SANFORD LIMITED
SUSTAINABLE SEAFOOD

SYSTEM CERTIFICATION
ISO 14001:2004
SGS

Annual Report 2009

From sea to food – over 100 years of sustained growth

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Corporate Directory

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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
Shortland Street
Auckland 1140
New Zealand

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

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

Principal Bankers

ANZ National Bank Limited

Solicitors

Chapman Tripp
Fletcher Vautier Moore

Group Auditors

KPMG, Auckland

Stock Exchange

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

NZX Trading Code: SAN

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

Share Registrar

Computershare Investor Services Limited
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 image New salmon farm system in Big Glory Bay, Stewart Island.

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Financial Summary

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for the year ended 30 September 2009

	2009 $000	2008 $000
Revenue	**433,091**	**436,564**
EBITDA*	**68,366**	**65,874**
Depreciation, amortisation and impairment	(14,892)	(22,359)
Net interest	(6,788)	(10,021)
Net currency exchange gains	8,387	5,505
Net gain (loss) on sale of investments, property, plant and equipment	(35)	29,749
Profit before income tax	55,038	68,748
Income tax (expense)	(15,899)	(15,328)
Profit for the year	39,139	53,420
Minority interest	(64)	(76)
Profit attributable to equity holders of the Group	**39,075**	**53,344**

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

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

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Left to right: Jeff Todd, Bruce Cole, Paul Norling, Bruce Goodfellow, David Anderson, Eric Barratt and Peter Goodfellow on a recent trip to Stewart Island farms

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 and Weihai Dong Won Food Company 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 joined the Board of Sanford Limited in 2006. He has a Doctorate in Chemical Engineering from Auckland University and wide experience in trading, financial and commercial business management. He has been a director of ASX-listed firm Nufarm Limited (formerly Fernz Corporation) since 1991 and is a director of a number of private investment and manufacturing companies as well as being Chairman of The St Kentigern Trust Board and Refrigeration Engineering Company Limited.

Peter Goodfellow BCom / LLB(Hons), MBA

Peter joined the Board of Sanford Limited in 2006. He has degrees in Commerce and Law from Auckland University as well as an MBA from the University of California, in Los Angeles. He is Chairman of trade finance and factoring 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 joined the Board of Sanford Limited in 2008. He has had an extensive career in banking with senior executive and/or director roles in New Zealand and Australia. He was the founding Managing Director of merchant bank Bancorp Holdings Limited, established and listed on the New Zealand Stock Exchange in 1987, until he retired from this role in 1998. Since that time he 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 Chairman of Dynasty Hotel Group Limited and 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, the Earthquake Commission, the New Zealand Guardian Trust Limited and Southern Cross Healthcare. Jeff is a former Managing Partner of Price Waterhouse New Zealand.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Directors' Report and Chairman's Review

The Directors are pleased to present the Annual Report of Sanford Limited for the year ended 30 September 2009.

B S Cole
Chairman
7 December 2009

E F Barratt
Managing Director

The financial year to 30 September 2009 proved to be as challenging as any in recent memory. The combination of lower demand from the United States and Australia with, in the second half of the year, generally lower export prices and adverse currency movements has led to results that fall short of the diversity, efficiencies and energy which Sanford embodies as an exporter of quality sustainable seafood from its fishing and aquaculture operations.

The after tax profit of $39.1m compares with the 2008 year's $53.3m. If capital profits and impairment charges in each year are deducted the results attributable to those operations are 2009 $40.1m and 2008 $33.2m, an increase of 21%.

Offsetting the demand reductions referred to but not entirely compensating for them, Sanford recorded strong growth in Europe and Asia with new markets in Africa offering distinct potential albeit for cheaper species. The New Zealand domestic market was also targeted with the key Auckland Fish Market auction comfortably exceeding the performance of a year earlier.

In the new financial year, a series of interesting and, again, challenging conditions will be faced.

Markets

As the year opened, there was some evidence of improvement in demand but not yet at levels to provide confidence about a widespread and sustained recovery. To address this situation, a great deal of in-market activity has been and is committed to reinforcing relationships with existing customers. We are also working to open new avenues of supply, of both customers and species, in all markets with special emphasis on Asia, the Middle East and Eastern Europe.

Export Prices

Reports confirm that in many markets softer consumer demand led, in turn, to buyer resistance to price and, consequently, lower stocking levels. As confidence returns, so too will demand and price recovery.

The issue, common to almost all export industries and immediately affecting incomes and cash flows, is the US$/NZ$ exchange rate which, in a fragmented fishing industry, could well put many smaller exporters at risk for which they are ill prepared. The situation has been aggravated by, and is plainly evident in, export mussel prices where weak sellers have taken prices rather than expressed value. Fortunately there is prospect of improvement but not yet at prices that the quality and acceptance of the product should and will command internationally.

Currency

During the financial year and for the present, the United States dollar has been the currency of choice of most buyers irrespective of domicile. Management of currency exposure and risk has been difficult at best, the more so as the projections of "experts" might most kindly be described as misleading.

The financial results report exchange gains of $8.4m and, at balance date, the Company had approximately 35% of its 2009/10 year United States dollar net receipts covered by either forward contracts or collars. Forward contracts of lesser coverage were held for Japanese Yen and, in price negotiations of substance, every effort is made to influence favourable currency choices.

General

Sanford has a conservative debt-to-equity ratio and we remain committed to repaying term debt as a priority balanced with the external opportunities and the internal capital demands of a growing business. No compromises have been taken in maintaining vessels and land-based assets in sound operational condition. In a sluggish buyer's market, a number of smaller and older vessels and several properties that are surplus to requirement are for sale.

Dividends

Last year the Directors increased the annual dividend rate to 23 cents. Despite the global financial crisis and the additional $61.0m cash investments made this year in quota, new plant and farming technology, marine farms and increased investment in Weihai Dong Won Food Company Limited, the Directors have decided to maintain the same dividend rate and, accordingly, a final dividend of 14 cents per share will be payable on 16 December 2009.

Tauranga's new size grader, located on the wharf

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 again available for download from www.sanford.co.nz. We have included some key sections from this year's report in this report (refer pages 31 to 34) in the hope that it will encourage more Shareholders to access the full report on our website.

International Financial Reporting Standards

The continued reporting under International Financial Reporting Standards (IFRS) has not led to any material impact on our results and, apart from the number of pages required to be printed in the financial section of the Annual Report, we wonder 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.

In addition, the Company prepares an annual operating budget which is approved by the Board. Monthly reporting of operational performance and key performance indicators is combined with the preparation and presentation of full, quarterly financial statements. Together, these allow review by the Board of management performance against the annual plan and against the previous year. Review of strategic direction is a constant.

Board Membership

The Board is elected by Shareholders to govern the Company in the 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), Dr W B Goodfellow and Mr P J Goodfellow (associated with a major Shareholder) are not independent.

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

Dr W B Goodfellow and Mr P J Goodfellow retire by rotation and both seek re-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; 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.

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.

New fishmeal plant being installed onboard San Enterprise

Directors' Report and Chairman's Review

- Remuneration Committee

The Remuneration Committee consists of Mr B S Cole (Chairman), Mr D G Anderson, Dr W B Goodfellow and Mr P G Norling. This Committee determines remuneration of the Managing Director and senior executives, as well as overseeing remuneration at other levels of management. This committee is in the process of undertaking a detailed study of possible pay for performance systems in an environment where there is a significant number of variables that are difficult to control. Some further analysis will be undertaken based on this year's results and it is hoped to have some proposals to put before Shareholders at the Annual Meeting in January 2011. The Committee does not have a written charter but the Board reviews and approves its recommendations.

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

- Nominations Committee

This consists of the whole Board 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	12		3	1
E F Barratt	12			1
B S Cole	12	3	3	1
P J Goodfellow	12	3		1
W B Goodfellow	12		3	1
P G Norling	12		3	1
J G Todd	12	3		1
Number of Meetings	**12**	**3**	**3**	**1**

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

Quality inspection of oysters at Kaeo

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 in place other external audit processes, systems and reporting 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.

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 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 that 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.

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

The venue for this year's Annual Meeting will be at the Ellerslie Event Centre, Ellerslie Racecourse, Greenlane, Auckland, at 2.00pm, Wednesday 27 January 2010.

At the completion of San Tangaroa dry-docking

Conclusion

Stock levels carried forward from balance date were higher than usual but in good balance with demand patterns. Exchange rates prevailing at the time and since will, in the immediate future, suppress profitability. While at first sight this could well be seen as adverse, the reality is that, at all levels of activity, we are working successfully to lessen reliance on favourable exchange rates, the more so as present rates may prove the norm.

Cost savings and cost-spread, automation and operational productivity and efficiency gains are the daily drivers of the Sanford business. Beyond this, any sub-performing assets and activities are under constant review. The mutual sharing of resources and activity with other industry participants is addressing opportunities of improving profitability from difficult or distant fisheries.

Company executives and staff also play a leading role in organisations and relationships which address industry issues; they are also involved with Government in all its facets and with other bodies including industrial and environmental groups.

Directors remain entirely confident of the role and relevance of Sanford and its industry in contributing to the future of the New Zealand economy and to export growth.

At an early stage of the financial year it is difficult, and indeed unwise, to project a profit outcome for the year beyond commenting that, to the extent events, national and international, are in our control and care, we are again confident that Sanford will emerge stronger and this will be to the continuing benefit of its Shareholders.

Our executive team, fishermen and staff at large, admirably led by Mr Barratt, have again worked long and hard to deal effectively with the opportunities, complexities, and challenges the financial year offered. The Directors are very pleased to record their appreciation.

B S Cole
Chairman

7 December 2009

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Managing Director's Review

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Overview and Highlights

While it is pleasing to report a continued improvement in underlying earnings, the strong results recorded in the first half of the year were not able to be repeated in the second half of the year as markets reacted to the global financial crisis and the United States (US) currency conversion rate continued to impact. Revenue for the year totalled $433.1m, slightly down from the $436.6m recorded last year. In the context of the weaker market prices for many species and the high value of the New Zealand dollar, particularly in the second six months, the overall result is considered satisfactory. The after tax profit of $39.1m compares with the 2008 year's $53.3m. If capital profits and impairment charges in each year are deducted the results attributable to those operations are 2009 $40.1m and 2008 $33.2m, an increase of 21%. Operating earnings (EBITDA) increased from $65.9m last year to $68.4m this year and an impairment charge of $1.0m (after tax) was incurred this year in relation to the write-down of certain assets held for sale.

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

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

Harvesting oysters on the San Tio from our Northland farms

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

- After a relatively strong first six months, steady declines in market prices coupled with a strong increase in the New Zealand dollar resulted in the second half profit before tax being less than 50% of the first half results. Of particular concern was the effect on profitability created by the large number of New Zealand producers and exporters of Greenshell mussels reducing prices to maintain market share. Prices fell from a record high of US$2.50/lb at the start of the year when the US exchange rate was around NZ$0.50 to US$1.50/lb when the US exchange rate increased to above NZ$0.70.
- Hoki fillet and block prices were relatively steady during the second six-month period.
- Returns from Pacific skipjack tuna operations improved in the second half of the year as we benefited from a lift in prices in the April, May and June periods and from reasonable catches.
- The acquisition of the Jones Group assets at the start of the financial year enabled our full participation in the Bluff oyster fishery for the first time with the vessel catching volumes well up to our expectations and at the same time maintaining a very high quality standard. The deepwater portion of the asset purchase was easily absorbed into our deepwater catching plans and the inshore quota is gradually being integrated into our contractual catching arrangements in Bluff.
- Towards the end of the year, we concluded the purchase of a major package of mussel farms along with longlines and other associated farm equipment in the Marlborough Sounds. This secures us a significant increase in availability of crop to process through our Havelock plant which will now be upgraded to a new automated cooking and opening process similar to that currently being installed at the North Island Mussel Processors Limited (NIMPL) plant in Tauranga. It is expected that this will cause some disruption to our processing schedule this year but we will be seeking to minimise this disruption by utilisation of capacity at other plants.
- The newly upgraded salmon farms in Big Glory Bay on Stewart Island are proving to be more efficient than projected as we improve food-conversion ratios and increase production efficiencies.
- One of the bright spots of the year has been the continuing strong demand and price for orange roughy with increased volumes of shatterpack fillets processed through our New Zealand plants and a reduced volume of products being processed into retail bags at the Weihai Dong Won Food facility in China.

