SANFORD LIMITED
SUSTAINABLE SEAFOOD

ISO 14001 SYSTEM CERTIFICATION SGS

Annual Report 2010

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
Rabobank New Zealand Limited

Solicitors

Chapman Tripp
Fletcher Vautier Moore

Group Auditor

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, Auckland 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 San Hikurangi berthed at Auckland.

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Financial Summary

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for the year ended 30 September 2010

	2010	2009
	$000	$000
Revenue	**421,087**	**433,091**
EBITDA*	**49,057**	**68,366**
Depreciation, amortisation and impairment	(13,754)	(14,892)
EBIT	**35,303**	**53,474**
Net interest	(5,780)	(6,788)
Net currency exchange gains	7,836	8,387
Net gain (loss) on sale of investments, property, plant and equipment	409	(35)
Profit before income tax	**37,768**	**55,038**
Income tax (expense)	(12,743)	(15,899)
Profit for the year	**25,025**	**39,139**
Minority interest	(21)	(64)
Profit attributable to equity holders of the Group	**25,004**	**39,075**

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

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The Annual Meeting will be held at 2.00pm Wednesday 26 January 2011 at the Ellerslie Event Centre, Ellerslie Racecourse, Greenlane, Auckland.

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Board of Directors

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Bruce Cole FCA, FNZIM

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. 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

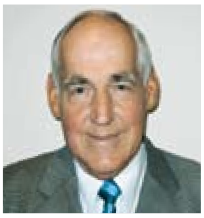
David has had an extensive background in the fishing industry having been Managing Director of Sanford Limited from 1991 to 1997 and a Director since 1982. He has also held the positions of Deputy Chair of the New Zealand Fishing Industry Board and President of the New Zealand Fishing Industry Association. Previously he has been 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.

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Directors' Report and Chairman's Review

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The Directors are pleased to present the Annual Report of Sanford Limited for the year ended 30 September 2010.

For and on behalf of the Board of Directors:

B S Cole
Chairman
6 December 2010

E F Barratt
Managing Director

The financial year ended 30 September 2010 has seen the finalisation of as-far-reaching-a revision of Sanford Limited's operational policies and practices as any other period in its recent history.

Two catalysts are central to the changes being effected. The first, a recognition perhaps belated, that export-adverse exchange rates are a reality and likely to be the business norm rather than transient. The second, that the financial results for the first six months of the year under review, an after tax profit of $5.3m, was quite unacceptable.

The recovery of profitability in the second half of the financial year has, in large measure, been brought about by the determination, dedication and skills of an exceptional executive team and work force. That recovery still falls far short of Sanford's real potential which may, as in the first half-year (as one of a number of factors), continue to be impacted from time to time in export markets by weak sellers for whom price-taking and cashflows have seemingly been primary considerations rather than the product quality and exclusivity from which the industry at large will find sustained future success.

How then will Sanford set about reinforcing its strengths and achieving its objectives?

An important step, which Mr Barratt details in his report, is three new General Management appointments: one Operations, one Marketing and Development and the third Finance and Administration. In combination the three executives will add depth and experience to the Board's consideration of issues and opportunities and shorten reporting lines to Mr Barratt as Managing Director and so allow him time to concentrate more directly on strategic and technological issues. The initiatives will identify not only where demand/growth and new sales will be found through changes in marketing and product-forms, but also how export values and profitability can be enhanced. Obviously, too, building relationships with key suppliers and export customers is essential.

While wild catch fishing will remain the cornerstone of Sanford's business activity, aquaculture has been identified by both government and industry as the area for major growth. The marketing target agreed is a $1 billion sales level by 2025. Through adding to existing activity by acquisition, Sealord's mussel farms in the Marlborough Sounds and, subsequently, the farms and mussel processing assets of Pacifica Seafoods, Sanford today holds a strong position in Greenshell™ mussel exporting as well as, increasingly, in salmon production. The acquisitions, allied to Sanford's farming expertise and automation of processing, will add considerable future value as well as security of supply against the occurrence of natural hazards.

Governmental involvement in opening new export markets and developing free trading relationships with international partners is warmly welcomed. Over the last year we have seen fish species previously in indifferent demand finding increasing acceptance as food fish in markets such as Africa, the Middle East and Russia. In China, Sanford is an active member of a consortium of New Zealand mussel exporters who have established a dedicated sales office in Shanghai to take advantage of the potential and growing wealth of that country. This is complementary to our 50% interest in the Weihai Dong Won fish processing company which is growing steadily in output and profitability.

During the 2010/11 financial year rigorous studies are to be undertaken to identify where, having proper regard for the special seasonal characteristics of fishing as a primary industry, Sanford is not meeting cost of capital tests.

Overall, the industry has, over the last two or three years, seen a number of closures and divestments and it is timely that our areas of weakness are addressed more critically but in a carefully structured way.

Dividends

Directors have retained the annual dividend rate of 23 cents. Despite the global financial crisis and the $85m paid 30 November 2010 for the purchase of the Pacifica assets, the Directors have decided that a final dividend of 14 cents per share will be payable on 15 December 2010.

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 again included some key sections from this year's report in the Annual Report 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 increasing number of pages required to be printed in the financial section of the Annual Report, we continue to wonder whether investors are better informed.

Auditor

It is proposed that the current Auditor, 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

Petersen anchored at Auckland Islands

Auckland Fish Market Sunday Funday

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.

Messrs D G Anderson and P G Norling 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.

During the new financial year the appointment of an additional independent director is to be considered, to add further vigour and experience to the Board's deliberations; any such appointment will not call for an immediate increase in the present lump sum allocation for Directors' fees of $400,000.

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.

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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.

- 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 are a significant number of variables that are difficult to control. Some further analysis will be undertaken based on this year's results. 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		1	1
E F Barratt	12			1
B S Cole	11	4	1	1
P J Goodfellow	12	4		1
W B Goodfellow	12		1	1
P G Norling	10		1	1
J G Todd	12	4		1
Number of Meetings	**12**	**4**	**1**	**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 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.

Tauranga purse seiners slipped for survey

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.

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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.

Surveys of Shareholders, customers and other stakeholders continue to be 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 26 January 2011.

Crew making longline gear while watching a movie

Conclusion

In any review of annual accounts and industry conditions and circumstances in general, it is always necessary, and the year under review emphasises the need, to balance well justified optimism with a statement of the uncertainties that are always present. Economic and financial conditions, international competition, natural forces, distance and volatile exchange rates all interact to create the challenges New Zealand's exporters face.

For Sanford's part, Board and Management are entirely confident about our business strengths and purpose given the skills and quality of assets and staff on which we will build, and the growing pressures on world food supplies; the Food and Aquaculture Organisation (FAO) has predicted a 35% increase in world seafood consumption over the next ten years. Special emphasis will be given in the new financial year to improving management of assets, the reduction of debt and market development both local and overseas. I should like in closing to thank my fellow Directors, executive staff, fishermen and staff at large for their work and support and especially our astute Managing Director, Eric Barratt who leads so effectively by example.

B S Cole
Chairman

6 December 2010

Overview and Highlights

With improved pricing for many species over the second six-month period of this financial year, operating earnings (EBITDA) increased from $10.3m for the first six months to $38.8m in the second six months to give a total for the year of $49.1m.

Summary Group Income Statement	**12 Months ended 30 Sep 10**	6 Months ended 30 Sep 10	6 Months ended 31 Mar 10	12 Months ended 30 Sep 09
	$000	$000	$000	$000
Revenue	**421,087**	**235,209**	**185,878**	**433,091**
EBITDA	**49,057**	**38,761**	**10,296**	**68,366**
Depreciation, amortisation and impairment	(13,754)	(6,922)	(6,832)	(14,892)
EBIT	**35,303**	**31,839**	**3,464**	**53,474**
Net interest	(5,780)	(3,181)	(2,599)	(6,788)
Net currency exchange gains	7,836	790	7,046	8,387
Net gain (loss) on sale of investments, property, plant & equipment	409	346	63	(35)
Profit before income tax	**37,768**	**29,794**	**7,974**	**55,038**
Income tax (expense)	(12,743)	(10,129)	(2,614)	(15,899)
Profit for the year	**25,025**	**19,665**	**5,360**	**39,139**
Minority interest	(21)	(1)	(20)	(64)
Profit attributable to equity holders of the Group	**25,004**	**19,664**	**5,340**	**39,075**

Tracking the changes in revenue between this year and last year, volume has increased by $25m, price improvements contributed $3.0m but foreign exchange variances reduced revenue by $40m, to a total revenue of $421m for the current year.

Revenue Movement 2009 to 2010

Volume increases in half-shell mussels, hoki fillet block, toothfish and scampi were offset by declines in skipjack tuna and other smaller-volume species. Positive price variances achieved in squid and orange roughy were offset by reduced prices for half-shell mussels, skipjack tuna and, to a small extent, hoki. Negative exchange rate variances affected all species.

The revenue reduction this year of $12.0m coupled with increased costs of $7.3m resulted in a reduced EBITDA of $19.3m. The increased costs relate mainly to increased vessel operating costs, and higher charter fees on the basis of higher squid prices.

Foreign exchange gains totalled $7.8m for the year compared to $8.4m last year. Overall net surplus attributable to shareholders for the year totalled $25.0m compared to $39.1m last year.

For the coming year, we have forward foreign exchange cover for approximately 20% of our expected US dollar receipts at an average rate of US$0.67. Also, we have 20% of the forecast US dollar receipts covered with zero cost collars which protects a rate of US$0.72 on the upside but limits our downside benefit to a rate of US$0.62.

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

- Markets for many species improved in the second six months of the year and these are reflected in the pricing graphs shown in this report.
- Mussel pricing, which had been depressed, increased to far more realistic levels resulting from a combination of stronger demand and the establishment of the Pure New Zealand Greenshell Mussels operation in China.
- Squid prices increased to record highs in most markets as catches in most other countries declined. Although catching rates in New Zealand were not as high as past years, the higher prices enabled our own and our charter vessels to continue fishing squid to reach catch levels close to those of last year.
- While returns from our skipjack tuna fishing in the Pacific improved in the second six months, access to the fishery and fishing conditions continued to be a concern.
- Deepwater operations, encompassing our hoki freezer trawlers, toothfish and ling longliners, scampi fleet and charter vessels had an excellent year and made a strong contribution towards results.
- Inshore operations benefited from improved prices for many species including orange roughy.

Rt Hon John Key in Korea presenting Sanford an award for business excellence in Korea

- The problems associated with salmon production in Chile enabled us to capitalise on new market opportunities and, early in the year, we converted the Bluff mussel processing facility into a salmon portioning plant to enable us to meet demand from new customers.
- Although our four Korean charter vessels continue to record catches in line with expectations, we are working with our partners to achieve improved performance, better quality and compliance outcomes over the next 12 months.

The new North Island Mussel Processors Limited (NIMPL) automated machine-opening factory was commissioned during the last six months and officially opened by the Prime Minister Rt Hon John Key in June. The factory features 28 dual-channel automated mussel-opening machines to produce half-shell product.

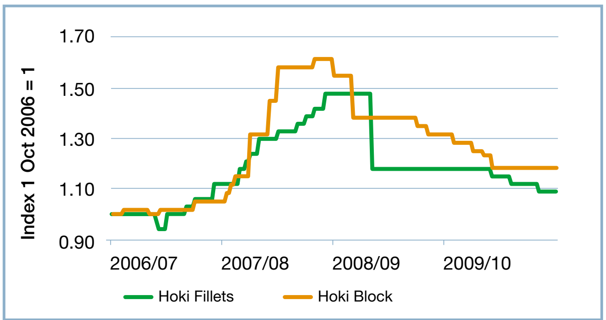
When clean shell product is presented to the plant the cost to process these mussels is significantly reduced. In the Coromandel last season a barnacle over-settlement on many mussels has frustrated our ability to operate the machines at full capacity. We are presently researching ways in which marine organisms such as barnacles can be removed from the shells prior to their reaching the automatic opening machines. As a consequence, volume and profitability targets were not met. A new meat line facility has recently been installed to produce mussel meat when there is marine growth on the outer shells.

As a result of improved demand and higher prices, inventories reduced from $57.1m at the end of March to $45.6m at 30 September. This resulted in net cashflow from operating activities improving by $32.5m in the second six months.

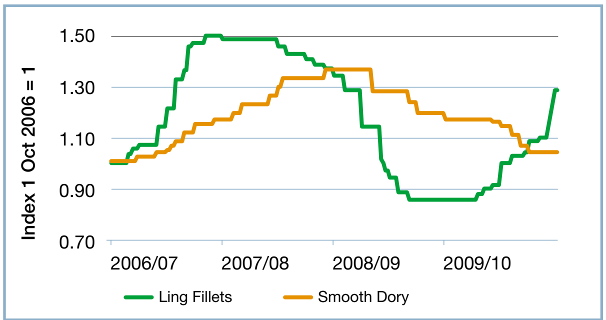
Markets and Pricing

Over the last six months we have seen improved pricing across a range of species including Greenshell™ mussels, salmon, snapper, orange roughy, toothfish, ling, squid, hake and southern blue whiting. Prices of hoki have generally been stable although competition in the Australian market has weakened prices there. We continue our focus mainly on hoki block and have secured volume contracts for the coming year. Skipjack tuna prices have been highly variable throughout the year and recently dropped to levels of around US$1,000/mt.

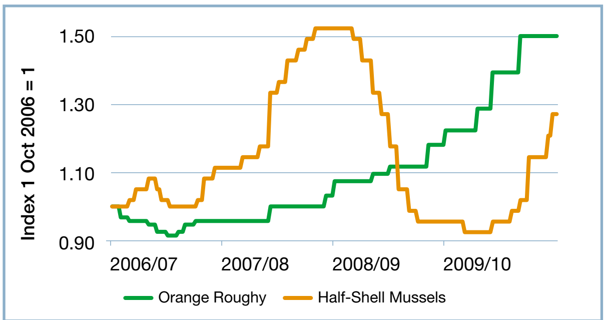
We show in the following graphs trends in prices over the past year compared with the previous three years; all prices indexed to 1 October 2006.



