SANFORD LIMITED
SUSTAINABLE SEAFOOD

SYSTEM CERTIFICATION
ISO 14001
SGS

Annual Report 2011

From sea to food – over 100 years of sustained growth

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Corporate Directory

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Board of Directors

J G Todd, CBE, Chairman
E F Barratt, Managing Director
D G Anderson
E M Coutts
M G Cowsill
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, New Zealand
Private Bag 92119, 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.

Annual Meeting

The Annual Meeting will be held at 2.00pm Wednesday 25 January 2012 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010.

Cover image Greenshell™ mussels being packed at Sanford Christchurch for overseas retail markets.

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The Directors are pleased to present the Annual Report of Sanford Limited for the year ended 30 September 2011.

For and on behalf of the Board of Directors:

J G Todd
Chairman
7 December 2011

E F Barratt
Managing Director

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Board of Directors

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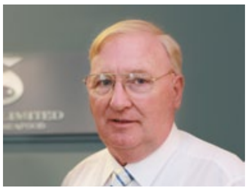
Jeff Todd CBE, BCom, FCA, FInstD

Jeff was appointed to the Board of Sanford Limited in 1998 and was elected Chairman in 2011. He is also Chairman of the Dynasty Hotel Group Limited and a Director of Watercare Services Limited. Jeff is Chairman of the Auckland Medical Research Foundation and a Board member of the National Research Centre for Growth and Development. He is a former Chairman of Gullivers Travel Group Limited, The New Zealand Guardian Trust Company Limited and Southern Cross Healthcare and Director of the Reserve Bank of New Zealand, ANZ Banking Group (New Zealand) Limited and the Earthquake Commission. Jeff was formerly Managing Partner of Price Waterhouse New Zealand (now PwC) until his retirement from the firm in 1998.



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.

Elizabeth (Liz) Coutts BMS, CA

Liz joined the Board of Sanford Limited in June 2011. She is a director of EBOS Group Limited, Skellerup Holdings Limited, Ports of Auckland Limited, New Zealand Directories Holdings Limited, Ravensdown Fertiliser Cooperative Limited, Urwin and Company Limited, a member of the Marsh Advisory Board and Chair of the Audit Committee of the Inland Revenue. She has previously been a member of the Monetary Policy Committee of the Reserve Bank, the Financial Standards Reporting Board of the Institute of Chartered Accountants, Board member of Public Trust, Industrial Research, Ministry of Health, PHARMAC, Commissioner of Commerce Commission and director of Air New Zealand.

Mark Cowsill BCom, CA

Mark joined the Board of Sanford Limited in October 2011. Mark is a New Zealand business leader with extensive experience in profitable and complex business enterprises. He has deep knowledge of a range of international consumer markets. For 18 years, until his retirement in 2011, he lead Frucor Beverages through a significant growth period and through a variety of ownership structures including a grower cooperative, a publicly listed entity and into multinational ownership. He served as a director of Frucor Beverages Limited during its time as a listed company and is currently a director of Hubbard Foods Limited.

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.

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The second-half of the financial year ended 30 September 2011 produced some difficult challenges with the exchange rate peaking to record levels, poor results from the Pacific tuna vessels in the last quarter and lower-than-expected returns from deepwater fishing operations. Improved results from aquaculture and steady results from inshore fishing were not enough to offset these negatives. These issues are detailed more fully in the Managing Director's review.

Despite these difficulties, the impetus set out in last year's report for increasing the strength and stability of the Company's earnings is continuing in the current year. The increased focus on strategic and technological issues has resulted in better supply-chain integration from more interaction with many of our larger and more important customers. Cash flows have been positive and inventories have been maintained at optimal levels notwithstanding the increased business from the Pacifica Seafoods acquisition, resulting in the repayment of $25.0m term debt during the year.

A renewed focus on extracting increased value from all the fisheries resources we access has begun with the resourcing of specialist personnel dedicated to this task who will work closely with the day-to-day operational management at each location.

The Board is satisfied that the acquisition of the Pacifica Seafoods business has had a beneficial effect on the Greenshell™ mussel business of both Sanford and the rest of the industry. The stability achieved in export mussel pricing has resulted in improved returns to our existing mussel business in Havelock and Coromandel. We look forward with some optimism to the coming year with full-year production volumes from Coromandel, Havelock and Christchurch.

We welcome the Government's continuing commitment to opening, developing and maintaining market access to existing and new markets where, for various reasons, these issues can be challenging. There are still significant challenges where trade issues impede or prevent our accessing the full value we should achieve from export markets.

A great deal of publicity, mostly negative, has been generated in relation to the operation of foreign charter vessels (FCVs) resulting in a Ministerial Inquiry. Sanford is the only company that has had 100%-independent New Zealand observers on foreign charter vessels for the last 10 years. These observers are able to ensure compliance not only on fisheries matters but also seafood quality and labour and human relations standards. The Board has confidence that our charter operations are the best in New Zealand in all respects.

The Board is continuing to focus on achieving cost of capital returns on each of its operations but must ensure that decisions are based on an assessment of longer-term returns and prospects rather than the short term which is influenced by highly fluctuating factors such as the exchange rate.

Dividends

Directors have decided this year to maintain the annual dividend rate at 23 cents per share. Cash flows, since payment of $85.0m on 30 November 2010 for the Pacifica Seafoods acquisition, have allowed a $25.0m reduction in debt as well as payment of a consistent dividend to Shareholders. With continued careful stewardship and no major capital investments planned, further debt reductions are budgeted in the current year. The final dividend of 14 cents per share will be payable on 19 December 2011.

Navy boarding San Aotea II for routine inspection in Ross Sea

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Sustainable Seafood

The Board was delighted with Sanford's two recent Association of Chartered Certified Accountants (ACCA) awards for the best Sustainability Report in 2010 for an NZX-listed company, and also the supreme award, against strong competition from 17 entrants: public and private sector organisations including some of New Zealand's largest enterprises. These prestigious awards reflect great credit due across all business units and, in particular, to Alice Penfold, Environmental and Sustainability Manager, for her leadership in this area.

Left to right, Jamie Sinclair (KPMG, event sponsor), Alice Penfold, MP Nicky Wagner (award presenter)

We will continue to exercise a leadership role in our industry and beyond as a demonstration of our commitment to the Sustainable Seafood philosophy of Sanford. Our continuing efforts to provide detailed reports on progress to Shareholders and other interested stakeholders add credibility to our success in the market place. The 2011 Sustainable Development Report (SDR) is available for download from www.sanford.co.nz. We have again included some key sections from this year's SDR in this report in the hope that it will encourage Shareholders to access the full Sustainable Development Report on our website.

International Financial Reporting Standards

While we continue to comply with our obligations to report under International Financial Reporting Standards (IFRS), we believe these new standards have not led to any material improvement in the quality of reporting to Shareholders and we question whether investors are better informed as a result, in spite of the increasing number of pages required in the financial section of the Annual Report. We welcome recent proposals by the Institute of Chartered Accountants which may simplify the presentation of financial results.

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

The Sanford Board has recently concluded a detailed review of all corporate governance policies, practices and processes to ensure the Company maintains best practice standards. While existing standards were not materially different from those included in the NZX Corporate Governance Best Practice Code, changes made will confirm best practice standards in the new Board Manual, including Board and Committee Charters, Codes of Conduct, Independence and Delegated Authorities Policies and Directors' Deeds of Access.

Role of the Board

The Board is elected by Shareholders to provide corporate governance, direction and control of the Company's activities. The Board has determined that the Company's strategic direction will continue to be focused on the seafood and aquaculture business in New Zealand and internationally. Public interest in the industry and regulatory controls governing both the industry and Sanford require the highest standards of corporate governance and ethical conduct. Identification and mitigation, where possible, of business risks, the integrity of management systems and the quality and relevance of reporting to Shareholders are responsibilities of the Board. Having established the Company's objectives, the Board develops major strategies and the 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 and operational objectives is monitored and assessed.

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The Board is satisfied that there are sufficient written procedures, policies, guidelines and organisational structures in place to ensure an appropriate division 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 on a rotational basis each year.

One of the Company's key control documents is the annual operating budget which is prepared by management and 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's performance against the annual plan and against that of the previous year. Review of strategic direction is a constant.

Beyond formal reports to Board meetings, protocols are in place to ensure Directors have regular access to information to ensure they are kept up to date with seafood industry activities and other relevant issues in New Zealand and internationally.

Board Membership

As reported in our half-yearly report, sadly, former Board Chairman Bruce Cole passed away in May 2011. His legacy to the Company is a Board focused on creating value for Shareholders while maintaining a growth strategy built on sustainable development. His contribution is sorely missed.

The Board's succession plan includes increasing the size and diversity of the Board as well as reducing the average age of its members.

The first new Director appointed 3 June 2011 is Elizabeth (Liz) Coutts who immediately and ably took on the role of Chair of the Audit Committee.

Liz is a professional director on the boards of listed companies EBOS Group Limited and Skellerup Holdings Limited. She is also a director of Ports of Auckland Limited, New Zealand Directories Holdings Limited, Ravensdown Fertiliser Cooperative Limited, Unwin and Company Limited and a member of the Marsh Advisory Board. She is Chair of the Audit Committee of the Inland Revenue.

Liz has previously served on a number of other boards and advisory committees including the Reserve Bank of New Zealand, Public Trust, Industrial Research Limited, Ministry of Health, PHARMAC and Air New Zealand.

San Aspiring, South Amundsen Sea (Ross Sea)

She also served on the Financial Reporting Standards Board of the Institute of Chartered Accountants and is an Accredited Fellow and Auckland Branch Committee member of the Institute of Directors in New Zealand.

The second new Director is Mark Cowsill who was appointed 3 October 2011.

Mark is a New Zealand business leader with extensive experience in profitable and complex business enterprises. He has deep knowledge of a range of international consumer markets. For 18 years, until his retirement in 2011, he led Frucor Beverages Limited through a significant growth period and through a variety of ownership structures including a grower co-operative, a publicly listed entity and into multinational ownership.

Under Mark's leadership, Frucor achieved significant compound growth over the last 10 years in both revenue and profitability through the introduction of new products and expansion into new overseas markets. Mark served as a director of Frucor Beverages Limited during its time as a listed company and is currently a director of Hubbard Foods Limited. He is a qualified Chartered Accountant and has a Bachelor of Commerce degree from The University of Auckland.

The Board now comprises eight Directors and has determined that five are independent (Messrs D G Anderson, M G Cowsill, P G Norling and J G Todd, and Mrs E M Coutts). Three Directors, Mr E F Barratt (Managing Director),

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Purse seiners, Tauranga

Dr W B Goodfellow and Mr P J Goodfellow (both associated with a major Shareholder) are not independent.

Following their appointment since the last Annual Meeting, Liz Coutts and Mark Cowsill are now required to be formally elected by Shareholders and their nominations are therefore proposed in the Notice of Meeting.

Under the Constitution, one-third of (the remaining) Directors (therefore two) shall retire from office at the Company's Annual Meeting. This requires the retirement by rotation of Mr J G Todd and Dr W B Goodfellow 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.

Board Committees

The Board has two committees to support best corporate governance practice.

- Audit Committee

The Audit Committee comprises a majority of independent Directors. No executive Directors are members. Mrs E M (Liz) Coutts is Chair and Messrs J G Todd 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 Auditor, KPMG, and the internal Auditor, 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 determine and recommend the appropriateness of engaging the Auditors for such work.

The Audit Committee also reviews the adequacy of the Group's insurance policies before final Board sign-off, as well as approving applications for share trading by Directors and executives.

Remuneration Committee

The Remuneration Committee consists of Mr J G Todd (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 reviewing a draft pay-for-performance model developed last year. Based on last year's results, there would be no management entitlements for performance. A further analysis will be undertaken based on the current year's results. The Committee now has a written charter and the Board reviews and approves its recommendations.

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

- Board Nominations

The whole Board met once during the year to consider nominations for Board appointments.

Directors' Fees

The Board is aware of the general interest of Shareholders in the subject of fees paid to Directors of public companies. The Sanford Board fees pool was last increased in February 2008 (after a period of six years) from $250,000 to $400,000. With the increase in the number of Directors for whom fees are payable from six to seven, the base pool is automatically raised $442,500.

The Board now proposes this pool be increased to $550,000, an increase of $107,500 or 24.3% over the four years since 2008, to recognise the need to increase Directors' fees to attract and retain suitably qualified candidates and to appropriately reflect Directors' duties and responsibilities.

During the past year, the Board commissioned an independent study on Directors' fees comparing Sanford with 13 other publicly listed companies each with market capital of between $300.0m and $600.0m. The report concluded that Sanford Directors' fees were significantly below the median and average levels of this group.

The Directors' time commitment to Board matters reflects the unique and challenging business environment in which the Company operates. The Board devotes considerable time to strategic investment issues and to the difficult and volatile economic conditions we face in many of our markets. Recent strategic investment in aquaculture, plant and new technology has positioned the Company for growth in profitability over the coming years.

The proposed increase in Directors' fees is recommended for Shareholders' approval.

Directors' Meetings

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

	Directors	Audit	Remuneration	Nominations
D G Anderson	10		1	1
E F Barratt	10			1
B S Cole (to May)	6	2	1	1
E M Coutts (from June)	3			
P J Goodfellow	9	3		1
W B Goodfellow	9		1	1
P G Norling	10		1	1
J G Todd	9	3		1
Number of Meetings	**10**	**3**	**1**	**1**

Share Trading by Directors

The Constitution requires that each 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 share trading and certify to the Board that they are not in possession of inside information. The Board has determined that trading may occur during two trading-window periods in each year. The periods commence at the time the interim and annual results are announced and end on 31 July after the end of the half-year and on 28 February after the end of the financial year.

Legislative Compliance and Code of Ethics

The Company 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 Corporation (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.

A draft formal code of conduct has been distributed and will be formally implemented in the coming year although all management and staff are currently well aware of the ethical standards of business practice required, commensurate with Sanford's standards and its standing as 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.

Packing snapper, Auckland

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Shareholder Communication

The Board is committed to ensuring that Shareholders are informed of all major issues and developments affecting the Company. Such information is communicated to Shareholders in the Annual and Interim Reports.

The Company website www.sanford.co.nz also 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. During the year, the website was upgraded to make it available in four languages other than English: Māori, Japanese, Mandarin and Korean.

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 Company's 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 overwhelmingly supportive of the Company's Sustainable Development Report, and constructive suggestions received are followed. The judges' comments in the recent awarding of the Best Sustainability Report 2010 will also be reviewed in completing this year's report and planning for the 2012 Sustainability Report.

Tram in the newly developed Wynyard Quarter passing Auckland Fish Market

This year's Annual Meeting will be held at 2.00pm, Wednesday, 25 January 2012 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010. Disabled parking is available at the venue. Alternative parking is in the car park adjacent to the Auckland Fish Market (accessed from Madden Street) or the Downtown Car Park from where attendees can walk across the new Viaduct Bridge.

Conclusion

The year has again been a challenging and demanding one. It is appropriate that I acknowledge the constant support and assistance of my fellow Board members. It is pleasing to record that the successful recruitment and induction of two new Board members was achieved in such a positive and constructive manner.

The new management structure has bedded down well and the Board has benefited from the increased interactions with the Managing Director and the three General Managers (Operations, Marketing and Development, Finance and Administration).

It is appropriate to acknowledge the efforts of all fishermen and marine farmers, and processing, administration, marketing and support staff along with the executive team for their outstanding efforts and commitment over the past year. In particular, I acknowledge the dedication, skill, experience and sheer hard work contributed to the Company by our Managing Director, Eric Barratt, who is always out front leading by example. Sanford continues to be well served at all levels of its operations by the excellent competencies and skills of personnel throughout the company.

J G Todd
Chairman

7 December 2011

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Overview and Highlights

Profit for the year totalled $22.3m, down from $25.0m last year. While EBITDA was at a similar level to the previous year, increased depreciation ($2.5m) and interest costs ($4.8m) relating to the Pacifica Seafoods purchase were partially offset by increased foreign exchange gains ($2.4m).

Revenue for the second six months of the year was similar to the same period last year but EBITDA decreased from $38.8m last year to $23.2m for the second six months this year.

Taking into account the one-off gain of $3.4m included last year for the sale of Emission Trading Scheme units, the result for the current year is similar to last year.

After a solid improvement in the first six months, the result for the second six months was below expectations for a number of reasons.

The effect of the New Zealand dollar averaging the equivalent of US$0.82 for the second six months and US$0.76 for the first six months is approximately $11.0m of lost EBITDA. In comparison with the second six months of last year, when we had an average exchange rate of US$0.71, the difference is even greater at $14.0m of EBITDA.

Despite the operating results being below expectations, cash flows have been well managed and term debt levels reduced by $25.0m during the year. Our banking covenants have been well covered at all times.

Summary Group Income Statement	12 Months ended 30 Sep 11 $000	6 Months ended 30 Sep 11 $000	6 Months ended 31 Mar 11 $000	12 Months ended 30 Sep 10 $000
Revenue	**463,954**	**235,924**	**228,030**	**421,087**
EBITDA	**49,244**	**23,246**	**25,998**	**49,057**
Depreciation, amortisation and impairment	(16,255)	(8,739)	(7,516)	(13,754)
EBIT	**32,989**	**14,507**	**18,482**	**35,303**
Net interest	(10,607)	(5,962)	(4,645)	(5,780)
Net currency exchange gains	10,196	5,871	4,325	7,836
Net gain (loss) on sale of investments, property, plant & equipment	52	(6)	58	409
Profit before income tax	**32,630**	**14,410**	**18,220**	**37,768**
Income tax (expense)	(10,320)	(5,217)	(5,103)	(12,743)
Profit for the year	**22,310**	**9,193**	**13,117**	**25,025**
Non controlling interest	(24)	(2)	(22)	(21)
Profit attributable to equity holders of the Group	**22,286**	**9,191**	**13,095**	**25,004**

New Zealand Seafood Segment

In the second half of the year there was a significant increase in vessels' repair costs for the Pacific tuna fleet where the planned scale of survey works had to be increased dramatically resulting in an extra $5.0m of costs. These costs have been incurred to a greater extent than is normal within the current year and we can expect to see a reduction in these expenses in the following years. The time taken for these additional repairs resulted in a reduction in days-at-sea and lower catches when tuna prices were at record highs.

In the latter part of the year both the San Nanumea and the San Nikunau were detained in Pago Pago for legal issues. The San Nanumea issues related to injury claims from a number of current and former crew. The vessel was eventually released under bond and the claims are being dealt with through lawyers appointed by our insurers.