Sand crab, Melbourne fish market

- Catches in the deepwater by our domestic freezer vessels were ahead of forecasts as we benefited from improved catch rates in the hoki, squid and southern blue whiting fisheries.
- Fishing for toothfish in the Ross Sea was disappointing this year with increased numbers of vessels from other countries forcing fishing areas to be closed earlier and reducing our share of the catch.
- The San Waitaki performed ahead of expectations catching orange roughy and oreo dory under a “one fleet” arrangement and this arrangement will be continued into the next fishing year under co-operative arrangements between Sanford Limited and Sealord Group Limited.
- Our four Korean charter vessels recorded improved catches this year with more consistent catching in the barracouta, squid, hake, ling and silver warehou fisheries. We continue to maintain excellent relationships with our charter partners and our policy of 100% observer coverage continues to ensure these operations are very beneficial to Sanford.
- During the year we were able to increase our investment in Weihai Dong Won Food Company Limited in Weihai, China, (with the exiting of a number of minority shareholders) to now be a strictly 50/50 joint venture between Dong Won Fisheries Company Limited of Korea and Sanford Limited of New Zealand. With reduced volumes and the impact of declining market prices, profitability from our operations in China was reduced this year.

Markets and Pricing

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

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

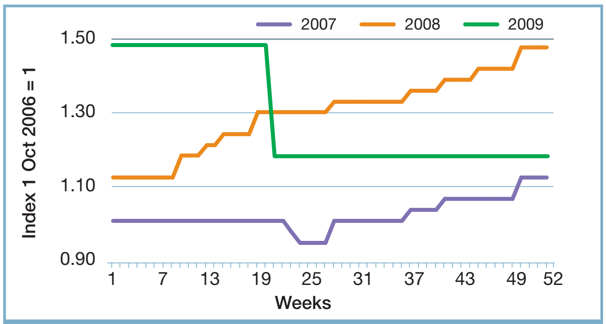
With the decline in hoki fillet prices more emphasis was placed on hoki fillet block in the second part of the year with demand almost keeping pace with production over the latter part of the year.

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

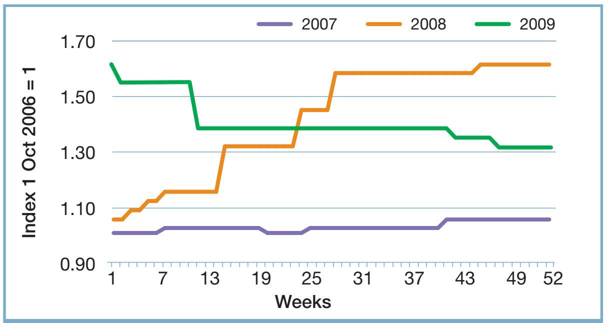
As discussed previously market prices for half-shell mussels declined progressively throughout the year from a peak at the start of the year to a level at balance date below that being achieved on 1 October 2006. With a strong and loyal customer base in most major markets we were able to move our production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

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

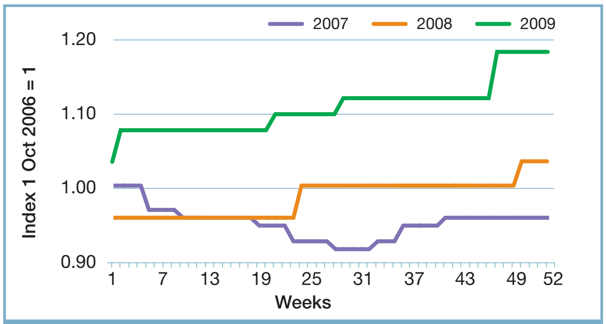
Skipjack tuna prices declined from a high at the start of the year through to a relatively low level before spiking up in the April, May and June period and then falling away towards the end of the year and into the new year as well.



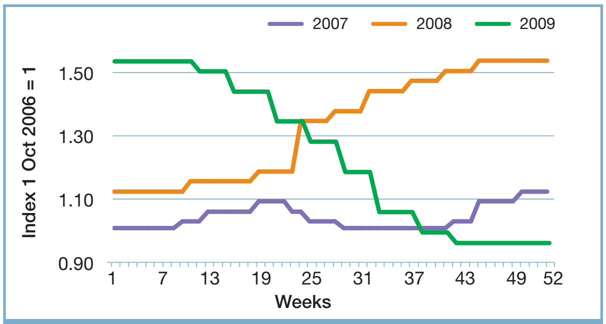
Hoki Fillets



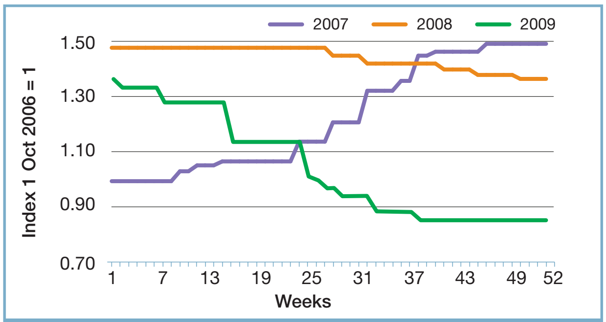
Hoki Fillet Block



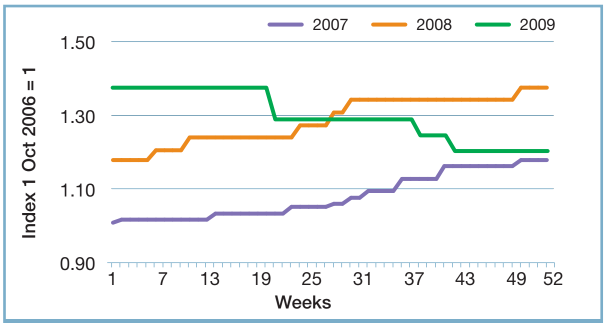
Orange Roughy



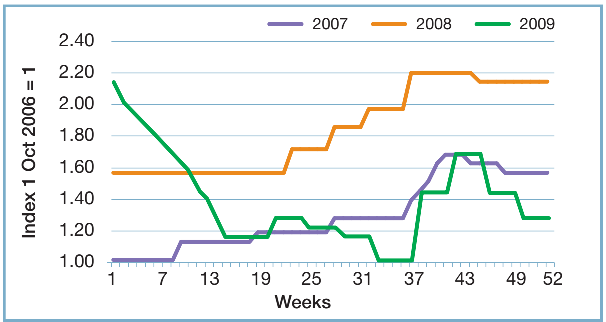
Half-Shell Mussels



Ling Fillets



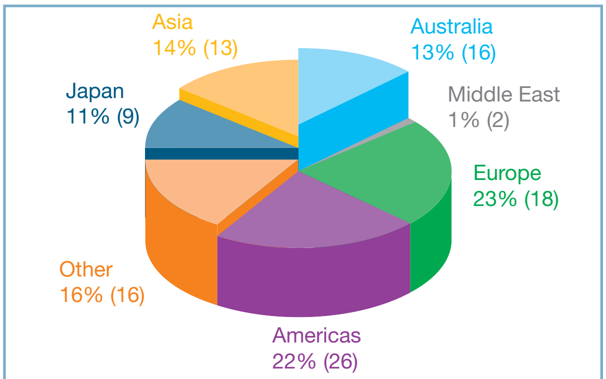
Smooth Dory



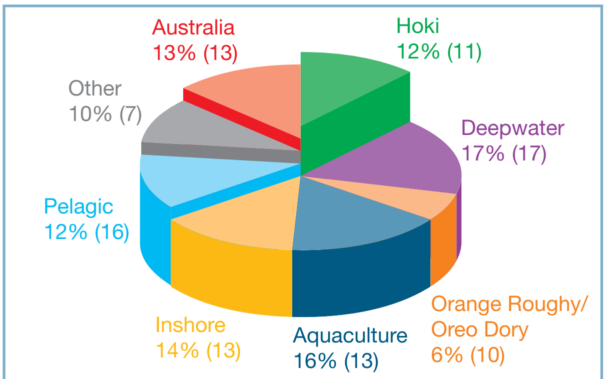
Skipjack Tuna

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

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



Export Percentages 2009 (2008)



Approximate Percentages Species Split 2009 (2008)

Managing Director's Review

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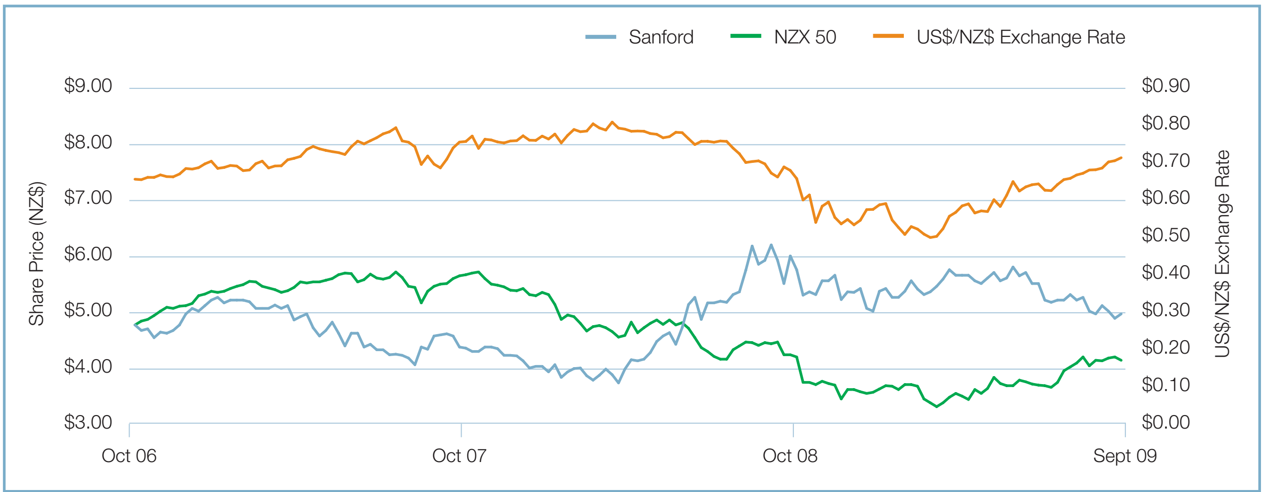


Sanford share price performance relative to NZX 50 and US$/NZ$ exchange rate

Share Price Performance

An analysis of our share price performance relative to the NZX 50 and the US$/NZ$ exchange rate shows Sanford performing in line with markets through most of the 2008 period and then declining in the latter part of the period as the US exchange rate increased to be above 70 cents.

