



SANFORD LIMITED
SUSTAINABLE SEAFOOD



Annual and Sustainable Development Report 2007

From sea to food – over 100 years of sustained growth

Management Directory

Head Office

E F Barratt	<i>Managing Director</i>
V H Wilkinson	<i>Business Development Manager</i>
G L McNamara	<i>Company Secretary/Quota Manager</i>
D C McIntosh	<i>Finance Manager</i>
D J Evans	<i>Accounting & Systems Manager</i>
A M Penfold	<i>Environmental Systems Co-Ordinator</i>

Marketing

G J Burke	<i>Market Manager Europe</i>
N J Thomas	<i>Market Manager Americas</i>
M J Comber	<i>Market Manager Asia</i>
P B Cox	<i>Marketing Representative</i>
D K Cawdron	<i>Logistics Manager</i>
D A Stewart	<i>Shipping Co-Ordinator</i>
K M Thompson	<i>Quality Manager</i>
S Jaganathan	<i>Food Safety Co-Ordinator</i>

Inshore Fishing and Processing

S L Walsh	<i>Division Manager</i>
M A Cooper	<i>Accountant</i>

Auckland

D J Camden	<i>Auckland Fish Market Manager</i>
J M Cooper	<i>Auckland Fish Market Seafood School Manager</i>
J H Fitzgerald	<i>Vessel Manager</i>
M E Hall	<i>Production Manager</i>
B D Stubbs	<i>Services Manager</i>

Tauranga

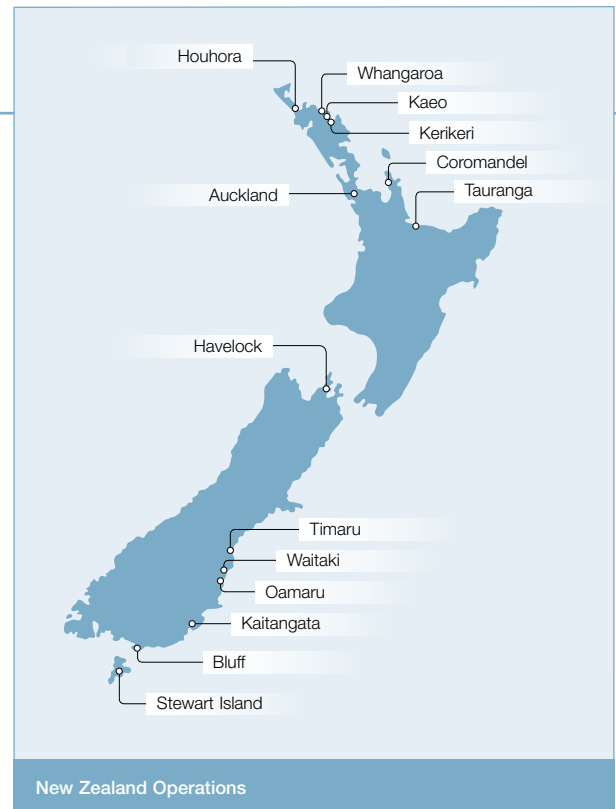
S D Keeves	<i>Manager</i>
P A Pinkerton	<i>Fleet Supervisor</i>
J R Steere	<i>Sales Manager</i>
D N Anderson	<i>ECS Coldstores Manager</i>

Timaru

B J Keelty	<i>Manager</i>
J W Routhan	<i>Processing Manager</i>
D L Fridd	<i>Chief Engineer</i>
S Brown	<i>San Won Limited Manager</i>

Deepwater Fishing

G L Johansson	<i>Division Manager</i>
J P Martyn	<i>Accountant</i>
S C Coles	<i>Charter Manager</i>
A D Adamson	<i>Quota Manager</i>
D J Shaw	<i>Longline Fleet Manager</i>
S Collier	<i>Freezer Vessel Manager</i>
S J Gibb	<i>Freezer Vessel Manager</i>
P G Perkins	<i>Freezer Vessel Manager</i>
D C Woods	<i>Freezer Vessel Manager</i>
D V Jurasovich	<i>Freezer Vessel Manager</i>
A O Small	<i>Scampi Vessel Manager</i>
D M Craig	<i>Engineering Manager</i>



Aquaculture

E J Culley	<i>Division Manager</i>
B W Champion	<i>Accountant</i>

Havelock

W R MacDonald	<i>Manager</i>
D Herbert	<i>Marine Farm Manager</i>
S J Gibb	<i>Factory Manager</i>
P McCaffrey	<i>Branch Engineer</i>

Kaeo

P J Harris	<i>Manager</i>
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Coromandel

J C Barr	<i>Marine Farm Manager</i>
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Bluff

T M Foggo	<i>Manager</i>
W J Crighton	<i>Assistant Manager</i>
S Ramsay	<i>Fish Factory Manager</i>
M Marie	<i>Mussel Factory Manager</i>
J Ulloa Morales	<i>Salmon Farm Manager</i>
S Marwick	<i>Mussel Farm Manager</i>
P M Buxton	<i>Hatchery Manager</i>

International Fishing

T B Birdsall	<i>Division Manager</i>
I D Scroggie	<i>Australia, General Manager</i>

International Purse Seiners

M C de Beer	<i>Pacific Tuna Manager</i>
A I Bond	<i>Industry Liaison Manager</i>

International China

A C Stanley	<i>China Manager</i>
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Financial Summary

for the year ended 30 September 2007

	2007	2006
	\$000	\$000
Sales revenue	367,920	390,401
Profits		
EBITDA*	52,384	63,303
Depreciation and amortisation	(15,820)	(16,167)
Reversal of investment impairment	2,185	–
Net interest	(11,572)	(12,247)
Net currency exchange gains (losses)	(10,511)	4,773
Profit on disposal of investments and fixed and long term assets	425	322
Profit on disposal of subsidiaries	7,528	–
Operating surplus before taxation	24,619	39,984
Less taxation	5,046	13,393
Operating surplus after taxation	19,573	26,591
Minority interests	105	(517)
Net surplus attributable to shareholders	19,678	26,074

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

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Cover image John Bennett (Skipper of San Aspiring) inspects the tentacles and beak of the colossal squid recovered this season during toothfish fishing in the Ross Sea. It is believed to be the largest specimen ever recorded and was donated to Te Papa for scientific evaluation and public display.

Board of Directors



Bruce Cole FCA, FNZIM

After retiring from the role of Chief Executive of L D Nathan Group of Companies, Bruce joined the Board of Sanford Limited in 1987 and was elected Chairman in 2006. Bruce is Chairman of Hydraulink Fluid Connectors Limited and Hydraulink Australia Pty Limited. He also holds a non-executive position in the direction and management of commercial property portfolios in New Zealand and Australia. Bruce is President of the Auckland Medical Research Foundation and a Trustee of the Goodfellow Foundation.



Eric Barratt BCA, FACA

Eric became an executive of Sanford Limited when Feron Seafoods Limited was purchased in 1982. He has been a Director of Sanford Limited since 1986. He was appointed Managing Director of Sanford Limited on 1 January 1998. He is also a Director of the New Zealand Seafood Industry Council Limited, Fishery Products International Limited, Weihai Dong Won Food Company Limited and Real Journeys Limited.



David Anderson ACA, ACIS

David has had an extensive background in the fishing industry having been Managing Director of Sanford Limited from 1991 to 1997 and a Director since 1982. He has also held the positions of Deputy Chair of the New Zealand Fishing Industry Board and President of the New Zealand Fishing Industry Association. In 2001 he was a member of the Ministerial Advisory Committee on Oceans Policy.



Michael Bitossi JP

Michael is from an engineering and manufacturing background and was a senior executive of the Company from 1981 until his retirement in 1999. He was appointed to the Board in 1986. He is currently involved in business development consulting for small and medium business enterprises and is a Past President of The Rotary Club of Milford.



Bruce Goodfellow ME, PhD

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



Peter Goodfellow BCom/LLB(Hons), MBA

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



Jeff Todd CBE, BCom, FCA, FInstD

Jeff was appointed to the Board of Sanford Limited in 1998. He is also Chairman of The New Zealand Guardian Trust Company Limited, Dynasty Hotel Group Limited and Southern Cross Healthcare and is director of Watercare Services Limited, Auckland Medical Research Foundation and National Research Centre for Growth and Development. He is a former Chairman of Gullivers Travel Group Limited and a former director of the Reserve Bank of New Zealand, ANZ Banking Group (New Zealand) Limited and the Earthquake Commission. Jeff is a former Managing Partner of Price Waterhouse New Zealand.

Directors' Report and Chairman's Review

The Directors are pleased to present the Annual and Sustainable Development Report of Sanford Limited for the year ended 30 September 2007.



B S Cole

Chairman

3 December 2007



E F Barratt

Managing Director

For Directors and Management results for the financial year ended 30 September 2007 are unsatisfactory and basically unacceptable and add another degree of urgency to the future development and management of Sanford's asset base, more so as the value of the New Zealand currency in international trading (90% of our production is exported) now appears likely to remain high indefinitely. Based on expert opinion available we entered the financial year to 30 September 2007 with a forecast exchange rate of 64 cents to the US dollar and with funds on hand of US\$23m. In the result, the high levels of the New Zealand dollar prevailing throughout the year (72.6 cents average) led not only to exchange losses of \$10.5m for the full year (\$7.3m at the half year), but also to depressed average prices for exports and significant reductions in cash flows. Last year's report indicated that the year's profitability depended in part on prices for squid and orange roughy; suffice it to say that a bountiful international squid catch depressed prices throughout the year and that while orange roughy remains a premium species, the golden days of pricing are over, at least for the present.

The foregoing is a statement of the operational realities which your Board and the Company's executive management have addressed in a very difficult set of market conditions.

We have entered the 2008 financial year with all exchange losses realised, with a policy of repatriating all offshore funds as received and without any foreign exchange hedging. Moving customer choice of sales currency from US dollars to Euros is actively encouraged as appropriate.

Forecast results for the 2008 year are predicated on current levels of exchange, and we started it with higher and valuable stock levels.

What are we doing about the conditions faced?

This report and that of the Managing Director identify some current issues and opportunities, and, importantly, the confidence we have in the future of the New Zealand fishing industry.

Directors' Report and Chairman's Review

- Pricing – Every effort continues to be made to obtain the levels of price the preparation and quality of our production warrants. Efforts in some product categories are, in an open international marketplace, quite frequently impacted, long and short term, by other countries and, from New Zealand, by weak sellers. There are, for example, 24 parties in New Zealand selling mussel products into the United States.
- Market Spread – Traditional markets in the United States and Japan are being matched or superseded due to volumes from Europe, other Asia and a number of smaller developing markets. Greater emphasis is being placed on building marketing activity in Australia and domestically.
- Rationalisation – By any international standard the New Zealand fishing industry is very small and fragmented. Based on the success of experiences in the Ross Sea (toothfish) and North Island Mussel Processors Limited (Tauranga) we are constantly reviewing opportunities of collaboration which will lead to better and more profitable uses of assets and resources and to cost savings. Fuel, however, remains a major and intractable operational expense.
- Aquaculture – Locally and internationally this is playing a growing role in meeting demand for fish protein and in compensating reductions in wild fish catches. Currently, Sanford is investing in increasing domestic salmon production within existing farming permits by the introduction of the latest technology cage and feeding systems from Norway. As well we have recently concluded purchases for an additional 60 hectares of water space for mussel farming. Attention is also directed toward offshore opportunities in land-based fish farming.

- International – Results for the year from our 40% interest in Weihai Dong Won Food Company Limited were disappointing but promising considerable improvement and profitable growth. Although product from Weihai was not involved, the quality and safety stigma which recently affected Chinese exports, food and other, particularly to the United States, affected Weihai sales for a period.

In Canada the difficulties of operating a commercial business under the strictures of an Act of a provincial Parliament came to a head during the year and the shareholders (Sanford 15%) of Fishery Products International Limited (FPI) approved a plan to sell the component parts. From our point of view the outcomes, while disappointing in relation to an investment seen as promising, are very satisfactory. As a first step Sanford has been able to reverse to profit a \$2.2m write down (2005) in the accounts for the 2007 financial year. The Managing Director's report outlines the likely outcome of our exit from this investment.

Dividends

In view of the profit for the year and the impending realisation of the FPI investment, the Directors have decided that they would maintain the same dividend levels as last year and have accordingly declared a final dividend of 13 cents per share which will be payable on 12 December 2007. During the year, the Directors determined that the dividend option scheme had not been used for a number of years and have therefore cancelled the scheme.

Sustainable Seafood

The Board has reconfirmed its commitment to the Sustainable Seafood journey commenced seven years ago and to the continuing detailed reporting to Shareholders and other interested stakeholders on our progress. It was an honour for Sanford to again be recognised by jointly winning the award from the Institute of Chartered Accountants for its 2006 Sustainable Development Report.



Processed at Weihai Dong Won (left to right) hoki, black oreo dory, orange roughy, smooth oreo dory.

Auditors

It is proposed that the auditors KPMG should continue in office in accordance with Section 196 of the Companies Act. During the financial year Ernst and Young reported to the Board on Sanford's inventory management system as part of our annual internal audit programme.

International Financial Reporting Standards

Note 27 to the Financial Statements sets out progress on the transition to these new standards.

Corporate Governance

Sanford Limited believes that its corporate governance policies, practices and processes are not materially different from the NZX Corporate Governance Best Practice Code.

Role of the Board

The Board is elected by Shareholders to provide proper direction and control of the Company's activities which will continue to be in the seafood and aquaculture business in New Zealand and internationally. The Board acknowledges the need for the highest standards of corporate processes, ethical conduct and respect for the environment because of the sensitivity and regulatory issues of the industry in which Sanford operates.

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

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

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

In addition, the Company prepares an annual operating budget which is approved by the Board. Monthly reporting of operational performance and key performance indicators is combined with the preparation and presentation of full

quarterly financial statements. Together, these allow review by the Board of management performance against the annual plan and against the previous year. Review of strategic direction is a constant.