The San Nikunau was detained by United States (US) authorities in Pago Pago on the basis of allegations that the vessel had failed to properly document oily water discharges. This is a complex issue as the vessel is required to operate under flag state law (New Zealand in this case) but also abide by port state law (Pago Pago is a US territory). This is currently being investigated by Sanford legal advisors in New Zealand and the US who have been appointed by our insurers. At the time of completing this report the outcome of this investigation is still not clear but

Managing Director's Review

obviously we are losing valuable fishing time. Although settlement negotiations are not uncommon in these types of cases in the US, there has been no settlement as at the date of this report. Whilst the legal costs of the investigations and defending any charges are covered by insurance, we have provided in the accounts to 30 September to allow for any possible costs that may not be covered.

Fuel costs have again continued to spiral upwards and the overall increased cost of fuel this year has been $6.5m. These expenses would have been even higher had we not converted most of the large vessels to light fuel oil some years ago.

In contrast to these negative effects on profitability, it is pleasing to report on the success of the Pacifica Seafoods purchase. The results for aquaculture improved significantly in the second half of the year as the price for half-shell mussels stabilised at profitable levels and we were able to increase the production of more retail packs (featured on the cover of this report) for North American and Asian markets. Not only did stable prices justify our investment in Pacifica Seafoods but also benefited our existing mussel operations in Havelock and Coromandel despite those operations having incurred some problems of their own. The over-settlement of barnacles on mussels in the Coromandel slowed production and resulted in increased production of less profitable meat products and lower production of the more valuable half-shell products. In Havelock the upgrade to automated machine opening took three months longer to install and fully commission than planned, causing increased costs of processing on lower-volume throughputs.

The Pacifica Seafoods operation in Christchurch has now become an integral mussel processing branch of Sanford and the farming and harvesting operations have been fully amalgamated into our Marlborough operations. During the integration the expected synergy benefits were achieved to a greater extent than planned and, within a shorter time frame.

Our salmon operations had a successful year being able to take some benefit from the record-high salmon prices in the early part of the year but face much lower prices in the current year as international prices have dropped. Our value-added processing of salmon portions has diversified our markets and reduced our reliance on commodity pricing in Asian markets.

The virus affecting Pacific oysters is decimating the young crops being grown for future years, but this year we have been able to benefit from reasonable harvests of mature oysters able to be sold into markets at record prices.

Inshore fishing operations had a successful year with markets for most species improving throughout the period and catches being in line with expectations. The opening of the North Wharf and Wynyard Quarter provided a boost for the operations of the Auckland Fish Market, the Seafood School and Big Picture Wine™, after a downturn whilst being part of a construction zone for over 18 months. The Rugby World Cup brought significantly increased traffic and business to the area.

Buyers inspecting fish prior to Auckland Fish Market auction

Deepwater operations continue to be the strongest profit contributor to the Group and had another strong year. The size of the operation resulted in it being significantly impacted by the exchange rate and fuel price rises. The increase in the orange roughy quota on the Challenger Plateau partially offset the reductions on the Chatham Rise. With greater quota access through our partnership with the Iwi Collective Partnership, we also increased the proportion of quota for hoki, southern blue whiting and squid caught by our domestic fleet. Our catches of toothfish in the Ross Sea and South Georgia continued to make a valuable contribution to our longline fishing operations.

Greg Johansson, General Manager Operations, has provided a more detailed overview of the New Zealand seafood segment and individual components are reviewed by the relevant managers in this report.

Iwi Collective Partnership

The Iwi Collective Partnership relationship has been a new challenge for Sanford but one in which we are learning to appreciate the Partnership's long-term goal and its particular focus on stewardship and sustainability, goals that so closely align with Sanford's own philosophy. We are still learning from each other but the commitment to meet and regularly review our goals and objectives augurs well for the future of this relationship.

He wero te whanaungatanga o 'Te Iwi Collective' ki a Sanford otirā, e ako ana mātou kia maioha, kia hāngai hoki te urungi me te rōnaki o te whakahoa nei me tōna whāinga roa ā, e hāngai tata ana aua whāinga ki ō Sanford rapunga whakaaro. E ako tonu ana mātou tātahi ki tētahi engari, me here nei kia tūtakitaki, kia arotake hoki i ō mātou tohenga, me ō mātou whāinga e matatuhi pai ana tēnei whanaungatanga mo ngā rā e tū mai nei.

Australia Seafood Segment

The returns from our Australian operations were not acceptable and the year was a frustrating one in which the closure of the old Melbourne wholesale auction market became a farce. Having geared up our new premises to start from 1 January 2011 the Melbourne Council decided at very short notice to extend the closure to 30 June 2011. That was to be a final date but that was again altered when the facility's ownership changed and a further extension of the closure time was agreed at the last minute. Sanford was given only hours to make a decision to sign a new temporary lease agreement. In the event, we decided the time was right to relocate to our own facilities and within a 24-hour period, with excellent co-operation from our team, we opened on schedule with no interruption to service. The new facility is far more efficient and offers substantially improved hygiene and temperature control. It has been very pleasing to see the positive response from our suppliers and buyers who have supported us.

However, the seafood environment in Australia has been very slow with lower than expected catches and weak prices. With stability in premises, a stronger focus on increasing the return from our quota package and a greater range of seafood in the coming year, we expect a reasonable increased return for 2011/12.

International Investments

Weihai Dong Won Food Company Limited

This year we have been able to recruit and retain sufficient staff to match our processing volumes. We are still not utilising the full capacity of the plant but results for the year continue to be satisfactory. Since the end of the year we received a cash dividend which should now become a regular pattern if profits continue at current levels.

Pure NZ Greenshell Mussels (jointly owned by Sanford, Sealord, Greenshell NZ and Kono NZ)

The wholly foreign-owned enterprise Pure NZ Greenshell Mussels Trading (Shanghai) Co Limited is now formally established and has the requisite licences to carry on business directly in China. The company has been steadily building its sales volumes. One of the challenges is for customers in China to understand that the shareholder producers in New Zealand service customers in more than 60 countries around the world and need realistic lead times to produce and ship product to market. We continue to work closely with, and appreciate the support of, New Zealand Trade and Enterprise in assisting us to grow this venture.

Pure NZ Greenshell Mussels opening celebration

Markets and Pricing

A fuller explanation of market issues follows from Vaughan Wilkinson, General Manager Marketing and Development, but, in summary, markets have remained favourable for most species throughout the year. There is a sense that for some species, prices have peaked and there may be potential softness ahead. However, we are confident that the major

Managing Director's Review

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species which generate the greater part of our revenue, such as hoki, Greenshell™ mussels, ling, toothfish and skipjack tuna, will hold their price levels and enable us to earn improved returns.

Sustainable Development

The Company was delighted to receive the two awards from the Association of Chartered Certified Accountants as this reflects on the excellent work undertaken at all levels of the business to operate in an environmentally responsible manner, respecting the social values of our staff, suppliers, customers and stakeholders and delivering an economic return to our shareholders. This effort continues to underpin our motto – Sanford Limited Sustainable Seafood. We again include an extract from the Sustainable Development Report in this report and invite stakeholder comments to assist us to continually improve.

Outlook for Coming Year

Noting that a one cent easing in the New Zealand dollar exchange rate adds around NZ$2.0m to our EBITDA, the recent easing to below US$0.75, coupled with forward cover and options now in place, locks over 65% of expected US dollar receipts in the coming year. Fuel prices will continue to be a challenge, but with likely stability in market pricing for many of our main species, we have some optimism that profitability will improve in the next year to closer to acceptable levels.

The key variability lies in the catching success of the pelagic species such as squid, skipjack tuna and mackerel fisheries. In aquaculture we are well placed to deliver increased volumes of mussels and salmon but challenges such as the virus that affected oyster survival and barnacle over-settlement in Coromandel are examples of issues that require constant attention when operating in the natural environment.

The introduction of automated machine opening in the Christchurch plant has been deferred to maximise throughput in the current year and to re-evaluate other options based on the experience of the upgrade at Havelock.

Acknowledgements

This year has been a challenge, particularly in the second half with the exchange rate soaring to over US$0.85. In the aquaculture and Pacific tuna operations there have been particular operational challenges which at times have been quite daunting. However, as always, we have a team of almost 2,000 people that are always ready to take on and meet the demands and challenges of an industry such as ours.

We must make a particular mention of the staff of the former Pacifica Seafoods business in both Christchurch and Havelock. Those personnel, who now form part of the Sanford team, have had some difficult challenges, coming to grips with a different operating style and philosophy, whilst at the same time as having to deal with the many issues that the 22 February Canterbury earthquake inflicted on them and their families. Thanks are due to each one of them.

We continue to be extremely well served by our 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 their efforts in achieving the results in what has been an exceptionally trying year.

E F Barratt
Managing Director

7 December 2011

The Annual Meeting will be held at 2.00pm Wednesday 25 January 2012 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010.

We are again sending Shareholders a voucher to purchase discounted seafood, enjoy a discounted seafood school experience or a discounted Big Picture Wine™ seafood platter.

The discount voucher is redeemable at any of the operations listed at the Auckland Fish Market or Sanford retail shops in Tauranga, Timaru and Bluff, as well as Oceanz Auckland shops, Wellington Sea Market shops in Wellington and "What a Catch" shop in Sydenham, Christchurch. Full address details of each location are shown on the voucher.

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Marketing and Development

Vaughan Wilkinson
General Manager Marketing and Development

The last year saw prices for many species remain either relatively stable at strong levels or, in a number of cases, decline as a result of competitive pressures from similar products in a range of international markets. There are several core species for which market demand remained firm and prices improved through much of the year. In the last six months prices for most species have tended to plateau out which is a characteristic that has been evident in most food commodity markets. In the later part of the year there was an emerging sentiment that the general trend in upward pricing for many species over the past 18 months may have stalled.

Prices for half-shell mussels improved steadily throughout the year and are forecast to remain firm into the coming year. Our control of a significant share of New Zealand's mussel production is likely to have proved opportune in helping to stabilise and improve international mussel pricing. It is probable that more buyers have progressively entered the market as they gain confidence that mussel products are now less likely to be subject to large changes in pricing than in the past.

Prices and demand in Asia and Europe for ling firmed through the year and will probably remain at high levels for some time to come.

Skipjack tuna prices also firmed strongly through much of the year, although in recent months have eased as some of the major international canneries have begun resisting higher pricing. The fundamentals of supply do not support any further significant easing in skipjack tuna prices and we forecast firm pricing through the coming summer domestic season.

Orange roughy pricing was stable throughout the year but there are now signs of sluggish market demand, particularly in the United States. However, with reduced production we would not expect any major decrease in prices over the coming year.

The pricing of hoki fillet products declined through the year largely because of competition from increased volumes of Northern Hemisphere pollock in all international markets as a result of a sizeable rise in the total allowable catch (TAC) for the Alaskan fishery. The prices stabilised in the last quarter and are forecast to remain reasonably firm for the next 12 months. Demand is steady and volume contracts have been secured with long-term customers for the year ahead. In contrast to the fillet market, the prices of headed and gutted hoki improved through the period and are expected to remain firm going forward. The Company maintains a balance of production between the various fillet forms and headed and gutted product so as to mitigate our risk to price fluctuations.

The market demand for southern blue whiting is firm and pricing improved in the second half of the year, although a higher proportion of our catch was in the lower-priced sizes.

The market pricing for smooth oreo dory fillets was relatively stable through the year but market demand remains comparatively soft. The principal market for this species

Salmon portions packed in Bluff for retail sale in the United States of dory is Europe where both demand and pricing for this product have been softening for the past few years. In Europe smooth oreo dory is often used for meals in schools and like institutions. Competition from other cheaper-priced white-fish products has impacted supply to these contracts over recent years. Efforts are now being made to stimulate growth in demand for smooth oreo dory in other markets.

International salmon prices have softened steadily during the past year as substantial supplies of Atlantic salmon from Chile have started to again enter all major markets. This Chilean supply directly competes with the already well-established, sizeable and growing salmon production from Norway. Chile was a major producer until a viral disease devastated its farming industry in 2008 and since then it has been trying to slowly recover. Over the past 12 months Chilean producers have been aggressively discounting their pricing against Norwegian suppliers in an attempt to re-establish their market share. At the same time, however, Norwegian producers have been aware of both their own increasing production and a persistent market sentiment that pricing was already too high. King salmon always commands a pricing premium over that of Atlantic salmon but is still not immune from the pressures on international pricing that are currently affecting all salmon markets.

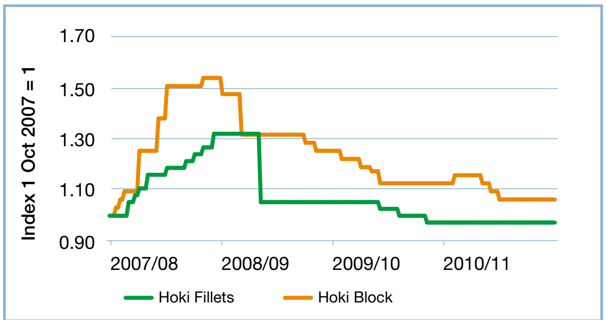
There is a shortage of squid in international markets and prices were firm throughout the period and likely to remain so into the coming year.

Toothfish prices were firm at the start of the year in the USA market but have since eased. In contrast, the Asian market pricing has firmed throughout 2010/11 and remains at a high level. Demand in both markets is steady but the forecast on pricing remains in a state of flux.

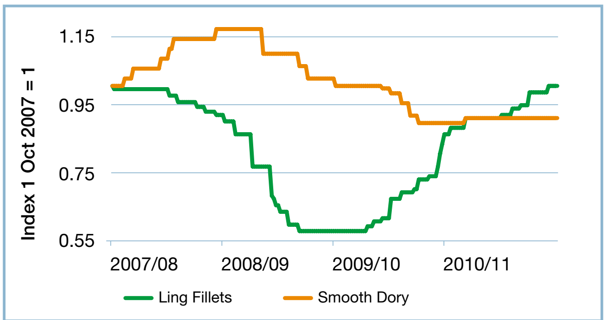
The pricing of many inshore species such as snapper and trevally also remained comparatively stable through the year. Demand is steady and forecast to remain so.

The markets for both the pelagic blue and jack mackerels have been buoyant with improved pricing being achieved throughout the year in a number of core markets. The international demand for quality mackerel products is also forecast to remain reasonably firm for the year ahead.

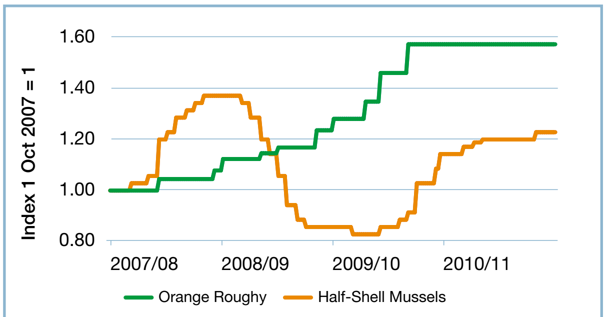
The following graphs show trends in prices over the past year compared with the previous three years; all prices indexed to 1 October 2007.



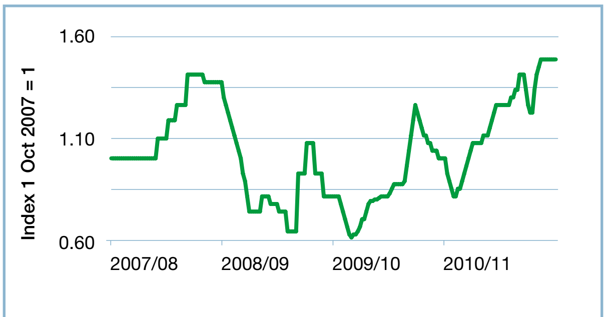
Hoki Fillets and Block



Ling and Smooth Dory Fillets



Orange Roughy and Half-Shell Mussels



Skipjack Tuna

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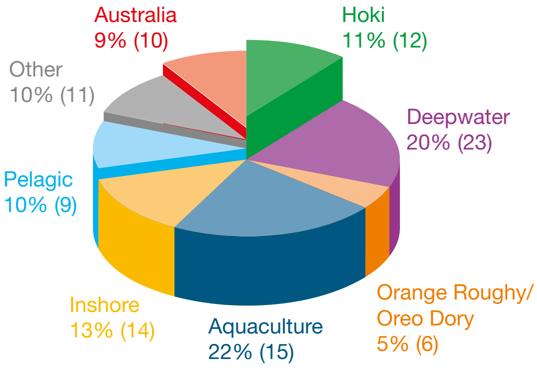
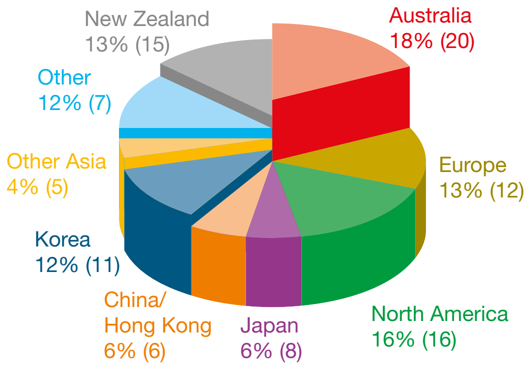


Approximate Percentages Species Split 2011 (2010)



Sales by Geographical Location of Customers 2011 (2010)

The comparative revenue-based species split for the past two years illustrates the increasing importance of aquaculture species (up from 15% to 22%), principally mussels, to the overall business. This reflects the Pacifica Seafoods acquisition in November 2010 and the subsequent opportunity to both improve and stabilise pricing in international markets. Deepwater species declined from 23% to 20% largely because the increased volumes of aquaculture production now contribute to a greater proportion of revenue. The increase in the contribution from pelagic species (up from 9% to 10%) is indicative of the firm pricing of both skipjack and the mackerels over the past 12 months. The comparative revenue contributions from the other species grouping have remained reasonably stable for the last two years with the exception of the species sold in Australia. The sales of the Australian local market have been diminishing in the face of fierce competition from imported products that have grown substantially as a consequence of the very firm buying power of the Australian dollar.

The comparative revenue split by geographical customer location indicates the continuing decline of the Australian market from 20% to 18% as this region continues to be impacted by significant volumes of cheaper imported product from many international sources. The trading in a range of other markets increased substantially from 7% to 12% as sales for a variety of products grew in both Middle Eastern and Eastern European markets, particularly for skipjack into the Middle Eastern region. The proportion of trade to North American, European and Asian markets has remained comparatively stable over the past two years. The Korean market increased also, from 11% to 12%, as a result of both strong squid pricing and continuing firm demand for mussels. Sales to Japan declined from 8% to 6% because sales of higher-value products diminished after the country's disastrous tsunami. The revenue from Asia continued to remain firm at 28% of the total and prospects for yet further growth in this region remain favourable.