Research, Development and New Technologies

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

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

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

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

Auckland whole fish line – snapper graded and packed for air freight

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

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

Impairment Charge

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

Exchange Rate Analysis

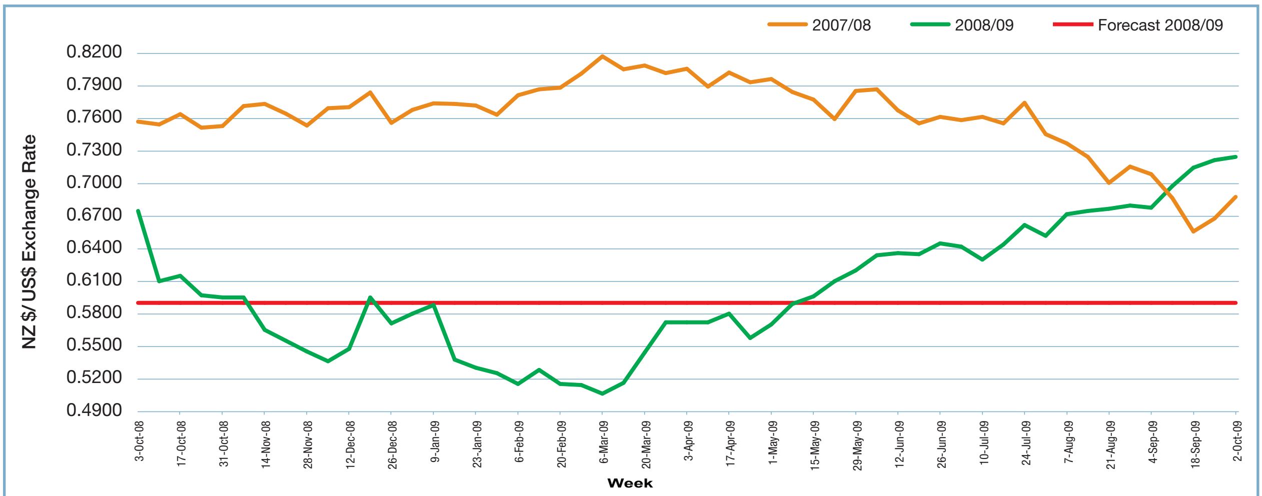
The graph of the exchange rate comparison to forecast and compared to last year is shown and just highlights the difficulties where we have been operating in an environment where the exchange rate fluctuates significantly not only over a year but within a month, a week and sometimes even days.

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

International Investments

Weihai Dong Won Food Company Limited, China (50% owned)

During the year we increased our shareholding in Weihai Dong Won Food Company Limited to 50% by acquiring shares previously owned by various minority interests in Korea. This resulted in the business now being jointly owned by our Korean charter partners in New Zealand, Dong Won Fisheries Company Limited, and Sanford Limited. This will allow the future direction of the business to be more strategically focused on the long-term interests of the two shareholders without consideration of the needs or desires of minority shareholders. The business has further developed and expanded the range of goods it produces and sells directly itself, as well as the range of products it toll processes on behalf of Sanford. The effect of the economic crisis in China was quite sharp but relatively short compared to that of many economies. Our commitment to being a responsible employer stood us in good stead during the



US$ (Accounting) Exchange Rate

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crisis but attracting and retaining staff, in what is again a rapidly expanding economy, is a challenge for local management. The current focus is on attracting new business to lift volumes and fully utilise existing capacity which will reduce unit costs and further improve profitability.

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

It has been pleasing to note the improved results and continuing increases in dividends as High Liner Foods benefits from the integration of its own business with the former Fishery Products International Limited's assets in the United States and Canada.

While we continue to transact some valuable business with this organisation, mainly through Weihai Dong Won Food Company Limited in China, we do not see this investment being long term and have begun a process of selling down our shares when the market price matches our expectations. We would expect that process to be completed over the coming year.

Industry Issues

Emissions Trading Scheme (ETS)

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

We had made three simple points to the Government:

1. Seafood industry emissions are currently lower than they were in 1990. In other words, as an industry we have achieved targeted reductions and yet we are still being asked to contribute to an emissions trading scheme beyond 2012.
2. The proposed assistance to the industry for only two and a half years makes us worse off than we would have been under the scheme presently legislated. As noted in the news media coverage recently, it has been

suggested that ultimately the cost to the agriculture sector would be approximately $3,000 for each farmer on average. The cost beyond 2012 to Sanford, based on a $50/mt carbon cost, is likely to be in the region of $3.0m per year. Sanford has publicly reported its carbon emissions over the last five years and we have progressively improved our fuel eco-efficiency over the periods on which we have been reporting.

3. The New Zealand seafood industry is already the only international seafood industry that absorbs the full cost of the research, compliance, administration and management of commercial fishing. No other country imposes these charges on their industry so we are already at a disadvantage compared to our international competitors. The proposed emissions trading scheme is likely to put us at a further disadvantage internationally.

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

Aquaculture Law Reform

It is pleasing to see the Government supporting the aquaculture industry and facilitating a process for the reform of aquaculture legislation to allow this sector of the industry to continue to develop and grow.

An aquaculture technical advisory group recently completed a report to Government recommending changes to the way the law deals with aquaculture. We are supportive of this report and its conclusions although we believe there are some refinements necessary to improve the interface and the potential conflict between new aquaculture space applicants and the existing fishing quota rights.

San Hikurangi berthed at Auckland

International Fishing Agreements

We have had a particular focus over recent months on working with Government on New Zealand's participation in various international fishing agreements. These include the Commission for the Conservation of Southern Bluefin Tuna, the Commission for the Conservation of Antarctic Living Marine Resources, the Western and Central Pacific Fisheries Commission (deals with tuna in the Pacific) and the South Pacific Regional Fisheries Management Organisation.

These intergovernmental management organisations are concerned with the conservation and management of various fishing species and areas in international waters and New Zealand can assist these organisations to achieve their objectives in a way that protects and enhances New Zealand companies' economic interests in those fisheries. The increased interface and co-operation between industry and government in these forums is appreciated and is already leading to improved outcomes.

Fisheries' Certification

The Marine Stewardship Council (MSC) certification of toothfish caught in the Ross Sea by New Zealand and United Kingdom vessels is now almost complete with the official report recommending certification now released and waiting for completion of the objections process. We expect that to be completed in time for fish caught in the upcoming 2009/10 season in the Ross Sea to be MSC certified. This will add value to the product caught by our vessels in those fisheries.

The New Zealand industry has also commissioned the certification process for the ling, hake and southern blue whiting fisheries in New Zealand waters which will assist not only marketing of those species in world markets but also underpinning our overall marketing of New Zealand seafood. This system will continue to be recognised by influential and authoritative science journals throughout the world as one of the best fisheries resource management systems in the world.

Sustainable Development

Our Sustainable Development Report is again available only online. View the full report on our website www.sanford.co.nz. A summary of the report is on pages 31 to 34 of this report.

Sanford has again benefited from our sustainable business strategy and operational commitment to managing the transition to a more sustainable (low-carbon) economy. We have survived a very tough time for exporters and continued our ongoing investment in research. Where possible, external sustainability accreditation has been achieved to verify business practices and operations. The business is profitable and efficient with a long-term horizon and invests strategically in innovation and in its sustainable future. Communities within which the business is located, or upon which it has influence, are invested in financially and through time. Opportunities, such as this report, are taken to publicly communicate sustainability successes and ongoing challenges, thus increasing transparency and accountability.

Auckland Seafood Festival January 2009

- Change of location and date in 2009 attracts best visitor numbers yet
- Success of event resulted in a record $60,000 donated to charity
- Unavoidable carbon emissions created by the event are again offset

Surfcasting competition

Greasy pole competition

Blessing of the fleet

Record crowds

Unusual fish display

Seafood School cooking demo

Outlook for Coming Year

Economic Situation and International Markets

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

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

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

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

Operations

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

Acknowledgements

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

E F Barratt
Managing Director

7 December 2009

The Annual Meeting will be held at 2.00pm Wednesday 27 January 2010 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, Timaru and Bluff, as well as Oceanz Auckland shops, Wellington Sea Market shops in Wellington and "What a Catch" shop in Sydenham, Christchurch. Full address details of each location are shown on the voucher.

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Inshore Fishing and Processing Division

HOME

Shane Walsh
Inshore Manager

Overview

The inshore fishing and processing division delivered a solid performance considering the economic environment that affected demand and returns.

Sluggish demand for some species together with poor catches of skipjack tuna and blue mackerel resulted in sales being below expectations. Good catches and strong demand for jack mackerel helped to mitigate this.

Local market sales continued to improve, in particular fresh sales through the Auckland Fish Market auction.

Coldstore operations performed better than expected benefiting from the slow-down of international markets and the resulting increased demand for storage space.

Investment in technology installed and commissioned during the year delivered savings that will ensure production costs into the future will be minimised. These investments will create the platform for ongoing improvement and ensure the division will continue to return satisfactory results.

Operations

Auckland

The fishing fleet maintained fishing patterns that ensured fish was available to match export and local market demand. A second-hand Icelandic-built ice trawler joined the fleet at the end of the financial year replacing one of our aged trawlers. The vessel has been renamed San Hikurangi to commemorate our long association with the Northland town of Hikurangi and has been commissioned and is ready to add value in this coming season.

The Auckland factory had another busy year with significant growth in supermarket supply processing. Export sales returns were lower through poor demand for some species and the effect of the strong New Zealand dollar.

Auckland Fish Market

The auction had another strong performance especially during the last quarter where strong demand and limited supply resulted in increased prices. With buyers now able to access and participate in the electronic auction through the internet, we have seen increased participation in the auction.

A new tourism joint venture with Big Picture Wine™ started late December 2008 and was officially opened by Prime Minister John Key in April 2009. This business includes a virtual tour starting in an aroma room and then watching a wine film during which customers taste six Auckland wines described by the winemakers who feature on the screen. The film highlights the compatibility of wine and seafood and adds value to the Auckland Fish Market complex. This is a new business with management focused on building awareness and sales.

Prime Minister John Key enjoying the Big Picture Wine™ film and tasting experience

Tauranga

Tauranga had a difficult year with purse seine vessel catches of skipjack tuna and blue mackerel lower than anticipated. Catches and demand for jack mackerel, on the other hand, were above expectations. New sonar units installed on three purse seine vessels have proven to be a good investment with improved catches and reduced fuel and spotter plane costs.

The Tauranga plant also benefited from the installation of new processing technology which has increased throughput and reduced costs. While it is performing as anticipated, further development of this equipment is ongoing.

Returns from our Export Cold Storage facility were above expectation, assisted by a slow-down of economic activity which kept the store full from increased volumes of fish,

New sonars installed on Tauranga purse seiners have improved catches

mussels and meat. This more than compensated for the lower volume from the poor skipjack tuna and blue mackerel season.

Timaru

The Timaru factory had a good year benefiting from increased sales of orange roughy fillets. Strong demand and prices earlier in the year resulted in sales being above expectation. The two Timaru-based trawlers had a mixed year with good catches of barracouta and hoki but a poor squid season. One vessel was successfully deployed fishing in the North Island for a short period, a practice that will likely be repeated in future years.

The fishmeal plant had a good year with strong demand and prices for meal and oil. The quality and yield improvements made in the past continue to ensure that maximum value is delivered through the process.

The San Won coldstore performance was better than anticipated. The store benefited from a slow-down in

Tengawai berthed at Timaru

demand which kept the store full through most of the year. The store enjoyed electricity savings as a result of moving to a spot price contract when South Island lakes were full and electricity prices low.

Bluff

Independent quota owners' landings of inshore fish were significantly ahead of last year as a result of increased quota made available from the Jones Group purchase late last year. This resulted in less deepwater reprocessing being required to supplement inshore species and salmon processing.

Challenges and Opportunities

Recent investment in technology has delivered significant value and we will continue to examine options that further enhance these investments and deliver ongoing efficiencies.

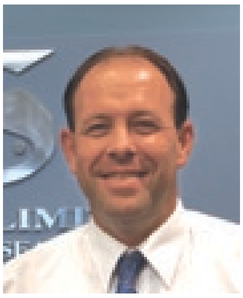
Any opportunities for growth through acquisition will be investigated and pursued if we are confident the investment will generate acceptable returns. We will continue to explore opportunities to grow our business as well as seeking to work together with other industry participants to develop more co-operative business arrangements. There is still a need to more effectively capitalise on vessels and processing facilities. We will continue to rationalise and upgrade our fishing fleet to improve catching, vessel and fuel efficiency.

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 together with Auckland City Council and Auckland Regional Council to ensure that developments planned in the surrounding area do not adversely affect our operations.

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

Auckland automated bin tipping system saves labour

Deepwater Fishing Division



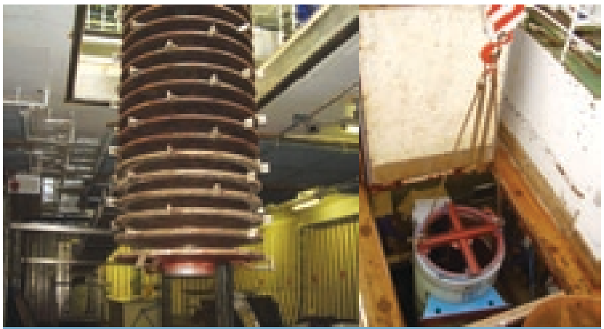
Greg Johansson
Deepwater Manager

The deepwater division fleet continues to improve its catching efficiency in almost all fisheries, with more tonnage being harvested with no increase in vessel numbers. Accepting the seasonal fluctuations inherent in any harvesting activity, catches in the division's major fish stocks were at or above expected levels.