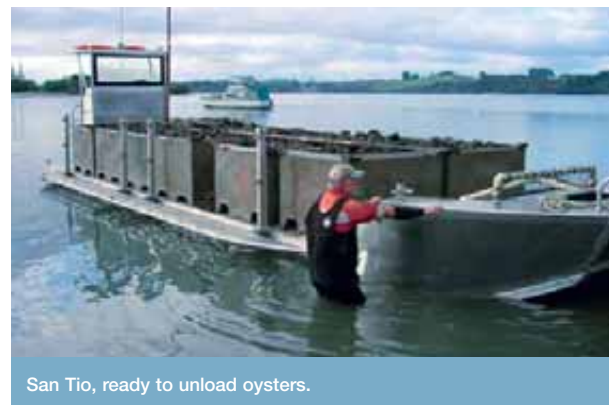
Board Membership

The Board is elected by Shareholders to govern the Company in the interest of Shareholders. The Board comprises seven Directors and has determined that four of the current directors are independent (Messrs Anderson, Bitossi, Cole and Todd). Three Directors, Messrs Barratt, (Managing Director), Dr W B Goodfellow and Mr P J Goodfellow (associated with a major shareholder), are not independent.

Under the Constitution, one-third of the Directors shall retire from office at the Company's Annual Meeting.

The Board has been advised that Mr M P Bitossi, who is scheduled to retire by rotation at the Company's Annual Meeting, does not seek re-election to the Board. Mr D G Anderson also retires by rotation and is seeking re-election at the Annual Meeting.

The positions of Chairman of the Company and Managing Director are not held simultaneously. Beyond formal reports to Board meetings, protocols in place ensure that Directors have regular access to information to keep them up to date with seafood industry activities and issues in New Zealand and internationally.



Board Committees

The Board has established three committees to reinforce corporate governance practice.

Directors' Report and Chairman's Review

• Audit Committee

Mr J G Todd was elected Chairman of the Audit Committee in April 2006 as a consequence of Mr Cole becoming Board Chairman; Mr P J Goodfellow was appointed to the Committee in April 2006 to replace Mr Mills. The Audit Committee comprises a majority of independent Directors, and no executive Directors are members. All members have an accounting and financial background.

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

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

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

The Audit Committee also reviews the adequacy of the Group's insurance policies, as well as approving applications for share trading by Directors and executives. With the need to adopt International Financial Reporting Standards (IFRS) from the financial year ending 30 September 2008, the Committee has been engaged in considering and recommending how the new Standards should be adopted and reported.

• Remuneration Committee

The Remuneration Committee consists of Mr B S Cole (Chairman), Mr D G Anderson and Dr W B Goodfellow. This Committee determines remuneration of the Managing Director and senior executives, as well as overseeing remuneration at other levels of management. The Committee does not have a written charter but the Board reviews and approves its recommendations.

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

• Nominations Committee

This consists of the whole Board which met once during the year.

Consequent upon Mr Bitossi's intention to retire, the Board is reviewing the way in which the vacancy can best be filled and an announcement will be made in the near future.

Directors' Meetings

Two requests were approved in advance for leave of absence from the 86 attendances required during the year; these absences apart, attendance was 100%.

Share Trading by Directors

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

Directors and executives of the Company are required to seek approval in advance of their trading of shares during the two permitted trading window periods in each year. The periods commence at the time the interim and annual results are announced, and end on 31 July after the end of the half-year and on 28 February after the end of the financial year.

Legislative Compliance and Code of Ethics

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

No formal code of ethics has been published but all management and staff are aware of the ethical standards of business practice required, commensurate with Sanford's standards and it being a publicly listed enterprise. Those involved are also required to take into account laws, customs and ethics in the independent and varied jurisdictions in which Sanford operates. No issues of unethical behaviour were brought to the Board's attention in the past year.

Directors' Fees

The maximum level of Directors' fees of \$250,000 was set at the Annual Meeting in December 2002. In the current financial period, Directors were paid fees of \$250,000. No other remuneration is paid to Directors by way of expense allowances or future pension entitlements.



San Tongariro unloading, Timaru.

The Role of Shareholders

The Board's commitment is to ensure that Shareholders are informed of all major issues and developments affecting the Group's affairs. Such information is communicated to Shareholders in the Annual and Interim Reports. The only disclosures to the New Zealand Stock Exchange this year, outside the usual reporting timeframes, concerned the sale of our interests in Argentina (February 2007) and a forecast of lower normalised earnings after tax for the half year (April 2007).

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

The Board encourages the full participation of Shareholders at Annual Meetings, to ensure a high level of accountability exists and to encourage Shareholders' identification with the strategies to build Shareholder wealth. Consultations with interested share-market analysts and investors on half and full-year results and other Company developments also occur at regular intervals, consistent with the continuous disclosure rules of the New Zealand Stock Exchange.

Surveys of Shareholders, customers and other stakeholders continue to be overwhelmingly supportive of the Company's Annual and Sustainable Development Report, and constructive suggestions received are followed.

The venue for this year's Annual Meeting will be the Auckland Fish Market, 22 Jellicoe Street, Auckland, at 2.00pm, Wednesday 30 January 2008.

Conclusion

Mr Barratt's operational report complements this report. In summary, Sanford Limited in the good company of many other exporters will not express its potential as a highly efficient contributor to the New Zealand economy while over valued exchange rates prevail and while vested interest groups and exhortations substitute for well researched debate and policy settings. Legislation, regulations and bureaucracy also play an unduly perverse role in adding to costs and confusing purpose.

All this said, investment in Sanford Limited involves participation in a long-standing (over 100 years), market-leading fishing company in New Zealand ownership (some 95%). The industry itself is an important and significant member of the New Zealand primary production sector.

In the exercise of its judgements and governance responsibilities the Sanford Board is very conscious of its duty of care to Shareholders and other stakeholders as it is deeply appreciative of the hard work and commitment of its staff and dedicated executive team in the pursuit of profitability, growth, quality and ever higher operational and environmental standards.

For and on behalf of the Board

B S Cole
Chairman

3 December 2007

Mr M P (Mike) Bitossi has served Sanford over an extensive period, including 18 years as a senior executive of the Company, and played a significant role in the period when the Company upgraded its processing facilities at various locations.

Mr Bitossi has also served on the Board of Directors of Sanford Limited since 1986. The Board acknowledges the contribution made by Mr Bitossi to the Company over many years. Mr Bitossi has agreed to remain as a consultant to the Company for a further period of one year.

Managing Director's Review

Overview and Highlights

While Group profitability declined from \$26.1m to \$19.7m this year, there were a number of significant matters that affected this result. At the EBITDA (earnings before interest, taxation, depreciation, amortisation, foreign exchange gains and asset sales) level, profitability declined from \$63.3m last year to \$52.4m this year. The decline in EBITDA this year is approximately equivalent to the change in average exchange rates over the two years.

Last year we achieved a net foreign exchange gain of \$4.8m for the 12 months. This year we had a net foreign exchange loss of \$10.5m; these losses were incurred from the carry over of foreign currencies held from the previous financial year and in our trading activities. Consensus forecasts of a decline in the exchange rate failed to materialise and although there was a substantial dip in the New Zealand currency in the August/September 2007 period which enabled us to recover some of our foreign exchange losses, the return to the current high exchange rate environment made it difficult to earn adequate profits.

With the prospect of a substantial gain on the realisation of our FPI investment expected to materialise following the two major asset sale transactions presently being finalised and due to close any day, we reversed the write-down we took in the year ended September 2005 of \$2.2m. The FPI share price has consistently traded in the C\$10 to C\$17 range since March this year which is well ahead of our written-down value of C\$7 and our original cost of just less than C\$9 per share. Together with a \$7.5m gain on the sale of our interests in Argentina, this has assisted the result in what has been a difficult year.

Sales for the year declined by 5.6% from \$390m to \$368m despite improved catches in the Deepwater and Pacific Tuna operations as well as increased processing of aquaculture products.

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

- Catches of skipjack tuna by our freezer fleet in the Pacific were about 2% ahead of last year's favourable catches. However, this year we also benefited from substantially improved market prices as a result of poor catches in the Indian Ocean and strong demand from the Eastern Pacific tuna canneries driving up the benchmark Bangkok price to record levels.



Antarctic toothfish.

- With the fourth consecutive year of good squid catches the Deepwater Division recorded improved catches from the freezer trawler fleet along with steady catches from the scampi and freezer longline vessels. Catches by Dong Won charter vessels were also ahead of previous years and overall charter catch was enhanced by the addition of a charter vessel from Juahm Industries of Korea. This charter was able to target quota previously leased to third parties. The freezer longliners again performed creditably targeting toothfish in the Ross Sea, and the San Aspiring had a successful season in the South Georgia area of the South Atlantic.
- Our focus on continuing to improve the efficiency of our aquaculture farming operations resulted in a 20% increase in the volume of mussels processed through

facilities in Tauranga, Havelock and Bluff. Our oyster production at Kaeo was below last year following two major floods at the facility.

- Up to the time we sold our operation in Argentina, results were satisfactory and we remain committed to undertaking the marketing arrangement for the production of the San Arawa as well as assisting with the vessel management when requested.
- We completed the amalgamation of our various Australian businesses into a single operating entity during the year; this will produce administration efficiencies and create a more unified platform for progressing the development of this business.

Marketing Review

We continued to see market prices improve for hoki, hake, ling, dory, mussels, snapper, trevally and skipjack tuna. The market for squid products was soft and orange roughly, toothfish, blue mackerel and salmon prices were flat. While king salmon maintains a special position in the Japanese market, the phasing out of farming of this species in both Canada and Chile has seen additional supplies come on to the market, in the short-term putting pressure on prices



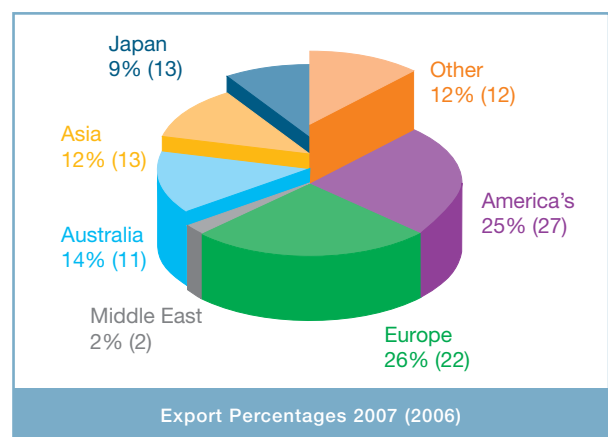
Processed salmon for export, Bluff.

as this product moves through the market. New Zealand is likely to become the only substantial supplier of king salmon to the Japanese market so we are holding back some production in anticipation of improved prices in the near future.

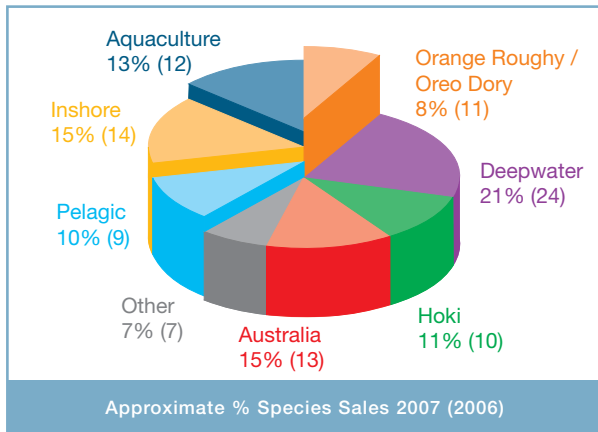
In addition, there has been an increasing emphasis this year on developing airfreight markets, particularly for snapper and salmon. As we move more of these products into the more lucrative airfreight market, we benefit from increased demands for our more limited volumes of frozen product.

During the year we lifted the range and volume of products being processed and exported from our Weihai Dong Won Food Company facility in which we have a 40% share. This company carries out a contract processing role for Sanford, producing high-quality graded and packaged products for European and American customers that result in higher net returns to Sanford. There was some disruption to our processing programme, particularly for products destined for the United States, as "Product of China" issues received negative publicity and caused consumer reaction against Chinese produced product. However, because of the high-quality reputation and the quality of products produced at Weihai, this resulted in less impact than might otherwise have occurred and the situation is slowly returning to normal.

With the emphasis on exports of fresh snapper and salmon and stronger demand from Europe for species such as hake and ling, we saw a decline in the proportion of products going to Japan from 13% last year down to 9% this year, whereas Australia increased from 11% last year to 14% this year and Europe increased from 22% to 26%. Sales to the Americas declined in proportion, from 27% to 25%, mainly as a result of lower volumes of orange roughly and softer prices in this market.



Managing Director's Review



The above graph analyses the approximate species split for 2007 compared to 2006. This shows a 2% gain for Australia and a 1% gain for aquaculture, inshore, hoki and pelagic species, while deepwater, including orange roughy and oreo dory, each declined by 3%. The proportionate increase in Europe has been mainly driven by strong markets in Spain, primarily for hake, ling and mussels, as well as in Eastern Europe for a range of species, led by silver warehou and jack mackerel in particular.

Our target set some years ago for aquaculture to represent approximately 15% of our business (13% this year) is looking likely to be achieved over the next two years as increased mussel and salmon volumes come on stream.

Research, Development and New Technologies

During the year, the Company introduced some technological improvements to its fish processing plants in Auckland, Tauranga and Timaru, and studies continue to investigate whether further advances can be made in these processing plants.

In Havelock, a fully automated mussel-opening and half-shell processing line is scheduled for installation and commissioning in January and February 2008. This technology has the potential to increase mussel processing efficiency and we would expect to earn royalties jointly with New Zealand Seafood Innovations Limited as the technology is adopted by other mussel processors in New Zealand.