San Waikawau steaming home to Coromandel with a full mussel harvest

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Tom Birdsall
International Fishing Manager

The Australian business failed to achieve an acceptable result during a year which was adversely affected by depressed economic conditions, poor unseasonal catches and the impact of preparing and moving to a new facility.

Market demand for fish was generally low reflecting the retail spending trend across the economy in south-east Australia. When the local economy does improve demand for seafood is expected to increase and result in some price firming. The ongoing strength of the Australian dollar has encouraged a greater volume of imports and this has also impacted on the seafood market in some sectors.

The business relocated to the new Melbourne facility on 1 July. It has been an unsettling period as the previous premises had been due to close on 31 December 2010 but this was extended at short notice. After the second scheduled closure on 30 June the former site then actually continued to operate, although under a different ownership and management structure.

Sanford's new Melbourne market facility

As our new facility was fully licensed and operational, the decision was made to relocate at the scheduled closure date of 30 June; this had a satisfactory outcome with suppliers continuing to consign seafood to the new premises. Most of the buyers have continued to patronise the new facility and have adapted well to the new food-safety environment which is a major change from the previous market. The new site, including the selling floor, is a fully temperature-controlled environment which both reduces handling of the seafood on the floor and maintains the best quality by keeping the temperature within the correct levels.

The new location offers flexibility compared to the previous market site and this has benefited buyers by allowing purchasing to be spread over a longer time period. The modern refrigeration system provides a much greater level of energy efficiency and this will become more apparent with the high summer temperatures approaching.

Our seafood suppliers, especially vessel operators in the south-east trawl sector, have been affected by a poor season during the year. This has resulted in lower catches across a large segment of the fishery, causing extreme financial difficulties for many of the operators and lower volumes to the market. Historically there have been similar poor seasons, perhaps a decade apart, and the fishery is expected to improve to normal levels. There is currently a shortage of people to man and operate the boats in the fishery; many existing fishermen are entering the offshore industry and this is a further problem for the vessel operators.

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Fuel costs remain high and use a higher proportion of operating revenue, particularly in recessionary times. There is very little investment in the catching sector at present and this will have to be addressed in the future to avoid a shortage of capacity.

The economic climate has made it very challenging for our customers (buyers) and debtor management continues to be important and necessary. Some of the larger buyers have been impacted by the supermarket chains reducing their number of lines stocked in store and direct imports are competing with domestic supply. Until the economy improves, the retailers are purchasing only small volumes to ensure they do not have spoilage issues as their customers are only buying limited amounts.

The company-owned trawler had a steady year but with a below-standard contribution. Catches across the fishery were approximately 20% to 25% lower than in previous years. Apart from experiencing reduced catch levels, the vessel operation was reasonable with no engineering issues and a good number of workable days. The fish quality from the vessel was good, and the crew is stable.

Quota trading was affected this year by a lack of demand because of poor catches reducing requirements from the catching operators. However this will likely return to normal when the unseasonal catches improve to normal historical levels. During the year, some quota was disposed of in fisheries in which the company no longer operates, or where the quota was surplus to requirements.

Staff numbers have been reduced on the trading floor at the new facility and the sales staff are adapting well to the different environment. The administration staff numbers have also reduced slightly and the new computer system has assisted in improving and simplifying workloads. All staff have contributed well and provided positive input following the change in facility.

Although the result is lower than required, the foundation is in place to develop, and, with the recovery of the local economy and our catching levels, the outcome will improve.

Challenges and Opportunities

In the year ahead the company will build upon the relocation to maintain and enhance the relationships with both suppliers and buyers to ensure higher levels of service. High service levels will make sure that suppliers and buyers have the confidence to consign and purchase seafood from Sanford Australia.

The staff and systems are the key to achieve this goal and improvements will continue to enable further growth. There will also be a programme to expand the range of seafood available from the business.

Opportunities to increase our involvement in the Australian seafood sector will be identified and examined on an ongoing basis.

Fresh gurnard awaiting sale

New Zealand Seafood Segment

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Operations Overview

Greg Johansson
General Manager Operations

Overall, the Company's catch and harvest levels for the year were very pleasing and well ahead of 2009/10. Sanford's inshore and deepwater catch met expectations and was consistent with the previous year. The international purse seine fleet catches improved significantly over the previous 12 months but were impacted by lost fishing opportunity in the last quarter. Aquaculture harvest and production were well ahead of last year mainly due to the Pacifica Seafoods acquisition, despite several environmental impacts.

While catch, harvest and production for the Group as a whole have been pleasing, the financial contribution from operations was well below expectations for a range of reasons, especially in the second half of the year. For instance: the impact of high exchange rates on net New Zealand dollar returns; fuel prices (an additional $6.5m spent compared to the same period the previous year); a global crash in the salmon prices at peak harvest time; low skipjack tuna sales in the last quarter; an early closure to the Coromandel mussel harvesting due to the condition of raw material; 60% mortality in the Pacific oyster crop; and reduced orange roughy harvest and reprocessing compared to the prior year.

Mussel spat washed up on 90-mile beach

Inshore's catching operation is one of the Company's most consistent performers and the shore-based factories are well positioned to handle the processing demands in support of this fleet. Although the fleet is ageing and additional replacement vessels will be required in the medium term, the vessels are well maintained, efficient and reliable. Full reconstruction of existing vessels is being considered as a viable alternative to replacement. Demand and market prices for fresh chilled fish are steadily rising, as are the fishers' efforts to land higher-quality seafood.

Deepwater operations had a strong year with catches again being to expectations and consistent with the previous year despite quota reductions in some species. This performance was supported by yet another favourable squid season, additional hoki catches as a result of the total allowable commercial catch (TACC) increase and the annual catch entitlement made available through a newly-formed joint venture with the Iwi Collective Partnership (ICP).

While there will always be seasonal variation in abundance between species for a range of reasons and adjustments in TACCs (both up and down), the Company's diverse portfolio of quota ensures our vessels are kept fully utilised throughout the year and provide a consistent supply of product to our factories and market place.

The Pacific tuna purse seine fleet was on track to produce a significantly improved performance compared to the previous year until difficulties beset the operations in the final quarter. An unexpected extension to a dry-dock survey

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Operations Overview

and a USA coastguard investigation into recording of bilge water discharges seriously impacted the fleets' activities in the fourth quarter and will have a flow-on effect into the year ahead.

Aquaculture had a very busy and challenging year as a result of the Pacifica Seafoods acquisition and integration, the Canterbury earthquakes, the OsHV-1 virus in Pacific oysters, the Havelock processing plant upgrade, and barnacle and growth issues in Coromandel mussels. Despite all these factors, production was well up on last year and trended in a positive direction later in the period. With the aquaculture law reform now completed, it will be interesting to see what additional water space is approved and subsequently put into production.

During this year's annual stock assessment process, Sanford took a strong and public position that the hoki TACC should not be increased for the third consecutive year. The Company agrees that the hoki biomass is rebuilding and this is a positive sign. However, due to the timing of surveys, a cancelled survey and observations from the water, our experienced skippers and managers felt that waiting another year to allow further surveys to be completed and analysed was the appropriate position to adopt. Unfortunately this decision was not supported and only time will tell if Sanford has taken on too much too quickly.

The structure of industry stakeholder representation is currently under review at several levels. The industry organisation, the Seafood Industry Council (SeaFIC), is being redesigned with the intention of devolving more of its current role to the sector-specific stakeholder groups (CSOs) and maintaining only the core generic services. Over the last decade, regional and species-specific CSOs have consolidated their efforts under sector-specific organisations which have become very effective bodies, e.g. The Deepwater Group, Aquaculture New Zealand, Rock Lobster Council and Paua Industry Council. The inshore finfish sector is still very fragmented, which in some way is understandable due to the more complex nature and range of stakeholders involved. However, Sanford believes that without a strong single CSO representing all of the inshore finfish species, this sector will never realise its full potential and will have limited opportunity to capitalise on the Ministry's initiative noted below.

While quota owners hold a legal right to harvest and produce seafood within approved limits it is essential that the seafood industry maintains the public acceptance of this entitlement by demonstrating to New Zealand and consumers globally that our practices are truly sustainable at all levels – environmental, social and financial. Currently this is achieved via a mix of industry and government initiatives, such as the quota management system, third-party certification, sustainability reporting, the provisions of the Resource Management Act and New Zealand Food Safety Authority. Unfortunately it only takes one or two poor performers or misguided "crusaders" to bring an entire sector of the seafood industry into disrepute. Far too often it is stakeholders denigrating their own industry and then a lack of strong internal discipline within the industry to deal with these players. In future, members of the New Zealand seafood industry must mature in this respect, work more collaboratively and challenge the world, not each other.

The industry-requested ministerial inquiry into the use of foreign charter vessels (FCVs) in New Zealand waters is now well under way. As the largest employer of New Zealanders in the seafood industry and owning the largest fleet of vessels here, Sanford is well qualified to provide the inquiry panel with a balanced perspective on the appropriate use of FCVs in our waters. While FCVs make up only 8% of the

Mussel spat to seed

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Operations Overview

Company's fleet and foreign crew represent only 8% of our workforce, these vessels and crew play a vital role in our operations as a whole. Sanford has consistently lobbied for stronger measures to be taken against the few operators (both domestic and FCVs) who fail to comply and bring the entire industry into disrepute.

There are a number of exciting opportunities being progressed at present. Sanford is party to two very promising Primary Growth Partnership (PGP) programmes approved late last year and currently in the contracting phase. The first is a mussel spat hatchery project, designed to reduce the industry's exposure to the uncertainties of wild spat capture and provide an opportunity for selective breeding. The second is Precision Seafood Harvesting, which has the potential to provide significant sustainability and environmental benefits, while increasing the market returns for wild-capture fisheries.

The Company's relationship with the Iwi Collective Partnership (ICP) has entered its second year and has continued to grow in depth as the collaboration has matured and we learn more from each other. Sanford is currently exploring other joint opportunities which we believe can benefit both partners.

Following several years of focus on aquaculture, the Minister of Fisheries and the Ministry have signalled their intention to focus on improving economic returns from the inshore fisheries. As a large holder of inshore quota shares, Sanford welcomes this focus and will engage fully in the process. Officials have indicated also that early next year they are willing to look more closely at options for fresh-water and land-based aquaculture, opportunities Sanford will study closely.

Ikawai, Timaru-based vessel

The Company's contribution to Antarctic research has been recently acknowledged at the annual meeting of the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR). A pre-recruitment survey proposal submitted by New Zealand has been approved by CCAMLR and the Sanford vessel San Aotea II has been designated to undertake additional research activities during the post-season period for the next two years. This research will add greatly to the Commission's knowledge and effective management of marine-living resources in the Ross Sea.

Looking to the year ahead, the Company is optimistic that catching, harvesting and processing across the Group will exceed that of recent years. However, as with all primary producers, Sanford is subject to the unpredictability of the environmental conditions in which our business is conducted. These impact on the seasonal productivity of the resources, the Company's ability to operate in the marine environment and ultimately our bottom line. Sanford's strength and mitigation of these risks is the diverse (geographical, species, method and wild versus farmed activities) nature of its investments in the seafood industry.

Once again, the entire Sanford staff and seagoing personnel, contractors and suppliers are to be commended for their professionalism and support during the year. The seafood industry is a demanding one, requiring special skills and experience which take time to acquire. The Company is blessed with personnel who hold a wealth of institutional knowledge and a strong commitment to sustainability, ensuring Sanford is in good hands for the long haul.

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Inshore Fishing and Processing

Shane Walsh
Inshore Fishing and Processing Manager

It is pleasing to report that inshore operations had a successful year with profit exceeding expectations.

Catches of most species met expectations and vessels performed well overall. This was despite high fuel prices which negatively affected vessel operating costs. Strong demand for many of our products, especially skipjack, barracouta, ling and mackerel, resulted in better-than-anticipated returns.

Auckland Fish Market auction and the local market's fresh and frozen product sales continue to make a positive contribution. Rugby World Cup activities increased demand for seafood during the final quarter.

Cold-store facilities performed better than expected with both sites benefiting from strong demand for space. Although storage demand from external customers eased a little over the year, it allowed Sanford products to move out of external stores and back into Company-owned facilities, helping to keep them relatively full.

Overall, operating expenses were well managed and remained below forecast.

Auckland

Auckland-based vessels, together with selective utilisation of independent fishers, ensured that catches of all species were maximised. Long-line-caught snapper volumes were affected by a slow-down of demand from the Australian retail market. Vessel revenue benefited from better-than-expected local market sales through the Auckland Fish Market auction especially for snapper, gurnard and tarakihi. Independent fishers continued to land high-value line-caught species for chilled export markets.

The Auckland factory had another busy year. Daily chilled exports remained a significant part of the operation. Contract-cutting volumes for Foodstuffs' supermarkets increased again this year and it is anticipated that this will continue to grow over the next 12 months. All frozen products were stored at Sanford's own Export Cold Storage (ECS) facility in Tauranga, allowing savings over external local cold storage.

Auckland Fish Market auction in action

Auckland Fish Market

The auction had another positive year. This is a reflection of particularly strong Sanford supply and a growing market share of Auckland's local market fish sales.

The re-opening of Jellicoe Street in August and the Rugby World Cup during September/October has increased traffic to Auckland Fish Market. All businesses at the market, including Big Picture Wine™, have benefited significantly. Big Picture Wine™ turnover increased and it is expected that this business's performance will be much improved over the coming year.

The Seafood School experienced increased demand for corporate classes. Public classes and voucher sales are still noticeably affected by the depressed economic climate. Promotion of the Auckland Fish Market and Seafood School is provided by the local Wynyard Quarter tourist information kiosk; as a result it is expected that awareness and therefore customer numbers will continue to grow.

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Inshore Fishing and Processing

Tauranga batch packing jack mackerel

Tauranga

Tauranga vessels had a strong finish to the year with good catches of blue mackerel in the last quarter, making up for poor catches at the start of the year. Catches of skipjack tuna and jack mackerel were below expectations.

The Tauranga factory had a successful year with strong demand for pelagic species and strong local market demand for fresh tarakihi, snapper and trevally fillets as well as frozen product through the year. The operation benefited from increased throughput with more efficient processing which allowed quicker unloading of vessels and subsequently improved the opportunity to catch.

Returns from Export Cold Storage were above expectations. Demand for long-term storage of Tauranga products was down with strong export demand for pelagic species; however, this was compensated by demand from Auckland branch and North Island Mussel Processors Limited (NIMPL), keeping the store close to capacity.

Timaru

Vessel productivity increased with good catches of barracouta and hoki during the year. Timaru enjoyed improved landings from independent fishers supplying a wide range of species.

The factory benefited from favourable volumes and export prices for barracouta and ling. This helped mitigate slower demand for smooth dory fillets, especially the smaller sizes. It is expected that this product will sell as demand improves over the next 12 months.

Due to limited export markets the demand and price for fishmeal was lower than previous years; in contrast, fish oil demand remained strong providing a positive contribution to total revenue.

San Won cold-store's performance was better than expected. The store benefited from high product turnover, which resulted in higher-than-anticipated storage and load-out income.

Bluff

Independent quota owners' landings of inshore fish were slightly better than that of last year. This resulted in a reduced need to reprocess deepwater product.

Challenges and Opportunities

It is pleasing that the operation delivered a positive result for the year. The ongoing challenge is to focus on improving returns relative to the value of assets and quota deployed despite the challenging trading environment.

Our focus continues to be on profitability, compliance, sustainability and ongoing improvement across all areas of the business.

Any opportunities for growth through acquisition will be investigated and pursued if management is confident that the investment will generate acceptable returns.

We will explore opportunities to grow the business as well as seek to work together with other industry players to develop more co-operative business arrangements. The operation will also continue to rationalise and upgrade our fishing fleet to improve catching, vessel and fuel efficiencies.

Investment in technology over the last three years has added value and we will examine options that further enhance these investments and deliver ongoing efficiencies.

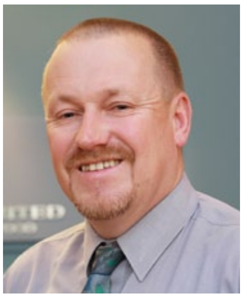
The Auckland Fish Market auction, retail complex and Seafood School, together with the Auckland Seafood Festival, will continue to be used as tools to educate, promote and grow local market seafood consumption.

We will continue to support rationalisation of industry organisations. This is to ensure administration costs are minimised and effort and investment in fisheries science is focused and provides the most appropriate information for sound management decision-making.

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 Zealand Seafood Segment

Deepwater Fishing



Darryn Shaw
Deepwater Fishing Manager

Deepwater operations had a solid year with consistent catching performances across the majority of its fisheries. The main target fisheries, such as hoki, dory, squid and orange roughy, have continued to perform well while long-line-caught ling catch rates were below expectations. The scampi fishery also provided another good catching year, but toothfish fisheries presented several challenges. The orange roughy quota reduction, high fuel prices and high exchange rates have significantly impacted on deepwater's financial performance compared to that of last year, especially in the second half.

The price of fuel, as one of our main operational costs, continues to be relentlessly high. This impacts us through the direct cost of vessel energy requirements along with consumables that are manufactured using hydrocarbon products. We maintain committed to maximising our catching (kilogram) return per litre of fuel burnt, combined with optimising fixed energy usage on board the vessels through a variety of initiatives, such as energy-efficient lighting sources, new technology fishing equipment, inter-vessel catching efficiency comparisons, crew education and optimal vessel steaming speeds.

San Discovery in dry dock

The operational productivity and performance is once again attributed to the dedication and commitment of our sea-going and shore-based personnel. A diverse operation of this size – that must meet the challenges of safe vessel operation, efficient harvesting of fish and the delivery of quality products – requires enormous co-ordination and teamwork across a large range of skill bases. Deepwater operations are well served by our experienced staff who "make it all happen", both now and into the future.

Fillet Trawlers – San Discovery / San Enterprise

Both our fillet vessels targeted the hoki, squid and southern blue whiting fisheries during the year. Catch volumes for hoki were in line with the previous year although the type of hoki products created deviated from the historically predominate "international fillet block" form to include volumes of shatterpack fillets and "dressed" product.

The seasonal squid fishery again delivered favourable catching opportunities which, combined with strong demand and high international market price for squid, provided a good sub-contribution.