Managing costs is a constant and especially important issue during these hard economic times. Fuel is a major cost for the fleet and, while volatility in fuel prices continues with significant daily and weekly variations, overall the price has been far more stable and moderate this year when compared to that of the previous year. The fleet fuel expenditure for the 12 months was down on last year; this is a function of both lower fuel prices and the commissioning of the light fuel oil (LFO) conversions on the three Sterkoder vessels. The supply of LFO from bunker points at Timaru is now in place.

The Deepwater Stakeholders Group (DWG), which represents those companies involved in New Zealand's deepwater fisheries, continues to make good progress for its members on a range of initiatives. Examples include: maintaining the Marine Stewardship Council (MSC) certification for hoki; seeking MSC accreditation for a range

"A nice day" onboard San Aspiring



New fishmeal plant being installed onboard San Enterprise

of other deepwater species; and researching and implementing industry best practice in mitigation of by-catch of seabirds and marine mammals. Pursuing responsible and disciplined actions amongst all industry members remains a major challenge for the DWG and one where Sanford and other like-minded companies are seeking greater incentives to encourage responsible actions.

The recession and rising unemployment have assisted crew stability, encouraging past crew to return to the industry and this situation has provided a higher calibre of candidates for positions that become available. We continue to invest in and support industry training and education to ensure a continued supply of new entrants into the seafood industry.

Maximising the utilisation of our annual catch entitlement (ACE) is a key divisional objective. Where ACE cannot be caught by our own vessels, we seek to secure third-party catching arrangements by which others harvest the fish on our behalf, or we trade out the ACE to other fishers for a lease fee. This activity produces a healthy contribution to the division's annual operating income.

Fillet Trawlers – San Discovery / San Enterprise

The San Discovery and San Enterprise have once again improved their catches from the previous year, demonstrating their versatility in a range of fisheries. Late in the quota year, both vessels participated in the southern blue whiting fishery for the second consecutive year, with excellent results. We are examining options to further enhance our returns from this fishery.

The hoki total allowable commercial catch (TACC) was increased by 22% in October 2009. This will provide additional catching opportunities for these vessels, which are well placed to increase their daily and annual catches, while maintaining the flexibility to move with ease between target fisheries.

During the year, the fishmeal plant on the San Enterprise underwent an extensive refurbishment, including the installation of new fish oil recovery equipment. The fish oil is extracted from the liquid waste stream generated from the production of fishmeal (a dry powder) that had previously been discharged as waste.

Longline Vessels – San Aotea II / San Aspiring

The San Aotea II 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). Catches of toothfish in both areas were down on expectations due to management decisions taken to close the fisheries before the approved TACCs had been taken.

The MSC certification of the Ross Sea fishery is progressing according to schedule, with the certification body reaching a determination that the Ross Sea toothfish longline fishery should be certified in accordance with the MSC standard. There is an objections process to be completed before formal certification is achieved. It is expected that the coming season catch will be sold as MSC-certified.

While the market price for ling has been poor, improved catch rates on the Chatham Rise have assisted in offsetting the lower market returns.

Toothfish being weighed, measured, tagged and released for stock assessment purposes

Scampi Fleet

The scampi fleet has been through a number of changes during the year, including the bedding in of a new management structure, decommissioning two of the oldest vessels, the commissioning of a replacement vessel as well as a number of significant dry dockings and surveys. These changes have improved the fleet's performance in the

A good size catch of orange roughy on the San Waitaki

second half of the year and we expect this improvement to continue in the year ahead.

We have recently trialled, and are in the process of installing, new electronic net monitoring systems on board all scampi vessels, which will provide feedback to skippers and enable them to maximise gear functionality; this should also reduce fuel consumption.

In March 2009, NIWA chartered the San Tongariro for her third and final scampi survey in the Auckland Islands area. Much of the survey was done with cameras, filming the seabed to count scampi burrows. Trawling was also undertaken and a large number of scampi tagged and released.

Trawler – San Waitaki

The San Waitaki has completed another very successful year targeting orange roughy and oreo dory on the Chatham Rise and in the Southern Ocean, with catches being above expectation.

The vessel is now fully utilising all catch and production by manufacturing fishmeal and fish oil from the by-products of dressed fish processing. On occasions, fish oil is blended with diesel and burnt in the on-board boiler.

After two years' involvement in a co-operative catching arrangement, we have reviewed and refined the operating model to further enhance our performance in these fisheries.

The San Waitaki continues to be utilised for industry-funded acoustic surveys of the orange roughy spawning aggregations on the Chatham Rise. The annual data collected by our vessel is now the foundation of the current stock assessment methodology and is growing in value and significance as the time series develops.

In November 2009, the vessel also completed a charter to NIWA, undertaking oreo dory research on the Chatham Rise. This required the vessel to work in conjunction with the NIWA research vessel Tangaroa, completing mark identification trawls to verify species composition of acoustically surveyed schools of fish.

Charter Operations

Sanford maintains its view that the use of well-managed and compliant charter vessels is an integral part of our business and in no way impedes New Zealanders' access to opportunities in the seafood industry.

We have maintained our existing level of charter vessel activity, with four Korean trawlers harvesting a range of species for the division. Dong Won Fisheries Company Limited recently upgraded its fleet by replacing its oldest vessel with a newer one.

The transition to the new Ministry of Fisheries observer standards and new Maritime New Zealand requirements for foreign fishing vessels has progressed smoothly this year. To date, there have been no major issues identified by either government department in regard to these new standards and our charter vessels.

Challenges and Opportunities

Over the last year, we have enjoyed working with the new Government and officials in a more constructive manner. There is a real desire to achieve a balance between utilisation and sustainability for both the resource and the business unit. There are several key initiatives under way that could significantly change the way we do business and, hopefully, in next year's report we will be in the position to report back on positive progress made.

There is a small section of the environmental lobby groups that are anti-fishing who continue to use emotive, unscientific media sound bites, in an attempt to discredit the internationally recognised best practice New Zealand fisheries management regime. While ill-founded, this activity undermines the excellent work being done in New Zealand and unnecessarily consumes executive time which ultimately reduces Shareholder value.

We are fortunate within the deepwater division to have a strong team of long-serving seagoing personnel and shore-based management which is dedicated to the Company and the way we do business. Without the team's continued support, none of this would be possible and Sanford would not be the industry leader it is today.

Aquaculture Division

HOME

Ted Culley
Aquaculture Manager

The global financial environment, the resulting strengthening of the New Zealand dollar and the deterioration of market prices, in particular for mussels, have impacted significantly on the performance of the aquaculture division. This resulted in the contribution being behind expectations and slightly lower than it was last year despite a record production year for mussels and salmon with lower production costs and increased efficiency. Oyster production was disappointing this year with production levels lower than anticipated as we managed our way through water-quality issues in the Northland harbours.

The new salmon farm upgrade (shown on the front cover) on Stewart Island was officially opened on 7 August 2009 by the Minister of Fisheries Honourable Phil Heatley.

Coromandel's new farm support vessel Untouchable undertaking maintenance on the farm navigational markers in Wilson Bay

Pacific oysters being opened at the Kaeo factory

Kaeo

Oyster production was below the level of last year and below our expectations. Harvesting from Northland growing areas was impacted by a wetter winter and, at the same time, Sanford imposed higher standards on the harvest criteria for product accepted for processing at the factory. We plan to lift production capacity during the times when harvests can occur by the introduction of a nightshift for five days per week in this coming financial year.

Work has been progressing on the prototype development of an automated oyster-opening machine and we are hopeful that with further development this year we will reach the stage of the machine being commercially viable.

Greenshell™ Mussels, Coromandel

Coromandel harvest volumes were ahead of expectations but slightly behind those of last year. All crop available was harvested from the growing area with any crop surplus to our shared processing capacity sold to the other shareholders at the joint North Island Mussel Processors Limited (NIMPL) toll-processing facility in Tauranga.

The NIMPL plant had a steady production year with the daily processing volumes on target with yields slightly better than was anticipated and contribution close to expectations.

Aquaculture Division

First delivery of automatic opening machines being installed at North Island Mussel Processors Limited

Redevelopment and expansion of the NIMPL plant is now well under way and is on target for commissioning in February 2010. The new facility will have twice the capacity of the existing facility and will utilise Sanford automated opening technology under a royalty agreement.

A new farm-support vessel was purchased during the year to provide for the increased volumes of mussels being farmed which will be processed through the expanded capacity under construction at the NIMPL plant.

The introduced marine organism, the sea squirt (Stelya clayva) competes for space on mussel lines in the Coromandel area and it can at times represent up to 25% of a harvest of mussels; to date we have not found a satisfactory way of managing this organism.

The Coromandel lobster plant had another positive season with good market prices for lobster being achieved with the quota being fully caught.

Harvesting mussels on the Pelorus Trader in the Marlborough Sounds

Greenshell™ Mussels, Havelock

Mussel volumes through the processing plant were in line with expectations and 20% ahead of last year. The plant ran five dual-head opening machines on two shifts for the year with the machines performing to expectations; this along with a sterling effort from all staff enabled a record production year.

Since the acquisition of the 48 farms and almost 500 longlines from Sealord Group Limited in July 2009 we have increased the crew numbers and days worked on our farm boats to meet the farming demands. These changes have progressed smoothly and, with some assistance from marine farm contractors, we are well placed to handle the increased farm work resulting from this purchase.

A further substantial lift in production at Havelock is planned for this year to process the increased volumes from these farms although there is likely to be some interruption to processing when the plant is upgraded to include fully automated cooking and opening machinery. This is planned for late in the year.

Research work continues on a number of technologies that will improve efficiencies and returns to both farmers and processing. One of these technologies is a mussel storage system that better maintains the condition of the mussels from harvest through to the start of processing resulting in improving yield and processing performance. This system is being assessed in a 12-month industrial trial.

Greenshell™ Mussels, Stewart Island and Bluff

Our mussel farms in Big Glory Bay on Stewart Island provided improved volumes to the Bluff processing plant with additional raw material to meet the plant capacity being sourced from Marlborough.

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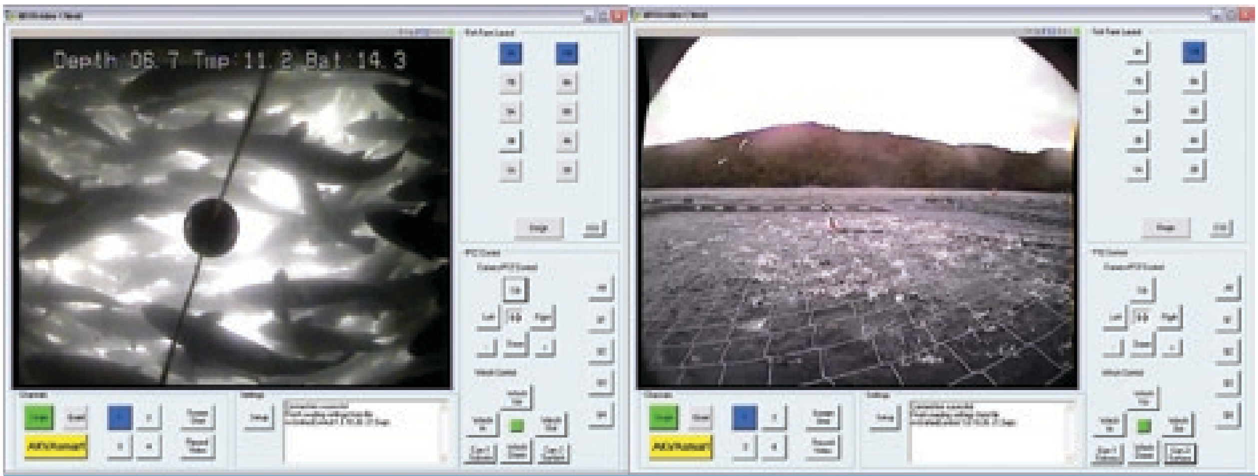

New AkVAsmart monitoring the salmon feeding in Big Glory Bay

King Salmon, Stewart Island and Bluff

The salmon farm upgrade is now completed on both of the two sites in Big Glory Bay. The new cage, feeding and feed-monitoring systems ensure no feed is wasted and are performing in excess of expectations with improved food-conversion ratios being achieved.