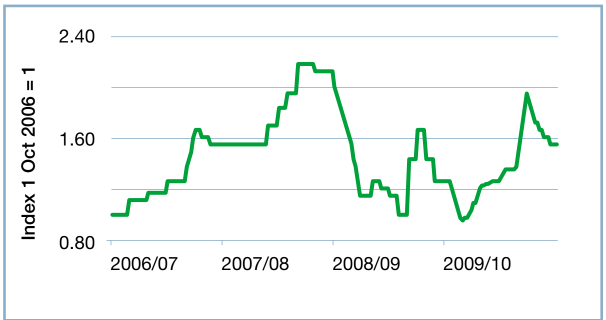
Hoki Fillets and Block



Ling and Smooth Dory Fillets



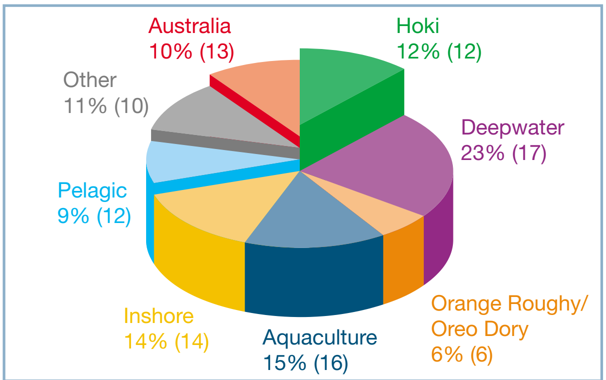
Orange Roughy and Half-Shell Mussels



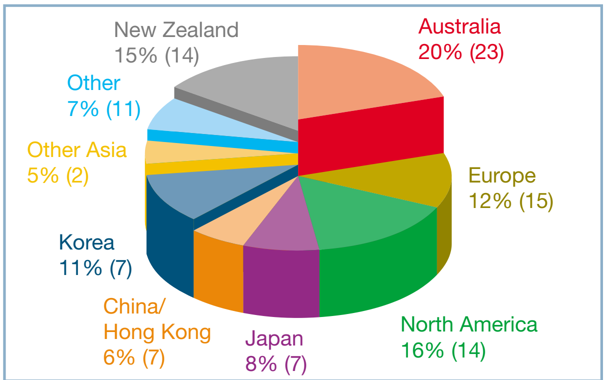
Skipjack Tuna

In terms of species split this year, it is again an analysis of revenue by species; deepwater species have increased based on improved pricing for many of the species. Aquaculture dropped back from 16% to 15%; this is influenced by weaker mussel prices offset by increased volumes in ship to market.

A more comprehensive comparison of revenue split is provided which shows a decline in Australia from 23% to 20% (the main reduction is in respect to eliminating trading in non-profitable activities). Europe declined from 15% to 12%; North America, Korea and Other Asia have increased. North America was the result of increased volumes of toothfish, mussels and salmon, Korea from increased prices for squid and increased volumes of mussels. For the first time Asia in total reached 30% of our overall revenue and we can see this trend continuing in the future.

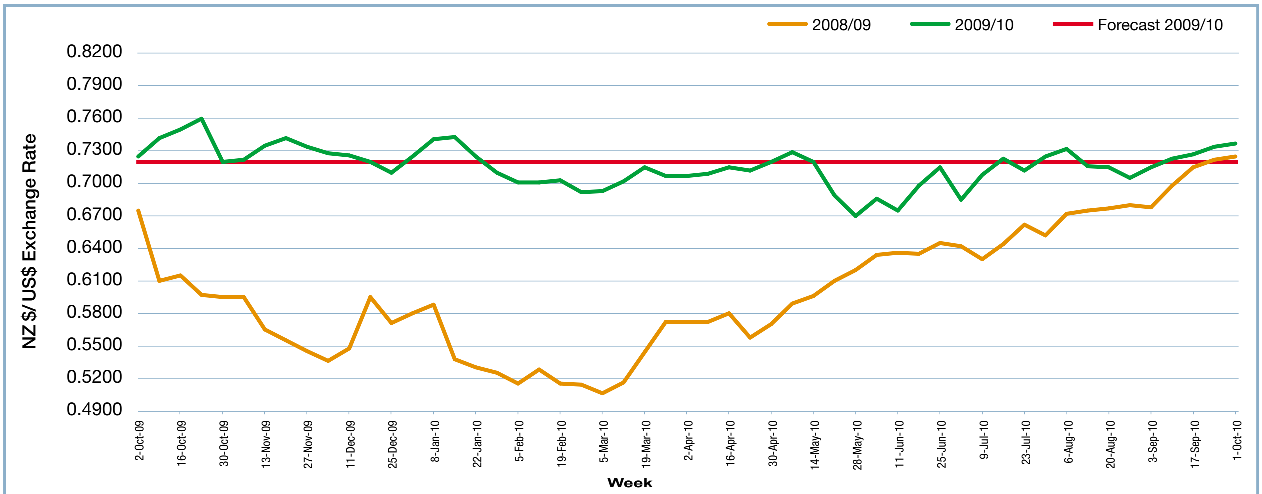


Approximate Percentages Species Split 2010 (2009)



Sales by Geographical Location of Customers 2010 (2009)

Exchange Rate Analysis



US$ (Accounting) Exchange Rate

The exchange rate graph compares the average monthly accounting NZ$/US$ exchange rate to forecast and last year. While the exchange rate did not fluctuate as significantly as last year, it was approximately 12 cents higher with this year's average rate very similar to our forecast rate of US$0.72. Since balance date however the NZ$/US$ exchange rate has risen well above the average 2009/10 levels highlighting the difficult environment we operate in. We continue to use a mixture of forward contracts and zero cost collars to actively manage our foreign currency risk.

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Managing Director's Review

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New Zealand Seafood Segment

The New Zealand seafood segment produced an excellent result in the second half of the year, particularly from the inshore and deepwater operations. Aquaculture operations improved in the second six months with lower prices for oysters being offset by steadily improving prices for mussels and salmon. The Pacific tuna operation achieved improved results for the second six months but returns for the year were still below expectations.

Australia Seafood Segment

Our Melbourne-based business is undergoing a period of change as the 50-year-old Melbourne wholesale auction market will close its doors on 31 December 2010 and we will move into new premises located nearby. As noted earlier, our turnover in Australia has reduced this year; however, much of that turnover is not producing satisfactory returns and we would expect that once we are established in our new premises, we will be able to achieve satisfactory returns.

Pacifica Seafoods Assets Acquisition

On 15 November 2010 it was announced that Sanford had entered into an agreement with Pacifica Seafoods to acquire its Greenshell™ mussel and Pacific oyster businesses for $85m.

The Pacifica Seafoods businesses and assets to be acquired include:

- Ownership of more than 70 marine farms, 400 hectares of water space and 800 mussel longlines together with lease, share and contract farming operations that include a further 130 hectares of space and 300 mussel longlines
- 40% interest in an approved 2,695 hectare mussel farm development opportunity in Pegasus Bay near Christchurch
- A large and modern mussel and salmon processing facility in Christchurch
- Ten marine farm servicing and harvesting vessels
- Various properties near the Marlborough Sounds and in Christchurch
- Pacifica's interest in a cooperative marketing company which markets mussels in China under the "Pure New Zealand Greenshell Mussels" brand (Sanford already has a 35% interest)
- Approximately 295 employees (during peak season)

We would hope to expand the existing 17,000 tonnes of annual production and will investigate the installation of automated opening machine technology in 2012.

The acquisition of the Pacifica Seafoods business is highly complementary with our existing aquaculture business and it follows on from our acquisition of marine mussel farms from Sealord in 2009 and is totally consistent with our aquaculture strategy that we outlined in May this year and is available on our website.

This will combine New Zealand's two largest Greenshell™ mussel businesses and will consolidate Sanford's position as New Zealand's #1 aquaculture producer and exporter. The acquisition also offers significant potential synergy benefits for Sanford, particularly in terms of export marketing and further processing automation. The acquisition was completed on 30 November 2010. Sanford received clearance for the acquisition from the Commerce Commission.

Sanford funded the acquisition using a new three-year debt facility provided by its existing banks. The acquisition is expected to be earnings accretive for Sanford in the current financial year.

Cooker being unloaded in Blenheim

International Investments

Weihai Dong Won Food Company Limited

Our China joint venture, Weihai Dong Won Food Company Limited, produced a much more satisfactory result and increased production volumes in an improved pricing environment. The plant is now achieving results close to expectations. Continuing difficulties in recruiting and retaining suitably qualified staff remain an issue.

Pure NZ Greenshell Mussels

The process of establishing Pure NZ Greenshell Mussel Partnership was started earlier this year in China to exclusively market all Greenshell™ mussels produced by Sanford, Pacifica, Sealord, Aotearoa Seafoods and Greenshell (NZ). Partnership and production shares were established relative to the past production of the five companies. The partnership was formally launched in Shanghai in June 2010 by the Minister of Trade Hon Tim Groser and appointment of a China-based manager was completed shortly after.

A wholly foreign owned enterprise is in the process of being established but while that process has been proceeding we completed product specifications, packaging designs, promotional plans and budgets and launched the product into the Chinese market in October 2010. A substantial portion of the first container of product was approved as a seafood item for the November 2010 Asian Games in China.

With the continued assistance of Aquaculture New Zealand and New Zealand Trade and Enterprise, Pure NZ Greenshell had two stands at recent seafood shows in China and as a result has already received orders for 20% of first year forecast volumes at acceptable international prices. All shareholders are now producing mussels for the venture and it is expected that this will underpin other marketing efforts to achieve ongoing stable and acceptable price levels for mussels.

Industry Issues

Emissions Trading Scheme (New Zealand units)

As recorded in the notes to the accounts Sanford, as a quota owner, was allocated approximately 170,000 emissions trading units as part of the new Emissions Trading Scheme. The units were allocated at the same time additional levies were placed on fuel we purchase. The allocation of units was intended to provide a one-off offset based on the additional costs associated with fuel used to harvest our quota. We are presently coordinating a process to tender our and other large and small quota owners' units into the carbon trading market to benefit from the marketing of a single larger parcel of units. For the accounts we valued our units at $20 each, and included this as a one-off capital profit in the current year.

Unloading San Hikurangi

Aquaculture Law Reform

On 9 November 2010 the Government introduced new legislation to reform the law regarding aquaculture developments. The reform will allow a better process for acquiring new aquaculture space and improved processes to permit additional species to be farmed on existing and new space. The legislation will also provide more certainty to existing marine farmers which would encourage longer term investment.

Fisheries' Certification

Certification of the Ross Sea toothfish was notified mid November 2010. It has been a long process subject to objection and independent adjudication processes. Toothfish caught in the Ross Sea this year will have the benefit of Marine Stewardship Council certification. The certification process of other New Zealand species continues.

Sustainable Development

The Company continues to be committed to its sustainable development programme and we again include a summary from the Sustainable Development Report in the Annual Report.

Outlook For Coming Year

With improved demand and pricing for many species, we would expect to see an improved result for the 2011 year subject to the vagaries of the exchange rate regime. Recent strengthening of the New Zealand dollar against the US dollar towards US$0.80 is of concern to all primary production exporters in New Zealand.

We are again well placed to capitalise on improved demand and pricing that will enable us to continue to operate more efficiently and at lower inventory levels than previously.

With the Pacifica acquisition being completed on 30 November 2010, we will have 10 months results from those operations which we estimate will generate a $10m improvement in EBITDA before the benefits of any synergies are included.

Management Structure

The Board has approved a new management structure to take effect from 1 January 2011 which will see the creation of three new General Manager roles reporting to the Managing Director.

The first role of General Manager Operations (to be filled by Greg Johansson), will take responsibility for all operating divisions of the business including inshore, aquaculture, deepwater, Pacific tuna, China processing, and industry liaison.

The second role of General Manager Marketing and Development (to be filled by Vaughan Wilkinson), will encompass all marketing (including the appointment of a marketing team leader), quality management, product specifications, logistics, plus responsibility for Australian activities. It will also take responsibility for the formation of a product innovation and development capability that will look at developing more efficient, effective and sustainable ways of meeting customer requirements.

The third role of General Manager Finance and Administration (to be filled by Dean McIntosh), will cover all finance and banking, sustainability systems, secretarial and quota administration, accounting and IT systems, insurance, ACC and superannuation and executive support systems. Further development of our software systems and coordinating the expansion of our website and converting it to multilingual will be an early focus of this role.

Acknowledgements

This year we enter into a new era with a significantly enhanced aquaculture operation. The demands and challenges of an industry such as ours will continue to be met by a skilled and experienced team of fishermen and farm workers, processing and administration staff, and management and executive teams who are all extremely competent and well trained to deal with the challenges we face. I would like to record my appreciation to each and every one of them for the efforts they put in to achieve the results in a very challenging year.

E F Barratt
Managing Director

6 December 2010

The Annual Meeting will be held at 2.00pm Wednesday 26 January 2011 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.

New Zealand Seafood Segment

HOME

Inshore Fishing and Processing

Shane Walsh
Inshore Manager

The profitability of the inshore fishing and processing division was above expectations, and pleasing, taking into account the economic environment that affected demands and returns.

Sluggish demand for some species together with lower-than-expected catches of skipjack resulted in export sales being below expectations. Good catches and improved prices of jack mackerel combined with strong demand for orange roughy helped to mitigate this.

Volumes sold through the Auckland Fish Market auction and local market wholesale sales were above expectation.

Cold store operations performed better than expected during the early part of the year when inventories were higher than they normally would be.

Overall operating expenses were well managed and slightly lower than they were expected to be.

Fillets for major supermarket chain

Auckland

The inshore fleet maintained fishing patterns that ensured fish was available to match export and local market demand. Conversion of the trawler San Colville to danish seining and increased utilisation of independent fishers helped to ensure catches of all species were maximised. Longline-caught snapper volumes were affected by lower demand from the Australian retail market.

The Auckland factory had another busy year. Although export sales returns were below expectations this was offset by increased volumes required for supermarket supply.

Auckland Fish Market

The auction had another good year, continuing to grow its share of the local market; this was reflected by an increased number of suppliers and buyers.

The seafood school had an improved performance with increased demand for corporate classes during the second half of the year. Its successful registration as a Private Training Establishment (PTE), achieved at the end of this financial year, will create the opportunity to pursue new opportunities and increase turnover next year.

The tourism joint venture Big Picture Wine™ has taken longer than expected to generate profits but performance is improving as promotion activities build awareness.

The closing of Jellicoe Street in July for the development of the North Wharf complex, as part of the Wynyard Quarter, in preparation for the Rugby World Cup has had a significant negative effect on the level of retail activity within the Auckland Fish Market. We reached agreement with Auckland City and Auckland Regional Council over the future

Auctioneer's view, Auckland Fish Market

Inshore Fishing and Processing (continued)

development of the area and we are now confident that when completed, the developments will have a positive affect on Sanford.

Tauranga

Tauranga vessels had a disappointing skipjack tuna season but good catches of jack mackerel helped to mitigate the lost volume. The investment in sonar technology has contributed to an improved performance in vessel catch rates.

The Tauranga factory had a successful year with strong demand for pelagic species and growth in local market sales. The technology investment in the plant over the last few years has increased efficiency in product handling and reduced processing costs.