Southern blue whiting was targeted by both vessels, which produced reasonable catch volumes but the majority of the catch was of smaller-sized fish, giving rise to lower-than-expected returns.

Longline Vessels – San Aotea II / San Aspiring

The Ross Sea's toothfish season continued to provide challenges with increased competition from other nations resulting in the season being the shortest ever experienced. The San Aotea II and San Aspiring catches were lower than expected due to the increased competitive pressure. The vessels maintained the high standard of research required to be undertaken when participating in the fishery.

Deepwater Fishing

The Marine Stewardship Council (MSC) certification of this fishery has now entered its second year with benefits in both financial and scientific perspectives being realised by this certification.

The longline-caught ling fishery targeted by the San Aotea II provided below-average catch rates which was disappointing, especially in the second half of the year. While there was no obvious explanation for this year's downturn, in other fisheries it has been found that annual abundance in fish-year-class strength can affect catch rates over individual years.

The San Aspiring was successful in obtaining another licence to access the South Georgia and South Sandwich Islands' (SGSSI) toothfish fisheries. After a difficult start due to a turbo-charger failure on the main engine in May, where the vessel lost a month of fishing and incurred additional unexpected repair costs, the rest of the season went reasonably well.

Scampi Fleet

The scampi fleet provided another solid catching year despite times of disruptive weather events and occasional periods of unplanned maintenance.

The Ministry of Fisheries (MFish) sustainability round has seen a Total Allowable Commercial Catch (TACC) reduction of 50% for the scampi area 2 fish stock. This is a disappointing outcome as the fishery has historically only partially caught to the TACC level and had been performing very well recently – with more potential now evident.

Scampi inventory levels remain high as a result of the domestic pressures occurring in the Japanese market (general economic and natural disaster). It is anticipated that the new year will bring an increase in sales volumes through regained strength of this market place and diversification through other emerging markets.

The sale of the laid-up scampi vessel Enemelay has occurred, which now completes the reconfiguration of the scampi fleet's catching platforms.

San Waitaki

The anticipated TACC decrease in the Chatham Rise orange roughy stock occurred for the 2010/11 quota year. With this reduction, the vessel refocused its efforts on the less profitable squid and southern blue whiting fisheries – with good catching results but a significant reduction in vessel contribution. It was the first time the vessel had targeted southern blue whiting.

The San Waitaki again undertook MFish's annual Chatham Rise orange roughy research survey. In addition to its normal survey activities, the vessel's management identified an additional spawning aggregation some distance away from the historically surveyed spawning plume. This aggregation was then surveyed contemporaneously by another vessel and while this data has not yet been analysed, we are hopeful that this new aggregation will support our belief that the Chatham Rise orange roughy stock is not in a dire state, as some commentators purport, and that the fishery can continue to be utilised in a sustainable manner.

The recent MFish sustainability round for the 2011/12 year has resulted in a further TACC reduction to the orange roughy East and South Chatham Rise sub-stock. In response, the year ahead for the San Waitaki will now involve targeting West Coast hoki for a period, as part of her catch plan.

The crew of the San Waitaki have had to assume a significant change to the composition of their vessel's catch species over the recent year, but they have readily picked up this challenge – a credit to them.

New Zealand Seafood Segment

HOME

Deepwater Fishing

Charter Operations

Our charter partners' four vessels have had a very pleasing year with above-average catches of hoki, barracouta and squid. In particular the volumes of squid caught together with the market price, has proven this species to be a high performer.

In parallel to this, additional pressure has been placed on their operations due to the increased focus on the activities of the New Zealand foreign charter fleet. Our charter partners have responded well to this challenge and have worked with the various government departments to submit their vessels for inspection and immediately implemented any changes required to meet any new standards imposed.

Sanford is comfortable that the higher standards we require from the operations of the Company's charter partners (compared to some other charter operators in New Zealand) will provide a baseline for the standard to which all foreign charter vessels (FCVs) should operate.

Dong Won 519 at Port of Lyttelton dry dock for major refit. The vessel has annual refits with every second year being out of the water

Challenges and Opportunities

For the third year in a row, the hoki TACC has been increased and is now set at 130,000 tonnes. While Sanford did not support this latest rise in TACC (believing it to be premature), we will utilise this opportunity and hope that this early increase in catch will not affect the long-term yields from the fishery.

Our annual access to the Ross Sea toothfish fishery has been secured for the 2011/12 season. A positive for this season is the increase in the Total Allowable Catch (TAC) for the main fishery, based on a thorough stock assessment review. With a similar level of vessel participation expected, the season is looking promising for harvesting capability.

The development of Marine Protected Areas (MPAs) in the Ross Sea is still strongly on the agenda of its fishery management organisation. While a level of MPAs is a fair and reasonable proposition for this unique environment, the danger is that this "slow-moving landslide" will continue to creep into the historically fished areas and constrain use by harvesting nations.

The direction the outcome of the FCVs ministerial inquiry sets is still unknown. It is hoped that a common-sense view will be taken by the inquiry panel, given this vital catching resource for the New Zealand fishing industry, but such a result cannot be taken for granted at this time.

The deepwater operation looks forward to another productive squid season. Significant effort has been made by the Deepwater Group to scientifically prove that the squid fishery-related effects on the Hooker sea lion are nowhere near the level that has required the imposition of effort limitations in the past. A decision on the 2011/12 operational plans is expected soon.

Other operational topics in progress such as the proposed Biosecurity NZ vessel hull-fouling rules along with the implications of the Sub-Antarctic Island Regional Coastal Management plan, will require continual focus to mitigate any impact on our operational capabilities.

Another busy year ahead is expected, with deepwater well placed to meet the challenges and develop the opportunities as they materialise.

New Zealand Seafood Segment

HOME

Aquaculture

Ted Culley
Aquaculture Manager

Aquaculture has experienced another year of significant challenge while continuing to grow. Purchase of the Pacifica Seafoods operation on 30 November 2010 lifted us to a dominant position in the mussel industry and has already had a stabilising effect on market pricing. The automation upgrade at the Havelock factory was completed in early 2011 but full implementation of the benefits took longer than planned. Sanford and the New Zealand Pacific oyster industry suffered considerable setbacks from the OsHV-1 virus that decimated stocks of oysters in farms and will force some rethinking of farming and processing options in the future.

Performance was behind expectations for this financial year but well ahead of the contribution made in the previous 12-month period.

Given the shortage of oysters caused by the mortalities incurred across the industry from the OsHV-1 virus, the market improved significantly with strong demand and improved prices.

Market pricing for half-shell mussels firmed throughout the year although net returns suffered from the high exchange rate. The effect of market uncertainty in Europe and an excess of product supply resulted in depressed mussel meat prices.

The 2010/11 year began with favourable prices for salmon but as the year progressed, prices and demand deteriorated with higher volumes coming out of Norway and Chile. Throughout the period, returns on all products were challenged by the high and volatile exchange rates.

Although mussel production this year was a record 44% ahead of last year, it was still below expectations with the Havelock upgrade and commissioning taking longer than anticipated, the February earthquake and weather events disrupting production in Christchurch for a short period, as well as bio-fouling in Coromandel impacting on productivity and yield in the second half of the year. Salmon had another record year with production 17% better than last year's levels. Oyster production was slightly better than anticipated but significantly behind the previous year's.

Greenshell™ Mussels, Havelock

Farming operations at the Havelock plant had a busy year as a result of the integration of Sanford and Pacifica Seafoods farming activities, the adoption of best-practice processes and methodologies, and the reorganisation of the farming vessels to produce the most efficient outcome and utilisation of assets. Vessels that are surplus to requirements have been sold or are currently on the market. Both the farming base and engineering operations have been consolidated into one location at Havelock.

La Nina weather patterns this year can give rise to slower growing conditions; however mussels have been pleasing throughout the year. The diversity of spat types used and the location of Sanford's farms meant that disruption as a result of rainfall closures was minimal for most of the year. In August good product was found to be scarce, however, and production had to be suspended for a short period.

Cook room controls, Havelock

New Zealand Seafood Segment

HOME

Aquaculture

For the first four months of the year the processing plant was upgraded with automatic opening machinery and, once back in operation, took longer than expected to achieve target throughput levels. As a result, production levels in the second half of the year were below expectations. However, as initial teething problems were resolved and the plant returned to full production; its target was exceeded in the last quarter of the year. Further optimisation of the plant and its processing operations continues.

Opening mussels, Christchurch

Greenshell™ Mussels, Christchurch

The Christchurch operation performed well throughout the year with the plant working a second shift from March to the end of June. Sanford-supplied mussels from Big Glory Bay on Stewart Island during rainfall events and in the month of July meant that the plant was in operation for a longer period than previously. Management was able to capitalise on the plant's capacity to produce retail products by moving substantial quantities of products into new retail sectors within export markets. Further work will take place to build on this success in the coming year.

The February earthquake impacted on all of our personnel in Christchurch to varying degrees. It was a traumatic period for staff, many of whom are still feeling the effects. The plant lost four days production while staff dealt with their individual circumstances. Management sought to provide a work option for those less affected and able to return to some normality as quickly as possible. It was a credit to the team in Christchurch that they had the facility up and running so promptly. The plant suffered damage to cold-store racking, which is being replaced under insurance.

Greenshell™ Mussels, Coromandel

Coromandel harvest volumes were lower than expected but ahead of last year's production levels. Mussel growth was slower than has been experienced in previous years and the crop suffered barnacle settlement again, resulting in increased processing costs, poorer yields and lower throughputs.

During the year, equipment to remove the barnacles was tested but proved unsuccessful. However, we are now working with a group of research providers and a manufacturer to develop equipment that will clean the mussel shells prior to standard processing being undertaken. Scientists have indicated that in 2009 New Zealand experienced unusual weather conditions which caused the initial fouling. Those patterns are now reverting back to normal; this should result in a reduction of fouling for the years ahead.

North Island Mussel Processors (NIMPL) performed well in the first six months of the year, taking product from the Havelock facility while that plant was shut during its upgrade, and working well on the Coromandel product between November and February which was mainly free from fouling through this period. The raw material supply in the second half of the year proved more challenging, with the plant also being impacted by the mussels spawning earlier than anticipated.

New Zealand Seafood Segment

Aquaculture

King Salmon, Stewart Island and Bluff

A record production year for salmon has been achieved through the ongoing development of new farming techniques to reduce early maturation, further enhancement of the feeding strategies and improved fish performance which has resulted in our lowest feed conversion rate to date.

The hatcheries are now producing smolt over a longer season which will enable us to have mature fish to harvest and to supply customers for a longer period of the year. Our selective breeding programme will further improve the growth and characteristics of fish.

Facilities have been further enhanced this year to enable the efficient processing of the extra volume. The salmon portioning plant (previously the mussel factory) has produced to expectations throughout the year.

Salmon portioning machine

Oysters, Bluff

The oyster vessel Toiler increased its harvest of oysters this year by 6% as additional quota was made available to supply oysters during the Rugby World Cup.

Pacific Oysters, Kaeo

With more flexible working hours at our Kaeo processing plant we were able to maximise productivity and minimise lost time through rainfall closures. This enabled a smooth processing season with all sizes of product being shipped to market directly from the plant. Continued mortality of juvenile oysters over the summer period impacted on the volumes available for processing. A permanent solution has not yet been determined for keeping oysters, and in particular juvenile oysters, safe from the OsHV-1 virus over the summer period when it is active. However, farming personnel are working on a number of mitigation strategies, the success of which will be assessed after the summer season. The industry is working collectively on a medium to long-term strategy for breeding a disease-resistant species of oyster.

Challenges and Opportunities

The main challenge for aquaculture continues to be in achieving an acceptable return for the cost of capital deployed. A combination of ongoing improvement to our revenue streams and reduction in costs across all aspects of our business will see the attainment of this goal. Significant progress has been made to date from investing in new technology and innovation, and this will continue to enable further positive development.

Two examples of these enhancements are: the ongoing investment in new mussel rope technology in Coromandel and Marlborough to improve the yield per metre of mussels harvested off our grow-rope, and Sanford's increased shareholding within the consortium Shellfish Production and Technology New Zealand Limited. This company has received preliminary approval for a research programme to domesticate and selectively breed New Zealand's farmed shellfish under the Primary Growth Partnership programme. This initiative is now progressing through the contracting stage with government. It is anticipated that this will be complete by the end of the year and the project can start in early 2012. Given what has been achieved in the land-based agriculture sector, this will be a positive step for the Company.

All aquaculture personnel are to be acknowledged for their contribution, hard work and positive attitude in a year which has seen considerable operational changes taking place across the business. Aquaculture looks forward to the challenges ahead in the coming year.

New Zealand Seafood Segment

HOME

Pacific Tuna

Martin de Beer
Pacific Tuna Manager

This year saw mixed fortunes for the Pacific tuna operation with final results not meeting expectations. Sales revenue was assisted by higher fish prices throughout the period. However, overall total catch was down on forecast, due to a range of operational matters detailed below, meaning the total revenue was less than expected, and repairs and legal costs were greater than anticipated.

The San Nikunau came to New Zealand at the beginning of December 2010 to unload before entering the slipway in Whangarei for its intermediate out-of-water survey. During this time a new CAT 3508 generator set was also installed on the vessel. At the completion of the survey in early January 2011, the vessel and crew then remained in New Zealand to fish for skipjack during the summer season. Due to the timing of the completion of the trips on the Ocean Breeze and San Nanumea coinciding with the closure of the cannery in American Samoa over the Christmas/New Year period, a decision was made to bring both vessels to New Zealand to unload in December. As there were early signs of skipjack in New Zealand waters it was decided to fish the San Nanumea here for the summer season whilst the Ocean Breeze returned to the Western Central Pacific Ocean (WCPO). Fishing in both New Zealand and the WCPO proved positive with catch rates being above expectations over this period.

As mentioned above, total catch for the year was below forecast as a result of a variety of operational issues.

The first significant factor occurred following the end of the New Zealand fishing season whilst the San Nanumea underwent some planned maintenance work in Tauranga before returning to the WCPO. It was found that oil had been leaking from the stern tube on the vessel. Arrangements were made for an emergency docking of the vessel at the dry dock in Auckland in early May where it was found that the tail shaft bearings had collapsed, damaging the tail shaft itself. A major repair to the gearbox was also necessary. These repairs resulted in the vessel being out of operation for a two-month period.

The Ocean Breeze then arrived in New Zealand in mid-July to unload before being scheduled for its intermediate out-of-water survey in Whangarei. Because of significant issues requiring hull plate replacement the decision was taken to carry out a full renewal survey at this time and the vessel subsequently returned to the fishing grounds in September.

San Nanumea – in dry dock at Auckland for tail shaft and gearbox repairs

Ocean Breeze – sections of hull plate being replaced

New Zealand Seafood Segment

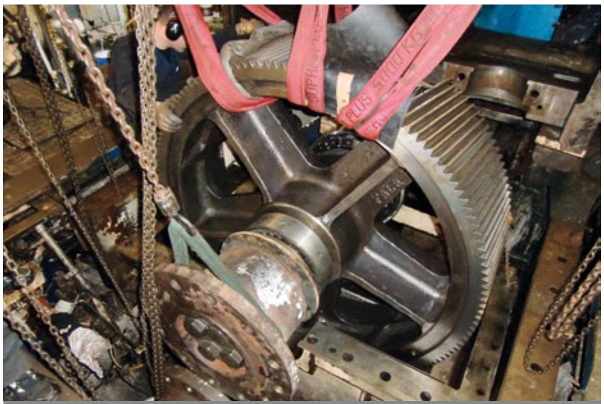
Pacific Tuna

As noted earlier, the San Nikunau had been fishing in New Zealand waters for the summer skipjack season and returned to fishing in the WCPO in mid-May following some planned maintenance work on the vessel after finishing the New Zealand season towards the end of April. The vessel completed a trip and entered American Samoa in mid-July in order to unload at the cannery. However, following arrival the vessel was boarded for a routine port state control inspection by the United States Coastguard (USC). Following this inspection the vessel was detained for alleged violations of USC regulations relating to incorrect reporting of bilge water discharges. Legal counsel in American Samoa and the USA has been appointed to help defend Sanford against these alleged claims as well as to seek the release of the vessel. However, whilst this process was undertaken the vessel continued to be detained and it was out of commission for most of the last quarter of the financial year. Certain costs investigating and defending these charges will be covered by insurance.

After returning to fishing in the WCPO, the San Nanumea also completed a trip and entered American Samoa in mid-August in order to unload at the cannery. Following arrival the vessel was then detained as a result of a claim being lodged in the High Court of American Samoa by a previous crew member relating to an alleged injury on the vessel in 2009. The lawyer representing the claimant then proceeded to lodge a further three claims with regard to personal injuries to different crew members, again dating back to 2009 at successive stages, thereby placing additional writs on the vessel. These were deliberate tactics employed in an attempt to place economic pressure on the Company to settle the claims. Sanford intends to defend these allegations but, nevertheless, the vessel lost the last six weeks of the financial year whilst its release was negotiated. The crew injury claims against the San Nanumea are covered by the Company's insurance.

Therefore, as a result of the delays which occurred to all three vessels in the final quarter of the year, the operation went from being ahead of forecast, both in terms of revenue and catch, to end the year below expectations. This was a disappointing outcome to what had been a promising year, particularly when fish prices were at their highest for the year during that last quarter.

On a more positive note, on 24 November 2010 the San Nikunau rescued three boys (two aged 15 and one 14 years) from Tokelau who had been lost at sea adrift for around 50 days. The San Nikunau was transiting through Fijian waters as it proceeded towards to New Zealand for survey when the small craft with the boys aboard was spotted by the vessel's crew. The San Nikunau diverted to pick up the craft and rescue the boys before then taking them to Fiji to receive the necessary medical attention. The three boys were extremely lucky to have been found as the vessel was on a course it would not normally have taken.



