------------------------|---------------|---------------|
|                              | \$000         | \$000         |
| Gross trade receivables      | 41,277        | 44,852        |
| Individual impairment        | (24)          | (146)         |
| <b>Trade receivables net</b> | <b>41,253</b> | <b>44,706</b> |

#### (h) Liquidity risk

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

|   | Balance<br>Sheet | Contractual<br>Cash Flows | 6 months<br>or less | 6–12<br>months | 1–2<br>years   | 2–5<br>years  |
|---|------------------|---------------------------|---------------------|----------------|----------------|---------------|
|   | \$000            | \$000                     | \$000               | \$000          | \$000          | \$000         |
| <b>Group 2009</b>                       |                  |                           |                     |                |                |               |
| Bank loans                              | 100,000          | 104,444                   | 1,612               | 1,612          | 101,220        | –             |
| Trade creditors                         | 9,500            | 9,500                     | 9,500               | –              | –              | –             |
| Other payables                          | 15,511           | 15,511                    | 15,511              | –              | –              | –             |
| Bank overdraft                          | 33,886           | 33,886                    | 33,886              | –              | –              | –             |
| <b>Total non-derivative liabilities</b> | <b>158,897</b>   | <b>163,341</b>            | <b>60,509</b>       | <b>1,612</b>   | <b>101,220</b> | <b>–</b>      |
| Interest rate swaps                     | 371              | 394                       | 289                 | 105            | –              | –             |
| <b>Total derivative liabilities</b>     | <b>371</b>       | <b>394</b>                | <b>289</b>          | <b>105</b>     | <b>–</b>       | <b>–</b>      |
| <b>Group 2008</b>                       |                  |                           |                     |                |                |               |
| Bank loans                              | 90,000           | 107,894                   | 3,762               | 3,762          | 7,525          | 92,845        |
| Trade creditors                         | 13,506           | 13,506                    | 13,506              | –              | –              | –             |
| Other payables                          | 12,894           | 12,894                    | 12,894              | –              | –              | –             |
| Bank overdraft                          | 552              | 552                       | 552                 | –              | –              | –             |
| <b>Total non-derivative liabilities</b> | <b>116,952</b>   | <b>134,846</b>            | <b>30,714</b>       | <b>3,762</b>   | <b>7,525</b>   | <b>92,845</b> |
| Interest rate swaps                     | 89               | 65                        | 40                  | 25             | –              | –             |
| <b>Total derivative liabilities</b>     | <b>89</b>        | <b>65</b>                 | <b>40</b>           | <b>25</b>      | <b>–</b>       | <b>–</b>      |

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 22 – Financial Instruments (continued)

### (h) Liquidity risk (continued)

|   | Balance Sheet  | Contractual Cash Flows | 6 months or less | 6–12 months  | 1–2 years      | 2–5 years     |
|---|----------------|------------------------|------------------|--------------|----------------|---------------|
|   | \$000          | \$000                  | \$000            | \$000        | \$000          | \$000         |
| <b>Parent 2009</b>                      |                |                        |                  |              |                |               |
| Bank loans                              | 100,000        | 104,444                | 1,612            | 1,612        | 101,220        | –             |
| Trade creditors                         | 8,630          | 8,630                  | 8,630            | –            | –              | –             |
| Other payables                          | 14,752         | 14,752                 | 14,752           | –            | –              | –             |
| Bank Overdraft                          | 33,197         | 33,197                 | 33,197           | –            | –              | –             |
| <b>Total non-derivative liabilities</b> | <b>156,579</b> | <b>161,023</b>         | <b>58,191</b>    | <b>1,612</b> | <b>101,220</b> | <b>–</b>      |
| Interest rate swaps                     | 371            | 394                    | 289              | 105          | –              | –             |
| <b>Total derivative liabilities</b>     | <b>371</b>     | <b>394</b>             | <b>289</b>       | <b>105</b>   | <b>–</b>       | <b>–</b>      |
| <b>Parent 2008</b>                      |                |                        |                  |              |                |               |
| Bank loans                              | 90,000         | 107,894                | 3,762            | 3,762        | 7,525          | 92,845        |
| Trade creditors                         | 12,361         | 12,361                 | 12,361           | –            | –              | –             |
| Other payables                          | 12,140         | 12,140                 | 12,140           | –            | –              | –             |
| Bank overdraft                          | –              | –                      | –                | –            | –              | –             |
| <b>Total non-derivative liabilities</b> | <b>114,501</b> | <b>132,395</b>         | <b>28,263</b>    | <b>3,762</b> | <b>7,525</b>   | <b>92,845</b> |
| Interest rate swaps                     | 89             | 65                     | 40               | 25           | –              | –             |
| <b>Total derivative liabilities</b>     | <b>89</b>      | <b>65</b>              | <b>40</b>        | <b>25</b>    | <b>–</b>       | <b>–</b>      |

### (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        |
| <b>Group 2009</b>                                  |                |               |               |              |              |
| Foreign currency risk                              |                |               |               |              |              |
| Trade debtors                                      | 18,512         | 4,177         | 3,362         | 315          | 487          |
| Term receivables                                   | 5,455          | –             | –             | –            | –            |
| Trade creditors                                    | (871)          | –             | –             | –            | –            |
| Net Balance Sheet exposure before hedging activity | 23,096         | 4,177         | 3,362         | 315          | 487          |
| Estimated forecast sales                           | 244,622        | 34,600        | 27,795        | 7,585        | 2,508        |
| Estimated forecast purchases                       | (62,771)       | (11,910)      | –             | –            | –            |
| Net cash flow exposure before hedging activity     | 204,947        | 26,867        | 31,157        | 7,900        | 2,995        |
| Forward exchange contracts                         | (8,316)        | –             | (926)         | –            | –            |
| <b>Net un-hedged exposure</b>                      | <b>196,631</b> | <b>26,867</b> | <b>30,231</b> | <b>7,900</b> | <b>2,995</b> |

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 22 – Financial Instruments (continued)

