

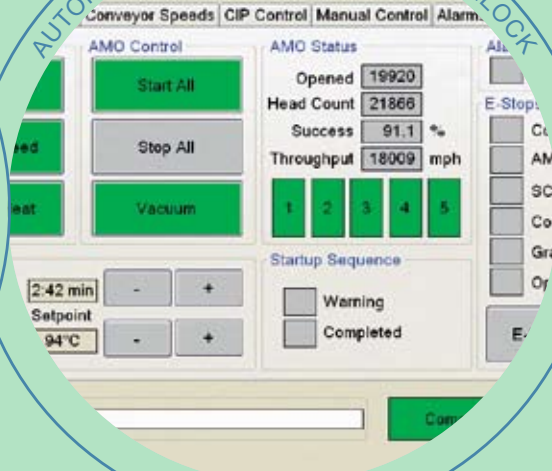


SANFORD LIMITED
SUSTAINABLE SEAFOOD

AUTOMATED YIELD REPORTING - TIMARU



AUTOMATED MUSSEL OPENING - HAVELOCK



WISEFISH COMPUTER SYSTEM - NZ WIDE



AUTOMATED FISHMEAL CONTROL - SAN WAITAKI



Financial Statements
For the year ended 30 September 2008

From sea to food – over 100 years of sustained growth

Financial Statements 2008

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2008.

For and on behalf of the Board of Directors:



B S Cole

Chairman

26 November 2008



E F Barratt

Managing Director

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Five Year Financial Review

	2008*	2007*	2006	2005	2004
	\$000	\$000	\$000	\$000	\$000
Sales revenue	436,564	367,920	390,402	365,825	350,445
Profits					
EBITDA*	65,874	52,197	63,303	38,295	35,639
Depreciation, amortisation and impairment	(22,359)	(13,635)	(16,167)	(21,097)	(17,069)
Net interest	(10,021)	(11,109)	(12,247)	(11,418)	598
Net currency exchange gains (losses)	5,505	(10,511)	4,773	40,404	55,202
Net gain on sale of investments, property, plant and equipment	29,749	425	322	292	6,691
Gain on sale of subsidiaries	–	7,528	–	–	–
Operating surplus before taxation	68,748	24,895	39,984	46,476	81,061
Less taxation	15,328	4,865	13,393	16,006	27,713
Operating surplus after taxation	53,420	20,030	26,591	30,470	53,348
Minority interests	(76)	105	(517)	(102)	522
Net surplus attributable to shareholders	53,344	20,135	26,074	30,368	53,870
Equity					
Paid in capital	95,355	95,355	95,355	88,828	97,392
Reserves	430,491	423,688	408,456	406,431	396,321
Minority interests	523	443	978	354	(501)
Total equity	526,369	519,486	504,789	495,613	493,212
Represented by:					
Current assets	109,837	118,971	120,373	109,061	97,302
Less current liabilities	44,891	50,353	56,430	46,458	22,524
Working capital	64,946	68,618	63,943	62,603	74,778
Property, plant and equipment	106,760	109,965	116,709	131,180	116,597
Investments	20,581	57,082	31,129	27,142	27,340
Term receivable	6,419	4,752	–	–	–
Biological assets	5,039	4,300	–	–	–
Intangible assets	415,768	409,035	422,702	417,709	278,162
Brand use rights	–	–	1,000	2,000	–
	619,513	653,752	635,483	640,634	496,877
Less non-current liabilities	93,144	134,266	130,694	145,021	3,665
Total net assets	526,369	519,486	504,789	495,613	493,212
Dividend per share (cents)	23 [†]	22 [†]	22 [†]	22 [†]	22 [†]
Dividend cover	2.5 [†]	1.0 [†]	1.3 [†]	1.5 [†]	2.6 [†]
Return on average total equity	10.2%	4.0%	5.2%	6.1%	11.5%
Earnings per share (cents)	57.0	21.5	27.8	32.1	56.3
Net asset backing per share	\$5.62	\$5.55	\$5.39	\$5.29	\$5.16

* Earnings before interest, taxation, depreciation and amortisation, impairment of investments, net 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 2004 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 (refer note 31).

† 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 2008

	Note	Group		Parent	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
Continuing operations					
Revenue	6	436,564	363,779	368,319	289,135
Cost of sales		(351,889)	(295,933)	(286,620)	(222,872)
Gross profit		84,675	67,846	81,699	66,263
Other income	7	7,600	5,352	6,986	2,490
Profit on sale of investment in Fishery Products International Limited	15	26,215	–	–	–
Distribution expenses		(23,750)	(21,115)	(23,750)	(21,115)
Administrative expenses	8	(10,266)	(9,106)	(8,704)	(7,273)
Other expenses	8	(10,100)	(3,853)	(7,165)	(3,515)
Operating profit		74,374	39,124	49,066	36,850
Financial income	9	7,316	2,804	7,784	3,458
Financial expenses	9	(13,112)	(24,397)	(11,685)	(24,364)
Net finance costs		(5,796)	(21,593)	(3,901)	(20,906)
Share of profit (loss) of equity accounted investees	14	170	(48)	–	–
Profit before income tax		68,748	17,483	45,165	15,944
Less Income tax expense	10	15,328	4,740	15,143	4,816
Profit after tax from continuing operations		53,420	12,743	30,022	11,128
Discontinued operation					
Profit from discontinued operation (net of tax)	5	–	7,287	–	6,479
Profit for the year		53,420	20,030	30,022	17,607
Attributable to:					
Equity holders of the Group		53,344	20,135	30,022	17,607
Minority interest		76	(105)	–	–
		53,420	20,030	30,022	17,607
Earnings per share					
Basic earnings per share (cents)	22	57.0	21.5		
Basic earnings per share – discontinued operation (cents)		–	7.8		
Basic earning per share – continuing operations (cents)		57.0	13.7		

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



SANFORD LIMITED
SUSTAINABLE SEAFOOD

Balance Sheet

as at 30 September 2008

	Note	Group		Parent	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
Equity					
Paid in capital		95,355	95,355	95,355	95,355
Retained earnings		429,124	396,407	404,045	394,621
Other reserves		1,367	27,281	–	–
Total equity attributable to shareholders of the Company		525,846	519,043	499,400	489,976
Minority interest		523	443	–	–
Total equity	20	526,369	519,486	499,400	489,976
Non-current liabilities					
Bank loans (unsecured)		90,000	130,000	90,000	130,000
Advances from subsidiary companies	27	–	–	59,901	25,052
Deferred taxation	16	3,144	4,266	3,101	4,187
Total non-current liabilities		93,144	134,266	153,002	159,239
Current liabilities					
Bank overdraft and borrowings at call	19	552	16,919	–	15,843
Derivative financial instruments		89	–	89	–
Trade creditors		13,506	12,696	12,361	11,248
Other liabilities		20,958	15,662	20,204	14,949
Employee entitlements		5,762	5,076	5,438	4,697
Taxation payable		4,024	–	4,133	–
Total current liabilities		44,891	50,353	42,225	46,737
Total liabilities		138,035	184,619	195,227	205,976
Total equity and liabilities		664,404	704,105	694,627	695,952
Non-current assets					
Property, plant and equipment	11	106,760	109,965	106,353	109,568
Investments	14,15	20,581	57,082	49,113	49,045
Term receivable		6,419	4,752	6,419	4,752
Biological assets	13	5,039	4,300	5,039	4,300
Intangible assets	12	415,768	409,035	399,692	392,782
Advances to subsidiary companies		–	–	25,100	24,296
Total non-current assets		554,567	585,134	591,716	584,743
Current assets					
Cash on hand and at bank	19	9,955	2,122	8,447	882
Trade debtors	18	44,706	41,823	41,153	37,902
Derivative financial instruments		–	610	–	610
Other debtors and prepayments		6,602	7,447	5,110	6,104
Current portion of term receivable		1,045	2,673	1,045	2,673
Biological assets	13	6,163	5,565	6,163	5,565
Inventories	17	41,366	55,228	40,993	54,684
Taxation receivable		–	3,503	–	2,789
Total current assets		109,837	118,971	102,911	111,209
Total assets		664,404	704,105	694,627	695,952

Statement of Cash Flows

for the year ended 30 September 2008

	Note	Group		Parent	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
Continuing operations					
Cash flows from operating activities					
Cash provided from:					
Receipts from customers		439,228	357,249	370,596	288,879
Interest received		1,641	2,313	1,503	2,220
Dividends received		602	362	482	362
		441,471	359,924	372,581	291,461
Cash applied to:					
Payments to suppliers and employees		352,386	339,526	285,639	270,946
Income tax paid		8,409	9,101	8,872	8,763
Interest paid		11,171	14,298	11,171	14,298
		371,966	362,925	305,682	294,007
Net cash flows from operating activities	26	69,505	(3,001)	66,899	(2,546)
Cash flows from investing activities					
Cash provided from:					
Disposal of property, plant and equipment		3,638	1,813	3,636	817
Sale of investments and subsidiaries		47,732	4,940	–	3,207
Repayment of loans		916	2,944	34,960	4,382
		52,286	9,697	38,596	8,406
Cash applied to:					
Purchase of property, plant and equipment		14,922	9,693	14,580	9,642
Purchase of intangibles		9,176	180	6,911	–
Acquisition of other investments		12,947	–	68	–
		37,045	9,873	21,559	9,642
Net cash flows from investing activities		15,241	(176)	17,037	(1,236)
Cash flows from financing activities					
Cash applied to:					
Dividends paid		20,598	20,595	20,598	20,595
Repayment of loans		40,000	–	40,000	–
		60,598	20,595	60,598	20,595
Net cash flows from financing activities		(60,598)	(20,595)	(60,598)	(20,595)
Discontinued operation					
Net cash from operating activities		–	(23)	–	–
Net cash from discontinued operation		–	(23)	–	–
Net increase (decrease) in cash and cash equivalents		24,148	(23,795)	23,338	(24,377)
Effect of exchange rate fluctuations on cash held		52	(65)	70	(53)
Cash and cash equivalents at beginning of year		(14,797)	9,063	(14,961)	9,469
Cash and cash equivalents at end of year		9,403	(14,797)	8,447	(14,961)
Represented by:					
Bank overdraft and borrowings at call		(552)	(16,919)	–	(15,843)
Cash on hand and at bank		9,955	2,122	8,447	882
		9,403	(14,797)	8,447	(14,961)