San Nanumea – main bull gear (weighing around 5 tonnes) being removed during gearbox repairs

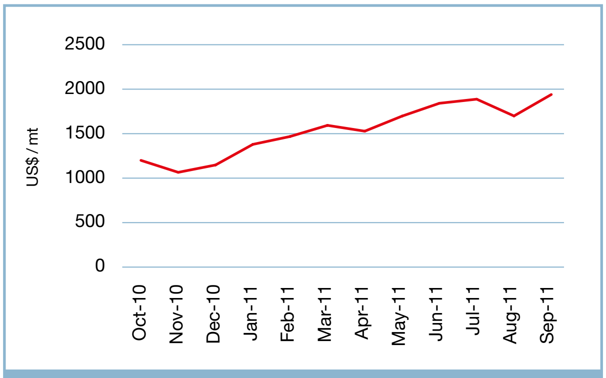
Boys from Tokelau after being rescued by the San Nikunau – near Fiji

New Zealand Seafood Segment

HOME

Pacific Tuna

As mentioned earlier, fish prices were much stronger compared to last year with the average price over the year for the benchmark grade of 4 to 7.5 lb skipjack tuna in the Bangkok market being US$1,534/mt compared to US$1,195/mt for the previous financial year. Although, as can be seen from the graph below, prices increased reasonably steadily across the year, there was considerable variation in pricing during this period. The Bangkok market price varied from a low of US$1,063/mt in November 2010 to a high of US$1,936/mt in September 2011, which was a new record average high just eclipsing the previous record of US$1,929/mt in August 2008.



Bangkok's 4 to 7.5 lb skipjack tuna prices

With the higher fish prices, revenues were improved to almost meet forecast despite catches being below expectations due to the delays which occurred to all three vessels during the last quarter. Had it not been for these delays, we would have been better placed to capitalise on the more buoyant pricing which was prevalent during this period and produced results more aligned with those forecast.

Fuel prices increased significantly compared to the previous year with the average bunker price ex-Singapore rising from just under US$645/mt for 2009/10 to just below US$882/mt for 2010/11. As can be seen from the graph below, fuel prices steadily increased from the beginning of the year with a low of around US$686/mt to reach a high of US$1,063/mt around mid-year, then decreasing slightly to range around US$950/mt, before closing the year at US$893/mt.

Marine Gas Oil (MGO) bunker price ex Singapore

San Nikunau – view from the crow's nest of stacking net whilst fishing in New Zealand waters

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Pacific Tuna

Challenges and Opportunities

As was highlighted in last year's report, one of the significant challenges for 2011 was to be the introduction of a new Conservation and Management Measure (CMM) to address overfishing on the bigeye and yellowfin tuna stocks as the current measure is due to expire at the end of this year. The annual meeting of the Western and Central Pacific Fisheries Commission (WCPFC), scheduled for Palau from 5 to 9 December 2011, has now been deferred so it is currently not clear when and where parties will need to decide on the adoption of a new CMM. Proposals for this new measure include many of the same conditions as the current specification but significant changes include, for the first time, placing a limit on skipjack tuna catches and increasing the length of the fish aggregating device (FAD) closure from three months to four months, as well as further closures of high-sea areas. It will be the responsibility of the WCPFC to determine which of these proposed stipulations are adopted as part of the CMM.

San Nikunau

Ongoing access to the waters of the Pacific Island Countries (PICs) with whom we have long-standing bilateral fishing agreements still remains a considerable challenge, particularly as those PICs who are also members of the Parties to the Nauru Arrangement (PNA) are now enforcing difficult restrictions under the Vessel Day Scheme (VDS) which is used as the means of controlling their fisheries' operations. The effect of each country imposing these hard limits is that countries such as Solomon Islands, Nauru and Tuvalu have all taken steps to close their waters to fishing for the remainder of the calendar year.

The challenge going forward, therefore, will be Sanford's ability to negotiate terms of access to provide sufficient fishing days within the waters of these countries to allow our vessels to operate efficiently throughout the year. The issue is the increase in capacity which has occurred within the WCPO, with the number of vessels having increased from 205 to around 285. This means greater competition for the days available to fish, particularly from the larger distant water-fishing nations such as Korea, China and Taiwan.

The operation continues to explore options to establish more secure longer-term arrangements. To this end the New Zealand Government has continued to assist and recently signed an Arrangement on Fisheries Co-operation with the governments of Kiribati, Tuvalu, Nauru and Solomon Islands. This agreement will provide a framework under which we can look to develop more suitable access terms with these countries.

Whilst the return on investment this year was below expectations the result was greatly impacted by the very unusual set of circumstances which occurred during the last quarter as reported above. Thanks must be given again to the dedication and hard work of the crew and staff, without whose efforts, this success would not have been possible.

Finance and Administration

HOME

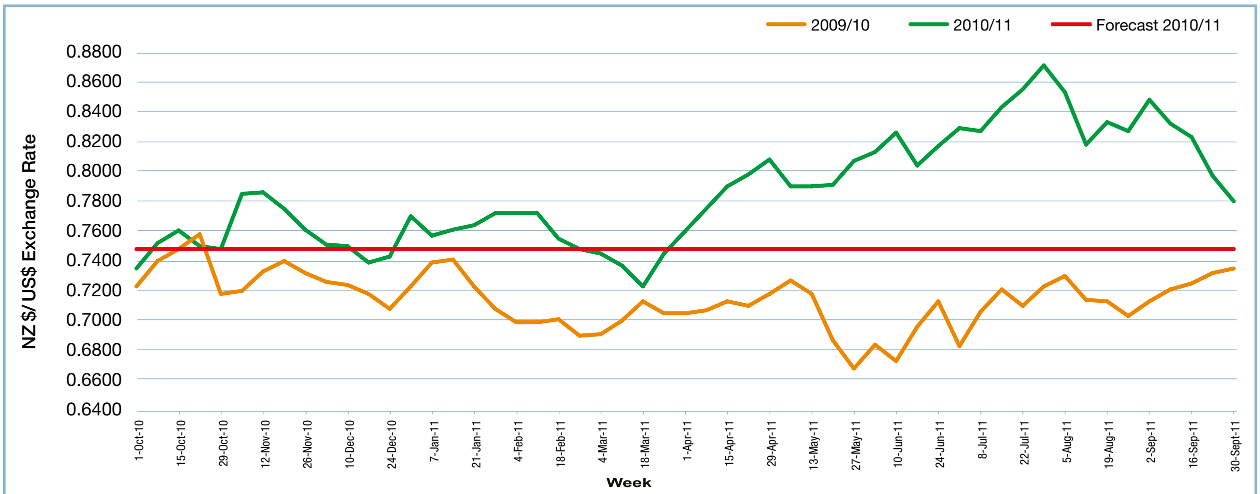
Dean McIntosh
General Manager Finance and Administration

It has been another busy and rewarding year for the finance and administration team. One of the main projects has been the integration of the Pacifica Seafoods business into the existing production, accounting and Information Technology (IT) systems which has progressed well. It was also pleasing to note our multilingual website went live in August 2011. The site has been translated into four languages Māori, Japanese, Korean and Mandarin and we are one of the few New Zealand companies that have achieved this.

A reasonably significant IT project to further develop and improve our catch landings and production systems is currently under way and will be progressively rolled out to each branch commencing in February 2012. One of the reasons for the upgrade is that there have been growing demands from Europe and other countries for increased traceability from product in the market place back to fish or shellfish in the sea. While we had the capability to provide most of this data, there are efficiency gains with the new system. At the same time, we will improve our back-up and disaster recovery plans to ensure the business risks are minimised in the event of a systems failure.

Foreign exchange rates, in particular the United States exchange rate, have been volatile, highlighting the difficult environment in which we operate. The NZ$/US$ exchange rate graph below compares the average monthly accounting exchange rate to forecast and the previous year. We continue to actively manage our foreign exchange currency risk using a mixture of forward contracts and zero-cost collar options. Our current treasury policy, adopted in 2009, requires an independent review every five years by a suitably qualified advisor. Due to the continued exchange rate volatility we will be undertaking the policy review in the early part of next year to ensure the current treasury policy strategies continue to meet the wider Company objectives.

Exchange Rate Analysis



US$ (Accounting) Exchange Rate

Finance and Administration

HOME

Interest rates have remained lower than anticipated and seem likely to remain at this low level for longer. We have hedged a portion of our interest rate exposures using interest rate swaps that expire progressively over the next one to five years.

Insurance renewal for the 2011/12 year has been challenging with the impact of market changes following the Canterbury earthquakes specifically affecting the property, plant and stock in storage insurance, which resulted in a 65% premium increase on these policies. We have been able to maintain full insurance cover that was previously in place, especially in the higher hazard areas of Christchurch and Havelock. However, there have been increases in the insurance deductibles for natural disaster events. Overall, insurance policy premiums for the 2011/2012 year increased by 20% on the equivalent cover held for 2010/2011. This was due to minimal or no increases on our vessel and liability policies where premiums were not affected by the Canterbury earthquakes.

Insurance claims against our property, plant and business interruption policies as a result of the Canterbury earthquakes amounted to approximately $800,000, which will be fully covered. Progress payments from our insurer are being made as the remedial work is carried out and will continue over the next few months.

We had 15 containers of frozen seafood in reefer containers on the vessel Rena which went aground on the Astrolabe Reef near Tauranga in the early hours of 5 October 2011. Once it was established that the product was ruined because of loss of refrigeration, full insurance liability was accepted by our marine cargo insurers and the proceeds were received in early November 2011.

Sanford has retained Accredited Employer Programme (AEP) accreditation with the Accident Compensation Corporation (ACC); we have been a member since its inception in July 2000. The AEP allows Sanford to share the risk with ACC by taking responsibility for the management of our employees' work-related injuries and related direct costs, in return for reduced ACC levies. This ensures the injured employee's well-being is prioritised by the Company and enables more flexibility in offering alternative duties or reduced hours on return to work until they fully recover. Being in the AEP focuses management on also ensuring the working environment for our staff is as safe as possible, with an emphasis on prevention. We are pleased with the progress that continues in this area and further information on our achievements can be found in the 2011 Sustainability Development Report.

In January 2011 we were invited to a focus group run by the Department of Labour policy group to look at ways the AEP could be expanded and made more business friendly. In June 2011 the Minister for ACC released a public consultation document entitled "Increasing Choice in Workplace Accident Compensation". This outlined the Government's plan to both expand the Partnership programme and introduce a choice of insurers to the Work Account in 2012. Subsequent workshops were organised by the Department of Labour on different aspects of the consultation; however, there has been no further information since the consultation closed in July 2011 and we await the outcome with interest.

Challenges and Opportunities

One of the main challenges for the coming year will be for the implementation of the IT project to run smoothly, be on time and to budget. In addition, we need to ensure our IT systems are robust so there is minimal disruption to the business in the event of a systems failure. Treasury management will, as always, be another challenge that we will be focusing on closely.

Opportunities exist to further refine the accounting and sustainability systems to ensure management receives timely and accurate information to make informed business decisions consistent with the overall Company strategies. We will look at technology changes that occur to gain efficiencies where possible and will continue to review major costs associated with communications to make certain we are receiving value for money.

I would like to thank the finance and administration teams throughout the Group for their support and tireless efforts during the year. Getting things done accurately and on time does not just happen. It is only with the experience and dedication of our administration staff that we have been able to achieve the results to date.

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

Eric Barratt
Managing Director

Managing Director's Statement

Welcome to Sanford's 2011 Sustainable Development Report. Our 12th report is aimed to provide a complete, accurate and interesting account of our environmental, social and economic performance throughout the year.

We have had a year of challenge and growth with the purchase of Pacifica Seafoods in November 2010 which included a mussel-processing plant in Christchurch along with a number of harvesting and marine farm vessels and employees based in Marlborough who have joined our Havelock branch. Merging an existing operation into a well-established company will always have its challenges; however, the tragic earthquakes that have affected Canterbury throughout 2011 have added unanticipated stress and disruption to this process. We are firmly committed to supporting our Christchurch employees, and I have been immensely proud of the number of Sanford workers from all locations willing to support their co-workers and the city of Christchurch in whatever way possible.

What Sustainability means to Sanford:

- Reducing environmental impacts and increasing resource efficiency
- Maintaining and enhancing community relationships
- Encouraging customer and consumer loyalty through supply reliability, and committing to process improvements and long-term returns
- Enhancing our business without compromising product quality, personal safety, economic growth or the sustainability of the environment and the community
- Leading and inspiring the New Zealand seafood industry
- Continuing to build a business that is strong and adaptable to the risks, challenges and opportunities which result from the changing environmental and business climate

Key achievements for 2011:

- A successful integration of Pacifica Seafoods into Sanford's workforce, systems and culture
- Beginning a long-term relationship with our Iwi Collective Partnership partners
- The Sanford 2010 Sustainable Development Report winning the ultimate best sustainability report as well as the sector award for best report by an NZX 50-listed company at the ACCA New Zealand 2011 Awards
- Being able to build our existing strategic business relationships to drive future growth
- Translating the Sanford website into Māori, Japanese, Korean and Mandarin

Eric Barratt
Managing Director

7 December 2011

Sustainable Development

Havelock Shutdown

During the factory shutdown, all Havelock staff took part in a successful training programme, highlights of which included:

- Six staff members were trained to become trainers so that examples and information relating specifically to the type of work conducted at Havelock could be used throughout the training programme
- 1,261 New Zealand Qualifications Authority (NZQA) unit standards were achieved
- 63 members of staff completed the NZQA National Certificate in Seafood Processing, Level 2
- A large number of non-unit-standard training courses were completed also, including: Environmental Awareness, Health and Safety, Food Safety and Chemical Awareness training. The branch called upon their local health nurse and team-building experts to assist as required

Also during this time more than 100 team members were, on full pay, engaged in community work from October through to December 2010. Team members were given the opportunity to have input into the choice of community projects that would be supported including those with which they already had an association; the community also made suggestions and requests.

The feedback received was fantastic and a number of articles were written in local newspapers noting the generosity of Sanford Havelock in lending its workers out but, more importantly, thanking the workers for their hard work and dedication to the tasks at hand.

Sanford Havelock workers who were part of a group of volunteers to help in the big clean-up of Canvastown after flooding in December 2010. Left to right: Robert Murdoch, Che Ritchie, Denis Marfell, George Grant and Jude Osmand

Image supplied by Derek Flynn/Marlborough Express

Relationship Building

In October 2010, Sanford entered a five-year partnership with the Iwi Collective Partnership (ICP). The ICP is a formally constituted body of 12 North Island iwi who have pooled their quota and, in respect to their deepwater and inshore ACE, have formally agreed to engage with Sanford over its use.

The Sanford-ICP partnership is based on six shared values and five key result areas on which we will work together to progress our respective and joint interests. Sanford and ICP are committed to ensuring that both iwi and Sanford shareholders benefit economically and socially from this agreement.

Mark Ngata (Ngati Porou) with Eric Barratt (Sanford) at the signing ceremony of the ICP agreement, February 2011

Sanford is committed to the relationship, which has been an easy fit for us. The iwi links with whanau and connections with the natural environment sit comfortably beside Sanford's philosophy and long-term goals. Both parties are committed to sustainable seafood catching and harvesting.

The values that form the base of our agreement are:

- Whanaungatanga – mutual respect and integrity
- Kotahitanga – building lasting relationships
- Makohakoha – high level of achievement through effective and efficient management practices and performance
- Manaakitanga – hospitality, support for one another, honest and open communication
- Kaitiakitanga/Sustainability – safe and careful management of our resources
- Whakaaronui – using our collective vision, creativity and innovativeness

Key Performance Indicators

	Unit	2007	2008	2009	2010	2011
Production						
Onshore production	tonnes	35,398	48,100	48,272	49,500	61,706
Fishmeal and oil produced	tonnes	860	1,080	3,768	5,192	4,437
Frozen-at-sea product	tonnes	14,949	35,184	34,409	28,168	30,677
Environmental						
Electricity consumed	kWhrs	23,915,880	24,491,708	25,911,076	29,365,399	31,213,114
Water used	m^3	591,356	713,001	757,472	771,960	1,062,487
Solid waste produced[1]	m^3			2,143	3,747	5,224
Coal consumed	kg	418,000	502,340	560,420	553,700	492,020
Liquid fossil fuels consumed	litres	18,341,852	28,032,781	27,054,288	26,362,099	25,733,866
Greenhouse Gas Emissions (CO_2-e)	tonnes	60,339	83,910	82,554	91,214	83,451
Lube oil used	litres	98,373	123,187	105,307	95,874	103,643
Social						
Land-based employees (full and part-time)		1,094	1,147	1,137	1,055	1,401
Vessel crew		368	360	437	471	448
Lost-time injury frequency rate[1]					17	15
Number of ACC claims accepted[1]					147	205
Average age of employees[1]	years				43.0	39.6
Average length of service[1]	years				7.1	5.1
Economic						
Revenue	$000	367,920	436,564	433,091	421,087	463,954
Profit (after tax) for the year	$000	20,135	53,344	39,075	25,004	22,286
Return on average total equity	%	4.0	10.2	7.3	4.5	4.1
New Zealand domestic purchases	$000	138,000	174,000	182,000	185,000	213,000
Dividend per share	cents	22	23	23	23	23
Earnings per share	cents	21.5	57.0	41.7	26.7	23.8
Charitable donations & community investment	$000	225.0	223.9	319.0	300.1	319.2
Business						
New Zealand quota share	%	24.29	24.80	23.58	23.53	23.44
Export sales[1]	tonnes		89,682	69,725	78,384	73,392
Local sales[1]	tonnes		12,986	15,689	20,169	23,237
Aquaculture space owned[1]	hectares				1,233	1,667
Vessels owned[1]					47	54
TEU containers shipped[1]					3,784	4,959

[1] Prior year's data were not recorded.
2011 data includes 10 months from the Pacifica Seafoods acquisition.

Further details on all indicators are included in the 2011 Sustainable Development Report.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Financial Statements

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The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2011.