Returns from our Export Cold Storage facility were above expectation assisted by increased volumes of fish, mussels and meat stored.

Timaru

The Timaru factory benefited from strong demand and prices for orange roughy fillets while the Timaru-based trawlers improved their catches of hoki.

The fishmeal plant had another good year with strong demand 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 as it maintained almost full capacity throughout the year.

Bluff

Independent landings of inshore fish were in line with last year, with a limited amount of deepwater reprocessing product being required to supplement inshore species and the increased volumes of salmon processed.

Challenges and Opportunities

The improved performance this year was pleasing but it is an ongoing challenge to ensure our returns are in excess of our cost of capital, particularly with the difficult market environment of the past 18 months and the recent surge in exchange rates.

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

We anticipate exploring more opportunities to grow the business and working co-operatively with other industry players to develop more-efficient business outcomes. We intend to rationalise and upgrade our fishing fleet to improve catching, vessel and fuel efficiencies.

Any opportunities for growth through acquisition will be investigated and pursued if we are confident the investment will generate acceptable returns.

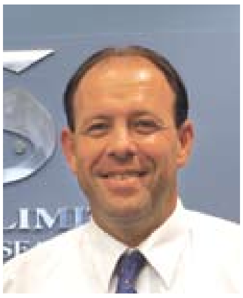
Investment in technology continues to add significant value and we will examine options that further enhance these investments and deliver ongoing efficiencies.

The Auckland Fish Market retail complex, auction and seafood school, together with the Auckland Seafood Festival, will again be used as tools to educate, promote and grow local-market seafood consumption.

I would like to acknowledge the dedication and hard work of fishers, management and all staff who work together to ensure we achieve the best possible outcomes.

New automated strapping machine, Tauranga

Deepwater Fishing



Greg Johansson
Deepwater Manager

The deepwater division fleet had another very strong catching performance, harvesting more fish than it did in the previous year while utilising one less vessel. This improved performance was despite a slower-than-normal squid season, the weather-affected southern blue whiting fishery and a quota reduction for the Chatham Rise orange roughy fishery. On the upside, we experienced increased hoki, scampi and toothfish catches.

The division is very fortunate to have a highly dedicated and long-serving team of seagoing and shore-based personnel, who perform at a very high standard in a very demanding industry. The division's performance and continued improvement is a function of this commitment and positions the Company well to take on additional challenges and opportunities as they arise.

We continue to battle high fuel prices through smarter buying, innovation and fuel efficiency. All vessels have now been fitted with high-tech-fuel-monitoring equipment originally designed for the V8 car-racing industry. Numerous sensors, data loggers and sophisticated software analyse all aspects of the vessels' operations and provide useful reports on where possible savings can be made. The collection of baseline data for comparison purposes is almost completed and action plans are being formulated.

The Deepwater Stakeholder Group (DWG), representing those companies involved in New Zealand's deepwater fisheries, continues to make good progress for its members on a range of initiatives. These include: the Deepwater Fisheries Management Plan, the 10-Year Research Plan, environmental certification for a number of the deepwater fisheries (Marine Stewardship Council certification) and a closer working relationship with the Ministry of Fisheries.

Fillet Trawlers – San Discovery / San Enterprise

The two fillet freezer trawlers have significantly improved their catches and contribution over the previous year. This improvement partly results from the hoki quota increase implemented in October 2009 and higher productivity from that fishery and also from improved catches across a range of fisheries.

With a second hoki quota increase in October 2010, we expect these vessels to further improve their productivity in the year ahead. With additional hoki to harvest, these vessels will become less reliant on some of the lower value, more variably performing fisheries and hence should produce higher returns.

Longline Vessels – San Aotea II / San Aspiring

Both the San Aotea II and the San Aspiring had excellent toothfish seasons in the Ross Sea last summer, with improved catches over the previous season. The San Aspiring was once again successful in receiving a licence to fish in the South Georgia and the South Sandwich Islands (SGSSI) toothfish fishery over the winter months. Good early-season catches resulted in the vessel having a shorter South Atlantic campaign than would be normal.

Ling fishing has been better than expected in some areas and below expectations in others, with a satisfactory result for the year overall.

Market prices for both toothfish and ling have improved during the second half of the year and look promising for the coming season.

San Aotea II

As the Annual Report goes to print the Ross Sea Antarctic toothfish fishery has received Marine Stewardship Council certification, making it only the second certified toothfish fishery in the world (after South Georgia).

Deepwater Fishing (continued)

Scampi Fleet

The changes and improvements noted in last year's report have been completed, resulting in the scampi fleet producing an excellent catch for the 12-month period. Catches in most quota management areas have improved and look promising for the future.

Venture K in dry-dock

The Venture K, purchased in late 2008, had an excellent year and has proved to be a valuable addition to the fleet. In August, the recently recommissioned Petersen was converted to scampi fishing and will continue targeting this species for part of the 2010/11 fishing year, subject to quota availability.

One of the older scampi vessels decommissioned last year has been sold, with a number of parties showing interest in the remaining vessel for sale.

San Waitaki

Despite a tougher catch plan, due to quota reductions, the San Waitaki has once again had a very good catching performance, doing surprisingly well in the Southern Ocean fishery during the latter part of the quota year.

The San Waitaki was utilised for two acoustic/trawl surveys during the year, both on the Chatham Rise: one surveying orange roughy and the other oreo dory.

This coming year will see the third and final planned orange roughy quota reduction. The spare capacity created will provide an opportunity for the vessel to target other species within the Sanford quota portfolio: in particular, squid, jack mackerel or southern blue whiting. Subject to seasonal variation, fishery performance and market prices, the vessel will be deployed into one or more of these fisheries during the coming year.

Charter Operations

While the annual charter fleet catch was down slightly on volume this year, it was significantly up on value due to some unusual circumstances in the squid fishery. The New Zealand fishery produced much lower catch rates than it normally would but fortunately this coincided with low inventories in the main markets and a general lack of supply from other fisheries around the world. This saw squid prices hit all-time highs this year.

The Company has maintained its charter fleet at four Korean vessels from two different fishing companies. These vessels are all undergoing upgrades at present to meet a range of new standards being imposed across the fleet. These vessels continue to play a vital role in complementing the eleven domestic vessels the Company owns, crews and operates.

Sanford continues to work with officials to counter the ill-informed and politically motivated demonising of foreign charter vessels. While not all charter vessels are of the same standard, the joint objective of Sanford and officials is to ensure that all charter vessels meet the standards required.

With higher unemployment, the poaching of our charter crew has subsided and there have been no crew desertions this financial year.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Challenges and Opportunities

There are a number of positive changes in deepwater fisheries for the 2010/11 year. For the second year in a row, based on strong recruitment and a recovering fishery, the hoki total allowable commercial catch (TACC) has been increased to 120,000 metric tonnes (mt), a 33% increase from two years ago. The Challenger Plateau orange roughy fishery has been granted a 500mt TACC after having a very low TACC for many years to allow the fishery to recover. Both of these are good examples of an effective fishery management regime.

Patagonian toothfish (the same species that we harvest in SGSSI), was introduced to the quota management system from 1 October 2010. What part Sanford will play in the development of this domestic fishery is unclear at this stage but it presents an opportunity to the Company.

Stern shaft survey during dry-dock

While our access to the Ross Sea toothfish fishery has been secured for the 2010/11 season, our continued presence and the economic viability in this fishery are once again under threat due to the inability of management regimes to deal with the issue of access. This is extremely frustrating given the efforts made by industry over the last 13 years to constantly raise the bar on environmental and research standards.

Christmas at sea

Environmental issues, such as, sea lions, seabirds, overfishing, bottom trawling and marine protected areas, continue to receive media coverage and unbalanced reporting. Emotive articles, with limited factual content but great reader appeal, cost nothing to create but cost the industry millions to disprove. This irresponsible behaviour has the potential to seriously impact our business and our freedom to operate.

Sanford has recently secured a long-term agreement with a group of quota owners which will make a significant parcel of deepwater species annual catch entitlement (ACE) available to the Sanford deepwater fleet. The size of this ACE parcel is such that a review of our fleet configuration is required and changes may occur over the next year. We are hopeful that further opportunities for both parties will flow from this initial agreement.

Operationally, we are in great shape and looking forward to another challenging year.

Aquaculture

Ted Culley
Aquaculture Manager

It has been a very challenging year for aquaculture: significant change has been implemented in most aspects of the business in order to mitigate the continued impacts of the global financial environment on our business. The performance of the aquaculture division was well below expectations. Market prices, combined with adverse exchange rates, resulted in returns for all aquaculture products being lower than anticipated, although operational costs have been in line with expectations.

Unseasonal weather conditions in Coromandel and Marlborough impacted on growth and yields but, despite this, 2010 was a record production year for mussels and for our Havelock operations.

Salmon production at our Big Glory Bay farms was at a record level and this resulted in increased throughput at our Bluff processing operation. Pacific oyster production achieved less than this year's anticipated level as we relayed small and medium-grade oysters to grow on in response to the market demand for the larger-sized oysters.

The new automated mussel-processing plant at North Island Mussel Processors Limited (NIMPL) in Tauranga was commissioned this year and opened by the Prime Minister Rt Hon John Key on 17 June 2010.

The Government review of aquaculture legislation resulted in a draft bill being introduced into the house recently which should pass through into law in 2011. This will provide more capacity for planning and developing new aquaculture space and more certainty for existing aquaculture farmers.

Kaeo

Kaeo farming and processing operated satisfactorily over the past year responding to changes in the market preference for larger-sized oysters with the farming operation adopting new protocols to provide for this demand. The plant continued to work on productivity and quality improvements and introduced some new initiatives for the plant personnel that are bedding in well. The processing plant commenced the new oyster season in July processing five days a week to match a reduced supply of oysters (a result of unexpected mortality of spat and juvenile oysters that occurred throughout the North Island last summer). The quality of the oysters harvested this season is improved over last year.

Oysters being cleaned ready for opening

Greenshell™ Mussels, Coromandel

Although Coromandel harvest volumes were ahead of those of last year, they were behind expectations. A significant proportion of the crop suffered from over-settlement of barnacles which lowered throughputs at the processing plant because of the extra work required to produce a final product that met specification. Some of this crop has been carried over for processing this year when the processing plant at Tauranga will be able to process the product into meat. It is 15 years since this level of barnacle settlement has been experienced in Coromandel.

We are currently working on methodologies to deal with the cyclical biological fouling issues at harvest or pre-processing so as to minimise impacts of marine organisms.

The Coromandel lobster plant had another steady year with lobster prices holding well in the market place and all the quota allocated being caught by our contract fishermen.

San Waikawau harvesting in Wilsons Bay

The contribution from NIMPL was behind expectations as processing volumes were lower because of the difficult crop described above. Early commissioning issues (now overcome) and labour availability during the later part of the season, when we were trying to run both the old and the new factories, impacted on volume throughput. The new factory is now producing close to its design capacity. This season, NIMPL has commenced processing six weeks early, utilising raw material from the South Island.

Prime Minister John Key failing to keep up with packing mussels, NIMPL opening

Greenshell™ Mussels, Havelock

Mussel volumes through the processing plant were well ahead of expectations and almost 30% ahead of last year's throughput. The plant has achieved this significant lift by increasing the hours the plant operates on a daily basis by 13%, and by plant efficiency improvements; this has allowed the extra crop available from the Sealord farms purchase to flow through. Mussels were sourced from Stewart Island when Marlborough was closed for harvesting which reduced the number of hours lost because of growing area closures.

This was an excellent effort by all the Havelock personnel to achieve another record production year.

Although the growing year was mixed with variable conditions, we lifted our specification requirements to meet the higher market demands but, as a result, increased the quantity of meat produced this year.

The acquisition of the Sealord farms has continued to integrate well into the Havelock operations with the final handover of the remaining crop lines occurring at the end of the financial year.

Roof extension underway during the Havelock plant upgrade

A new system for grading mussels prior to processing was introduced this year and is working to expectations along with new stillages to minimise the damage to raw material. Industrial trials of a new storage system for mussels that reduces stress after harvesting and improves mussel yields during processing is currently under way.

Havelock is now undergoing the upgrade to the automated opening technology which will be completed in time for the commissioning of the plant which is planned for January 2011. With the plant out of action for three months, it is anticipated that production volumes will be down for this year but will increase the following year. The upgrade includes improving the standard of the processing plant so that it is as close to the high dairy standard as we can achieve. Havelock's last significant upgrade took place in 2001.

Greenshell™ Mussels, Stewart Island and Bluff

The volume of mussels harvested off our farms in Big Glory Bay on Stewart Island increased to cover for rainfall closures in Havelock. The Bluff mussel plant was converted to salmon

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Aquaculture (continued)

portioning early in the year to fulfil a new market opportunity in the United States market. Great credit is due to the Bluff team for making this significant transition from mussel processing to salmon portioning.

King Salmon, Stewart Island and Bluff

The salmon farm upgrade is continuing to deliver on our expectations of efficiency and grow out performance.

Salmon production was close to our record expectations. Both Waitaki and Kaitangata hatcheries have performed well and our selective breeding programme that commenced in 2009 in conjunction with AgResearch continues to make progress. The first family through the programme will be assessed mid-2011 and from that we will begin breeding selected families for improvements to our fish performance from 2014 onwards.

A new smolt grader introduced into the hatcheries this year will improve the quality of the smolt destined for the farms. Hatchery staff members are working on new strategies to lengthen the harvest season so we can supply chilled markets on a year-round basis.

Oysters, Bluff

The oyster vessel Toiler undertook its second season catching quota for Sanford in the oyster fishery this year and delivered a high standard of first-grade oysters. More quota was released for harvest this year, increasing the volumes landed by 16%.

Challenges and Opportunities

The state of the global economy and high exchange rates continue to provide challenges for those involved in the exporting sector in New Zealand. We now have to accept these conditions as status quo and attempt to provide adequate returns for our Shareholders in this environment. This will require us to seek further innovation to improve revenue streams, develop new products, reduce farming, harvesting and processing costs, and pursue economies of scale to improve efficiencies across our operations.

An important component of our innovation strategy is our participation in a consortium that has made application to the Primary Growth Partnership for joint funding for a programme to selectively breed New Zealand's farmed mussels.

Salmon portion inspection

Salmon portions to be vacuum packed

Pacific Tuna

Vaughan Wilkinson
Business Development Manager

The Pacific tuna division had a challenging year and did not achieve the same positive results generated over the last few years. The performance was below expectations as sales revenue was significantly down compared to last year. This was primarily due to lower–than-expected catches and, to some extent, poor fish prices. However, it was the volatility of the market pricing through the year that was more of a factor in affecting revenue. Expenses for the operation were well constrained but these savings were insufficient to offset the loss in revenue over the year.

