SANFORD LIMITED

SUSTAINABLE SEAFOOD

Annual Report 2008

From sea to food – over 100 years of sustained growth

Corporate Directory

Board of Directors

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

Company Secretary

G L McNamara

Registered Office

22 Jellicoe Street
Freemans Bay
Auckland 1010
New Zealand

Postal Address

PO Box 443
Auckland 1140
New Zealand

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

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

Principal Bankers

ANZ 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 50 shares (price $5 to $10 per share) or 100 shares (price $2 to $5 per share).

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622
Private Bag 92 119, Victoria Street West
Auckland 1142, New Zealand

Telephone +64 9 488 8777
Facsimile +64 9 488 8787

Enquiries

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

Telephone +64 9 488 8777
Email enquiry@computershare.co.nz

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

Cover images Examples of increasing use of automation and technology.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Financial Summary

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for the year ended 30 September 2008

	2008# $000	2007# $000
Sales revenue	**436,564**	**367,920**
EBITDA*	**65,874**	**52,197**
Depreciation, amortisation and impairment	(22,359)	(13,635)
Net interest	(10,021)	(11,109)
Net currency exchange gains (losses)	5,505	(10,511)
Net gain on sale of investments, property, plant and equipment	29,749	425
Gain on sale of subsidiaries	–	7,528
Operating surplus before taxation	68,748	24,895
Less taxation	15,328	4,865
Operating surplus after taxation	53,420	20,030
Minority interests	(76)	105
Net surplus attributable to shareholders	**53,344**	**20,135**

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

\# Prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.

Contents

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

Board of Directors

Bruce Cole FCA, FNZIM
Formerly 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 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. In recent years he has held the position of Chairman of Watercare Services Limited, the Farmers Trading Company Limited, Motor Trade Finances Limited and several private companies.

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, 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.

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 Limited (formerly Fernz Corporation) since 1991 and is a director of a number of private investment and manufacturing companies as well as being Chairman of The St Kentigern Trust Board and Refrigeration Engineering Company Limited.

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

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

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 a 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

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The Directors are pleased to present the Annual Report of Sanford Limited for the year ended 30 September 2008.

B S Cole
Chairman
8 December 2008

E F Barratt
Managing Director

In writing the Directors' report and Chairman's review a year ago I expressed the dissatisfaction of the Board and executives with the level of results for the financial year ended 30 September 2007. In the same commentary I expressed our determination to improve and build from those results through pricing, improved marketing practices, product development, enhanced operational efficiencies and control of costs and an increasing use of technology.

While these may be held to be components central to any business growth they all require the exercise of careful management and judgements, strategically and operationally and in the investment of capital funds.

In his separate report, Mr Barratt will detail how these objectives have led to a strengthening of trading and profitability during a year of adverse exchange rates (the average US$ rate was 0.7546), high labour mobility and punitive fuel costs.

Sales for the financial year to 30 September 2008 totalled a record $436.6m, $68.6m (or 18.7%) ahead of the previous year. Group profitability after tax of $53.3m compares with $20.1m in the 2006/07 year and is inclusive of a one-off capital gain of $26.2m from the sale of our investment in Canadian company Fishery Products International Limited (FPI) and an asset impairment cost of $7.2m ($6.3m net of tax). During the 2007/08 year, prices for most products strengthened and, towards its close, a decline in exchange rates contributed an annual exchange gain of $5.5m pre-tax in comparison with a $10.5m loss a year earlier. The annual gain results from changes in exchange rates between the time of invoicing customers and the eventual conversion of the sales proceeds into New Zealand dollars. Some conversions were delayed in the final months of the year to take advantage of the declining rates. During the year a $40m reduction in term debt was effected.

Sanford's 40% investment in the Weihai Dong Won Food Company Limited (WDWF) in China continues to accrue in value and importance in developing product ranges and market diversity internationally. In Canada, an investment valued at $9.1m at balance date continues to be held in High Liner Foods Incorporated (HLF), a publicly listed company which purchased part of the FPI business.

The 2008/09 financial year gets under way with a good deal of uncertainty about the extent and duration of the international economic downturn and its impacts on prices and demand.

Offsetting this, lower exchange rates, reduced fuel costs, an enhanced operational base, the growth of domestic and

Directors' Report and Chairman's Review

Australian markets, the status of fish as a valuable protein food and, importantly, the quality of our management and staff are all positives with which we commenced the new financial year.

Priorities for the year will see Board and Management continuing to build on the strengths of Sanford in all operations and, financially, to build cash flows to manage and balance levels of debt with investment, capital expenditures and shareholder rewards.

Dividends

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

Sustainable Seafood

The Board continues its commitment to the Sustainable Seafood philosophy of Sanford and to make detailed reporting on progress to Shareholders and other interested stakeholders. In line with good practice the Sustainable Development Report is available for download from www.sanford.co.nz. Sanford was again recognised by jointly winning the award from the Institute of Chartered Accountants for its 2007 Sustainable Development Report.

International Financial Reporting Standards

Adoption of International Financial Reporting Standards (IFRS) has required a significant additional effort by our accounting and finance team, our auditors and, at times, external advisors. The effect is that the financial accounts and notes have now doubled in volume. The standards have not led to any material impact on our results and it is questionable whether investors are better informed.

Auditors

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

Corporate Governance

Sanford 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. The Board has determined that these activities 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 governance and ethical conduct because of the sensitivity and regulatory issues of the industry in which Sanford operates. Its responsibilities include areas of stewardship such as the identification and control of business risks, the integrity of management systems and the quality and relevance of reporting to Shareholders. 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 operational objectives 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.

Breaded hoki, processed at Weihai Dong Won

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 the Board to review 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 interests of Shareholders. The Board comprises seven Directors and has determined that four of the current Directors are independent (Messrs Anderson, Cole, Norling and Todd). Three Directors, Mr E F Barratt (Managing Director), Mr P J Goodfellow and Dr W B 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.

Messrs B S Cole and J G Todd retire by rotation and both seek re-election at the Annual Meeting.

Following the Annual Meeting last year, Mr P G Norling was appointed to the Board. With his extensive background in corporate finance, he has made a valuable contribution to the Board and the Company over the past year. Mr Norling seeks election at the Annual Meeting.

The positions of Chairman of the Board and Managing Director are not held as one office. 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 three committees to reinforce corporate governance practice.

- Audit Committee

The Audit Committee comprises a majority of independent Directors, and no executive Directors are members. Mr J G Todd is Chairman and Messrs B S Cole and P J Goodfellow are members and all have accounting and financial backgrounds.

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.

San Enterprise in dry-dock

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, and the internal auditors, Ernst & Young. The Auditors have direct access to the Audit Committee.

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

The Audit Committee also reviews the adequacy of the Group's insurance policies, as well as approving applications for share trading by Directors and executives. With the adoption of IFRS the Committee had an increased workload during the financial year in considering how the new Standards should be adopted and reported.

Directors' Report and Chairman's Review

• 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 Committee consists of the whole Board and met once during the year.

Directors' Meetings

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

	Directors	Audit	Remuneration	Nominations
D G Anderson	9		1	1
E F Barratt	9			1
B S Cole	9	3	1	1
P J Goodfellow	8	3		1
W B Goodfellow	9		1	1
P G Norling*	8			
J G Todd	9	3		1
Number of Meetings	**9**	**3**	**1**	**1**

* Appointed January 2008

Share Trading by Directors

The Constitution requires that a Director hold 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 other external audit processes, systems and reporting in place with respect to safe ship management, environmental management, Accident Compensation Commission (accredited employer programme), sustainable development, finance and taxation, licensed fish-receiving, and health and safety. Group policies require management and staff to comply fully with all legislative and operational requirements of authorities in all jurisdictions within which the Company operates.

No 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. During the current financial year, Directors commissioned a review by the Institute of Directors of fees paid to Directors in companies of a similar size and complexity as Sanford. Following receipt of that review, Directors deemed it appropriate to recommend that Shareholders approve an increase in the maximum level of Directors' fees from a total of $250,000 to $400,000. In the past year, Directors were paid fees of $250,000. No other remuneration is paid to Directors by way of expense allowances or future pension entitlements. The sensitivity, recently, of such fee increases is respected but not considered a deterrent, having regard for the years since the last increase and the quantum overall.

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 of usual reporting timeframes, concerned the change of Board membership in January 2008.

The Company website www.sanford.co.nz provides extensive information about 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 their wealth. Consultations with interested share-market analysts and investors on half and full-year results and other Company developments also occur at regular intervals, consistent with the continuous disclosure rules of the New Zealand Stock Exchange.

The venue for this year's Annual Meeting will be the Ellerslie Event Centre at the Ellerslie Racecourse, Greenlane, Auckland, at 2.00pm, Wednesday 28 January 2009.

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

Conclusion

Within the fishing industry Sanford is a strong force and advocate in encouraging best practice, growth and innovation and in supporting the industry's advocacies for responsible freedom of action.

With prevailing lower exchange rates, exporting has a renewed opportunity to contribute to the growth and prosperity of the New Zealand economy. The extent and success of that opportunity will be governed by many factors, economic and other, beyond the control of companies like Sanford but they must be addressed aggressively and through confidence in ourselves, our products and our environment. Sanford will not be found wanting in its responses.

In closing this commentary on the financial year, I would be remiss if I did not acknowledge the quality of the work and contribution of my fellow Board members and of Mr Barratt, his executive team and the Sanford staff at large. Shareholders and Board are remarkably well served by the skills of our staff and by their commitment to the pursuit of excellence.

B S Cole
Chairman

8 December 2008

Packing jack mackerel, Tauranga

Overview and Highlights

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

Summary Group Income Statement	12 Months to 30 Sep 2008	6 Months to 30 Sep 2008	6 Months to 31 Mar 2008	12 Months to 30 Sep 2007
	$000	$000	$000	$000
Revenue	436,564	218,461	218,103	367,920
EBITDA	65,874	30,376	35,498	52,197
Depreciation, amortisation and impairment	(22,359)	(8,216)	(14,143)	(13,635)
Net interest	(10,021)	(4,131)	(5,890)	(11,109)
Net foreign exchange gains (losses)	5,505	7,556	(2,051)	(10,511)
Net gain on sale of assets and investments	29,749	2,549	27,200	7,953
Operating surplus before taxation	**68,748**	**28,134**	**40,614**	**24,895**
Less taxation	15,328	10,073	5,255	4,865
Operating surplus after taxation	**53,420**	**18,061**	**35,359**	**20,030**
Minority interests	(76)	(10)	(66)	105
Net surplus attributed to shareholders	**53,344**	**18,051**	**35,293**	**20,135**

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

New mussel sourcing vessel, San Sinikka, Havelock

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

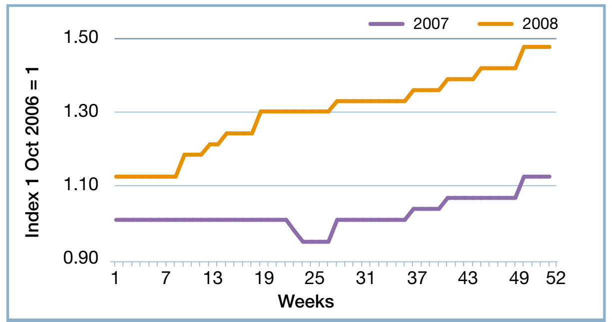
- Markets for most of our main species increased throughout the year. Graphs showing some of these price rises are shown in this report. The three most significant prices that impacted our results were hoki fillets, half-shell mussels and skipjack tuna. At the end of the year hoki and Greenshell mussels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

Markets and Pricing

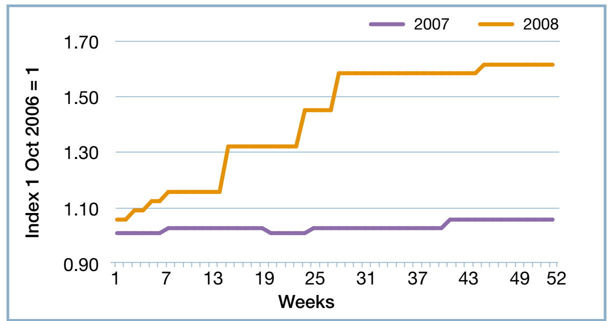
Seafood prices continued to increase over the second period of the year. Strong demand continued, particularly in Europe and Eastern Europe, although markets in Australia, Africa and the Middle East increased over previous years. The health aspects of seafood continues to drive demand in most Western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

Managing Director's Review

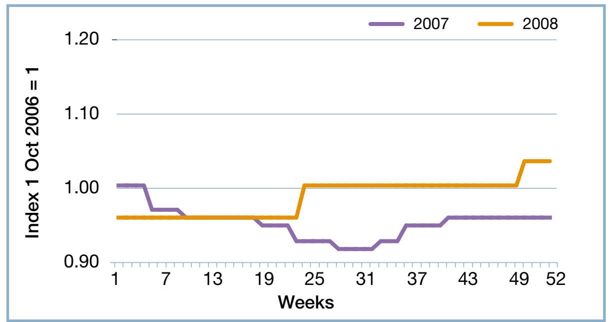
Some examples of the increase in seafood prices for a range of species are shown in the following graphs. These illustrate the trend in prices this year, compared to last year, with all pricing indexed to 1 October 2006.



