SANFORD LIMITED
SUSTAINABLE SEAFOOD

Annual Report 2012

From sea to food – over 100 years of sustained growth

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Corporate Directory

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

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 Bank New Zealand Limited
Rabobank New Zealand Limited

Solicitors

Chapman Tripp
Fletcher Vautier Moore

Group Auditors

KPMG, Auckland

Stock Exchange

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

NZX Trading Code: SAN

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

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road,
Takapuna, North Shore City 0622
Private Bag 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 General Manager Finance and Administration at the Registered Office.

Annual Meeting

The Annual Meeting will be held at 2.00pm Wednesday 30 January 2013 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010

Cover image Purse seine caught jack mackerel packed in Tauranga.

SANFORD LIMITED
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Annual Report

The Directors are pleased to present the Annual Report of Sanford Limited for the year ended 30 September 2012.

For and on behalf of the Board of Directors:

J G Todd
Chairman

E F Barratt
Managing Director

7 December 2012

Contents

Our Sustainable Development Report has been published electronically and is available at www.sanford.co.nz

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Board of Directors

1. 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 President of the Auckland Medical Research Foundation and a former Chairman of Gullivers Travel Group Limited, The New Zealand Guardian Trust Company Limited and Southern Cross Healthcare. He is a former director of the Reserve Bank of New Zealand, the ANZ Banking Group (New Zealand) Limited and the Earthquake Commission. Jeff was Managing Partner of Price Waterhouse New Zealand (now PwC) until his retirement from the firm in 1998.

2. 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 Seafood New Zealand Limited and Weihai Dong Won Food Company Limited.

3. 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.

4. Elizabeth (Liz) Coutts BMS, CA

Liz joined the Board of Sanford Limited in 2011. A former Chief Executive of Caxton Group, Liz is a director of EBOS Group Limited, Skellerup Holdings Limited, New Zealand Directories Holdings Limited, Ravensdown Fertiliser Cooperative Limited, Ports of Auckland Limited, Urwin and Company Limited, Tennis Auckland Region Incorporated, member of the Marsh Advisory Board and Chair of the Audit Committee of the Inland Revenue. Liz has previously been Chairman of the Meritec Group Limited, Industrial Research Limited, Deputy Chairman of Public Trust, director of Trust Bank New Zealand, Air New Zealand and Commissioner of the Commerce Commission. Liz has also 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 the Earthquake Commission, Health Funding Authority, Pharmac and Sport and Recreation New Zealand.

5. Mark Cowsill BCom, CA

Mark joined the Board of Sanford Limited in 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.

6. 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.

7. 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.

8. 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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Chairman's Review and Directors' Report

Although the financial result for this year was below expectations, when taking account of the particular challenges Sanford faced this year, the result indicates that the Company is well placed to deliver improved returns in coming years despite the persistently high level of the New Zealand dollar.

The particular challenges faced this year include the estimated $10.0m reduction in contribution from the Pacific tuna operation. Most of this includes lost fishing-time opportunity while the San Nikunau had a substantial capital upgrade and the Ocean Breeze underwent repairs to a tail shaft, and to damage from a subsequent fire in the dry dock. The tuna operation also suffered substantial extensive legal costs and potential fine costs in the United States (US) in respect to the prosecution of the San Nikunau.

Ocean Breeze, Lyttelton dry dock

The reduction in prices for salmon arising from increased production out of Europe and South America impacted on salmon profitability.

In aquaculture, our continued focus on the Greenshell™ mussel business ensured that profitability in the South Island was up to expectations. However, slow mussel growth in the Coromandel area, and changes in the ownership of the processing business in Tauranga, impacted returns from this area. The ownership structure of our North Island mussel business has changed with the farming and processing business now operated through North Island Mussels Limited (NIML), which is 50% owned by Sanford Limited and 50% owned by Sealord Group Limited.

This change will assist in bringing stability to the farming and processing in this area and enable us to achieve improved profitability across our mussel business.

With the focus on our Greenshell™ mussel and salmon businesses, we took the opportunity to exit the Pacific oyster business by closing the Kaeo processing facility and selling our farming business to Aotearoa Fisheries Limited. As a consequence, there was an impairment write-down of $0.6m in the final six months of this year. The spiral IQF freezer, previously in Kaeo, is being relocated to our Timaru plant.

During the year our crew payment systems onboard our Foreign Charter Vessel (FCV) fleet have been reviewed and restructured. While existing systems were generally satisfactory, important improvements have been made and we are pleased to report that the wages of all foreign crew on these vessels are now paid directly, in full and on time, into their own New Zealand bank accounts through a crew-management system developed and run by Sanford Limited.

The Board, in conjunction with management, has been focused this year on developing a range of particular and specific programmes and projects across the operating divisions aimed at securing improved returns on capital invested. On the revenue side, these initiatives cover a range of projects around increased market returns through improved focus on the most profitable channels to market, and the establishment of a dedicated development group tasked with looking at extracting full value in product or waste-stream across all our operations.

On the cost side of the business, projects are mainly focused on achieving catch and production outcomes at lower costs and also on substantial investment in new technologies through the Primary Growth Partnership projects with the Government. The fish-catching technology project through the Precision Seafood Harvesting project is well under way. The shellfish-breeding and hatchery project (SPATnz), designed to improve productivity of our Greenshell™ mussel farming through selective hatchery breeding programmes, has recently received formal contractual approval.

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Chairman's Review and Directors' Report

Dividends

The Directors have reviewed carefully the ratio of profitability compared to dividend levels and have concluded that, with limited capital expenditure commitments currently, and the achievement of our targeted $20.0m debt reduction in the current year, the dividend level should remain unchanged at 23 cents per share.

We believe most of the particular challenges we have faced this year are non-recurring and we therefore expect that, if catch rates are maintained and markets remain stable, we will see an improved profit level next year. This would enable us at least to maintain our current level of dividends.

The final dividend of 14 cents per share will be payable on 17 December 2012.

Sustainable Seafood

The Board continues to promote Sanford Limited as the leading producer of Sustainable Seafood. Sustainability encompasses and underpins all of our products, all of our people and all of our processes. This year's Sustainable Development Report has been upgraded and updated to outline our continued leadership role in this field. The full report is available online and an extract of the report is included later in this Annual Report.

Directors and senior executives South Island visit; San Waitaki in Timaru

International Financial Reporting Standards

Last year we welcomed proposals from the Institute of Chartered Accountants which suggested there may be opportunity to simplify the presentation of financial results. However, so far it is disappointing that this has not progressed as quickly as we would have liked. A great deal of effort goes into producing a significant volume of financial statements and notes, many of which most readers find of little relevance.

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 Board continues to develop its corporate governance standards and has implemented an electronic system of maintaining and updating Board Manuals, Board and Committee Charters, Codes of Conduct, Independence and Delegated Authorities Policies and Directors' Deeds of Access.

The recent focus on health and safety within New Zealand industries generally has caused us to reflect on our Company's compliance systems in respect to Employment, Health and Safety, Fisheries and Marine regulations. While we are confident our systems are robust, the Board has decided to engage more directly with executives carrying responsibility in these areas and the systems we have in place. The Board Remuneration Committee will be renamed the Employment and Regulatory Compliance Committee and charged with the governance role of supporting the Board and reporting back on compliance issues.

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 businesses 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 of relevance of reporting to Shareholders are responsibilities of the Board.

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Chairman's Review and Directors' Report

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.

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 indicators is combined with the preparation and presentation of 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

Shareholders were advised last year of the appointment of directors Elizabeth (Liz) Coutts and Mark Cowsill which increased the number of directors on the Board.

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

Under the Constitution, one-third of the Directors (therefore three) shall retire from office at the Company's Annual Meeting. This requires the retirement by rotation of Mr P J Goodfellow, Mr P G Norling and Mr D G Anderson. Mr D G Anderson has advised the Board that he does not seek re-election and will retire from the Board at the Annual Meeting. We will appropriately acknowledge Mr Anderson's long service not only as a Board member for 30 years but also his extensive executive experience at Sanford through to his retirement as Managing Director in December 1997.