#### (i) Foreign currency exchange risk (continued)

|  | USD            | AUD           | JPY           | EUR           | GBP        |
|--|----------------|---------------|---------------|---------------|------------|
| (figures are NZD)                                  | \$000          | \$000         | \$000         | \$000         | \$000      |
| <b>Group 2008</b>                                  |                |               |               |               |            |
| Foreign currency risk                              |                |               |               |               |            |
| Trade debtors                                      | 26,178         | 2,786         | 2,165         | 151           | 265        |
| Term receivables                                   | 7,464          | –             | –             | –             | –          |
| Trade creditors                                    | (3,406)        | –             | –             | –             | –          |
| Net Balance Sheet exposure before hedging activity | 30,236         | 2,786         | 2,165         | 151           | 265        |
| Estimated forecast sales                           | 305,333        | 44,295        | 32,556        | 10,828        | 719        |
| Estimated forecast purchases                       | (58,982)       | (7,163)       | –             | –             | –          |
| Net cash flow exposure before hedging activity     | 276,587        | 39,918        | 34,721        | 10,979        | 984        |
| Forward exchange contracts                         | –              | –             | –             | –             | –          |
| <b>Net un-hedged exposure</b>                      | <b>276,587</b> | <b>39,918</b> | <b>34,721</b> | <b>10,979</b> | <b>984</b> |

#### (j) Interest rate risk – re-pricing analysis

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

|                            | 2009             |                  |                 | 2008            |                  |                 |
|----------------------------|------------------|------------------|-----------------|-----------------|------------------|-----------------|
|                            | Total            | 6 months or less | 6–12 months     | Total           | 6 months or less | 6–12 months     |
|                            | \$000            | \$000            | \$000           | \$000           | \$000            | \$000           |
| <b>Group</b>               |                  |                  |                 |                 |                  |                 |
| Cash and cash equivalents  | 4,003            | 4,003            | –               | 9,955           | 9,955            | –               |
| Term receivables           | 5,455            | 5,455            | –               | 7,464           | 7,464            | –               |
| Bank overdrafts            | (33,886)         | (33,886)         | –               | (552)           | (552)            | –               |
| Bank loans                 | (100,000)        | (100,000)        | –               | (90,000)        | (90,000)         | –               |
| Interest rate swaps        |                  |                  |                 |                 |                  |                 |
| Cash inflows               | 35,000           | 35,000           | –               | 70,000          | 70,000           | –               |
| Cash outflows              | (35,000)         | (10,000)         | (25,000)        | (70,000)        | (60,000)         | (10,000)        |
| <b>Total variable rate</b> | <b>(124,428)</b> | <b>(99,428)</b>  | <b>(25,000)</b> | <b>(73,133)</b> | <b>(63,133)</b>  | <b>(10,000)</b> |
| <b>Parent</b>              |                  |                  |                 |                 |                  |                 |
| Cash and cash equivalents  | 2,657            | 2,657            | –               | 8,447           | 8,447            | –               |
| Term receivables           | 5,455            | 5,455            | –               | 7,464           | 7,464            | –               |
| Bank overdrafts            | (33,197)         | (33,197)         | –               | –               | –                | –               |
| Bank loans                 | (100,000)        | (100,000)        | –               | (90,000)        | (90,000)         | –               |
| Interest rate swaps        |                  |                  |                 |                 |                  |                 |
| Cash inflows               | 35,000           | 35,000           | –               | 70,000          | 70,000           | –               |
| Cash outflows              | (35,000)         | (10,000)         | (25,000)        | (70,000)        | (60,000)         | (10,000)        |
| <b>Total variable rate</b> | <b>(125,085)</b> | <b>(100,085)</b> | <b>(25,000)</b> | <b>(74,089)</b> | <b>(64,089)</b>  | <b>(10,000)</b> |

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 22 – Financial Instruments (continued)

### (k) Capital management

The Group's capital includes share capital, reserves, retained earnings and minority 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 Group is not subject to any externally imposed capital requirements.

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.

It is estimated that a change of one percentage point in the value of the New Zealand dollar against other foreign currencies would have changed the Group's profit after tax by approximately \$2m (2008: \$2m) and changed equity by \$2m (2008: \$2m).

It is estimated that a change in interest rates of one percentage point would have changed the Group's profit after income tax by approximately \$0.7m (2008: \$0.7m).

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 22 – Financial Instruments (continued)

#### (m) Classification and fair values

|   | Fair Value through<br>Profit or Loss | Loans and<br>Receivables | Available-for-sale | Other Amortised<br>Cost | Total Carrying<br>Amount | Fair<br>Value  |
|---|--------------------------------------|--------------------------|--------------------|-------------------------|--------------------------|----------------|
|   | \$000                                | \$000                    | \$000              | \$000                   | \$000                    | \$000          |
| <b>Group 2009</b>                         |                                      |                          |                    |                         |                          |                |
| <b>Assets</b>                             |                                      |                          |                    |                         |                          |                |
| Investments                               |                                      |                          |                    |                         |                          |                |
| – Advances to associates                  | –                                    | 666                      | –                  | –                       | 666                      | 666            |
| – Shares in High Liner Foods Incorporated | 8,163                                | –                        | –                  | –                       | 8,163                    | 8,163          |
| – Staff share scheme trustee              | –                                    | 411                      | –                  | –                       | 411                      | 411            |
| – Shares in other companies               | –                                    | –                        | 113                | –                       | 113                      | 113            |
| Term receivable                           | –                                    | 2,749                    | –                  | –                       | 2,749                    | 2,749          |
| <b>Total non-current assets</b>           | <b>8,163</b>                         | <b>3,826</b>             | <b>113</b>         | <b>–</b>                | <b>12,102</b>            | <b>12,102</b>  |
| Current portion of term receivable        | –                                    | 2,706                    | –                  | –                       | 2,706                    | 2,706          |
| Trade debtors                             | –                                    | 41,253                   | –                  | –                       | 41,253                   | 41,253         |
| Cash and cash equivalents                 | –                                    | 4,003                    | –                  | –                       | 4,003                    | 4,003          |
| <b>Derivative financial instruments</b>   |                                      |                          |                    |                         |                          |                |
| – Foreign exchange contracts              | 9,968                                | –                        | –                  | –                       | 9,968                    | 9,968          |
| <b>Total current assets</b>               | <b>9,968</b>                         | <b>47,962</b>            | <b>–</b>           | <b>–</b>                | <b>57,930</b>            | <b>57,930</b>  |
| <b>Total assets</b>                       | <b>18,131</b>                        | <b>51,788</b>            | <b>113</b>         | <b>–</b>                | <b>70,032</b>            | <b>70,032</b>  |
| <b>Liabilities</b>                        |                                      |                          |                    |                         |                          |                |
| Bank loans                                | –                                    | –                        | –                  | 100,000                 | 100,000                  | 100,000        |
| <b>Total non-current liabilities</b>      | <b>–</b>                             | <b>–</b>                 | <b>–</b>           | <b>100,000</b>          | <b>100,000</b>           | <b>100,000</b> |
| Bank overdraft and borrowings at call     | –                                    | –                        | –                  | 33,886                  | 33,886                   | 33,886         |
| Trade creditors                           | –                                    | –                        | –                  | 9,500                   | 9,500                    | 9,500          |
| Other payables                            | –                                    | –                        | –                  | 15,511                  | 15,511                   | 15,511         |
| <b>Derivative financial instruments</b>   |                                      |                          |                    |                         |                          |                |
| – Interest rate swaps                     | 371                                  | –                        | –                  | –                       | 371                      | 371            |
| <b>Total current liabilities</b>          | <b>371</b>                           | <b>–</b>                 | <b>–</b>           | <b>58,897</b>           | <b>59,268</b>            | <b>59,268</b>  |
| <b>Total liabilities</b>                  | <b>371</b>                           | <b>–</b>                 | <b>–</b>           | <b>158,897</b>          | <b>159,268</b>           | <b>159,268</b> |

Term receivable, bank loan and derivatives are wholly within the parent company.