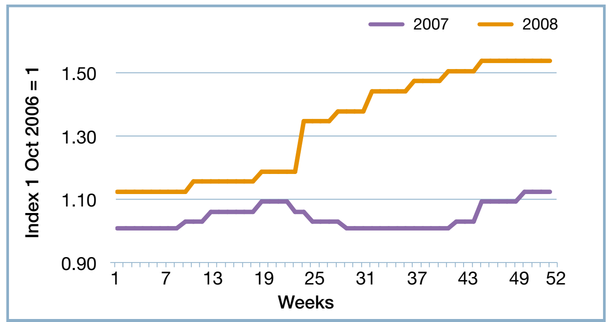
Hoki Fillets Price Comparison



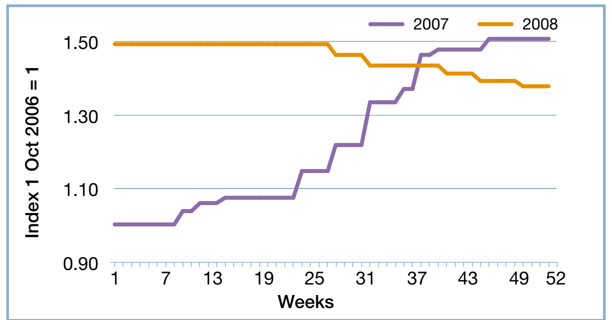
Hoki Fillet Block Price Comparison



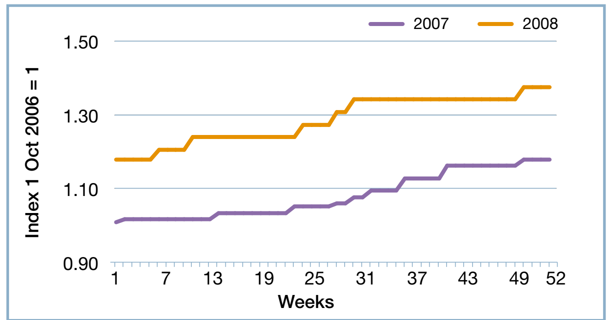
Orange Roughy Price Comparison



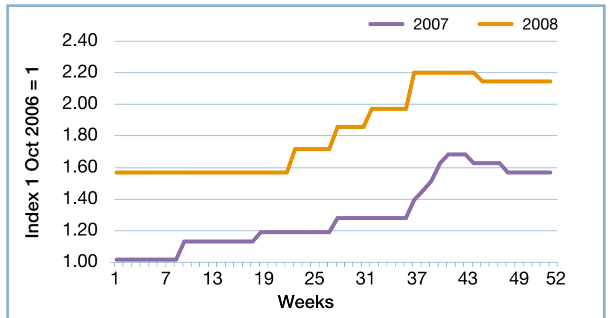
Half-Shell Mussels Price Comparison



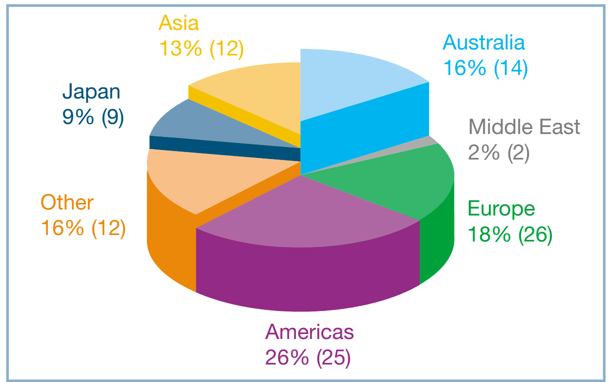
Ling Fillets Price Comparison



Smooth Dory Price Comparison

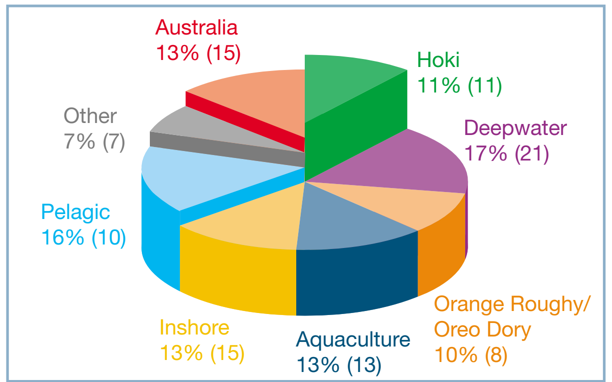


Skipjack Tuna Price Comparison



Export Percentages 2008 (2007)

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



Approximate Percentages Species Sales 2008 (2007)

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

New Developments and New Technologies Assist

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

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

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

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

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

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

Exchange Rate Analysis

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

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

Since balance date, we have begun progressively building forward exchange cover for a proportion of projected US dollar and Japanese Yen receipts over the coming year. At the date of writing we have covered approximately 20% of US dollar and 35% of Japanese Yen receipts.

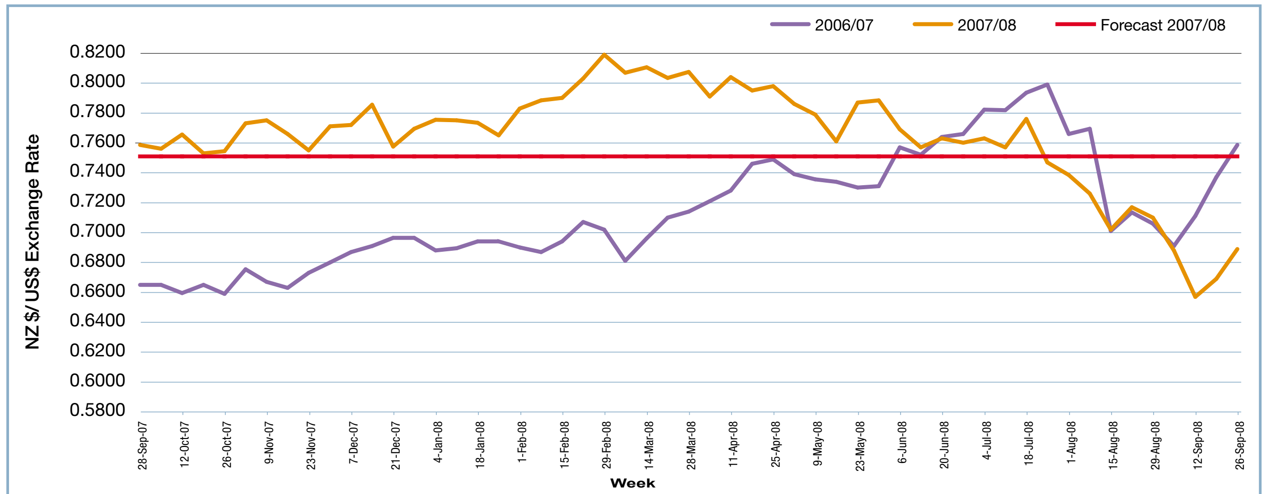
International Investments

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

Improved profitability of WDWF has been achieved this year despite a continual strengthening of the Chinese Yuan, production changes required to fit with the Olympics in China in August and September and some demand variability based on food safety issues internationally associated with product manufactured in China. There have been no food safety issues with this plant and its products, and customer and regulatory audits have confirmed its reputation as one of the best seafood-processing plants in China.

High Liner Foods Incorporated (Canada) (www.highlinerfoods.com)

Consequent to our sale of FPI shares, we acquired 425,000 ordinary shares and 425,000 non-voting ordinary shares in HLF (representing just under 5% of the total shares of the company). This company acquired the marketing and manufacturing business of FPI and is in the process of merging operations with its existing United States and Canada businesses. Results for its nine months to 30 September 2008 have just been announced and earnings have increased by 184% and annual dividend per share is C$0.25 this year compared to C$0.20 in 2007/08. Share prices in Canada (as with all international markets) have decreased and are currently trading in a range of C$7.00 to C$8.00 (voting shares) and C$5.00 to C$7.00 for non-voting shares. WDWF currently processes a range of products for HLF.



US$ (Accounting) Exchange Rate

Weihai Dong Won No. 2 plant, Weihai, China

Impairment Charge

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

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

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

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

Sustainable Development

We value the full integration of sustainability that we have within the Company and regard reporting as an important part of that process. In the current market we believe, more than ever, that there is considerable advantage to being an industry leader in sustainable practices. The business case for sustainability continues to be made by:

- encouraging customer and consumer loyalty through reliability of supply, and commitment to improving process and returns in the long term;
- increasing supplier participation and commitment to sustainable development principles;
- maintaining and enhancing relations with the communities in which we operate;
- reducing environmental impacts and the costs of resources used;
- strengthening of relationships and providing confidence to regulators, banks, insurers and financial markets;
- attracting and retaining loyal and committed staff. Fishing and aquaculture have the distinct advantage of being from renewable sources, if managed responsibly.

As a well-established seafood company, Sanford has since 1998 adopted and supported "Sustainable Seafood" as its motto. We subscribe to the New Zealand Quota Management System (QMS), which ensures the long-term health of New Zealand's wild fish stocks, and actively invest in sustainable aquaculture projects.

Beach clean-up, Whangaroa Harbour, Kaeo

We also recognise the need for the business to be sustainable in all its activities. As part of the Environmental Management System (EMS) review, we recognised the need and this year developed a more comprehensive Sustainability Policy, which can be viewed at www.sanford.co.nz. This policy is designed to complement the existing environmental policy, which underpins the EMS. It is also to ensure we assess our business decisions for environmental, social and economic sustainability to ensure continuous improvement and growth of the Company and enduring stakeholder benefit.

The Emissions Trading Scheme Bill has a potentially huge impact on the economic sustainability of the New Zealand fishing sector. The allocation of units, equal to 50% of the impact of fuel costs for a three-year period, will help lessen the blow somewhat. However, in an industry that is heavily reliant on fuel for energy, these costs, combined with rising fuel prices, mean fuel-saving initiatives are even more important. The recently elected National Government has committed to increase the industry allocation of units up to 90% which is a far more realistic position for the industry and Sanford.

Operating in a socially responsible manner and supporting those communities in which we operate remains key to the sustainability of Sanford. The ongoing viability of some of these communities is essential for us in continuing to access the hard-working and diligent pool of labour that we presently have within our fishing fleets, marine farms and processing factories.