Salmon production was well ahead of last year's total as we managed the harvesting to optimise and increase the size grade of fish to meet market requirements. Both the Waitaki and Kaitangata hatcheries have performed to expectations and we have recently started a selective breeding programme which will improve the performance of our stock.

Further work is under way on the harvesting, transportation and processing methodologies to improve the flesh quality of our salmon and reduce the cost of production.

Oysters, Bluff

Following the acquisition of the Jones Group assets in late 2008 we operated our vessel in the dredge oyster fishery for the first time. Vessel catch and quality were up to expectations and the overall result was better than anticipated.

Challenges and Opportunities

Our challenge is to continue to provide adequate returns to our Shareholders in a difficult and depressed global economy. To achieve this we continue to seek out new technologies that will provide efficiencies and reductions in production costs, improve yields and quality which will, in turn, assist in this objective. We also pursue new opportunities to increase revenue or diversify our production base. Examples include our involvement with other marine finfish farmers in looking at potential new fish species to grow in New Zealand and the recent establishment of a joint venture involving industry and the Cawthron Institute for the development of selectively bred mussels.

Mussel about to be opened in the automatic opening machine

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Pacific Tuna Division

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Vaughan Wilkinson
Business Development Manager

The Pacific tuna division again provided a credible return that was ahead of expectations despite facing challenging operating conditions during the year. This was a pleasing result as revenues were down compared to last year due to both lower catches and softer fish prices. However, the reduced revenues were offset by lower than budgeted expenses thanks to reductions in the prices of fuel.

All three vessels fished in the Western and Central Pacific Ocean (WCPO) for the complete year.

San Nanumea and San Nikunau – alongside the main dock in Pago Pago, American Samoa

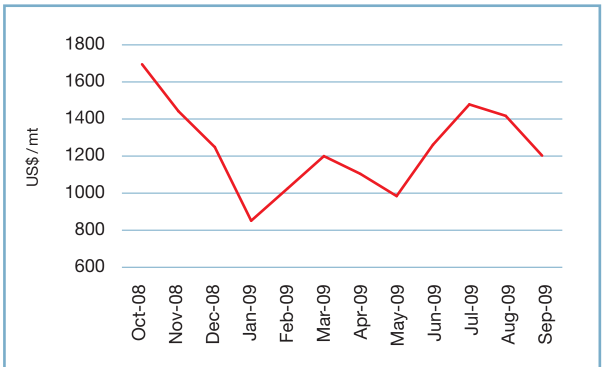
Although the total catch for the year was only slightly below expectations, it was still down compared to the good catches of last year. The San Nanumea and the Ocean Breeze performed well but the San Nikunau's catch fell below expectations. At the beginning of the fourth quarter, the San Nikunau faced a lengthy delay waiting to unload in Pago Pago, American Samoa. This was because the cannery had reduced production so the San Nikunau had to wait longer than expected until the unloading could commence. This lost fishing time was further compounded when the San Nikunau returned to sea but badly damaged her net due to the heavy currents whilst school fishing. The vessel had to return to port to repair the net which resulted in the loss of a further three weeks of fishing at a time when catches were good.

The San Nanumea and Ocean Breeze both benefited from good catching during the final quarter with bodies of school fish being present. This was timely given that from 1 August 2009 until 30 September 2009 the use of fish aggregating devices

Unloading skipjack tuna from San Nanumea

(FADs) was prohibited as one of the conservation and management measures (CMMs) introduced by the Western and Central Pacific Fisheries Commission (WCPFC) at their annual meeting in December 2008. This CMM was implemented in order to reduce the catch of juvenile bigeye and yellowfin tuna as the Commission considers the stocks of these species to be overfished. Fortunately, our vessels encountered sizeable bodies of school fish during the closure period which allowed them to maintain quite reasonable catches.

Although the operation enjoyed some benefit from an improved $US exchange rate at the start of the year, revenues also fell as the market prices for tuna decreased considerably from the record highs of last year. By January the price for the benchmark grade of 4 to 7.5lb skipjack tuna in the Bangkok market had undergone a rapid readjustment and fallen by 50% compared to the beginning of the year (see graph below). Pricing improved to fluctuate from around US$1,000/mt to US$1,200/mt over the next few months before starting to increase in June and reach over US$1,400/mt during July. In line with the usual annual trend, prices then started to drop off during August and September as the market softened with this downward pricing pressure continuing through into the beginning of the next financial year.



Bangkok 4 to 7.5 lb skipjack tuna prices

As reported, expenses this year were well below budget. Costs for fishing gear and repairs and maintenance were modest due to the repair work undertaken in the previous year. In addition, we worked hard to constrain costs during the year given the uncertainty with falling fish prices and the deteriorating exchange rate over the second six months. The biggest saving came from fuel costs which dropped from the record highs in the previous year with prices ranging between US$400 and US$600/mt for most of the year (see graph below).

Marine Gas Oil (MGO) bunker price ex Singapore

As many will be aware, on 30 September 2009 a devastating tsunami struck American Samoa, Samoa and Tonga following an earthquake which occurred at sea.

Two of our vessels, San Nikunau and Ocean Breeze, were in port at Pago Pago, American Samoa, awaiting discharge at the time the tsunami struck. The crews had barely a minute's notice of the impending event but thankfully, due to their quick and professional actions, no one was injured and the vessels escaped with only minor damage. Tragically, others were not so lucky with family and friends of many people with whom we have regular contact in American Samoa losing their lives. We offer our heartfelt condolences to all concerned in the aftermath of this tragedy.

The consequence of the tsunami meant that many of the businesses, including the cannery, in American Samoa were no longer able to operate. This resulted in the unloading of the vessels being disrupted and delayed. The indications are that it will take some time before they are fully operational again which will have implications for our vessels in the new financial year with options for unloading being restricted.

Left: First wave of the tsunami as it recedes from Pago Pago Harbour

Right: The destructive aftermath in the port of Pago Pago

Challenges and Opportunities

As mentioned last year, 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, held its fifth annual meeting in early December 2008. At the meeting, the WCPFC adopted a range of conservation and management measures (CMMs), including in particular a CMM to address overfishing on the bigeye and yellowfin tuna stocks.

For purse seine vessels, the CMM introduced a two-month ban on fishing using FADs for this year but next year this closure period will increase to three months from 1 July to 30 September 2010. In addition, as from 1 January 2010 there is to be 100% catch retention plus 100% observer coverage. Furthermore, the area of high seas surrounded by Palau, Federated States of Micronesia (FSM), Papua New Guinea (PNG), Indonesia and Philippines plus the area bounded by FSM, Republic of Marshall Islands (RMI), Nauru, Kiribati, Tuvalu, Solomon Islands and PNG will be completely closed to fishing.

As yet it is unknown how much these measures will affect our fishing operation but the loss of the high seas fishing areas in particular certainly has the potential to adversely impact our catches.

To date we have continued to successfully renew our access agreements with the Pacific Island countries with whom we have long-standing arrangements. In conjunction with the New Zealand Government, we have also commenced dialogue with these parties to look at options that will provide greater security of access for fishing in the WCPO. We will continue deliberations on an access arrangement during the forthcoming year to try and progress the development of suitable long-term security of access.

We are pleased to report that the operation provided another positive return on investment during what has been a very difficult operating environment. Once again the positive result stems from the dedication and hard work by the crew and staff within the operation. The forthcoming year poses a new set of challenges particularly with the conservation and management measures that will be coming into force. However, if we can maintain catches, and if tuna prices improve, then the operation should continue to provide a positive contribution to Sanford.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

International Fishing Division

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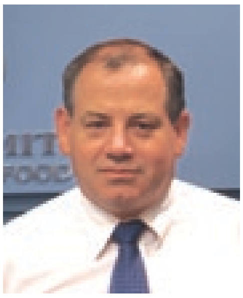

Tom Birdsall
International Manager

The international fishing division had a demanding year but, as a result of some sustained effort, the outcome was only a little less successful than what had been anticipated. The Australian operations achieved a consistent performance in a year of very difficult economic conditions and the result was in line with expectations. Other areas of the business were impacted significantly by the global economic recession which caused a softening of demand in most markets and, as a consequence, they did not achieve the results that were anticipated.

Independent vessel Tullaberga unloading at Lakes Entrance, Victoria

Australia

The Melbourne wholesale business has had to adapt to the economic conditions that have prevailed during the past year. Market demand for fish generally reduced, especially in the higher-valued species that end-users such as restaurants utilise. This created an environment where sales were hard to achieve, and at times this was not a function of price. Volumes of fish consigned to the business were slightly

Processing grenadier at sea onboard San Tangaroa

down on previous years but the overall sales prices were up. The effect of quota reductions in ling and orange roughy and the catching sector restructuring continues to have an impact across the whole fishery.

Our customers have not been immune to the recent economic conditions; in times like this debtor management becomes an even bigger issue. Many customers have struggled to meet normal trading terms.

With the impending closure of the current Melbourne wholesale fish market site, we have elected to pursue a market development opportunity outside of the existing tenant's proposed development. This difficult decision was taken after careful consideration and the operation will be relocated when the existing market closes. Sanford is committed to wholesaling fish in the Melbourne market and will be providing an improved comprehensive package including a wide range of quality products and related services to maintain its market position.

The suppliers to our consignment market are from a wide geographical area: fish is consigned from Victoria, New South Wales, Tasmania, South Australia and a limited amount from Queensland and Northern Territory. The seafood comes from deepwater, coastal, inshore, freshwater and aquaculture facilities and includes both fish and shellfish. The suppliers vary in size from larger multi-boat operations through to single-operator estuary fishers but all have a strong interest in the best marketing of their products. Most fish arrives by road transport although Tasmania is serviced by sea ferry, and a limited volume arrives by airfreight. The range of species and products is improving and the end-user is well served with a more sophisticated selection; there is a theme of improving quality driving demand.

The Safeway supermarket supply business continues but a change has occurred in the supply dynamics with the Safeway supermarket chain buying some products directly from the suppliers, especially in the aquaculture area. However, our wild-caught fish and sourced supply of processed fish continue to be acceptable and the quality continues to be of the highest standard. Competition is strong both between suppliers to our customer, and between the various supermarket chains. However, there have not been any apparent significant market share changes in the past year and this reflects some of the difficulties in retailing fresh fish.

Our factory facility has been processing volumes of product for both the supermarket supply business as well as other processors, wholesalers and retailers located throughout Eastern Australia and Tasmania. There have been periods when the processing capacity has not been fully utilised; work is under way to reduce these occurrences. Recently we have added a new packing machine to provide another option for our customers which will allow a longer shelf life for the fillets. The quality and presentation of the product continues to be very high.

Quota trading continues to be an important part of our business relationship with our supplier fishermen. The quota market appears to be maturing with lower volumes available for trade. With quota reductions in some species and a tighter quota lease market, it can be difficult for fishers to obtain or manage the required quota so this is an area where we can be of assistance to our suppliers. The quota market continues to be monitored for acquisition opportunities that fit our criteria.

Fresh fish awaiting sale on consignment floor at the Melbourne fish market

International Fishing Division

The Company-owned trawler San Tangaroa operating from Portland has had a good year; the operation is managed with the aim of optimising input to the market. Catches have been adequate although impacted by fishery management changes, in some areas of the operation, which have restricted the targeting of deepwater species.

The skipper and crew have been with the vessel for a long period of time and the quality of the fish produced continues to be excellent.