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 22 – Financial Instruments (continued)

### (m) Classification and fair values (continued)

|   | Fair Value through Profit or Loss | Loans and Receivables | Available-for-sale | Other Amortised Cost | Total Carrying Amount | Fair Value     |
|---|-----------------------------------|-----------------------|--------------------|----------------------|-----------------------|----------------|
|   | \$000                             | \$000                 | \$000              | \$000                | \$000                 | \$000          |
| <b>Group 2008</b>                         |                                   |                       |                    |                      |                       |                |
| <b>Assets</b>                             |                                   |                       |                    |                      |                       |                |
| Investments                               |                                   |                       |                    |                      |                       |                |
| – Advances to associates                  | –                                 | 557                   | –                  | –                    | 557                   | 557            |
| – Shares in High Liner Foods Incorporated | 9,138                             | –                     | –                  | –                    | 9,138                 | 9,138          |
| – Staff share scheme trustee              | –                                 | 474                   | –                  | –                    | 474                   | 474            |
| – Shares in other companies               | –                                 | –                     | 131                | –                    | 131                   | 131            |
| Term receivable                           | –                                 | 6,419                 | –                  | –                    | 6,419                 | 6,419          |
| <b>Total non-current assets</b>           | <b>9,138</b>                      | <b>7,450</b>          | <b>131</b>         | <b>–</b>             | <b>16,719</b>         | <b>16,719</b>  |
| Current portion of term receivable        | –                                 | 1,045                 | –                  | –                    | 1,045                 | 1,045          |
| Trade debtors                             | –                                 | 44,706                | –                  | –                    | 44,706                | 44,706         |
| Cash and cash equivalents                 | –                                 | 9,955                 | –                  | –                    | 9,955                 | 9,955          |
| <b>Total current assets</b>               | <b>–</b>                          | <b>55,706</b>         | <b>–</b>           | <b>–</b>             | <b>55,706</b>         | <b>55,706</b>  |
| <b>Total assets</b>                       | <b>9,138</b>                      | <b>63,156</b>         | <b>131</b>         | <b>–</b>             | <b>72,425</b>         | <b>72,425</b>  |
| <b>Liabilities</b>                        |                                   |                       |                    |                      |                       |                |
| Advances from associates                  | –                                 | 106                   | –                  | –                    | 106                   | 106            |
| Bank loans                                | –                                 | –                     | –                  | 90,000               | 90,000                | 90,000         |
| <b>Total non-current liabilities</b>      | <b>–</b>                          | <b>106</b>            | <b>–</b>           | <b>90,000</b>        | <b>90,106</b>         | <b>90,106</b>  |
| Bank overdraft and borrowings at call     | –                                 | –                     | –                  | 552                  | 552                   | 552            |
| Trade creditors                           | –                                 | –                     | –                  | 13,506               | 13,506                | 13,506         |
| Other payables                            | –                                 | –                     | –                  | 12,894               | 12,894                | 12,894         |
| Interest rate swaps                       | 89                                | –                     | –                  | –                    | 89                    | 89             |
| <b>Total current liabilities</b>          | <b>89</b>                         | <b>–</b>              | <b>–</b>           | <b>26,952</b>        | <b>27,041</b>         | <b>27,041</b>  |
| <b>Total liabilities</b>                  | <b>89</b>                         | <b>106</b>            | <b>–</b>           | <b>116,952</b>       | <b>117,147</b>        | <b>117,147</b> |

Term receivable, bank loan and interest rate swaps are wholly within the parent company.

### (n) Determining Fair Value

#### 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 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.

#### Investments

The fair value of investments at fair value through profit or loss and available-for-sale investments is determined by reference to their quoted bid price at the reporting date.

#### 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.

#### Term Receivable

As the term receivable pays interest at a rate that is reset every six months the fair value approximates its carrying value.

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 22 – Financial Instruments (continued)

#### (n) Determining Fair Value (continued)

##### Other Amortised Costs

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

The \$100m term loan facility is due to expire on 15 February 2011 and the \$50m working capital facility is due to expire on 15 February 2010.

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

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

The interest rates used are as follows:

|                      | 2009          | 2008          |
|----------------------|---------------|---------------|
| Interest rate swaps  | 4.70% – 8.76% | 7.35% – 7.66% |
| Loans and borrowings | 3.20% – 8.52% | 8.68% – 9.27% |
| Receivables          | 5.76% – 7.39% | 4.72% – 7.57% |

### Note 23 – Operating Leases

Non-cancellable operating lease rentals are payable as follows:

|                            | Group         |               | Parent        |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | 2009          | 2008          | 2009          | 2008          |
|                            | \$000         | \$000         | \$000         | \$000         |
| Less than one year         | 1,181         | 1,011         | 1,181         | 1,011         |
| Between one and five years | 3,286         | 3,553         | 3,286         | 3,553         |
| More than five years       | 5,776         | 5,522         | 5,776         | 5,522         |
|                            | <b>10,243</b> | <b>10,086</b> | <b>10,243</b> | <b>10,086</b> |

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.

### Note 24 – Contingent Liabilities and Commitments

#### (a) Contingent liabilities

|            | Group |       | Parent |       |
|------------|-------|-------|--------|-------|
|            | 2009  | 2008  | 2009   | 2008  |
|            | \$000 | \$000 | \$000  | \$000 |
| Guarantees | 234   | 234   | 234    | 234   |

The Company has provided a negative pledge and guarantees from Group companies. The Company considers these guarantees to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contracts as contingent liabilities until such times as it becomes probable that the Company will be required to make payments under the guarantees.