For and on behalf of the Board of Directors:

J G Todd
Chairman

30 November 2011

E F Barratt
Managing Director

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Five Year Financial Review

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	2011	2010	2009	2008	2007
	$000	$000	$000	$000	$000
Revenue	**463,954**	**421,087**	**433,091**	**436,564**	**367,920**
EBITDA*	**49,244**	**49,057**	**68,366**	**65,874**	**52,197**
Depreciation, amortisation and impairment	(16,255)	(13,754)	(14,892)	(22,359)	(13,635)
EBIT	**32,989**	**35,303**	**53,474**	**43,515**	**38,562**
Net interest	(10,607)	(5,780)	(6,788)	(10,021)	(11,109)
Net currency exchange gains (losses)	10,196	7,836	8,387	5,505	(10,511)
Net gain (loss) on sale of investments, property, plant and equipment	52	409	(35)	29,749	425
Gain on sale of subsidiaries	–	–	–	–	7,528
Profit before income tax	**32,630**	**37,768**	**55,038**	**68,748**	**24,895**
Income tax (expense)	(10,320)	(12,743)	(15,899)	(15,328)	(4,865)
Profit for the year	**22,310**	**25,025**	**39,139**	**53,420**	**20,030**
Non controlling interest	(24)	(21)	(64)	(76)	105
Profit attributable to equity holders of the Group	**22,286**	**25,004**	**39,075**	**53,344**	**20,135**
Equity					
Paid in capital	95,355	95,355	95,355	95,355	95,355
Reserves	453,575	456,214	452,575	430,491	423,688
Non controlling interest	553	633	591	523	443
Total equity	**549,483**	**552,202**	**548,521**	**526,369**	**519,486**
Represented by:					
Current assets	118,875	139,049	124,488	109,837	118,971
Less current liabilities	58,760	89,023	67,828	44,891	50,353
Working capital	**60,115**	**50,026**	**56,660**	**64,946**	**68,618**
Property, plant and equipment	131,893	107,685	113,195	106,760	109,965
Investments	11,567	10,981	21,319	20,581	57,082
Term receivable	–	–	2,749	6,419	4,752
Biological assets	8,423	6,730	5,574	5,039	4,300
Intangible assets	508,925	454,850	453,564	415,768	409,035
	720,923	630,272	653,061	619,513	653,752
Less non-current liabilities	171,440	78,070	104,540	93,144	134,266
Total net assets	**549,483**	**552,202**	**548,521**	**526,369**	**519,486**
Dividend per share (cents)	23†	23†	23†	23†	22†
Dividend cover	1.1†	1.2†	1.8†	2.5†	1.0†
Return on average total equity	4.1%	4.5%	7.3%	10.2%	4.0%
Earnings per share (cents)	23.8	26.7	41.7	57	21.5
Net asset backing per share	$5.87	$5.90	$5.86	$5.62	$5.55

* 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.

† Includes the dividends proposed after balance date.

SANFORD LIMITED
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Income Statement

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for the year ended 30 September 2011

		Group		Parent	
		2011	2010	**2011**	2010
	Note	**$000**	$000	**$000**	$000
Revenue	5	463,954	421,087	414,018	368,445
Cost of sales		(388,622)	(351,654)	(338,259)	(298,674)
Gross profit		**75,332**	**69,433**	**75,759**	**69,771**
Other income	6	5,896	8,558	2,698	5,033
Distribution expenses		(30,365)	(26,186)	(30,365)	(26,186)
Administrative expenses	7	(13,653)	(10,446)	(11,713)	(8,619)
Other expenses	7	(5,388)	(4,699)	(5,170)	(4,631)
Operating profit		**31,822**	**36,660**	**31,209**	**35,368**
Finance income	8	10,544	8,396	11,747	9,573
Finance expenses	8	(10,909)	(6,246)	(10,909)	(6,246)
Net finance income		**(365)**	**2,150**	**838**	**3,327**
Share of profit (loss) of equity accounted investees	13	1,173	(1,042)	–	–
Profit before income tax		**32,630**	**37,768**	**32,047**	**38,695**
Income tax (expense)	9	(10,320)	(12,743)	(10,299)	(12,204)
Profit for the year		**22,310**	**25,025**	**21,748**	**26,491**
Attributable to:					
Equity holders of the Group		22,286	25,004	21,748	26,491
Non controlling interest		24	21	–	–
		22,310	**25,025**	**21,748**	**26,491**
Earnings per share					
Basic and diluted earnings per share (cents)	21	23.8	26.7		

SANFORD LIMITED
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Statement of Comprehensive Income

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for the year ended 30 September 2011

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Profit for the year (after tax)	**22,310**	**25,025**	**21,748**	**26,491**
Other comprehensive income				
Foreign currency translation differences	(541)	1,584	–	–
Change in fair value of cash flow hedges	(4,079)	(1,991)	(4,079)	(1,991)
Income tax on cash flow hedges	1,220	597	1,220	597
Total other comprehensive (loss) income for the year	**(3,400)**	**190**	**(2,859)**	**(1,394)**
Total comprehensive income for the year	**18,910**	**25,215**	**18,889**	**25,097**
Total comprehensive income for the year is attributable to:				
Equity holders of the Group	18,895	25,173	18,889	25,097
Non controlling interest	15	42	–	–
Total comprehensive income for the year	**18,910**	**25,215**	**18,889**	**25,097**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Financial Position

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as at 30 September 2011

	Note	Group		Parent	
		2011	2010	**2011**	2010
		$000	$000	**$000**	$000
Equity					
Paid in capital		95,355	95,355	95,355	95,355
Retained earnings		450,887	450,135	425,876	425,662
Other reserves		2,688	6,079	(138)	2,721
Total equity attributable to shareholders of the Company		**548,930**	**551,569**	**521,093**	**523,738**
Non controlling interest		553	633	–	–
Total equity	19	**549,483**	**552,202**	**521,093**	**523,738**
Non-current liabilities					
Bank loans (secured)	23	165,000	70,000	165,000	70,000
Advances from subsidiary companies	27	–	–	67,304	67,608
Deferred taxation	15	6,440	8,070	6,573	8,025
Total non-current liabilities		**171,440**	**78,070**	**238,877**	**145,633**
Current liabilities					
Bank overdraft and borrowings (secured)	18	20,374	5,824	19,800	5,000
Bank loans (secured)	23	–	50,000	–	50,000
Derivative financial instruments		1,734	708	1,734	708
Trade creditors		11,949	13,053	11,294	11,811
Other creditors, provisions and accruals		15,777	11,347	13,951	10,504
Employee entitlements		8,459	6,346	8,328	6,168
Taxation payable		467	1,745	155	1,719
Total current liabilities		**58,760**	**89,023**	**55,262**	**85,910**
Total liabilities		**230,200**	**167,093**	**294,139**	**231,543**
Total equity and liabilities		**779,683**	**719,295**	**815,232**	**755,281**
Non-current assets					
Property, plant and equipment	10	131,893	107,685	130,719	107,668
Investments	13,14	11,567	10,981	51,697	51,316
Biological assets	12	8,423	6,730	8,423	6,730
Intangible assets	11	508,925	454,850	493,459	437,154
Advances to subsidiary companies	27	–	–	20,481	22,757
Total non-current assets		**660,808**	**580,246**	**704,779**	**625,625**
Current assets					
Cash on hand and at bank	18	2,693	10,242	1,177	8,533
Trade debtors	17	49,773	54,294	46,061	49,249
Derivative financial instruments		224	4,813	224	4,813
Other debtors and prepayments		7,254	11,454	4,668	9,272
Current portion of term receivable		–	2,685	–	2,685
Biological assets	12	8,796	6,571	8,796	6,571
Intangible assets	11	–	3,417	–	3,417
Inventories	16	50,135	45,573	49,527	45,116
Total current assets		**118,875**	**139,049**	**110,453**	**129,656**
Total assets		**779,683**	**719,295**	**815,232**	**755,281**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Cash Flows

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for the year ended 30 September 2011

	Note	Group		Parent	
		2011	2010	**2011**	2010
		$000	$000	**$000**	$000
Cash flows from operating activities					
Cash provided from:					
Receipts from customers		488,745	421,599	434,704	367,424
Interest received		305	444	583	627
Dividends received		46	94	46	23
		489,096	422,137	435,333	368,074
Cash applied to:					
Payments to suppliers and employees		418,826	375,376	367,218	320,603
Income tax paid		11,961	9,397	11,931	9,397
Interest paid		9,807	5,993	9,807	5,993
		440,594	390,766	388,956	335,993
Net cash flows from operating activities	26	**48,502**	**31,371**	**46,377**	**32,081**
Cash flows from investing activities					
Cash provided from:					
Disposal of property, plant and equipment		665	781	332	781
Sale of intangible assets		5,537	–	3,843	–
Sale of investments and subsidiaries		–	8,507	–	–
Loans repaid by related parties		–	–	2,012	6,766
Dividends received from associates		910	767	910	767
Repayment of term receivable		3,062	2,871	3,062	2,871
		10,174	12,926	10,159	11,185
Cash applied to:					
Purchase of property, plant and equipment		17,502	8,425	15,510	7,683
Pacifica Seafoods acquisition	30	85,651	–	85,651	–
Purchase of intangible assets		1,005	4	1,005	4
Acquisition of other investments		–	52	–	–
		104,158	8,481	102,166	7,687
Net cash flows from investing activities		**(93,984)**	**4,445**	**(92,007)**	**3,498**
Cash flows from financing activities					
Cash provided from:					
Proceeds from borrowings		85,000	20,000	85,000	20,000
Cash applied to:					
Repayment of term loan		40,000	–	40,000	–
Dividends paid to parent shareholders		21,534	21,534	21,534	21,534
Dividends paid to non controlling shareholders in subsidiaries		96	–	–	–
		61,630	21,534	61,534	21,534
Net cash flows from financing activities		**23,370**	**(1,534)**	**23,466**	**(1,534)**
Net increase (decrease) in cash and cash equivalents		**(22,112)**	**34,282**	**(22,164)**	**34,045**
Effect of exchange rate fluctuations on cash held		13	19	8	28
Cash and cash equivalents at beginning of year		4,418	(29,883)	3,533	(30,540)
Cash and cash equivalents at 30 September		**(17,681)**	**4,418**	**(18,623)**	**3,533**
Represented by:					
Bank overdraft and borrowings at call		(20,374)	(5,824)	(19,800)	(5,000)
Cash on hand and at bank		2,693	10,242	1,177	8,533
	18	**(17,681)**	**4,418**	**(18,623)**	**3,533**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Changes in Equity

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for the year ended 30 September 2011

Group	Note	Share Capital $000	Translation Reserve $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total Equity $000
Balance at 1 October 2010		**95,355**	**3,358**	**2,721**	**450,135**	**551,569**	**633**	**552,202**
Profit for the year (after tax)		–	–	–	22,286	22,286	24	22,310
Other comprehensive income								
Foreign currency translation differences		–	(532)	–	–	(532)	(9)	(541)
Change in fair value of cash flow hedges		–	–	(4,079)	–	(4,079)	–	(4,079)
Income tax on cash flow hedges		–	–	1,220	–	1,220	–	1,220
Total comprehensive income		**–**	**(532)**	**(2,859)**	**22,286**	**18,895**	**15**	**18,910**
Distributions to shareholders	20	–	–	–	(21,534)	(21,534)	(95)	(21,629)
Balance at 30 September 2011		**95,355**	**2,826**	**(138)**	**450,887**	**548,930**	**553**	**549,483**
Balance at 1 October 2009		**95,355**	**1,795**	**4,115**	**446,665**	**547,930**	**591**	**548,521**
Profit for the year (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		–	–	(1,991)	–	(1,991)	–	(1,991)
Income tax on cash flow hedges		–	–	597	–	597	–	597
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**

Parent	Note	Share Capital $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 October 2010		**95,355**	**2,721**	**425,662**	**523,738**
Profit for the year (after tax)		–	–	21,748	21,748
Other comprehensive income					
Change in fair value of cash flow hedges		–	(4,079)	–	(4,079)
Income tax on cash flow hedges		–	1,220	–	1,220
Total comprehensive income		**–**	**(2,859)**	**21,748**	**18,889**
Distributions to shareholders	20	–	–	(21,534)	(21,534)
Balance at 30 September 2011		**95,355**	**(138)**	**425,876**	**521,093**
Balance at 1 October 2009		**95,355**	**4,115**	**420,705**	**520,175**
Profit for the year (after tax)		–	–	26,491	26,491
Other comprehensive income					
Change in fair value of cash flow hedges		–	(1,991)	–	(1,991)
Income tax on cash flow hedges		–	597	–	597
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**

Notes to the Financial Statements

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for the year ended 30 September 2011

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 2011.

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)
- Fair value assessment of Pacifica Seafoods (refer note 30)

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

The accounting policies adopted are consistent with those of the previous financial year.

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. Transaction costs of acquisitions are expensed as incurred and recognised in the Income Statement.

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

Note 3 – Significant Accounting Policies (continued)

(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 are 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 or when purchased through business combinations are initially valued at fair value.

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.

Notes to the Financial Statements

for the year ended 30 September 2011

Note 3 – Significant Accounting Policies (continued)

(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.

(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. Lease 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:

	2011	2010
	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.

Note 3 – Significant Accounting Policies (continued)

(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 cashflows 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 which is the greater of its value in use and its fair value less cost to sell. 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.

(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 date. Where the fair value of equity investments cannot be reliably determined then the investments are recorded at cost.

(l) Investments in subsidiaries

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

Notes to the Financial Statements

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for the year ended 30 September 2011

Note 3 – Significant Accounting Policies (continued)

(m) Income tax

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

(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.

Notes to the Financial Statements

for the year ended 30 September 2011

Note 3 – Significant Accounting Policies (continued)

(t) Employee benefits

(i) Defined contribution plans

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

(ii) Long service leave

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

(iii) Short-term benefits

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

(u) Segment reporting

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 2011, and have not been applied in preparing these consolidated Financial Statements. The following accounting standards are not yet effective:

NZ IFRS 9 Financial Instruments
NZ IFRS 10 Consolidated Financial Statements
NZ IFRS 11 Joint Arrangements
NZ IFRS 12 Disclosure of Interest in Other Entities
NZ IFRS 13 Fair Value Measurement
NZ IAS 19 Employee Benefits
NZ IAS 28 Investment in Associates and Joint Ventures

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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for the year ended 30 September 2011

Note 4 – Segment Reporting

NZ IFRS 8 Operating Segments 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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Total external revenues	422,984	377,456	40,970	43,631	–	–	463,954	421,087
Inter-segment revenue	994	1,315	–	–	(994)	(1,315)	–	–
Segment revenue	423,978	378,771	40,970	43,631	(994)	(1,315)	463,954	421,087
Segment profit for the year	**20,934**	**25,546**	**163**	**471**	**40**	**50**	**21,137**	**26,067**
Share of profit (loss) of equity accounted investees							1,173	(1,042)
Reported profit for the year							**22,310**	**25,025**

(b) Revenue by Geographical Location of Customers

	2011	2010
	$000	$000
New Zealand	58,031	61,813
Australia	82,922	82,905
Europe	61,088	51,220
North America	76,176	69,318
Japan	27,966	32,025
China/Hong Kong	28,929	25,879
Korea	53,882	48,286
Other Asia	17,853	19,434
Other	57,107	30,207
Revenue	**463,954**	**421,087**

Note 4 – Segment Reporting (continued)

(c) Assets and liabilities

	New Zealand		Australia		Total	
	2011	2010	**2011**	2010	**2011**	2010
	$000	$000	**$000**	$000	**$000**	$000
Segment assets	744,942	681,900	23,237	26,529	768,179	708,429
Investment in equity accounted investees	11,504	10,866	–	–	11,504	10,866
Total assets	**756,446**	**692,766**	**23,237**	**26,529**	**779,683**	**719,295**
Segment liabilities	203,947	138,440	26,253	28,653	230,200	167,093
Total liabilities	**203,947**	**138,440**	**26,253**	**28,653**	**230,200**	**167,093**
Capital expenditure	102,207	7,715	1,962	768	104,169	8,483
Depreciation	15,923	13,433	332	321	16,255	13,754

Note 5 – Revenue

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Sale of goods	463,954	421,087	414,018	368,445
Total revenue	**463,954**	**421,087**	**414,018**	**368,445**

Note 6 – Other Income

		Group		Parent	
		2011	2010	**2011**	2010
	Note	**$000**	$000	**$000**	$000
New Zealand units (ETS) income	11	26	3,417	26	3,417
Commissions received		2,545	2,929	20	277
Net gain on sale of property, plant and equipment and investments		52	409	83	476
Sundry income		3,273	1,803	2,569	863
		5,896	**8,558**	**2,698**	**5,033**

Notes to the Financial Statements

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for the year ended 30 September 2011

Note 7 – Expenses

	Note	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
(a) Administrative and other expenses					
Directors' fees		349	316	349	316
Donations		84	40	82	38
Audit fees – KPMG		165	152	112	105
KPMG fees for other services		–	–	–	–
Leasing Charges		3,180	2,725	2,757	2,226
Bad debts written off		620	15	450	15
Increase in doubtful debts provision		21	157	8	–
(b) Personnel expenses					
Wages and salaries		97,188	84,498	94,584	80,888
(c) Movement in biological assets					
Change in fair value of biological assets (gain)	12	(262)	(1,086)	(262)	(1,086)

Note 8 – Finance Income and Expenses

	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
Finance income				
Interest income	303	466	580	649
Dividend	46	94	957	790
Net foreign exchange gain	10,195	7,836	10,210	8,134
	10,544	**8,396**	**11,747**	**9,573**
Finance expenses				
Interest rate swaps fair value movement	802	337	802	337
Interest expense on bank loans and bank overdraft	10,107	5,909	10,107	5,909
	10,909	**6,246**	**10,909**	**6,246**
Net finance (expense) income	**(365)**	**2,150**	**838**	**3,327**

Notes to the Financial Statements

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for the year ended 30 September 2011

Note 9 – Income Tax Expense

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
(a) Income tax expense				
Current period	**10,780**	**9,358**	**10,568**	**9,423**
Adjustment for prior periods	(50)	(743)	(37)	(739)
	10,730	**8,615**	**10,531**	**8,684**
Deferred tax expense				
Origination and reversal of temporary differences	(419)	1,909	(240)	1,309
Adjustments for prior periods	(93)	677	(94)	669
Reduction in tax rate	102	(449)	102	(449)
Effect of buildings no longer depreciable	–	1,991	–	1,991
Income tax expense	**10,320**	**12,743**	**10,299**	**12,204**
(b) Reconciliation of effective tax rate				
Profit for the year	22,310	25,025	21,748	26,491
Income tax expense	10,320	12,743	10,299	12,204
Profit before income tax	**32,630**	**37,768**	**32,047**	**38,695**
Tax at current rate of 30%	**9,789**	**11,330**	**9,614**	**11,609**
Non-deductible expenses	674	235	618	235
Non-taxable New Zealand units (ETS) income	–	(1,025)	(11)	(1,025)
Non-taxable income – other	(11)	(107)	–	(86)
Utilisation of tax losses previously unrecognised	(39)	(169)	–	–
Over provided in prior periods	(312)	(66)	(132)	(70)
Effect of future change in tax rate (30% to 28%)	102	(449)	102	(450)
Effect of buildings no longer depreciable	–	1,991	–	1,991
Attributed income	108	–	108	–
Other	9	1,003	–	–
	531	**1,413**	**685**	**595**
Income tax expense	**10,320**	**12,743**	**10,299**	**12,204**
(c) Imputation credit account				
Balance at beginning of year	62,276	63,008		
Tax payments	11,408	8,833		
Imputation credits attached to dividends received	292	250		
Imputation credits attached to dividends paid	(9,045)	(9,815)		
Balance at 30 September	**64,931**	**62,276**		

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

In May 2010 the Government announced a reduction in the company tax rate to 28% and the removal of depreciation deductions for buildings. Both of these changes are effective for the 2011/2012 income year. In accordance with NZ IAS 12 the Company has re-measured its deferred tax liability to reflect these changes.