Sanford continues to respond to stakeholders by reporting our progress as comprehensively as possible. This year, defining the report content, including the materiality of topics, was completed by a process of collaboration and consensus. A list of draft topics was circulated to the executive team and the feedback was then discussed at their meeting in early September and the inclusion and priority of each topic was agreed. We have aimed to report topics of relevance and interest, as well as the outcomes of our activities during the 2008 financial year.

In line with our Sustainability Policy, we have not printed and distributed our Sustainable Development Report to Shareholders but it is available on our website www.sanford.co.nz or a copy can be requested by email to info@sanford.co.nz.

Industry Issues

In the fishing industry Sanford is a strong force and advocate in encouraging best practice, growth and innovation and in supporting the industry's advocacies for responsible freedom of action and relief from, at least, some of the frustrations and costs of decisions imposed on industry.

In addition, as a diverse industry, fishing has to address the advocacies of community groups, many self-appointed, whose interests seem best served by promoting contentions and restrictions. We know that fishing does, and will in the future, make significant contributions to exporting, to the New Zealand economy in general and to the growth of employment and national wealth. To achieve this outcome we support any initiatives that offer opportunities for co-operation and open discussion based on valid information and on a mutual wish to balance any risk of conflict between needs and interests of our important industry and its people with those of the wider community. Responding to these issues consumes a significant proportion of both time and human resource but ignoring them runs the risk that they are ultimately decided in a manner that is adverse to the well-being of the Company.

Quota Issues – Deemed Values

The increases in deemed values that took effect from 1 October 2007 have had a dramatic impact on modifying industry behaviour, such that almost all operators have been able to constrain their catch to their quota holdings. That is a pleasing outcome and augurs well for the future sustainability of fish stocks in New Zealand.

Section 13 – Fisheries Act 1996

A technical amendment to the Fisheries Act was passed through Parliament during the year. This Bill was intended to amend section 13 of the Fisheries Act 1996 to enable a total allowable catch (TAC) to be set under section 13 where the current biomass that can produce the maximum sustainable yield (MSY) cannot be estimated reliably for a stock. Sanford supported this amendment in the interests of the long-term sustainability of our quota assets.

Shared Fisheries – Official Joint Sector Working Group

Slow progress is being made to date by a joint fisheries sector working group to consider the sharing of fisheries' resources between sectors and consisting of members from Te Ohu Kaimoana, the Seafood Industry Council and the New Zealand Recreational Fishing Council. The Ministry of Fisheries (MFish) has released a proposal for consultation to introduce regulations that would require all recreational charter vessel operators to register their vessels with MFish and report monthly on their fishing activities.

Supreme Court – Kahawai

The recreational sector has requested and been granted leave to appeal against the Court of Appeal's decision to the Supreme Court. The matter is likely to be heard in early 2009.

Maori Commercial Aquaculture Claims Settlement

Sanford welcomes the early agreement in principle between iwi Maori and the Crown for a one-off cash payment of $97m in full and final settlement of the current Crown obligations for "pre-commencement space" or aquaculture space that was approved between 21 September 1992 and 31 December 2004 under the previous marine farming regime. The earlier settlement arrangements were fraught with difficulty and almost impossible to deliver on. The Minister of Fisheries has released a plan for consultation on the Maori Commercial Aquaculture Settlement.

Managing Director's Review

HOME

Bridge electronics on the San Enterprise

Outlook for the Coming Year

Economic Situation and International Markets

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

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

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

The significant strengthening of the US dollar and Japanese Yen against most other currencies has also been causing considerable disruption in the marketplace.

Buyers in a range of markets are committing to sales in US dollars, only to have their domestic currency subsequently undergo a sizeable depreciation (for example Euros, Sterling, Korean Won and the South African Rand). There have already been some instances where customers have simply cancelled their contracts or sought to defer them in the hope that their domestic market conditions will improve.

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

Exchange Rate and Fuel Prices

On the positive side, the far more favourable exchange rate and fuel pricing environment will provide opportunities for increased returns from many of our species. We are now taking forward currency hedges in US dollars and Japanese Yen for the sales in the coming year and may decide to extend that cover out to two years. The current exchange rate levels (US$0.54 and JPY 51) are attractive to our operations and provide opportunity for improved profitability in the 2008/09 year.

Operations

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

Acknowledgements

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

E F Barratt
Managing Director

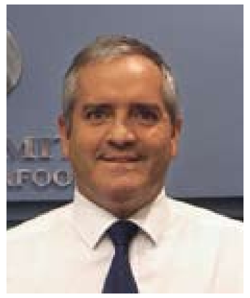
8 December 2008

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

We are again sending Shareholders a voucher to purchase discounted seafood or to 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 Manukau City and Lambton Quay, Wellington, Oceanz Auckland shops and "What a Catch" shop in Sydenham, Christchurch. Full address details of each location are shown on the voucher.

Inshore Fishing and Processing Division



Shane Walsh
Inshore Manager

Overview

The inshore fishing and processing division had a very good year with a profit ahead of expectations. Increased demand for orange roughy fillets throughout the year had a positive effect on sales and contributed significantly to the profit after allowing for the additional processing costs.

Skipjack tuna catches landed into Tauranga in the second quarter, at record prices and volumes, also made a significant positive contribution. Lower catches of trevally and blue mackerel in the North Island and red cod and barracouta in the South Island reduced sales of these species. Sales of a backlog of blue mackerel stocks helped improve profitability in the second six months.

The welcome exchange rate improvement near the end of the final quarter had a positive effect on the prices of some species but did not have a significant impact on the final result for the year.

Operations

Auckland

The sad loss of two lives with the grounding of the San Cuvier in July cast an emotional shadow over the year's results.

An Auckland supermarket displaying fish filleted at our Auckland factory

The year had already been difficult with ever-increasing fuel prices and several major repair and maintenance issues impacting the financial results of fishing. However, the fleet has been successful in improving fishing patterns to ensure fish was available to match export and local market demand for a consistent supply of fresh fish. The Auckland factory had a busy year with significant growth in processing for supermarket supply and increased volumes of orange roughy fillets.

Remote buyer purchasing from the Auckland Fish Market auction

Auckland Fish Market

The auction had another strong performance although there was a quieter period in the third quarter. However, the fourth quarter picked up again as supplies of fish tightened towards the end of the quota year. An increased number of buyers ensured good prices and volumes were achieved for most species and as a result, turnover and profitability were ahead of expectations.

The seafood school continued its positive growth with turnover increasing by 30% and the number of people attending classes up by 15%. An arrangement to rent the school facilities to a training provider in off-peak hours assisted in improving returns.

Tauranga

Tauranga had a very pleasing year, greatly assisted by good skipjack tuna catches during a period when market prices were buoyant. The purse seine vessels performed well, despite some unbudgeted repair expenditure. The vessels benefited from investment in process equipment which has increased the factory throughput of smaller-sized fish, mainly jack mackerel. This has enabled quicker vessel unloading times and additional time in which vessels are able to fish. Blue mackerel catches in the first and last quarter were poor compared to the previous year but this was mitigated by favourable catches of skipjack tuna and jack mackerel.

Tauranga purse seiner circling a school of fish

Returns from our Export Cold Storage facilities were above expectations despite some planned maintenance which made some stores unavailable for periods during the year.

The lower volume of meat through the blast freezers and into storage as a result of the summer drought was more than compensated by the good skipjack tuna and jack mackerel volumes.

Timaru

Timaru had a successful year, benefiting from the sales of increased processing volumes of orange roughy fillets. The vessels based in Timaru had a difficult year with poor catches of red cod and barracouta, but one vessel was successfully deployed to fish in the North Island for a short period.

Results from the production of fishmeal were improved due to yield improvements from new plant introduced last year and to strong demand and prices for meal and oil.

The San Won coldstore performance was below expectations with inventories held for Sanford and other parties being around 25% lower than in previous years. This is a reflection of the much stronger market prices for fish products during the financial year.

Packing orange roughy fillets in Timaru

Bluff

Independent quota owners' landings of inshore wetfish were on a par with last year and less deepwater reprocessing was required to supplement inshore species and salmon processing. The recent addition of the Jones Group quota will add to volumes of fish being caught and processed through our existing facilities.

Challenges and Opportunities

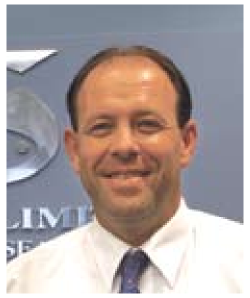
Opportunities to grow our business will continue to be sought as well as areas in which we can work together with other industry players to develop more co-operative business arrangements. There is still a need to more effectively capitalise on vessels and processing facilities that are available. At the same time, ongoing investment will be made in technology that helps to increase the efficiency of our own operations. This coming year we will focus on installing new technology into Auckland and Tauranga which will significantly enhance the performance of these operations. Efforts will also be maintained to rationalise and upgrade our fishing fleet to improve catching, vessel and fuel efficiency.

In addition, attention will be given to packaging to ensure our packaging standards and product appearance meet customers' expectations. Any opportunities for growth through acquisition will be investigated and pursued if we are confident such investment will generate acceptable returns.

The Auckland Fish Market retail complex, auction and seafood school together with the Auckland Seafood Festival will continue to be used as tools to educate, promote and grow local market seafood consumption. We are actively working on the Auckland City Council's plan change proposal to ensure it does not affect our future profitability and ability to expand. More information is available in our Sustainable Development Report available online at www.sanford.co.nz.

We will persist with the selection and development of 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

Overall, the deepwater division catch and processing performance was well ahead of expectations and achieved with less catching effort than the previous year, a credit to all personnel. This improved performance has to some degree helped to offset the effects of the high exchange rate and additional fuel costs incurred during the year.

At the peak of the fuel price escalation, Sanford was paying 75% above our forecast fuel price and experiencing short-term pricing fluctuations at unprecedented levels. Managing this risk and absorbing such costs within the operation have been difficult and have impacted on the division's annual contribution. We hope the rapid price reductions in late 2008 result in a return to more acceptable pricing levels. Fuel efficiency, in both consumption and cost, remains a constant target. Three of the larger vessels are in the process of being converted to a cheaper alternative grade of fuel, which we expect to be using by the second half of the 2008/09 financial year.

Co-operation between those companies involved in New Zealand's deepwater fisheries, represented by the Deepwater Stakeholders Group (DWG), continues to grow, as does our working relationship with the Ministry of Fisheries (MFish) and other regulatory authorities. However, there are constant challenges in ensuring that the industry collectively pursues responsible and disciplined processes and at times the lack of internal industry discipline works against us. Pursuing responsible and disciplined actions amongst all industry members remains a major trial for the DWG and one where Sanford and other like-minded companies are seeking greater incentives to encourage this to happen.

Crew stability at officer level is very good and the Company is well served by an experienced and dedicated team of sea-going personnel. While in the lower-level crew positions there has been some improved stability, possibly attributable to tougher economic times and the increasing unemployment rate, turnover in some other areas is higher than desirable.

We continue to invest in and support industry training, education and recruitment initiatives to attract keen and competent people to rewarding sea-going positions.

Engineering and vessel management staff have been particularly busy this year, with five vessels having completed significant engineering surveys during the year. A number of large engineering projects and major overhauls/repairs have also been carried out during the year, which has been a real challenge for those involved.

Seabird, marine mammal by-catch and benthic impacts remain a focus of government and public interest. These areas have the potential to affect operations through the actions of external parties. Development and regulation in this area continues to progress and crews/vessels are adapting as necessary.

San Enterprise and San Aspiring alongside San Won Coldstore, looking sharp after dry-dock surveys

Fillet Trawlers – San Discovery/San Enterprise

The San Discovery and San Enterprise have once again improved their catches from the previous year. Since 2004, these two vessels have become progressively more proficient at targeting and harvesting a broader range of species and processing these into a number of different states. For the first time, both vessels participated in the southern blue whiting fishery in the Southern Ocean this year, with excellent results. This versatility and the skills gained in recent years positions these vessels well to harvest various species as and when opportunities arise.