#### (b) Commitments

|                                     | Group |        | Parent |        |
|-------------------------------------|-------|--------|--------|--------|
|                                     | 2009  | 2008   | 2009   | 2008   |
|                                     | \$000 | \$000  | \$000  | \$000  |
| Commitments for capital expenditure | 592   | 28,186 | 592    | 28,186 |

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 25 – Reconciliation of Profit for the Period with the Net Cash Flow from Operating Activities

|  | Group           |                 | Parent          |                |
|--|-----------------|-----------------|-----------------|----------------|
|  | 2009            | 2008            | 2009            | 2008           |
|  | \$000           | \$000           | \$000           | \$000          |
| <b>Profit for the period (after tax)</b>               | <b>39,139</b>   | <b>53,420</b>   | <b>38,195</b>   | <b>30,022</b>  |
| <b>Adjustments for non-cash items:</b>                 |                 |                 |                 |                |
| Depreciation and amortisation                          | 13,510          | 15,109          | 13,166          | 14,737         |
| Impairment   | 1,383           | 7,249           | 488             | 2,992          |
| Change in fair value of biological assets              | 1,553           | (1,337)         | 1,553           | (1,337)        |
| Change in fair value of interest rate swaps            | 282             | 700             | 282             | 700            |
| Change in fair value of foreign exchange contracts     | (4,090)         | –               | (4,090)         | –              |
| Equity accounted (profit) in associated companies      | (210)           | (170)           | –               | –              |
| Increase (decrease) in deferred taxation               | (368)           | (1,122)         | 238             | (1,086)        |
| Unrealised foreign exchange (gains)                    | (676)           | (3,087)         | (676)           | (3,087)        |
|  | <b>11,384</b>   | <b>17,342</b>   | <b>10,961</b>   | <b>12,919</b>  |
| <b>Movement in working capital</b>                     |                 |                 |                 |                |
| (Increase) decrease in debtors and prepayments         | (2,688)         | 247             | (3,011)         | (81)           |
| (Increase) decrease in inventories                     | (8,608)         | 13,875          | (8,634)         | 13,692         |
| Increase (decrease) in creditors and other liabilities | (6,692)         | 6,842           | (7,063)         | 6,958          |
| Increase (decrease) in current tax                     | (1,484)         | 7,527           | (2,076)         | 6,922          |
|  | <b>(19,472)</b> | <b>28,491</b>   | <b>(20,784)</b> | <b>27,491</b>  |
| <b>Items classified as investing activities</b>        |                 |                 |                 |                |
| (Gain) loss on sale of property, plant and equipment   | 35              | (3,533)         | 31              | (3,533)        |
| (Gain) on sale of other investments                    | (35)            | (26,215)        | –               | –              |
|  | <b>–</b>        | <b>(29,748)</b> | <b>31</b>       | <b>(3,533)</b> |
| <b>Net cash inflows from operating activities</b>      | <b>31,051</b>   | <b>69,505</b>   | <b>28,403</b>   | <b>66,899</b>  |

## Notes to the Financial Statements

for the year ended 30 September 2009

### Note 26 – Related Party Transactions

#### (a) Basis of transactions

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

#### (b) Material transactions and balances with related parties

|                                | Transaction Value |               |
|--------------------------------|-------------------|---------------|
|                                | 2009              | 2008          |
|                                | \$000             | \$000         |
| <i>(i) Parent of the Group</i> |                   |               |
| <b>Income</b>                  |                   |               |
| Management fees                | 297               | 275           |
| Sales                          | 15,396            | 13,919        |
| Interest                       | 304               | 332           |
| Rent                           | 332               | 336           |
|                                | <b>16,329</b>     | <b>14,862</b> |

|                 | Balance Outstanding |                 |
|-----------------|---------------------|-----------------|
|                 | 2009                | 2008            |
|                 | \$000               | \$000           |
| Due from parent | (60,772)            | (59,901)        |
| Due to parent   | 22,688              | 25,100          |
|                 | <b>(38,084)</b>     | <b>(34,801)</b> |

|                       | Transaction Value |              |
|-----------------------|-------------------|--------------|
|                       | 2009              | 2008         |
|                       | \$000             | \$000        |
| <i>ii) Associates</i> |                   |              |
| <b>Income</b>         |                   |              |
| Management fees       | 173               | 282          |
| Dividend received     | 643               | 455          |
|                       | 816               | 737          |
| <b>Expenses</b>       |                   |              |
| Processing            | 6,648             | 6,319        |
| Freight               | 748               | 684          |
|                       | <b>7,396</b>      | <b>7,003</b> |

|                | Balance Outstanding |            |
|----------------|---------------------|------------|
|                | 2009                | 2008       |
|                | \$000               | \$000      |
| Due from Group | –                   | (106)      |
| Due to Group   | 666                 | 557        |
|                | <b>666</b>          | <b>451</b> |

No interest is charged on balances between New Zealand related parties. Interest is charged at market rates on balances with Australian subsidiaries. All related party balances are repayable on demand.

# Notes to the Financial Statements

for the year ended 30 September 2009

## Note 27 – Key Management Personnel Compensation

Key management personnel compensation comprised:

|   | 2009  | 2008    |
|---|-------|---------|
|   | \$000 | \$000   |
| Salary and short-term employee benefits included in note 7(b) | 2,660 | 2,431 † |

† In addition and in accordance with Sanford policy, in October 2007 an amount of \$1.08m (excluding withholding tax) that had been accrued over previous years to meet an obligation in respect to Mr Barratt's pension entitlement was transferred into the funds managed by the New Zealand Retirement Trust superannuation fund on Mr Barratt's account. This released the Company from any further contributions and obligation in respect to Mr Barratt's pension entitlement.

## Note 28 – Group Entities

The Sanford Group comprises the following principal entities:

| Name                                   | Interest Held % | Balance Date | Principal Activity                |
|--|-----------------|--------------|-----------------------------------|
| <b>Subsidiary Companies:</b>           |                 |              |                                   |
| <b>New Zealand</b>                     |                 |              |                                   |
| Sanford Investments Limited            | 100             | 30 September | Investment company                |
| Auckland Fish Market Limited           | 100             | 30 September | Auction and seafood school        |
| Auckland Fishing Port Limited          | 67              | 31 March     | Wharf company                     |
| <b>Australia</b>                       |                 |              |                                   |
| Sanford Australia Pty Limited          | 100             | 30 September | Fish catching and processing      |
| Ocean Fresh Fisheries Pty Limited      | 100             | 30 September | Fish catching and processing      |
| Primestone Nominees Pty Limited        | 75              | 30 September | Seafood wholesaler                |
| <b>Associate Companies:</b>            |                 |              |                                   |
| <b>New Zealand</b>                     |                 |              |                                   |
| New Zealand Japan Tuna Company Limited | 46.74           | 31 March     | Fish catching and processing      |
| Barnes Oysters Limited                 | 20              | 30 September | Seafood processing and wholesaler |
| Live Lobster Southland (1995) Limited  | 25              | 31 March     | Seafood processing                |
| North Island Mussel Processors Limited | 33.33           | 30 September | Seafood processing                |
| San Won Limited                        | 50              | 30 September | Cold storage                      |
| SS Fishing Limited                     | 50              | 30 June      | Non-operating company             |
| The Big Picture Auckland Limited       | 50              | 30 September | Tourism company                   |
| <b>China</b>                           |                 |              |                                   |
| Weihai Dong Won Food Company Limited   | 50 <sup>†</sup> | 31 December  | Seafood processing                |

† Shareholding was 40% in 2008

## Note 29 – Subsequent Events

There are no events occurring after the reporting period that require disclosure.