Mussel seeding in the Marlborough Sounds

Mr P G Norling and Mr P J Goodfellow 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 three 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. Mr M G Cowsill was appointed to the Audit Committee in April 2012. All committee members 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.

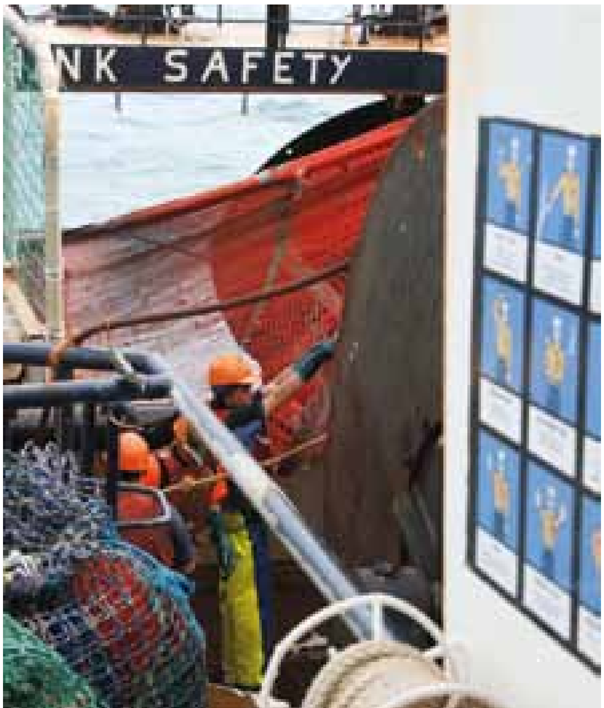
Chairman's Review and Directors' Report

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 (now known as the Employment and Regulatory Compliance Committee)

This Committee consists of Mr J G Todd (Chairman), Mr D G Anderson, Dr W B Goodfellow and Mr P J Norling. The Committee is responsible for Employment, Health and Safety, Fisheries and Marine regulatory matters, determines the remuneration of the Managing Director and senior executives, and reviews remuneration paid at other levels of management. The Committee has continued to review proposals for pay-for-performance models; it has not yet reached any conclusion on a suitable model that can fairly reflect the vagaries of the industry in which we are engaged.

The Committee will now update its written charter which will be approved by the Board. The Board also reviews and approves Committee recommendations.



San Rakaia, North Island inshore vessel

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

- Board Nominations

The whole Board met once during the year and concluded that at this time it was appropriate to reduce the Board complement from the present eight members to seven and believe that this Board has the depth of qualifications and experience to guide Sanford Limited in these challenging times.

Director Review

This year, an external consultant was asked to undertake a review of Board performance and recommendations made are in the process of being implemented.

Directors' Meetings

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

	Directors	Audit	Remuneration	Nominations
D G Anderson	10		2	1
E F Barratt	10			1
E M Coutts	10	4		1
M G Cowsill	10	2 (of 3)		
P J Goodfellow	10	4		1
W B Goodfellow	10		2	1
P G Norling	10		2	1
J G Todd	10	4	2	1
Number of Meetings	**10**	**4**	**2**	**1**

Share Trading by Directors

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

Directors and executives 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. Details of share trading by Directors are included in the Statutory Information at the end of this report.

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Chairman's Review and Directors' Report

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.

The draft formal Code of Conduct established last year has been formally implemented across all Sanford business operations. No issues of unethical behaviour were brought to the Board's attention in the past year.

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 as well as continuous disclosure announcements made to the New Zealand Stock Exchange.

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.

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 Annual and Sustainable Development Reports, and constructive suggestions received are implemented.

This year's Annual Meeting will be held at 2.00pm, Wednesday, 30 January 2013 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 Viaduct Bridge.

Conclusion

As noted at the start of the report, there have been some particular challenges this year, which have required extensive involvement of management, at times to the detriment of business activities. These issues are now behind us and we look forward to the coming year with more confidence. It is appropriate that I acknowledge the constant support and assistance of my fellow Board members. Changes in the composition of the Board over the last two years have provided new opportunities to challenge both the Board and management to consider new and alternative models and processes.

It is again appropriate to record the dedication and professionalism displayed by all our fishermen and marine farmers, and processing, administration, marketing and support staff along with the executive team for their efforts and responses to the particular challenges that we have faced over the last year. Sanford continues to be well served at all levels of its operations by the excellent competencies of its people. Sanford is fortunate in having such a dedicated and loyal complement of staff, customers and suppliers to support the Company's operations.

J G Todd
Chairman

7 December 2012

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Managing Director's Review

Overview and Highlights

Profit for the year totalled $20.8m, down from $22.3m last year. EBITDA increased by 4% from $49.2m to $51.2m this year in spite of the high value of the New Zealand dollar and the particular challenges we faced.

Depreciation was slightly lower than it was the previous year and impairment write-downs of $2.6m in respect to the Australian segment and the closure of our Kaeo oyster business were applied for the year. While interest costs were similar this year to those of the previous year, net currency exchange gains declined from $10.2m to $7.4m.

For the second six months of the year, revenue was 2.7% down and EBITDA was 8.2% down compared to the same period last year.

Summary Group Income Statement	**12 Months ended 30 Sep 12 $000**	6 Months ended 30 Sep 12 $000	6 Months ended 31 Mar 12 $000	12 Months ended 30 Sep 11 $000
Revenue	**459,957**	**229,654**	**230,303**	**463,954**
EBITDA	**51,239**	**21,340**	**29,899**	**49,244**
Depreciation, amortisation and impairment	(18,320)	(8,351)	(9,969)	(16,255)
EBIT	**32,919**	**12,989**	**19,930**	**32,989**
Net interest	(10,196)	(4,881)	(5,315)	(10,607)
Net currency exchange gains	7,385	3,894	3,491	10,196
Net (loss) gain on sale of investments, property, plant and equipment and intangible assets	(150)	(843)	693	52
Profit before income tax	**29,958**	**11,159**	**18,799**	**32,630**
Income tax (expense)	(9,074)	(3,610)	(5,464)	(10,320)
Profit for the year	**20,884**	**7,549**	**13,335**	**22,310**
Non controlling interest	(42)	(14)	(28)	(24)
Profit attributable to equity holders of the Group	**20,842**	**7,535**	**13,307**	**22,286**

Pacific tuna operations were adversely affected by the San Nikunau capital upgrade, the impact of the US legal costs and expected fine and the Ocean Breeze fire and repairs, details of which are later in this report.

Olivia Malama (right) of Sanford Timaru, aunty of one of the boys rescued in late 2010 from Te Matalele, at blessing ceremony, following San Nikunau upgrade

Following delivery by San Nikunau, Te Matalele (centre) being returned to its owner on Atafu Atoll, Tokelau

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Managing Director's Review

Despite the operating results being below expectations, cash flows continue to be well managed and term debt levels were reduced by a further $20.0m during the year. Our banking covenants have been well covered at all times and required ratios continue to improve.

New Zealand Seafood Segment

Inshore profitability improved substantially from higher catches and increased prices for the pelagic mackerel species and skipjack tuna. Markets and pricing for jack and blue mackerel have been increasing over recent years and, with careful programming of products into the various markets, firm prices have been maintained throughout the year. This has enabled inventory levels of these products to be reduced from previous years.

Catches and prices for species such as snapper, trevally and red cod were ahead of those recorded for last year. Local and export markets for most inshore species have been firmer than they were in previous years although the exchange rate continues to be a challenge.

During the year, Sanford supported the establishment of an inshore research company focused on collecting and analysing additional scientific data to support the Ministry for Primary Industries' (MPI) research information database and enhance the sustainable management of inshore fish stocks.