Results from MFish's surveys of hoki trawls in the Southern Ocean (December 2007) and the Chatham Rise (January and February 2008) produced results consistent with a rebuilding fish stock and has cast further doubt on the accuracy of the unexpected results from the 2006/07

surveys. If this pattern of increasing biomass continues, there will be the potential for catch limits to be increased some time in the future.

San Discovery factory management staff participating in the post-discharge, shore-based quality checks

Longline Vessels – San Aotea II/San Aspiring

The San Aotea II has targeted both ling and toothfish during the year, while the San Aspiring had a full year on toothfish in the Ross Sea and in South Georgia and the South Sandwich Islands (SGSSI), before undertaking a scheduled dry-dock period.

The Ross Sea summer season was particularly difficult during the 2007/08 year due to heavy ice conditions and a total of 15 vessels participating in the exploratory fishery, resulting in lower-than-anticipated toothfish catch from the fishery. The application to fish in the Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR) areas for the 2008/09 season has recently been approved and the first vessel will depart shortly for the Ross Sea. The Marine Stewardship Council (MSC) certification process for the Ross Sea fishery is progressing according to schedule.

The San Aspiring crew perform the haka on an iceberg in the Ross Sea

Over winter the San Aotea II had some good trips targeting ling in the Southern Ocean and on the Chatham Rise, while the San Aspiring achieved an excellent winter season in the SGSSI fisheries.

Scampi Fleet

While the 2007/08 fishing year started and ended with good scampi catches in all areas, catch rates declined quite significantly during the middle six months of the year for some unexplained reason. Lost fishing days this year have been predominately due to vessel lay-ups for planned maintenance, extensive engineering surveys, bad weather and emergency breakdown work.

The performance of the scampi vessels has been disappointing and changes have been put in place in an attempt to improve the results for the coming year. These include: fleet reconfiguration, increased management input and revised catch plans.

Scampi vessel, Mutual Enterprise

In March 2008, the National Institute of Water & Atmospheric Research (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.

Trawler – San Waitaki

In September 2007 the major orange roughy and oreo dory quota owners agreed to pool their annual catch entitlement (ACE) and operate a co-operative catching arrangement designed to achieve this ACE in the most efficient and cost-effective manner. This initiative has proved to be very successful and has resulted in a range of flow-on benefits. For example, less fuel burnt to catch the fish, less trawls deployed therefore less benthos impact, as well as reduced marine mammal and seabird interactions.

Deepwater Fishing Division

The San Waitaki was Sanford's vessel involved in this co-operative catching arrangement, having a very productive year with total catch well ahead of expectations. This initiative will continue in the coming fishing year.

For the sixth 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.

The refurbishment and upgrade of the fishmeal plant, commissioned in October 2007, has proved very successful. The new technology installed has allowed fish oil to be extracted and the remaining offal converted to fishmeal, a process previously not possible from these species.

The Dong Won No. 519, just off the slip after survey

Charter Operations

We continue our successful arrangements with the charter of four Korean trawlers, three vessels from Dong Won Fisheries Company Limited and one vessel from Juahm Industries Limited.

Government and Department of Labour (DoL) processes required for the employment of foreign crew in New Zealand continue to be challenging despite the obvious benefits that flow from the use of well-managed charter vessels (as a complement to a New Zealand fleet) given the variable and seasonal nature of some of our fisheries. Previous government policy continued to push for more regulation with attendant cost increases and this remains an area of uncertainty with potential for significant impacts on charter operations.

With the support from the major participants in the industry, MFish this year introduced a range of measures to improve the overall standard for foreign charter vessels operating in New Zealand waters. As part of this requirement, Maritime New Zealand will require all foreign charter vessels to comply with the same safety standards as comparable New Zealand vessels. Where these standards differ from and exceed the flag state standards, it will require upgrading of the vessels.

Challenges and Opportunities

We are hopeful that the new government will bring a more pragmatic approach to the regulatory framework that controls the seafood industry and reduce the compliance costs that burden our bottom line, all for sometimes questionable benefit to New Zealand and Shareholders' wealth.

Collaboration with other leading fishing companies has produced some tangible benefits and we must consider other opportunities to utilise this type of model in future. The harsh economic conditions we currently and are likely 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.

Oil extraction technology, such as that installed on the San Waitaki, will be duplicated on other vessels in the coming year, thus improving our utilisation of the waste stream while reducing our fuel costs and carbon footprint, and increasing revenue.

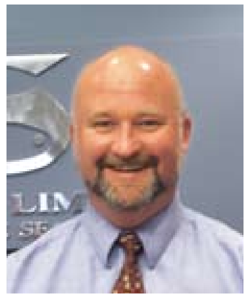
Cost control and in particular fuel efficiency remain a key focus of the division with numerous options already explored and many more in progress.

We are fortunate in having a dedicated team within the division and are well placed to make a strong contribution in the coming year.

Things get pretty cold in Antarctic waters!

Aquaculture Division

HOME



Ted Culley
Aquaculture Manager

The performance of the aquaculture division was below expectations and at a similar level of contribution to last year. High exchange rates, increasing costs, microbiological issues at Havelock, and a difficult salmon market were the main reasons for the lower-than-expected performance. Impacts on the business as a result were mitigated by stronger mussel prices, and production volume increases of both oysters and Greenshell mussels.

The 2008 salmon harvest was delayed by one month to optimise the fish sizes required by the market at time of harvest.

Laying out oyster bags in Kerikeri Inlet

Demand for Greenshell half-shell mussels has been very strong during the second half of the year and prices have increased substantially in all the major markets. Markets for meat prices were steady but have not increased to the extent of half-shell and accordingly we have increased the proportion of half-shell processed.

Demand and prices for oysters have again improved this year and new season production was exported directly to market, reducing inventories at year-end.

The industry body, Aquaculture New Zealand, launched in June 2007, has been influential in gaining agreement from government to undertake an independent review of the failed Aquaculture Law reforms introduced in January 2005. The current legislation is still choked with complexity and uncertainty for all involved: industry, central government and regional councils. Accordingly, there has still been no aquaculture water space allocated under this legislation.

Aquaculture Division

Kaeo

Oyster production was ahead of expectations and last year's levels. Increased volumes of oysters were sourced from independent growers when ability to harvest from our own farms was restricted by rainfall closures. This enabled our processing plant to be less impacted by 30 rainfall closures this year compared to 50 the previous year.

Work continues on testing alternative farming methodologies (including hatchery spat) at various locations seeking to improve the productivity per hectare from our growing waters.

Greenshell™ Mussels, Coromandel

Coromandel harvest volumes were significantly ahead of expectations and 2006/07 results. Crop produced in excess of our shared processing capacity was sold to the other shareholders at the joint-toll processing facility in Tauranga.

Our operations in the Firth of Thames area were not impacted by bio-toxin events and had a good start to the growing year. The season finished at a similar time to last year with mussels spawning in late July and mussel condition dropping back for a month prior to that.

The sea squirt *(Steyla clayva)* has established its presence in the Firth of Thames growing area and we are investigating methods to control this in our operations. This organism competes with the target crop for space on the growing lines.

The contribution of 33%-owned North Island Mussel Processors Limited (NIMPL) was less than expected with the plant having limited access to product at the end of the season and smaller-sized mussels than anticipated. Labour turnover was also higher during peak seasonal demand for workers in the Bay of Plenty.

Redevelopment and expansion of the NIMPL plant will take place over the next financial year to cater for the predicted increase in farmed production from the Coromandel growing areas in 2009 and 2010.

The Coromandel lobster plant had a good season and performed better than expected with the quota allocation being fully caught and some extra quota leased in. Prices for crayfish were steady throughout the year.

Greenshell™ Mussels, Havelock

Mussel volumes from the processing plant were in line with expectations but slightly below last year. Harvesting was not affected by bio-toxins and rainfall closures (12 days) were the same as in 2006/07. Improvements in our farming systems over the past two years will increase our farmed volumes in the coming year. This year we also contracted a number of new independent growers which will increase the raw material we have available for processing.

A new sourcing vessel, the San Sinikka, with an increased lifting capacity and a higher cruising speed, will improve our ability to inspect product and ensure the factory is supplied with the best product available particularly following rainfall events.

Automatic mussel-opening machine line, Havelock

In January, five dual-head automatic opening machines were installed in the Havelock plant. These machines were refined as they were brought into full production mode and the line is now processing seven greenweight tonnes per shift. They will be operated on two shifts next year, further increasing our automated processing.

We are now working on plans to introduce this equipment in conjunction with possible new cooking technology that will improve the yield of the product and reduce our power consumption.

Further improvements to the mussel grading equipment are scheduled for this coming financial year and we will continue our focus on improving efficiency and product quality.

New salmon farm cage leaving Bluff for Stewart Island

Greenshell™ Mussels, Stewart Island and Bluff

Our mussel farms in Big Glory Bay on Stewart Island had no rainfall or bio-toxin events this year. Additional product was secured from independent growers on Stewart Island which enabled the processing plant to move to two shifts in January and accordingly the processed volume was well ahead of last year. The second shift, which created 30 new jobs within the Bluff community, soon lifted production levels to be in line with the day shift.

King Salmon, Stewart Island and Bluff

The level of salmon production was lower than expectations as we delayed the commencement of harvesting to optimise and increase the size grade of fish to meet market requirements. Both Waitaki and Kaitangata hatcheries have performed to forecast this year, producing sufficient high-quality smolt for the expanded farm production.

During the year, we took a shareholding in partnership with other salmon producers to acquire the NIWA hatchery at Silverstream, near Christchurch. This will increase our access to hatchery capacity and spread our smolt production risk.

In our continual quest to improve quality we moved to harvesting salmon in Stewart Island overnight to allow processing of product in Bluff the following day. This has led to improved flesh quality and an ability to deliver higher-quality product to fresh airfreight and frozen salmon customers.

On Stewart Island the upgrading and expansion of our salmon farms is well under way and progressing according to plan. This means that the grower farm on the 47-South site is now in place and operating with the new feeding technology, and we are very pleased with the results to date. The farm development on the Kiwa site will be completed and fully operational in March 2009.

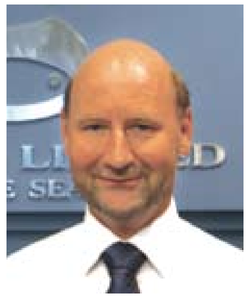
Challenges and Opportunities

The biggest challenge for the coming year will be to hold the strong market prices in the face of the global financial crisis. Over the next year, the division will need to continue to maintain its firm control on costs to try and maximise the benefit of any exchange rate gains.

We continue to investigate options for the purchase of additional farms or to expand independent grower relationships that will provide the division with increased access and security of raw material supply.

Research projects on new fish species are being progressed. Production trials on new post-harvest handling processes for mussels will be undertaken next year which will add value to both the farms and the processing sector.

Pacific Tuna Division



Vaughan Wilkinson
Business Development Manager

Following on from last year's result, the Pacific tuna division again produced a positive performance that was well ahead of expectations with the total catch and revenues up on the previous year. This was a pleasing outcome given that one vessel (Ocean Breeze) underwent its four-yearly out-of-water survey in Fiji which meant it was absent from the fishing grounds for about two months.

All three vessels remained operating in the Western and Central Pacific Ocean (WCPO) throughout the year. None of the vessels were relocated to New Zealand to fish the summer skipjack season because the combination of high fuel prices and the loss of fishing time transiting to and from the WCPO grounds made it prohibitively expensive to do so. The overall catch was improved over the previous year, with all three vessels either meeting or exceeding their individual catch forecasts.