# Audit Report



## To the shareholders of Sanford Limited

We have audited the financial statements on pages 2 to 34. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 September 2009. This information is stated in accordance with the accounting policies set out on pages 6 to 11.

## Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 September 2009 and the results of their operations and cash flows for the year ended on that date.

## Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

## Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements.

It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company and certain of its subsidiaries in relation to general accounting services. 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 auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

## Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 2 to 34:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company and group as at 30 September 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 25 November 2009 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink that reads 'KPMG.' The letters are stylized and connected.

Auckland



**SANFORD LIMITED**  
**SUSTAINABLE SEAFOOD**

## Comments on Sanford Limited Annual Result 2009

- ▶ **SANFORD OPERATING EARNINGS AFTER TAX INCREASE BY 21% IN FACE OF WEAKER MARKETS AND HIGH EXCHANGE RATE**
- ▶ **ANNUAL DIVIDEND MAINTAINED AT 23 CENTS PER SHARE**
- ▶ **EXCHANGE RATE AND EMISSIONS TRADING SCHEME ARE CHALLENGES**

### Overview and Highlights

While it is pleasing to report a continued improvement in underlying earnings, the strong results recorded in the first half of the year were not able to be repeated in the second half of the year as markets reacted to the global financial crisis and the United States (US) currency conversion rate continued to impact. Revenue for the year totalled \$433.1m, slightly down from the \$436.6m recorded last year. In the context of the weaker market prices for many species and the high value of the New Zealand dollar, particularly in the second six months, the overall result is considered satisfactory. The after tax profit of \$39.1m compares with the 2008 year's \$53.3m. If capital profits and impairment charges in each year are deducted the results attributable to those operations are 2009 \$40.1m and 2008 \$33.2m, an increase of 21%.

| <b>Sanford Limited</b>  | <b>12 Months to 30 Sep 09</b> | <b>6 Months to 30 Sep 09</b> | <b>6 Months to 31 Mar 09</b> | <b>12 Months to 30 Sep 08</b> |
|---|-------------------------------|------------------------------|------------------------------|-------------------------------|
| <b>Summary Group Income Statement</b>                               | <b>\$000</b>                  | <b>\$000</b>                 | <b>\$000</b>                 | <b>\$000</b>                  |
| <b>Revenue</b>  | <b>433,091</b>                | <b>204,650</b>               | <b>228,441</b>               | <b>436,564</b>                |
| <b>EBITDA</b>   | <b>68,366</b>                 | <b>24,746</b>                | <b>43,620</b>                | <b>65,874</b>                 |
| Depreciation, amortisation and impairment                           | (14,892)                      | (6,892)                      | (8,000)                      | (22,359)                      |
| Net interest  | (6,788)                       | (2,575)                      | (4,213)                      | (10,021)                      |
| Net currency exchange gains   | 8,387                         | 1,917                        | 6,470                        | 5,505                         |
| Net gain (loss) on sale of investments, property, plant & equipment | (35)                          | (3)                          | (32)                         | 29,749                        |
| Profit before income tax  | 55,038                        | 17,193                       | 37,845                       | 68,748                        |
| Income tax (expense)  | (15,899)                      | (4,109)                      | (11,790)                     | (15,328)                      |
| Profit for the year   | 39,139                        | 13,084                       | 26,055                       | 53,420                        |
| Minority Interest   | (64)                          | 6                            | (70)                         | (76)                          |
| <b>Profit attributable to equity holders of the Group</b>           | <b>39,075</b>                 | <b>13,090</b>                | <b>25,985</b>                | <b>53,344</b>                 |

Net foreign exchange gains increased from \$6.5m at the end of the six months to a yearly total of \$8.4m as we benefited from foreign exchange cover taken when the New Zealand dollar was lower. Some of the benefits of this cover will flow into the next financial year. The average US currency conversion rate during the year was NZ\$0.6031 compared to NZ\$0.7546 for the previous year.

Commenting on a number of specific issues in respect of the results for the year:

- After a relatively strong first six months, steady declines in market prices coupled with a strong increase in the New Zealand dollar resulted in the second half profit before tax being less than 50% of the first half results. Of particular concern was the effect on profitability created by the large number of New Zealand producers and exporters of Greenshell mussels reducing prices to maintain market share. Prices fell from a record high of US\$2.50/lb at the start of the year when the US exchange rate was around NZ\$0.50 to US\$1.50/lb when the US exchange rate increased to above NZ\$0.70.
- Hoki fillet and block prices were relatively steady during the second six-month period.
- Returns from Pacific skipjack tuna operations improved in the second half of the year as we benefited from a lift in prices in the April, May and June periods and from reasonable catches.