San Nanumea on the slipway in Whangarei

The San Nikunau and Ocean Breeze fished in the Western and Central Pacific Ocean (WCPO) for the complete year whilst the San Nanumea came to New Zealand to undergo its five-yearly out-of-water renewal survey. Following completion of the survey, the vessel remained to fish in New Zealand waters but the summer skipjack season was poor, so the vessel departed, without completing a trip, to return to the WCPO.

The individual catches of all three vessels were well below expectations with fishing having been impacted by a variety of operational issues.

San Nanumea – main boom being removed from vessel for repair

At the beginning of December, the San Nanumea suffered a significant gear failure which resulted in the main boom and power block being damaged. This forced the vessel to be relocated down to New Zealand ahead of schedule for the renewal survey as the vessel was no longer able to fish. This resulted in another month of lost fishing time as the vessel had not been due to arrive in New Zealand until the beginning of January for the out-of-water survey.

With the repairs that were required to be carried out and other survey work, the vessel was not able to return to fishing until the end of February. The vessel commenced fishing in New Zealand waters during March, but the season was poor and fishing was badly affected by weather. So, at the end of March, rather than remaining in New Zealand to fish, the vessel was relocated back to the WCPO by around mid-April; this meant that about another month of fishing had been lost.

Fishing in the WCPO during the second and third quarters was very slow with all vessels having some of their longest trips on record. This was symptomatic across the whole fleet fishing in the WCPO.

The beginning of the fourth quarter saw further disruption to the fishing operations as both the Ocean Breeze and the San Nikunau suffered a series of engine and refrigeration failures including the Ocean Breeze having to be towed to port by the San Nikunau. These failures resulted in the loss of well over a month of fishing for both vessels during the final quarter.

Fishing for the San Nanumea was also disrupted during the fourth quarter when, towards the end of August as the vessel was nearing completion of the trip, the net ripped badly whilst school fishing. The vessel was forced to return to port for repairs which took almost a month to complete so it was the end of the final quarter before the vessel was able to fish.

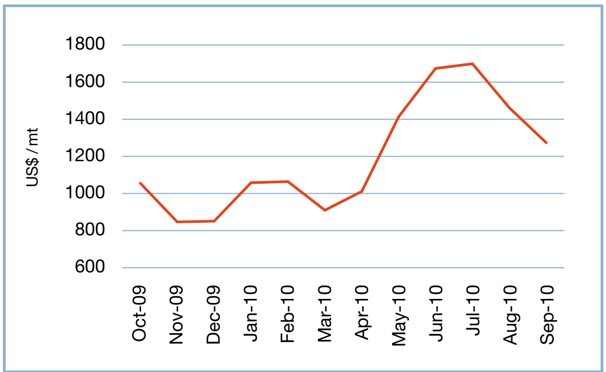
Pacific Tuna (continued)

San Nanumea – departing Whangarei Harbour at completion of survey

Aside from these operational problems the performance of the entire operation was further impacted upon by the additional Western and Central Pacific Fisheries Commission (WCPFC) conservation and management measures which came into force for 2010. These included the closure of two of the four high seas pockets within the WCPO and the extension of the fish aggregating device (FAD) closure from two to three months, from 1 July to 30 September.

The closure of the high seas pockets, particularly the pocket bordering Tuvalu, Kiribati, Nauru and Solomon Islands, has impacted our historical fishing effort in this area. The loss of ability to follow the fish as it migrated across the closed area also affected our catching activity in adjacent zones as it made it more difficult to keep track of the school fish movements. The additional month of the FAD closure period also affected fishing as there were no signs of school fish during July at the beginning of the closure. Then, when bodies of school fish did start to appear during August and September, all the vessels were out of commission so we were unable to capitalise on this fishing.

Fish prices were down slightly, on average, compared to last year with the average price over year for the benchmark grade of 4.0 to 7.5lb skipjack tuna in the Bangkok market being US$1,195/mt compared to US$1,244/mt for the previous financial year. However, the impact on revenues was mainly due to the volatility of the pricing over the year with the Bangkok market price varying from a low of US$849/mt to a high of US$1,700/mt which was the highest price seen since October 2008 (see graph).



Bangkok 4 to 7.5 lb skipjack tuna prices

Unfortunately, most of our catch was landed during periods in the year when pricing was depressed and, at the time prices were high towards the end of the year, our vessels were not operating so we were unable to benefit from the more buoyant pricing.

Expenses were constrained well below budget which was mainly due to reduced costs for crew payments and fishing access fees as a result of the lower catches. This was aided by costs for fishing gear, fuel and vessel expenses including repairs and maintenance also being constrained below budget.

Whilst fuel prices were more stable ranging between US$550 to US$740/mt for the year (see graph below), the savings from fuel were not as great as they had been during the previous year with the average bunker price ex-Singapore for the year increasing from just over US$514/mt for 2008/09 to just under US$645/mt for 2009/10.

Marine Gas Oil (MGO) bunker price ex Singapore

Challenges and Opportunities

The challenges for this operation remain much the same as has been mentioned in previous years with respect to the Conservation and Management Measures (CMMs) governing fishing in the WCPO and continued secure access in the region.

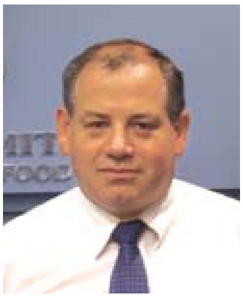
The current CMMs to address overfishing on the bigeye and yellowfin tuna stocks is due to expire at the end of 2011, so one of the major challenges for this forthcoming year will be to consider options for a new CMM. For purse seine vessels, the biggest hurdle will be finding options that will be effective in reducing the overfishing of the bigeye and yellowfin stocks without unduly impacting on the catch of skipjack tuna which is the main target species, and one that has no sustainability concerns.

Flat seas – picture perfect day in the Pacific!

The other significant issue remains the establishment of longer-term, more-secure access to the fishery. Whilst we were successful in renewing our bilateral access arrangements with the Pacific Island Countries (PICs) with whom we have long-standing relationships, these are still annual agreements. In order to justify further investment in the fishery, we need to secure longer-term access for fishing in the WCPO. The New Zealand Government has continued to assist in this area. In May it hosted a meeting with ministers from the various PICs with whom we have current arrangements to discuss options that will provide greater security of access. We will look to further progress these discussions during the forthcoming year so as to develop a framework for suitable long-term access arrangements. If these arrangements can be developed, then it would no doubt provide opportunity for growth of the operation.

The operation failed to provide an adequate return on investment this year; this was largely because it faced a number of difficult operational issues that impacted all of its vessels. Overall, since its inception, this operation has provided a positive return on investment to Shareholders. It is the nature of this business that it is often cyclical but, with the dedication and hard work of the crew and staff within the operation, we are confident catches will improve and so will provide a further positive contribution in the coming year.

Australia Seafood Segment



Tom Birdsall
International Manager

The international division had a disappointing year and the result was well short of the expected outcome. This poor result was largely driven by adverse circumstances in Australia and some poor fishing from the New Zealand-based freezer vessel Petersen.

Other areas achieved a steady performance, in a year affected by the global economic recession.

Independent vessel Saxan Onwards arriving in Hobart to unload

The Melbourne wholesale business has been scrambling to achieve an acceptable performance during a year where adverse economic impacts, some vessel operational issues and changes to our areas of operation have all impacted on the final result.

Market demand for fish generally was reduced and, in addition, available volumes were lower than they were in previous years. This created an environment where sales were difficult and, at times, demand was poor even at low price levels.

The economic conditions impacted on our buyers, again creating an environment where debtor management remained an even more important issue.

Several fisheries did not produce as well as had been expected and this reduced the volume available for sale: these species included orange roughy and grenadier.

Quota changes had some impact, especially in the bait supply business for the reduced rock lobster fisheries.

During the period the supermarket supply business became more difficult as the year progressed. As there was no opportunity to improve the volume or structure of the distribution, a decision to exit this part of the business, along with the associated processing function, was made. This evaluation and resulting decision was challenging but the outcome will stabilise and enhance the Australian operation.

The current Melbourne Wholesale Fish Market is scheduled to close at the end of December 2010. Our new facility is on time to be completed in December and will be ready for business as soon as the existing facility is closed. It is the correct timing to close the old facility which has operated on the same site for the past 50 years. It has not been updated in terms of food safety and indeed, because of poor maintenance, is probably a health hazard. Our new facility offers a substantial improvement in fish quality by maintaining a fully temperature-controlled environment and product handling area. Lower energy use will result from new modular refrigeration and our staff will enjoy a better working environment in both the sales and administration areas.

Buyers who purchase from our Company are either in attendance on site or remotely connected by telephone from areas such as the country and interstate. They range from retailers and stall owners through to wholesalers and processors, all of whom have a common goal “to buy the best quality at the lowest pricing”. Many of the earlier generation of seafood buyers in Melbourne were of Mediterranean origin; now there is a growing involvement of people from Asia and other cultures.

Buyers and sellers, Melbourne Wholesale Fish Market

The new facility will change traditional buyer behaviour and it is anticipated they will adapt to the new environment.

Seafood supplies were affected by unusually wet conditions resulting in increased volumes of freshwater fish being harvested and consigned to the market. The wild harvest was also impacted by the weather, more so than in recent years. Our traditional fishermen/suppliers are under pressure from increasing costs and the sector has difficulty attracting people of a suitable calibre to grow this sector. In the Melbourne market place, there is a growing range of products available resulting from improved logistical links meaning seafood is being consigned from all four corners of Australia as well as New Zealand and some Pacific nations. An increasing amount of airfreight seafood is being sent from New Zealand by a wide range of exporters and, in some species, this New Zealand fish is the preferred supply with the strength of the Australian dollar also a factor in making the market attractive.

Tuna on consignment market floor

The quota trading returns improved compared with the previous year and we continue to utilise quota to assist and cement our relationships with our supplier fishermen. However, a review is being undertaken to see if we can better align our quota holdings with our requirements. The quota market is still volatile and the quota pricing of some species is at an unrealistic level.

The Company-owned trawler, San Tangaroa, which operates from Portland in Western Victoria had a poor year: its contribution was well below expectations. Engineering issues experienced in remote locations resulted in increased costs of servicing and lost fishing time.

In the next year, this will be improved upon: catches are adequate when the vessel operates and the quality remains at a high level. The vessel's crew is hard-working and has been with the vessel for a considerable time.

Independent vessel Tullaberga unloading

The Melbourne market has been a fluid environment for the past year with changes occurring in many areas and more will come in the next 12 months. During the year, our long-serving General Manager Ian Scroggie retired after more than 20 years with the Company and his understudy was promoted to the role. The staff and management work in an environment where the hours are extremely testing with most staff commencing work at between 2.00 and 4.00am each morning. Despite this, they have been both resolute and industrious in carrying out their roles.

The former Australian-based freezer vessel Petersen was laid up in New Zealand and offered for sale for most of the year. The vessel was re-commissioned for the orange roughy and scampi fisheries in the New Zealand season and, although catches were not as good as was expected, the vessel has now been incorporated into the deepwater division where it will operate full time this year.

Challenges and Opportunities

In the approaching year, it will be important to ensure the relocation of our operation in Melbourne is undertaken in such a way as to maximise our service to support both suppliers and buyers of our business. The changes are significant, will not be simple to implement and will depend upon the provision of a high level of delivery. Opportunities to improve our position in the market place will arise and, combined with the new facility, should lead to improved profitability.

Staff development and system improvements will be undertaken to help us implement alternative sales methods.

We will continue to examine opportunities to grow our involvement in the Australian seafood sector.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Sustainable Development

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Our Sustainable Development Report is again available only online. Below are extracts from the report. The complete report is available at www.sanford.co.nz

Managing Director's Statement

Sanford has a long-term commitment and vision to embedding sustainability into our everyday business operations which I believe can be demonstrated in this our 11th Sustainable Development Report.

One of the key aims of this report is to provide a transparent overview of Sanford's operations enabling our stakeholders to gain an accurate understanding of the Company and the risks and opportunities we face. Over the 11 years of sustainable development reporting we have aimed to continually evolve and improve in an effort to ensure that the report remains a concise, reliable and complete account of our business. This year, we have made changes to the report so that it continues to be of a high standard and, more importantly, is relevant, complete and engaging for the reader, as well as being a valuable business tool.

Our Sustainability Vision

- Strive toward greater efficiencies within our business without compromising product quality, personal safety, economic growth and the sustainability of the environment and community
- Lead and inspire the New Zealand seafood industry
- Continue to build a business that is strong and adaptable to the risks, challenges and opportunities resulting from the changing environmental and business climate.

Key Changes to the 2010 Report include:

- A new key performance indicator table
- Updated methods of setting eco-efficiency targets
- The creation of a document that is more engaging and meaningful for our stakeholders
- A consolidation of the text to include our key areas of focus while utilising the Sanford website for updates on issues as they come to light.

Sanford purchased the Greenshell™ mussel and Pacific oyster businesses from Pacifica Seafoods in November 2010. This report does not include this business unit.

I am proud of the direction in which the Company is heading and firmly believe Sanford will continue to be a sustainable business not only for our Shareholders but also for our team, communities and suppliers.

Business sustainability is a journey and it is something to which Sanford is committed in the long term. I trust you will find this report informative and engaging.

E F Barratt
Managing Director

6 December 2010

Managing Director, Eric Barratt on board San Sinikka, Marlborough Sounds

San Nikunau – Miracle Rescue

On 24 November 2010, the San Nikunau was en route to New Zealand to unload its tuna catch. The boat had been fishing in Tuvalu waters and would normally unload in American Samoa at the completion of the trip. However, a decision had been made for the vessel to return to New Zealand hence an unusual route had been chosen. No one onboard would have guessed that this decision would save the lives of three teenagers.


First sighting of the boys

The vessel was transiting through Fiji waters when an object 2-3 nautical miles away, and directly in their course, was identified as a tiny dinghy and three boys could be seen emerging from a canvas shelter The boys Samu (Samual) Filipo and Junior Filo Filo, both aged 15, and Reuelu (Edward) Nasau, aged 14, were soon transferred to the San Nikunau. The boys were extremely dehydrated so the crew began a conservative course of rehydration beginning with sips of an electrolyte formula.

An altered course was plotted for Fiji, over 40 hours away, and Search and Rescue New Zealand was notified of the rescue. Early on 26 November, the boys were transferred off the Sanford vessel and by 28 November, they were in Suva Hospital reportedly doing well and recovering from their 50-day ordeal.

In a coincidence, the auntie of one of the boys is a Sanford employee in Timaru. She had just returned to work after travelling to Tokelau to console her sister from what was a tragic loss when the miraculous rescue took place.