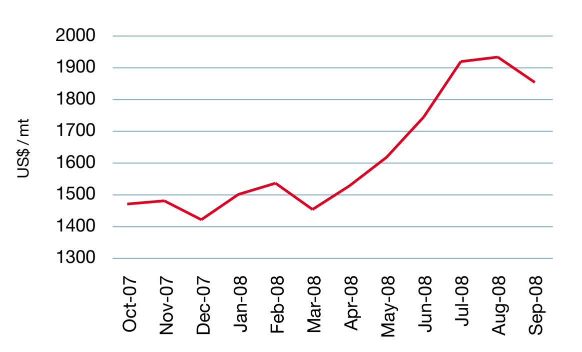
The Ocean Breeze (L–R) inside the floating dock at Fiji; installing the propeller and tail shaft

The Ocean Breeze underwent its four-yearly out-of-water renewal survey which was carried out at the floating dock in Suva, Fiji. The dock was just of sufficient size to take a vessel of this size so it was decided to undertake the survey there. This saved considerably on lost fishing time, due to the proximity of the dock to the fishing grounds, as well as fuel costs in steaming the vessel compared to bringing it down to New Zealand.

Brailing tuna

The Ocean Breeze arrived in Fiji at the beginning of August 2008 and entered the floating dock on 5 August. The vessel was scheduled to be in the dry dock for three weeks but was delayed following problems with the tail shaft and the newly installed refrigeration pipework. A new sleeve had to be cast in New Zealand and then airfreighted up to Fiji to be installed before the vessel could be refloated. The Ocean Breeze eventually came out of the dock on 28 August and, following the remedial work on the refrigeration pipe, departed for fishing on 18 September.

Despite the high exchange rates, revenue was firm as the market prices for tuna at the beginning of the year remained at the buoyant levels seen last year. The price for the benchmark grade of 4 to 7.5 lb skipjack tuna in the Bangkok market then increased further during the final six months of the year to peak at approximately US$1,930/mt in August, before starting to decline in September as world economic events began impacting the tuna markets.

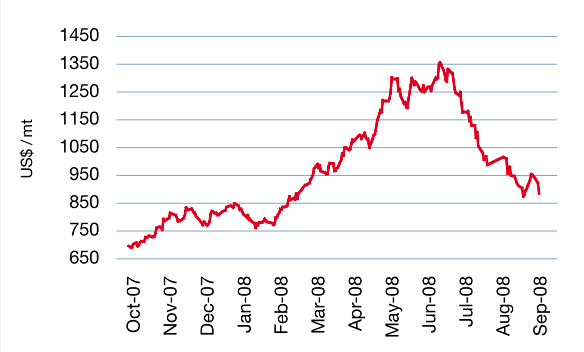


Bangkok 4-7.5 lb skipjack prices

These high prices resulted from indifferent catches from the WCPO, poor fishing once again in the eastern Pacific Ocean as well as very low catches in the Indian Ocean which all led to a lack of supply driving up demand. This was further compounded by the upward trend in commodity prices in general.

Costs increased this year, however some of the expenses such as crew costs and fishing access fees are directly related to the greater catches. There were also increased expenses for fishing gear and repairs and maintenance as deferred maintenance on the fishing nets and engine overhauls was undertaken. However, once again fuel costs were the biggest single factor contributing to higher costs.

The bunker prices for Marine Gas Oil (MGO) ex Singapore continued to rise steadily over the majority of the year, until July when prices started to ease. From the beginning of the year the price almost doubled from the previous record high of US$700/mt in September 2007 to US$1,360/mt in July 2008. It appears that the trend of fuel prices easing since July will continue into the next financial year so this should assist in reducing fuel costs.



Marine Gas Oil (MGO) Bunker Price ex Singapore

Challenges and Opportunities

The challenges identified in 2007/08 still remain major factors that can impact on the division. The Vessel Day Scheme (VDS) was to commence on 1 December 2007. However, to date, despite renewing various bilateral access agreements during the year, there has been no allocation made with respect to the number of days that will be available to our fleet for fishing in the various Exclusive Economic Zones (EEZs) where we currently have access. We will resume our dialogue with the Pacific Island countries with whom we have access arrangements to ensure that when such allocations are made we have sufficient access to maintain our fishing operations in a cost-effective and efficient manner.

We have continued to investigate options that will provide greater security of access for fishing in the WCPO. To date, no decision has been made as to the best option for the division; however, we will continue to work closely with the various countries of the Pacific Island community to look at some form of preferential access arrangement.

In early December 2008, the Western and Central Pacific Fisheries Commission (WCPFC), which is the body responsible for the conservation and management of high migratory species in this region, will hold its fifth annual meeting. Sanford will again be represented at the meeting as a member of the New Zealand Government delegation.

We noted last year that various measures were being put forward for consideration at the WCPFC meeting that was held in December 2007. In particular, Sanford was concerned about the conservation and management measures (CMMs) that were being proposed to address overfishing on the bigeye and yellowfin tuna stocks. No CMMs were adopted at last year's meeting as the various members of the Commission failed to reach consensus on what measures should be adopted. There will be considerable emphasis at this year's meeting for a CMM to be implemented to address this issue. Sanford will again be working closely with New Zealand Government officials to achieve an outcome which delivers the necessary conservation benefit but continues to provide for sustainable utilisation.

It has been pleasing that the division has continued to provide a very positive return on investment this year. This is in no small part due to the ongoing efforts of the crew and staff within the division whose dedication and effort have Contributed significantly to this result. Potential opportunities will be considered as they arise if the Company will benefit. If tuna prices remain firm and fuel costs can be constrained, then we are confident that the division will again make a positive contribution to Sanford next year.

One of the more unusual 'vessels' encountered in the Pacific!

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International Fishing Division

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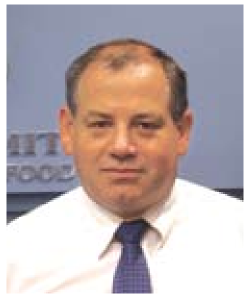

Tom Birdsall
International Manager

The international division had a strong year with an improved performance well ahead of last year. The Australian business had a solid performance during a year in which the domestic economy weakened considerably. However, with consolidation and good management the final result for the year was both pleasing and well above expectations.

Our involvement with the business in Argentina continued with marketing and management contracts and together this resulted in a year of steady earnings.

Argentina

Throughout the year, catches have been slightly below expectations but prices have further firmed during the period for all products, similar to those from New Zealand graphed elsewhere in this Report. Product quality has continued to improve but customer feedback has identified areas that can still be improved upon to raise the overall standard.

Management's involvement in this operation has reduced from previous years but will continue at the current level for next year. It enables Sanford to have full confidence in the systems and to ensure that the production quality is maintained and aligned with that of our vessels operating in New Zealand waters.

The two vessels involved have had periods of substantial refurbishment during the year, with the objective of improving product quality and volume throughput from the processing areas. For the next year, one vessel will produce primarily hoki block, as it has in the past, and the other will produce a mixture of surimi and hoki block, depending upon market and catch conditions.

As with catching operations in other parts of the world, the cost of fuel has had a major impact on both the vessel operations and the transport of product to the marketplace, as shipping costs have continued to rise.

Fresh john dory awaiting sale at the Melbourne consignment market

Hapuka at the auction market

Australia

The Melbourne-based wholesale business had a steady performance considering the difficult economic times experienced over the past year. During the year, increased inflation corresponded with a reduction in disposable income, making seafood sales more challenging.

However, larger volumes were handled by the consignment market (up by 6.6%) and this partly offset the softer prices. Some system improvements during the year reduced expenditure. The business has a largely stable and reliable group of fishers, growers and suppliers and it is important that the Company can maintain the relationships by continuing to provide superior service.

The Melbourne fish market continues to be the strongest one in Australia and Sanford is the largest operator in this facility. The staff have been stalwart and performed well in the past year; many have been with the Company for a long period and often work unsociable hours.

Our processing facility produced a greater volume of products for a wider range of customers and there is more potential for growth in this area. We are committed to installing additional machinery and are currently embarking on product development trials with 'modified atmosphere' packaging which shows potential to improve shelf life. Quality improvements and innovation will underpin this part of the business.

The Safeway supermarket supply business was steady compared to previous years, but with active competition impacting upon returns. Seafood is a small line in the wide range of supermarket products and both the supplier and the retailer wish to grow this segment of the business. This will be partly addressed with quality enhancements and by improving the public perception of supermarket seafood.

The market relocation proposal has involved a significant amount of work and we anticipate there will be some resolution in the coming year.

The quota trading area of the business is predominantly linked to our suppliers and it allows a win-win scenario for both the fisher and the Company with the supply of certain quota to complement the fisher's holdings. During the year we have made a moderate investment in additional high-value quota, and we continue to expand our portfolio for some fisheries.

The San Tangaroa, the coastal trawler which operates from Portland in western Victoria, had lower-than-anticipated catches for the year. Early in the year a major survey was undertaken which took longer than planned. However, the operation is running well with excellent quality levels and the fish from this vessel has received very favourable market acceptance. The skipper and crew are stable and it is anticipated that catch rates will match expectations next year.

The San Tangaroa

Fisheries Management

The south-east trawl fishery is principally an output controlled fishery. Currently the Australian Fisheries Management Authority (AFMA) is developing and implementing a harvest strategy framework that relies on decision rules and modelling of each of the target species. This framework is designed to provide greater certainty in the Total Allowable Catch (TAC) setting process and, with time, will lead to multi-year TACs and more stability for the industry.

Challenges and Opportunities

We continue to see potential in growing our business in Australia; however, the more diverse and smaller nature of fishing businesses in this market makes this a difficult challenge. At the same time, we seek to ensure that profitability is maintained and we deliver a quality service to both our suppliers and customers.

In Argentina we will continue to build market acceptance of the products and to assist in the further development of the business.

Catch of primarily grenadier (hoki) and ling on board the San Tangaroa

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Sustainable Development

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This year our Sustainable Development Report has been published electronically only and is available online at www.sanford.co.nz.

This report aims to communicate to our stakeholders the Company's commitment to sustainability, the progress we have made during the year and the issues that are of significance to us as a seafood company in the New Zealand industry. We value the full integration of sustainability we have within the Company and regard reporting an important part of that process. The report details our development in the three commonly defined contexts of sustainability, as summarised below.

Environmental Sustainability

Sanford continued to improve its environmental sustainability performance over the last year. We use various natural resources for energy and transport, water for processing and refrigerants for storage. We continually look for options by which we can reduce our use of these resources and in turn minimise our environmental footprint.

Weed cordon made from old Sanford nets designed to restrict the spread of weeds in Lake Rotoma, Rotorua

Social Sustainability

The success of any business depends on a number of resources. None is more important than the people involved. It is essential that Sanford continues to grow the strong relationships we enjoy with our various stakeholders, from our employees, to local communities and businesses. We aim to provide a safe and healthy workplace for our employees. We support local communities through partnership programmes to ensure that the areas remain socially vibrant. The Company also has a responsibility to our consumers to provide a product that is safe, healthy and of the highest quality.

Economic Sustainability

Economic sustainability will continue to be a defining characteristic of profitable businesses of the future. Financial success is fundamental to achieving sustainability, and for Sanford the key to this is ensuring our share of fishing quota is retained together with aquaculture investments. Profitability is augmented by operational efficiency and adding value to our end products. In addition, we understand that adopting economically sustainable practices includes broadening decision-making criteria for business investments to encompass environmental and social aspects.

"We do not inherit the earth from our ancestors; we borrow it from our children."

Native American Proverb

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Five Year Financial Review

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

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

Prepared in accordance with New Zealand equivalents to International Financial Reporting Standards. To comply with NZ IFRS the 2004 to 2006 comparatives would require disclosure of biological assets in accordance with NZIAS 41 and intangible assets (mainly quota and marine farm licences) restated in accordance with NZIAS 38 (refer note 31).