Statement of Changes in Equity

for the year ended 30 September 2008

Group	Note	Share Capital	Translation Reserve	Fair Value Reserve	Retained Earnings	Total	Minority Interest	Total Equity
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 October 2007		95,355	1,044	26,237	396,407	519,043	443	519,486
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	21	–	–	–	(20,598)	(20,598)	–	(20,598)
Balance at 30 September 2008		95,355	1,367	–	429,124	525,846	523	526,369
Balance at 1 October 2006		95,355	–	–	396,779	492,134	978	493,112
Foreign currency translation differences		–	1,006	–	–	1,006	(35)	971
Net change in fair value of available-for-sale financial assets (net of tax)		–	–	26,237	–	26,237	–	26,237
Income and expense recognised in equity		–	1,006	26,237	–	27,243	(35)	27,208
Profit for the year		–	–	–	20,135	20,135	(105)	20,030
Total recognised income and expense for the year		–	1,006	26,237	20,135	47,378	(140)	47,238
Contributions (to) from minority interest		–	38	–	(178)	(140)	(395)	(535)
Change from associates to subsidiary		–	–	–	266	266	–	266
Distributions to shareholders	21	–	–	–	(20,595)	(20,595)	–	(20,595)
Balance at 30 September 2007		95,355	1,044	26,237	396,407	519,043	443	519,486

Parent	Note	Share Capital	Retained Earnings	Total Equity
		\$000	\$000	\$000
Balance at 1 October 2007		95,355	394,621	489,976
Profit for the year		–	30,022	30,022
Total recognised income and expense for the year		–	30,022	30,022
Distributions to shareholders	21	–	(20,598)	(20,598)
Balance at 30 September 2008		95,355	404,045	499,400
Balance at 1 October 2006		95,355	397,609	492,964
Profit for the year		–	17,607	17,607
Total recognised income and expense for the year		–	17,607	17,607
Distributions to shareholders	21	–	(20,595)	(20,595)
Balance at 30 September 2007		95,355	394,621	489,976

Notes to the Financial Statements

for the year ended 30 September 2008

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 2008.

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).

These are the Company and Group's first annual consolidated NZ IFRS Financial Statements; NZ IFRS 1 has been applied. An explanation of how the transition to NZ IFRS has affected the previously reported annual financial performance and equity of the Company and Group is provided in note 31.

(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 12)
- Valuation of biological assets (refer note 13)
- Valuation of financial instruments (refer note 23).

Notes to the Financial Statements

for the year ended 30 September 2008

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. The Group did not apply hedge accounting during the period.

Notes to the Financial Statements

for the year ended 30 September 2008

Note 3 – Significant Accounting Policies (continued)

(d) Fish quota marine farm licences and brand use rights

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. 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. 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:

	Years
Specialist buildings in permanent materials	25
Fishing vessels:	
Hulls	15–20
Engines	10–12
Electronic equipment	3–4
Machinery and plant	7–10
Motor vehicles	5
Office fixtures and fittings	5–7
Leasehold buildings	25
Marine farm assets	3

Notes to the Financial Statements

for the year ended 30 September 2008

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 and biological 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

Trade and other receivables are stated at their 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 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 2008

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 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, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, 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 profit or loss using the effective interest method.

(r) 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.

(s) 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.

Notes to the Financial Statements

for the year ended 30 September 2008

Note 3 – Significant Accounting Policies (continued)

(t) 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.

(u) New standards and interpretations not yet adopted

A number of new standards and interpretations are not yet effective for the year ended 30 September 2008, 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 2009 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 2009 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.
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* – requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2009 Financial Statements, with retrospective application required. It is not expected to have any impact on the consolidated Financial Statements.
- IFRIC 12 – *Service Concession Arrangements* – provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2009 Financial Statements, is not expected to have any effect on the consolidated Financial Statements.
- IFRIC 13 – *Customer Loyalty Programmes* – addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 Financial Statements, is not expected to have any impact on the consolidated Financial Statements.
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2009 Financial Statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

The following standards have been recently issued. The likely effect on the Group's 2009 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 IFRS 4 – *Insurance Contracts (amendments).*
- NZ IAS 1 – *Presentation of Financial Statements (revised).*
- NZ IAS 27 – *Consolidated and Separate Financial Statements (amended).*
- NZ IAS 32 – *Amendment to puttable financial instruments and obligations arising on liquidation.*
- 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 2008

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	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total external revenues	376,347	306,527	60,217	57,252	–	–	436,564	363,779
Inter-segment revenue	3,225	3,492	–	–	(3,225)	(3,492)	–	–
Segment revenue	379,572	310,019	60,217	57,252	(3,225)	(3,492)	436,564	363,779
Segment result	57,046	14,622	(1,598)	(229)	(2,198)	(1,602)	53,250	12,791
Results from continuing operations							53,250	12,791
Results from discontinued operation							–	7,287
Share of profit (loss) of equity accounted investees							170	(48)
Profit for the year							53,420	20,030

(b) Assets and liabilities

	New Zealand		Australia		Total	
	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000
Segment assets	629,388	668,351	24,150	24,574	653,538	692,925
Investment in equity accounted investees	10,866	11,180	–	–	10,866	11,180
Total assets	640,254	679,531	24,150	24,574	664,404	704,105
Segment liabilities	116,269	162,740	21,766	21,879	138,035	184,619
Total liabilities	116,269	162,740	21,766	21,879	138,035	184,619
Capital expenditure	21,525	9,886	2,608	51	24,133	9,937
Depreciation	14,852	14,340	257	480	15,109	14,820
Amortisation of intangible assets (brand use right)	–	1,000	–	–	–	1,000
Impairment losses after tax (intangible assets and property, plant and equipment)	2,004	–	2,831	–	4,835	–

Notes to the Financial Statements

for the year ended 30 September 2008

Note 5 – Discontinued Operation

On 31 January 2007, the Group disposed of its entire interests in Pesquera Sanford Argentina SA and Pesquera San Arawa SA. The effect of the disposal was a decrease in the net assets of the Group of \$7.0m while receiving consideration of \$14.5m. The disposal gave rise to a gain on sale of \$7.5m.

Profits attributable to the discontinued operation were as follows:

	Note	2007 \$000
Results of discontinued operation		
Revenue	6	4,141
Cost of sales		(4,055)
Other expenses		(202)
Results from operating activities		(116)
Income tax expense		(125)
Results from operating activities (net of income tax)		(241)
Gain on sale of discontinued operation		7,528
Profit (loss) for the period		7,287
Net cash used in operating activities		(23)
Net cash from (used in) discontinued operation		(23)
Effect of disposal on the financial position of the Group		
Property, plant and equipment		3,791
Inventories		6,252
Trade and other receivables		(661)
Cash and cash equivalents		245
Trade and other payables		(2,591)
Net assets and liabilities		7,036
Consideration received (cash plus term receivable)		14,564
Net cash inflow		7,528

Note 6 – Revenue

	Continuing Operations		Discontinuing Operation		Group		Parent	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sale of goods	436,564	363,779	–	4,141	436,564	367,920	368,319	289,135
Total revenue	436,564	363,779	–	4,141	436,564	367,920	368,319	289,135

Note 7 – Other Income

	Note	Group		Parent	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
Change in fair value of biological assets	13	1,337	912	1,337	912
Net gain on sale of property, plant and equipment		3,533	425	3,533	470
Sundry income		2,730	4,015	2,116	1,108
Total other income		7,600	5,352	6,986	2,490

Notes to the Financial Statements

for the year ended 30 September 2008

Note 8 – Expenses

	Note	Group		Parent	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
(a) Administrative and other expenses include:					
Directors' fees		250	250	250	250
Donations		17	32	15	32
Audit fees		141	147	100	100
KPMG fees for other services		–	7	–	7
– KPMG		–	–	–	–
– New Zealand taxation advice		51	8	51	8
– IFRS advice		43	40	–	–
– Accounting services		2,586	2,342	2,159	1,940
Leasing charges		509	186	380	110
Doubtful debts		–	–	–	–
– Written off		(119)	(152)	(248)	(76)
– Decrease in doubtful debts provision		2,992	–	2,992	–
Impairment of property, plant and equipment	11	2,831	–	–	–
Impairment of intangible assets	12				
(b) Personnel expenses					
Wages and salaries		83,223	74,409	79,516	70,941
Increase in liability for long service leave		147	9	127	3
		83,370	74,418	79,643	70,944

Note 9 – Finance Income and Expenses

		Group		Parent	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
Financial income					
Interest income		1,664	2,313	1,857	2,632
Interest rate swap		–	464	–	464
Dividend		147	27	482	362
Net foreign exchange gain		5,505	–	5,445	–
		7,316	2,804	7,784	3,458
Financial expenses					
Interest rate swaps		700	–	700	–
Interest expense on term loan and bank overdraft		10,985	13,886	10,985	13,886
Net foreign exchange loss		–	10,511	–	10,478
High Liner Foods Incorporated investment impairment	15	1,427	–	–	–
		13,112	24,397	11,685	24,364
Net finance costs		(5,796)	(21,593)	(3,901)	(20,906)