The vessel San Waitaki has recently upgraded its onboard waste processing plant. This upgrade will achieve greater value from the extraction of fishmeal and fish oil from the orange roughy and oreo dory heads and by-products previously discarded overboard.

The shore-based fishmeal plant in Timaru has been upgraded also to improve yield by further extraction of value from the waste stream.

International Investments

Fishery Products International Limited (FPI), Canada

Results for the nine months ended 30 September 2007 for FPI reflect the continued strategy of eliminating low margin products from the Company's portfolio by focusing on categories, products and customers that provide improved returns. Earnings have substantially increased, from C\$3.7m last year to C\$37.8m this year, with a profit of C\$24.7m from the sale of the UK-based Seafood Company.

The sale of the primary products division to Ocean Choice International (OCI) and the sale of the United States and Canadian marketing and manufacturing business to High Liner Foods are very close to finalisation.

The Newfoundland Government has passed an Act to repeal the FPI Act and free the shareholders of FPI from the current restrictive provisions that have curtailed its development. However, this Act awaits royal assent which will be given as the two sales transactions close. Once those transactions are finalised, the company name will change to FP Resources Limited. Although it will remain listed on the Toronto Stock Exchange it will transition into an investment company and look at investments outside of the seafood industry.

As the investment is no longer relevant to Sanford, we are planning to exit as soon as the transactions have been completed. Our stake will become immediately marketable as a significant parcel in the cashed-up company.

If we were to take our proportion of cash and High Liner shares we would receive cash of approximately NZ\$37m and High Liner shares with a value of approximately NZ\$12m for a one-off gain of NZ\$28m taking into account the recent reversal of the 2005 write-down of this investment.



Weihai Dong Won Food Company factory, China.

Weihai Dong Won Food Company Limited, China (40% owned)

While significant progress has been made with the development of this company, including a substantial lift to the volume of production through the plant, further progress is needed to achieve an adequate rate of return.

The range of products (other than sourced from Sanford) being produced for customers in the United States and Canada, has increased during the year. Sanford has also increased the range of its products being processed at the plant. A new senior vice president (a United States citizen of Korean descent) has been recruited and is now based in Weihai and providing more momentum to the business on a daily basis. We are confident that we will continue to see improvements in this business and earn a satisfactory rate of return on our investment.

Industry Issues

Quota Issues – Deemed Values

In September 2007 the Ministry of Fisheries finally made some realistic adjustments to the level of deemed values to ensure that they are sufficiently robust to modify behaviour of those fishers who catch fish for which they do not hold quota.

Over the past year, there has continued to be substantial catches of species such as barracouta and silver warehou which have not been covered by quota. These catches undermine the Quota Management System and the rights of quota owners.

Sanford is supportive of the changes and believes they will lead to better outcomes for the owners of quota harvest rights in both the short and long term.

Benthic Protection Areas

A major and successful industry initiative over the last 12 months has been the declaration of 17 Benthic Protection Areas (BPAs) that are now closed to bottom trawling and dredging. These areas comprise over 1.2m square kilometres of seabed, an area equal to about 30% of the EEZ or more than four times New Zealand's land mass. These closures, together with existing seamount closures will mean that almost 32% of the EEZ is protected along with 88% of all known active hydro thermal vents and 52% of all seamounts.

Managing Director's Review

This initiative has been a co-operative one, led by the industry and ultimately approved by the government, and one which will allow for research to further our understanding of the seabed, and its ecosystems and biodiversity.

The BPA proposal arose when the industry approached the government last year for some certainty and acknowledgement of the need to fish responsibly. The result is a balance that will allow New Zealand's \$1.6b commercial fishing industry to continue to operate and export while, at the same time, responding to concerns about protection of the marine environment. The closure of the BPAs comes with strict rules to control fishing by methods other than bottom trawling. This will ensure that no trawls will ever touch the bottom. Any vessel entering the BPAs to fish in the future will need to have two Ministry of Fisheries' observers aboard. The vessel will also have to be satellite monitored and have to use an electronic net monitoring system at all times to check where the net is in relation to the ocean floor. Fishing within 100m of the seabed will be a criminal offence and any use of nets to within 50m of the seabed will be deemed to be touching the bottom and will incur a more serious criminal offence resulting in automatic vessel forfeiture.



Mussel grading, Havelock.

Under the accord reached with the government the industry has also undertaken to pay up to \$330,000 per annum to fund further research into benthic habitats.

Aquaculture Reform

It is our view that the aquaculture reform legislation introduced some three years ago needs urgent revision as it has failed to deliver any new space for the development or expansion of the aquaculture industry. While Sanford has been fortunate in being able to expand into space that it had acquired or been granted under previous legislation, we are now reaching the point where we will be unable to expand our aquaculture activities without an ability to increase our farming areas.

During the year, the government announced a major initiative including assistance with funding to allow the aquaculture industry to grow and develop. Without modifications to the legislation, further development will not be possible.

Sustainable Development

Despite New Zealand having one of the most successful fishery management systems in the world, we continue to face challenges in our efforts to project the image of sustainable seafood domestically and internationally. During the year, the New Zealand hoki fishery was re-certified by the Marine Stewardship Council for the next five years following the dismissal of appeals by two New Zealand environment groups. This will ensure that hoki continues to maintain its position as one of the premium white fish species sought by discerning world markets. The Company believes that the government should have taken a more aggressive approach towards setting the hoki total allowable commercial catch (TACC) this year by reducing the annual catch limit from 100,000mt to 80,000mt. The Minister of Fisheries ultimately reduced the catch from 100,000mt to 90,000mt but, in our view, the lower figure of 80,000mt would have seen the fishery recover sooner.

Sanford continues to work on issues such as fuel efficiency, waste management and carbon emissions as part of its ongoing commitment to be a leader in the seafood industry in New Zealand.

We are cautiously supportive of the government's proposed emissions trading scheme and we look forward to being treated in a similar way to that proposed for the agricultural sector which would allow a reasonable transition period to cushion the impact of the imposition of these costs on the seafood industry.



Processing hoki, Weihai Dong Won Food Company, China.

Our intention over the coming year is to incorporate Australia into the coverage of our sustainable development report and work towards ISO14001 accreditation of Weihai Dong Won Food Company in China as a step towards its coverage under our sustainable development reporting framework in 2009.

As part of developing a greater understanding of ways of measuring and limiting our carbon footprint, we decided that the 2007 Auckland Seafood Festival should be a carbon neutral event. This entailed measuring the carbon footprint of the festival and of all the festival attendees, and ensuring that a vigorous audit was carried out for that measurement process (under a sponsorship arrangement with Deloitte). We acquired sufficient carbon credits to offset the usage. These credits were purchased (with the assistance of Carbon Market Solutions Limited) and the usage is consequently cancelled through a registered carbon usage exchange.

With approximately 60,000mt of carbon usage throughout our fishing operations, a carbon charge of \$30 per metric tonne has a potential cost impact of \$1.8m per annum. In our Sustainable Development Report, we outline current issues that are being investigated to reduce our carbon footprint. At the same time we would expect a phase-in time to offset the effect of our carbon usage in a similar way to that which the government is proposing for other primary sectors of the economy.

Outlook

Our efforts to improve productivity and efficiency to achieve an acceptable level of return to Shareholders at a 60 cent exchange rate are being thwarted by a weakening US dollar and a strong New Zealand dollar. Wherever possible we are attempting to move trading away from United States dollars; however, in an international industry sector that has long traded in United States dollars, it is a slow process but one in which we are making some progress.

In the current exchange rate environment, we have no forward cover or other foreign exchange instruments and are converting our net overseas receipts on a regular basis at the current spot rate.

Challenges and opportunities within each of our divisions are discussed in the Division Managers' reports which follow.

With the impending realisation of our FPI investment, we will be in a strong financial position with our well-managed divisional structure and our well-balanced and diverse range of quota and marine farm assets. We are well placed to survive the high exchange rate environment and to capitalise on opportunities that may arise as the New Zealand dollar inevitably weakens.

Acknowledgements

Operationally, the business has had one of its most successful years and if the exchange rate had been anywhere below 60 cents we would have realised record profits. It is therefore appropriate to express appreciation for the achievement of our operational successes this year and acknowledge the depth of the experience and capability of our staff. They are a significant asset which will add value to this business going forward.

E F Barratt
Managing Director

3 December 2007

Protecting New Zealand's Seabed

setting aside 1.25 million km²



BEFORE

Seabed Protected
3% → 32%

Seamounts Protected
13% → 52%

Hydrothermal Vents Protected
23% → 88%

This initiative will protect...

...an area with vent habitats, which "merit priority because of their uniqueness, restricted range and vulnerability"*

...an area that is "biologically unexplored" that contains "the biggest 'river' in the world".*

...an area with "ancient sponge fauna" that is a "nest of living fossils"*



AFTER

* *Shining a spotlight on the biodiversity of New Zealand's marine ecoregion.* Experts workshop on marine biodiversity. 2003. WWF-New Zealand.

Maps include marine reserves outside the mainland territorial sea, seamount closures and BPAs



San Aspiring at King Edward Point, South Georgia.

The Annual Meeting will be held at 2pm Wednesday 30 January 2008 at the Auckland Fish Market, Sanford Limited, 22 Jellicoe Street, Freemans Bay, Auckland.

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

The discount voucher is redeemable at any of the operations listed at the Auckland Fish Market or Sanford retail shops in Tauranga and Timaru, as well as Pacific Catch shops in Auckland and Lambton Quay, Wellington, and Fendalton Fish Supply shops in Christchurch. Full address details of each location are shown on the voucher.

Inshore Fishing and Processing Division



Shane Walsh
Inshore Manager

The Inshore Fishing and Processing Division had a difficult year with profit below expectations mainly due to the impact that the US dollar exchange rate had on market returns. This was despite increased demand and prices for many species. Increased volumes of orange roughy fillets shipped during the year, helped offset a sales price well below expectations.

Poor demand for whole blue mackerel from traditional customers resulted in increased inventory unsold at the end of the financial year. As well as lower sales, we also incurred additional storage costs for blue mackerel in external cold stores. We expect this situation to improve during the coming year.

Bad weather experienced in winter affected catches and sales of jack mackerel. Lower than expected catches of species like red cod and barracouta in the South Island and trevally in the North Island resulted in lower profitability for these species.

The local market returns through the Auckland Fish Market auction remain encouraging with strong demand and stable prices for most species.

Auckland

Auckland had a good year with increasing export demand for fresh trawl-caught snapper. Trawler fishing patterns were changed to ensure fish volumes were available to match export and local market demand. The demand for trawl-caught product resulted in lower snapper catches by the longliners. The Auckland factory increased its throughput by increasing the amount of seafood processing on behalf of Foodstuffs for its supermarkets located in the top half of the North Island.

Auckland Fish Market

The auction achieved good prices for most species with an increasing number of suppliers and buyers. The installation of live tanks during the year helped in broadening the range of species available to be sold at auction. With improved volumes of fish sold at auction, turnover and profitability were ahead of expectations.

The Seafood School continued its growth path towards a sustainable business model with turnover increasing by 25%. This was achieved by attracting additional customers from both the general public and specially arranged corporate classes. During the year, the school had a total of 4,500 people attend a cooking class.

Traffic through the Auckland Fish Market retail area continues to increase. The addition of a Korean seafood restaurant and the retailers focused on improving offerings ensures future growth. The second Auckland Seafood Festival held at the Auckland Fish Market the last weekend in September was a success. The 12,000 people who attended enjoyed the entertainment and the huge range of seafood on offer.

Tauranga

Tauranga had a difficult year. Slower than expected sales of blue mackerel and poor jack mackerel catches lowered turnover below expectations. Rationalising vessels during the year helped to lower our overall catching costs. The installation of new processing technology for batching and weighing has helped to minimise labour costs and increased throughput. This results in significantly improved vessel turnaround times and higher per-vessel catch rates.



Tauranga's new speed batcher.

Factory processing of purse seine species continues to be supplemented by the reprocessing of orange roughy.

Returns from our Export Cold Storage facilities were well above expectations with most stores operating to capacity during the year.

Timaru

Results from Timaru were in line with expectations with some benefits from increased volumes of orange roughy reprocessing. Overall catches from the trawlers were similar to last year despite a poor red cod and barracouta season. Squid catches were good but lower prices and soft demand reduced the profitability of this species. The installation of a new technology processing line has helped minimise labour costs and increase yields.

The fishmeal plant performed to expectations despite handling lower volumes of offal due to reduced supply from external suppliers and less hoki landed for processing. Demand for fishmeal was strong throughout the year. The installation of an evaporator has dramatically reduced the volume and solids included in the waste water discharge and increased yields of meal and oil.

The San Won cold store joint venture in Timaru continues to achieve acceptable returns although at a level below last year, due to lower volumes of product requiring long-term storage.

The Oamaru crayfish plant operates for a short time each year; its performance was above expectations due to strong demand and an increase in supply from independent fishers.



Fishmeal plant evaporator installed in Timaru.



Filleting station with data screen, Timaru.

Bluff

Independent quota owners' landings of inshore wetfish were ahead of last year and, with deepwater reprocessing species being utilised to supplement inshore species and salmon processing, the plant operated successfully for the year.

Challenges and Opportunities

We continue to seek opportunities to work together with other industry players to develop more co-operative business arrangements which will more effectively capitalise on vessels and process facilities that are available. At the same time we will continue to invest in technology that helps to increase the efficiency of our own operations. We will continue to rationalise and upgrade our fishing fleet to improve catching, vessel and fuel efficiency.

We will continue to maximise revenue by ensuring products are in markets that give the highest possible return. Any opportunities for growth through acquisition will be investigated and pursued if we are confident the investment will generate acceptable returns.

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

We will continue to select and develop staff and systems to ensure all operations continue to focus on profitability, compliance, sustainability and ongoing improvement in all areas of operation.