Sitting on their boat, on San Nikunau

Timaru Heat-Recovery Project Update

A heat-recovery system has been installed in our Timaru processing plant which is expected to result in annual savings to the Company of approximately $50,000 and 80 tonnes of greenhouse gas emissions.

To make the project financially viable, second-hand equipment was sourced, which included a large insulated water tank and two heat exchangers from an old ice-cream factory in Invercargill.


New water storage tank

This project is also expected to save approximately four million litres of water which had been used to cool the ammonia pipes in the compressor; the Timaru plant has already seen a 10% reduction in water usage in the 2009/10 year.

Increased Product Quality in Kaeo

Damage through the oyster-opening process can easily downgrade product value. One of the challenges at our Kaeo branch has been to reduce this damage to produce premium-quality oysters.

Prior to the 2010 season, a new tray system was implemented. Each opener now places the opened oysters on to a tray which includes an identification marker. Quality assurance staff are then able to assess product and, if damaged product is identified, provide feedback and training to the openers as required.


Trayed product ready for inspection

The new tray system delivers improved opener performance and product quality. Results to date have shown a 14% increase in half shell production, a 3% reduction in B-grade meat production and an 11% reduction in product waste.

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Sustainable Development

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Key Performance Indicators

	Unit	2006	2007	2008	2009	2010
Production						
Onshore production	tonnes	35,431	35,398	48,100	48,272	49,500
Fishmeal and oil produced	tonnes	1,145	860	1,080	3,768	5,192
Frozen-at-sea product	tonnes	13,833	14,949	35,184	34,409	28,168
Environmental						
Electricity consumed	kWhrs	23,987,910	23,915,880	24,491,708	25,911,076	29,365,399
Water used	m^3	667,239	591,356	713,001	757,472	771,960
Solid waste produced[1]	m^3				2,143	2,470
Coal consumed	kg	614,539	418,000	502,340	560,420	553,700
Liquid fossil fuels consumed	litres	19,299,241	18,341,852	28,032,781	27,054,288	26,362,099
Greenhouse Gas Emissions (CO_2-e)	tonnes	61,450	60,339	83,910	82,554	91,214
Lube oil used	litres	90,188	98,373	123,187	105,307	95,874
Social						
Employees (full and part time)		1,068	1,094	1,147	1,137	1,055
Share fishermen		380	368	360	437	471
Lost-time injury frequency rate[1]						17
Number of ACC claims accepted[1]						147
Average age of employees[1]	years					43
Average length of service[1]	years					7.1
Economic						
Revenue	$000	390,402	367,920	436,564	433,091	421,087
Profit (after tax) for the year	$000	26,074	20,135	53,344	39,075	25,004
Profit before taxation margin	%	10.2	6.7	15.7	12.7	9.0
New Zealand domestic purchases	$000	126,000	138,000	174,000	182,000	185,000
Ordinary dividend per share	cents	22	22	23	23	23
Earnings per share	cents	27.8	21.5	57.0	41.7	26.7
Donations	$	182,267	224,960	223,898	318,965	437,109
Business						
New Zealand quota share[1]	%		24.29	24.8	23.58	23.53
Export sales[1]	tonnes			89,682	69,725	78,384
Local sales[1]	tonnes			12,986	15,689	20,169
Aquaculture space owned[1]	hectares					1,233
Vessels owned[1]						47
TEU containers shipped[1]						3,784

[1] Prior year's data were not recorded.

Further details on all indicators are included in the 2010 Sustainable Development Report.

Environmental Sustainability

We have made a change to the way eco-efficiency targets are set in an effort to better reflect the main areas of where resources are used and the production directly related to the resource.

	2010		2011
	Target	Result	Target
Electricity consumed	0.5400 kWh/kg product	0.3656 kWh/kg product	0.3583 kWh/kg product
Water used	13.03 L/kg product	17.82 L/kg product	17.47 L/kg product
Solid waste produced	0.0557 m^3/kg product	0.0563 m^3/kg product	0.0557 m^3/kg product
Coal consumed	0.4401 kg/kg fishmeal	0.4674 kg/kg fishmeal	0.4674 kg/kg fishmeal
Liquid fossil fuels consumed	0.4348 L/kg product	0.4406 L/kg product	0.4317 L/kg product
Greenhouse Gas Emissions (CO_2-e)	0.97 kg/kg product	1.21 kg/kg product	1.19 kg/kg product

SANFORD LIMITED
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Financial Statements 2010

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The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2010.

For and on behalf of the Board of Directors:

B S Cole
Chairman
24 November 2010

E F Barratt
Managing Director

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Five Year Financial Review

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	2010#	2009#	2008#	2007#	2006
	$000	$000	$000	$000	$000
Revenue	**421,087**	**433,091**	**436,564**	**367,920**	**390,402**
EBITDA*	**49,057**	**68,366**	**65,874**	**52,197**	**63,303**
Depreciation, amortisation and impairment	(13,754)	(14,892)	(22,359)	(13,635)	(16,167)
EBIT	**35,303**	**53,474**	**43,515**	**38,562**	**47,136**
Net interest	(5,780)	(6,788)	(10,021)	(11,109)	(12,247)
Net currency exchange gains (losses)	7,836	8,387	5,505	(10,511)	4,773
Net gain (loss) on sale of investments, property, plant and equipment	409	(35)	29,749	425	322
Gain on sale of subsidiaries	–	–	–	7,528	–
Profit before income tax	**37,768**	**55,038**	**68,748**	**24,895**	**39,984**
Income tax (expense)	(12,743)	(15,899)	(15,328)	(4,865)	(13,393)
Profit for the year	**25,025**	**39,139**	**53,420**	**20,030**	**26,591**
Minority interest	(21)	(64)	(76)	105	(517)
Profit attributable to equity holders of the Group	**25,004**	**39,075**	**53,344**	**20,135**	**26,074**
Equity					
Paid in capital	95,355	95,355	95,355	95,355	95,355
Reserves	456,214	452,575	430,491	423,688	408,456
Minority interest	633	591	523	443	978
Total equity	**552,202**	**548,521**	**526,369**	**519,486**	**504,789**
Represented by:					
Current assets	139,049	124,488	109,837	118,971	120,373
Less current liabilities	89,023	67,828	44,891	50,353	56,430
Working capital	**50,026**	**56,660**	**64,946**	**68,618**	**63,943**
Property, plant and equipment	107,685	113,195	106,760	109,965	116,709
Investments	10,981	21,319	20,581	57,082	31,129
Term receivable	–	2,749	6,419	4,752	–
Biological assets	6,730	5,574	5,039	4,300	–
Intangible assets	454,850	453,564	415,768	409,035	422,702
Brand use rights	–	–	–	–	1,000
	630,272	653,061	619,513	653,752	635,483
Less non-current liabilities	78,070	104,540	93,144	134,266	130,694
Total net assets	**552,202**	**548,521**	**526,369**	**519,486**	**504,789**
Dividend per share (cents)	23†	23†	23†	22†	22†
Dividend cover	1.2†	1.8†	2.5†	1.0†	1.3†
Return on average total equity	4.5%	7.3%	10.2%	4.0%	5.2%
Earnings per share (cents)	26.7	41.7	57.0	21.5	27.8
Net asset backing per share	$5.90	$5.86	$5.62	$5.55	$5.39

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

\# Prepared in accordance with New Zealand equivalents to International Financial Reporting Standards. To comply with NZ IFRS the 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 NZIAS38.

† Includes the dividends proposed after balance date.

Major events

May 2006 – Cancelled 2,036,982 shares

SANFORD LIMITED
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Income Statement

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for the year ended 30 September 2010

		Group		Parent	
		2010	2009	**2010**	2009
	Note	**$000**	$000	**$000**	$000
Revenue	5	421,087	433,091	368,445	368,982
Cost of sales		(351,654)	(345,633)	(298,674)	(282,081)
Gross profit		**69,433**	**87,458**	**69,771**	**86,901**
Other income	6	8,558	5,218	5,033	1,649
Distribution expenses		(26,186)	(24,186)	(26,186)	(24,186)
Administrative expenses	7	(10,446)	(10,405)	(8,619)	(8,438)
Other expenses	7	(4,699)	(4,490)	(4,631)	(4,260)
Operating profit		**36,660**	**53,595**	**35,368**	**51,666**
Financial income	8	8,396	9,581	9,573	10,244
Financial expenses	8	(6,246)	(8,348)	(6,246)	(7,684)
Net finance income		**2,150**	**1,233**	**3,327**	**2,560**
Share of (loss) profit of equity accounted investees	13	(1,042)	210	–	–
Profit before income tax		**37,768**	**55,038**	**38,695**	**54,226**
Income tax (expense)	9	(12,743)	(15,899)	(12,204)	(16,031)
Profit for the year		**25,025**	**39,139**	**26,491**	**38,195**
Attributable to:					
Equity holders of the Group		25,004	39,075	26,491	38,195
Minority interest		21	64	–	–
		25,025	**39,139**	**26,491**	**38,195**
Earnings per share					
Basic and diluted earnings per share (cents)	21	26.7	41.7		

Statement of Comprehensive Income

for the year ended 30 September 2010

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Profit for the year (after tax)	**25,025**	**39,139**	**26,491**	**38,195**
Other comprehensive income				
Foreign currency translation differences	1,584	432	–	–
Change in fair value of cash flow hedges	(1,394)	4,115	(1,394)	4,115
Total other comprehensive income (loss) for the year	**190**	**4,547**	**(1,394)**	**4,115**
Total comprehensive income for the year	**25,215**	**43,686**	**25,097**	**42,310**
Total comprehensive income for the year is attributable to:				
Equity holders of the Group	25,173	43,618	25,097	42,310
Minority interest	42	68	–	–
Total comprehensive income for the year	**25,215**	**43,686**	**25,097**	**42,310**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Balance Sheet

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as at 30 September 2010

	Note	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Equity					
Paid in capital		95,355	95,355	95,355	95,355
Retained earnings		450,135	446,665	425,662	420,705
Other reserves		6,079	5,910	2,721	4,115
Total equity attributable to shareholders of the Company		**551,569**	**547,930**	**523,738**	**520,175**
Minority interest		633	591	–	–
Total equity	19	**552,202**	**548,521**	**523,738**	**520,175**
Non-current liabilities					
Bank loans secured (2009:unsecured)		70,000	100,000	70,000	100,000
Advances from subsidiary companies	26	–	–	67,608	60,772
Deferred taxation	15	8,070	4,540	8,025	5,103
Total non-current liabilities		**78,070**	**104,540**	**145,633**	**165,875**
Current liabilities					
Bank overdraft and borrowings	18	5,824	33,886	5,000	33,197
Bank loans secured		50,000	–	50,000	–
Derivative financial instruments		708	371	708	371
Trade creditors		13,053	9,500	11,811	8,630
Other liabilities		11,347	15,511	10,504	14,752
Employee entitlements		6,346	6,020	6,168	5,666
Taxation payable		1,745	2,540	1,719	2,058
Total current liabilities		**89,023**	**67,828**	**85,910**	**64,674**
Total liabilities		**167,093**	**172,368**	**231,543**	**230,549**
Total equity and liabilities		**719,295**	**720,889**	**755,281**	**750,724**
Non-current assets					
Property, plant and equipment	10	107,685	113,195	107,668	113,616
Investments	13,14	10,981	21,319	51,316	51,321
Term receivable		–	2,749	–	2,749
Biological assets	12	6,730	5,574	6,730	5,574
Intangible assets	11	454,850	453,564	437,154	437,150
Advances to subsidiary companies	26	–	–	22,757	22,688
Total non-current assets		**580,246**	**596,401**	**625,625**	**633,098**
Current assets					
Cash on hand and at bank	18	10,242	4,003	8,533	2,657
Trade debtors	17	54,294	41,253	49,249	37,665
Derivative financial instruments		4,813	9,968	4,813	9,968
Other debtors and prepayments		11,454	10,202	9,272	8,629
Current portion of term receivable		2,685	2,706	2,685	2,706
Biological assets	12	6,571	6,375	6,571	6,375
Intangible assets	11	3,417	–	3,417	–
Inventories	16	45,573	49,981	45,116	49,626
Total current assets		**139,049**	**124,488**	**129,656**	**117,626**
Total assets		**719,295**	**720,889**	**755,281**	**750,724**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Cash Flows

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for the year ended 30 September 2010

	Note	Group		Parent	
		2010	2009	**2010**	2009
		$000	$000	**$000**	$000
Cash flows from operating activities					
Cash provided from:					
Receipts from customers		421,599	444,851	367,424	377,001
Interest received		444	924	627	800
Dividends received		94	298	23	22
		422,137	446,073	368,074	377,823
Cash applied to:					
Payments to suppliers and employees		375,376	391,305	320,603	325,376
Income tax paid		9,397	17,189	9,397	17,516
Interest paid		5,993	7,171	5,993	7,171
		390,766	415,665	335,993	350,063
Net cash flows from operating activities	25	**31,371**	**30,408**	**32,081**	**27,760**
Cash flows from investing activities					
Cash provided from:					
Disposal of property, plant and equipment		781	296	781	296
Sale of investments and subsidiaries		8,507	426	–	–
Loans repaid by related parties		–	–	6,766	3,284
Dividends received from associates		767	643	767	643
Repayment of term receivable		2,871	1,559	2,871	1,559
		12,926	2,924	11,185	5,782
Cash applied to:					
Purchase of property, plant and equipment		8,425	21,309	7,683	21,243
Purchase of intangibles		4	37,458	4	37,458
Acquisition of other investments		52	2,226	–	2,208
		8,481	60,993	7,687	60,909
Net cash flows from investing activities		**4,445**	**(58,069)**	**3,498**	**(55,127)**
Cash flows from financing activities					
Cash provided from:					
Proceeds from borrowings		20,000	10,000	20,000	10,000
Cash applied to:					
Dividends paid		21,534	21,534	21,534	21,534
Net cash flows from financing activities		**(1,534)**	**(11,534)**	**(1,534)**	**(11,534)**
Net increase (decrease) in cash and cash equivalents		**34,282**	**(39,195)**	**34,045**	**(38,901)**
Effect of exchange rate fluctuations on cash held		19	(91)	28	(86)
Cash and cash equivalents at beginning of year		(29,883)	9,403	(30,540)	8,447
Cash and cash equivalents at end of year		**4,418**	**(29,883)**	**3,533**	**(30,540)**
Represented by:					
Bank overdraft and borrowings		(5,824)	(33,886)	(5,000)	(33,197)
Cash on hand and at bank		10,242	4,003	8,533	2,657
		4,418	**(29,883)**	**3,533**	**(30,540)**

SANFORD LIMITED
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Statement of Changes in Equity

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for the year ended 30 September 2010