† Includes the dividends proposed after balance date.

Major events

May 2006 – Cancelled 2,036,982 shares

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

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Income Statement

for the year ended 30 September 2008

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

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

Balance Sheet

as at 30 September 2008

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

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Cash Flows

for the year ended 30 September 2008

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

Statement of Changes in Equity

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for the year ended 30 September 2008

Group	Note	Share Capital $000	Translation Reserve $000	Fair Value Reserve $000	Retained Earnings $000	Total $000	Minority Interest $000	Total Equity $000
Balance at 1 October 2007		**95,355**	**1,044**	**26,237**	**396,407**	**519,043**	**443**	**519,486**
Foreign currency translation differences		–	323	–	–	323	4	327
Gain on available-for-sale financial assets transferred to profit or loss (net of tax)		–	–	(26,237)	–	(26,237)	–	(26,237)
Income and expense recognised in equity		–	323	(26,237)	–	(25,914)	4	(25,910)
Profit for the year		–	–	–	53,344	53,344	76	53,420
Total recognised income and expense for the year		–	323	(26,237)	53,344	27,430	80	27,510
Other		–	–	–	(29)	(29)	–	(29)
Distributions to shareholders	21	–	–	–	(20,598)	(20,598)	–	(20,598)
Balance at 30 September 2008		**95,355**	**1,367**	**–**	**429,124**	**525,846**	**523**	**526,369**
Balance at 1 October 2006		**95,355**	**–**	**–**	**396,779**	**492,134**	**978**	**493,112**
Foreign currency translation differences		–	1,006	–	–	1,006	(35)	971
Net change in fair value of available-for-sale financial assets (net of tax)		–	–	26,237	–	26,237	–	26,237
Income and expense recognised in equity		–	1,006	26,237	–	27,243	(35)	27,208
Profit for the year		–	–	–	20,135	20,135	(105)	20,030
Total recognised income and expense for the year		–	1,006	26,237	20,135	47,378	(140)	47,238
Contributions (to) from minority interest		–	38	–	(178)	(140)	(395)	(535)
Change from associates to subsidiary		–	–	–	266	266	–	266
Distributions to shareholders	21	–	–	–	(20,595)	(20,595)	–	(20,595)
Balance at 30 September 2007		**95,355**	**1,044**	**26,237**	**396,407**	**519,043**	**443**	**519,486**

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

SANFORD LIMITED
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Notes to the Financial Statements

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for the year ended 30 September 2008

Note 1 – Reporting Entity

Sanford Limited (the Company) is a profit-oriented company registered in New Zealand under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer for the purposes of the Financial Reporting Act 1993 and its Financial Statements comply with that Act. The Financial Statements presented include the individual Financial Statements of the Company and the consolidated Financial Statements of the Company, its subsidiaries and associates (the Group) for the year ended 30 September 2008.

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

Note 2 – Basis of Preparation

(a) Statement of compliance

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

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

Specific areas requiring significant estimates and judgements include:

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

Note 3 – Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

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

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated Financial Statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. If the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Acquisitions or disposals during the year

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

(c) Derivative financial instruments

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

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Income Statement, except that where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship. The Group did not apply hedge accounting during the period.

Notes to the Financial Statements

for the year ended 30 September 2008

Note 3 – Significant Accounting Policies (continued)

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

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

Marine farm licences are recorded at cost.

Marine farm licences and quota which have indefinite useful lives are not amortised but are tested annually for impairment at balance date. Marine farm licences have indefinite useful lives as it is highly probable that they are renewed and the costs of renewal are minimal.

(e) Research and development

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

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Note 3 – Significant Accounting Policies (continued)

(g) Inventories

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

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

(h) Biological assets

Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in the Income Statement. The fair value is determined with reference to the present value of the expected cashflows using anticipated harvest volumes, market prices and the costs of cultivation until sold. Point-of-sale costs include commissions to brokers and dealers and other costs directly related to selling the asset but exclude transport and other costs necessary to get assets to market. Biological assets are transferred to inventories at the date of harvest.

(i) Impairment

(i) Non-financial assets

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

(ii) Non-derivative financial assets

Trade and other receivables

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

Investments in equity securities

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

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

(j) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(k) Investments in equity securities

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

(l) Investments in subsidiaries

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

Notes to the Financial Statements

for the year ended 30 September 2008

Note 3 – Significant Accounting Policies (continued)

(m) Income tax

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

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

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

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

(n) Cash and cash equivalents

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

(o) Bank loans

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

(p) Revenue

Revenue from the sale of goods is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer.

(q) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on derivative instruments that are recognised in the Income Statement. All borrowing costs are recognised in profit or loss using the effective interest method.

(r) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Long service leave

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

(iii) Short-term benefits

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

Note 3 – Significant Accounting Policies (continued)

(t) Segment reporting

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

(u) New standards and interpretations not yet adopted

A number of new standards and interpretations are not yet effective for the year ended 30 September 2008, and have not been applied in preparing these consolidated Financial Statements.

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

- IFRS 8 – *Operating Segments* – introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 Financial Statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 4). The effect on reporting will be assessed before the next interim report to shareholders.
- Revised IAS 23 – *Borrowing Costs* – removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 Financial Statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* – requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2009 Financial Statements, with retrospective application required. It is not expected to have any impact on the consolidated Financial Statements.
- IFRIC 12 – *Service Concession Arrangements* – provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2009 Financial Statements, is not expected to have any effect on the consolidated Financial Statements.
- IFRIC 13 – *Customer Loyalty Programmes* – addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 Financial Statements, is not expected to have any impact on the consolidated Financial Statements.
- IFRIC 14 *IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2009 Financial Statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

The following standards have been recently issued. The likely effect on the Group's 2009 Financial Statements has not yet been assessed.

- NZ IFRS 1 – *Amendments to cost of investment in a subsidiary, jointly controlled entity or associate.*
- NZ IFRS 3 – *Business Combinations (revised).*
- NZ IFRS 4 – *Insurance Contracts (amendments).*
- NZ IAS 1 – *Presentation of Financial Statements (revised).*
- NZ IAS 27 – *Consolidated and Separate Financial Statements (amended).*
- NZ IAS 32 – *Amendment to puttable financial instruments and obligations arising on liquidation.*
- NZ IAS 39 – *Amendment to NZ equivalent to IAS 39 Financial instruments: recognition and measurement – Eligible hedged items.*
- Various – *Improvements to New Zealand equivalents to IFRS.*

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Notes to the Financial Statements

for the year ended 30 September 2008

Note 4 – Segment Reporting

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

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

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

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

(a) Income and expenditure

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

(b) Assets and liabilities

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

Note 5 – Discontinued Operation

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

Profits attributable to the discontinued operation were as follows:

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

Note 6 – Revenue

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

Note 7 – Other Income

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

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Notes to the Financial Statements

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for the year ended 30 September 2008

Note 8 – Expenses

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

Note 9 – Finance Income and Expenses

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

Note 10 – Income Tax Expense

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

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

Notes to the Financial Statements

for the year ended 30 September 2008

Note 11 – Property, Plant and Equipment

	Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
Group 2008						
Cost						
Balance at beginning of year	1,733	10,688	39,518	156,224	71,332	279,495
Additions	–	172	98	2,430	12,258	14,958
Disposals	–	(20)	(367)	(8,177)	(664)	(9,228)
Effect of movements in exchange rates	5	10	–	13	54	82
Balance at end of year	1,738	10,850	39,249	150,490	82,980	285,307
Accumulated depreciation						
Balance at beginning of year	–	(6,117)	(13,065)	(96,060)	(54,288)	(169,530)
Depreciation	–	(417)	(1,616)	(8,930)	(4,146)	(15,109)
Impairment losses	–	–	(2,258)	(734)	–	(2,992)
Disposals	–	10	368	8,101	605	9,084
Balance at end of year	–	(6,524)	(16,571)	(97,623)	(57,829)	(178,547)
Net book value at 30 September 2008	**1,738**	**4,326**	**22,678**	**52,867**	**25,151**	**106,760**
Group 2007						
Cost						
Balance at beginning of year	1,733	10,546	39,402	179,566	65,041	296,288
Additions	–	142	116	1,159	8,173	9,590
Disposals	–	–	–	(24,487)	(1,917)	(26,404)
Effect of movements in exchange rates	–	–	–	(14)	35	21
Balance at end of year	1,733	10,688	39,518	156,224	71,332	279,495
Accumulated depreciation						
Balance at beginning of year	–	(5,720)	(11,511)	(110,089)	(52,259)	(179,579)
Depreciation	–	(408)	(1,561)	(9,111)	(3,740)	(14,820)
Disposals	–	–	–	22,859	1,695	24,554
Effects of movements in exchange rates	–	11	7	281	16	315
Balance at end of year	–	(6,117)	(13,065)	(96,060)	(54,288)	(169,530)
Net book value at 30 September 2007	**1,733**	**4,571**	**26,453**	**60,164**	**17,044**	**109,965**

Note 11 – Property, Plant and Equipment
(continued)

	Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
Parent 2008						
Cost						
Balance at beginning of year	1,550	10,279	39,518	154,945	67,899	274,191
Additions	–	172	98	2,430	11,949	14,649
Disposals	–	(20)	(367)	(8,177)	(664)	(9,228)
Balance at end of year	1,550	10,431	39,249	149,198	79,184	279,612
Accumulated depreciation						
Balance at beginning of year	–	(6,115)	(13,065)	(93,420)	(52,023)	(164,623)
Depreciation	–	(390)	(1,544)	(8,742)	(4,061)	(14,737)
Impairment losses	–	–	(2,258)	(734)	–	(2,992)
Disposals	–	10	368	8,144	571	9,093
Balance at end of year	–	(6,495)	(16,499)	(94,752)	(55,513)	(173,259)
Net book value at 30 September 2008	**1,550**	**3,936**	**22,750**	**54,446**	**23,671**	**106,353**
Parent 2007						
Cost						
Balance at beginning of year	1,550	10,119	39,402	152,635	61,476	265,182
Additions	–	160	116	3,218	8,110	11,604
Disposals	–	–	–	(908)	(1,687)	(2,595)
Balance at end of year	1,550	10,279	39,518	154,945	67,899	274,191
Accumulated depreciation						
Balance at beginning of year	–	(5,701)	(11,511)	(85,270)	(50,232)	(152,714)
Depreciation	–	(414)	(1,554)	(8,760)	(3,411)	(14,139)
Disposals	–	–	–	610	1,620	2,230
Balance at end of year	–	(6,115)	(13,065)	(93,420)	(52,023)	(164,623)
Net book value at 30 September 2007	**1,550**	**4,164**	**26,453**	**61,525**	**15,876**	**109,568**

Impairment losses

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

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for the year ended 30 September 2008

Note 12 – Intangible Assets

	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000
Group 2008			
Deemed cost and carrying value			
Balance at beginning of year	395,080	13,955	409,035
Acquisitions	2,562	6,613	9,175
Effect of movements in exchange rates	389	–	389
Balance at end of year	398,031	20,568	418,599
Impairment			
Balance at beginning of year	–	–	–
Impairment loss	(2,831)	–	(2,831)
Balance at end of year	(2,831)	–	(2,831)
Carrying amount at 30 September 2008	**395,200**	**20,568**	**415,768**
Group 2007			
Deemed cost and carrying value			
Balance at beginning of year	396,435	13,955	410,390
Acquisitions	347	–	347
Disposals	(1,968)	–	(1,968)
Effect of movements in exchange rates	266	–	266
Carrying amount at 30 September 2007	**395,080**	**13,955**	**409,035**

Impairment testing

Impairment testing was performed on the applicable New Zealand cash generating unit (CGU) to determine whether quota and marine farm licences were impaired using a discounted cash flow model based on value-in-use. Post-tax discount rates of between 8% and 9.5% were applied. Future cash flows were projected for 5 years and terminal growth rates of between 2% and 3% were applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecast for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cashflows in the terminal year.