Note 10 – Property, Plant and Equipment

	Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
Group 2011						
Cost						
Balance at beginning of year	1,743	11,441	39,542	158,367	97,855	308,948
Additions	1,222	8,301	626	4,896	26,049	41,094
Disposals	(203)	(401)	–	(899)	(1,230)	(2,733)
Effect of movements in exchange rates	(2)	(97)	72	(10)	(39)	(76)
Balance at end of year	2,760	19,244	40,240	162,354	122,635	347,233
Accumulated depreciation and impairment						
Balance at beginning of year	(85)	(7,397)	(19,214)	(108,643)	(65,924)	(201,263)
Depreciation	–	(668)	(1,450)	(6,644)	(7,443)	(16,205)
Disposals	89	159	–	706	1,174	2,128
Balance at end of year	4	(7,906)	(20,664)	(114,581)	(72,193)	(215,340)
Net book value at 30 September 2011	**2,764**	**11,338**	**19,576**	**47,773**	**50,442**	**131,893**
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**

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for the year ended 30 September 2011

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 2011						
Cost						
Balance at beginning of year	1,542	10,994	39,542	157,045	93,528	302,651
Additions	1,222	8,301	626	4,883	24,026	39,058
Disposals	–	–	–	(899)	(1,230)	(2,129)
Balance at end of year	2,764	19,295	40,168	161,029	116,324	339,580
Accumulated depreciation and impairment						
Balance at beginning of year	–	(7,289)	(19,142)	(105,821)	(62,731)	(194,983)
Depreciation	–	(668)	(1,450)	(6,590)	(7,051)	(15,759)
Disposals	–	–	–	706	1,175	1,881
Balance at end of year	–	(7,957)	(20,592)	(111,705)	(68,607)	(208,861)
Net book value at 30 September 2011	**2,764**	**11,338**	**19,576**	**49,324**	**47,717**	**130,719**
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**

Note 11 – Intangible Assets

	NZ Units – Emissions Trading Scheme	Intellectual Property	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000	$000	$000
Group 2011					
Carrying amount					
Balance at beginning of year	3,417	–	417,480	37,370	458,267
Acquisitions	–	425	1,210	55,120	56,755
Amortisation	–	(50)	–	–	(50)
Disposals	(3,417)	–	(2,094)	–	(5,511)
Effect of movements in exchange rates	–	–	(536)	–	(536)
Carrying amount at 30 September 2011	**–**	**375**	**416,060**	**92,490**	**508,925**
Non-current	–	375	416,060	92,490	508,925
Current	–	–	–	–	–
	–	**375**	**416,060**	**92,490**	**508,925**
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**

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 and classified as a current asset. All units were sold on 21 December 2010 resulting in a gain on sale of $0.03m which was taken to the Income Statement.

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	Intellectual Property	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000	$000	$000
New Zealand Seafood	–	375	400,604	92,490	493,469
Australia Seafood	–	–	15,456	–	15,456
	–	**375**	**416,060**	**92,490**	**508,925**

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 6.8% and 7.4% were applied. Future cash flows were projected for 5 years and terminal growth rates of between 3% and 4% were applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecast for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cashflows in the terminal year.

The Australian CGU applied similar assumptions to those stated above. Some assets were tested for impairment at fair value less estimated disposal costs.

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	Intellectual Property	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000	$000	$000
Parent 2011					
Carrying amount					
Balance at beginning of year	3,417	–	399,784	37,370	440,571
Acquisitions	–	425	1,210	55,120	56,755
Amortisation	–	(50)	–	–	(50)
Disposals	(3,417)	–	(400)	–	(3,817)
Carrying amount at 30 September 2011	**–**	**375**	**400,594**	**92,490**	**493,459**
Non-current	–	375	400,594	92,490	493,459
Current	–	–	–	–	–
	–	**375**	**400,594**	**92,490**	**493,459**
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**

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Note 12 – Biological Assets

	Mussels $000	Oysters $000	Salmon $000	Total $000
Group and Parent 2011				
Balance at beginning of year	7,440	395	5,466	13,301
Change in fair value less estimated costs to sell	15,932	670	5,129	21,731
Increase due to acquisitions	3,656	–	–	3,656
Harvested produce transferred to inventories	(15,305)	(940)	(5,224)	(21,469)
Balance at 30 September 2011	**11,723**	**125**	**5,371**	**17,219**
Non-current	5,748	–	2,675	8,423
Current	5,975	125	2,696	8,796
	11,723	**125**	**5,371**	**17,219**
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**

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 2011 $000	Group 2010 $000
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:		
Current assets	14,987	11,749
Non-current assets	45,027	46,623
Total assets	**60,014**	**58,372**
Current liabilities	7,119	6,282
Non-current liabilities	20,071	23,813
Total liabilities	**27,190**	**30,095**
Revenue	46,086	33,733
Expenses	(43,344)	(38,115)
Profit (loss)	**2,742**	**(4,382)**
(b) Movements in carrying value of equity accounted investees:		
Balance at beginning of year	10,866	12,659
Share of profit	1,173	(1,042)
Dividends from associates	(911)	(767)
Acquisitions	376	–
Other	–	16
Balance at 30 September	**11,504**	**10,866**

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Note 14 – Other Investments

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Shares in other companies	63	115	63	30
Shares in subsidiaries	–	–	41,244	41,238
Shares in associates at cost	–	–	10,390	10,048
	63	**115**	**51,697**	**51,316**

Note 15 – Deferred Taxation

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
(a) Unrecognised deferred tax assets				
Net tax losses – Australia	2,293	2,292	–	–

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	
	2011	2010	**2011**	2010	**2011**	2010
	$000	$000	**$000**	$000	**$000**	$000
Group						
Property, plant and equipment	–	–	(4,852)	(5,254)	(4,852)	(5,254)
Investments	–	–	–	–	–	–
Intangible assets	–	–	(4,283)	(2,961)	(4,283)	(2,961)
Trade debtors	62	43	–	–	62	43
Term receivable	–	–	–	(21)	–	(21)
Derivative financial instruments	54	–	–	(1,166)	54	(1,166)
Other debtors and prepayments	–	–	–	(22)	–	(22)
Biological assets	–	–	(599)	(2,272)	(599)	(2,272)
Other liabilities	3,178	3,583	–	–	3,178	3,583
Deferred tax assets (liabilities)	**3,294**	**3,626**	**(9,734)**	**(11,696)**	**(6,440)**	**(8,070)**
Parent						
Property, plant and equipment	–	–	(4,871)	(5,055)	(4,871)	(5,055)
Intangible assets	–	–	(4,283)	(2,961)	(4,283)	(2,961)
Trade debtors	2	–	–	–	2	–
Term receivable	–	–	–	(21)	–	(21)
Derivative financial instruments	54	–	–	(1,166)	54	(1,166)
Biological assets	–	–	(599)	(2,272)	(599)	(2,272)
Other liabilities	3,124	3,450	–	–	3,124	3,450
Deferred tax assets (liabilities)	**3,180**	**3,450**	**(9,753)**	**(11,475)**	**(6,573)**	**(8,025)**

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Note 15 – Deferred Taxation (continued)

(c) Movement in temporary differences during the year

	Balance 30 Sept 2010	Recognised in Income Statement	Recognised in Other Comprehensive Income	**Balance 30 Sept 2011**
	$000	$000	$000	**$000**
Group 2011				
Property, plant and equipment	(5,254)	402	–	(4,852)
Intangible assets	(2,961)	(1,322)	–	(4,283)
Trade debtors	43	19	–	62
Term receivable	(21)	21	–	–
Derivative financial instruments	(1,166)	–	1,220	54
Other debtors and prepayments	(22)	22	–	–
Biological assets	(2,272)	1,673	–	(599)
Other liabilities	3,583	(405)	–	3,178
Net deferred tax (liability) asset	**(8,070)**	**410**	**1,220**	**(6,440)**
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)
Trade creditors	–	–	–	–
Other liabilities	3,889	(306)	–	3,583
Net deferred tax (liability) asset	**(4,540)**	**(4,127)**	**597**	**(8,070)**
Parent 2011				
Property, plant and equipment	(5,055)	184	–	(4,871)
Intangible assets	(2,961)	(1,322)	–	(4,283)
Trade debtors	–	2	–	2
Term receivable	(21)	21	–	–
Derivative financial instruments	(1,166)	–	1,220	54
Biological assets	(2,272)	1,673	–	(599)
Other liabilities	3,450	(326)	–	3,124
Net deferred tax (liability) asset	**(8,025)**	**232**	**1,220**	**(6,573)**
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)
Trade creditors	–	–	–	–
Other liabilities	3,755	(305)	–	3,450
Net deferred tax (liability) asset	**(5,103)**	**(3,519)**	**597**	**(8,025)**

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	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Fish	40,996	38,835	40,404	38,385
Packaging, fishing gear, fuel and stores	9,139	6,738	9,123	6,731
	50,135	**45,573**	**49,527**	**45,116**

Note 17 – Trade Debtors

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Trade debtors	49,773	54,294	45,311	49,021
Trade debtors due from related parties	–	–	750	228
	49,773	**54,294**	**46,061**	**49,249**

Note 18 – Cash and Cash Equivalents

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Cash on hand and at bank	2,693	10,242	1,177	8,533
Bank overdraft and borrowings at call (secured)	(20,374)	(5,824)	(19,800)	(5,000)
	(17,681)	**4,418**	**(18,623)**	**3,533**

Interest rates applicable on call deposits range from 0% – 3.0% (2010: 0% – 3.0%).

Interest rates applicable on the bank overdraft and borrowings range from 3.5% – 4.0% (2010: 3.32% – 4.75%).

Included within the bank overdraft and borrowings is $19.8m relating to working capital facilities. The total facilities available are $45m expiring April 2012.

Bank overdraft and borrowings are secured by a general security interest over property and a mortgage over quota shares.

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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 and 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	
	2011	2010
	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. 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.

Note 20 – Dividends

	2011	2010
	$000	$000
The following dividends were declared and paid by the Company for the year ended 30 September: $0.23 per ordinary share (2010: $0.23)	21,534	21,534

On 30 November 2011 the Directors proposed a final dividend of 14 cents per share to be paid on 19 December 2011. This dividend has not been provided for in the accounts at 30 September 2011.

Note 21 – Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 September 2011 was based on the profit attributable to ordinary shareholders of $22.286m (2010: $25.004m) and a weighted average number of ordinary shares outstanding of 93,626,735 (2010: 93,626,735).

(b) Profit attributable to ordinary shareholders

	2011	2010
	$000	$000
Net profit attributable to ordinary shareholders	22,286	25,004

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

The Group does not generally require collateral in respect of trade and other receivables. 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.

The Group has credit insurance in respect of its largest customer for USD8.4m. At balance date the Group's exposure in respect of this debt is USD4.8m which comprised 11.5% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 40% 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 Statement of Financial Position.

(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.

(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 probably forecast transactions affected profit or loss.

As at 30 September 2011, the foreign exchange contracts designated in a hedge relationship had a fair value of $0.001m (2010: $4.813m).

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

At balance date the Group has trade debtors of USD10.473m – NZD13.698m (2010: USD22.726m – NZD30.882m), AUD3.610m – NZD4.599m (2010: AUD2.907m – NZD3.819m), JPY153.332m – NZD2.618m (2010: JPY40.464m – NZD0.658m), GBP0.114m – NZD0.233m (2010: GBP0.112m – NZD0.241m), EUR 0.422m – NZD0.747m (2010: EUR 0.348m – NZD0.643m), trade creditors of USD1.274m – NZD1.571m (2010: USD2.052m – NZD2.798m) and cash of USD-0.056m – NZD-0.073m (2010: USD0.234m – NZD0.318m), JPY19.562m – NZD0.334m (2010: JPY23.417m – NZD0.381m) and AUD0.261m – NZD0.332m (2010: AUD0.163m – NZD0.214m) 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.

Note 22 – Financial Instruments (continued)

(e) Interest rate risk

The Group is exposed to interest rate risk primarily through its cash balances, borrowings at call and term loans. The Group generally adopts a policy of ensuring that its exposure to changes in interest rates on short term borrowings is on a floating interest rate basis and its policy for long term loans is to hedge 25% to 75% by using interest rate swaps to hedge the floating rate debt. At balance date the Group has interest rate swaps of $25m maturing in May 2012, $25m maturing in May 2013, $25m maturing in June 2013, $10m maturing in August 2014 and $15m maturing in August 2015 (2010: $25m maturing in June 2013, $10m maturing in August 2014 and $15m maturing in August 2015). The fair value of interest rate swaps at year end is $(1.5m) (2010: $(0.7m)).

(f) Other market price risk

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

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

QUANTITATIVE DISCLOSURES

(g) Credit risk

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

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

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

	Group	
	2011	2010
	$000	$000
New Zealand	18,273	15,488
Australia	9,654	10,122
Europe	7,786	11,121
North America	12,379	20,755
Japan	4,374	2,121
Other	4,561	6,141
Trade and other receivables	**57,027**	**65,748**

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

	Gross Receivables	Impairment	Gross Receivables	Impairment
	2011	**2011**	2010	2010
	$000	**$000**	$000	$000
Not past due	39,480	–	45,463	–
Past due 0 – 30 days	7,925	–	7,058	–
Past due 31 – 120 days	2,111	(8)	829	–
Past due 121 – 365 days	217	–	813	(184)
Past due more than 1 year	256	(208)	315	–
	49,989	**(216)**	**54,478**	**(184)**

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Note 22 – Financial Instruments (continued)

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

	2011	2010
	$000	$000
Gross trade receivables	49,989	54,478
Individual impairment	(216)	(184)
Trade receivables net	**49,773**	**54,294**

(h) Liquidity risk

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

	Statement of Financial Position	Contractual Cash Flows	6 months or less	6–12 months	1–2 years	2–5 years
	$000	$000	$000	$000	$000	$000
Group 2011						
Bank loans	165,000	181,644	3,186	3,510	8,240	166,708
Trade creditors	11,949	11,949	11,949	–	–	–
Other creditors	15,777	15,777	15,777	–	–	–
Bank overdraft	20,374	20,374	20,374	–	–	–
Total non-derivative liabilities	**213,100**	**229,744**	**51,286**	**3,510**	**8,240**	**166,708**
Interest rate swaps	1,511	323	409	250	109	(445)
Total derivative liabilities	**1,511**	**323**	**409**	**250**	**109**	**(445)**
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)**

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Note 22 – Financial Instruments (continued)

(h) Liquidity risk (continued)

	Statement of Financial Position	Contractual Cash Flows	6 months or less	6–12 months	1–2 years	2–5 years
	$000	$000	$000	$000	$000	$000
Parent 2011						
Bank loans	165,000	181,644	3,186	3,510	8,240	166,708
Trade creditors	11,294	11,294	11,294	–	–	–
Other payables	13,951	13,951	13,951	–	–	–
Bank overdraft	19,800	19,800	19,800	–	–	–
Total non-derivative liabilities	**210,045**	**226,689**	**48,231**	**3,510**	**8,240**	**166,708**
Interest rate swaps	1,511	323	409	250	109	(445)
Total derivative liabilities	**1,511**	**323**	**409**	**250**	**109**	**(445)**
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)**

(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 2011					
Foreign currency risk					
Trade debtors	13,698	4,599	2,618	747	233
Trade creditors	(2,797)	–	–	–	–
Net Statement of Financial Position exposure before hedging activity	10,901	4,599	2,618	747	233
Estimated forecast sales	262,643	32,520	20,799	5,429	2,351
Estimated forecast purchases	(61,509)	(13,189)	–	–	–
Net cash flow exposure before hedging activity	212,035	23,930	23,417	6,176	2,584
Forward exchange contracts and options	(31,389)	–	(19,467)	–	–
Net un-hedged exposure	**180,646**	**23,930**	**3,950**	**6,176**	**2,584**

Note 22 – Financial Instruments (continued)

(i) Foreign currency exchange risk (continued)

(figures are NZD)	USD $000	AUD $000	JPY $000	EUR $000	GBP $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 Statement of Financial Position 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	(61,150)	–	(25,849)	–	–
Net un-hedged exposure	**179,993**	**18,243**	**3,538**	**5,311**	**2,614**

(j) Interest rate risk – repricing analysis

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

	Total $000	6 months or less $000	6–12 months $000	1–3 years $000	3–4 years $000	4–5 years $000
Group 2011						
Cash and cash equivalents	2,693	2,693	–	–	–	–
Forward exchange contracts	224	643	(48)	(371)	–	–
Bank overdrafts	(20,374)	(20,374)	–	–	–	–
Bank loans	(165,000)	(165,000)	–	–	–	–
Interest rate swaps						
Cash inflows	100,000	100,000	–	–	–	–
Cash outflows	(100,000)	–	–	(85,000)	(15,000)	–
Total variable rate	**(182,457)**	**(82,038)**	**(48)**	**(85,371)**	**(15,000)**	**–**
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)**

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.

Note 22 – Financial Instruments (continued)

(k) Capital management

The Group's capital includes share capital, reserves, retained earnings and non controlling 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 $1m (2010: $1m) and changed equity by $1m (2010: $1m).

It is estimated that a general change in interest rates of one percentage point would change the Group's profit after tax by approximately $1.4m (2010: $0.7m).

SANFORD LIMITED
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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 2011						
Assets						
Investments						
Advances to associates	–	2,217	–	–	2,217	2,217
Shares in other companies	–	–	63	–	63	63
Total non-current assets	**–**	**2,217**	**63**	**–**	**2,280**	**2,280**
Trade debtors	–	49,773	–	–	49,773	49,773
Cash and cash equivalents	–	2,693	–	–	2,693	2,693
Derivative financial instruments						
Forward exchange contracts	224	–	–	–	224	224
Total current assets	**224**	**52,466**	**–**	**–**	**52,690**	**52,690**
Total assets	**224**	**54,683**	**63**	**–**	**54,970**	**54,970**
Liabilities						
Bank loans	–	–	–	165,000	165,000	165,000
Total non-current liabilities	**–**	**–**	**–**	**165,000**	**165,000**	**165,000**
Bank overdraft and borrowings	–	–	–	20,374	20,374	20,374
Trade creditors	–	–	–	11,949	11,949	11,949
Other payables	–	–	–	9,947	9,947	9,947
Derivative financial instruments						
Foreign exchange options	223	–	–	–	223	223
Interest rate swaps	1,511	–	–	–	1,511	1,511
Total current liabilities	**1,734**	**–**	**–**	**42,270**	**44,004**	**44,004**
Total liabilities	**1,734**	**–**	**–**	**207,270**	**209,004**	**209,004**

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

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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 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	–	–	–	4,737	4,737	4,737
Bank Loans	–	–	–	50,000	50,000	50,000
Derivative financial instruments						
Interest rate swaps	708	–	–	–	708	708
Total current liabilities	**708**	**–**	**–**	**73,614**	**74,322**	**74,322**
Total liabilities	**708**	**–**	**–**	**143,614**	**144,322**	**144,322**

Note 22 – Financial Instruments (continued)

(n) Fair value hierarchy

The table below 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 (i.e. as prices) or indirectly (i.e. derived from prices).