Collection of samples from fish landed to a wide range of industry premises in the North Island is already under way for species such as snapper and trevally. The increasing ease and rate of catch of these species, both commercially and recreationally, is reaching the point where increased sustainable catches will be possible.

Deepwater operations continued to be the most significant contributor to earnings with stable earnings across most species. Our main freezer trawler, longline and scampi fleet performed ahead of expectations in most fisheries and the charter fleet had a slow start but met expectations at year-end. The issue of foreign charter vessels (FCVs) continued to be in the public arena but, with significant efforts from all levels of management and staff, new systems have now been implemented to ensure that there is now a clear and transparent process to ensure all crew understand their pay entitlements and are being paid correctly in a timely fashion.

Our freezer trawlers and longliners continue to be chartered for periods to carry out research on fisheries on behalf of the Government or collective industry groups to improve the science around the sustainability of fish stocks. We continue to work to increase the recognition of the sustainability of New Zealand fisheries through certification from the Marine Stewardship Council (MSC) and other globally recognised certification schemes. While sustainability certification is an important issue for market access in Europe, and increasingly in America, it has yet to become an important issue outside of those markets.

Hoki remains the most important and valuable whitefish species in New Zealand, but other species such as squid, southern blue whiting, hake, ling and silver warehou are receiving increasing recognition as they become appreciated outside their more traditional markets.

The Precision Seafood Harvesting Programme under the Primary Growth Partnership is now fully operational with initial testing well advanced and experimental deployment onto shareholder vessels expected to occur prior to December 2013. We remain confident that this technology, when fully implemented over the next five years, will revolutionise the way in which we harvest and market much of our inshore and a significant portion of our deepwater harvest. The technology is subject to a high level of intellectual property protection in its initial phases, but the technology will be able to be licensed in due course.

Half-shell mussel packing room, Havelock

Managing Director's Review

Aquaculture operations went through changes this year designed to refine the focus on our species and operations that have the most potential to increase profitability from our investments in aquaculture. We have now exited our involvement in the Pacific oyster business which, in the context of all our investments in aquaculture, was immaterial but absorbed a disproportionate amount of management and marketing effort and time.

The restructuring of the mussel business in Coromandel into a 50/50 joint venture company with Sealord Group Limited called North Island Mussels Limited (NIML) was brought about by the failure of the North Island Mussel Processors Limited (NIMPL) venture when the third shareholder in that venture was unable to pay its processing fees. The receivership and subsequent purchase of the assets by the new NIML has enabled us to refocus that business on the collective farming and processing interests, with expected gains in efficiency from operations in the Coromandel farms and the processing business in Tauranga. While the receivership was unfortunate and a challenge for management and staff in the former business, the new business will be financially stronger and more efficient. This business commenced operating from 1 October 2012.

Mussel farming operations in Marlborough, Golden/Tasman Bay, Banks Peninsula and Stewart Island performed up to or above expectations and enabled production volumes at our Havelock and Christchurch plants to exceed volumes of previous years.

With stable market returns despite the high value of the New Zealand dollar, contributions from our mussel business in the South Island met our expectations. Further improvements are needed and will be achieved over time to earn our cost of capital on investment in this area.

The recent contractual commitment signed off by the Government through the Primary Growth Partnership to invest $26.0m jointly with Sanford and our research partners, Cawthron Institute and Plant & Food Research, will allow us to jointly develop, under the SPATnz brand, a hatchery and mussel facility able to breed mussel spat which has improved growth and production characteristics and reduced reliance on wild caught spat.

Salmon profitability was adversely affected by weak market commodity prices in major markets from increased production out of Chile and Norway. Despite the fact that New Zealand grows the premier salmon variety Chinook, or King salmon, without the use of any vaccines, antibiotics or chemicals of any type, we were unable to avoid the effect of depressed prices based on increased volumes of Atlantic and Coho salmon. Technological advances on the farm in respect to breeding, feeding and control of maturation assisted in reducing the impact of the price weakness. We expect to be successful this year in being able to harvest market-preferred sizes year-round, which will increase the volumes of chilled product able to be sold to domestic and export markets that are less influenced by commodity pricing.

The Pacific tuna operation suffered from a lack of vessel fishing time for two of the three vessels. For the first four months of the year, the San Nikunau remained detained in Pago Pago and, when released, fished in New Zealand for the season before commencing a major capital upgrade. While the initial intention was for a relatively modest upgrade, closer inspection of the internal piping, valves and structural integrity caused us to undertake a more significant capital upgrade that will extend the life of the vessel. A considerable amount of structural improvement along with new valve, piping and refrigeration systems should also increase the reliability of the vessel and increase its number of fishing days per year.

In the court case regarding the San Nikunau in Washington DC, in late July, the jury found Sanford guilty on one conspiracy charge (in respect to one of the 42 allegations), two charges in respect to recording errors in the Oil Record Book in respect to tank-to-tank transfers on board the vessel, two charges regarding incorrect entries in relation to the operation of the oily water separator and one charge of discharging into Pago Pago Harbor without using the oily water separator (without any evidence of any oily discharge into Pago Pago Harbor).

Sanford will be sentenced on 11 January 2013, along with the Chief Engineer of the vessel, who was found guilty in respect of two of the Oil Record Book charges. We have accrued for the expected fines, which could total up to US$3.0m, in the accounts to 30 September 2012.

A relieving Chief Engineer had earlier pleaded guilty to one charge in respect to entries in the Oil Record Book and then gave evidence on behalf of the US Government in court that he never used the required oil separation equipment and deliberately falsified the Oil Record Book. He claimed he had followed this practice on every non-Sanford vessel on which he had ever worked or relieved on (including American vessels). Had we previously known of his actions, we never would have hired him or countenanced his actions, nor would we ever re-employ him.

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Managing Director's Review

Of concern in the case was a definition of 'Machinery Space' declared by the Judge in the closing stages of the trial. This term has never been explicitly defined in MARPOL regulations, in New Zealand or in the USA. Applying this definition to large fishing vessels engaged in catching and processing at sea makes compliance with discharge of used sea water on these vessels impossible. Hauling rooms on longliners, and factory and hauling decks on processing vessels will not be able to comply with legislation under this definition. We sought clarification from Maritime New Zealand as to the position under New Zealand law, but the response requires further clarification.

All waste-management and recording systems on our tuna purse seine fleet have been upgraded to ISO 14001 certification standard and all crew fully trained on requirements to comply with MARPOL and other international safety standard systems. Our vessels will no longer use Pago Pago as an unloading port as our Protection and Indemnity insurance cover no longer covers our operations in American ports, except in the case of force majeure.

The Ocean Breeze suffered a shaft vibration issue requiring dry docking and shaft replacement in Lyttelton. Unfortunately, during other repairs to the vessel whilst in dry dock, a fire broke out in the forward area of the ship and, by the time it had been extinguished, the vessel had suffered extensive water and smoke damage. The fire damage repairs took considerably longer than the shaft repair did and two months' fishing time was lost.

The lost-fishing-time effect of these events at a time of record high prices for skipjack tuna is estimated at between $7.0m to $9.0m for the year and the effect of legal fees and provision for fines is approximately $5.0m.

We have to be confident that these are non-recurring events and issues that are now behind us.

We have created a new position within the company of Corporate Compliance Manager Marine Operations and Fisheries. The role of this person will be to assist and guide operational management in the constant review and implementation of systems to ensure ongoing compliance with international, regional and national treaties, conventions and regulations regarding operations of fishing vessels and compliance with fishing laws and rules. While the direct responsibility of this role will be to the General Manager Operations, the person in that role will have the ability to report directly to the Managing Director on any areas where non-compliance requires immediate remediation or action.