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

Impairment losses

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

	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000
Parent 2008			
Deemed cost and carrying value			
Balance at beginning of year	378,827	13,955	392,782
Acquisitions	297	6,613	6,910
Carrying amount at 30 September 2008	**379,124**	**20,568**	**399,692**
Parent 2007			
Deemed cost and carrying value			
Balance at beginning of year	378,723	13,955	392,678
Acquisitions	104	–	104
Carrying amount at 30 September 2007	**378,827**	**13,955**	**392,782**

Note 13 – Biological Assets

	Mussels	Oysters	Salmon	Total
	$000	$000	$000	$000
Group and Parent 2008				
Balance at beginning of year	5,437	688	3,740	9,865
Change in fair value less estimated point-of-sale costs	9,744	1,025	3,469	14,238
Increase due to acquisitions	70	–	–	70
Harvested produce transferred to inventories	(9,407)	(983)	(2,581)	(12,971)
Balance at 30 September 2008	**5,844**	**730**	**4,628**	**11,202**
Non-current	3,144	–	1,895	5,039
Current	2,700	730	2,733	6,163
	5,844	**730**	**4,628**	**11,202**
Group and Parent 2007				
Balance at beginning of year	5,335	695	2,922	8,952
Change in fair value less estimated point-of-sale costs	10,020	1,072	3,121	14,213
Harvested produce transferred to inventories	(9,918)	(1,079)	(2,303)	(13,300)
Balance at 30 September 2007	**5,437**	**688**	**3,740**	**9,865**
Non-current	3,124	–	1,176	4,300
Current	2,313	688	2,564	5,565
	5,437	**688**	**3,740**	**9,865**

The Company is exposed to a number of risks relating to its growing of salmon, mussels and oyster stocks. These include storms, marine predators, toxic algal blooms and other contamination of the water space. The Company has extensive processes in place to monitor and mitigate these risks including insurance, regular inspection of the growing areas and contingency plans in the event of an adverse climatic event.

Note 14 – Equity Accounted Investees

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

Note 15 – Other Investments

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

An impairment loss of $1.4m has been recognised in respect of the investment in High Liner Foods Incorporated based on the listed price of the shares at balance date.

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

Note 16 – Deferred Taxation

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

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

(b) Recognised deferred tax assets and liabilities

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

Note 16 – Deferred Taxation (continued)

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

Note 17 – Inventories

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

Note 18 – Trade Debtors

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

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Note 19 – Cash and Cash Equivalents

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

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

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

Note 20 – Capital and Reserves

(a) Translation reserve

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

(b) Fair value reserve

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

(c) Share capital

	Ordinary Shares	
	2008	2007
	No. of Shares	No. of Shares
On issue at beginning and end of year	93,626,735	93,626,735

All issued shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

(d) Employee share purchase scheme

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

A trust deed dated 6 December 2000 governs the operation of the scheme. Employees nominated are entitled to participate in the scheme. In 2000, 348,000 ordinary shares were issued to employees at $4.35 per share. The amount of $1.51m advanced to the trustee to purchase the shares is interest free. Shares are paid up to $2.22 (2007: $2.00) and future dividends paid on the shares will be applied to the balance outstanding. At 30 September 2008, the amount remaining to be paid is $0.47m (2007: $0.53m) and is included in the Balance Sheet as an investment. The shares are held by Sanford Investments Limited until fully paid up. The trustee is Sanford Investments Limited.

Note 21 – Dividends

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

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

Note 22 – Earnings per Share

(a) Basic earnings per share

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

(b) Profit attributable to ordinary shareholders

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

Note 23 – Financial Instruments

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

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

(a) Credit risk

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes.

At balance date there was one customer which comprised 33% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 69% of the outstanding balance. There are no concerns with the collectability of this debt.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Balance Sheet.

(b) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on a daily basis. The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

(c) Market risk

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

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Note 23 – Financial Instruments (continued)

(d) Currency risk

The Group incurs currency risk as a result of sales and investments that are denominated in foreign currencies. The currencies giving rise to currency risk in which the Group primarily deals are US Dollars, Australian Dollars and Japanese Yen. Group entities may hedge a proportion of trade debtors denominated in foreign currency. At any point in time the Group may also take out economic hedges over a proportion of its estimated foreign currency exposure resulting from sales up to three years forward. The Group may also take out loans in foreign currencies to hedge investments in foreign currencies.

At balance date the Group has trade debtors of USD17.537m – NZD26.178m (2007: USD17.043m – NZD22.496m), AUD2.334m – NZD2.786m (2007: AUD6.589m – NZD7.680m), JPY 151.218m – NZD2.165m (2007: JPY105.748m – NZD1.212m), GBP0.98m – NZD0.265m (2007: GBP – nil), EUR 0.07m – NZD0.151m (2007: EUR0.228m – NZD0.425m), trade creditors of USD2.282m – NZD3.406m (2007: AUD1.357m – NZD1.581m) and cash of USD0.494m – NZD0.737m (2007: USD0.232m – NZD0.306m) and EUR0.453m – NZD0.970m (2007: nil) which are not hedged.

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

(e) Interest rate risk

The Group is exposed to interest rate risk primarily through its cash balances, borrowings at call and term loans. The Group generally adopts a policy of ensuring that its exposure to changes in interest rates on short term borrowings is on a floating rate basis and its policy for long term loans is to hedge 60% to 100% by using interest rate swaps to hedge the floating rate debt. At balance date the Group has interest rate swaps of $60m maturing in December 2008 and $10m maturing in June 2009 (2007:$30m maturing in December 2007 and $50m maturing in December 2008).

(f) Other market price risk

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

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

QUANTITATIVE DISCLOSURES

(g) Credit risk

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

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

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

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

Note 23 – Financial Instruments (continued)

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

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

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

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

(h) Liquidity risk

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

	Balance Sheet	Contractual Cash Flows	6 months or less	6–12 months	1–2 years	2–5 years
	$000	$000	$000	$000	$000	$000
Group 2008						
Bank loans	90,000	107,894	3,762	3,762	7,525	92,845
Trade creditors	13,506	13,506	13,506	–	–	–
Other payables	12,894	12,894	12,894	–	–	–
Bank overdraft	552	552	552	–	–	–
Total non-derivative liabilities	**116,952**	**134,846**	**30,714**	**3,762**	**7,525**	**92,845**
Interest rate swaps	**89**	**65**	**40**	**25**	**–**	**–**
Group 2007						
Bank loans	130,000	157,938	5,874	5,874	11,748	134,442
Trade creditors	12,696	12,696	12,696	–	–	–
Other payables	8,120	8,120	8,120	–	–	–
Bank overdraft	16,919	16,919	16,919	–	–	–
Total non-derivative liabilities	**167,735**	**195,673**	**43,609**	**5,874**	**11,748**	**134,442**
Interest rate swaps	**(610)**	**(780)**	**(369)**	**(285)**	**(126)**	**–**

Notes to the Financial Statements

for the year ended 30 September 2008

Note 23 – Financial Instruments (continued)

(h) Liquidity risk (continued)

	Balance Sheet	Contractual Cash Flows	6 months or less	6–12 months	1–2 years	2–5 years
	$000	$000	$000	$000	$000	$000
Parent 2008						
Bank loans	90,000	107,894	3,762	3,762	7,525	92,845
Trade creditors	12,361	12,361	12,361	–	–	–
Other payables	12,140	12,140	12,140	–	–	–
Total non-derivative liabilities	**114,501**	**132,395**	**28,263**	**3,762**	**7,525**	**92,845**
Interest rate swaps	**89**	**65**	**40**	**25**	**–**	**–**
Parent 2007						
Bank loans	130,000	157,938	5,874	5,874	11,748	134,442
Trade creditors	11,248	11,248	11,248	–	–	–
Other payables	7,407	7,407	7,407	–	–	–
Bank overdraft	15,843	15,843	15,843	–	–	–
Total non-derivative liabilities	**164,498**	**192,436**	**40,372**	**5,874**	**11,748**	**134,442**
Interest rate swaps	**(610)**	**(780)**	**(369)**	**(285)**	**(126)**	**–**

(i) Foreign currency exchange risk

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

	USD	AUD	JPY	EUR	GBP
(figures are NZD)	$000	$000	$000	$000	$000
Group 2008					
Foreign currency risk					
Trade debtors	26,178	2,786	2,165	151	265
Term receivable	7,464	–	–	–	–
Trade creditors	(3,406)	–	–	–	–
Net Balance Sheet exposure before hedging activity	30,236	2,786	2,165	151	265
Estimated forecast sales	305,333	44,295	32,556	10,828	719
Estimated forecast purchases	(58,982)	(7,163)	–	–	–
Net cash flow exposure before hedging activity	276,587	39,918	34,721	10,979	984
Forward exchange contracts	–	–	–	–	–
Net un-hedged exposure	**276,587**	**39,918**	**34,721**	**10,979**	**984**
Group 2007					
Foreign currency risk					
Trade debtors	22,496	3,369	1,212	425	–
Term receivable	7,425	–	–	–	–
Trade creditors	(2,294)	–	–	–	–
Net Balance Sheet exposure before hedging activity	27,627	3,369	1,212	425	–
Estimated forecast sales	240,400	46,125	23,916	9,998	662
Estimated forecast purchases	(46,499)	(7,023)	–	–	–
Net cash flow exposure before hedging activity	221,528	42,471	25,128	10,423	662
Forward exchange contracts	–	–	–	–	–
Net un-hedged exposure	**221,528**	**42,471**	**25,128**	**10,423**	**662**

Note 23 – Financial Instruments (continued)

(j) Interest rate risk – re-pricing analysis

Variable rate instruments and related derivatives are as follows:

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

(k) Capital management

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

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

The Group is not subject to any externally imposed capital requirements.

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

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

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

Note 23 – Financial Instruments (continued)

(l) Sensitivity analysis

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

It is estimated that a change of one percentage point in the value of the New Zealand dollar against other foreign currencies would have changed the Group's profit after tax by approximately $2m (2007: $1m).

It is estimated that a change in interest rates of one percentage point would have changed the Group's profit after income tax by approximately $0.7m (2007: $1m).

(m) Classification and fair values

	Fair Value through Profit or Loss	Loans and Receivables	Available-for-sale	Other Amortised Cost	Total Carrying Amount	Fair Value
	$000	$000	$000	$000	$000	$000
Group 2008						
Assets						
Investments						
– Advances to associates	–	557	–	–	557	557
– Shares in High Liner Foods Incorporated	9,138	–	–	–	9,138	9,138
– 2000 staff share scheme	–	474	–	–	474	474
– Shares in other companies	–	–	131	–	131	131
Term receivable	–	6,419	–	–	6,419	6,419
Total non-current assets	**9,138**	**7,450**	**131**	**–**	**16,719**	**16,719**
Current portion of term receivable	–	1,045	–	–	1,045	1,045
Trade debtors	–	44,706	–	–	44,706	44,706
Cash and cash equivalents	–	9,955	–	–	9,955	9,955
Total current assets	**–**	**55,706**	**–**	**–**	**55,706**	**55,706**
Total assets	**9,138**	**63,156**	**131**	**–**	**72,425**	**72,425**
Liabilities						
Advances from associates	–	106	–	–	106	106
Bank loans	–	–	–	90,000	90,000	90,000
Total non-current liabilities	**–**	**106**	**–**	**90,000**	**90,106**	**90,106**
Bank overdraft and borrowings at call	–	–	–	552	552	552
Trade creditors	–	–	–	13,506	13,506	13,506
Other payables	–	–	–	12,894	12,894	12,894
Interest rate swaps	89	–	–	–	89	89
Total current liabilities	**89**	**–**	**–**	**26,952**	**27,041**	**27,041**
Total liabilities	**89**	**106**	**–**	**116,952**	**117,147**	**117,147**

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

Note 23 – Financial Instruments (continued)

(m) Classification and fair values (continued)

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

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

(n) Interest rates used for determining fair value

The interest rates used are as follows:

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

Notes to the Financial Statements

for the year ended 30 September 2008

Note 24 – Operating Leases

Non-cancellable operating lease rentals are payable as follows:

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

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

Note 25 – Contingent Liabilities and Commitments

(a) Contingent liabilities

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

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

(b) Commitments

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

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

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

SANFORD LIMITED
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Notes to the Financial Statements

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for the year ended 30 September 2008

Note 27 – Related Party Transactions

(a) Basis of transactions

Transactions with related parties have been entered into in the ordinary course of business and undertaken on normal commercial terms.