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

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Group 2011				
Derivatives – Forward exchange contracts used for hedging	–	224	–	224
Derivatives – Options contracts used for hedging	–	(223)	–	(223)
Interest rate swaps	–	(1,511)	–	(1,511)
	–	**(1,510)**	**–**	**(1,510)**
Group 2010				
Derivatives – Forward exchange contracts used for hedging	–	3,442	–	3,442
Derivatives – Options contracts used for hedging	–	1,371	–	1,371
Interest rate swaps	–	(708)	–	(708)
	–	**4,105**	**–**	**4,105**
Parent 2011				
Derivatives – Forward exchange contracts used for hedging	–	224	–	224
Derivatives – Options contracts used for hedging	–	(223)	–	(223)
Interest rate swaps	–	(1,511)	–	(1,511)
	–	**(1,510)**	**–**	**(1,510)**
Parent 2010				
Derivatives – Forward exchange contracts used for hedging	–	3,442	–	3,442
Derivatives – Options contracts used for hedging	–	1,371	–	1,371
Interest rate swaps	–	(708)	–	(708)
	–	**4,105**	**–**	**4,105**

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

Total related (losses) recognised in other comprehensive income during the period was ($2.9m) (2010: ($1.4m)).

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) 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.

(iii) 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 bank loans are floating rate debt, therefore their fair value approximates their carrying values.

The interest rates used for interest rate swaps and receivables are as follows:

	2011	2010
Interest rate swaps	2.83% – 4.63%	4.17% – 4.70%
Receivables	–	4.44% – 4.46%

Note 23 – Bank Loans

Facilities, interest rate ranges, expiry dates and balances of bank loans for both the Group and Parent are as follows:

	Facility	Interest Rate	Expiry Date	Balance
	$000			$000
2011				
Non-current liabilities				
Bank loans (secured)	190,000	3.70% – 4.05%	November 2013	165,000
2010				
Non-current liabilities				
Bank loans (secured)	70,000	3.57% – 4.62%	September 2013	70,000
Current Liabilities				
Bank loans (secured)	50,000	3.57% – 4.62%	April 2011	50,000

Bank loans are secured by a general security interest over property and a mortgage over quota shares.

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

Note 24 – Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Less than one year	1,411	1,372	1,194	1,149
Between one and five years	5,362	4,855	4,496	3,961
More than five years	4,619	5,982	3,843	4,958
	11,392	**12,209**	**9,533**	**10,068**

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

Note 25 – Contingent Liabilities and Commitments

(a) Contingent liabilities

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Guarantees	311	266	311	266

The Company has provided 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	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Commitments for capital expenditure	2,806	10,687	2,806	9,311

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

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Profit for the year (after tax)	**22,310**	**25,025**	**21,748**	**26,491**
Adjustments for non-cash items:				
Depreciation and amortisation	16,255	13,759	15,809	13,331
Change in fair value of biological assets	(262)	(1,086)	(262)	(1,086)
Change in fair value of interest rate swaps	802	337	802	337
Change in fair value of foreign exchange options	224	(1,370)	224	(1,370)
New Zealand units (ETS) income	(26)	(3,417)	(26)	(3,417)
Change in fair value of foreign exchange contracts	733	4,534	733	4,534
Equity accounted (profit) loss in associated companies	(1,173)	1,042	–	–
(Decrease) increase in deferred taxation	(409)	4,124	(232)	3,520
Unrealised foreign exchange (gains)	(3,843)	(900)	(3,843)	(900)
	12,301	**17,023**	**13,205**	**14,949**
Movement in working capital				
Decrease (increase) in debtors and prepayments	12,149	(13,166)	11,258	(11,472)
(Increase) decrease in inventories	(2,301)	4,434	(2,135)	4,510
Increase (decrease) in creditors and other liabilities	5,373	(741)	4,859	(815)
(Decrease) in current tax	(1,278)	(795)	(1,564)	(339)
	13,943	**(10,268)**	**12,418**	**(8,116)**
Items classified as investing activities				
(Gain) on sale of property, plant and equipment	(52)	(476)	(83)	(476)
Associate company dividends received by Parent	–	–	(911)	(767)
Loss on sale of other investments	–	67	–	–
	(52)	**(409)**	**(994)**	**(1,243)**
Net cash inflows from operating activities	**48,502**	**31,371**	**46,377**	**32,081**

Note 27 – 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	
	2011	2010
	$000	$000
(i) Transactions with subsidiaries		
Income		
Management fees	355	343
Sales	12,728	11,546
Interest	281	249
Rent	336	336
	13,700	**12,474**

	Balance Outstanding	
	2011	2010
	$000	$000
Due from Parent to subsidiaries	(67,304)	(67,608)
Due to Parent from subsidiaries	20,481	22,757
	(46,823)	**(44,851)**

	Transaction value	
	2011	2010
	$000	$000
(ii) Transactions with associates		
Income		
Management fees	188	182
Dividend received	911	643
	1,099	825
Expenses		
Processing	9,654	5,693
Freight	205	427
	9,859	**6,120**

	Balance Outstanding	
	2011	2010
	$000	$000
Due from Group	(20)	–
Due to Group	2,237	1,853
	2,217	**1,853**

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.

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Note 28 – Key Management Personnel Compensation

Key management personnel compensation comprised:

	2011	2010
	$000	$000
Salary, short-term employee benefits and directors' fees included in note 7	3,537	3,213

Note 29 – 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
Auckland Fishing Port Limited	67	31 March	Wharf company
Australia			
Sanford Australia Pty Limited	100	30 September	Fish catching and auction
Ocean Fresh Fisheries Pty Limited	100	30 September	Non-operating company
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
Perna Contracting Limited	50	31 March	Mussel harvesting
Pure New Zealand Greenshell Mussels Limited Partnership	55	30 September	Greenshell mussel exporting
China			
Weihai Dong Won Food Company Limited	50	31 December	Seafood processing

Note 30 – Pacifica Seafoods Acquisition

On 30 November 2010 the Company acquired the Greenshell™ mussel and Pacific oyster businesses of Pacifica Seafoods for the consideration of $85.7m, funded by a new $85m three-year debt facility provided by its existing banks.

The acquisition has enabled the Company to consolidate its position as New Zealand's leading aquaculture producer and exporter and has provided synergy benefits, particularly in terms of export marketing and processing.

Acquisition costs of $0.8m associated with the purchase were expensed as incurred and are included in administration expenses in the Income Statement in accordance with NZ IFRS 3 Business Combinations.

The major classes of assets acquired were as follows:

	$000
Intangible assets (marine farm licences and fishing quota)	55,700
Property, plant and equipment	23,599
Shares in unlisted companies	420
Biological assets	3,657
Inventories	2,275
Net identifiable assets	**85,651**

In determining the recognised values of the assets acquired, management completed a fair value exercise and have determined that the values ascribed to the major asset categories at the time of purchase equate to fair value. No goodwill arose on acquisition.

The fair value of intangible assets was determined by reference to independent valuations and a comparison of productivity data of the acquired marine farms against a recent market transaction.

The fair values of significant property, plant and equipment were determined by reference to independent valuations.

Due to the integration of Pacifica Seafoods into existing business infrastructure it is not possible to reliably measure its contribution to Group revenue and profit since the acquisition date.

Note 31 – Christchurch Earthquake

On Tuesday 22 February 2011 an earthquake measuring 6.3 on the Richter scale struck Canterbury. There was minimal disruption to processing at our Christchurch factory in Riccarton as a result of the earthquake. A post earthquake inspection and report was completed by a Chartered Professional Engineer which identified all defects and remedial work required to the factory. Some of the remedial work has been completed with the remainder expected to be completed over the next few months. The estimated cost of the remedial work is $0.70m which is covered by the Group's insurances.

Note 32 – Subsequent Events

There are no events occurring after the reporting period that require disclosure. (2010: none)

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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 40 to 79. The financial statements comprise the statements of financial position as at 30 September 2011, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the Company and the Group.

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 International Financial Reporting Standards 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 auditor we have no relationship with, or interests in, the Company and Group.

Opinion

In our opinion the financial statements on pages 40 to 79:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Company and the Group as at 30 September 2011 and of the financial performance and cash flows of the Company and the Group for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

KPMG

30 November 2011
KPMG Auckland

SANFORD LIMITED
SUSTAINABLE SEAFOOD

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Shareholding Analysis
as at 15 November 2011

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 – 999	547	22.62	246,424	0.26
1,000 – 4,999	1,137	47.02	2,428,357	2.59
5,000 – 9,999	338	13.98	2,215,503	2.37
10,000 – 49,999	301	12.45	6,061,128	6.47
50,000 – 99,999	38	1.57	2,627,320	2.81
Over 100,000	57	2.36	80,048,003	85.50
	2,418	**100.0**	**93,626,735**	**100.0**

Twenty Largest Shareholders
as at 15 November 2011

Shareholder	Number of Shares
Amalgamated Dairies Limited	35,059,067
New Zealand Central Securities Depository Limited[1]	11,721,237
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 Incorporated	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	430,000
Vela Holdings Limited	406,904
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

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

AMP Investments Strategic Equity Growth Fund	2,105,415
Citibank Nominees (New Zealand) Limited	2,104,483
Accident Compensation Corporation	1,956,565
New Zealand Superannuation Fund Nominees Limited	1,765,250
NZGT Nominees Ltd – AIF Equity Fund	1,090,974
JP Morgan Chase Bank NA	802,546
HSBC Nominees (New Zealand) Limited	536,245

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Substantial Security Holders

According to notices given to the Company under the Securities Amendment Act 1988, as at 7 December 2011 the following were substantial security holders in the Company through having a relevant interest as below.

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

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

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

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

Directors' Shareholding as at 30 September 2011

	Beneficial Interest		Non Beneficial Interest		Associated Persons	
	2011	2010	**2011**	2010	**2011**	2010
D G Anderson	11,952	11,952	160,000	160,000	287	287
E F Barratt	220,828	220,828	–	–	–	–
E M Coutts*	5,000					
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	–	–

* Appointed June 2011

Share Dealings by Directors

There were no shares traded by Directors during the year.

Directors' Indemnity and Insurance

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

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Employees' Remuneration

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

	Number of Employees	
	2011	2010
$100,000 – $109,999	13	3
$110,000 – $119,999	2	7
$120,000 – $129,999	3	4
$130,000 – $139,999	6	5
$140,000 – $149,999	1	2
$150,000 – $159,999	3	1
$160,000 – $169,999	1	1
$170,000 – $179,999	1	–
$180,000 – $189,999	–	1
$190,000 – $199,999	1	3
$200,000 – $209,999	2	1
$210,000 – $219,999	1	1
$230,000 – $239,999	1	–
$250,000 – $259,999	–	1
$270,000 – $279,999	–	1
$280,000 – $289,999	–	1
$290,000 – $299,999	2	–
$300,000 – $309,999	1	2
$340,000 – $349,999	1	–
$360,000 – $369,999	1	–

Directors' Remuneration

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

	Director's Fee		Salary, Benefits and Other Payments	
	2011	2010	**2011**	2010
	$	$	**$**	$
D G Anderson	44,500	44,500	–	–
E F Barratt	–	–	614,135	565,788
B S Cole	85,000	85,000	–	–
E M Coutts*	16,667			
P J Goodfellow	47,500	47,500	–	–
W B Goodfellow	44,500	44,500	–	–
P G Norling	44,500	44,500	–	–
J G Todd	65,883	50,000	–	–

* Appointed June 2011

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.

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 eco-systems 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 percentage 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.

EBIT
Earnings before interest and taxation.

EBITDA
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.

Exclusive Economic Zone (EEZ)
The EEZ comprises 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.

Greenhouse Gas Emission (GHG)
A greenhouse gas (sometimes abbreviated to GHG) is a gas in an atmosphere that absorbs and emits radiation within the thermal infrared range. This process is the fundamental cause of what is known as the greenhouse effect.

Individual Transferable Quota (ITQ)
ITQ is the fundamental proportional property in any commercial fishery in the QMS and generates ACE each year. ITQ rights are maintained in a public register, are tradeable 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.

Iwi Collective Partnership (ICP)
The ICP is a formally constituted body of 12 North Island iwi who have pooled their quota and in respect to their deepwater ACE, have formally agreed to engage with Sanford over its use.

Lost-time injury frequency rate (LTIFR)
LTIFR is measured as the number of lost-time claims per million hours worked and allows analysis of the number of such claims irrespective of the size of the workforce.

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)/Ministry of Agriculture and Forestry (MAF)
MFish/MAF 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. This organisation was formerly MFish (and this abbreviation is still used) and was merged with the Ministry of Agriculture and Forestry in July 2011.

New Zealand Biodiversity Strategy (NZBS)
NZBS is a government strategy to protect and enhance an overview of New Zealand's biodiversity.

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

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

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

Quota Management System (QMS)
The QMS is the framework for the management of the main commercial fisheries in the NZ EEZ.

Southern Seabird Solutions Trust
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.

Western and Central Pacific Fisheries Commission (WCPFC)
The WCPFC comprises 25 members along with 7 participating territories that have established a commission for the conservation and management of highly migratory fish stocks in the Western and Central Pacific Ocean.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Sanford welcomes your comments on our 2011 Annual and Sustainable D s

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, or email to info@sanford.co.nz.

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) How did you access the Annual Report? ☐ Printed ☐ Website

4) How did you access the Sustainable Development Report? ☐ Printed ☐ Website

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

Annual Report ☐ Printed ☐ Website ☐ Not at all

Sustainable Development Report ☐ Printed ☐ Website ☐ Not at all

If you wish us to action this request, please complete 8) below.

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 Shareholdernumber

☐ Sanford employee/family ☐ International customer ☐ New Zealand customer

☐ Contractor/supplier ☐ Community member ☐ Other (please specify)

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Address

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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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Management Directory

E F Barratt	*Managing Director*
V M Hunt	*Executive Assistant*

Finance and Administration

D C McIntosh	*General Manager*
G L McNamara	*Company Secretary/Quota Manager*
D J Evans	*Accounting & Systems Manager*
A M Penfold	*Environmental & Sustainability Manager*

Marketing and Development

V H Wilkinson	*General Manager*
A C Stanley	*Product Development Manager*
K M Thompson	*Quality 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*

Australia Seafood Segment

T B Birdsall	*International Fishing Manager*
A E Nicholls	*Australia, General Manager*

New Zealand Seafood Segment

G L Johansson	*General Manager Operations*
A E Undorf-Lay	*Industry Liaison Manager*

Inshore Fishing and Processing

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

Auckland

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

Tauranga

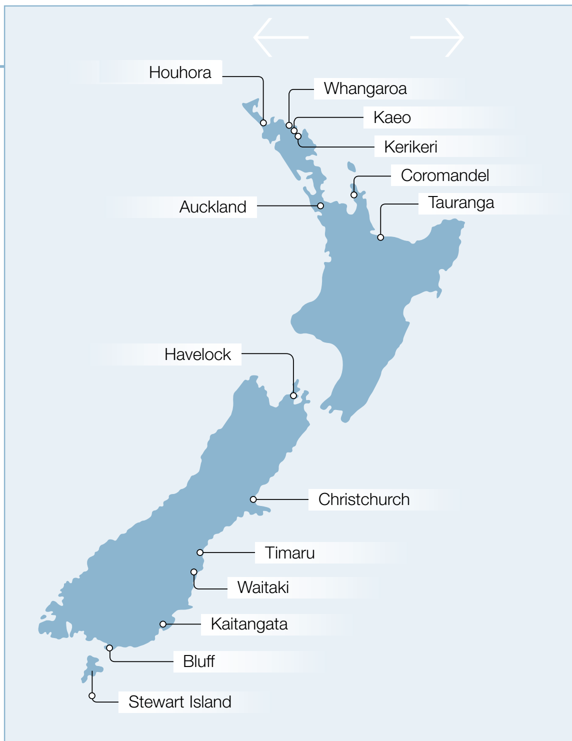
S D Keeves	*Manager*
D C Cowdrey	*Fleet Supervisor*
D N Anderson	*ECS Coldstores Manager*

Timaru

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

Deepwater Fishing

D J Shaw	*Manager*
J P Martyn	*Accountant*
S C Coles	*Charter Manager*
A D Adamson	*Quota Manager*
S Collier	*Freezer Vessel Manager*
S J Gibb	*Freezer Vessel Manager*
L A Cowan	*Freezer Vessel Manager*
M T Harvey	*Freezer Vessel Manager*
D V Jurasovich	*Freezer Vessel Manager*
D M Craig	*Engineering Manager*



New Zealand Operations

Aquaculture

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

Havelock

W R MacDonald	*Manager*
S J Gibb	*Factory Manager*
P McCaffrey	*Branch Engineer*
S S Dyer	*Plant Engineer*

Havelock Farming

Z Charman	*Farming Operations Manager*
G J Bateman	*Harvesting Manager*
D Herbert	*Seed & Spat Manager*
D A Condon	*Contracting & Farm Support Manager*

Christchurch

T J Denley	*Manager*
G D Boyd	*Factory Manager*
M K Stark	*Engineering Manager*

Coromandel

J C Barr	*Marine Farm Manager*

Bluff

T M Foggo	*Manager*
W J Crighton	*Assistant Manager*
S Ramsay	*Fish Factory Manager*
R Goodman	*Operations Manager*
N W Smith	*Salmon Portioning Factory Manager*
A R MacDonald	*Salmon Farm Manager*
P M Buxton	*Hatchery Manager*

Kaeo

P J Harris	*Manager*
E F Malpott	*Farm Manager*

International Purse Seiners

M C de Beer	*Pacific Tuna Manager*

SANFORD LIMITED
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