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

Our relationship with the Iwi Collective Partnership (ICP) has continued to grow successfully. Communicating the challenges we have had with the events surrounding the San Nikunau and the suite of issues on FCVs has required both parties to have an understanding of the complexities of the industry with which we are involved. During the year, we have engaged and exchanged information on a range of possibilities of extending involvement and learning new aspects of the business of fishing. There have been two highlights this year, the first of which was a visit by a joint Sanford and ICP executive team to the Rangiwaea Marae on Tauranga Harbour where we were able to learn of the challenges and aspirations of one of the members of the ICP. The second highlight was the formal establishment of a scholarship jointly set up by Sanford and ICP to introduce young members of the ICP to the business of fishing, and the successful awarding of the scholarship to the first

Sanford and ICP executive teams at Rangiwaea Marae

Managing Director's Review

winners. We are continuing to learn and appreciate the partnership's long-term goal and our joint focus on stewardship and sustainability. We do not expect we will ever stop learning from each other and the commitment to meet and regularly review our goals and objectives continues to augur well for the future of this relationship.

Kei te tupu ngatahi ai ta matou nei hononga ki Te Ohu Rangapu a Iwi.

Ma te whiriwhiri whakaaro, ma te whiriwhiri korero ano hoki ki waenga i a matou ano te take kua whakamaramatia ai i nga uauatanga e pa ana ki te ahumoana e whakamahi nei e matou. Kua pera ano te ahua mo nga meatiatanga a San Nikunau me nga waka rihi o taa wahi.

I tenei tau kua wanangahia nga matauranga o tena take o tena take. Kia whakanui te urunga ki roto i nga momo ake pakihi hi ika me ona akoranga hou te take.

E rua nga hui whakahirahira o te tau nei. Ko te hui takitahi a Sanford me te roopu rangatira a ICP kei te marae o Rangiwae kei Tauranga moana tetahi. A kua wharikihia nga pumanawatanga me nga pikinga ki mua i te aroaro o tetahi o nga mema ICP. Ka rua ko te whakatunga me te tuku karahipi ki nga tangata o tua whare a ICP, kia poipoia i nga matauranga e pa ana ki nga pakihi hi ika.

Kei te ako tonu, a kei te whakamaioha tonu matou i nga wawata a to matou nei hoa kai pakihi me to maua whakarato ki te mahi kaitiaki moana me te whai i te kawenga tika mo te mahi nei.

E kore rawa te tangata maatau e whakaririka i tona aro ki te ako. Kua whakarato ano matou ki te hui tonu ki te whiriwhiri i nga kaupapa whakahirahira, a ki te arotakengia ano hoki a maua whainga me a maua tumanako mo tenei hononga. Ma tera mahi ka anga whakamua maua tahi i runga i te ara o te tika, a kia whakaritea he rautaki pakihi mo nga ra kei mua i a tatou katoa.

Ma pango ma whero ka oti ai te mahi.

Australia Seafood Segment

We are continually reviewing our Australian segment. During the year, we took an impairment charge of NZ$2.0m as results were not up to our expectations. We have been selling some non-core quota assets and plan to continue that process. While vessel catches were reasonable, we are likely to redeploy an under-utilised vessel from New Zealand and return the San Tangaroa to New Zealand to be redeployed into the scampi fishery. Capital profits earned in the year arose from the proceeds of the sale of surplus licences.

International Investments

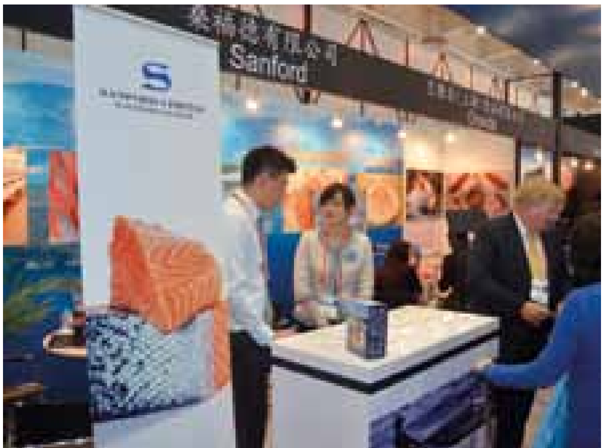
Weihai Dong Won Food Company Limited

Our 50% share in this business continues to be profitable as well as providing secure and safe access to reprocessing facilities in an export-processing zone. The underlying business secures New Zealand hoki in headed and gutted form and reprocesses it into 60 to 100 gram portions coated with crumbs made from bread produced on site from imported materials. The resultant crumbed portions are exported to a range of other countries with the largest volumes being supplied to two major Japanese customers. Other reprocessed products are supplied to customers in America, Europe and Australia.

Dividend payments continue to be received on an annual basis.

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

We are now into the third year of operations of this joint venture with volumes to date increasing by about 40% per annum and average prices in excess of this, but in line with returns from other export markets. Promotion efforts continue to be organised, and are often held in conjunction with New Zealand Trade and Enterprise (NZTE), at food and beverage events in major locations in China. The work of NZTE staff and chefs in promoting the Pure NZ Greenshell Mussels products and brand in China are appreciated and we look forward to continuing to work with them in the future.



Sanford stand at Dalian Seafood Show, China

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Managing Director's Review

Markets and Pricing

A fuller explanation of market issues follows from Vaughan Wilkinson, General Manager Marketing and Development. While markets have generally remained stable for the current year, we have some confidence that markets, barring major economic disruption, will improve over the coming year. Markets for species such as hoki and Greenshell™ mussels have the potential to improve over the year and species such as skipjack tuna and blue and jack mackerel will retain their strong levels.

Sustainable Development

This year, the Company has again looked to lift its level of reporting in the Sustainable Development Report by moving away from the traditional Environment, Social and Economic sections to reporting on Our Resources, Our Operations, Our Impacts and Our Outputs.

This effort continues to underpin our core brand value of 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.

San Nanumea in Auckland dry dock for major upgrade

Outlook for Coming Year

Events of the past year neutralised our expectation of improved returns this year. However, we have outlined the impact of those events and believe that we can continue to be positive about prospects in the coming year. The variability in catches of pelagic species continues to be a key driver of success, as are market conditions and the exchange rate.

We will not reach the full potential returns from the Pacific tuna fleet this year as we will carry out an upgrade on the San Nanumea in the same way as we upgraded the San Nikunau last year. Once this is completed, we could expect increased reliability and catches from this fleet of vessels. The key challenge will be securing long-term access rights with various Pacific Island countries.

Our aquaculture operation is now focussed on two species and, with outstanding orders for mussels for all production for the next three months and a shift into more production of chilled salmon, improved contributions should be achieved.

The inshore and deepwater operations are expected to continue to provide strong contributions through ongoing focus on business improvement processes and increased catching efficiency.

Acknowledgements

There have been a number of unusual and unexpected challenges this year that have required robust and intensive commitments and responses. Those commitments and responses have been readily met by the respective executives, management and staff at all times. They epitomise the commitment and loyalty of all of our staff at all levels of the Company. Without that dedication and loyalty, Sanford would not be the strong and forthright leader it is today in an industry that has significant, unrealised potential to contribute to the economic growth of New Zealand. Unlocking that potential is the challenge facing Sanford and other leading industry companies and participants as we move forward.

Two senior and long-serving executives are moving on from Sanford and each deserves particular recognition.

Earlier this year, the decision was made to disestablish the position of Company Secretary/Quota Manager and, as a consequence, Gillian McNamara left Sanford at the end of October 2012 (although she remains in a contractual position for some time assisting with the production of this

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Managing Director's Review

report and some tasks associated with quota). Gillian has effectively and loyally served Sanford for over 28 years; she is most well known for her role as Company Secretary but has played a very active role in quota trading for a significant portion of that time. Breaking ties with Sanford has not been easy for Gillian but, as always, she has shown her professionalism and loyalty by agreeing to continue to assist in a contractual role for some time. We pay tribute to Gillian and her excellent contribution and thank her for her years of dedication and professionalism.