Deepwater Fishing Division



Greg Johansson
Deepwater Manager

The Deepwater Division successfully achieved its anticipated catch and process volumes for the year and continued to increase the efficiency of its operations. This was achieved through lower operating costs from a dedicated team of sea-going personnel and shore-based management. However, the financial result was lower than expected because of the impact of the higher than expected New Zealand dollar exchange rate. Overall, catching performance for the Division was well ahead of the previous year.

The impact of higher fuel prices has been severe. Fuel has fluctuated by US\$150/mt during the financial year, increasing by 12% ahead of our expectations at the end of September 2007. Since 1 October, prices have continued to firm, hitting record highs in recent weeks. Fuel efficiency remains a constant target and we are hopeful that a number of vessels will be converted to a cheaper alternative grade of fuel during the coming year.

The Deepwater Stakeholder Group Limited (DWG) is now operating efficiently and beginning to gain credibility with the Minister of Fisheries and officials. However there are constant challenges to ensure that the industry collectively pursues responsible and disciplined processes. At times the lack of internal industry discipline plays right into the hands of the media, politicians and some non-governmental organisations. Pursuing responsible and disciplined actions amongst all industry members remains a major challenge for the DWG and one where Sanford, and other like-minded companies, are seeking greater incentives to encourage responsible actions.

The Company and the majority of the fishing industry have made significant progress in relation to seabird and marine mammal interactions, with some excellent work done on the development and implementation of industry protocols and mitigation methods. However, isolated interactions by individual vessels continue to draw media attention providing ammunition to those who seek to discredit the fishing industry.

The Ministry of Fisheries, with the encouragement of some industry players, has commenced a review of the terms and conditions under which foreign charter vessels operate in New Zealand's EEZ. Sanford is actively participating in this review but does not anticipate the outcomes of the review to cause us any great concerns.

Despite the reduced number of New Zealand and foreign charter vessels in New Zealand waters, retention and recruitment of crew remains a major issue for the fleet. In a restricted labour market recruiting suitably qualified crew prepared to spend much of their life at sea is difficult.



San Discovery unloading fishmeal, Timaru.

San Discovery / San Enterprise

The San Discovery and San Enterprise have recorded their best catches for many years, resulting in an improved financial performance from both vessels. Upgrades to the filleting machines have resulted in improved yields from several of the key species (including hoki). This has led to higher returns per greenweight tonne of catch and less offal going to fishmeal.

Results from the Ministry of Fisheries' trawl surveys in the Southern Ocean (December 2006) and the Chatham Rise (January to February 2007) produced unexpected and disappointing results. The results of these surveys and data

from past surveys drove the 10% hoki TACC reduction effective from 1 October 2007. These surveys will be repeated over the coming summer, with the results feeding into the 2008 stock assessment round. We are still optimistic that the hoki stock will rebuild.

San Aotea II / San Aspiring

The two longline vessels targeted ling and toothfish during the year.

The early part of the 2006/07 Ross Sea season proved, as usual, to be full of environmental challenges (ice) making catching virtually impossible. This was followed by an inner thaw that kept ice around the main fishing grounds for most of the season. A stronger presence of international vessels (15 from 9 member countries, compared to 13 vessels last season) competed for the limited fishing grounds and TAC. A considerable number of the fleet have now fished in the Ross Sea for more than four years and have gained knowledge and experience in the area. Despite the difficult operating conditions the Sanford vessels did extremely well. The Ross Sea fishery was closed earlier again this year, on 2 February 2007, condensing the main part of the season into a one-month Olympic fishery. There is now a need to

move this fishery from its experimental status into a developed fishery with allocation of quota to allow rational and sustainable fishing. Sanford, New Zealand Longline Limited and Argos Georgia Limited are applying for MSC certification for their operations in this fishery.

The San Aotea II has performed well in the ling fishery, with many of the traditional fishing grounds producing improved catch rates. Market prices for ling improved substantially during the year.

The San Aspiring successfully completed her third South Georgia, South Sandwich Islands (SGSSI) campaign. Operationally and financially this was more successful than the previous season and the knowledge gained on an annual basis should lead to improved returns in future years. We are now confident that we have a long-term future in the area.

Scampi Fleet

The catching performance of the scampi fleet during the fishing year was affected by a lack of fishing days due to vessel breakdowns and engineering work, bad winter weather conditions, research charters and surveys.



San Enterprise hard at work in the Southern Ocean.

Deepwater Fishing Division



San Tongariro (scampi), San Aotea II (ling and toothfish) and San Enterprise (hoki) alongside at Primeport, Timaru.

In February/March 2007 NIWA chartered the San Tongariro for 30 days to undertake a scampi survey in the Auckland Islands area. Much of the survey was done with cameras, filming the seabed to count burrows. Trawling was also undertaken and a large number of scampi tagged and released. It looks likely that the survey will be repeated in the summer of 2008.

Scampi is now packed on board into 2kg retail packs, in both Sanford and Simunovich brand packaging, to satisfy marketing requirements. Greater effort is being focused on minimising finfish by-catch and maximising the return on these species.

San Waitaki

The vessel has had a very productive year with total catch well ahead of expectations primarily driven by high catch rates of orange roughy and oreo dory in the Southern Ocean during the first part of the year.

For the fifth consecutive year, the vessel has conducted an industry-funded acoustic survey of the orange roughy spawning aggregation on the Chatham Rise. The annual data collection is growing in value and significance as the time series develops. For the first time the vessel has also collected similar data from several Southern Ocean fishing areas.

In September 2007, a substantial refurbishment and upgrade of the fishmeal plant was completed. The new technology installed will allow the fish oil to be extracted and the balance of the offal converted to fishmeal, something previously not possible from these species. The vessel will now generate additional revenue and fully utilise the entire waste stream which had previously been discarded. We are investigating the possibility of blending the fish oil with diesel on board to utilise as a biofuel.

Charter Operations

Charter vessel catches were well above expectations, mainly due to another excellent squid season and additional effort being directed to alternative fisheries.

We believe that the use of well-managed charter vessels as a complement to a New Zealand fleet is a sensible and economically viable way of managing the variable and seasonal nature of some of our fisheries. In some cases the negative sentiments expressed towards the use of charter vessels are more related to commercial motives. The sentiment against charter vessels continues to gain media coverage, making business activities in this area difficult and despite record low levels of unemployment, obtaining work visas for foreign crew is still very difficult.

We have had continued success with the charter of three vessels under our long-term arrangements with Dong Won Fisheries Company Limited from Korea.

This report also marks the completion of the first financial year of a new charter operation between Sanford and Juahm Industries of Pusan, Korea. The contribution from this operation is slightly below target but an excellent result for the first year. The vessel and its crew have assimilated well into the Sanford charter operation and have applied considerable effort to adopt Sanford policies and procedures.

Quota Trading

The demand for annual catching entitlement (ACE) has remained strong for many species over the last year; in particular, hake, ling, barracouta, jack mackerel, squid and silver warehou. This is driven in part by overcapacity in the fleet since the hoki quota reduction and partly by the fourth consecutive year of good catches in the squid fishery.

Trading of ACE as part of the end-of-year balancing resulted in almost all Company catch being covered by quota with a significantly lower deemed value liability than that of all other deepwater operators.

Small quantities of scampi were traded to other industry participants to cover their incidental by-catch.

Challenges and Opportunities

The harsh economic conditions we are currently facing and expect to face in the short to medium term are stimulating innovative thinking on strategies to maintain and improve efficiency and profitability, while ensuring long term sustainability.

Collaboration with other leading fishing companies is producing some tangible benefits for all involved. For the coming year, we have entered into a collective catching arrangement in the orange roughy/oreo dory fishery to reduce operating costs, competition on the grounds and the amount of lost time from steaming.

There is potential for the oil extraction technology recently installed on the San Waitaki to be replicated on other vessels, thus reducing our fuel costs, carbon footprint and increasing our revenue.

Cost control, and in particular fuel efficiency, remain a key focus of the Division with many options already explored and many more being developed.

We must constantly monitor and challenge compliance costs and the policy requirements generated from a range of government agencies, such as Maritime Safety, NZFSA, MFish, DOC, MFAT, OSH, etc. These restrictions continue to burden our limited human resources and the bottom line, for sometimes questionable benefits to New Zealand and Shareholders.

With the continued support of dedicated crew, staff and service industries, the Division is well placed to make a strong contribution in the coming year.

Aquaculture Division



Ted Culley
Aquaculture Manager

The performance of the Aquaculture Division was below expectations and lower than last year caused in part by the high exchange rate and increasing costs, particularly fuel. Production volume increases, particularly Greenshell mussels assisted in offsetting some cost increases.

The 2007 salmon harvest was delayed by uncharacteristically high maturation rates which will move more of the sales into the 2008 financial year. However, the delay ensured that we would have larger fish for the chilled export markets in New Zealand, Australia, Japan and the United States (US) which offer better returns than does the frozen market in Japan.

Demand and prices for Greenshell mussels have been steady in most markets and, when the US market prices were soft in the early part of the year, production was diverted to other markets; the US market has now recovered.

Oyster prices have improved for all grades of the new season's oysters and, with good demand for the product, we expect improved returns in the coming year.

Overall inventory levels were down on last year as a reflection of the steady market demand.

A new industry body, Aquaculture New Zealand Limited, was launched in June 2007 to combine the representative bodies for mussels, salmon, and oysters into one organisation. This organisation has been given the task of working with government to resolve the problems with the aquaculture legislation reforms. Since the reforms were introduced on 1 January 2005, no new aquaculture water space has been enabled under this legislation.

Pacific Oysters, Kaeo

Oyster production was significantly lower than last year with longer closures of harvest areas because of rainfall and oyster condition, coupled with two incidences of flooding of the Kaeo processing facility during the year. The extensive clean-ups were carried out by our own personnel. This minimised downtime of the facility, a credit to all staff, particularly when it happened twice in one year.

Processing days lost to rainfall were 50 compared to 31 last year.

A Chinese-manufactured spiral freezer installed late last year is performing to expectations and is producing a better quality oyster product. It has also enabled us to produce individually quick frozen scallops this year.



Harvesting oysters farmed in bags, Kerikeri.

Greenshell™ Mussels, Coromandel

Coromandel harvest volumes were very close to forecast and significantly ahead of the previous year despite some crop loss incurred after holding product over due to a bio-toxin event the previous year. Due to the size of this product and the need to harvest it as quickly as possible, some of the mussels were sold to other processors.

The Firth of Thames area had no bio-toxin events this year and another good growing year. The season finished a little earlier than expected with mussels spawning in late July.

Late this year Sanford took the opportunity to buy out our share-farming arrangements in Wilson's Bay and we now own the permits we farm in this area.

The jointly-owned North Island Mussel Processors Limited toll processing plant significantly improved its performance this year even though processing volumes were below expectations due to the early spawn, which delayed planned production for four weeks.

The plant's daily performance has steadily improved over the season and the relationship between the three shareholders is working well. The plant operated on two shifts for the year; next year it is planned to increase the working hours to cater for the increased volumes available from the Coromandel area.

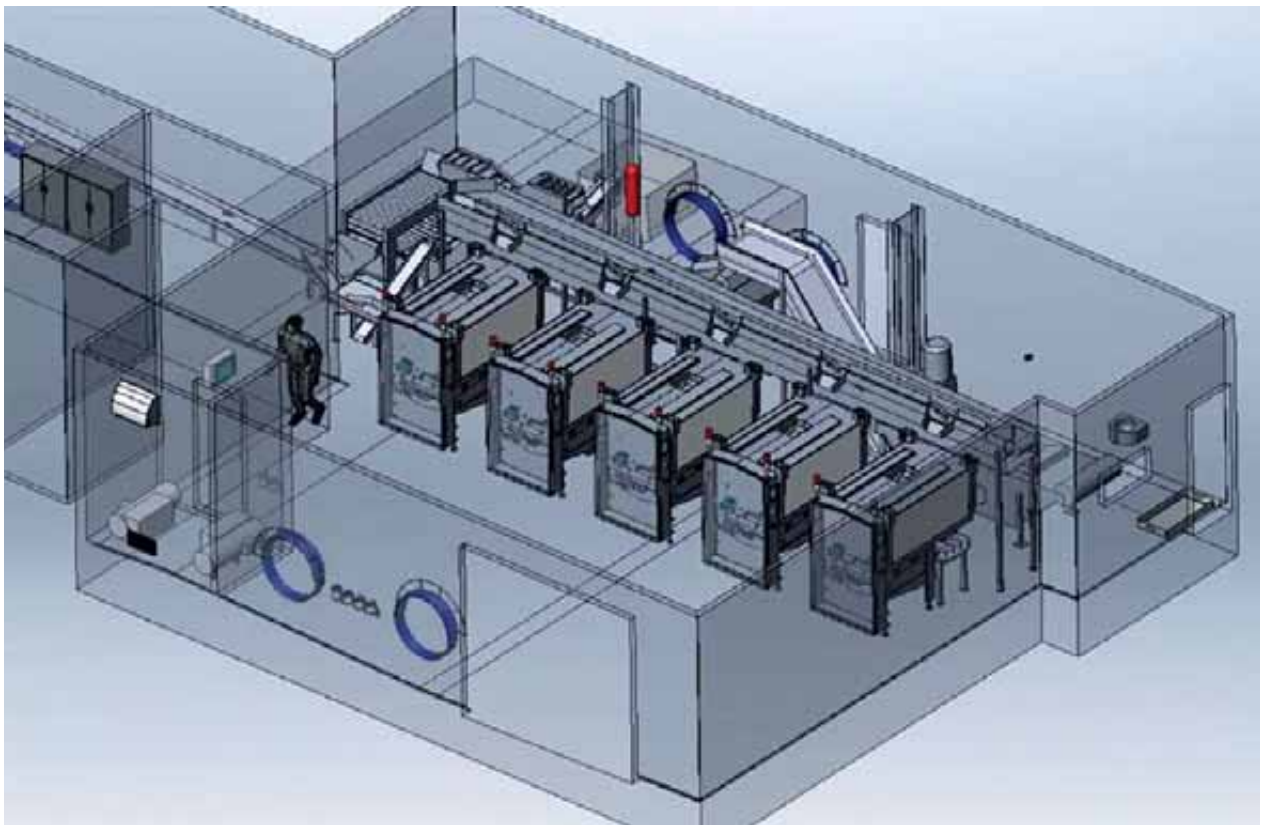
The Coromandel lobster plant performed better than expected with the quota allocation being fully caught and the prices for crayfish being firm at the start of the season. Savings in operational costs were achieved this year which enhanced the plant's performance.