The Melbourne wholesale fish market continues to be a very competitive environment and the management and staff have been solid and reliable in this dynamic environment.

Challenges and Opportunities

In the next year there will be many challenges with the market relocation; however, this will also provide the right time to consider, and then make improvements to enhance, our position in the market. We will need to maintain our relationships with our suppliers and customers by ensuring that the highest level of service is provided and maintained at all times. The new facility will allow greater flexibility and higher quality standards through the use of a controlled environment and reduction in handling. We will continue to seek sound opportunities to expand our involvement in the seafood sector in Australia.

Ling on display for sale at the Melbourne fish market

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Sustainable Development

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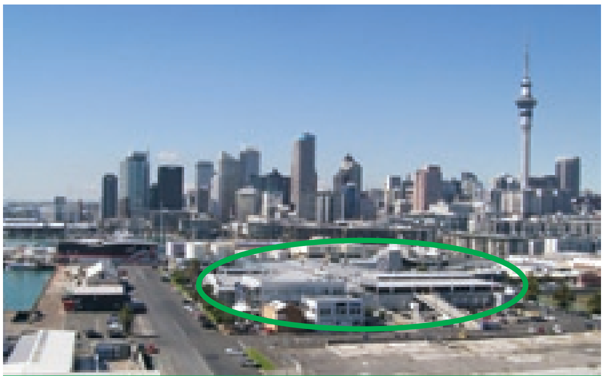
Our Sustainable Development Report is again available only online. Below is a summary of the content of the report. For more information please view the complete report at www.sanford.co.nz

Managing Director's Statement

Sustainable Development Reporting Scope

2008 Case Study Updates

- Weihai Dong Won Food Company Limited, China
- Alternative Fuel Sources
- Sustainability Certification, Reporting and Benchmarking
- Maui's and Hector's Dolphin Regulations
- Kahawai Legal Challenge
- Auckland Waterfront Changes



View of the Vital Waterfront with Sanford Auckland marked

Environmental Sustainability

Sanford has again focused our sustainable business strategy and operational commitment to managing the transition to a more sustainable (low-carbon) economy. 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.

Sanford Snapshots

- We included our 50% joint venture operations in our environmental profile
- We gained triennial ISO 14001 certification of our Environmental Management System
- We took part in an industry project on carbon footprinting

Minister of Fisheries Honourable Phil Heatley delivering the opening speech at Big Glory Bay salmon farm

Environmental Profile

- Total Production
- Electricity Consumption
- Water Use
- Solid Waste Produced
- Coal Consumption
- Diesel Consumption
- Refrigerant Consumption
- Greenhouse Gas Emissions
- Lube Oil Use
- CASE STUDY: Carbon Emission Footprinting and Reporting
- CASE STUDY: New Zealand Climate Change Response (Emissions Trading) Amendment Act

Environmental Compliance

- Environmental Management System
- Compliance Issues

Environmental Impacts of Fishing

- Quota Management
- Marine Stewardship Council (MSC) Certification
- Interactions with Seabirds and Marine Mammals
- Marine Protected Areas (MPAs)

Environmental Impacts of Aquaculture

- Mussel Shells
- Salmon Farming
- CASE STUDY: Sustainable Farming in Big Glory Bay

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SUSTAINABLE SEAFOOD

Social Sustainability

In the recent period of economic distress and contraction, it has been important for companies not to overlook the value of being socially responsible. Priorities may change in the face of recession, but social programmes and sustainability should not be swept aside. In many companies, social investment is allowed for only when times are prosperous. But at Sanford, where management has integrated sustainability fully into business decisions, such initiatives have continued throughout the year.

Sanford Snapshots

- Auckland crew members took part in a Water Safety course
- Sanford became a Kiwi Can national sponsor with new "Environment and the Community" lessons
- Auckland Seafood Festival donated $60,000 to the Stellar Trust
- Personal accident insurance for all employees and share fishermen taken by the Company
- Sponsorship of a beach clean-up on Great Barrier Island

Another major impact of the "credit crisis" is the loss of trust in large business, especially in the financial sector. The success of the Company relies on fostering strong stakeholder relationships with our employees and with local communities and businesses. Sanford has worked hard to ensure that there have been no job losses during the recession. We continue to maintain a healthy and safe working environment, local community partnership programmes and the supply of safe, healthy, quality products to our customers.

Employees

- Staff Numbers and Diversity
- Health, Safety and Well-being
- Work/Life Balance
- Training
- Social Activities

Communities

- Donations
- CASE STUDY: Auckland Seafood Festival just gets Better
- CASE STUDY: Young Kiwis Learn about the Environment and the Community

Record crowds at the Auckland Seafood Festival 2009

Economic Sustainability

It is likely that the future will bring increased sustainability reporting. Eventually, transactions arising from the proposed Emissions Trading Scheme will make their way into company financial statements. There is a need for a significant shift within organisations to move towards successful implementation of sustainability practices. For Sanford, our economic success is founded in our fishing quota, aquaculture investment, operational efficiency and value-added product.

Seafood is big business in New Zealand as we control the world's fourth-largest fishing zone. As the country's fifth-largest export industry, the seafood industry employs more than 20,000 people in a wide variety of jobs from land-based scientific roles to hands-on positions at sea. Sanford is the largest quota owner in New Zealand. We employ over 1,500 staff (including fishermen) and operate seven processing plants in New Zealand. Over 88% of our product is sold overseas with the top four export areas being Europe (23%), Americas (22%), Asia (14%) and Australia (13%). Our top four export products are Greenshell™ mussels, skipjack tuna, hoki and orange roughy. More information is available online at www.sanford.co.nz

During this difficult economic year, Sanford continued to be a strong company, with a relatively low level of debt and a broad operational base. Our business performed to expectation, taking into account the international financial changes and the uncertainty created among many of our customers. As a producer of one of the healthiest food proteins, we find ourselves in a business sector that provides food when people still need to eat.

About Sanford

• Revenue	$433.1m
• Operating cash flow	$31.1m
• Total assets	$720.9m
• Profit after tax	$39.1m
• Return on average total equity	7.3%
• New Zealand income tax paid	$17.5m

Sanford Snapshots

- Aquaculture investment with mussel farms acquisition
- Invested in a tourism joint venture – Big Picture Wine™
- Purchased vessels San Hikurangi (previously named Gorm) and Venture K

Left to right: Shane Walsh, Sanford Inshore Manager, Phil Parker, Big Picture Wine™ Partner, New Zealand Prime Minister John Key and Eric Barratt, Sanford Managing Director at the opening of Big Picture Wine™

Sustainable Development

A Brief History of Sustainability Reporting at Sanford

2000
- Triple Bottom Line Report is published for the first time
- The report includes a draft Sustainability Strategy
- Sanford gains ISO 14001 certification of four New Zealand plants (the remainder are certified in 2001)

2001
- New Zealand hoki fishery is certified by the Marine Stewardship Council
- Sanford Kaeo forms an education enhancement partnership with the Kiwi Can programme
- Sanford expands into the Western Pacific with the purchase of two Purse Seine fishing vessels

2002
- Sanford is the first company to sign the innovative New Zealand Seafood Industry Charter
- Closure of the Nelson operation results in addressing employment and community issues
- Significant investment in the upgrade of the Havelock and Auckland processing facilities

2003
- Sustainable Development Report supersedes the Triple Bottom Line Report
- Electricity eco-efficiency initiatives save $270,000
- Toothfish operations expand to include fishing in South Georgia

2004
- Completion of the Auckland Fish Market as a LEED-certified green building
- Support of the 44% reduction in the hoki fishery quota for the 2004/05 fishing year
- Investment in China through a 25% stake in Weihai Dong Won Food Company Limited

2005
- Sustainable Development Report is externally verified for the first time
- Increased investment in China operation from 25% to 40%
- Sanford supports continuation of hoki 100,000-tonne Total Allowable Commercial Catch (TACC)

2006
- New Zealand Institute of Chartered Accountants reporting award (and 2007; joint winner 2008)
- Investment in fuel-efficiency equipment for the fleet
- Involvement in the Benthic Protection Areas proposal designed to protect benthic biodiversity

2007
- Achievement of a C+ grade against the Global Reporting Initiative reporting criteria
- Support for the reduction of the hoki fishery quota for the 2007/08 year
- Successful promotion of the Auckland Seafood Festival as carbon neutral

2008
- Sustainability Policy developed
- Purchase of the Jones Group assets including quota; expansion of our product range
- Successful aversion of potential oil spill from the grounded San Cuvier

2009
- Conversion of Deepwater Fleet to light fuel oil
- National Kiwi Can sponsor; new Environment and the Community lessons in schools
- Participation in an industry project on carbon footprinting

For more information view our full Sustainable Development Report at www.sanford.co.nz

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Financial Statements 2009

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

For and on behalf of the Board of Directors:

B S Cole
Chairman

E F Barratt
Managing Director

25 November 2009

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Five Year Financial Review

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

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

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

† Includes the dividends proposed after balance date.

Major events

May 2006 – Cancelled 2,036,982 shares

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

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Income Statement

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for the year ended 30 September 2009

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

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

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Balance Sheet

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as at 30 September 2009

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

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Cash Flows

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for the year ended 30 September 2009

	Note	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
Cash flows from operating activities					
Cash provided from:					
Receipts from customers		444,851	439,228	377,001	370,596
Interest received		924	1,641	800	1,503
Dividends received		941	602	665	482
		446,716	441,471	378,466	372,581
Cash applied to:					
Payments to suppliers and employees		391,305	352,386	325,376	285,639
Income tax paid		17,189	8,409	17,516	8,872
Interest paid		7,171	11,171	7,171	11,171
		415,665	371,966	350,063	305,682
Net cash flows from operating activities	25	**31,051**	**69,505**	**28,403**	**66,899**
Cash flows from investing activities					
Cash provided from:					
Disposal of property, plant and equipment		296	3,638	296	3,636
Sale of investments and subsidiaries		426	47,732	3,284	–
Repayment of term receivable		1,559	916	1,559	34,960
		2,281	52,286	5,139	38,596
Cash applied to:					
Purchase of property, plant and equipment		21,309	14,922	21,243	14,580
Purchase of intangibles		37,458	9,176	37,458	6,911
Acquisition of other investments		2,226	12,947	2,208	68
		60,993	37,045	60,909	21,559
Net cash flows from investing activities		**(58,712)**	**15,241**	**(55,770)**	**17,037**
Cash flows from financing activities					
Cash provided from:					
Proceeds from borrowings		10,000	–	10,000	–
		10,000	–	10,000	–
Cash applied to:					
Dividends paid		21,534	20,598	21,534	20,598
Repayment of bank loans		–	40,000	–	40,000
		21,534	60,598	21,534	60,598
Net cash flows from financing activities		**(11,534)**	**(60,598)**	**(11,534)**	**(60,598)**
Net increase (decrease) in cash and cash equivalents		**(39,195)**	**24,148**	**(38,901)**	**23,338**
Effect of exchange rate fluctuations on cash held		(91)	52	(86)	70
Cash and cash equivalents at beginning of year		9,403	(14,797)	8,447	(14,961)
Cash and cash equivalents at end of year		**(29,883)**	**9,403**	**(30,540)**	**8,447**
Represented by:					
Bank overdraft and borrowings at call		(33,886)	(552)	(33,197)	–
Cash on hand and at bank		4,003	9,955	2,657	8,447
		(29,883)	**9,403**	**(30,540)**	**8,447**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Changes in Equity

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for the year ended 30 September 2009

Group	Note	Share Capital $000	Translation Reserve $000	Fair Value Reserve $000	Cash Flow Hedge Reserve $000	Retained Earnings $000	Total $000	Minority Interest $000	Total Equity $000
Balance at 1 October 2008		**95,355**	**1,367**	**–**	**–**	**429,124**	**525,846**	**523**	**526,369**
Foreign currency translation differences		–	428	–	–	–	428	4	432
Effective portion of changes in fair value of cash flow hedges (net of tax)		–	–	–	6,977	–	6,977	–	6,977
Change in fair value of cash flow hedges transferred to profit or loss		–	–	–	(2,862)	–	(2,862)	–	(2,862)
Income and expense recognised in equity		–	428	–	4,115	–	4,543	4	4,547
Profit for the year		–	–	–	–	39,075	39,075	64	39,139
Total recognised income and expense for the year		–	428	–	4,115	39,075	43,618	68	43,686
Distributions to shareholders	20	–	–	–	–	(21,534)	(21,534)	–	(21,534)
Balance at 30 September 2009		**95,355**	**1,795**	**–**	**4,115**	**446,665**	**547,930**	**591**	**548,521**
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	20	–	–	–	–	(20,598)	(20,598)	–	(20,598)
Balance at 30 September 2008		**95,355**	**1,367**	**–**	**–**	**429,124**	**525,846**	**523**	**526,369**

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

Notes to the Financial Statements

for the year ended 30 September 2009

Note 1 – Reporting Entity

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

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

Note 2 – Basis of Preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

Specific areas requiring significant estimates and judgements include:

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

for the year ended 30 September 2009

Note 3 – Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(iii) Acquisitions or disposals during the year

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

(c) Derivative financial instruments

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

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

Note 3 – Significant Accounting Policies (continued)

(d) Fish quota and marine farm licences

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

Marine farm licences are recorded at cost.