Tom Birdsall has served Sanford in an executive role involved with fleet management and operations for over 27 years. He has led the new-build of a number of vessels in overseas construction yards as well as the sometimes-difficult purchase of a number of our current freezer vessels from foreign ownership, flag and mortgage jurisdiction in circumstances that have required a high level of integrity and perseverance. He has played a leadership role in the establishment of our domestic freezer fleet operations and in the recruitment, training and ongoing development of many of our senior seagoing crew. Tom has always been dedicated to the advancement of Sanford as an organisation and leaves a legacy of commitment to professionalism and expertise in fishing. He led our successful entry into and our successful exit from Argentina and it is to his credit that we maintain ongoing cordial and friendly relations with our former partner in Argentina.

Returning to Auckland to unload for next morning's auction

Tom has decided to move into an international maritime and fisheries consultancy role and we have already agreed that he will continue to provide his expertise in this area to Sanford. We wish him well in his endeavours and thank him for his outstanding service, commitment and loyalty to Sanford over the 27 years.

I again wish to record my sincere appreciation to all of our extremely competent executive, management, processing, administration, fishermen, marine farmers and support staff, and their families. Without their efforts, Sanford would not be the successful business that it is.

We must also appreciate the support of all our suppliers, supporters, customers and associates. Your contribution to the successful enterprise is welcomed and appreciated and we thank you for that now and in the future.

E F Barratt
Managing Director

7 December 2012

The Annual Meeting will be held at 2.00pm Wednesday 30 January 2013 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010.

We are again providing 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.

Marketing and Development

Marketing and Development

Vaughan Wilkinson
General Manager Marketing and Development

The last year saw prices for many species either remain 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 remained stable and are expected to remain so over the coming year.

Prices for half-shell mussels softened marginally in the first half of the year and then stabilised. There still remains an observable tendency for some mussel producers from New Zealand to discount their pricing offers to various markets (US and Europe particularly) in an effort to maintain a share of sales. Buyers in all markets are quick to exploit any opportunities presented to buy cheaper product. The opportune discounting was at a much lower level than observed in the past but still unnecessary as the US market in particular was able to sustain the original pricing. The demand from European markets was definitely softer because of the parlous state of a range of European economies and, as a consequence, pricing was highly competitive. Current demand for half-shell mussels is firm from all markets. Order books are full, stocks minimal and pricing is expected to improve.

Okiwi Spirit harvesting mussels in Marlborough Sounds

Skipjack tuna prices firmed about 30% over the year to reach record highs. In the past few months, prices have eased as some of the major international canneries have begun resisting higher pricing and catches have improved in the Western Pacific. Higher catches in November through February have historically led to a 10 to 20% easing in prices for that period after which pricing rebounds. Over the coming year, we forecast that the average skipjack pricing will remain high but perhaps not at the record heights of the last several months.

Prices and demand in Asia and Europe for ling also remained firm through the year, continuing a trend evident last year. Ling prices are also expected to remain high for some time to come.

Orange roughy pricing declined throughout the year by about 25% from historically high levels. The US market was particularly sluggish and resistant to the high pricing. Lower prices in the latter half of the year saw demand improve and there are now signs of a market recovery. Prices have stabilised and are likely to show some improvement over the coming year.

The pricing of hoki fillet products (fillet block and fillets) remained stable throughout the year. Fillet block prices showed signs of improvement in the second half of the year. There has been less competition from Northern Hemisphere pollock volumes in a range of markets during the past year and this has helped to buoy hoki prices. The demand for hoki in European markets is aided by the high sustainability rating achieved in this fishery's most-recent MSC recertification. Hoki has been MSC certified for a record third time and discerning suppliers are well aware of the appeal that sustainability has to a significant sector of their customer base, particularly in Europe. The prices for hoki fillet products are expected to remain reasonably stable over the coming year. Demand is steady and volume contracts have been secured with long-term customers for the year ahead. The prices of headed and gutted hoki have been high and remained so throughout the year. Prices have

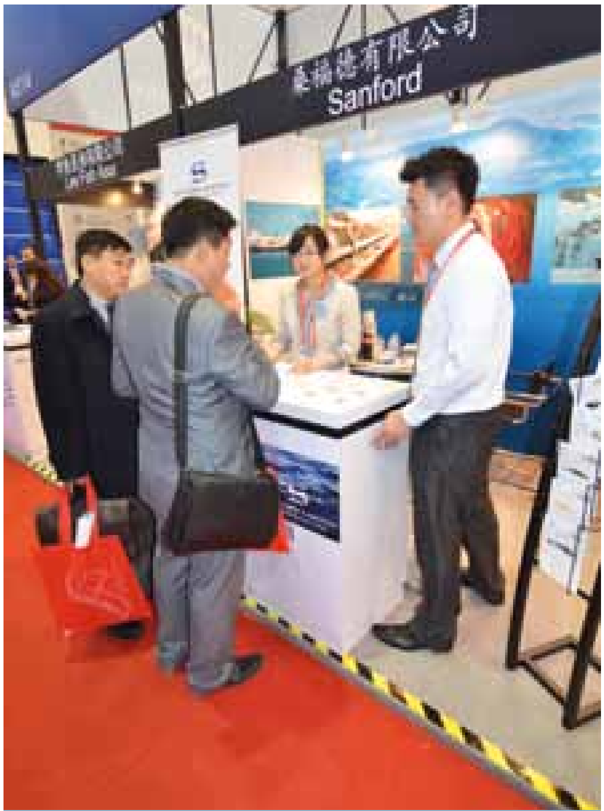
Marketing and Development

softened a little in recent months but are expected to remain firm in the coming year. 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 international squid markets remained buoyant for the first six months but softened slightly for both whole and dressed product in the second half of the year. Demand remains reasonable in most markets though squid prices are likely to soften further in the coming year, particularly for dressed product. Pricing had been at record highs and some easing was expected as supply improved from the major South American squid fisheries. Catches in these South American squid fisheries have been consistently poor for the past few years but have recently shown signs of improvement.

The market pricing for smooth oreo dory fillets declined slightly in the first half of the year but has been stable since then. The principal market for this species 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 similar institutions. Competition from other cheaper-priced white-fish products has impacted supply to these contracts over recent years. Efforts were made to stimulate growth in demand for smooth oreo dory in other markets and sales to Australia are now well improved. Smooth dory prices are likely to remain stable in the coming year.

The international salmon markets have proved particularly challenging for the past 18 months. International headed and gutted king salmon prices softened steadily during the past year. King salmon prices now appear to have stabilised. Substantial supplies of Atlantic salmon from Chile have re-entered all major markets in the past two years. This Chilean supply competes directly 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 2007. It has now recovered to about the pre-2007 levels of production resulting in a global oversupply. King salmon always commands a pricing premium over that of Atlantic salmon but is still not immune from the pressure on international pricing that is currently affecting all salmon markets. There are some tentative signs that the overall market may have reached equilibrium in pricing which will enable opportunity for recovery. In response to the international climate, the Company focused on the domestic market and gained substantial growth in fresh sales to the retail sector in the second half of the year. Domestic sales are expected to continue to grow in the coming summer months.



Customers at Sanford stand, Dalian Seafood Show, China

The market for scampi has substantially improved in the last year with the development of strong demand from China. Demand from all markets is now firm. Prices are stable with some room for improvement in the coming year.

Toothfish prices eased throughout the year by around 10%, particularly in the American market. They now appear to be stabilising. The Asian market pricing also softened throughout the year but appears to have since stabilised. Demand in both markets is improving but current pricing is unlikely to improve substantially in the near future.

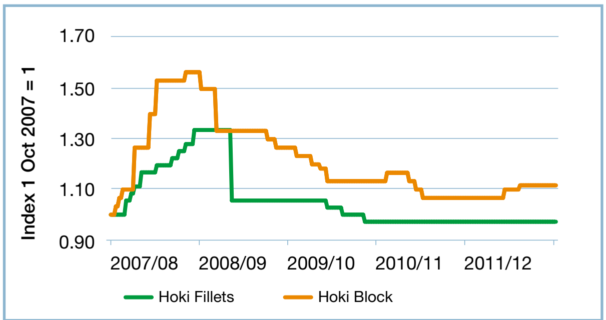
The pricing of many inshore species such as snapper and trevally also remained comparatively stable through the year. Demand is steady and forecast to remain so.