Greenshell™ Mussels, Havelock

Increased volumes of mussels farmed and processed resulted in some mitigation of the adverse effect of the high exchange rate while operational expenditure was constrained to forecasted levels. Our harvesting areas were clear of bio-toxin closures and the number of days lost to rainfall closures was similar to that of last year. We have made improvements to our farming methodologies which will improve the utilisation of the water space we have available. This will result in increased volumes we have available for processing from 2009 onwards.

The packaging equipment trialled last year was unsuccessful as it did not meet our performance requirements. We are still pursuing the concept with other equipment providers.

During the year we installed an extra cooker which has increased the flexibility for the plant in producing meat and half-shell products. This cooker will also provide the cook step for the new automated mussel-opening line being installed in January 2008.



Automated mussel opening line.

Aquaculture Division

Greenshell™ Mussels, Bluff

An upgraded mussel farming vessel from Marlborough was introduced into Big Glory Bay and is achieving the efficiencies predicted. The larger work platform enables us to provide a better-quality product for the factory as well as being a more cost-effective farming and harvesting vessel. Big Glory Bay had no rainfall or bio-toxin events this year.

Processing volumes for the plant were ahead of expectations and ahead of last year and the plant has performed steadily throughout the year.



Erin, mussel farming vessel, Stewart Island.

King Salmon, Stewart Island and Bluff

The level of salmon production was behind last year and expectations due to the delay to the harvest commencing.

Two rotary screens were installed at Kaitangata hatchery during the year to keep the hatchery clear of Didymo from the water extracted from the Clutha River, and, to date, these are working to our expectations.

The increased use of technology continued this year with the installation of harvesting equipment that improves the productivity and quality of the salmon and allows the operation to harvest only fish of the size that achieves maximum market return.

This year the Waitaki hatchery was re-commissioned to increase the number of smolt required for the planned expansion to the salmon farm in Big Glory Bay.

The expansion of the farming infrastructure will consist of new cages to facilitate the latest automated feeding technology equipment available and will provide further efficiencies for the farming operations.

Efficiency gains have been made in the factory with the installation of a re-engineered cleaning table.

Challenges and Opportunities

The biggest challenge to the Division is to maintain and improve the viability of our operations in a higher exchange rate environment.

We continue to seek out new technologies and improved processing techniques that will improve our yields and productivity and reduce production costs to assist us in this goal.

There are further opportunities for consolidation or co-operative relationships within the sector which will provide economies of scale in processing, farming and harvesting operations.

In conjunction with other fish farming entities, we have initiated research to look at the potential to farm new species. We continue to invest in research and development of mussel hatchery technology, mussel harvesting and processing, and oyster processing, to assist us in meeting our continuous improvement strategy.



Screens installed to remove Didymo, Kaitangata hatchery.

Pacific Tuna Vessels Division



Vaughan Wilkinson
Business Development Manager

The Pacific Tuna Division continued its improved performance from last year with the total catch slightly ahead and revenues well up due to the improved market prices for skipjack tuna. This was despite the San Nikunau undergoing a substantial survey in New Zealand with two months of lost fishing time.

The other two vessels (San Nanumea and Ocean Breeze) operated continuously in the Western and Central Pacific Ocean. The total catch from the fleet was slightly ahead of last year's and of the forecast. Both the San Nanumea and Ocean Breeze exceeded forecasts whilst the catch of the San Nikunau was slightly below forecast due to the lost fishing time during the survey period.



Tuna school 'foamer' inside net.

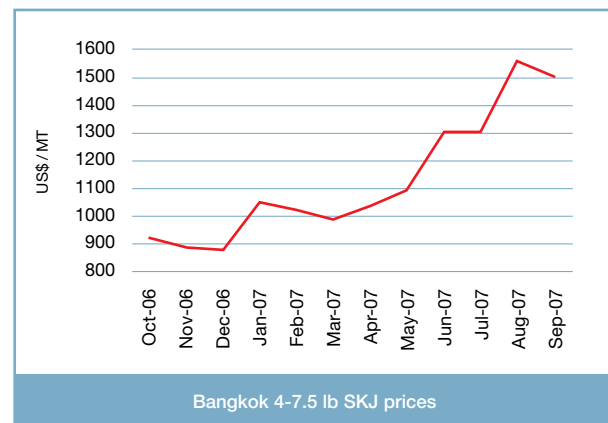
The San Nikunau's five-yearly out-of-water renewal survey was carried out in New Zealand as there is no suitable shipyard in the equatorial Pacific region that could slip a vessel of this size. The vessel arrived at the end of March and commenced fishing in April. Whilst catches were initially good, a period of poor weather disrupted fishing and, as water temperatures began to fall, the main body of fish migrated away earlier than had been anticipated.

The vessel was delayed from going up on the slip in Whangarei as the channel to the slipway had to be dredged after silting up during heavy rains in Northland. The vessel eventually came off the slip at the end of June and returned to Auckland to complete the survey. It was then prepared for a return to fishing in the Pacific and departed Auckland in early July.



San Nikunau – slipway, Whangarei.

Despite the US dollar exchange rate remaining at high levels during the year, revenues increased thanks to market prices for tuna increasing throughout the year. Indeed, the price for the benchmark grade of 4-7.5lb skipjack tuna (SKJ) in the Bangkok market reached record levels during the financial year, peaking at US\$1,555mt in August.



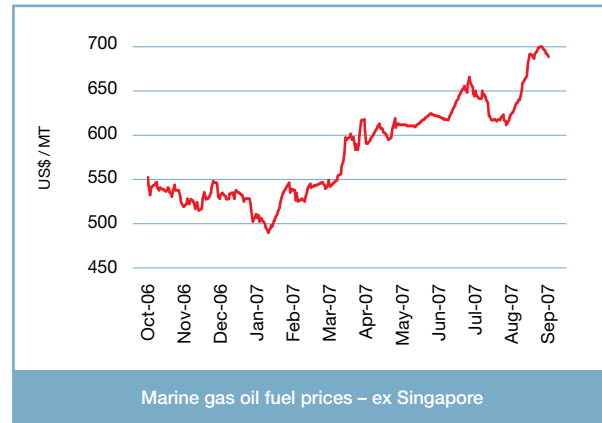
Pacific Tuna Vessels Division

The increasing prices for tuna in the market resulted from a number of factors but the key reasons were:

- The rising cost of fuel impacts not only on the net proceeds from the catch but influences the propensity of the vessels to search for fish. Higher fuel costs mean less searching and, therefore, lower catch rates and less supply.
- The purse seine catch of tuna in the Indian Ocean was down about 30% compared to the previous year meaning much less supply was available in the Bangkok market thereby minimising any negative pressure on prices in that market.
- In Latin America, the tuna industry continues to grow due to the expanding domestic market as well as demand in Europe for duty-free tuna products that are available from several Central and South American countries. In addition, as the catch of tuna in the Eastern and Tropical Pacific fishery has been stagnant or has declined the Latin American tuna industry has turned to importing significant quantities of tuna from the Western and Central Pacific Oceans. This has also meant that there is less material available to the Bangkok market and this contributes to the reason for the price of tuna reaching and remaining at historically high levels during 2007.
- Globally, the supply of tuna has stabilised whilst demand for tuna products has continued to grow.



Hauling at dawn break.



We have reported previously on the efforts made to reduce costs so it is pleasing to again advise that, this year, costs were constrained within forecasts despite rising prices. Fuel costs, as was the case last year, continue to be the largest single expense with prices exceeding the record levels reported last year. Fuel prices again varied considerably throughout the fishing year with bunker prices for Marine Gas Oil (MGO) ex-Singapore at the beginning of the year ranging between US\$500 and US\$550/mt. In April, fuel prices started to increase and, whilst at times prices did drop back, the overall trend was for fuel prices to continue to increase through the remainder of the year reaching a record peak towards the end of September of US\$700/mt. Disturbingly, it appears that prices will continue to increase in the new financial year to even higher levels.

Challenges and Opportunities

We advised last year that one of the major challenges to the Pacific Tuna operation would be the introduction of the Vessel Day Scheme (VDS) by the Parties to the Nauru Agreement (PNA). The trial of the VDS started on 1 December 2006 and the feedback to date indicates that presently there are many more days being fished than are indicated by the proposed allocations.

We still consider that the VDS is posing a risk to the economic viability of the operation. At present, there is little information from the Pacific Island Countries (PICs) with whom we have bilateral fishing arrangements on how they plan to implement the system which is supposed to commence on 1 December 2007. Therefore we remain concerned about the long-term security of access and our ability to continue to be able to fish in these countries' EEZs.

We will be working closely with these PICs to see if New Zealand can be given some security for continued access under this new scheme. If we are unable to achieve some form of preferential access in recognition of New Zealand's membership of the Pacific Island Community, we will then have to consider alternative options which will provide the access we require to maintain an efficient fishing operation.

The Western and Central Pacific Fisheries Commission (WCPFC) which is the body responsible for the conservation and management of highly migratory species in this region will meet again in early December 2007. Whilst Sanford supports the intent of the Commission, we are concerned about the conservation and management measures that are being proposed to address overfishing on the bigeye and yellowfin tuna stocks. In particular, it is our view that the measures proposed to address the capture of juvenile bigeye and yellowfin tuna by purse seine vessels do not actually target the cause of the problem. The measures proposed instead would create inefficiencies for purse seine fishing operations without delivering any conservation benefit for the bigeye and yellowfin tuna stocks. We will continue to work closely with the New Zealand Government to ensure realistic measures are implemented by the WCPFC that will deliver the necessary conservation and management outcomes, whilst continuing to provide for sustainable utilisation.



Stacking the net.

Whilst the operation has started to show that a consistent and adequate return on the investment can be provided, the increased tuna prices have meant the United States fleet has started to grow again due to the improved revenues. Unfortunately, this means opportunities for expansion by replacing existing effort within the fishery may now be limited but we will continue to examine potential opportunities as they arise.



Skiff and speed boat during the net setting.

International Fishing Division



Tom Birdsall
International Manager

The International Division had an eventful year with the sale of the Argentinean business interests on 1 February 2007. This sale was made at a satisfactory price and, despite our reduced equity investment in the business, we have maintained a close relationship with the business through marketing and vessel management services.

The Australian business had a steady and promising year partially offset by vessel operational losses as we progressively reduced our fleet operations in Australia from four vessels to one.

Argentina

For the first four months of the year, catches and operations were in line with expectations, and catches since our exit have continued to be satisfactory. The market for hoki block has been gradually improving as overall demand for white fish continues to increase. The market for by-catch species also firmed with strong demand from Eastern Europe.

The ongoing arrangement with Sanford allows some complementary marketing of hoki products out of Argentina with hoki from New Zealand. Sales have been good since the sale of the business and it is anticipated they will continue at a similar level or increase in the coming year. Some former technical staff of Sanford have transferred to work for the new owners of the business. The business continues to reflect the sustainable focus which the Sanford organisation promotes.

Australia

The auction sales business at the Melbourne Fish Market has handled increased volumes and expanded its market share at a time when seafood supplies have been more difficult. We have continued our emphasis on providing the best possible product to the market's important and loyal suppliers who are an important part of the business. There is a growing volume of farmed seafood being handled through the market which provides alternative choices in periods of low wild-caught supplies.

The current market site in Footscray is required for future transport infrastructure and a new development site for the Fish Market is in the process of being identified. We are the largest tenant in the existing market and this development is very important to us for the ongoing structure and strength



Hoki block, packed, ready for export, Argentina.



Melbourne Fish Market.

of the business. It is likely that further details will be finalised in the next six months and it is intended that the new market will commence operation in April 2009.

Sales and distribution to our supermarket customers continues to be important and at present 85 stores are serviced. Throughput has increased from our processing facility for distribution of product to both supermarket and remote and interstate wholesalers. As this facility will be relocated to the new market site, we expect to introduce new technology which will further improve quality.

Trading of fish quota was affected by the introduction of a 16-month quota “year” by the authorities in order to move the quota year-end away from 31 December. We expect trading to return to more normal levels once this particular “year” is completed.

During the year, the freezer vessel Petersen undertook two trips into the eastern zone deepwater fishery but failed to achieve satisfactory results. Later in the year, the vessel was successfully deployed to the scampi fishery in New Zealand to provide cover for vessels undergoing repairs and maintenance in New Zealand. This vessel is now laid up and will likely be sold.

The vessel San Tangaroa had a good year operating from Portland, located in the west of Victoria, with good catches and reasonable prices. This was in spite of some engineering problems which took some time to resolve. Another vessel was sold during the year as it was not suitable for the current operation.

Challenges and Opportunities

With our Melbourne consignment market facing a change in location in the next two years, we will be taking the opportunity to review the market operations to investigate whether further efficiencies can increase quality and improve returns. At the same time, we will examine opportunities for increasing our involvement in the seafood sector in Australia.

We will continue our efforts to improve the market acceptance, quality and prices for production from Argentina.