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

(e) Research and development

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

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated using straight-line rates to write off the cost of property, plant and equipment over their estimated useful lives. Depreciation methods, useful lives and residual values are reassessed at balance date. As a result of a reassessment at the beginning of the financial year, useful lives for some classes of assets were adjusted resulting in an estimated decrease of $1.5m in depreciation for the year and an increase in net profit before and after tax by the same amount. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Land is not depreciated. Estimated useful lives are as follows:

	2009	2008
	Years	Years
Buildings (freehold and leasehold)	25	25
Fishing vessels:		
Hulls	20-30	15-20
Engines	12-15	10-12
Electronic equipment	3-4	3-4
Machinery and plant	7-10	7-10
Motor vehicles	5	5
Office fixtures and fittings	5-7	5-7
Marine farm assets	5-15	3

Notes to the Financial Statements

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for the year ended 30 September 2009

Note 3 – Significant Accounting Policies (continued)

(g) Inventories

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

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

(h) Biological assets

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

(i) Impairment

(i) Non-financial assets

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

(ii) Non-derivative financial assets

Trade and other receivables

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

Investments in equity securities

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

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

(j) Trade and other receivables

Short term trade and other receivables are not discounted and are stated at cost less impairment losses. Long term receivables are stated at their amortised cost less impairment losses.

(k) Investments in equity securities

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

(l) Investments in subsidiaries

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

Notes to the Financial Statements

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for the year ended 30 September 2009

Note 3 – Significant Accounting Policies (continued)

(m) Income tax

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

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

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

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

(n) Cash and cash equivalents

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

(o) Bank loans

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

(p) Revenue

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

(q) Finance income and expenses

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

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

(r) Trade creditors and other payables

Trade creditors and other payables are stated at cost.

(s) Provisions

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

Note 3 – Significant Accounting Policies (continued)

(t) Employee benefits

(i) Defined contribution plans

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

(ii) Long service leave

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

(iii) Short-term benefits

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

(u) Segment reporting

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

(v) New standards and interpretations not yet adopted

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

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

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

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

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

Notes to the Financial Statements

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for the year ended 30 September 2009

Note 4 – Segment Reporting

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

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

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

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

(a) Income and expenditure

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

(b) Assets and liabilities

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

Note 5 – Revenue

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Sale of goods	433,091	436,564	368,982	368,319
Total revenue	**433,091**	**436,564**	**368,982**	**368,319**

SANFORD LIMITED
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Notes to the Financial Statements

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for the year ended 30 September 2009

Note 6 – Other Income

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

Note 7 – Expenses

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

Note 8 – Finance Income and Expenses

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

Notes to the Financial Statements

for the year ended 30 September 2009

Note 9 – Income Tax Expense

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
(a) Income tax expense				
Current period	**15,960**	**16,450**	**15,487**	**16,213**
Adjustment for prior periods	306	–	306	16
	16,266	**16,450**	**15,793**	**16,229**
Deferred tax expense				
Origination and reversal of temporary differences	684	(1,226)	877	(1,196)
Adjustments for prior periods	(1,051)	–	(639)	–
Reduction in tax rate	–	104	–	110
Income tax expense	**15,899**	**15,328**	**16,031**	**15,143**
(b) Reconciliation of effective tax rate				
Profit for the year	39,139	53,420	38,195	30,022
Income tax expense	15,899	15,328	16,031	15,143
Profit before income tax	**55,038**	**68,748**	**54,226**	**45,165**
Tax at current rate of 30% (2008 – 33%)	**16,511**	**22,687**	**16,268**	**14,904**
Effect of tax rates in foreign jurisdictions	–	(42)	–	–
Non-deductible expenses	96	1,472	96	53
Non-taxable income	(89)	(8,862)	–	(80)
Utilisation of tax losses previously unrecognised	(347)	(421)	–	–
Over provided in prior periods	(745)	–	(333)	–
Effect of future change in tax rate	–	104	–	110
Other	473	390	–	156
	(612)	**(7,359)**	**(237)**	**239**
Income tax expense	**15,899**	**15,328**	**16,031**	**15,143**

(c) Imputation credit account		
Balance at beginning of year	55,303	56,346
Tax payments	17,907	8,746
Imputation credits attached to dividends received	220	168
Imputation credits attached to dividends paid	(10,422)	(9,957)
Other movements	–	–
Balance at end of year	**63,008**	**55,303**

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

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Note 10 – Property, Plant and Equipment

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

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for the year ended 30 September 2009

Note 10 – Property, Plant and Equipment (continued)

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

Impairment loss

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

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

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Note 11 – Intangible Assets

	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000
Group 2009			
Carrying amount			
Balance at beginning of year	398,031	20,568	418,599
Acquisitions	20,656	16,802	37,458
Effect of movements in exchange rates	338	–	338
Balance at end of year	419,025	37,370	456,395
Impairment			
Balance at beginning of year	(2,831)	–	(2,831)
Impairment	–	–	–
Balance at end of year	(2,831)	–	(2,831)
Carrying amount at 30 September 2009	**416,194**	**37,370**	**453,564**
Group 2008			
Carrying amount			
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	(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**

Impairment testing

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

The Australian CGU applied similar assumptions to those stated above.

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

Impairment charge

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

	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000
Parent 2009			
Carrying amount			
Balance at beginning of year	379,124	20,568	399,692
Acquisitions	20,656	16,802	37,458
Carrying amount at 30 September 2009	**399,780**	**37,370**	**437,150**
Parent 2008			
Carrying amount			
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**

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Note 12 – Biological Assets

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

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

Note 13 – Equity Accounted Investees

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

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

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for the year ended 30 September 2009

Note 14 – Other Investments

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Shares in other companies	8,660	9,715	35	35
Shares in subsidiaries	–	–	41,238	41,238
Shares in associates at cost	–	–	10,048	7,840
	8,660	**9,715**	**51,321**	**49,113**

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

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

Note 15 – Deferred Taxation

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
(a) Unrecognised deferred tax assets				
Net tax losses – Australia	2,209	2,421	–	–

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

(b) Recognised deferred tax assets and liabilities

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

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Note 15 – Deferred Taxation (continued)

(c) Movement in temporary differences during the year

	Balance 30 Sept 2008 $000	Recognised in Income Statement $000	Recognised in Equity $000	**Balance 30 Sept 2009 $000**
Group 2009				
Property, plant and equipment	(2,409)	25	–	(2,384)
Investments	–	607	–	607
Intangible assets	(2,526)	(41)	–	(2,567)
Trade debtors	43	–	–	43
Term receivable	–	15	–	15
Derivative financial instruments	–	–	(1,763)	(1,763)
Other debtors and prepayments	(22)	–	–	(22)
Biological assets	(1,972)	(386)	–	(2,358)
Trade creditors	(49)	49	–	–
Other liabilities	3,791	98	–	3,889
Net deferred tax asset (liability)	**(3,144)**	**367**	**(1,763)**	**(4,540)**
Group 2008				
Property, plant and equipment	(3,409)	1,000	–	(2,409)
Intangible assets	(2,431)	(95)	–	(2,526)
Trade debtors	286	(243)	–	43
Derivative financial instruments	(183)	183	–	–
Other debtors and prepayments	(6)	(16)	–	(22)
Biological assets	(1,960)	(12)	–	(1,972)
Trade creditors	(34)	(15)	–	(49)
Other liabilities	3,471	320	–	3,791
Net deferred tax asset (liability)	**(4,266)**	**1,122**	**–**	**(3,144)**
Parent 2009				
Property, plant and equipment	(2,207)	22	–	(2,185)
Intangible assets	(2,526)	(41)	–	(2,567)
Term receivable	–	15	–	15
Derivative financial instruments	–	–	(1,763)	(1,763)
Biological assets	(1,972)	(386)	–	(2,358)
Trade creditors	(49)	49	–	–
Other liabilities	3,653	102	–	3,755
Net deferred tax asset (liability)	**(3,101)**	**(239)**	**(1,763)**	**(5,103)**
Parent 2008				
Property, plant and equipment	(3,185)	978	–	(2,207)
Intangible assets	(2,431)	(95)	–	(2,526)
Trade debtors	281	(281)	–	–
Derivative financial instruments	(183)	183	–	–
Biological assets	(1,960)	(12)	–	(1,972)
Trade creditors	(34)	(15)	–	(49)
Other liabilities	3,325	328	–	3,653
Net deferred tax asset (liability)	**(4,187)**	**1,086**	**–**	**(3,101)**

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Note 16 – Inventories

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

Note 17 – Trade Debtors

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Trade debtors	41,253	44,706	37,567	40,737
Trade debtors due from related parties	–	–	98	416
	41,253	**44,706**	**37,665**	**41,153**

Note 18 – Cash and Cash Equivalents

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

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

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

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Note 19 – Capital and Reserves

(a) Translation reserve

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

(b) Fair value reserve

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

(c) Cash flow hedge reserve

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

(d) Share capital

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

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

(e) Employee share purchase scheme

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

A trust deed dated 6 December 2000 governs the operation of the scheme. Employees nominated are entitled to participate in the scheme. In 2000, 348,000 ordinary shares were issued to employees at $4.35 per share. The amount of $1.51m advanced to the trustee to purchase the shares is interest free. Shares are paid up to $2.45 (2008: $2.22) and future dividends paid on the shares will be applied to the balance outstanding. At 30 September 2009, the amount remaining to be paid is $0.41m (2008: $0.47m) and is included in the Balance Sheet as an investment. The shares are held by Sanford Investments Limited until fully paid up. The trustee is Sanford Investments Limited.

Note 20 – Dividends

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

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

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for the year ended 30 September 2009

Note 21 – Earnings per Share

(a) Basic earnings per share

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

(b) Profit attributable to ordinary shareholders

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

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

Note 22 – Financial Instruments

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

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

(a) Credit risk

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

At balance date there was one customer which comprised 32% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 51% of the outstanding balance. There are no concerns with the collectability of this debt.

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

(b) Liquidity risk

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

(c) Market risk

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

Note 22 – Financial Instruments (continued)

(d) Currency risk

The Group incurs currency risk as a result of sales and investments that are denominated in foreign currencies. The currencies giving rise to currency risk in which the Group primarily deals are US Dollars, Australian Dollars and Japanese Yen. Group entities may hedge a proportion of trade debtors denominated in foreign currency. The Group also uses foreign currency (FX) contracts to hedge a portion of its forecast sales denominated in foreign currency up to two years forward. In the current period, the Group designated the highly probable forecast transactions and the foreign currency contracts into a cash flow hedge relationship. The fair value gains and losses on the forward exchange contracts were recognised in equity and transferred to profit or loss when the highly probable forecast transactions affected profit or loss.