## **SANFORD LIMITED** **SUSTAINABLE SEAFOOD**

- The acquisition of the Jones Group assets at the start of the financial year enabled our full participation in the Bluff oyster fishery for the first time with the vessel catching volumes well up to our expectations and at the same time maintaining a very high quality standard. The deepwater portion of the asset purchase was easily absorbed into our deepwater catching plans and the inshore quota is gradually being integrated into our contractual catching arrangements in Bluff.
- Towards the end of the year, we concluded the purchase of a major package of mussel farms along with longlines and other associated farm equipment in the Marlborough Sounds. This secures us a significant increase in availability of crop to process through our Havelock plant which will now be upgraded to a new automated cooking and opening process similar to that currently being installed at the North Island Mussel Processors Limited (NIMPL) plant in Tauranga. It is expected that this will cause some disruption to our processing schedule this year but we will be seeking to minimise this disruption by utilisation of capacity at other plants.
- The newly upgraded salmon farms in Big Glory Bay on Stewart Island are proving to be more efficient than projected as we improve food-conversion ratios and increase production efficiencies.
- One of the bright spots of the year has been the continuing strong demand and price for orange roughy with increased volumes of shatterpack fillets processed through our New Zealand plants and a reduced volume of products being processed into retail bags at the Weihai Dong Won Food facility in China.
- Catches in the deepwater by our domestic freezer vessels were ahead of forecasts as we benefited from improved catch rates in the hoki, squid and southern blue whiting fisheries.
- Fishing for toothfish in the Ross Sea was disappointing this year with increased numbers of vessels from other countries forcing fishing areas to be closed earlier and reducing our share of the catch.
- The San Waitaki performed ahead of expectations catching orange roughy and oreo dory under a “one fleet” arrangement and this arrangement will be continued into the next fishing year under co-operative arrangements between Sanford Limited and Sealord Group Limited.
- Our four Korean charter vessels recorded improved catches this year with more consistent catching in the barracouta, squid, hake, ling and silver warehou fisheries. We continue to maintain excellent relationships with our charter partners and our policy of 100% observer coverage continues to ensure these operations are very beneficial to Sanford.
- During the year we were able to increase our investment in Weihai Dong Won Food Company Limited in Weihai, China, (with the exiting of a number of minority shareholders) to now be a strictly 50/50 joint venture between Dong Won Fisheries Company Limited of Korea and Sanford Limited of New Zealand. With reduced volumes and the impact of declining market prices, profitability from our operations in China was reduced this year.

### **Markets and Pricing**

The global financial crisis certainly affected markets and prices during the year. Those economies that fared better during the crisis were able to maintain demand, volumes and supply chains through less impact on banking and financial institutions and therefore customer credit lines. Countries such as France, Germany, Canada and Australia were less affected than were countries such as United Kingdom, Spain, Portugal, United States and Eastern Europe. Asia, while initially impacted, is recovering very quickly and China and Korea are already showing strong growth.



## SANFORD LIMITED SUSTAINABLE SEAFOOD

We show in the following graphs some of our important species which illustrate trends in prices over the past year as compared with the previous two years, with all prices indexed to 1 October 2006.

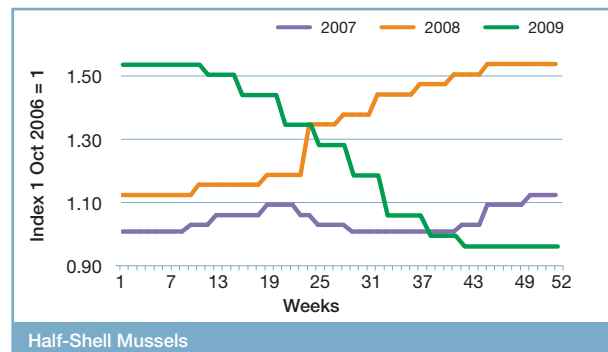
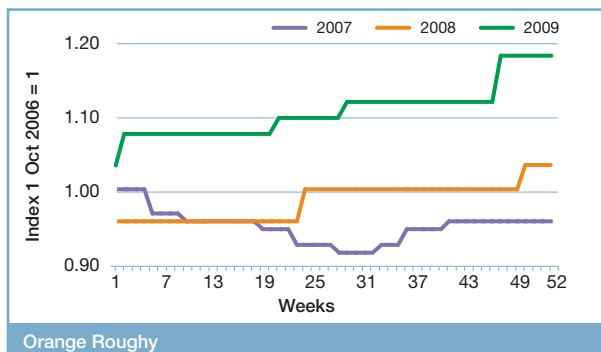
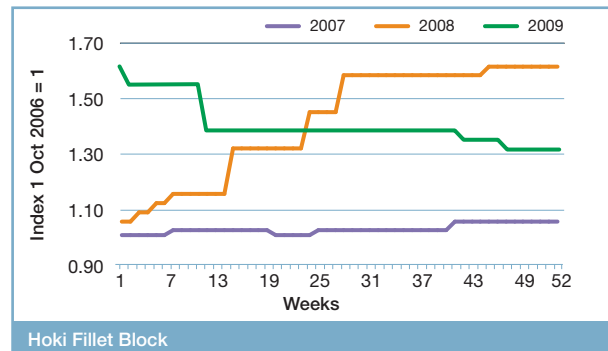
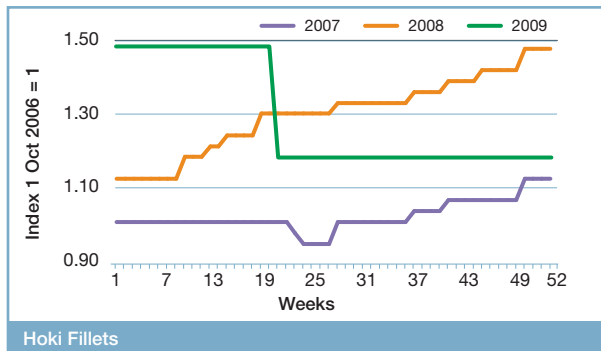
With the decline in hoki fillet prices more emphasis was placed on hoki fillet block in the second part of the year with demand almost keeping pace with production over the latter part of the year.

Orange roughy prices continued to firm during the year, although the production mix moved more towards shatterpack fillets and away from retail bags in the latter part of the year.

As discussed previously market prices for half shell mussels declined progressively throughout the year from a peak at the start of the year to a level at balance date below that being achieved on 1 October 2006. With a strong and loyal customer base in most major markets we were able to move our production throughout the year and, coupled with our sales of salmon and oysters, achieve our initial target of aquaculture reaching 15% of our total revenue. For the first time we also processed over 20,000mt of mussels in the year through our three plants. This will increase in future years as we move to lower our production costs through automated cooking and opening technology in the NIMPL plant in Tauranga; this technology will be installed in the Havelock plant during the coming year.