Financial Statements

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Five Year Financial Review

2003 – 2007

	2007 12 months	2006 12 months	2005 12 months	2004 12 months	2003 13 months
	\$000	\$000	\$000	\$000	\$000
Sales revenue	367,920	390,401	365,825	350,445	367,736
Profits					
EBITDA*	52,384	63,303	38,295	35,639	50,353
Depreciation and amortisation	(15,820)	(16,167)	(18,912)	(17,069)	(16,402)
Reversal of investment impairment	2,185	–	(2,185)	–	–
Net interest	(11,572)	(12,247)	(11,418)	598	285
Net currency exchange gains (losses)	(10,511)	4,773	40,404	55,202	35,730
Profit on disposal of investments and fixed and long term assets	425	322	292	6,691	3,616
Profit on disposal of subsidiaries	7,528	–	–	–	–
Operating surplus before taxation	24,619	39,984	46,476	81,061	73,582
Less taxation	5,046	13,393	16,006	27,713	26,876
Operating surplus after taxation	19,573	26,591	30,470	53,348	46,706
Minority interests	105	(517)	(102)	522	552
Net surplus attributable to shareholders	19,678	26,074	30,368	53,870	47,258
Equity					
Paid in capital	95,355	95,355	88,828	97,392	97,392
Reserves	408,670	408,456	406,431	396,321	350,133
Minority interests	443	978	354	(501)	(754)
Total equity	504,468	504,789	495,613	493,212	446,771
Represented by:					
Current assets	116,536	120,373	109,061	97,302	112,859
Less current liabilities	48,779	56,430	46,458	22,524	24,477
Working capital	67,757	63,943	62,603	74,778	88,382
Investments	30,844	31,129	27,142	27,340	27,457
Term Receivable	4,752	–	–	–	–
Brand use rights	–	1,000	2,000	–	–
Fixed and long term assets	531,313	539,411	548,889	394,759	357,887
	634,666	635,483	640,634	496,877	473,726
Less non current liabilities	130,198	130,694	145,021	3,665	26,955
Total net assets	504,468	504,789	495,613	493,212	446,771
Dividend per share (cents)	22 [†]	22 [†]	22 [†]	22 [†]	21 [†]
Special dividend per share (cents)	–	–	–	–	20 [†]
Dividend cover	1.0 [†]	1.3 [†]	1.5 [†]	2.6 [†]	1.2 [†]
Return on average total equity	3.9%	5.2%	6.1%	11.5%	10.9%
Earnings per share (cents)	21.0	27.8	32.1	56.3	49.4
Net asset backing per share	\$5.39	\$5.39	\$5.29	\$5.16	\$4.67

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

† 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
- December 2003 – Special dividend of 20 cents per share

Financial Statements

Consolidated and Parent Company Statements of Financial Performance

for the year ended 30 September 2007

	Note	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Operating revenue	2	378,165	391,230	310,735	332,092
Operating expenses	3	353,546	351,246	288,588	297,472
Operating surplus before taxation		24,619	39,984	22,147	34,620
Less taxation charge	4	5,046	13,393	4,997	12,976
Operating surplus after taxation		19,573	26,591	17,150	21,644
Minority interests		105	(517)	–	–
Net surplus attributable to shareholders		19,678	26,074	17,150	21,644

Consolidated and Parent Company Statements of Movements in Equity

for the year ended 30 September 2007

	Note	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Net surplus		19,678	26,074	17,150	21,644
Minority interests		(105)	517	–	–
Movements in asset revaluation reserve	13	(178)	1,580	–	–
Movements in foreign currency translation reserve	8	1,009	1,517	–	–
Total recognised revenues and expenses		20,404	29,688	17,150	21,644
Change from associate to subsidiary		266	–	–	–
Contributions (to)/from Minority interests		(396)	86	–	–
Distributions to shareholders	5	(20,595)	(20,598)	(20,595)	(20,598)
Movements in equity for the period		(321)	9,176	(3,445)	1,046
Total equity at beginning of year		504,789	495,613	504,641	503,595
Total equity at end of year		504,468	504,789	501,196	504,641

The accompanying notes form part of these financial statements.



SANFORD LIMITED
SUSTAINABLE SEAFOOD

**Consolidated and Parent Company
Statements of Financial Position**

as at 30 September 2007

	Note	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Equity					
Paid in capital	6	95,355	95,355	95,355	95,355
Reserves	7	408,670	408,456	405,841	409,286
Minority interests		443	978	–	–
Total equity		504,468	504,789	501,196	504,641
Non current liabilities					
Bank loans	9	130,000	130,000	130,000	130,000
Advances from subsidiary companies		–	–	25,052	27,146
Deferred taxation	15	198	694	119	569
Total non current liabilities		130,198	130,694	155,171	157,715
Current liabilities					
Bank overdraft and borrowings at call		16,919	27,201	15,843	26,470
Trade creditors	10	12,696	10,042	11,248	8,878
Other liabilities	11	19,164	19,015	18,072	17,030
Provision for Taxation		–	172	–	527
Total current liabilities		48,779	56,430	45,163	52,905
Total equity and liabilities		683,445	691,913	701,530	715,261
Non current assets					
Fixed and long term assets	12	531,313	539,411	514,663	517,459
Investments	13	30,844	31,129	7,808	7,808
Term Receivable		4,752	–	4,752	–
Brand use rights		–	1,000	–	1,000
Interest in subsidiary companies	14	–	–	65,533	77,241
Total non current assets		566,909	571,540	592,756	603,508
Current assets					
Cash on hand and at bank		2,122	36,264	882	35,939
Trade debtors	16	41,823	30,716	37,902	27,708
Other debtors and prepayments		7,447	7,737	6,104	4,304
Current portion of term receivable		2,673	–	2,673	–
Stocks	17	58,968	45,656	58,424	43,802
Taxation receivable		3,503	–	2,789	–
Total current assets		116,536	120,373	108,774	111,753
Total assets		683,445	691,913	701,530	715,261

The accompanying notes form part of these financial statements.

Financial Statements

Consolidated and Parent Company Statements of Cash Flows

for the year ended 30 September 2007

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	357,249	390,585	288,879	329,389
Interest received	2,313	860	2,220	1,365
Dividends received	362	556	362	2,051
	359,924	392,001	291,461	332,805
Cash was applied to:				
Payments to suppliers	262,315	233,533	198,768	179,716
Payments to employees	77,234	78,672	72,178	72,291
Income tax paid	9,101	11,526	8,763	11,042
Interest paid	14,298	12,635	14,298	12,635
	362,948	336,366	294,007	275,684
Net cash flow – operating activities	(3,024)	55,635	(2,546)	57,121
Cash flows from investing activities				
Cash was provided from:				
Disposal of fixed and long term assets	1,813	1,030	817	1,017
Sale of investments and subsidiaries	4,940	457	3,207	–
Repayment of loans	2,944	–	4,382	–
	9,697	1,487	8,406	1,017
Cash was applied to:				
Purchase of fixed and long term assets	9,693	5,619	9,642	5,110
Purchase of investments and subsidiaries	180	3,734	–	3,734
Loans to related parties	–	533	–	647
	9,873	9,886	9,642	9,491
Net cash flow – investing activities	(176)	(8,399)	(1,236)	(8,474)
Cash flows from financing activities				
Cash was provided from:				
Proceeds from borrowings	–	7,000	–	7,000
Cash was applied to:				
Dividends paid	20,595	20,598	20,595	20,598
Repayment of loans	–	20,000	–	20,000
	20,595	40,598	20,595	40,598
Net cash flow – financing activities	(20,595)	(33,598)	(20,595)	(33,598)
Net cash flow for the year from all activities	(23,795)	13,638	(24,377)	15,049
Cash at beginning of year	9,063	(5,487)	9,469	(6,453)
Effects of exchange rate changes on cash	(65)	912	(53)	873
Cash at end of year	(14,797)	9,063	(14,961)	9,469
Represented by:				
Bank overdraft and borrowings at call	(16,919)	(27,201)	(15,843)	(26,470)
Cash on hand and at bank	2,122	36,264	882	35,939
	(14,797)	9,063	(14,961)	9,469

The accompanying notes form part of these financial statements.



SANFORD LIMITED
SUSTAINABLE SEAFOOD

**Consolidated and Parent Company
Statements of Cash Flows**

for the year ended 30 September 2007

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Reconciliation of Net surplus attributable to shareholders to Net cash flow – operating activities				
Net surplus attributable to shareholders	19,678	26,074	17,150	21,644
Non cash items				
Depreciation and amortisation	15,820	16,167	15,139	15,137
Reversal of Investment Impairment	(2,185)	–	–	–
Impairment of investment in subsidiaries	–	–	–	7,929
Minority interests share of profit	(105)	517	–	–
Equity accounted losses (profit) in associated companies	48	373	–	–
Increase (decrease) in deferred taxation	(494)	(1,327)	(450)	(1,658)
Unrealised foreign exchange loss	897	5,542	897	5,095
	13,981	21,272	15,586	26,503
Adjustments for other items				
Net (profit) on disposal of fixed and long term assets	(425)	(322)	(470)	(333)
Net (profit) on sale of subsidiaries	(7,528)	–	(6,479)	–
(Increase) in debtors and prepayments	(10,752)	(5,060)	(11,993)	(4,050)
(Increase) decrease in stocks	(13,301)	5,953	(14,622)	6,267
Increase (decrease) in creditors and other liabilities	(1,002)	4,524	1,598	3,498
(Increase) decrease in taxation receivable	(3,675)	3,194	(3,316)	3,592
	(36,683)	8,289	(35,282)	8,974
Net cash flow – operating activities	(3,024)	55,635	(2,546)	57,121

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 September 2007

Note 1 – Statement of Accounting Policies

Reporting Entity

Sanford Limited is a New Zealand company listed on the New Zealand Stock Exchange. The Sanford Group of Companies consists of the Company, its subsidiaries and associates.

Statutory Base

The Company is registered under the Companies Act 1993 and these financial statements have been prepared in accordance with the Financial Reporting Act 1993.

Measurement System

The measurement base adopted is that of historical cost, except in the case of fish quota, licences and marine farm licences which are revalued.

Specific Accounting Policies

The following specific accounting policies have been applied in the preparation of the financial statements:

Consolidated Accounts

The Consolidated Financial Statements include all subsidiary companies using the purchase method of consolidation. All significant inter-company transactions are eliminated on consolidation.

Associate Companies

The Group's share of the net surplus of associates is recognised as a component of operating revenue in the Statement of Financial Performance. The Group's share of other gains and losses of associates is recognised as a component of total recognised revenues and expenses in the Statement of Movements in Equity. Dividends received from associates are credited to the carrying amount of the investment in associates.

Acquisition 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 statement of financial performance is calculated as the difference between the sale price and the carrying amount of the entity.

Foreign Currencies

The assets and liabilities of independent foreign operations are translated 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.

Transactions covered by short term forward exchange contracts are translated at the rate of exchange specified in the contract.

Other foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the dates of the transactions.

If a foreign currency liability is designated as a hedge of a foreign non-monetary asset (or vice versa), both the asset and the liability are translated at the closing rate. Exchange differences are taken to the foreign currency translation reserve.

At balance date foreign currency monetary assets and liabilities are translated at the closing rate or the forward rate where foreign exchange contracts are in place. The exchange variations arising from these translations are recognised in the Statement of Financial Performance.

Fish Quota, Licences and Marine Farm Licences

Fish quota, licences and marine farm licences are revalued every five years and were last revalued at 30 September 2004 to a Directors' valuation, which the Directors consider reflects market value, with subsequent purchases recorded at cost.

Any increase in value upon revaluation is recognised directly in equity. Decreases in value below original cost are charged to the statement of financial performance.

Note 1 – Statement of Accounting Policies (continued)

Fixed Assets

Fixed assets are stated at cost and depreciated as outlined below.

Depreciation of Fixed Assets

Depreciation is calculated using straight-line rates to write off the cost of depreciable assets over their expected useful lives. Depreciation rates are regularly reviewed and adjusted when required.

	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, office fixtures and fittings	5-7
Computer software	1
Leasehold buildings	25
Marine farm assets	3

Fishing Vessel Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred.

Stock

Stock is stated 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 work in progress, costs include an appropriate share of overheads. Fixed overheads are allocated on the basis of normal operating capacity.

Debtors

Debtors are shown at the expected net realisable value.

Investments

Investments are stated at the lower of cost or their recoverable amount. When assessing the estimated recoverable amount, future cash flows from use and ultimate disposal are considered.

Investments in Subsidiaries

Investments in and advances to/from subsidiaries are stated at the lower of cost or recoverable amount.

Taxation

Income tax expense is calculated after adjusting for permanent differences between taxable income and accounting income. The liability method of accounting for deferred taxation on a comprehensive basis has been adopted. Future tax benefits arising from timing differences are not recognised unless there is virtual certainty of recovery.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash comprises cash balances (net of bank overdrafts) and demand deposits. Cash excludes Treasury Bills that are not used as part of the Group's day-to-day cash management.

Financial Instruments

The Company may use financial instruments to reduce exposure to fluctuations in foreign currency exchange rates. In such circumstances forward foreign exchange contracts are arranged to hedge sales denominated in foreign currencies. Financial instruments that are designated as hedges of specific items such as net investment hedges are recognised on the same basis as the underlying hedged items.

Dividends Payable

Dividends declared by Directors by a resolution after balance date are not provided for but are disclosed as an event after balance date in note 25.

Changes in Accounting Policy

All accounting policies have been applied on bases consistent with those used in previous years.