Notes to the Financial Statements

for the year ended 30 September 2008

Note 10 – Income Tax Expense

	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
(a) Income tax expense				
Current tax expense	16,450	5,766	16,213	5,670
Adjustment for prior periods	–	(224)	16	(224)
	16,450	5,542	16,229	5,446
Deferred tax expense				
Origination and reversal of temporary differences	(1,226)	(405)	(1,196)	(477)
Reduction in tax rate	104	(272)	110	(153)
Income tax expense	15,328	4,865	15,143	4,816
Income tax expense from continuing operations	15,328	4,740	15,143	4,816
Income tax expense from discontinued operation	–	125	–	–
Income tax expense	15,328	4,865	15,143	4,816
(b) Reconciliation of effective tax rate				
Profit for the year after income tax	53,420	20,030	30,022	17,607
Total income tax expense	15,328	4,865	15,143	4,816
Profit excluding income tax	68,748	24,895	45,165	22,423
Tax at current rate of 33%	22,687	8,215	14,904	7,400
Effect of tax rates in foreign jurisdictions	(42)	36	–	125
Non-deductible expenses	1,472	190	53	53
Non-taxable income	(8,862)	(3,416)	(80)	(2,265)
Utilisation of tax losses previously unrecognised	(421)	(22)	–	–
Over provided in prior periods	–	(224)	–	(224)
Effect of future change in tax rate	104	(272)	110	(153)
Other	390	358	156	(120)
	(7,359)	(3,350)	239	(2,584)
Income tax expense	15,328	4,865	15,143	4,816
(c) Imputation credit account				
Balance at beginning of year	56,346	58,249		
Tax payments	8,746	8,411		
Imputation credits attached to dividends received	168	437		
Imputation credits attached to dividends paid	(9,957)	(9,914)		
Other movements	–	(837)		
Balance at end of year	55,303	56,346		

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 2008

Note 11 – Property, Plant and Equipment

	Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Group 2008						
Cost						
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
Accumulated depreciation						
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 losses	–	–	(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)
Net book value at 30 September 2008	1,738	4,326	22,678	52,867	25,151	106,760
Group 2007						
Cost						
Balance at beginning of year	1,733	10,546	39,402	179,566	65,041	296,288
Additions	–	142	116	1,159	8,173	9,590
Disposals	–	–	–	(24,487)	(1,917)	(26,404)
Effect of movements in exchange rates	–	–	–	(14)	35	21
Balance at end of year	1,733	10,688	39,518	156,224	71,332	279,495
Accumulated depreciation						
Balance at beginning of year	–	(5,720)	(11,511)	(110,089)	(52,259)	(179,579)
Depreciation	–	(408)	(1,561)	(9,111)	(3,740)	(14,820)
Disposals	–	–	–	22,859	1,695	24,554
Effects of movements in exchange rates	–	11	7	281	16	315
Balance at end of year	–	(6,117)	(13,065)	(96,060)	(54,288)	(169,530)
Net book value at 30 September 2007	1,733	4,571	26,453	60,164	17,044	109,965

Notes to the Financial Statements

for the year ended 30 September 2008

Note 11 – Property, Plant and Equipment (continued)

	Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Parent 2008						
Cost						
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
Accumulated depreciation						
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 losses	–	–	(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)
Net book value at 30 September 2008	1,550	3,936	22,750	54,446	23,671	106,353
Parent 2007						
Cost						
Balance at beginning of year	1,550	10,119	39,402	152,635	61,476	265,182
Additions	–	160	116	3,218	8,110	11,604
Disposals	–	–	–	(908)	(1,687)	(2,595)
Balance at end of year	1,550	10,279	39,518	154,945	67,899	274,191
Accumulated depreciation						
Balance at beginning of year	–	(5,701)	(11,511)	(85,270)	(50,232)	(152,714)
Depreciation	–	(414)	(1,554)	(8,760)	(3,411)	(14,139)
Disposals	–	–	–	610	1,620	2,230
Balance at end of year	–	(6,115)	(13,065)	(93,420)	(52,023)	(164,623)
Net book value at 30 September 2007	1,550	4,164	26,453	61,525	15,876	109,568

Impairment losses

In 2008 two fishing vessels were written down from book value to their expected sales value. 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 2008

Note 12 – Intangible Assets

	Fishing Quota	Marine Farm Licences	Total
	\$000	\$000	\$000
Group 2008			
Deemed cost and carrying value			
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
Impairment			
Balance at beginning of year	–	–	–
Impairment loss	(2,831)	–	(2,831)
Balance at end of year	(2,831)	–	(2,831)
Carrying amount at 30 September 2008	395,200	20,568	415,768
Group 2007			
Deemed cost and carrying value			
Balance at beginning of year	396,435	13,955	410,390
Acquisitions	347	–	347
Disposals	(1,968)	–	(1,968)
Effect of movements in exchange rates	266	–	266
Carrying amount at 30 September 2007	395,080	13,955	409,035

Impairment testing

Impairment testing was performed on the applicable New Zealand cash generating unit (CGU) to determine whether 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 9.5% were applied. Future cash flows were projected for 5 years and terminal growth rates of between 2% and 3% were applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecast for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cashflows in the terminal year.

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

Impairment losses

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
Parent 2008			
Deemed cost and carrying value			
Balance at beginning of year	378,827	13,955	392,782
Acquisitions	297	6,613	6,910
Carrying amount at 30 September 2008	379,124	20,568	399,692
Parent 2007			
Deemed cost and carrying value			
Balance at beginning of year	378,723	13,955	392,678
Acquisitions	104	–	104
Carrying amount at 30 September 2007	378,827	13,955	392,782

Notes to the Financial Statements

for the year ended 30 September 2008

Note 13 – Biological Assets

	Mussels	Oysters	Salmon	Total
	\$000	\$000	\$000	\$000
Group and Parent 2008				
Balance at beginning of year	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)
Balance at 30 September 2008	5,844	730	4,628	11,202
Non-current	3,144	–	1,895	5,039
Current	2,700	730	2,733	6,163
	5,844	730	4,628	11,202
Group and Parent 2007				
Balance at beginning of year	5,335	695	2,922	8,952
Change in fair value less estimated point-of-sale costs	10,020	1,072	3,121	14,213
Harvested produce transferred to inventories	(9,918)	(1,079)	(2,303)	(13,300)
Balance at 30 September 2007	5,437	688	3,740	9,865
Non-current	3,124	–	1,176	4,300
Current	2,313	688	2,564	5,565
	5,437	688	3,740	9,865

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 algal 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 14 – Equity Accounted Investees

	Group	
	2008	2007
	\$000	\$000
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:		
Current assets	10,469	11,944
Non-current assets	28,902	20,749
Total assets	39,371	32,693
Current liabilities	7,965	9,598
Non-current liabilities	496	7,406
Total liabilities	8,461	17,004
Revenue	36,010	19,323
Expenses	(35,661)	(19,389)
Profit (loss)	349	(66)
(b) Movements in carrying value of equity accounted investees:		
Balance at beginning of year	11,180	12,007
Share of profit (loss)	170	(48)
Dividends from associates	(455)	(335)
Associate now consolidated	–	(266)
Other	(29)	(178)
Balance at end of year	10,866	11,180

Notes to the Financial Statements

for the year ended 30 September 2008

Note 15 – Other Investments

	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Shares in other companies	9,715	45,902	35	36
Shares in subsidiaries	–	–	41,238	41,238
Shares in associates at cost	–	–	7,840	7,771
Total	9,715	45,902	49,113	49,045

An impairment loss of \$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.

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

Note 16 – Deferred Taxation

	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
(a) Unrecognised deferred tax assets				
Tax losses	2,171	2,592	–	–

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	
	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000
Group						
Property, plant and equipment	–	–	(2,409)	(3,409)	(2,409)	(3,409)
Intangible assets	–	–	(2,526)	(2,431)	(2,526)	(2,431)
Trade debtors	43	286	–	–	43	286
Derivative financial instruments	–	–	–	(183)	–	(183)
Other debtors and prepayments	–	–	(22)	(6)	(22)	(6)
Biological assets	–	–	(1,972)	(1,960)	(1,972)	(1,960)
Trade creditors	–	–	(49)	(34)	(49)	(34)
Other liabilities	3,791	3,471	–	–	3,791	3,471
Deferred tax assets (liabilities)	3,834	3,757	(6,978)	(8,023)	(3,144)	(4,266)
Parent						
Property, plant and equipment	–	–	(2,207)	(3,185)	(2,207)	(3,185)
Intangible assets	–	–	(2,526)	(2,431)	(2,526)	(2,431)
Trade debtors	–	281	–	–	–	281
Derivative financial instruments	–	–	–	(183)	–	(183)
Biological assets	–	–	(1,972)	(1,960)	(1,972)	(1,960)
Trade creditors	–	–	(49)	(34)	(49)	(34)
Other liabilities	3,653	3,325	–	–	3,653	3,325
Deferred tax assets (liabilities)	3,653	3,606	(6,754)	(7,793)	(3,101)	(4,187)

Notes to the Financial Statements

for the year ended 30 September 2008

	Balance 1 Oct 2006	Recognised in Income Statement	Balance 30 Sept 2007	Recognised in Income Statement	Balance 30 Sept 2008
Note 16 – Deferred Taxation (continued)	\$000	\$000	\$000	\$000	\$000
(c) Movement in temporary differences during the year					
Group					
Property, plant and equipment	(3,463)	54	(3,409)	1,000	(2,409)
Intangible assets	(2,571)	140	(2,431)	(95)	(2,526)
Trade debtors	66	220	286	(243)	43
Derivative financial instruments	(48)	(135)	(183)	183	–
Other debtors and prepayments	(13)	7	(6)	(16)	(22)
Biological assets	(1,990)	30	(1,960)	(12)	(1,972)
Trade creditors	(34)	–	(34)	(15)	(49)
Other liabilities	3,110	361	3,471	320	3,791
Net deferred tax asset (liability)	(4,943)	677	(4,266)	1,122	(3,144)
Parent					
Property, plant and equipment	(3,210)	25	(3,185)	978	(2,207)
Intangible assets	(2,571)	140	(2,431)	(95)	(2,526)
Trade debtors	37	244	281	(281)	–
Derivative financial instruments	(48)	(135)	(183)	183	–
Biological assets	(1,990)	30	(1,960)	(12)	(1,972)
Trade creditors	126	(160)	(34)	(15)	(49)
Other liabilities	2,839	486	3,325	328	3,653
Net deferred tax asset (liability)	(4,817)	630	(4,187)	1,086	(3,101)

Note 17 – Inventories

	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Fish	34,041	49,502	33,668	48,958
Packaging, fishing gear, fuel and stores	7,325	5,726	7,325	5,726
	41,366	55,228	40,993	54,684

Note 18 – Trade Debtors

	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade debtors	44,706	41,823	40,737	37,625
Trade debtors due from related parties	–	–	416	277
	44,706	41,823	41,153	37,902

Notes to the Financial Statements

for the year ended 30 September 2008

Note 19 – Cash and Cash Equivalents	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Cash on hand and at bank	9,955	2,122	8,447	882
Bank overdraft and borrowings at call	(552)	(16,919)	–	(15,843)
	9,403	(14,797)	8,447	(14,961)

Interest rates applicable on NZD call deposits range from 7.50% to 8.25% (2007: nil NZD call deposits).