The markets for both pelagic blue and jack mackerel 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 firm for the year ahead.

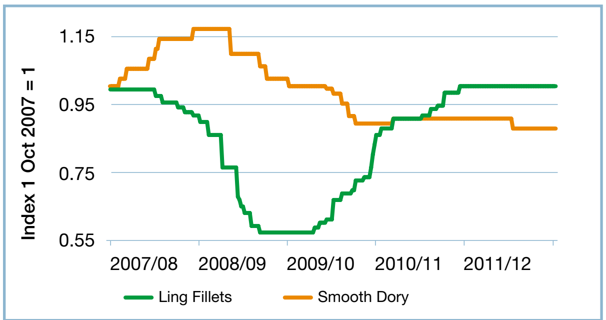
SANFORD LIMITED
SUSTAINABLE SEAFOOD

Marketing and Development

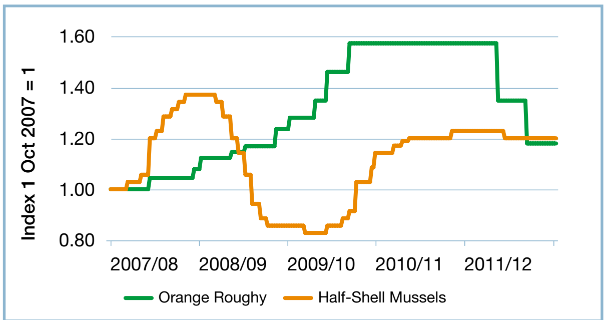
The following graphs show trends in prices over the past year compared with the previous four years; all prices are indexed to 1 October 2007.



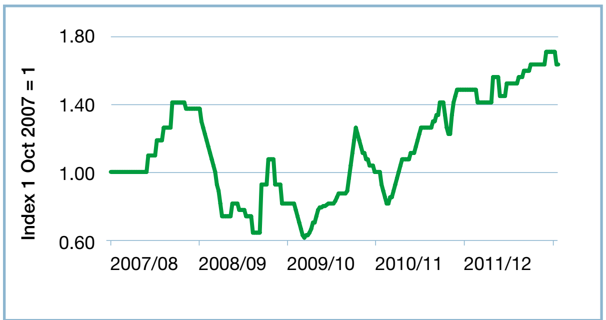
Hoki Fillets and Block



Ling and Smooth Dory Fillets



Orange Roughy and Half-Shell Mussels

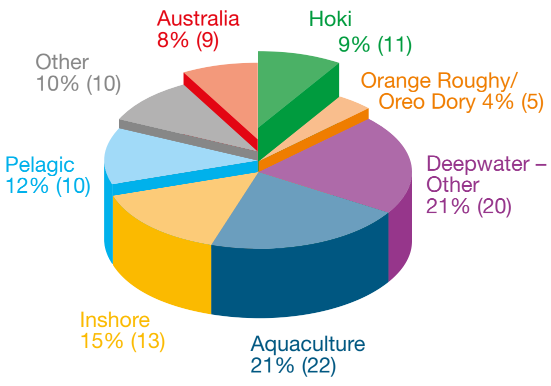


Skipjack Tuna

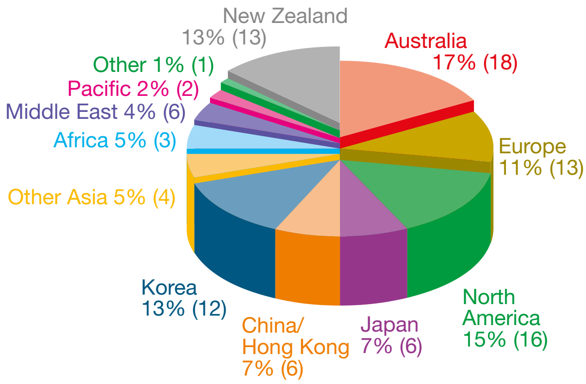

Sanford king salmon, early morning in Tsukiji Fish Market, Tokyo, Japan


Sanford half-shell mussels on a stall in Billingsgate Fish Market, London

Marketing and Development



Approximate Percentages Species Split 2012 (2011)



Sales by Geographical Location of Customers 2012 (2011)

The comparative revenue-based species split for the past two years has been reasonably stable. The decline in orange roughy/oreo dory species by 1% reflects the general softness of those markets. The 2% drop in hoki is more the result of some accumulated stock movement in the prior year rather than material pricing differences. The continuing increase in the contribution from pelagic species (up from 9% to 12% in three years) is indicative of the firm pricing of both skipjack and the various types of mackerel over the past 12 months. The comparative revenue contributions from the other species groupings have remained reasonably stable for the last two years again 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 sale of inshore species is firm (up from 13% to 15%), particularly on the domestic market because of the continuing strength of the New Zealand dollar.

The comparative revenue split by geographical customer location indicates the continuing growth in importance of all Asian markets in comparison to the traditional western hemisphere markets of Europe, North America and Australia. Each of the Asian market sectors grew about 1% in relative market importance which cumulatively resulted in a 4% shift in the geographic market share of sales to this region at the expense of traditional markets. The collective European, North American and Australian sector market share of sales is still dominant at 43% but Asian-region sales are steadily gaining at 32% for last year (cf. 25% in 2009). Sales to Asian countries are likely to continue to grow in relative importance in coming years.

The decline of sales in Europe from 13% to 11% is indicative of the general turmoil and uncertainty being experienced in a range of European economies this year. Trading in the European market proved challenging throughout the year and is expected to remain so in the coming year. The continued decline of the Australian market (20% in 2010, 18% last year and now 17%) reflects the impact in recent years of significant volumes of cheaper fish imported from many international sources.

The trading in the range of other markets remained stable at 12% as sales for diverse products are well established in African, Middle Eastern and the Pacific markets. The African market grew significantly (3% to 5%) as a result of strong demand for jack mackerel at firm pricing.

Australia Seafood Segment

Vaughan Wilkinson
General Manager
Marketing and Development

The Australian business had another challenging trading year and again yielded a result which was below expectations. Its performance was adversely affected by the poor economic climate in the Victorian State area where its main business activity occurs. Catches from contributing fisheries to our market facility have been low for the past few years and this has contributed to much less throughput for our commission sales operation than was expected.

The wholesale market demand for fish remained weak, as it has been for some time now, reflecting the mediocre retail spending trend across the economy in South-east Australia. There were some signs of improvement in unit pricing for a range of local fresh fish that is regularly sold through the market but the overall volumes were insufficient. The strength of the Australian dollar has encouraged a greater volume of imports and these have also impacted on the domestic fresh-fish seafood market. There is now a much wider choice of fresh, reasonably priced imported fish than there ever has been before and, similarly, cheap frozen imported fish competes directly with domestic fresh supply for the consumer dollar spend.

Our new facility has been operating satisfactorily for 17 months now with suppliers continuing to regularly consign seafood to the commission market. Most of our regular seafood buyers have also continued to actively support the business in this new market just as they did in the old facility. The food-safety fabric in the new market is vastly improved as the selling floor is now fully temperature controlled. This enables the available product to be presented at the highest quality for an extended time compared with that considered desirable at the old market.

As was the case last year, our seafood suppliers, especially vessel operators in the South-east trawl sector, have continued to be affected by poor catching. Again, the result has been lower catches across a wide sector of the fishery. The economic consequences have been particularly challenging for many of the operators and, unfortunately, some have had to cease operations. Historically, there have been similar poor seasons perhaps a decade apart and there remains an expectation among the operators that the fishery will improve to reach its previous norms of a few years ago. The poor economic performance of the fishery, has in turn, contributed to a shortage of people to man and operate the remaining boats in the fishery. Many existing fishermen have chosen to pursue employment opportunities in other maritime activities which is a further problem for the vessel operators that can affect the period of time in which some are able to operate. Continuing high fuel costs use a higher proportion of operating revenue especially in difficult times. There is now little reinvestment in the catching sector which is a matter that will need to be addressed soon or there will be a shortage of capacity to sustainably catch what fish is available.