Notes to the Financial Statements

for the year ended 30 September 2007

Note 2 – Operating Revenue

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Sales revenue – external	367,920	390,401	289,135	314,922
– related party	–	–	11,657	13,421
Dividend income – external	27	20	27	20
– related party	–	–	335	2,031
Equity accounted earnings (losses) of associates	(48)	(373)	–	–
Interest income – external	2,313	860	2,220	783
– related party	–	–	412	582
Profit on disposal of fixed and long term assets	425	322	470	333
Profit on disposal of subsidiaries (Note 26)	7,528	–	6,479	–
Operating revenue	378,165	391,230	310,735	332,092
Currency exchange gains included in sales	181	6,907	181	6,907

Note 3 – Operating Expenses

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Operating expenses include:				
Depreciation and amortisation				
Freehold buildings	408	400	397	389
Leasehold buildings	1,561	1,556	1,554	1,556
Vessels	9,111	9,864	8,760	9,082
Plant, machinery, fittings and motor vehicles	3,740	3,347	3,428	3,110
Amortisation of brand use rights	1,000	1,000	1,000	1,000
Total depreciation and amortisation	15,820	16,167	15,139	15,137
Reversal of investment impairment	(2,185)	–	–	–
Impairment of investment in subsidiaries	–	–	–	7,929
Directors' fees	250	242	250	242
Audit fees				
– KPMG	147	181	105	94
– other auditors	–	12	–	12
KPMG fees for other services – New Zealand taxation advice	7	61	7	61
– other	48	61	8	31
Donations	32	42	32	42
Doubtful debts				
– written off	186	54	110	54
– (decrease) in provision	(152)	–	(76)	(76)
Interest	13,886	13,107	13,886	13,107
Leasing charges	2,342	2,256	1,940	1,875
Currency exchange losses included in operating expenses	10,692	2,134	10,659	1,629
Reconciliation of currency exchange (gains)				
Currency exchange (gains) included in sales	(181)	(6,907)	(181)	(6,907)
Currency exchange losses included in operating expenses	10,692	2,134	10,659	1,629
Net currency exchange (gains)	10,511	(4,773)	10,478	(5,278)

Note 4 – Taxation

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Income tax expense				
Operating surplus before taxation	24,619	39,984	22,147	34,620
Permanent differences	(8,648)	601	(6,325)	5,819
	15,971	40,585	15,822	40,439
Taxation at 33%	5,270	13,393	5,221	13,345
Under (over) provision for taxation in prior years	(224)	–	(224)	(369)
Taxation	5,046	13,393	4,997	12,976
Taxation comprises:				
– current taxation	5,542	14,720	5,447	14,634
– deferred taxation	(496)	(1,327)	(450)	(1,658)
	5,046	13,393	4,997	12,976
Imputation credit account				
Balance at beginning of year	58,249	62,952	–	–
Credits attached to dividends received	437	57	–	–
Taxation payments	8,411	10,683	–	–
Other movements	(837)	–	–	–
Imputation credits attached to dividends paid	(9,914)	(15,443)	–	–
Balance at end of year	56,346	58,249	–	–

The consolidated group imputation credits are available to be attached to dividends paid by the parent company.

Note 5 – Dividends

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Final dividend 2006 – 13 cents per share (2005 – 13 cents per share)	12,169	12,172	12,169	12,172
Interim dividend 2007 – 9 cents per share (2006 – 9 cents per share)	8,426	8,426	8,426	8,426
	20,595	20,598	20,595	20,598

Note 6 – Paid in Capital

	CONSOLIDATED AND PARENT			
	2007	2006	2007	2006
	No. of Shares	\$000	No. of Shares	\$000
Balance at beginning of year (fully paid up)	93,626,735	95,355	93,626,735	88,828
Treasury stock cancelled taken to retained earnings	–	–	–	6,527
Balance at end of year	93,626,735	95,355	93,626,735	95,355

All issued and paid up ordinary shares carry equal voting and dividend rights.

Treasury Stock

In April 2005, 2,036,982 shares were repurchased and held as treasury stock at 30 September 2005 with the full value of the shares repurchased taken against paid in capital. In May 2006 all of the shares repurchased were cancelled. Paid in capital has decreased by \$1.00 per share cancelled, which represents the average amount of paid in capital per share, with the remainder taken against retained earnings.

Notes to the Financial Statements

for the year ended 30 September 2007

Note 6 – Paid in Capital (continued)

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 \$2.00 (2006: \$1.78) and future dividends paid on the shares will be applied to the balance outstanding. At 30 September 2007, the amount remaining to be paid is \$0.53m (2006: \$0.62m) and is included in the Statement of Financial Position as an investment. The shares are held by Sanford Investments Limited until fully paid up. The Trustee is Sanford Investments Limited.

Note 7 – Reserves

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Retained earnings	245,981	246,632	252,774	256,219
Asset revaluation reserve	162,893	163,071	153,067	153,067
Foreign currency translation reserve (Note 8)	(204)	(1,247)	–	–
	408,670	408,456	405,841	409,286

Note 8 – Foreign Currency Translation Reserve

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Balance at beginning of the year	(1,247)	(2,744)	–	–
Difference arising on translation of independent foreign operations	1,009	1,517	–	–
Minority interests share in translation reserve	34	(20)	–	–
Balance at end of the year	(204)	(1,247)	–	–

Note 9 – Bank Loans

The Company has a New Zealand Dollar term loan facility. The loan is repayable as follows:

One to two years

CONSOLIDATED AND PARENT	
2007	2006
\$000	\$000
130,000	130,000

Interest rates applicable were 6.58% – 9.05% (2006: 6.58% – 7.99%). 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 time as it becomes probable that the Company will be required to make payments under the guarantees.

Note 10 – Trade Creditors

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
External	12,540	9,903	11,092	8,739
Related party	156	139	156	139
	12,696	10,042	11,248	8,878

Note 11 – Other Liabilities

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Employee entitlements	3,977	3,518	3,598	2,936
Other creditors	15,187	15,497	14,474	14,094
	19,164	19,015	18,072	17,030

Note 12 – Fixed and Long Term Assets

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Freehold land	1,733	1,733	1,550	1,550
Freehold buildings	10,688	10,546	10,279	10,119
Less accumulated depreciation	(6,117)	(5,720)	(6,115)	(5,701)
	4,571	4,826	4,164	4,418
Leasehold buildings	39,518	39,402	39,518	39,402
Less accumulated depreciation	(13,065)	(11,511)	(13,065)	(11,511)
	26,453	27,891	26,453	27,891
Total freehold land and all buildings	32,757	34,450	32,167	33,859
Fishing vessels	156,224	179,566	154,945	152,635
Less accumulated depreciation	(96,060)	(110,089)	(93,420)	(85,270)
	60,164	69,477	61,525	67,365
Plant, machinery, fittings and motor vehicles	71,332	65,041	67,899	61,476
Less accumulated depreciation	(54,288)	(52,259)	(52,023)	(50,232)
	17,044	12,782	15,876	11,244
Fish quota, licences and marine farm licences (at valuation and cost)	421,348	422,702	405,095	404,991
Total fixed and long term assets	531,313	539,411	514,663	517,459
Latest aggregate government valuation				
Freehold land and all buildings	37,750	34,141	37,502	33,926

The latest aggregate government valuation of freehold land and buildings approximates fair value in the opinion of the Directors.

Fish Quota and Marine Farm Licences

The Directors reviewed the carrying value of fish quota in the Statement of Financial Position taking into account Total Allowable Commercial Catch changes effective from 1 October 2007.

At 30 September 2004 the asset values were increased by \$33m by reference to two independent fishing quota specialists' reports on the average prices of species traded. However as the volume of quota shares traded is not significant compared to the Company's holding, the Directors applied a discount of 50% to determine the 2004 valuation (see note 1).

A similar level of discount was applied to marine farm licence space based on the Company's own assessment of the market value of water space.

Notes to the Financial Statements

for the year ended 30 September 2007

Note 13 – Investments

Investments in associate companies

The total investment in associates comprises:

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Share of associates' operating surplus	(48)	(373)	–	–
Share of associates' asset revaluation reserve movement	(178)	1,580	–	–
Share of associates' foreign currency translation movement	–	364	–	–
Dividends from associates	(335)	(536)	–	–
Associate now consolidated	(266)	–	–	–
Share of associates' increase in equity at beginning of year	2,383	1,348	–	–
Total share of increase in associates' equity since acquisition	1,556	2,383	–	–
Cost of investment in associates	9,624	9,624	7,772	7,772
Equity accounted value of investment	11,180	12,007	7,772	7,772
Other investments				
Advances to employee share ownership plans	534	623	–	–
Listed shares	19,094	18,463	–	–
Other	36	36	36	36
	30,844	31,129	7,808	7,808

Note 14 – Interest in Subsidiary Companies

	PARENT	
	2007	2006
	\$000	\$000
Shares in subsidiary companies (Note 26)	41,238	49,412
Advances to subsidiary companies	24,295	27,829
	65,533	77,241

Due to certain subsidiaries having a negative shareholders' funds position in 2006 the Directors wrote down the value of the investments. No further write down has been taken this year. The amount written down in 2006 was \$7.929m.

Note 15 – Deferred Taxation

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Balance at beginning of the year	694	2,021	569	2,227
Current year charge	(496)	(1,327)	(450)	(1,658)
Balance at end of the year	198	694	119	569

Note 16 – Trade Debtors

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
External	41,823	30,716	37,625	26,801
Related party	–	–	277	907
	41,823	30,716	37,902	27,708

Note 17 – Stocks

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Fish	53,242	39,381	52,698	37,926
Packaging, fishing gear, fuel and stores	5,726	6,275	5,726	5,876
	58,968	45,656	58,424	43,802

Note 18 – Non-cancellable Leases

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Lease and rental commitments under operating leases are:				
Up to 1 year	1,238	1,219	1,238	1,219
1 to 2 years	946	1,173	946	1,173
2 to 5 years	2,739	2,703	2,739	2,703
Over 5 years	6,203	6,176	6,203	6,176
	11,126	11,271	11,126	11,271

Note 19 – Financial Instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. Derivatives may be used as a means of reducing exposure to fluctuations in foreign exchange rates. While these financial 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 principal or contract amounts and the maximum exposure to credit risk of derivative financial instruments outstanding at balance date is:

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Foreign exchange contracts:				
Amounts receivable at forward contract rates	–	–	–	–
Potential gain if contracts met on due date	–	–	–	–
Potential gain if contracts closed out	–	–	–	–

Potential gain is calculated based on period end exchange rates.

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, Canadian 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 also takes out loans in foreign currencies to hedge investments in foreign currencies.

At balance date the Group has trade debtors of USD\$17.043m – NZD\$22.496m (2006: USD\$9.134m – NZD\$13.998m), AUD\$6.589m – NZD\$7.680m (2006: AUD\$6.326m – NZD\$7.251m), JPY¥105.748m – NZD\$1.212m (2006: JPY¥94.720m – NZD\$1.240m), GBP£ – nil (2006: GBP£0.055m – NZD\$0.160m), EUR€ 0.228m – NZD\$0.425m (2006: EUR€ 0.103m – NZD\$0.201m), trade creditors of AUD\$1.357m – NZD\$1.581m (2006: AUD\$2.066m – NZD\$2.369m) and cash of USD\$0.232m – NZD\$0.306m (2006: USD\$23.068m – NZD\$35.354m), 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.

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 \$30m maturing in December 2007 and \$50m maturing in December 2008 (2006: \$90m maturing in December 2006).

Notes to the Financial Statements

for the year ended 30 September 2007

Note 19 – Financial Instruments (continued)

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 were no significant concentrations of credit risk, although the majority of trade debtors participate in the food distribution business.

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

Fair Values

The fair values of financial assets and financial instruments differ from their carrying values as shown in the Statement of Financial Position or notes thereto, as follows:

	SEPTEMBER 2007		SEPTEMBER 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$000	\$000	\$000	\$000
Consolidated and Parent				
Foreign exchange contracts	–	–	–	–
Interest rate swaps	33	610	24	146
Investment in listed shares	19,094	45,331	18,463	18,463

The fair values have been determined as follows:

Derivative financial instruments

Valued by reference to the quoted market prices of comparable financial instruments.

Investment in listed shares

Valued by reference to the listed price at balance date.

Note 20 – Capital Expenditure and Investments

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Commitments for capital expenditure	1,779	436	1,779	436

Note 21 – Contingent Liabilities

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Guarantees and Commitments:				
Commitments to discounted letters of credit	–	5,048	817	5,048
Other	185	185	189	189

Note 22 – Financial Reporting for Segments

The Sanford Group of Companies operates predominantly in the one segment, harvesting, processing and selling seafood products. Approximately 90% (2006: 90%) of the Group's activities are carried out in New Zealand. There are no other significant reporting segments.

Note 23 – Related Parties

Identity of related parties with whom material transactions have occurred

Note 24 identifies the principal entities within the Group. All of these entities are related parties of the Company.

There are no additional related parties with whom material transactions have taken place.

Types of related party transactions

The Parent Company enters the following transactions with related parties in the normal course of business:

- sale and purchase of fish stocks
- sale and purchase of fixed and long term assets
- management fees

All transactions take place on normal commercial terms.

Material related party transactions:

- Loans and advances to/from related parties – refer notes 13 and 14
- Revenue and dividends from related parties – refer note 2
- Payables and receivables to/from related parties – refer notes 10 and 16
- Interest received on loans to related parties – refer note 2
- Purchases from related parties – \$4.8m (2006:\$13.5m)
- Management fees charged to related parties – \$487,000 (2006: \$533,000)

Notes to the Financial Statements

for the year ended 30 September 2007

Note 24 – Sanford Group

The Sanford Group comprises the following principal entities:

	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			
Racovolis Amalgamated Fish Agents 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 25 – Events Subsequent To Balance Date

On 28 November 2007, the Directors proposed a final dividend of 13 cents per share to be paid on 12 December 2007.

This dividend has not been provided for in the accounts at 30 September 2007, in accordance with the Company's accounting policy detailed in Note 1.

There have been no other significant events occurring since balance date requiring disclosure.

Note 26 – Disposal of Subsidiaries

On 31 January 2007 the Group disposed of its entire interests in Pesquera Sanford Argentina SA and Pesquera San Arawa SA. The disposal gave rise to a gain on sale of \$7,528,000. The Group did not dispose of any subsidiaries in the 2006 financial year.