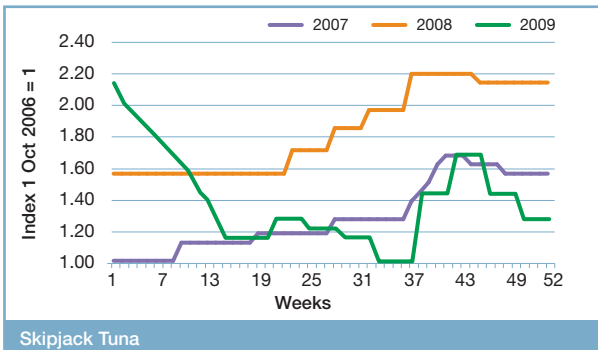
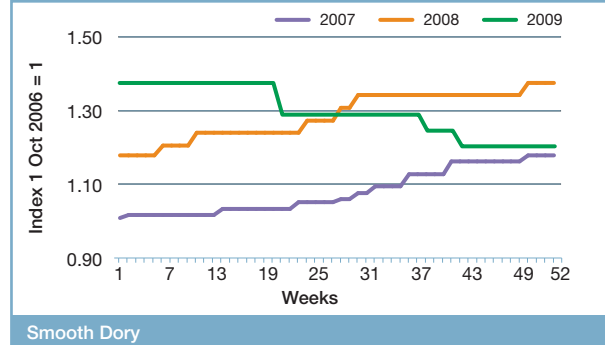
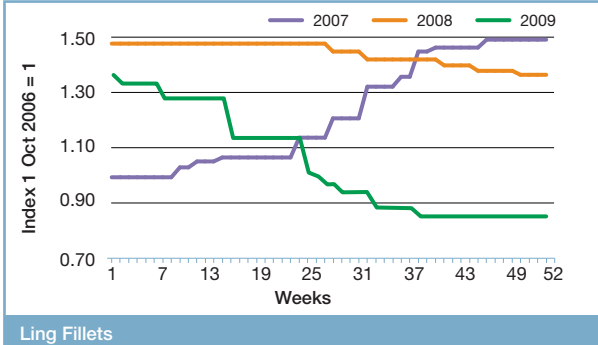
Ling and smooth dory prices declined steadily throughout the year as customers traded off these species against cheaper alternatives in tight economic times.

Skipjack tuna prices declined from a high at the start of the year through to a relatively low level before spiking up in the April, May and June period and then falling away towards the end of the year and into the new year as well.



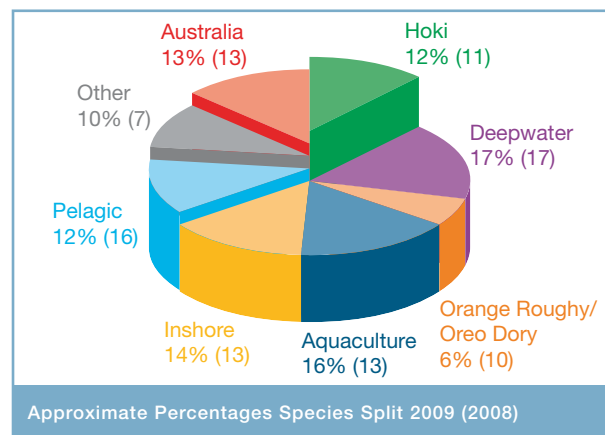
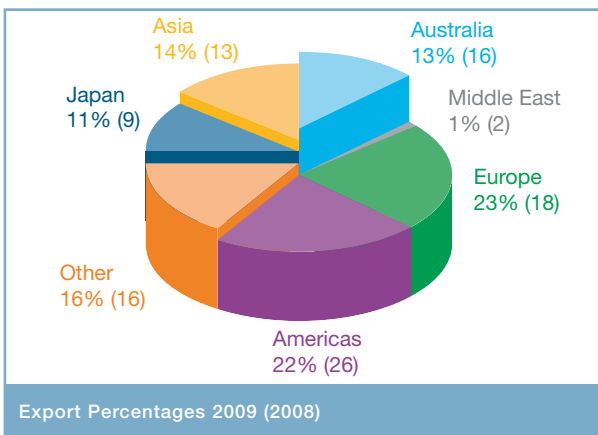


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SUSTAINABLE SEAFOOD



The proportion of products shipped to European markets increased during the year; however, exports to the Americas, Australia and the Middle East declined with small increases into Asia and Japan. Most of the increase into Europe related to a slight move away from hoki fillets and into hoki fillet block with the drop in the Americas mainly price related, particularly for mussels, despite the increased prices for orange roughy.

The approximate species split for 2009 reflects an increasing proportion of aquaculture sales and a slight decline in the proportion of orange roughy and oreo dory along with a reduction in pelagic species (skipjack tuna and mackerels) in Tauranga.





## **SANFORD LIMITED**

### **SUSTAINABLE SEAFOOD**

#### **Research, Development And New Technologies**

This continues to be a major focus of the Company and, during the year, we completed the installation of new salmon farm cages, nets and feed-monitoring systems in our farms at Big Glory Bay as well as increasing their overall capacity. This was a result of very detailed planning involving the co-ordination of supplies from a number of different countries; the final result is a far more efficient and productive farming operation which will result in better food- conversion ratios and lower production costs.

The one-third-owned North Island Mussel Processors Limited will be the first mussel plant to have a fully automated cooking and opening system and is presently in the final stages of construction in Tauranga. It is expected to be fully commissioned within the next three months and will result in higher yields and lower processing costs. When this plant opens it will be one of the most advanced shellfish processing plants in the world and again is a result of a significant amount of detailed planning and co-ordination with a wide range of overseas and New Zealand suppliers of new technologies. The intellectual property associated with the automated opening machines is protected by a Sanford patent and a royalty charge per tonne of throughput will accrue to Sanford in the future.

A similar process is being planned to convert our Havelock processing plant to the same technology and, while this will result in some disruption to our processing programme this year, it will provide increased efficiencies and better returns once installation is completed.

We are working on our own for some species and also in co-operation with other companies (with respect to Greenshell mussels) on various research initiatives designed to improve the breeding and productivity of the various species that we farm. Some of the programmes will bring benefits in the short term while others are likely to bring benefits in the medium to long-term period.

The conversion of our freezer trawler vessel fleet to run on light fuel oil has been completed and these vessels are now operating at a lower fuel cost than previously.

Towards the end of financial year we completed a two-year upgrading programme of the inshore processing plants in Auckland, Tauranga and Timaru which involved a complete re-equipping (with imported equipment) of our fish receiving, storage and processing lines that improves work flows, productivity, yields and quality.

#### **Impairment Charge**

During the year the Company took an impairment charge of \$1.0m (after tax) that included an additional impairment charge taken in respect to the shares in High Liner Foods Incorporated (\$0.5m after tax). The remainder was related to write-down of various assets, mainly vessels that have been decommissioned during the year and are now held for sale.