Group	Note	Share Capital $000	Translation Reserve $000	Cash Flow Hedge Reserve $000	Retained Earnings $000	Total $000	Minority Interest $000	Total Equity $000
Balance at 1 October 2009		**95,355**	**1,795**	**4,115**	**446,665**	**547,930**	**591**	**548,521**
Profit for the period (after tax)		–	–	–	25,004	25,004	21	25,025
Other comprehensive income								
Foreign currency translation differences		–	1,563	–	–	1,563	21	1,584
Change in fair value of cash flow hedges		–	–	(1,394)	–	(1,394)	–	(1,394)
Total comprehensive income		**–**	**1,563**	**(1,394)**	**25,004**	**25,173**	**42**	**25,215**
Distributions to shareholders	20	–	–	–	(21,534)	(21,534)	–	(21,534)
Balance at 30 September 2010		**95,355**	**3,358**	**2,721**	**450,135**	**551,569**	**633**	**552,202**
Balance at 1 October 2008		**95,355**	**1,367**	**–**	**429,124**	**525,846**	**523**	**526,369**
Profit for the period (after tax)		–	–	–	39,075	39,075	64	39,139
Other comprehensive income								
Foreign currency translation differences		–	428	–	–	428	4	432
Change in fair value of cash flow hedges		–	–	4,115	–	4,115	–	4,115
Total comprehensive income		**–**	**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**

Parent	Note	Share Capital $000	Cash Flow Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 October 2009		**95,355**	**4,115**	**420,705**	**520,175**
Profit for the period (after tax)		–	–	26,491	26,491
Other comprehensive income					
Change in fair value of cash flow hedges		–	(1,394)	–	(1,394)
Total comprehensive income		**–**	**(1,394)**	**26,491**	**25,097**
Distributions to shareholders	20	–	–	(21,534)	(21,534)
Balance at 30 September 2010		**95,355**	**2,721**	**425,662**	**523,738**
Balance at 1 October 2008		**95,355**	**–**	**404,044**	**499,399**
Profit for the period (after tax)		–	–	38,195	38,195
Other comprehensive income					
Change in fair value of cash flow hedges		–	4,115	–	4,115
Total comprehensive income		**–**	**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**

Notes to the Financial Statements

for the year ended 30 September 2010

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 2010.

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, forward exchange contracts and foreign currency options
- Immature salmon, mussels and oysters are measured at fair value less costs to sell.

(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:

- Impairment testing of intangible assets (refer note 11)
- Valuation of biological assets (refer note 12)
- Valuation of financial instruments (refer note 22).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the relevant notes.

(e) Changes in accounting policies

(i) Presentation of financial statements

In accordance with the revised NZ IAS 1 *Presentation of Financial Statements (2007)*, which became effective for financial periods beginning on or after 1 January 2009, movements in equity resulting from transactions other than those with owners are presented in a statement of comprehensive income and movements in equity resulting from transactions with owners are presented in a statement of changes in equity. Since this change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. Comparative information has been re-presented so that it conforms to the revised standard.

Notes to the Financial Statements

for the year ended 30 September 2010

Note 2 – Basis of Preparation (continued)

(ii) Accounting for business combinations and acquisitions of non-controlling interests
From 1 October 2009 the Group has applied the revised standards NZ IFRS 3 *Business Combinations (2008)* and NZ IAS 27 *Consolidated and Separate Financial Statements (2008)*. The change in accounting policy has been applied prospectively and there has been no impact on earnings per share.

(iii) Determination and presentation of operating segments
The Group determines and presents operating segments based on the information that internally is provided to the Managing Director who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of NZ IFRS 8 *Operating Segments*. Previously operating segments were determined in accordance with NZ IAS 14 *Segment Reporting*. Comparative segment information has been re-presented in conformity with the current year presentation. Since the accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

(iv) Accounting for borrowing costs
In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 October 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of NZ IAS 23 *Borrowing Costs (2007)*. In accordance with the transitional provisions of the standard comparative figures have not been restated. The change in accounting policy had no impact on earnings per share.

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, except as disclosed in note 2 (e), which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(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 acquisition 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 less costs to sell and the carrying amount of the related group of assets and any related goodwill.

(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.

Note 3 – Significant Accounting Policies (continued)

(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, foreign currency options 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 other comprehensive income 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 other comprehensive income remains there until the forecast transaction occurs.

(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. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

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.

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for the year ended 30 September 2010

Note 3 – Significant Accounting Policies (continued)

(f) Property, plant and equipment (continued)

(iii) Depreciation

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

	2010	2009
	Years	Years
Buildings (freehold and leasehold)	25	25
Fishing vessels:		
Hulls	20-30	20-30
Engines	12-15	12-15
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	5-15

(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 costs to sell at the date of transfer.

(h) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in the Income Statement. The fair value is determined with reference to the present value of the expected cash flows using anticipated harvest volumes, market prices and the costs of cultivation until sold. Costs to sell include all costs that would be necessary to sell the assets. 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 reporting 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 but taken to equity through other comprehensive income.

Note 3 – Significant Accounting Policies (continued)

(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 other comprehensive income. 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.

(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 other comprehensive income.

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 in respect of 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 Statement of Cash Flows, 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 with the exception of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

Note 3 – Significant Accounting Policies (continued)

(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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(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

An operating segment is a distinguishable component of the Group whose operating results are regularly reviewed by the Group's chief operating decision maker in order to assess performance and make decisions about resources to be allocated to the segment. 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 2010, and have not been applied in preparing these consolidated Financial Statements.

The Company does not consider any of the accounting standards or interpretations on issue but not yet effective to have a significant impact on its financial statements, except for NZ IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets and liabilities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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Note 4 – Segment Reporting

NZ IFRS 8: *Operating Segments* has replaced NZ IAS 14: *Segment Reporting* and it requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director who reviews the Group's internal reporting in order to assess performance and to allocate funding and resources. Management has determined the operating segments based on these reports.

The Group operates in two segments, New Zealand Seafood and Australia Seafood.

The Group operates in the one-industry segment, harvesting, processing and selling seafood products.

(a) Income and expenditure

	New Zealand		Australia		Eliminations		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Total external revenues	377,456	373,575	43,631	59,516	–	–	421,087	433,091
Inter-segment revenue	1,315	3,899	–	–	(1,315)	(3,899)	–	–
Segment revenue	378,771	377,474	43,631	59,516	(1,315)	(3,899)	421,087	433,091
Segment profit for the year	**25,546**	**37,879**	**471**	**997**	**50**	**53**	**26,067**	**38,929**
Share of profit of equity accounted investees							(1,042)	210
Profit for the year							**25,025**	**39,139**

(b) Revenue by geographical location of customers

	2010	2009
	$000	$000
New Zealand	61,813	58,601
Australia	82,905	98,689
Europe	51,220	65,740
North America	69,318	61,520
Japan	32,025	31,068
China/Hong Kong	25,879	27,507
Korea	48,286	31,088
Other Asia	19,434	9,661
Other	30,207	49,217
Revenue	**421,087**	**433,091**

Notes to the Financial Statements

for the year ended 30 September 2010

Note 4 – Segment Reporting (continued)

(c) Assets and liabilities

	New Zealand		Australia		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$000	$000	**$000**	$000	**$000**	$000
Segment assets	681,900	684,936	26,529	23,294	708,429	708,230
Investment in equity accounted investees	10,866	12,659	–	–	10,866	12,659
Total assets	**692,766**	**697,595**	**26,529**	**23,294**	**719,295**	**720,889**
Segment liabilities	138,440	146,667	28,653	25,701	167,093	172,368
Total liabilities	**138,440**	**146,667**	**28,653**	**25,701**	**167,093**	**172,368**
Capital expenditure	7,715	58,723	768	46	8,483	58,769
Depreciation	13,433	13,321	321	189	13,754	13,510
Impairment after tax (intangible assets and property, plant and equipment)	–	342	–	230	–	572

Note 5 – Revenue

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Sale of goods	421,087	433,091	368,445	368,982
Revenue	**421,087**	**433,091**	**368,445**	**368,982**

Note 6 – Other Income

		Group		Parent	
		2010	2009	**2010**	2009
	Note	**$000**	$000	**$000**	$000
New Zealand units income	11	3,417	–	3,417	–
Commissions received		2,929	3,287	277	480
Net gain (loss) on sale of property, plant and equipment and investments		409	(35)	476	(35)
Sundry income		1,803	1,966	863	1,204
		8,558	**5,218**	**5,033**	**1,649**

Notes to the Financial Statements

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for the year ended 30 September 2010

Note 7 – Expenses

		Note	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
(a) Administrative and other expenses						
Directors' fees			316	316	316	316
Donations			40	66	38	33
Audit fees	– KPMG		152	147	105	104
KPMG fees for other services	– Accounting services		–	2	–	–
Leasing charges			2,725	2,696	2,226	2,263
Doubtful debts	– Written off		15	199	15	17
	– Increase (decrease) in doubtful debts provision		157	(124)	–	–
Impairment of property, plant and equipment		10	–	718	–	488
(b) Personnel expenses						
Wages and salaries			84,498	81,003	80,888	77,518
(c) Movement in biological assets						
Change in fair value of biological assets (increase) decrease		12	(1,086)	1,553	(1,086)	1,553

Note 8 – Finance Income and Expenses

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Finance income				
Interest income on bank deposits	466	896	649	1,075
Dividends	94	298	790	666
Net foreign exchange gain	7,836	8,387	8,134	8,503
	8,396	**9,581**	**9,573**	**10,244**
Finance expenses				
Interest rate swaps fair value movement	337	282	337	282
Interest expense on term loan and bank overdraft	5,909	7,402	5,909	7,402
High Liner Foods Incorporated investment fair value movement	–	664	–	–
	6,246	**8,348**	**6,246**	**7,684**
Net finance income	**2,150**	**1,233**	**3,327**	**2,560**

Note 9 – Income Tax Expense

	Note	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
(a) Income tax expense					
Current period		**9,358**	**15,960**	**9,423**	**15,487**
Adjustment for prior periods		(743)	306	(739)	306
		8,615	**16,266**	**8,684**	**15,793**
Deferred tax expense					
Origination and reversal of temporary differences		1,909	684	1,309	877
Adjustments for prior periods		677	(1,051)	669	(639)
Reduction in tax rate		(449)	–	(449)	–
Effect of buildings no longer depreciable		1,991	–	1,991	–
Income tax expense		**12,743**	**15,899**	**12,204**	**16,031**
(b) Reconciliation of effective tax rate					
Profit for the year		25,025	39,139	26,491	38,195
Income tax expense		12,743	15,899	12,204	16,031
Profit before income tax		**37,768**	**55,038**	**38,695**	**54,226**
Tax at current rate of 30%		**11,330**	**16,511**	**11,609**	**16,268**
Non-deductible expenses		235	96	235	96
Non-taxable New Zealand units income	11	(1,025)	–	(1,025)	–
Non-taxable income – other		(107)	(89)	(86)	–
Utilisation of tax losses previously unrecognised		(169)	(347)	–	–
Over provided in prior periods		(66)	(745)	(70)	(333)
Effect of future change in tax rate		(449)	–	(450)	–
Effect of buildings no longer depreciable		1,991	–	1,991	–
Other		1,003	473	–	–
		1,413	**(612)**	**595**	**(237)**
Income tax expense		**12,743**	**15,899**	**12,204**	**16,031**
(c) Imputation credit account					
Balance at beginning of year		63,008	55,303		
Tax payments		8,833	17,907		
Imputation credits attached to dividends received		250	220		
Imputation credits attached to dividends paid		(9,815)	(10,422)		
Balance at end of year		**62,276**	**63,008**		

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

Note 10 – Property, Plant and Equipment

	Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
Group 2010						
Cost						
Balance at beginning of year	1,742	11,098	39,798	159,456	92,681	304,775
Additions	–	362	29	1,439	6,649	8,479
Disposals	(8)	(39)	(285)	(2,552)	(1,493)	(4,377)
Effect of movements in exchange rates	9	20	–	24	18	71
Balance at end of year	1,743	11,441	39,542	158,367	97,855	308,948
Accumulated depreciation and impairment						
Balance at beginning of year	(85)	(7,005)	(18,021)	(104,325)	(62,144)	(191,580)
Depreciation	–	(425)	(1,461)	(6,598)	(5,270)	(13,754)
Disposals	–	33	268	2,280	1,490	4,071
Balance at end of year	(85)	(7,397)	(19,214)	(108,643)	(65,924)	(201,263)
Net book value at 30 September 2010	**1,658**	**4,044**	**20,328**	**49,724**	**31,931**	**107,685**
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**

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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 2010						
Cost						
Balance at beginning of year	1,550	10,671	39,798	158,158	89,168	299,345
Additions	–	362	29	1,439	5,853	7,683
Disposals	(8)	(39)	(285)	(2,552)	(1,493)	(4,377)
Balance at end of year	1,542	10,994	39,542	157,045	93,528	302,651
Accumulated depreciation and impairment						
Balance at beginning of year	–	(6,909)	(17,949)	(101,561)	(59,310)	(185,729)
Depreciation	–	(413)	(1,461)	(6,540)	(4,912)	(13,326)
Disposals	–	33	268	2,280	1,491	4,072
Balance at end of year	–	(7,289)	(19,142)	(105,821)	(62,731)	(194,983)
Net book value at 30 September 2010	**1,542**	**3,705**	**20,400**	**51,224**	**30,797**	**107,668**
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**

Impairment losses

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, resulting in a charge of $0.230m before tax (NZD).

Reassessment of useful lives

As a result of a reassessment in the 2009 financial year, useful lives for some classes of assets were adjusted resulting in an estimated decrease of $1.5m in depreciation for the 2009 year and an increase in net profit before and after tax by the same amount.

Note 11 – Intangible Assets

	NZ Units – Emissions Trading Scheme	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000	$000
Group 2010				
Carrying amount				
Balance at beginning of year	–	416,194	37,370	453,564
Acquisitions	3,417	4	–	3,421
Effect of movements in exchange rates	–	1,282	–	1,282
Carrying amount at 30 September 2010	**3,417**	**417,480**	**37,370**	**458,267**
Non-current	–	417,480	37,370	454,850
Current	3,417	–	–	3,417
	3,417	**417,480**	**37,370**	**458,267**
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**
Non-current	–	416,194	37,370	453,564
Current	–	–	–	–
	–	**416,194**	**37,370**	**453,564**

New Zealand units (Emissions Trading Scheme)

In September 2010 the Company was allocated 170,850 New Zealand units under the Emissions Trading Scheme based on the Company's fishing quota holdings as at 24 September 2009. The units were received and taken to the income statement at a fair value of $20 per unit, approximately the market price for units on 30 September 2010. The units have been classified as a current asset.