Interest rates applicable in the bank overdraft range from 8.58% to 8.98% (2007: 7.58% to 8.58%).

Note 20 – 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) Share capital

	Ordinary Shares	
	2008	2007
	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.

(d) 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 \$2.22 (2007: \$2.00) and future dividends paid on the shares will be applied to the balance outstanding. At 30 September 2008, the amount remaining to be paid is \$0.47m (2007: \$0.53m) 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 21 – Dividends

	2008	2007
	\$000	\$000
The following dividends were declared and paid by the Group for the year ended 30 September: \$0.22 per ordinary share (2007: \$0.22)	20,598	20,595

On 26 November 2008 the Directors proposed a final dividend of 14 cents per share to be paid on 17 December 2008. This dividend has not been provided for in the accounts at 30 September 2008.

Notes to the Financial Statements

for the year ended 30 September 2008

Note 22 – Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders of \$53.344m (2007: \$20.135m) and a weighted average number of ordinary shares outstanding of 93,626,735 (2007: 93,626,735), calculated as follows:

(b) Profit attributable to ordinary shareholders

	Continuing Operations	Discontinued Operation	Total	Continuing Operations	Discontinued Operation	Total
	2008	2008	2008	2007	2007	2007
	\$000	\$000	\$000	\$000	\$000	\$000
Net profit attributable to ordinary shareholders	53,344	–	53,344	12,848	7,287	20,135

Note 23 – 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 and interest rates. While these instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged, sales and investments.

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

(a) Credit risk

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 33% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 69% 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 2008

Note 23 – 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. At any point in time the Group may also take out economic hedges over a proportion of its estimated foreign currency exposure resulting from sales up to three years forward. The Group may also take out loans in foreign currencies to hedge investments in foreign currencies.

At balance date the Group has trade debtors of USD17.537m – NZD26.178m (2007: USD17.043m – NZD22.496m), AUD2.334m – NZD2.786m (2007: AUD6.589m – NZD7.680m), JPY 151.218m – NZD2.165m (2007: JPY105.748m – NZD1.212m), GBP0.98m – NZD0.265m (2007: GBP – nil), EUR 0.07m – NZD0.151m (2007: EUR0.228m – NZD0.425m), trade creditors of USD2.282m – NZD3.406m (2007: AUD1.357m – NZD1.581m) and cash of USD0.494m – NZD0.737m (2007: USD0.232m – NZD0.306m) and EUR0.453m – NZD0.970m (2007: nil) 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 rate basis and its policy for long term loans is to hedge 60% to 100% by using interest rate swaps to hedge the floating rate debt. At balance date the Group has interest rate swaps of \$60m maturing in December 2008 and \$10m maturing in June 2009 (2007:\$30m maturing in December 2007 and \$50m maturing in December 2008).

(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	
	2008	2007
	\$000	\$000
New Zealand	10,053	11,360
Australia	7,697	8,453
Europe	9,229	11,624
United States of America	16,523	13,658
Japan	2,088	1,255
Other	5,718	2,920
Trade and other receivables	51,308	49,270

Notes to the Financial Statements

for the year ended 30 September 2008

Note 23 – Financial Instruments (continued)

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

	Gross Receivables	Impairment	Gross Receivables	Impairment
	2008	2008	2007	2007
	\$000	\$000	\$000	\$000
Not past due	37,901	–	32,549	–
Past due 0 – 30 days	4,353	–	5,014	–
Past due 31 – 120 days	2,269	–	2,450	–
Past due 121 – 365 days	285	–	2,039	–
Past due more than 1 year	44	(146)	37	(266)
Total	44,852	(146)	42,089	(266)

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

	2008	2007
	\$000	\$000
Gross trade receivables	44,852	42,089
Individual impairment	(146)	(266)
Trade receivables net	44,706	41,823

(h) Liquidity risk

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

	Balance Sheet	Contractual Cash Flows	6 months or less	6–12 months	1–2 years	2–5 years
	\$000	\$000	\$000	\$000	\$000	\$000
Group 2008						
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	–	–	–
Total non-derivative liabilities	116,952	134,846	30,714	3,762	7,525	92,845
Interest rate swaps	89	65	40	25	–	–
Group 2007						
Bank loans	130,000	157,938	5,874	5,874	11,748	134,442
Trade creditors	12,696	12,696	12,696	–	–	–
Other payables	8,120	8,120	8,120	–	–	–
Bank overdraft	16,919	16,919	16,919	–	–	–
Total non-derivative liabilities	167,735	195,673	43,609	5,874	11,748	134,442
Interest rate swaps	(610)	(780)	(369)	(285)	(126)	–

Notes to the Financial Statements

for the year ended 30 September 2008

Note 23 – 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
Parent 2008						
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	–	–	–
Total non-derivative liabilities	114,501	132,395	28,263	3,762	7,525	92,845
Interest rate swaps	89	65	40	25	–	–
Parent 2007						
Bank loans	130,000	157,938	5,874	5,874	11,748	134,442
Trade creditors	11,248	11,248	11,248	–	–	–
Other payables	7,407	7,407	7,407	–	–	–
Bank overdraft	15,843	15,843	15,843	–	–	–
Total non-derivative liabilities	164,498	192,436	40,372	5,874	11,748	134,442
Interest rate swaps	(610)	(780)	(369)	(285)	(126)	–

(i) Foreign currency exchange risk

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

	USD	AUD	JPY	EUR	GBP
(figures are NZD)	\$000	\$000	\$000	\$000	\$000
Group 2008					
Foreign currency risk					
Trade debtors	26,178	2,786	2,165	151	265
Term receivable	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	–	–	–	–	–
Net un-hedged exposure	276,587	39,918	34,721	10,979	984
Group 2007					
Foreign currency risk					
Trade debtors	22,496	3,369	1,212	425	–
Term receivable	7,425	–	–	–	–
Trade creditors	(2,294)	–	–	–	–
Net Balance Sheet exposure before hedging activity	27,627	3,369	1,212	425	–
Estimated forecast sales	240,400	46,125	23,916	9,998	662
Estimated forecast purchases	(46,499)	(7,023)	–	–	–
Net cash flow exposure before hedging activity	221,528	42,471	25,128	10,423	662
Forward exchange contracts	–	–	–	–	–
Net un-hedged exposure	221,528	42,471	25,128	10,423	662

Notes to the Financial Statements

for the year ended 30 September 2008

Note 23 – Financial Instruments (continued)

(j) Interest rate risk – re-pricing analysis

Variable rate instruments and related derivatives are as follows:

	2008			2007		
	Total	6 months or less	6–12 months	Total	6 months or less	1–2 years
	\$000	\$000	\$000	\$000	\$000	\$000
Group						
Cash and cash equivalents	9,955	9,955	–	2,122	2,122	–
Term receivables	7,464	7,464	–	7,425	7,425	–
Bank overdrafts	(552)	(552)	–	(16,919)	(16,919)	–
Bank loans	(90,000)	(90,000)	–	(130,000)	(130,000)	–
Interest rate swaps						
Swap 1 – cash inflow	50,000	50,000	–	50,000	50,000	–
Swap 1 – cash outflow	(50,000)	(50,000)	–	(50,000)	–	(50,000)
Swap 2 – cash inflow	10,000	10,000	–	30,000	30,000	–
Swap 2 – cash outflow	(10,000)	(10,000)	–	(30,000)	(30,000)	–
Swap 3 – cash inflow	10,000	10,000	–	–	–	–
Swap 3 – cash outflow	(10,000)	–	(10,000)	–	–	–
Total variable rate	(73,133)	(63,133)	(10,000)	(137,372)	(87,372)	(50,000)
Parent						
Cash and cash equivalents	8,447	8,447	–	882	882	–
Term receivables	7,464	7,464	–	7,425	7,425	–
Bank overdrafts	–	–	–	(15,843)	(15,843)	–
Bank loans	(90,000)	(90,000)	–	(130,000)	(130,000)	–
Interest rate swaps						
Swap 1 – cash inflow	50,000	50,000	–	50,000	50,000	–
Swap 1 – cash outflow	(50,000)	(50,000)	–	(50,000)	–	(50,000)
Swap 2 – cash inflow	10,000	10,000	–	30,000	30,000	–
Swap 2 – cash outflow	(10,000)	(10,000)	–	(30,000)	(30,000)	–
Swap 3 – cash inflow	10,000	10,000	–	–	–	–
Swap 3 – cash outflow	(10,000)	–	(10,000)	–	–	–
Total variable rate	(74,089)	(64,089)	(10,000)	(137,536)	(87,536)	(50,000)

(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 segments' 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 year.