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

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

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

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

(e) Interest rate risk

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

(f) Other market price risk

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

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

QUANTITATIVE DISCLOSURES

(g) Credit risk

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

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

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

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

Note 22 – Financial Instruments (continued)

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

	Gross Receivables	Impairment	Gross Receivables	Impairment
	2009	**2009**	2008	2008
	$000	**$000**	$000	$000
Not past due	34,606	–	37,901	–
Past due 0 – 30 days	5,327	–	4,353	–
Past due 31 – 120 days	1,310	–	2,269	–
Past due 121 – 365 days	34	(24)	285	(102)
Past due more than 1 year	–	–	44	(44)
	41,277	**(24)**	**44,852**	**(146)**

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

	2009	2008
	$000	$000
Gross trade receivables	41,277	44,852
Individual impairment	(24)	(146)
Trade receivables net	**41,253**	**44,706**

(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 2009						
Bank loans	100,000	104,444	1,612	1,612	101,220	–
Trade creditors	9,500	9,500	9,500	–	–	–
Other payables	15,511	15,511	15,511	–	–	–
Bank overdraft	33,886	33,886	33,886	–	–	–
Total non-derivative liabilities	**158,897**	**163,341**	**60,509**	**1,612**	**101,220**	**–**
Interest rate swaps	371	394	289	105	–	–
Total derivative liabilities	**371**	**394**	**289**	**105**	**–**	**–**
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	–	–
Total derivative liabilities	**89**	**65**	**40**	**25**	**–**	**–**

Notes to the Financial Statements

for the year ended 30 September 2009

Note 22 – Financial Instruments (continued)

(h) Liquidity risk (continued)

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

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

Notes to the Financial Statements

for the year ended 30 September 2009

Note 22 – Financial Instruments (continued)

(i) Foreign currency exchange risk (continued)

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

(j) Interest rate risk – re-pricing analysis

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

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

Notes to the Financial Statements

for the year ended 30 September 2009

Note 22 – Financial Instruments (continued)

(k) Capital management

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

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

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

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

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

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

(l) Sensitivity analysis

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

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

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

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for the year ended 30 September 2009

Note 22 – Financial Instruments (continued)

(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 2009						
Assets						
Investments						
– Advances to associates	–	666	–	–	666	666
– Shares in High Liner Foods Incorporated	8,163	–	–	–	8,163	8,163
– Staff share scheme trustee	–	411	–	–	411	411
– Shares in other companies	–	–	113	–	113	113
Term receivable	–	2,749	–	–	2,749	2,749
Total non-current assets	**8,163**	**3,826**	**113**	**–**	**12,102**	**12,102**
Current portion of term receivable	–	2,706	–	–	2,706	2,706
Trade debtors	–	41,253	–	–	41,253	41,253
Cash and cash equivalents	–	4,003	–	–	4,003	4,003
Derivative financial instruments						
– Foreign exchange contracts	9,968	–	–	–	9,968	9,968
Total current assets	**9,968**	**47,962**	**–**	**–**	**57,930**	**57,930**
Total assets	**18,131**	**51,788**	**113**	**–**	**70,032**	**70,032**
Liabilities						
Bank loans	–	–	–	100,000	100,000	100,000
Total non-current liabilities	**–**	**–**	**–**	**100,000**	**100,000**	**100,000**
Bank overdraft and borrowings at call	–	–	–	33,886	33,886	33,886
Trade creditors	–	–	–	9,500	9,500	9,500
Other payables	–	–	–	15,511	15,511	15,511
Derivative financial instruments						
– Interest rate swaps	371	–	–	–	371	371
Total current liabilities	**371**	**–**	**–**	**58,897**	**59,268**	**59,268**
Total liabilities	**371**	**–**	**–**	**158,897**	**159,268**	**159,268**

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

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for the year ended 30 September 2009

Note 22 – Financial Instruments (continued)

(m) Classification and fair values (continued)

	Fair Value through Profit or Loss	Loans and Receivables	Available-for-sale	Other Amortised Cost	Total Carrying Amount	Fair Value
	$000	$000	$000	$000	$000	$000
Group 2008						
Assets						
Investments						
– Advances to associates	–	557	–	–	557	557
– Shares in High Liner Foods Incorporated	9,138	–	–	–	9,138	9,138
– Staff share scheme trustee	–	474	–	–	474	474
– Shares in other companies	–	–	131	–	131	131
Term receivable	–	6,419	–	–	6,419	6,419
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.

(n) Determining Fair Value

Derivatives

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates.

Investments

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

Loans and Receivables

Cash and cash equivalents, advances to associates and trade debtors are short term in nature and the related carrying value is equivalent to their fair value.

Term Receivable

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

Note 22 – Financial Instruments (continued)

(n) Determining Fair Value (continued)

Other Amortised Costs

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

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

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

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

The interest rates used are as follows:

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

Note 23 – Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Less than one year	1,181	1,011	1,181	1,011
Between one and five years	3,286	3,553	3,286	3,553
More than five years	5,776	5,522	5,776	5,522
	10,243	**10,086**	**10,243**	**10,086**

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

Note 24 – Contingent Liabilities and Commitments

(a) Contingent liabilities

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Guarantees	234	234	234	234

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

(b) Commitments

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Commitments for capital expenditure	592	28,186	592	28,186

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

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

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Note 26 – Related Party Transactions

(a) Basis of transactions

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

(b) Material transactions and balances with related parties

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

	Balance Outstanding	
	2009	2008
	$000	$000
Due from parent	(60,772)	(59,901)
Due to parent	22,688	25,100
	(38,084)	**(34,801)**

	Transaction Value	
	2009	2008
	$000	$000
ii) Associates		
Income		
Management fees	173	282
Dividend received	643	455
	816	737
Expenses		
Processing	6,648	6,319
Freight	748	684
	7,396	**7,003**

	Balance Outstanding	
	2009	2008
	$000	$000
Due from Group	–	(106)
Due to Group	666	557
	666	**451**

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.

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Note 27 – Key Management Personnel Compensation

Key management personnel compensation comprised:

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

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

Note 28 – Group Entities

The Sanford Group comprises the following principal entities:

Name	Interest Held %	Balance Date	Principal Activity
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	67	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
Barnes Oysters Limited	20	30 September	Seafood processing and wholesaler
Live Lobster Southland (1995) Limited	25	31 March	Seafood processing
North Island Mussel Processors Limited	33.33	30 September	Seafood processing
San Won Limited	50	30 September	Cold storage
SS Fishing Limited	50	30 June	Non-operating company
The Big Picture Auckland Limited	50	30 September	Tourism company
China			
Weihai Dong Won Food Company Limited	50†	31 December	Seafood processing

† Shareholding was 40% in 2008

Note 29 – Subsequent Events

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

Audit Report

KPMG

To the shareholders of Sanford Limited

We have audited the financial statements on pages 37 to 69. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 September 2009. This information is stated in accordance with the accounting policies set out on pages 41 to 46.

Directors' responsibilities

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

Auditors' responsibilities

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

Basis of opinion

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

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

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

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

Unqualified opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 37 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 2009 and the results of their operations and cash flows for the year ended on that date.

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

KPMG.

Auckland

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Shareholding Analysis
as at 6 November 2009

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 – 999	549	22.57	257,587	0.28
1,000 – 4,999	1,160	47.70	2,471,863	2.64
5,000 – 9,999	317	13.03	2,110,708	2.25
10,000 – 49,999	312	12.83	6,280,283	6.71
50,000 – 99,999	34	1.40	2,302,604	2.46
Over 100,000	60	2.47	80,203,690	85.66
	2,432	**100.0**	**93,626,735**	**100.0**

Twenty Largest Shareholders
as at 6 November 2009

Shareholder	Number of Shares
Amalgamated Dairies Limited	35,059,067
New Zealand Central Securities Depository Limited[1]	12,060,183
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 Heatley & 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
Geoffrey Francis Lindberg & Craig Francis Lindberg – G F Lindberg Family A/C	405,300
Michael Walter Daniel & Nigel Geoffrey Ledgard Burton & Michael Murray Benjamin – Wairahi A/C	405,000
David Gwyn Lewis & Elizabeth Patricia Fraser & Peter Clendon Joyce	400,000
Donald Mervyn Tate & Mary Robin Tate – M & M Family A/C	375,525

[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:

New Zealand Superannuation Fund Nominees Limited	2,388,075
AMP Investments Strategic Equity Growth Fund	2,205,145
Citibank Nominees (New Zealand) Limited	1,851,908
Accident Compensation Corporation	1,756,582
NZGT Nominees Ltd - AIF Equity Fund	1,220,871
HSBC Nominees (New Zealand) Limited	732,194
HSBC Nominees (New Zealand) Limited – A/C State Street	537,150
ANZ Nominees Limited	476,795

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Substantial Security Holders

According to notices given to the Company under the Securities Amendment Act 1988, as at 7 December 2009 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 2009

	Beneficial Interest		Non Beneficial Interest		Associated Persons	
	2009	2008	**2009**	2008	**2009**	2008
D G Anderson	11,952	171,952	160,000	–	287	287
E F Barratt	220,828	416,655	216,000	222,000	–	–
B S Cole	804	804	–	–	6,220	6,220
P J Goodfellow	127,200	127,200	–	–	–	–
W B Goodfellow	126,849	126,849	–	–	500	500
P G Norling	43,500	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.

Share Dealings by Directors

During the twelve months, Directors disposed of shares as follows.

	Number of shares disposed	Consideration per share	Date
E F Barratt*	195,827	$5.10	17 December 2008
D G Anderson**	160,000	$5.40	26 March 2009

* Transferred under a Relationship Property agreement
** Transferred to family trust

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

During the year, the following numbers of employees received remuneration and other benefits that exceeded $100,000:

	Number of Employees 2009	2008
$100,000 – $109,999	6	9
$110,000 – $119,999	6	5
$120,000 – $129,999	4	4
$130,000 – $139,999	4	3
$140,000 – $149,999	3	1
$150,000 – $159,999	–	3
$160,000 – $169,999	2	1
$170,000 – $179,999	1	1
$180,000 – $189,999	–	2
$190,000 – $199,999	2	–
$220,000 – $229,999	–	1
$230,000 – $239,999	–	1
$240,000 – $249,999	1	1
$250,000 – $259,999	1	1
$260,000 – $269,999	–	1
$270,000 – $279,999	2	1
$290,000 – $299,999	2	–

Directors Remuneration

During the year, Directors received the following remuneration (including the value of benefits):

	Director's Fee		Salary, Benefits and Other Payments	
	2009	2008	2009	2008
	$	$	$	$
D G Anderson	44,500	38,000	–	–
E F Barratt	–	–	545,036	483,520
E F Barratt*	–	–	–	1,079,362
M P Bitossi***	–	12,667	–	–
B S Cole	85,000	60,000	–	–
P J Goodfellow	47,500	38,000	–	–
W B Goodfellow	44,500	38,000	–	–
P G Norling**	44,500	25,333	–	–
J G Todd	50,000	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.

** Appointed January 2008

*** Retired January 2008

Glossary of Terms

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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.

Emissions Trading Scheme (ETS)
Refer to New Zealand Emissions Trading Scheme

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.

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.

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 Emissions Trading Scheme (NZ ETS)
The NZ ETS is designed to support efforts to reduce greenhouse gas emissions in New Zealand and was announced by the Government in September 2007. The NZ ETS design elements include the issuance of NZUs and the operation of an electronic register for recording and trading the NZUs.

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.

New Zealand Unit (NZU)
A unit of emission in the New Zealand Emission Trading Scheme; in principle comparable to and backed by a Kyoto Unit.

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 2009 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) Did you access the Sustainable Development Report on our website? ☐ Yes ☐ No

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

Review (Directors' 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

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

7) 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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FreePost 173356
Sanford Limited
PO Box 443
Shortland Street
Auckland 1140

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Management Directory

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*
P B Cox	*Market Manager Americas*
M J Comber	*Market Manager Asia*
S Kirschberg	*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*
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*
A R MacDonald	*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*

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

22 Jellicoe Street, Freemans Bay, Auckland 1010, New Zealand
PO Box 443, Shortland Street, Auckland 1140, New Zealand

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

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