The economic environment has put pressure on our customers (buyers) and debtor management continues to be an important focus for the business. As reported previously some of the larger buyers continue to be impacted by the retail sector (supermarkets) reducing the number of lines stocked in their stores as well as by imported product that competes directly with domestic fresh-fish supply. Until there are signs of economic recovery, retailers will continue to purchase in smaller volumes to ensure they do not have spoilage issues as their customers are purchasing only small amounts.

Australia Seafood Segment

The Company-owned trawler had a particularly challenging year with catches which were smaller than would be expected. Catches across the whole fishery were approximately 25% below those of normal years.

The revenue was similar to that of the prior year, even though the catch was smaller, because of improved market pricing. The vessel operation apart from catch was reasonable with the quality from the vessel being good and well received by the market.

The returns from quota trading were lower than expected because of a lack of demand resulting from poor catches reducing requirements from the catching operators. During the year, some quota and licences were disposed of in fisheries in which the Company is not operating or where the quota was surplus to requirements. The Company continues to review its operational quota requirements and will dispose of those assets that are surplus as and when market opportunity permits.

Staff numbers in the trading business were reduced and will be maintained at modest levels in the current economic climate. However, there is still a core staff capacity that needs to be maintained in order to continue operating the business on a reasonable basis. The management is experienced and all staff members are contributing positively to operating the business during challenging economic times.

Sanford's Melbourne market facility

Challenges and Opportunities

The year ahead is likely to be challenging for the Australian operation but emphasis is being placed on ways to improve both the volume and returns through the facility. The business premise is modern and attractive but needs more throughput or increased returns to be able to operate to expectations. There are a number of ways that returns from the current operation might be improved and careful consideration is now being given to the current business model.

In the year ahead the Company will continue its focus on improving the relationships with both suppliers and buyers to ensure higher levels of service. High service levels will ensure that suppliers and buyers have confidence to consign to and purchase seafood from, Sanford Australia. The staff and systems are the keys to reaching this goal and improvements will continue to enable this to be achieved.

There will be a programme to widen the range of seafood available from the business and initiatives are already under way to facilitate this.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Operations Overview

Greg Johansson
General Manager Operations

Overall, the Company has had a very productive year despite some significant challenges with mussel growth in Coromandel and within the Pacific tuna catching operations. Catch and harvest levels for the balance of the New Zealand operations were improved compared with the previous year's performance and in line with expectations.

Operational contribution also improved slightly over last year, assisted by a very good performance from the inshore sector, improved productivity from the mussel business during the third quarter and good catches from deepwater during the winter spawn fisheries. This was a pleasing result as there were significant challenges to achieving an adequate contribution from the New Zealand operations this year such as: the early closure of the North Island Mussel Processors Limited (NIMPL) plant due to poor mussel-growing conditions, the extended refurbishment of the Pacific tuna vessel San Nikunau, the fire onboard the Pacific tuna vessel Ocean Breeze and a very weak salmon market.

As noted above, the inshore operation had an excellent year, with good catches and strong prices for the pelagic species harvested by the Tauranga-based vessels. Inshore fish stocks are in good health with snapper on both coasts being abundant and the potential for a quota increase in the near future. The Auckland Fish Market auction continues to grow in volume of throughput and turnover, while the Seafood School experienced increased patronage during the year.

As indicated in last year's report, the Ministry for Primary Industries (MPI) has signalled its desire to work with stakeholders to improve the economic returns from our inshore fisheries. The industry has been found sadly lacking in its ability to form a cohesive national body (like the Deepwater Group or Aquaculture New Zealand) to take up this offer and engage productively with officials. While inshore fisheries are more complex, with multiple stakeholders and localised issues, there are matters that must be tackled by a collaborative/national approach and Sanford is willing to work with other like-minded, forward-thinking industry members to protect and enhance our inshore fisheries.

Hon. David Carter (right), Minister for Primary Industries with Greg Johansson at Auckland Fish Market

Deepwater catches were in line with expectations despite a slow start to the year as the charter fleet underwent a significant period of repairs and maintenance to bring the vessels up to the newly required standards. As usual, there was annual variation in the productivity of fisheries with excellent results from the scampi, hoki, southern blue whiting, South Georgia toothfish and orange roughy fisheries, while heavy ice conditions in the Ross Sea made access to the grounds and subsequent catches difficult.

On a very positive note, orange roughy biomass on both the Chatham Rise and Challenger Plateau was surveyed again this year and continues to show increases of a magnitude that would allow total allowable commercial catch to be increased. However, the industry has taken a conservative position at this time, deferring quota increases until future years to allow for additional rebuilding of these stocks.

Sanford and our charter partners have been pro-actively engaging with officials since the Foreign Charter Vessel (FCV) Inquiry Report was released and have already implemented a new foreign-crew management system. As part of the new system, all Indonesian crew member payments are made by Sanford (acting as paymaster for the FCV owner) into a

New Zealand Seafood Segment

Operations Overview

New Zealand bank account in each individual crew member's name, thus providing complete transparency and traceability of funds. We are also working with our charter partners and officials to assess the requirements and feasibility of transferring the existing four Korean-flagged charter vessels onto the New Zealand register earlier than in the four-year window provided.

The Ross Sea marine protected area (MPA) debate has received significant media attention in recent months, much of it misinformed. The New Zealand seafood industry supports an active conservation policy in the Ross Sea and supports existing internationally agreed conservation measures which have seen large areas of the Ross Sea already closed to fishing. Exploratory fishing occurs in less than 3% of the Ross Sea area for approximately four months of the year and is considered to be one of the best-managed fisheries in the world, certified as such by the Marine Stewardship Council.
More information about the Ross Sea debate can be found at www.seafoodnewzealand.org.nz/media-centre/

Aquaculture has had a successful but very challenging year, starting with the sale of our Kaeo-based Pacific oyster farming and processing operations due to the continued impact of OsHV-1 virus mortalities. This was closely followed by the early closure of the NIMPL mussel processing plant in Tauranga due to poor growth rates. Late in the year, the NIMPL business was placed into receivership by its bankers because of the non-payment of processing fees by one of the partners. At the end of the year, a new company North Island Mussels Limited (NIML), was formed to purchase the business from the receivers.

Half-shell mussel batch-weighing machine, Christchurch

However, at the Havelock and Christchurch mussel plants, production levels exceeded those of last year and are performing well with excellent growth rates from the southern growing areas. Salmon growth and production were excellent.

Securing access to Pacific Island countries' (PICs) fishing grounds for our Pacific tuna fleet is negotiated annually and is becoming increasingly challenging as PICs look to increase their revenue streams from the skipjack resource. Other fishing nations that either receive subsidies and/or operate low-cost, less-compliant operations are able to outbid New Zealand operators in the negotiations to secure fishing days within the member states. We continue to work closely with officials in an attempt to secure multi-lateral, multi-year access to the necessary fishing grounds.

Sanford scampi at a stall in Tsukiji Fish Market, Tokyo, Japan

Sanford jack mackerel at Billingsgate Fish Market, London

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Operations Overview

The next six months will provide some certainty around the actual status of the hoki biomass rebuild, when the data from three surveys conducted in 2011/12 are analysed and incorporated into the stock-assessment model. Reports from our experienced skippers confirm the biomass is increasing but the rate of that rebuild and year class strengths are yet to be confirmed scientifically. Sanford, along with a minority of other quota owners, opposed last year's hoki total allowable commercial catch (TACC) increase, preferring to await the outcome of this current data analysis before seeking any further increase.