Notes to the Financial Statements

for the year ended 30 September 2008

Note 23 – Financial Instruments (continued)

(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 (2007: \$1m).

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 (2007: \$1m).

(m) Classification and fair values

	Fair Value through Profit or Loss	Loans and Receivables	Available-for-sale	Other Amortised Cost	Total Carrying Amount	Fair Value
	\$000	\$000	\$000	\$000	\$000	\$000
Group 2008						
Assets						
Investments						
– Advances to associates	–	557	–	–	557	557
– Shares in High Liner Foods Incorporated	9,138	–	–	–	9,138	9,138
– 2000 staff share scheme	–	474	–	–	474	474
– Shares in other companies	–	–	131	–	131	131
Term receivable	–	6,419	–	–	6,419	6,419
Total non-current assets	9,138	7,450	131	–	16,719	16,719
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
Total current assets	–	55,706	–	–	55,706	55,706
Total assets	9,138	63,156	131	–	72,425	72,425
Liabilities						
Advances from associates	–	106	–	–	106	106
Bank loans	–	–	–	90,000	90,000	90,000
Total non-current liabilities	–	106	–	90,000	90,106	90,106
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
Total current liabilities	89	–	–	26,952	27,041	27,041
Total liabilities	89	106	–	116,952	117,147	117,147

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

Notes to the Financial Statements

for the year ended 30 September 2008

Note 23 – Financial Instruments (continued)

(m) Classification and fair values (continued)

	Fair Value through Profit or Loss	Loans and Receivables	Available-for-sale	Other Amortised Cost	Total Carrying Amount	Fair Value
	\$000	\$000	\$000	\$000	\$000	\$000
Group 2007						
Assets						
Investments						
– Advances to associates	–	530	–	–	530	530
– Shares in Fishery Products International Limited	–	–	45,331	–	45,331	45,331
– 2000 staff share scheme	–	535	–	–	535	535
– Shares in other companies	–	–	63	–	63	63
Term receivable	–	4,752	–	–	4,752	4,752
Total non-current assets	–	5,817	45,394	–	51,211	51,211
Current portion of term receivable	–	2,673	–	–	2,673	2,673
Interest rate swaps	610	–	–	–	610	610
Trade debtors	–	41,823	–	–	41,823	41,823
Cash and cash equivalents	–	2,122	–	–	2,122	2,122
Total current assets	610	46,618	–	–	47,228	47,228
Total assets	610	52,435	45,394	–	98,439	98,439
Liabilities						
Bank loans	–	–	–	130,000	130,000	130,000
Total non-current liabilities	–	–	–	130,000	130,000	130,000
Bank overdraft and borrowings at call	–	–	–	16,919	16,919	16,919
Trade creditors	–	–	–	12,696	12,696	12,696
Other payables	–	–	–	8,120	8,120	8,120
Total current liabilities	–	–	–	37,735	37,735	37,735
Total liabilities	–	–	–	167,735	167,735	167,735

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

(n) Interest rates used for determining fair value

The interest rates used are as follows:

	2008	2007
Interest rate swaps	7.35% – 7.66%	8.58% – 8.82%
Loans and borrowings	8.68% – 9.27%	6.58% – 9.05%
Receivables	4.72% – 7.57%	7.10% – 7.63%

Notes to the Financial Statements

for the year ended 30 September 2008

Note 24 – Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Less than one year	1,011	1,238	1,011	1,238
Between one and five years	3,553	3,685	3,553	3,685
More than five years	5,522	6,203	5,522	6,203
	10,086	11,126	10,086	11,126

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 25 – Contingent Liabilities and Commitments

(a) Contingent liabilities

	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Guarantees	234	185	234	189

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	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Commitments for capital expenditure	28,186	1,779	28,186	1,779

Notes to the Financial Statements

for the year ended 30 September 2008

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

	Group		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Profit for the year (after tax)	53,420	20,030	30,022	17,607
Adjustments for non-cash items:				
Depreciation and amortisation	15,109	15,820	14,737	15,139
Impairment	7,249	–	2,992	–
Change in fair value of biological assets	(1,337)	(912)	(1,337)	(912)
Change in fair value of interest rate swaps	700	(464)	700	(464)
Equity accounted (profit) losses in associated companies	(170)	48	–	–
(Decrease) in deferred taxation	(1,122)	(677)	(1,086)	(633)
Unrealised foreign exchange (gains) losses	(3,087)	897	(3,087)	897
	17,342	14,712	12,919	14,027
Movement in working capital				
(Increase) decrease in debtors and prepayments	247	(10,752)	(81)	(11,993)
(Increase) decrease in inventories	13,875	(12,494)	13,692	(13,815)
Increase (decrease) in creditors and other liabilities	6,842	(2,869)	6,958	1,893
Increase (decrease) in current tax	7,527	(3,675)	6,922	(3,316)
	28,491	(29,790)	27,491	(27,231)
Items classified as investing activities				
Gain on sale of property, plant and equipment	(3,533)	(425)	(3,533)	(470)
Gain on sale of other investments	(26,215)	(7,528)	–	(6,479)
	(29,748)	(7,953)	(3,533)	(6,949)
Net cash inflows (outflows) from operating activities	69,505	(3,001)	66,899	(2,546)

Notes to the Financial Statements

for the year ended 30 September 2008

Note 27 – Related Party Transactions

(a) Basis of transactions

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	
	2008	2007
	\$000	\$000
<i>(i) Parent of the Group</i>		
Revenue		
Management fees	275	281
Sales	22,464	21,784
Interest	332	412
Rent	336	336
	23,407	22,813

	Balance Outstanding	
	2008	2007
	\$000	\$000
Due from parent	(59,901)	(25,052)
Due to parent	25,100	24,296
	(34,801)	(756)

	Transaction Value	
	2008	2007
	\$000	\$000
<i>(ii) Associates</i>		
Revenue:		
Management fees	487	487
Dividend received	455	335
	942	822
Expenses:		
Processing	4,584	3,742
Freight	239	231
	4,823	3,973

	Balance Outstanding	
	2008	2007
	\$000	\$000
Due from Group	(106)	–
Due to Group	557	530
	451	530

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 2008

Note 28 – Key Management Personnel Compensation

Key management personnel compensation comprised:

	2008	2007
	\$000	\$000
Salary and short-term employee benefits (included in note 8(b))	2,431	2,308

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 29 – Sanford Group

The Sanford Group comprises the following principal entities:

Name	Interest Held %	Balance Date	Principal Activity
Subsidiary Companies:			
New Zealand			
Sanford Investments Limited	100	30 September	Investment company
Auckland Fish Market Limited	100	30 September	Auction and seafood school
Auckland Fishing Port Limited	66.66	31 March	Wharf company
Australia			
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
Associate Companies:			
New Zealand			
New Zealand Japan Tuna Company Limited	46.74	31 March	Fish catching and processing
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
China			
Weihai Dong Won Food Company Limited	40	31 December	Seafood processing

Note 30 – Subsequent Events

On 1 October 2008 the Company acquired assets (principally quota) from Jones Group Limited for consideration of \$19.32m.

Notes to the Financial Statements

for the year ended 30 September 2008

Note 31 – Explanation of Transition to NZ IFRS

These are the Group's and Parent's first NZ IFRS annual Financial Statements prepared in accordance with NZ IFRS, for the year ending 30 September 2008.

The accounting policies have been applied consistently in preparing these annual Financial Statements, the comparative information for the year ended 30 September 2007, the Financial Statements for the year ended 30 September 2008.

In preparing its opening NZ IFRS Balance Sheet and restating comparative information for the year ended 30 September 2007 the Group has adjusted amounts reported previously in Financial Statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZ IFRS has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables (along with description of key accounting policy changes when compared to the previous GAAP). Cash flows statement did not require restatement as there were no material transition adjustments identified.

(a) Reconciliation of NZ IFRS equity

	Note	Equity \$000	Group Total Liabilities \$000	Total Assets \$000
Reported under previous GAAP at 1 October 2006		504,789	187,124	691,913
Other liabilities	g,h	(1,009)	1,009	–
Intangible assets	f	(14,950)	2,637	(12,313)
Trade debtors		143	70	213
Derivative financial instruments	i	98	48	146
Biological assets	d	4,041	1,990	8,953
Inventories	d	–	–	(2,922)
Restated under NZ IFRS		493,112	192,878	685,990
Reported under previous GAAP at 30 September 2007		504,468	178,977	683,445
Other liabilities	g,h	(1,102)	1,102	–
Investments	e	26,238	–	26,238
Intangible assets	f	(14,710)	2,397	(12,313)
Derivative financial instruments	i	427	183	610
Biological assets	d	4,165	1,960	9,865
Inventories	d	–	–	(3,740)
Restated under NZ IFRS		519,486	184,619	704,105

(b) Reconciliation of NZ IFRS profit with previous GAAP for year ended 30 September 2007

	Note	Group \$000
Reported under previous GAAP		19,573
Fair value movements of biological assets	d	124
Reversal of marine farm licences depreciation	f (ii)	240
Additional ACC claims accrual	g	(58)
Additional long service leave provision	h	(35)
Fair value movement of interest rate swaps	i	329
Reversal of doubtful debts provision		(143)
Restated under NZ IFRS		20,030

Notes to the Financial Statements

for the year ended 30 September 2008

Note 31 – Explanation of Transition to NZ IFRS (continued)

(c) Foreign currency translation reserve

The Group applied the exemption in NZ IFRS 1 in respect of foreign currency translation differences. Accordingly, the Group has deemed the cumulative translation differences to be zero at the NZ IFRS transition date, and has reclassified amounts recognised in the foreign currency translation reserve in accordance with NZ GAAP at that date as retained earnings.

The effect of this policy decision is to eliminate the balance in the foreign currency translation reserve of \$1.2m as at 1 October 2006 and a corresponding adjustment to retained earnings. The same adjustment of \$1.2m has been made to the foreign currency translation reserve and retained earnings as at 30 September 2007.