(b) Material transactions and balances with related parties

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

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

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

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

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

Note 28 – Key Management Personnel Compensation

Key management personnel compensation comprised:

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

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

Note 29 – Sanford Group

The Sanford Group comprises the following principal entities:

Name	Interest Held %	Balance Date	Principal Activity
Subsidiary Companies:			
New Zealand			
Sanford Investments Limited	100	30 September	Investment company
Auckland Fish Market Limited	100	30 September	Auction and seafood school
Auckland Fishing Port Limited	66.66	31 March	Wharf company
Australia			
Sanford Australia Pty Limited	100	30 September	Fish catching and processing
Ocean Fresh Fisheries Pty Limited	100	30 September	Fish catching and processing
Primestone Nominees Pty Limited	75	30 September	Seafood wholesaler
Associate Companies:			
New Zealand			
New Zealand Japan Tuna Company Limited	46.74	31 March	Fish catching and processing
Live Lobster Southland (1995) Limited	25	31 March	Seafood processing
North Island Mussel Processors Limited	33.33	30 September	Seafood processing
San Won Limited	50	30 September	Cold storage
SS Fishing Limited	50	30 June	Non-operating company
China			
Weihai Dong Won Food Company Limited	40	31 December	Seafood processing

Note 30 – Subsequent Events

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

Notes to the Financial Statements

for the year ended 30 September 2008

Note 31 – Explanation of Transition to NZ IFRS

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

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

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

(a) Reconciliation of NZ IFRS equity

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

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

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

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

(c) Foreign currency translation reserve

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

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

(d) Biological assets

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

(i) 1 October 2006 adjustment

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

(ii) 30 September 2007 adjustment

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

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

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

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

(i) 1 October 2006 adjustment

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

(ii) 30 September 2007 adjustment

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

(f) Intangible assets

(i) Fishing quota

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

(ii) Marine farm licences

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

Notes to the Financial Statements

for the year ended 30 September 2008

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

(g) ACC claims accrual

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

(i) 1 October 2006 adjustment

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

(ii) 30 September 2007 adjustment

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

(h) Employee benefits – long service leave

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

(i) 1 October 2006 adjustment

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

(ii) 30 September 2007 adjustment

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

(i) Interest rate swap

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

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

(i) 1 October 2006 adjustment

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

(ii) 30 September 2007 adjustment

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

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

(j) Deferred tax

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

(i) 1 October 2006 adjustment

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

(ii) 30 September 2007 adjustment

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

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

KPMG

To the shareholders of Sanford Limited

We have audited the financial statements on pages 34 to 69. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 September 2008. This information is stated in accordance with the accounting policies set out on pages 38 to 43.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 September 2008 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

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

Basis of opinion

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

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

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

Our firm has also provided other services to the company and certain of its subsidiaries in relation to general accounting services. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

Unqualified opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 34 to 69:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company and group as at 30 September 2008 and the results of their operations and cash flows for the year ended on that date.

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

KPMG

Auckland

Shareholding Analysis
as at 20 October 2008

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 – 999	507	21.82	233,243	0.25
1,000 – 4,999	1,091	46.94	2,355,552	2.52
5,000 – 9,999	323	13.90	2,137,522	2.28
10,000 – 49,999	307	13.21	6,015,100	6.42
50,000 – 99,999	35	1.51	2,420,147	2.59
Over 100,000	61	2.62	80,465,171	85.94
	2,324	**100.0**	**93,626,735**	**100.0**

Twenty Largest Shareholders
as at 20 October 2008

Shareholder	Number of Shares
Amalgamated Dairies Limited	35,059,067
New Zealand Central Securities Depository Limited[1]	12,235,828
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
Masfen Securities Limited	1,790,387
Hauraki Trading Company Limited	1,643,630
William Douglas Goodfellow – J A Goodfellow A/C	1,147,000
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 – Wairahi A/C	400,000
David Gwyn Lewis & Elizabeth Patricia Fraser & Peter Clendon Joyce	400,000
Rica Limited	391,155
Donald Mervyn Tate & Mary Robin Tate – M & M Family A/C	385,031

[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:

AMP Investments Strategic Equity Growth Fund	1,950,857
Accident Compensation Corporation	1,866,863
New Zealand Superannuation Fund Nominees Limited	1,862,314
Citibank Nominees (New Zealand) Limited	1,845,890
NZGT Nominees Ltd – AIF Equity Fund	1,775,541
HSBC Nominees (New Zealand) Limited	799,742
ANZ Nominees Limited	628,337

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Substantial Security Holders

According to notices given to the Company under the Securities Amendment Act 1988, as at 8 December 2008 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
AMP Capital Investors (New Zealand) Limited	4,698,999	28 July 2008

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 2008

	Beneficial Interest		Non Beneficial Interest		Associated Persons	
	2008	2007	**2008**	2007	**2008**	2007
D G Anderson	171,952	171,952	–	–	287	287
E F Barratt	416,655	416,655	222,000	227,000	–	–
B S Cole	804	804	–	–	6,220	6,220
P J Goodfellow	127,200	127,200	–	–	–	–
W B Goodfellow	126,849	126,849	–	–	500	–
P G Norling*	43,500					
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.

* Appointed January 2008

Share Dealings by Directors

There were no shares traded by Directors during the year.

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.

Employees Remuneration

	Number of Employees	
	2008	2007
During the year, the following numbers of employees received remuneration and other benefits that exceeded $100,000:		
$100,000 – $109,999	9	9
$110,000 – $119,999	5	3
$120,000 – $129,999	4	3
$130,000 – $139,999	3	2
$140,000 – $149,999	1	4
$150,000 – $159,999	3	1
$160,000 – $169,999	1	1
$170,000 – $179,999	1	2
$180,000 – $189,999	2	–
$200,000 – $209,999	–	1
$220,000 – $229,999	1	1
$230,000 – $239,999	1	2
$240,000 – $249,999	1	1
$250,000 – $259,999	1	1
$260,000 – $269,999	1	–
$270,000 – $279,999	1	–

Directors Remuneration

	Director's Fee		Salary, Benefits and Other Payments	
	2008	2007	**2008**	2007
	$	$	**$**	$
During the year, Directors received the following remuneration (including the value of benefits):				
D G Anderson	38,000	38,000	–	–
E F Barratt	–	–	483,520	472,020
E F Barratt*	–	–	1,079,362	
M P Bitossi**	12,667	38,000	–	–
B S Cole	60,000	60,000	–	–
P J Goodfellow	38,000	38,000	–	–
W B Goodfellow	38,000	38,000	–	–
P G Norling***	25,333	–	–	–
J G Todd	38,000	38,000	–	–

* In accordance with Sanford policy, in October 2007 $1.079m (excluding withholding tax) that had been accrued over previous years to meet an obligation in respect to Mr Barratt's pension entitlement was transferred into the funds managed by the New Zealand Retirement Trust superannuation fund on Mr Barratt's account. This released the Company from any further contributions and obligation in respect to Mr Barratt's pension entitlement.

** Retired January 2008

*** Appointed January 2008

Glossary of Terms

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

Aquaculture Management Areas (AMAs)
AMAs are areas zoned specifically to allow for marine farms. No new aquaculture is allowed unless it is inside an AMA. A resource consent is required for every marine farm in an AMA.

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

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

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

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

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

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 FMAs.

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

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

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

Individual Transferable Quota (ITQ)
ITQ 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 challenges in their everyday life.

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

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

Maximum Sustainable Yield (MSY)
In relation to any stock, MSY 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)
MFish 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 Biodiversity Strategy (NZBS)
NZBS is a government strategy to protect and enhance an overview of New Zealand's biodiversity.

New Zealand Business Council for Sustainable Development (NZBCSD)
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 Food Safety Authority (NZFSA)
NZFSA provides the Government, consumers and the food industry with information, analysis and advice on food safety issues for both domestic and export markets.

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.

Quota Management System (QMS)
The QMS is 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)
TAC is the annual catch limit for each fishstock, determined before taking into account interests in the fisheries.

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

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Sanford welcomes your comments on our 2008 Annual and Sustainable Development reports

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This year the Sustainable Development Report is published online only. We would greatly appreciate your feedback on both our Annual and Sustainable Development reports to help us develop even better publications next year. For your convenience we have prepaid the postage or you can fax to +64 9 309 1190.

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

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

Comments:

2) Which section appealed to you most and why?

3) Did you receive the Annual Report in hard copy this year? ☐ Yes ☐ No

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

Review (Director's statements, management reports and summary financial statements	☐ Website	☐ Printed	☐ Not at all
Audited Financial Statements	☐ Website	☐ Printed	☐ Not at all
Sustainable Development Report	☐ Website	☐ Printed	☐ Not at all

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

6) What stakeholder group do you belong to?

☐ Sanford shareholder ☐ International customer ☐ New Zealand customer
☐ Sanford employee/family ☐ Contractor/supplier ☐ Community member
☐ Other (please specify)

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

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Management Directory

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Head Office

E F Barratt	*Managing Director*
V H Wilkinson	*Business Development Manager*
G L McNamara	*Company Secretary/Quota Manager*
D C McIntosh	*Finance Manager*
D J Evans	*Accounting & Systems Manager*
A I Bond	*Industry Liaison Manager*
A M Wood	*Environmental Systems Manager*

Marketing

G J Burke	*Market Manager Europe*
N J Thomas	*Market Manager Americas*
M J Comber	*Market Manager Asia*
P B Cox	*Market Manager Fresh Chilled, Australia & Oceania*
D K Cawdron	*Logistics Manager*
D A Stewart	*Shipping Co-ordinator*
K M Thompson	*Quality Manager*
S Jaganathan	*Food Safety Co-ordinator*

Inshore Fishing and Processing

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

Auckland

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

Tauranga

S D Keeves	*Manager*
D C Cowdrey	*Fleet Supervisor*
J R Steere	*Sales Manager*
D N Anderson	*ECS Coldstores Manager*

Timaru

B J Keelty	*Manager*
J W Routhan	*Processing Manager*
S Brown	*San Won Limited Manager*

Deepwater Fishing

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

New Zealand Operations

Aquaculture

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

Havelock

W R MacDonald	*Manager*
D Herbert	*Marine Farm Manager*
S J Gibb	*Factory Manager*
P McCaffrey	*Branch Engineer*

Kaeo

P J Harris	*Manager*

Coromandel

J C Barr	*Marine Farm Manager*

Bluff

T M Foggo	*Manager*
W J Crighton	*Assistant Manager*
S Ramsay	*Fish Factory Manager*
N W Smith	*Mussel Factory Manager*
J Ulloa Morales	*Salmon Farm Manager*
S Marwick	*Mussel Farm Manager*
P M Buxton	*Hatchery Manager*

International Fishing

T B Birdsall	*Division Manager*
I D Scroggie	*Australia, General Manager*

International Purse Seiners

M C de Beer	*Pacific Tuna Manager*

International China

A C Stanley	*China Manager*

This report is printed using vegetable-based ink. This paper is 100% chlorine free and is sourced from a mill which recovers 98.5% of all chemicals used.

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