Cash generating units

The table below outlines the allocations of intangible assets with indefinite useful lives to cash generating units:

	NZ Units – Emissions Trading Scheme	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000	$000
New Zealand Seafood	3,417	399,793	37,370	440,580
Australia Seafood	–	17,687	–	17,687
	3,417	**417,480**	**37,370**	**458,267**

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Note 11 – Intangible Assets (continued)

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 forecast for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cash flows 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.

	NZ Units – Emissions Trading Scheme	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000	$000
Parent 2010				
Carrying amount				
Balance at beginning of year	–	399,780	37,370	437,150
Acquisitions	3,417	4	–	3,421
Carrying amount at 30 September 2010	**3,417**	**399,784**	**37,370**	**440,571**
Non-current	–	399,784	37,370	437,154
Current	3,417	–	–	3,417
	3,417	**399,784**	**37,370**	**440,571**
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**
Non-current	–	399,780	37,370	437,150
Current	–	–	–	–
	–	**399,780**	**37,370**	**437,150**

Note 12 – Biological Assets

	Mussels $000	Oysters $000	Salmon $000	Total $000
Group and Parent 2010				
Balance at beginning of year	7,252	608	4,089	11,949
Change in fair value less estimated costs to sell	9,738	763	4,874	15,375
Increase due to acquisitions	266	–	–	266
Harvested produce transferred to inventories	(9,816)	(976)	(3,497)	(14,289)
Balance at 30 September 2010	**7,440**	**395**	**5,466**	**13,301**
Non-current	3,657	–	3,073	6,730
Current	3,783	395	2,393	6,571
	7,440	**395**	**5,466**	**13,301**
Group and Parent 2009				
Balance at beginning of year	5,844	730	4,628	11,202
Change in fair value less estimated costs to sell	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**

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	
	2010 $000	2009 $000
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:		
Current assets	11,749	10,641
Non-current assets	46,623	25,601
Total assets	**58,372**	**36,242**
Current liabilities	6,282	5,861
Non-current liabilities	23,813	936
Total liabilities	**30,095**	**6,797**
Revenue	33,733	39,150
Expenses	(38,115)	(38,773)
Profit (loss)	**(4,382)**	**377**
(b) Movements in carrying value of equity accounted investees:		
Balance at beginning of year	12,659	10,866
Share of profit	(1,042)	210
Dividends from associates	(767)	(643)
Acquisitions	–	2,226
Other	16	–
Balance at end of year	**10,866**	**12,659**

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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Note 14 – Other Investments

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Shares in other companies	115	8,660	30	35
Shares in subsidiaries	–	–	41,238	41,238
Shares in associates at cost	–	–	10,048	10,048
	115	**8,660**	**51,316**	**51,321**

In December 2009 the Company sold all of its ordinary and preference shares in High Liner Foods Incorporated for NZ$8.1m.

A loss on sale of NZ$0.1m (2009: nil) has been recognised in the income statement in other expenses.

Note 15 – Deferred Taxation

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
(a) Unrecognised deferred tax assets				
Net tax losses – Australia	2,292	2,209	–	–

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	
	2010	2009	**2010**	2009	**2010**	2009
	$000	$000	**$000**	$000	**$000**	$000
Group						
Property, plant and equipment	–	–	(5,254)	(2,384)	(5,254)	(2,384)
Investments	–	607	–	–	–	607
Intangible assets	–	–	(2,961)	(2,567)	(2,961)	(2,567)
Trade debtors	43	43	–	–	43	43
Term receivable	–	15	(21)	–	(21)	15
Derivative financial instruments	–	–	(1,166)	(1,763)	(1,166)	(1,763)
Other debtors and prepayments	–	–	(22)	(22)	(22)	(22)
Biological assets	–	–	(2,272)	(2,358)	(2,272)	(2,358)
Other liabilities	3,583	3,889	–	–	3,583	3,889
Deferred tax assets (liabilities)	**3,626**	**4,554**	**(11,696)**	**(9,094)**	**(8,070)**	**(4,540)**
Parent						
Property, plant and equipment	–	–	(5,055)	(2,185)	(5,055)	(2,185)
Intangible assets	–	–	(2,961)	(2,567)	(2,961)	(2,567)
Term receivable	–	15	(21)	–	(21)	15
Derivative financial instruments	–	–	(1,166)	(1,763)	(1,166)	(1,763)
Biological assets	–	–	(2,272)	(2,358)	(2,272)	(2,358)
Other liabilities	3,450	3,755	–	–	3,450	3,755
Deferred tax assets (liabilities)	**3,450**	**3,770**	**(11,475)**	**(8,873)**	**(8,025)**	**(5,103)**

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for the year ended 30 September 2010

Note 15 – Deferred Taxation (continued)

(c) Movement in temporary differences during the year

	Balance 30 Sept 2009	Recognised in Income Statement	Recognised in Other Comprehensive Income	**Balance 30 Sept 2010**
	$000	$000	$000	**$000**
Group 2010				
Property, plant and equipment	(2,384)	(2,870)	–	(5,254)
Investments	607	(607)	–	–
Intangible assets	(2,567)	(394)	–	(2,961)
Trade debtors	43	–	–	43
Term receivable	15	(36)	–	(21)
Derivative financial instruments	(1,763)	–	597	(1,166)
Other debtors and prepayments	(22)	–	–	(22)
Biological assets	(2,358)	86	–	(2,272)
Other liabilities	3,889	(306)	–	3,583
Net deferred tax asset (liability)	**(4,540)**	**(4,127)**	**597**	**(8,070)**
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)**
Parent 2010				
Property, plant and equipment	(2,185)	(2,870)	–	(5,055)
Intangible assets	(2,567)	(394)	–	(2,961)
Term receivable	15	(36)	–	(21)
Derivative financial instruments	(1,763)	–	597	(1,166)
Biological assets	(2,358)	86	–	(2,272)
Other liabilities	3,755	(305)	–	3,450
Net deferred tax asset (liability)	**(5,103)**	**(3,519)**	**597**	**(8,025)**
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)**

Deferred tax expense recognised in other comprehensive income relates to tax on the effective portion of the change in fair value of cash flow hedges.

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Note 16 – Inventories

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Fish	38,835	44,180	38,385	43,843
Packaging, fishing gear, fuel and stores	6,738	5,801	6,731	5,783
	45,573	**49,981**	**45,116**	**49,626**

Note 17 – Trade Debtors

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Trade debtors	54,294	41,253	49,021	37,567
Trade debtors due from related parties	–	–	228	98
	54,294	**41,253**	**49,249**	**37,665**

Note 18 – Cash and Cash Equivalents

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Cash on hand and at bank	10,242	4,003	8,533	2,657
Bank overdraft and borrowings	(5,824)	(33,886)	(5,000)	(33,197)
	4,418	**(29,883)**	**3,533**	**(30,540)**

Interest rates applicable on call deposits range from 0% – 3.0% (2009: 0% to 5.0%).

Interest rates applicable on the bank overdraft and borrowings range from 3.32% to 4.75% (2009: 4.28% to 8.43%).

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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) Cash flow hedge reserve

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

(c) Share capital

	Ordinary Shares	
	2010	2009
	No. of Shares	No. of Shares
On issue at beginning and end of year	93,626,735	93,626,735

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

(d) Employee share purchase scheme

In 2000 the Company established a share purchase scheme to assist employees in becoming shareholders in the Company. The scheme expired on 1 October 2009 and shares were transferred to participating employees by Sanford Investments Limited which was the trustee of the scheme. A trust deed dated 6 December 2000 governed the operation of the scheme. Employees nominated were 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 was interest free. As a result of the expiration of the scheme the amount remaining to be paid at 30 September 2010 is nil (2009: $0.41m).

Note 20 – Dividends

	2010	2009
	$000	$000
The following dividends were declared and paid by the Group for the year ended 30 September: $0.23 per ordinary share (2009: $0.23)	21,534	21,534

On 24 November 2010 the Directors proposed a final dividend of 14 cents per share to be paid on 15 December 2010. This dividend has not been provided for in the accounts at 30 September 2010.

Notes to the Financial Statements

for the year ended 30 September 2010

Note 21 – Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 September 2010 was based on the profit attributable to ordinary shareholders of $25.004m (2009: $39.075m) and a weighted average number of ordinary shares outstanding of 93,626,735 (2009: 93,626,735).

(b) Profit attributable to ordinary shareholders

	2010	2009
	$000	$000
Net profit attributable to ordinary shareholders	25,004	39,075

Diluted earnings per share is not separately disclosed as no dilutive instruments have been issued.

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 27% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 47% 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 and options 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 and options were recognised in equity and transferred to profit or loss when the highly probable forecast transactions affected profit or loss.

As at 30 September 2010, forward exchange contracts and options designated in a hedge relationship had a fair value of $4.813m (2009: $9.968m).

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

At balance date the Group has trade debtors of USD22.726m – NZD30.882m (2009: USD7.356m – NZD10.196m), AUD2.907m – NZD3.819m (2009: AUD3.428m – NZD4.177m), JPY40.464m – NZD0.658m (2009: JPY157.796m – NZD2.436m), GBP0.112m – NZD0.241m (2009: GBP0.219m – NZD0.487m), EUR 0.348m – NZD0.643m (2009: EUR0.155m – NZD0.315m), trade creditors of USD2.052m – NZD2.798m (2009: USD0.628m – NZD0.871m) and cash of USD0.234m – NZD0.318m (2009: USD1.396m – NZD1.935m), JPY23.417m – NZD0.381m (2009: JPY4.626m – NZD0.071m) and AUD0.163m – NZD0.214m (2009: nil) which are not hedged.

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

(e) Interest rate risk

The Group is exposed to interest rate risk primarily through its cash balances, borrowings 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 $25m maturing in June 2013, $10m maturing in August 2014 and $15m maturing in August 2015 (2009: $10m maturing in December 2009 and $25m maturing in June 2010).

(f) Other market price risk

The Group 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	
	2010	2009
	$000	$000
New Zealand	15,488	16,558
Australia	10,122	9,677
Europe	11,121	8,153
North America	20,755	10,685
Japan	2,121	3,362
Other	6,141	3,020
Trade and other receivables	**65,748**	**51,455**

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Note 22 – Financial Instruments (continued)

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

	Gross Receivables	Impairment	Gross Receivables	Impairment
	2010	**2010**	2009	2009
	$000	**$000**	$000	$000
Not past due	45,463	–	34,606	–
Past due 0 – 30 days	7,058	–	5,327	–
Past due 31 – 120 days	829	–	1,310	–
Past due 121 – 365 days	813	(184)	34	(24)
Past due more than 1 year	315	–	–	–
	54,478	**(184)**	**41,277**	**(24)**

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

	2010	2009
	$000	$000
Gross trade receivables	54,478	41,277
Individual impairment	(184)	(24)
Trade receivables net	**54,294**	**41,253**

(h) Liquidity risk

The following table sets out the contractual and expected 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 2010						
Bank loans	120,000	133,140	1,924	51,821	4,216	75,179
Trade creditors	13,053	13,053	13,053	–	–	–
Other payables	11,347	11,347	11,347	–	–	–
Bank overdraft	5,824	5,824	5,824	–	–	–
Total non-derivative liabilities	**150,224**	**163,364**	**32,148**	**51,821**	**4,216**	**75,179**
Interest rate swaps	708	1,069	(204)	(48)	391	930
Total derivative liabilities	**708**	**1,069**	**(204)**	**(48)**	**391**	**930**
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**	**–**	**–**

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for the year ended 30 September 2010

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 2010						
Bank loans	120,000	133,140	1,924	51,821	4,216	75,179
Trade creditors	11,811	11,811	–	–	–	–
Other payables	10,504	10,504	–	–	–	–
Bank overdraft	5,000	5,000	–	–	–	–
Total non-derivative liabilities	**147,315**	**160,455**	**1,924**	**51,821**	**4,216**	**75,179**
Interest rate swaps	708	1,069	(204)	(48)	391	930
Total derivative liabilities	**708**	**1,069**	**(204)**	**(48)**	**391**	**930**
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**	**–**	**–**

(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 2010					
Foreign currency risk					
Trade debtors	39,035	3,819	2,121	643	241
Term receivables	2,685	–	–	–	–
Trade creditors	(2,797)	–	–	–	–
Net Balance Sheet exposure before hedging activity	38,923	3,819	2,121	643	241
Estimated forecast sales	260,711	30,071	27,266	4,668	2,373
Estimated forecast purchases	(58,491)	(15,647)	–	–	–
Net cash flow exposure before hedging activity	241,143	18,243	29,387	5,311	2,614
Forward exchange contracts and options	(61,150)	–	(25,849)	–	–
Net un-hedged exposure	**179,993**	**18,243**	**3,538**	**5,311**	**2,614**

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 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**

(j) Interest rate risk – re-pricing analysis

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

	Total	6 months or less	6–12 months	1–3 years	3–4 years	4–5 years
	$000	$000	$000	$000	$000	$000
Group 2010						
Cash and cash equivalents	10,242	10,242	–	–	–	–
Term receivables	2,685	2,685	–	–	–	–
Forward exchange contracts	3,442	2,036	1,277	129	–	–
Bank overdrafts	(5,824)	(5,824)	–	–	–	–
Bank loans	(70,000)	(70,000)	–	–	–	–
Interest rate swaps						
Cash inflows	50,000	50,000	–	–	–	–
Cash outflows	(50,000)	–	–	(25,000)	(10,000)	(15,000)
Total variable rate	**(59,455)**	**(10,861)**	**1,277**	**(24,871)**	**(10,000)**	**(15,000)**
Group 2009						
Cash and cash equivalents	4,003	4,003	–	–	–	–
Term receivables	5,455	5,455	–	–	–	–
Bank overdrafts	(33,886)	(33,886)	–	–	–	–
Bank loans	(100,000)	(100,000)	–	–	–	–
Interest rate swaps						
Cash inflows	35,000	35,000	–	–	–	–
Cash outflows	(35,000)	(10,000)	(25,000)	–	–	–
Total variable rate	**(124,428)**	**(99,428)**	**(25,000)**	**–**	**–**	**–**

Foreign currency options are valued using an option valuation technique which involves discounting cash flows by reference to market interest rates at year end.

The Parent Company repricing analysis is consistent with the Group analysis.

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for the year ended 30 September 2010

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 (2009: $2m) and changed equity by $2m (2009: $2m).

It is estimated that a general change in interest rates of one percentage point would change the Group's profit after tax by approximately $0.7m (2009: $0.7m).