(d) Biological assets

Under previous NZ GAAP, the Group measured mussels, oysters and salmon at cost. Immature mussels and oysters were accounted for 'off balance sheet' and brought on to the Balance Sheet only when harvested. Under NZ IFRS, mussels, oysters and salmon meet the definition of biological assets until the point that they are harvested. After harvest, they are treated as inventory. Salmon has been reclassified from inventory to biological assets. Biological assets are measured at fair value less point-of-sale costs.

(i) 1 October 2006 adjustment

The effect of recognising biological assets in accordance with NZ IFRS is an increase in current assets as at 1 October 2006 by \$6.0m, an increase in retained earnings of \$4.0m, and an increase in deferred taxation liability of \$2.0m.

(ii) 30 September 2007 adjustment

The effect on the income was to recognise a gain of \$0.1m due to an increase in fair value of biological assets for the period with a corresponding increase of \$0.1m to biological assets as at 30 September 2007.

(e) Investment in Fishery Products International Limited (FPI)

Under previous NZ GAAP the investment in FPI was measured at cost less impairment losses. Under NZ IFRS the FPI investment is classified as available-for-sale assets and measured at fair value through equity (this is a generic category and does not mean the Group is intending to sell the investment). Fair value must be determined with reference to an active market. In the absence of an active market, fair value should be estimated using a valuation technique, which may include considering the price of a recent transaction in a similar instrument.

Gains and losses on re-measurement of available-for-sale assets are recognised directly in equity. Amounts recognised directly in equity are transferred to profit or loss when the asset concerned is sold, realised (through dividends for example) or impaired.

(i) 1 October 2006 adjustment

The carrying value of the investment in FPI shares was not adjusted as it equalled fair value based on a comparison with the listed price at that date.

(ii) 30 September 2007 adjustment

The carrying value was increased by \$26.2m with a corresponding entry in the available-for-sale reserve.

(f) Intangible assets

(i) Fishing quota

Fishing quota is now classified in the Balance Sheet within intangible assets. Purchased fishing quota is recorded at cost and previous revaluations of \$153m have been reversed. Allocated quota has been ascribed market values totalling \$152.7m as at the date of allocation. The net effect of these changes was to reduce the value of the quota asset as at 1 October 2006 by \$0.3m and by the same amount as at 30 September 2007.

(ii) Marine farm licences

Marine farm licences are now classified in the Balance Sheet within intangible assets. Marine farm licences have been recognised at cost and previous revaluations and accumulated depreciation has been reversed. The net effect of these changes was to reduce the value of marine farm licences as at 1 October 2006 by \$12.0m and by the same amount as at 30 September 2007.

Notes to the Financial Statements

for the year ended 30 September 2008

Note 31 – Explanation of Transition to NZ IFRS (continued)

(g) ACC claims accrual

Sanford is an accredited employer under the ACC partnership programme. Participation in the ACC partnership programme is an insurance contract between the employer and the employee as the employer (insurer) accepts significant insurance risk from the employee (policyholder) by agreeing to compensate the employee if a work-related injury (the insured event) adversely affects the employee. Under NZ IFRS, Sanford accounts for its participation in the ACC partnership programme as an insurance contract and recognises an insurance liability.

(i) 1 October 2006 adjustment

The effect of recognising the ACC claims liability in accordance with NZ IFRS was to increase current liabilities as at 1 October 2006 by \$0.4m, decrease retained earnings by \$0.3m and decrease deferred taxation liability by \$0.1m.

(ii) 30 September 2007 adjustment

The effect of recognising the ACC claims liability as at 30 September 2007 was to increase current liabilities by \$0.4m, decrease retained earnings by \$0.3m and decrease deferred taxation liability by \$0.1m.

(h) Employee benefits – long service leave

Under previous NZ GAAP long service leave was recognised when the employees' long service leave days had vested. In accordance with NZ IAS 19, the provision for long service leave is calculated as the present value of the future benefit that employees have earned in return for their services in past periods.

(i) 1 October 2006 adjustment

The effect of recognising additional long service leave liability as at 1 October 2006 resulted in an increase in the provision for employee entitlements by \$1.1m, a decrease to retained earnings of \$0.7m and a decrease in deferred taxation liability by \$0.4m.

(ii) 30 September 2007 adjustment

At 30 September 2007 the liability had moved only slightly so the adjustment still resulted in an increase in the provision for employee entitlements by \$1.1m, a decrease in retained earnings of \$0.7m and a decrease in deferred taxation liability by \$0.4m.

(i) Interest rate swap

The Group hedges its exposure to fluctuations in foreign exchange rates and interest rates using foreign currency forward contracts and interest rate swaps. Under previous GAAP derivative financial instruments (i.e. forward foreign exchange contracts or interest rate swaps) were not recognised in its Financial Statements until the underlying cash flow occurred. Under NZ IFRS, all derivatives must be recognised on balance sheet at fair value.

The Group has not held any foreign currency forward contracts since prior to 1 October 2006 but has held interest rate swaps. The impact of recognising these interest rate swap arrangements is as follows:

(i) 1 October 2006 adjustment

In accordance with NZ IAS 39, interest rate swaps have been recognised at their fair values. The effect of this is to increase assets (presented as derivative financial instruments) by \$0.1m with a corresponding increase in retained earnings.

(ii) 30 September 2007 adjustment

The effect of the adjustment as at 30 September 2007 was to increase derivative financial instruments by \$0.6m, increase retained earnings by \$0.4m, increase deferred taxation liability by \$0.2m and reduces financial expenses by \$0.3m.

Notes to the Financial Statements

for the year ended 30 September 2008

Note 31 – Explanation of Transition to NZ IFRS (continued)

(j) Deferred tax

Under previous NZ GAAP, deferred tax is recognised on all timing differences using an Income Statement method. In respect of unused losses, a deferred tax asset is recognised when there is virtual certainty of future taxable profits. In accordance with NZ IAS 12 Income Taxes, deferred tax is calculated on all temporary difference arising using a “balance sheet method” and a deferred tax asset can be recognised only where it is probable future taxable profit will be available to utilise these losses.

(i) 1 October 2006 adjustment

The effect of recalculating deferred tax in accordance with NZ IFRS resulted in an increase in deferred taxation liability of \$4.2m as at 1 October 2006.

(ii) 30 September 2007 adjustment

The effect on the Income Statement for the year ended 30 September 2007 was to decrease the previously reported tax charge for the period by \$0.2m with a corresponding decrease of \$0.2m in the deferred taxation liability as at 30 September 2007.

Deferred taxation has been applied to the individual asset and liability categories.

Audit Report



To the shareholders of Sanford Limited

We have audited the financial statements on pages 2 to 37. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 September 2008. 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 2008 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. 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 37:
 - 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 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 26 November 2008 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink that reads 'KPMG.' with a period at the end.

Auckland



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Comments on Sanford Limited Annual Result 2008

- ▶ SANFORD EARNINGS ABOVE EXPECTATIONS
- ▶ STRONGER PRICES ENHANCE UNDERLINING EARNINGS
- ▶ ONE OFF GAINS LIFT PROFIT FROM \$20M TO \$53M
- ▶ DIVIDEND INCREASED FROM 22 TO 23 CENTS PER SHARE
- ▶ EXCHANGE RATE AND FUEL PRICE WILL BENEFIT COMING YEAR BUT CAUTION ON MARKET STABILITY

Overview and Highlights

It is pleasing to report that not only was overall profit up from \$20.1m last year to \$53.3m but underlying earnings for the business were much stronger despite the high exchange rate for most of the year and unprecedented fuel prices. The improvement in profitability resulted from higher market prices for many species and improved operational results from many parts of our business. The higher revenue levels for the first six months continued for the second six months and for the year totalled \$436.6m, up 18.7% for the year. The final result was also boosted by one-off profits from the sale of our investment in Canadian company Fishery Products International Limited (FPI) and the sale of some non-core assets however the impairment charge of \$6.6m taken at the six months increased to \$7.2m at the end of the year, through share price and exchange rate adjustments.

Sanford Limited	12 Months	6 Months	6 Months	12 Months
Summary Group Income Statement	to 30 Sep 08	to 30 Sep 08	to 31 Mar 08	to 30 Sep 07
	\$000	\$000	\$000	\$000
Revenue	436,564	218,461	218,103	367,920
EBITDA	65,874	30,376	35,498	52,197
Depreciation, amortisation and impairment	(22,359)	(8,216)	(14,143)	(13,635)
Net interest	(10,021)	(4,131)	(5,890)	(11,109)
Net foreign exchange gains (losses)	5,505	7,556	(2,051)	(10,511)
Net gain on sale of assets and investments	29,749	2,549	27,200	7,953
Operating surplus before taxation	68,748	28,134	40,614	24,895
Taxation	(15,328)	(10,073)	(5,255)	(4,865)
Operating surplus after taxation	53,420	18,061	35,359	20,030
Minority interest	(76)	(10)	(66)	105
Net surplus attributed to shareholders	53,344	18,051	35,293	20,135

Foreign exchange gains were earned in the second six months as the exchange rate declined between the time of invoicing customers and the ultimate conversion of receipts into New Zealand dollars. These gains were earned mainly in the last few months of the financial year as conversions were delayed to take advantage of the weakening New Zealand dollar. The average US currency conversion rate during the year was NZ\$0.7546 compared to NZ\$0.7267 the previous year. No foreign currency hedging instruments were used during the year.