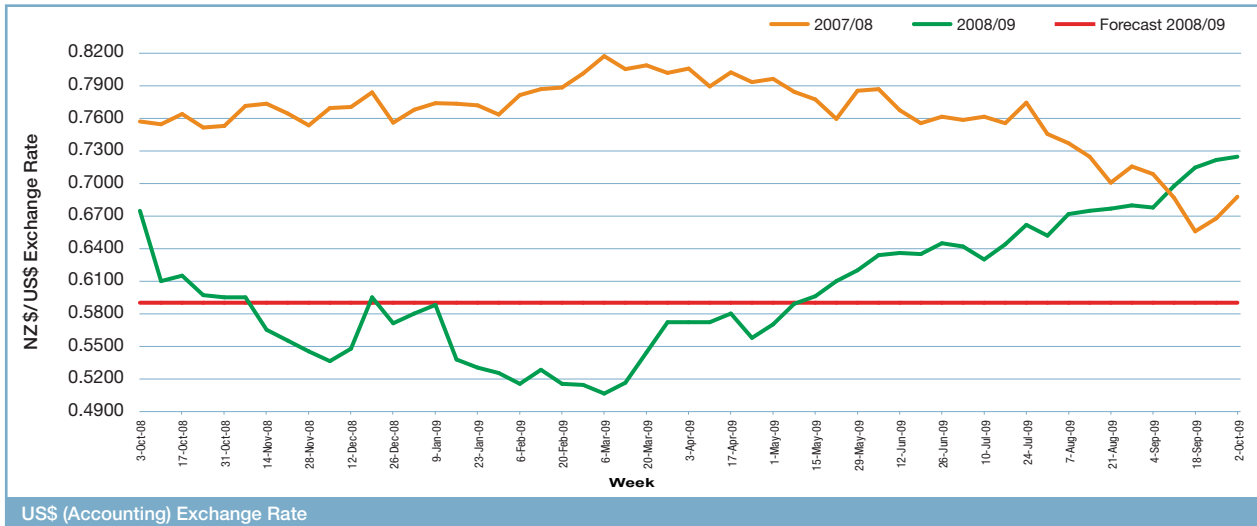
#### **Exchange Rate Analysis**

The graph of the exchange rate comparison to forecast and compared to last year is shown and just highlights the difficulties where we have been operating in an environment where the exchange rate fluctuates significantly not only over a year but within a month, a week and sometimes even days.

The gains achieved in the early part of the year were lost when the currency increased in the second half of the year to levels that do not reflect the real situation of New Zealand's trading position. The New Zealand dollar now reflects international currency trading that apparently ranks the New Zealand dollar as a safe haven and, as a consequence, the competitiveness of the productive economy is seriously undermined. Future planning of capital investment and development is challenging in normal times but it is made more difficult when it is impossible to predict even the range of the New Zealand dollar one year out let alone over the period of a five to 10 year investment horizon.



## SANFORD LIMITED SUSTAINABLE SEAFOOD



### Emissions Trading Scheme (ETS)

The latest government announcements on the ETS for the fishing industry allow for a phase-out period of two and a half years. While this is appreciated there is still a perception that the fishing industry has been treated poorly by both political parties over the development of the ETS compared to the agriculture sector.

We had made three simple points to the Government:

1. Seafood industry emissions are currently lower than they were in 1990. In other words, as an industry we have achieved targeted reductions and yet we are still being asked to contribute to an emissions trading scheme beyond 2012.
2. The proposed assistance to the industry for only two and a half years makes us worse off than we would have been under the scheme presently legislated. As noted in the news media coverage recently, it has been suggested that ultimately the cost to the agriculture sector would be approximately \$3,000 for each farmer on average. The cost beyond 2012 to Sanford, based on a \$50/mt carbon cost, is likely to be in the region of \$3.0m per year. Sanford has publicly reported its carbon emissions over the last five years and we have progressively improved our fuel eco-efficiency over the periods on which we have been reporting.
3. The New Zealand seafood industry is already the only international seafood industry that absorbs the full cost of the research, compliance, administration and management of commercial fishing. No other country imposes these charges on their industry so we are already at a disadvantage compared to our international competitors. The proposed emissions trading scheme is likely to put us at a further disadvantage internationally.

Already our sector is in a difficult economic situation with widely fluctuating exchange rates; it is time to give the seafood industry recognition for the role it can play in achieving an economic recovery for New Zealand.

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**SUSTAINABLE SEAFOOD**

**Outlook for Coming Year**

***Economic situation and international markets***

While we would hope that the global economic crisis has passed the effects are still being felt in many markets. Prices in disrupted markets decline quickly and it is never easy to recover prices to previous price levels.

The effect of tightening credit has restricted flows of products to markets and slower supply lines resulted in a build-up of inventories that peaked towards the middle of our financial year as we continued our planned catching and processing. The second six months saw some easing of that position as some realignment of species and markets took place.

Looking forward, we expect that there will be a return to more normal levels of demand and pricing but whether it occurs in the near or medium term is a question unanswered. While there remains uncertainty about prices and when this is coupled with an exchange rate defying gravity, the coming year will be another challenge.

We are well placed for the efficient catch and production of our high quality wild and farmed seafood products and we are fortunate to have a strong and loyal customer base which has worked well with us over the last year to work through the market disruptions. It is pleasing to note that through this time we have not had any export bad debts. While there are some positive signs in some markets there remains overall a feeling of uncertainty as to whether markets have bottomed.

***Operations***

Last year fisheries such as blue mackerel and tuna in the Tauranga area were disappointing but the squid season in the southern ocean was relatively strong. The toothfish catch in the Ross Sea was below expectations (for a number of reasons not related to the healthy state of those stocks) but catches in all other fisheries were up to expectations and are anticipated to continue this year. Aquaculture production will increase next year as we bed in the recent acquisition of marine farms in Marlborough.

**Acknowledgements**

Our industry is a challenging but rewarding one. Each year we are faced with new or different challenges. We are fortunate to have an excellent and stable team of executives, managers, fishermen and staff who all work extremely hard to try and provide reasonable returns to shareholders.

**E F Barratt**

*Managing Director*

25 November 2009

**The Annual Meeting will be held at 2.00pm Wednesday 27 January 2010 at the Ellerslie Event Centre,  
Ellerslie Racecourse, Greenlane, Auckland.**

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Information required by NZX

| SANFORD LIMITED  |                                |                             |
|--|--------------------------------|-----------------------------|
| Audited results for announcement to the market                                   |                                |                             |
| Reporting Period   | 12 months to 30 September 2009 |                             |
| Previous Reporting Period  | 12 months to 30 September 2008 |                             |
|  |                                |                             |
|  | Amount                         | Percentage change           |
| Revenue from ordinary activities   | \$NZ 433.1m                    | (0.8%)                      |
| Profit (loss) from ordinary activities after tax attributable to security holder | \$NZ 39.1m                     | (26.7%)                     |
| Net profit (loss) attributable to security holders                               | \$NZ 39.1m                     | (26.7%)                     |
|  |                                |                             |
| Final Dividend   | Amount per security            | Imputed amount per security |
|  | 14 cents per share             | 6.8955 cents per share      |
| Record Date  | 11 December 2009               |                             |
| Dividend Payment Date  | 16 December 2009               |                             |



**SANFORD LIMITED**  
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