Notes to the Financial Statements

for the year ended 30 September 2010

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 2010						
Assets						
Investments						
Advances to associates	–	1,853	–	–	1,853	1,853
Shares in other companies	–	–	115	–	115	115
Total non-current assets	**–**	**1,853**	**115**	**–**	**1,968**	**1,968**
Current portion of term receivable	–	2,685	–	–	2,685	2,685
Trade debtors	–	54,294	–	–	54,294	54,294
Cash and cash equivalents	–	10,242	–	–	10,242	10,242
Derivative financial instruments						
Forward exchange contracts	3,442	–	–	–	3,442	3,442
Foreign exchange options	1,371	–	–	–	1,371	1,371
Total current assets	**4,813**	**67,221**	**–**	**–**	**72,034**	**72,034**
Total assets	**4,813**	**69,074**	**115**	**–**	**74,002**	**74,002**
Liabilities						
Bank loans	–	–	–	70,000	70,000	70,000
Total non-current liabilities	**–**	**–**	**–**	**70,000**	**70,000**	**70,000**
Bank overdraft and borrowings	–	–	–	5,824	5,824	5,824
Trade creditors	–	–	–	13,053	13,053	13,053
Other payables	–	–	–	11,347	11,347	11,347
Bank loans	–	–	–	50,000	50,000	50,000
Derivative financial instruments						
Interest rate swaps	708	–	–	–	708	708
Total current liabilities	**708**	**–**	**–**	**80,224**	**80,932**	**80,932**
Total liabilities	**708**	**–**	**–**	**150,224**	**150,932**	**150,932**

Term receivable, bank loan and derivatives are wholly within the Parent Company.

Notes to the Financial Statements

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for the year ended 30 September 2010

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 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						
Forward 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	–	–	–	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.

(n) Fair value hierarchy

The table on the following page analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 22 – Financial Instruments (continued)

(n) Fair value hierarchy (continued)

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Group 2010				
Derivatives – Forward exchange contracts used for hedging	–	3,442	–	3,442
Derivatives – Option contracts used for hedging	–	1,371	–	1,371
	–	**4,813**	**–**	**4,813**
Interest rate swaps	–	(708)	–	(708)
	–	**4,105**	**–**	**4,105**
Group 2009				
Investments – Shares in Highliner Foods		8,163	–	8,163
Derivatives – Forward exchange contracts used for hedging	–	9,968	–	9,968
	–	**18,131**	**–**	**18,131**
Interest rate swaps	–	(371)	–	(371)
	–	**17,760**	**–**	**17,760**
Parent 2010				
Derivatives – Forward exchange contracts used for hedging	–	3,442	–	3,442
Derivatives – Option contracts used for hedging	–	1,371	–	1,371
	–	**4,813**	**–**	**4,813**
Interest rate swaps	–	(708)	–	(708)
	–	**4,105**	**–**	**4,105**
Parent 2009				
Derivatives – Forward exchange contracts used for hedging	–	9,968	–	9,968
Interest rate swaps	–	(371)	–	(371)
	–	**9,597**	**–**	**9,597**

There have been no transfers between fair value hierarchy levels during the period.

Total related (losses) and gains recognised in other comprehensive income during the period was ($1.4m) (2009: $4.1m).

Note 22 – Financial Instruments (continued)

(o) Determining fair value

(i) 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 rate 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. The fair value of options is estimated using option valuation methods with reference to current spot rates and market volatility.

(ii) 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. Due to the level of trading volumes these investments were determined as level 2 in the fair value hierarchy.

(iii) 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.

(iv) Term receivable

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

(v) Other amortised costs

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

The $70m term loan facilities (fully drawn at balance date) are due to expire on 30 September 2013 and the $75m facility ($50m drawn as at balance date) is due to expire on 10 April 2011. All banking facility financial covenants have been complied with in accordance with the facility agreements. Bank loans are secured by a general security interest over property and a mortgage over quota shares.

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

The interest rates used are as follows:

	2010	2009
Interest rate swaps	4.17% – 4.70%	4.70% – 8.76%
Loans and borrowings	3.02% – 3.56%	3.20% – 8.52%
Receivables	4.44% – 4.46%	5.76% – 7.39%

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Note 23 – Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Less than one year	1,372	1,181	1,149	1,181
Between one and five years	4,855	3,286	3,961	3,286
More than five years	5,982	5,776	4,958	5,776
	12,209	**10,243**	**10,068**	**10,243**

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	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Guarantees	266	234	266	234

The Company has provided a negative pledge and guarantees to 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	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Commitments for capital expenditure	10,687	592	9,311	592

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for the year ended 30 September 2010

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

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Profit for the period (after tax)	**25,025**	**39,139**	**26,491**	**38,195**
Adjustments for non-cash items:				
Depreciation and amortisation	13,759	13,510	13,331	13,166
Impairment	–	1,383	–	488
Change in fair value of biological assets	(1,086)	1,553	(1,086)	1,553
Change in fair value of interest rate swaps	337	282	337	282
New Zealand units income	(3,417)	–	(3,417)	–
Change in fair value of foreign exchange contracts	3,164	(4,090)	3,164	(4,090)
Equity accounted loss (profit) in associated companies	1,042	(210)	–	–
Increase (decrease) in deferred taxation	4,124	(368)	3,520	238
Unrealised foreign exchange (gains)	(900)	(676)	(900)	(676)
	17,023	**11,384**	**14,949**	**10,961**
Movement in working capital				
(Increase) in debtors and prepayments	(13,166)	(2,688)	(11,472)	(3,011)
(Increase) decrease in inventories	4,434	(8,608)	4,510	(8,634)
(Decrease) in creditors and other liabilities	(741)	(7,335)	(815)	(7,063)
(Decrease) in current tax	(795)	(1,484)	(339)	(2,076)
	(10,268)	**(20,115)**	**(8,116)**	**(20,784)**
Items classified as investing activities				
(Gain) loss on sale of property, plant and equipment	(476)	35	(476)	31
Associate company dividends received by parent	–	–	(767)	(643)
Loss (gain) on sale of other investments	67	(35)	–	–
	(409)	**–**	**(1,243)**	**(612)**
Net cash inflows from operating activities	**31,371**	**30,408**	**32,081**	**27,760**

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for the year ended 30 September 2010

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	
	2010	2009
	$000	$000
(i) Transactions with subsidiaries		
Income		
Management fees	343	297
Sales	11,546	15,396
Interest	249	304
Rent	336	332
	12,474	**16,329**

	Balance Outstanding	
	2010	2009
	$000	$000
Due from Parent to subsidiaries	(67,608)	(60,772)
Due to Parent from subsidiaries	22,757	22,688
	(44,851)	**(38,084)**

	Transaction Value	
	2010	2009
	$000	$000
(ii) Transactions with associates		
Income		
Management fees	182	173
Dividend received	643	643
	825	**816**
Expenses		
Processing	5,693	6,648
Freight	427	748
	6,120	**7,396**

	Balance Outstanding	
	2010	2009
	$000	$000
Due to Group	1,853	666

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, however the parties have agreed not to call upon the loans within 12 months from balance date.

Note 27 – Key Management Personnel Compensation

Key management personnel compensation comprised:

	2010	2009
	$000	$000
Salary, short-term employee benefits and directors fees included in note 7	3,213	2,976

Note 28 – Group Entities

The Sanford Group comprises the following principal entities:

Name	Interest Held %	Balance Date	Principal Activity
Subsidiaries:			
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
Primestone Nominees Pty Limited	75	30 September	Seafood wholesaler
Associates:			
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
Pure New Zealand Greenshell Mussels Limited Partnership	35	30 September	Greenshell™ mussel exporter
China			
Weihai Dong Won Food Company Limited	50	31 December	Seafood processing

Note 29 – Subsequent Events

On 15 November 2010 it was announced that the Company entered into an agreement to acquire the Greenshell™ mussel and Pacific oyster businesses of Pacifica Seafoods for $85m. The Company will fund the acquisition using a new three-year term debt facility provided by its existing banks.

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

Independent Auditor's Report

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KPMG

To the Shareholders of Sanford Limited

Report on the Company and Group Financial Statements

We have audited the accompanying financial statements of Sanford Limited (''the company") and the group, comprising the company and its subsidiaries, on pages 33 to 69. The financial statements comprise the balance sheet of the company and the consolidated balance sheet of the group as at 30 September 2010, the income statement and statements of comprehensive income, changes in equity and cash flows of the company and the consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows of the group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Company and Group Financial Statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, the company and group.

Opinion

In our opinion the financial statements of Sanford Limited and its subsidiaries (''the company and group") on pages 33 to 69:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company and the consolidated financial position of the group as at 30 September 2010 and of the financial performance and cash flows of the company and the consolidated financial performance and consolidated cash flows of the group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of section 16(1)(d) and section 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Sanford Limited and its subsidiaries as far as appears from our examination of those records.

KPMG

24 November 2010
KPMG Auckland

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statutory Information

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Shareholding Analysis
as at 12 November 2010

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 – 999	547	22.14	251,975	0.27
1,000 – 4,999	1,184	47.94	2,525,004	2.70
5,000 – 9,999	335	13.56	2,198,000	2.35
10,000 – 49,999	311	12.59	6,149,350	6.57
50,000 – 99,999	37	1.50	2,508,617	2.68
Over 100,000	56	2.27	79,993,789	85.43
	2,470	**100.0**	**93,626,735**	**100.0**

Twenty Largest Shareholders
as at 12 November 2010

Shareholder	Number of Shares
Amalgamated Dairies Limited	35,059,067
New Zealand Central Securities Depository Limited[1]	11,554,882
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
Masfen Securities Limited	2,206,684
Sterling Nominees Limited	2,073,376
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
Michael Walter Daniel & Nigel Geoffrey Ledgard Burton & Michael Murray Benjamin – Wairahi A/C	423,088
Richard Heywood Taylor & Marie Roberta Taylor – F V Lindberg A/C	406,314
Geoffrey Francis Lindberg & Craig Francis Lindberg – G F Lindberg Family A/C	405,300
David Gwyn Lewis & Elizabeth Patricia Fraser & Peter Clendon Joyce	400,000
St Kentigen Trust Board	368,619

[1] New Zealand Central Securities Depository Limited provides a custodial depository service to institutional shareholders and does not have a beneficial interest in these shares. Its major holders are:

Accident Compensation Corporation	2,348,440
Citibank Nominees (New Zealand) Limited	2,319,925
AMP Investments Strategic Equity Growth Fund	2,120,015
New Zealand Superannuation Fund Nominees Limited	1,963,994
NZGT Nominees Ltd – AIF Equity Fund	1,097,674
JP Morgan Chase Bank NA	559,661

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Substantial Security Holders

According to notices given to the Company under the Securities Amendment Act 1988, as at 6 December 2010 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 2010

	Beneficial Interest		Non Beneficial Interest		Associated Persons	
	2010	2009	2010	2009	2010	2009
D G Anderson	11,952	11,952	160,000	160,000	287	287
E F Barratt	220,828	220,828	–	216,000	–	–
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 which expired in October 2009.

Share Dealings by Directors

There were no shares traded by Directors during the year. Mr Barratt's non beneficial interest in 2009 related to the 2000 Staff Share Scheme.

Directors' Indemnity and Insurance

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

Employees' Remuneration

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

	Number of Employees	
	2010	2009
$100,000 – $109,999	3	6
$110,000 – $119,999	7	6
$120,000 – $129,999	4	4
$130,000 – $139,999	5	4
$140,000 – $149,999	2	3
$150,000 – $159,999	1	–
$160,000 – $169,999	1	2
$170,000 – $179,999	–	1
$180,000 – $189,999	1	–
$190,000 – $199,999	3	2
$200,000 – $209,999	1	–
$210,000 – $219,999	1	–
$240,000 – $249,999	–	1
$250,000 – $259,999	1	1
$270,000 – $279,999	1	2
$280,000 – $289,999	1	–
$290,000 – $299,999	–	2
$300,000 – $309,999	2	–

Directors' Remuneration

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

	Director's Fee		Salary, Benefits and Other Payments	
	2010	2009	**2010**	2009
	$	$	**$**	$
D G Anderson	44,500	44,500	–	–
E F Barratt	–	–	565,788	545,036
B S Cole	85,000	85,000	–	–
P J Goodfellow	47,500	47,500	–	–
W B Goodfellow	44,500	44,500	–	–
P G Norling	44,500	44,500	–	–
J G Todd	50,000	50,000	–	–

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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.

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Sanford welcomes your comments on our 2010 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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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 M Penfold	*Environmental Systems Manager*

Marketing

V B Anderson	*Market Manager Australia*
G J Burke	*Market Manager Europe*
P B Cox	*Market Manager Americas*
M J Comber	*Market Manager Asia*
S Kirschberg	*Market Manager Fresh Chilled & 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

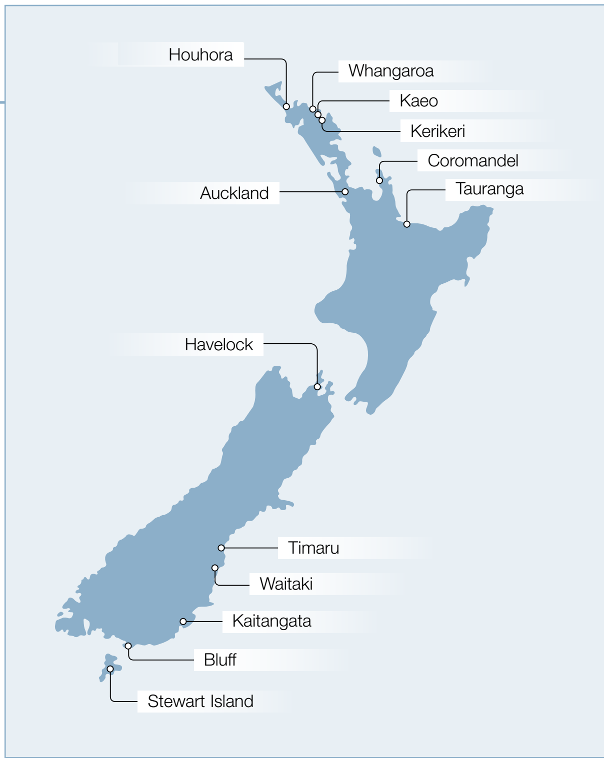
S D Keeves	*Manager*
D C Cowdrey	*Fleet Supervisor*
J R Steere	*Sales Manager*
D N Anderson	*ECS Coldstores Manager*

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	*Salmon Portioning Factory Manager*
M P O'Malley	*Salmon Farm Manager*
S Marwick	*Mussel Farm Manager*
P M Buxton	*Hatchery Manager*

International Fishing

T B Birdsall	*Division Manager*
A E Nicholls	*Australia, General Manager*

International Purse Seiners

M C de Beer	*Pacific Tuna Manager*

International China

A C Stanley	*China Manager*

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