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

- Markets for most of our main species increased during the year. Graphs showing some of these price increases are shown in this report. The three most significant prices that impacted our results were hoki fillets, half shell mussels and skipjack tuna. At the end of the year hoki and Greenshell mussels were selling at 40% higher prices than they were at the start of the year while skipjack tuna was 35% higher than a year ago.
- The hoki and skipjack tuna price increases substantially benefited our Deepwater and Pacific Tuna operations and enabled them to more than absorb the substantial increase in fuel prices. Fuel costs were \$4m higher in the second six months of the year compared with the first half and almost \$7m up on the same period last year.
- Aquaculture sales and profits were significantly stronger in the second six months. The Greenshell mussel inventory carried over at 31 March 2008 was sold as was most of the production during the period at prices well ahead of last year and the first six months.
- The issues associated with the product recall of mussel meat in November 2007 have now been resolved. In addition to increased and more consistent industry standards, we are now using more rigorous testing regimes and progressively upgrading the critical processing environments at all of our shellfish plants.
- The increased availability of mussels from the expansion of owned and other growing areas in Coromandel has allowed us to plan a significant plant expansion at the North Island Mussel Processors Limited (NIMPL) plant in Tauranga. The plant capacity will be more than doubled and the automated mussel opening technology (developed by Sanford) will be used to reduce labour costs and increase the return to Sanford (and the other NIMPL shareholders – Sealord Group Limited and Greenshell Investments Limited). An intellectual property royalty charge has been agreed to be paid to Sanford as part of this arrangement.
- Skipjack tuna catches in the Pacific continued at a higher level than last year and despite interruptions through vessel survey and repair work we achieved higher than expected profitability based on the high prices being paid for our products.
- Catches in the deepwater were generally in line with expectations. Hake catches on the West Coast late in the season were lower than expected which has reduced our carry over of these stocks into the new year. Squid catches were on a par with recent good years and there is some optimism that market prices are starting to improve. The freezer longliners had a slower than normal year in the Ross Sea targeting toothfish as ice conditions drove them out of the area earlier than usual and before the allowable catch had been taken. The San Aspiring had a more successful voyage to catch toothfish in the South Georgia area this year.
- Results from our investment in Weihai Dong Won Food Company Limited (WDWF) operations in Weihai, China improved during the year due to a substantial lift in volumes processed on behalf of Sanford and in the profitability of the plant itself. The rate of reprocessing Sanford product varied during the year as a number of food contamination issues in other industries and plants created a perceptual impact on product processed in China. Once customers were assured about the extremely high standard of management, quality control and processing supervision at WDWF processing returned to normal levels and in the end we achieved our intended targets.

Dividends

Given the profit for the year includes the realisation of the FPI investment Directors have decided to increase the annual dividend level from a total of 22 cents per share to 23 cents per share. Accordingly, and after an interim dividend of 9 cents per share, a final dividend of 14 cents per share will be payable on 17 December 2008.

Markets and Pricing

Seafood prices continued to increase over the second period of the year. Strong demand continued particularly in Europe and Eastern Europe although markets in Australia, Africa and the Middle East increased over previous years. The health aspects of seafood continues to drive demand in most western markets, creating shortages in the more traditional seafood consuming nations in Asia and Southern Europe. Increased fish and soya meal prices are lifting the cost of aquaculture wild fish substitutes such as salmon and tilapia. This, coupled with some production failures of farmed salmon in Chile and farmed tilapia in China, has contributed to record prices for many species.

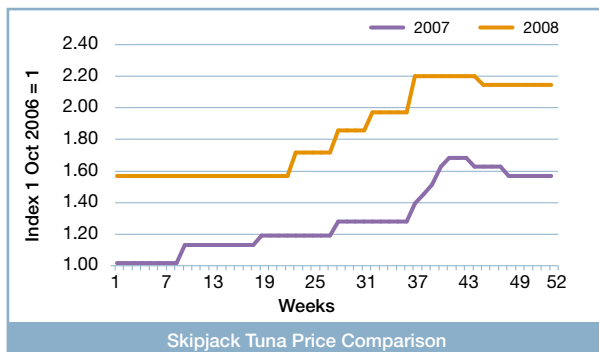
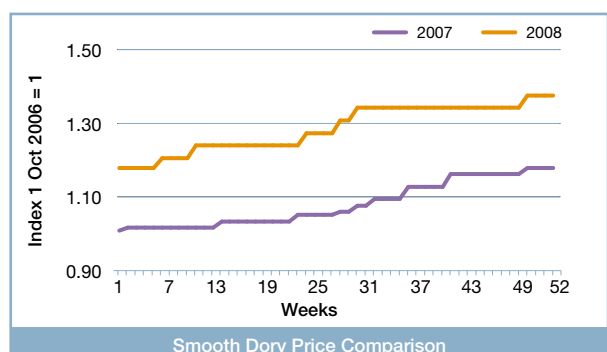
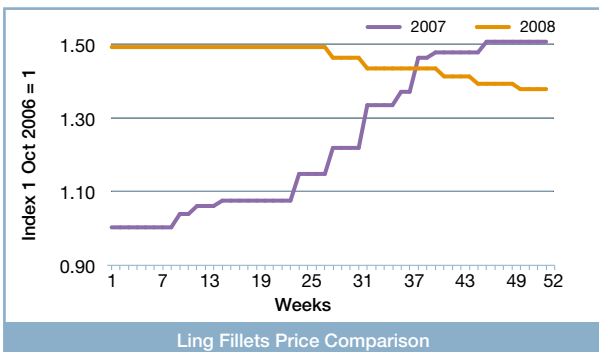
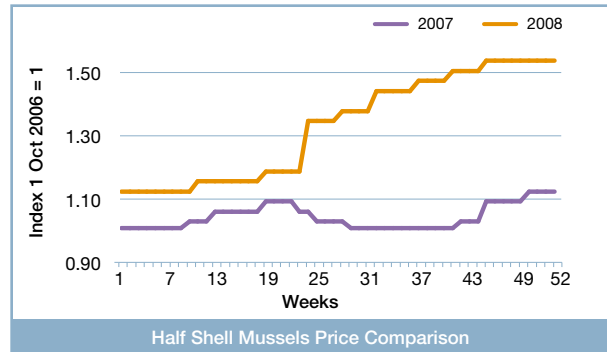
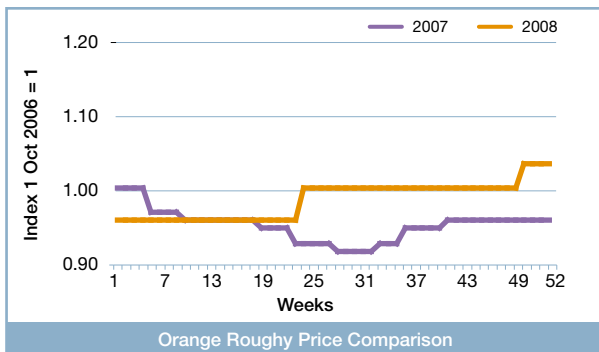
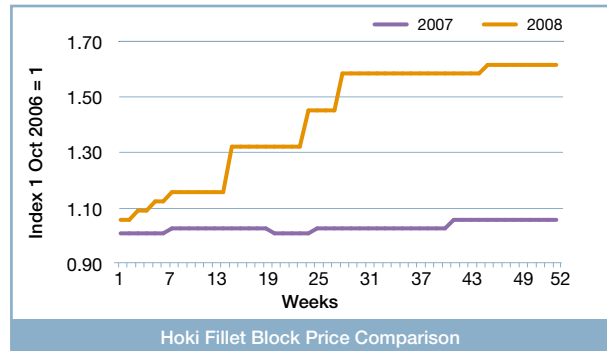
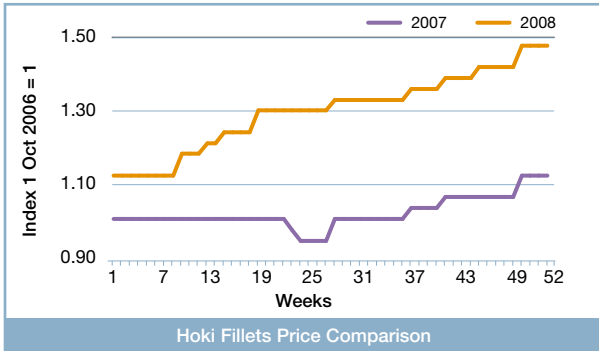
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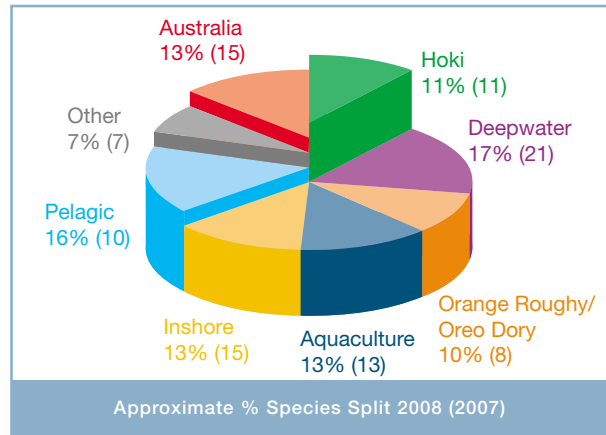
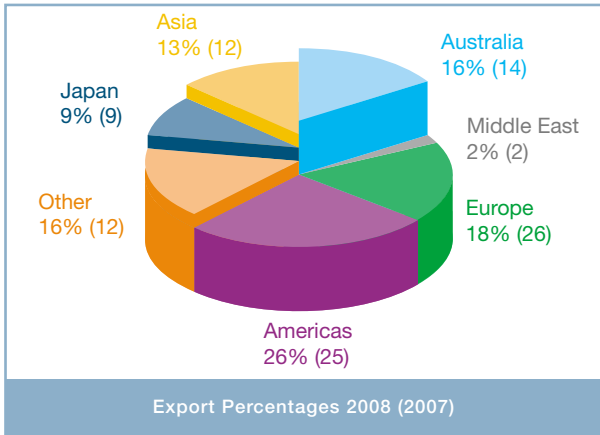
Some examples of the increase in seafood prices for a range of species are shown in the following graphs. They show the trend in prices this year, compared to last year, with all prices indexed to 1 October 2006.