Summary of the effect of disposal of subsidiaries:

	CONSOLIDATED
	2007
	\$000
Net assets disposed of	
Cash at bank	245
Current assets	6,252
Fixed and long term assets	3,791
Liabilities	(2,591)
Minority Interest	(661)
The Group's share of Pesquera Sanford SA and Pesquera San Arawa SA assets and liabilities	7,036
Sales Proceeds	14,564
Gain on disposal of Pesquera Sanford Argentina SA and Pesquera San Arawa SA	7,528

Note 27 – Progress on Transition to International Financial Reporting Standards

The Company will publish its first annual financial statements under New Zealand International Financial Reporting Standards (“NZ IFRS”) for the year ending 30 September 2008.

The Company will implement NZ IFRS in its annual financial statements for the year ending 30 September 2008. In complying with NZ IFRS for the first time, the Company will restate amounts previously reported under current New Zealand accounting standards (NZ GAAP) using NZ IFRS. This requires a restatement of opening balances as at 1 October 2006, with initial transitional adjustments recognised retrospectively and mainly against retained earnings at that date. The amounts/transactions incurred during the year ending 30 September 2007 will also be restated and will impact the income statement, cash flow statement and balance sheet for that period. However, transitional adjustments relating to those standards where comparatives are not required will only be made at 30 September 2007. The Company will present the March 2008 half year results under NZ IFRS and will disclose the differences in financial performance and financial position between that period and the restated 2007 comparative period.

The Directors have identified the accounting policies under NZ IFRS that will result in the most significant differences from the NZ GAAP accounting policies and are working through quantifying those differences and assessing the business impacts.

The items below have been identified as those most likely to be materially impacted by the change to NZ IFRS. It is possible that the actual impacts of adopting NZ IFRS may vary from the information presented below and the variation may be material.

Quota

NZIAS 38 introduces new requirements in relation to quota which will change the carrying value of this asset on transition to NZ IFRS. Purchased quota will be valued at cost. Allocated quota initially recognised on the basis of previous permits or catch history or when purchased through business combinations will be initially valued at fair value on allocation.

Aquaculture

NZ IAS 41 requires biological assets (mussels and oysters growing on our farms) to be stated at fair value on the balance sheet with all changes in fair values reflected in the income statement. Mussels and oysters growing on the Company’s farms are not currently included on the balance sheet. Fair values are determined with reference to the present value of expected cash flows using anticipated harvest volumes, market prices and the cost of cultivation until sold.

Financial Instruments

Under NZ IAS 39, forward contracts (if utilised) for the hedging of forecast sales will be accounted for using hedge accounting. The effective portion of the movement in the fair value of the forward contracts from period to period will be recognised in equity. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognized in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

Employment Related Provisions

Under NZ IFRS long service leave will be required to be valued on an actuarial basis rather than on vesting as is the current treatment. Additional provisions will also be required to provide for the future cost of accident compensation claims.

Deferred Taxation

The requirement under NZ IFRS is to use a balance sheet approach to value all temporary differences between accounting and tax values rather than an income statement approach. This is likely to result in the recognition of new deferred tax assets and liabilities.

Impairment Testing

Under NZ IFRS, annual impairment testing is required for several classes of assets. Assets that have carrying amounts in excess of their recoverable amounts will need to be written down to their recoverable amounts. These impairment losses are either recognised as an expense or for revalued assets, may be offset against any revaluation surplus for that asset held in the revaluation reserve.

Audit Report



To the shareholders of Sanford Limited

We have audited the financial statements on pages 70 to 85. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 September 2007. This information is stated in accordance with the accounting policies set out on pages 74 to 75.

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 2007 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 accounting and taxation services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

Unqualified opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 70 to 85:
 - 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 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 28 November 2007 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'KPMG', is written in a stylized, cursive font.

Auckland

Statutory Information

Shareholding Analysis as at 20 November 2007

	Number of Shareholders	%	Number of Shares	%
Size of Holding				
1 – 999	517	21.31	233,880	0.25
1,000 – 4,999	1,135	46.79	2,418,287	2.58
5,000 – 9,999	336	13.85	2,200,765	2.35
10,000 – 49,999	339	13.97	6,700,082	7.16
50,000 – 99,999	37	1.53	2,570,866	2.75
Over 100,000	62	2.55	79,502,855	84.91
	2,426	100.0	93,626,735	100.0

Twenty Largest Shareholders as at 20 November 2007

Shareholder	Number of Shares
Amalgamated Dairies Limited	35,059,067
New Zealand Central Securities Depository Limited ¹	11,177,498
Avalon Investment Trust Limited	8,606,054
NZ Guardian Trust Company Limited – A/c 46911900	4,574,870
NZ Guardian Trust Company Limited – A/c 01035700	2,571,508
Sterling Nominees Limited	2,054,854
Peter Hanbury Masfen & Joanna Alison Masfen – P H Masfen Family No 2 A/C	1,742,387
Hauraki Trading Company Limited	1,643,630
William Douglas Goodfellow	1,144,940
Glade Buildings Limited	932,950
NZ Guardian Trust Company Limited – A/c 01036200	731,896
The Goodfellow Foundation Inc	518,687
Mary Dorcas Spackman	500,000
Auckland Medical Research Foundation	491,860
Craig Leonard Heatly & David Mark Tetro & Hayley Maree Pyle – Bell Investment A/C	435,503
John Heywood Taylor & Geoffrey Francis Lindberg – F V Lindberg A/C	406,314
Michael Walter Daniel & Nigel Geoffrey Ledgard Burton & Michael Murray Benjamin	400,000
David Gwyn Lewis & Elizabeth Patricia Fraser & Peter Clendon Joyce	400,000
Rica Limited	391,155
Donald Mervyn Tate & Mary Robin Tate	355,031
¹ New Zealand Central Securities Depository Limited provides a custodial depository service to institutional shareholders and does not have a beneficial interest in these shares. Its major holders are:	
Accident Compensation Corporation	2,214,637
Citibank Nominees (New Zealand) Limited	1,741,930
AMP Investments Strategic Equity Growth Fund	1,270,088
New Zealand Superannuation Fund Nominees Limited	1,094,825
National Nominees New Zealand Limited	973,495
NZGT Nominees Limited – AIF Equity Fund	842,691
ANZ Nominees Limited	788,919
AMP Life Limited	513,249
HSBC Nominees (New Zealand) Limited	403,339
NZ Guardian Trust Investment Nominees Limited	376,746

Statutory Information

Substantial Security Holders

According to notices given to the Company under the Securities Amendment Act 1988, as at 3 December 2007 the following were substantial security holders in the Company through having a relevant interest as below.

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

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

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

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

Directors Shareholding as at 30 September 2007

	Beneficial Interest		Non Beneficial Interest		Associated Persons	
	2007	2006	2007	2006	2007	2006
D G Anderson	171,952	171,952	-	-	287	287
E F Barratt	416,655	416,655	227,000	244,377	-	-
M P Bitossi	74,650	74,650	-	-	800	800
B S Cole	804	804	-	-	6,220	6,220
P J Goodfellow	127,200	127,200	-	-	-	-
W B Goodfellow	126,849	126,849	-	-	-	-
J G Todd	1,000	1,000	24,000	24,000	-	-

Mr Barratt is a Director of Sanford Investments Limited, trustee of the 2000 Staff Share Scheme.

Share Dealings by Directors

There were no shares traded by Directors during the year.

Directors Interest in Transactions

The Board passed a resolution on 27 March 2007 to amend the superannuation plan. Mr Barratt is a member of the plan.

The Board passed a resolution on 1 August 2007 to appoint AMP as KiwiSaver default scheme provider. Mr Todd declared a conflict of interest as he is a director of The New Zealand Guardian Trust Company Limited (trustee of the scheme).

Directors' Indemnity and Insurance

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



SANFORD LIMITED
SUSTAINABLE SEAFOOD

Directors Remuneration

	Director's Fee		Salary, Benefits and Other Payments	
	2007	2006	2007	2006
	\$	\$	\$	\$
During the year, Directors received the following remuneration (including the value of benefits):				
D G Anderson	38,000	37,500	-	-
E F Barratt	-	-	472,020	431,770
M P Bitossi	38,000	37,500	-	-
B S Cole	60,000	48,500	-	-
P J Goodfellow**	38,000	17,417	-	-
W B Goodfellow**	38,000	17,417	-	-
W D Goodfellow*	-	25,583	-	-
N L Mills*	-	20,083	-	-
J G Todd	38,000	37,500	-	-

* Retired April 2006.

** Appointed April 2006.

Employees Remuneration

	Number of Employees	
	2007	2006
During the year, the following numbers of employees received remuneration and other benefits that exceeded \$100,000:		
\$100,000 – \$109,999	9	6
\$110,000 – \$119,999	3	3
\$120,000 – \$129,999	3	3
\$130,000 – \$139,999	2	3
\$140,000 – \$149,999	4	4
\$150,000 – \$159,999	1	2
\$160,000 – \$169,999	1	-
\$170,000 – \$179,999	2	-
\$180,000 – \$189,999	-	2
\$200,000 – \$209,999	1	-
\$210,000 – \$219,999	-	1
\$220,000 – \$229,999	1	2
\$230,000 – \$239,999	2	2
\$240,000 – \$249,999	1	-
\$250,000 – \$259,999	1	-

Glossary

Annual Catch Entitlement (ACE)

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

Aquaculture Management Areas (AMAs)

Aquaculture management areas are areas zoned specifically to allow for marine farms. No new aquaculture is allowed unless it is inside an AMA and a resource consent is required for every marine farm in an AMA.

Coalition of Legal Toothfish Operators (COLTO)

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

Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR)

CCAMLR has 26 member countries that have established a commission that manages the marine living resources in waters surrounding Antarctica.

Deemed Values

Failure to accumulate sufficient ACE to cover catch by the end of the fishing year results in a deemed value liability – a monetary penalty. The deemed value rate for many fishstocks is ratcheted, ie the rate increases in line with the per cent of over-fishing for each fisher.

Exclusive Economic Zone (EEZ)

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

Fishery Management Areas (FMAs) / Fishstocks

There are 10 FMAs within the EEZ. For some species different FMAs are amalgamated. The fishstock is the combination of the species and area. For example, snapper in FMA 1 is fishstock SNA 1; HOK 1 covers all 10 FMA.

Fishing year

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

FishServe

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

Individual Transferable Quota (ITQ)

Individual Transferable Quota is the fundamental proportional property in any commercial fishery in the Quota Management System. This generates an Annual Catching Entitlement (ACE) each year. ITQ rights are maintained in a public register, are tradable in New Zealand, can be secured by registered mortgage and are issued in perpetuity.

ISO 14001

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

Kiwi Can

Kiwi Can was established to develop the "I Can" theme in schools allowing children to face and deal with challenge in their everyday life.

Marine Stewardship Council (MSC)

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

Maximum Sustainable Yield (MSY)

In relation to any stock, means the greatest yield that can be achieved over time while maintaining the stock's productive capacity, having regard to the population dynamics of the stock and any environmental factors that influence the stock.

Ministry of Fisheries (MFish)

The Ministry of Fisheries is a Government ministry whose primary purpose is to ensure that fisheries are sustainably used through an open and co-operative consultation with all user groups.

New Zealand Business Council for Sustainable Development (NZBCSD)

The NZBCSD provides business leadership as a catalyst for change toward sustainable development. It aims to demonstrate business progress in environmental and resource management and corporate social responsibility and to share leading-edge practices among members.

New Zealand Seafood Industry Council (SeaFIC)

SeaFIC represents and promotes the interests of all sectors of the fishing industry. It provides economic information and advice, co-ordination of industry resources, and enhancement of the industry's profile in the community.

Permit

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

Quota Management System (QMS)

The framework for the management of the main commercial fisheries in the New Zealand EEZ.

Southern Seabird Solutions

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

Total Allowable Catch (TAC)

The annual catch limit for each fishstock, determined before taking into account interests in the fisheries.

Total Allowable Commercial Catch (TACC)

The annual catch limit for each fishstock, determined after taking into account recreational and non-commercial interests in the fisheries.



Sanford welcomes your comments on our 2007 Annual and Sustainable Development Report

We would greatly appreciate your feedback on our Annual and Sustainable Development Report to help us develop an even better report next year. For your convenience we have prepaid the postage.

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

- | | | | | | |
|--------------------------------------|------------------------------------|------------------------------------|-------------------------------|-------------------------------|------------------------------------|
| Overall content: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Comprehensiveness: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Writing style: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Clarity of graphs and tables: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Pictures: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Layout and design: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| Credibility: | <input type="checkbox"/> Excellent | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |

Comments:

2) Which section appealed to you most? Why?

3) What would you like to see in future Annual and Sustainable Development Reports?

4) Do you have any additional comments or questions?

5) What stakeholder group do you belong to?

- | | | |
|--|---|---|
| <input type="checkbox"/> Sanford shareholder | <input type="checkbox"/> International customer | <input type="checkbox"/> New Zealand customer |
| <input type="checkbox"/> Sanford employee/family | <input type="checkbox"/> Contractor/supplier | <input type="checkbox"/> Community member |
| <input type="checkbox"/> Other (please specify) | | |

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

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Corporate Directory

Board of Directors

B S Cole, Chairman
J G Todd, CBE, Deputy Chairman
E F Barratt, Managing Director
D G Anderson
M P Bitossi, JP
P J Goodfellow
W B Goodfellow

Company Secretary

G L McNamara

Registered Office

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Email info@sanford.co.nz

Principal Bankers

ANZ National Bank Limited

Solicitors

Chapman Tripp
Fletcher Vautier Moore

Group Auditors

KPMG, Auckland

Stock Exchange

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

NZX Trading Code: SAN

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

Share Registrar

Computershare Investor Services Limited
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Enquiries

Shareholders with enquiries about transactions, change of address or dividend payments should contact Computershare Investor Services Limited.

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Email enquiry@computershare.co.nz

Other queries should be directed to the Company Secretary at the Registered Office.



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