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The proportion of products shipped to the European market declined during the year as demand and prices lifted from Australia for hoki product for reprocessing. The value of skipjack tuna sold into the Pacific Island canneries increased in line with the higher prices. Higher volumes of barracouta and mackerel products were shipped to Africa. This lifted the “Other” category from 12% last year to 16% this year. The proportions of products to Japan, Asia and Americas remained consistent with previous years.

The increased value of skipjack tuna caught in the Pacific increased the proportion of Pelagic in the total while the lower hake and warehou catches reduced the Deepwater proportion.

New Developments and New Technologies Assist

A key focus for the Company over the last two years has been to introduce or develop new processes and technologies that reduce operating costs, increase operational efficiency and ensure sustainable use of resources.

In each area of the business we have made significant gains. Following extensive study we introduced new processing plant technology into each of the three inshore fish plants. This focuses on improving labour productivity, increasing yield and throughput, and allowing greater use of our existing vessel catching or harvesting capacity. Many of our inshore and marine harvest vessels now operate rotating crews so that vessels are not tied to the wharf during crew rest times.

We have successfully implemented an automated mussel opening line in Havelock that now has the capacity to process more mussels than the cooker that feeds the line can provide. We have entered into an agreement to license the technology to our associate company North Island Mussel Processors Limited for a fee based on volumes of mussel processed. This has allowed this company to embark on a multi-million dollar expansion of its processing operations in Tauranga. Development work is progressing positively to automatically open oysters which will hopefully produce similar gains to our oyster processing plant in Kaeo.

We have completed the upgrade to one of our salmon farm sites in Stewart Island. This involved a completely new salmon farming system encompassing new cages, automated and electronic control of feeding systems and visual imaging systems to control on-site, and remotely, the growth and feeding rates for the salmon. The second of our farm sites is now being upgraded to the same system. The entire upgrade will be completed early in 2009 and increase our salmon growing capacity from 1,800 tonnes to 3,000 tonnes.

In our deepwater fleet we have upgraded our fuel monitoring systems to increase the fuel efficiency. In 2009 we will convert a number of the larger vessels onto light fuel oil which provides a more efficient fuel at a lower cost but an increased carbon footprint. This was a case where we made a conscious decision to trade off economic benefits for environment benefits. This is discussed in more detail in our Sustainable Development Report. We have also installed new offal and oil recovery systems onto some of our vessels to reduce the amount of offal discharged into the sea and to increase the value of our waste stream.

On 1 October 2008 Sanford Limited acquired the fishing assets of Southland based Jones Group. Besides a 13% stake in the famous Bluff oyster fishery the assets included 500 tonnes of inshore species such as blue cod, school shark, monkfish and crayfish quota caught in the Southland area. The 500 tonnes of deepwater quota will be added to our deepwater fishing operations based out of Timaru. The processing plant acquired with the acquisition has since been on-sold to Ngai Tahu who was the tenant of most of the plant. These assets integrate well with our fishing and aquaculture operations in Southland.

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Impairment Charge

During the period the Company took an impairment charge of \$6.3m (after tax). The Company took a write off of \$1.5m (after tax) for the value of a leasehold property on the Auckland waterfront, where the lease was not renewed.

Two fishing vessels that are no longer being used were written down from book value to their expected sales value resulting in a charge of \$0.5m after tax.

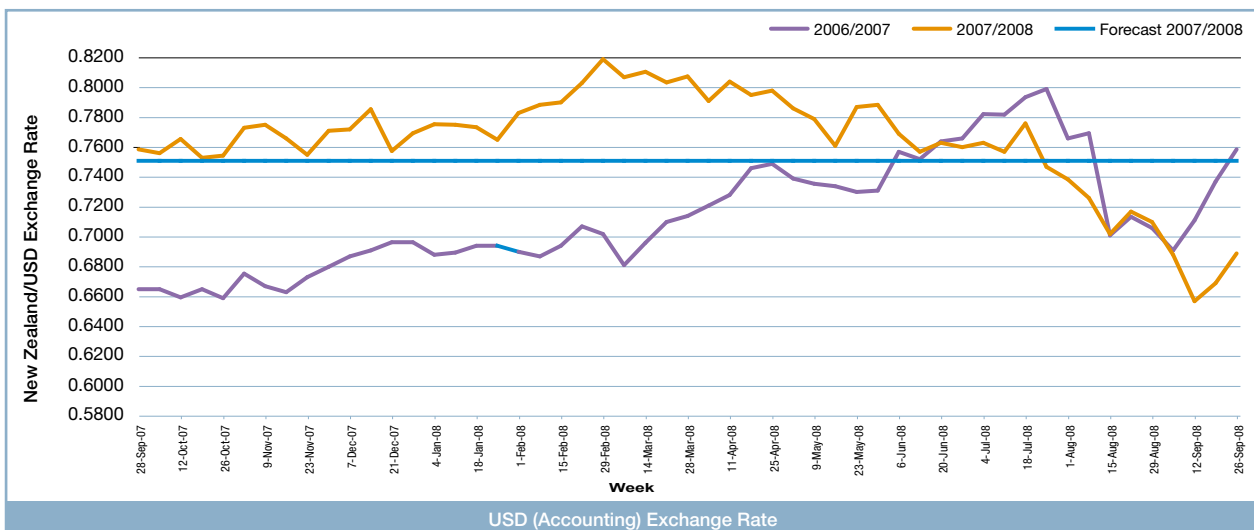
In Australia a review of quota values resulted in a \$2.8m write down, mainly related to alfonsino quota where catch rates and profitability of catching the fish are lower than expected, and justify a lower carrying value.

Following the sale of our investment in FPI, the acquisition of High Liner Foods Inc (HLF) shares includes Series A preference shares which have now converted into non-voting ordinary shares. We have taken a write down of \$2.9m offset by an exchange gain of \$1.5m (after tax) on these shares.

Exchange Rate Analysis

The graph comparing the United States accounting exchange rate used by Sanford each week this year compared to 2007 is shown and we were running on approximately a 10 cent higher exchange rate throughout most of the period until about May but then reducing steadily from then on to finish the year at around 0.69. For the last two months of the year the exchange rate was well under our budget rate of US\$0.75 cents.

Over the last two months of the year the timing delay between invoicing the customers and the ultimate conversion of their payments into New Zealand dollars produced some significant foreign exchange gains.



Outlook for Coming Year

Economic situation and international markets

In the current disturbed international financial markets it is difficult to generalise about the effects in the international fish market place because it is so varied geographically and frequently quite specific to the supply and demand characteristics of particular fish or groupings of fish. However worldwide tightening of liquidity in the capital markets has brought about the onset of a general market downturn and difficulties being faced by international banks and financial institutions. In these circumstances it is not surprising that the sentiment of what had been a largely buoyant and rising market has quickly changed to one where there is now a reasonable level of uncertainty.

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It is possible to distil a broad feeling in the market place from many experienced traders and customers that prices for many fish products where there is no shortage of supply could decline. The overall market sentiment is now far less positive and some suggest there could be more downside yet to come.

End-use customers are under real pressure to shorten inventories both in an effort to minimise their credit lines and avoid exposure to a possible decline in market values. This is likely to be more significant in high-end items and there is already pressure on species like lobster.

The significant strengthening of the US dollar and Japanese Yen against most other currencies has also been causing considerable disruption in the market place. Buyers in a range of markets are committing to sales in US dollars only to have their domestic currency subsequently undergo a sizable depreciation (eg Euro's, Sterling, Korean Won, and the South African Rand). There have already been some instances where customers have simply cancelled their contracts or sought to defer them in the hope that their domestic market conditions will improve.

The overall impression of the various markets is that they are still in a state of flux and that there is likely to be a period of continued uncertainty before the pricing signals of a readjusted market become clearer.

Exchange rate and fuel prices

On the positive side the far more favourable exchange rate and fuel pricing environment will provide opportunities for increased returns from many of our species. We are now taking forward currency hedges in US dollars and Japanese Yen for the sales in the coming year and may decide to extend that cover out to two years. The current exchange rate levels (US\$0.54 and JPY 51) are attractive to our operations and provide opportunity for improved profitability in the current year.

Operations

As always we remain subject to variable catch rates in a number of seasonal fisheries while at the same time having a well balanced parcel of quota that we know we will catch, process and sell with a reasonable degree of certainty. We have a number of further additions and improvements that we are making to the business. Our vessels and processing plants are well set up and we have an excellent management and staff in place to capitalise on any opportunities that may arise. We are optimistic that as the disruptions to the international financial markets are settled we will provide reasonable returns to shareholders.

Acknowledgements

The business has repeated its operational success of last year and has seen the value of its products increase in the market place and results flow through to earnings despite the high exchange rate and fuel costs. The success of our business is entirely due to the quality of our staff at all levels of the business and their desire to continue to see Sanford recognised as one of the most successful seafood businesses in the world. Our people are a significant asset who continually add value to our business.

E F Barratt

Managing Director

26 November 2008

**The Annual Meeting will be held at 2.00pm Wednesday 28 January 2009 at the Ellerslie Convention Centre,
Ellerslie Racecourse, Auckland.**

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Information required by NZX

SANFORD LIMITED		
Audited results for announcement to the market		
Reporting Period	12 months to 30 September 2008	
Previous Reporting Period	12 months to 30 September 2007	
	Amount	Percentage change*
Revenue from ordinary activities	\$NZ 436.6m	18.7%
Profit (loss) from ordinary activities after tax attributable to security holder	\$NZ 53.3m	164.9%
Net profit (loss) attributable to security holders	\$NZ 53.3m	164.9%
Final Dividend	Amount per security	Imputed amount per security
	14 cents per share	6.8955 cents per share
Record Date	12 December 2008	
Dividend Payment Date	17 December 2008	

*The percentage change is based on comparison with the 2007 audited results restated under NZ IFRS.

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