After many years of hard work by the Deepwater Group, fishers and scientific study via cameras, observers, flume tanks and marine mammal excluding devices, it has been proven that the very low levels of fishing-related mortality of the New Zealand sea lion (zero for the last two seasons) is not impacting on the size of the population. This has been reflected in a four-year operational plan announced by the Minister in mid-2012 and gives industry greater certainty over access to the valuable squid resource in the Auckland Islands area.

The Primary Growth Partnership (PGP) projects noted in last year's report have both made good progress in the last 12 months, although the contracting and establishment phases of both projects have taken significantly longer than was expected. The Precision Seafood Harvesting (PSH) project is now up and running with the innovative technology being trialled onboard shareholder vessels. During 2013, we expect a number of vessels to be deploying this equipment on a regular basis, which will accelerate the rate of prototype development. The mussel spat hatchery project (SPATnz) has just completed the PGP contracting phase; this project will now commence in late 2012.

Sanford's John Bennett and Rt. Hon. John Key during filming of Graeme Sinclair's "Gone Fishing" for snapper in Auckland's Hauraki Gulf

While there were disappointments and challenges in the year just completed, these simply indicate the potential that exists within the business, and we are optimistic about the year ahead. We anticipate increased catch and harvest across all operations and, with prospects for stable or improving returns in the market place, hope that the environment treats us with the respect we show it in our daily activities.

The dedicated operational team, seagoing personnel and support staff work extremely hard and are constantly striving for improvement; we thank them for their ongoing commitment to the Company and the Shareholders.

Chefs Steve Roberts and Colin Doyle at Auckland Seafood School

King salmon prepared at Auckland Seafood School class

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Inshore Fishing and Processing

Shane Walsh
Inshore Fishing and Processing Manager

It is pleasing to report that the inshore operation had a successful year, exceeding expectations.

This has been driven by strong demand and better-than-anticipated sales prices for blue mackerel and skipjack tuna. Benefits were also gained from strong demand for export fresh, chilled snapper and whole frozen snapper and trevally. Prices for orange roughy and smooth dory were a challenge throughout the year and returns from these species were below expectations.

However, catches for most species met expectations and, overall, vessels performed well. Skipjack catches at the start of the year were slower than expected but trevally, blue mackerel, jack mackerel and red cod catches have been better than anticipated with good demand for all these species. The operation also benefited from reductions in inventory of product caught in the previous year.

Local market sales through the Auckland Fish Market auction and sales of frozen products have continued to be positive. There has been strong demand and prices through the Auckland Fish Market auction with eight record sales months during the year. Prices and demand for most species were better than anticipated. Snapper prices throughout the year were particularly good compared to last year and to budget.

Factory expenses were well managed at all sites; the only exception to this was storage costs incurred in Tauranga which were the result of storing large volumes of blue mackerel. These volumes came from good catches at the end of last financial year and in the first quarter of this year, and this product was phased into the market to maintain price levels over the time it took to sell this stock.

Both coldstores performed well with continuing strong demand for storage space. Over the last two years, we have managed to minimise the volume of Sanford product stored in outside stores.

Hapuka awaiting sale at Auckland Fish Market

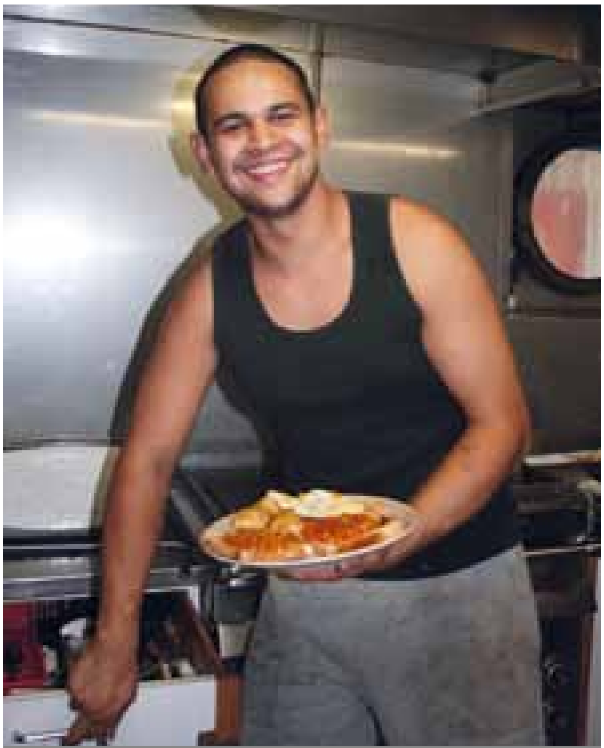
New Zealand Seafood Segment

Inshore Fishing and Processing

Auckland

Auckland-based vessels, together with selective utilisation of independent fishers, ensured catches of all species were maximised. Vessels' revenue benefited from strong demand for trevally with catches above expectation. Local market sales revenue through the Auckland Fish Market auction was better than expected for most species but particularly for snapper. Despite some unplanned maintenance throughout the year, costs were managed within budget.

The Auckland factory had another busy year. Factory revenue for both local and export snapper was stronger than anticipated. Daily chilled exports remained a growing and significant part of the operation. Contract cutting volumes for Foodstuffs supermarkets were similar to those of the previous year.



Bodean Coleman – breakfast on San Rakaia

Auckland Fish Market

The auction had another good year with eight of the 12 months experiencing record turnover. This is a reflection of strong demand for local market fish with the auction becoming the main source of supply. The market is supplied by Sanford and other fishers who enjoyed a strong summer period and very good prices throughout the year.

Traffic to the Auckland Fish Market remains strong especially through the summer period. This business has benefited from the award-winning Wynyard Quarter development which has drawn sightseers to the area. The Big Picture Wine™ turnover increased significantly compared to last year and it is expected that this business will continue to improve this coming year.

The Seafood School experienced another growth year driven by demand for corporate and public classes. Public class demand has increased noticeably and the school has become more recognised as a unique venue for events. The school entertained 9,500 visitors through the year who all enjoyed the experience of watching our chefs and then actively participating in hands-on cooking and eating of seafood.

Tauranga

Tauranga vessels had a good year with catches of blue mackerel and jack mackerel making up for a lower-than-expected skipjack tuna catch. The performance of the purse seine fleet is becoming more important for this branch as prices for these species remain strong.

The factory was busy packing catches of pelagic species and providing fish to the Auckland Fish Market auction and, when able, to the local market. Expenses were higher than anticipated with the need to store product in outside stores due to exceptional volumes of blue mackerel from the end of the previous year and start of this year. The operation continues to benefit from increased throughput with more-efficient processing allowing quicker unloading and turnaround of vessels, thereby improving catching opportunities.

Returns from the Export Cold Storage facility were better than anticipated. This business has benefited from the good catches of pelagic fish in addition to the demand from meat companies, keeping the store at full capacity.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Inshore Fishing and Processing

Timaru

While catches of red cod were better than anticipated, hoki catches in Cook Strait were slightly below expectations with variable weather and other issues affecting fishing time. Increased landings from independent fishers supplying a wide range of species assisted throughput in Timaru.

Lower prices for orange roughy and smooth dory impacted results but factory expenses were managed below expectations and helped to mitigate the lower export sales. The fishmeal plant had a good year with a strong demand for oil. This plant has been handling offal from both the Timaru and Bluff factories.

The San Won coldstore performance was better than expected. The store benefited from high product turnover resulting in higher-than-anticipated load-out income. This store remains fully committed and on occasion this means that product landed is stored in outside storage.

Packing room new WisePeripherals screens, Timaru

Bluff

The quantities of independent landings of inshore fish were up on previous years and a record for the plant, resulting in lower volumes of deepwater product being reprocessed.

Challenges and Opportunities

It is pleasing that inshore operations delivered a positive result. The ongoing challenge is to continue to improve returns to Shareholders despite the challenging trading environment. Our focus continues to be on profitability, compliance, sustainability and ongoing improvement across all areas of the business.

A Culture of Continuous Improvement was introduced to all branches during the last quarter. With the help of a specialist consulting company we are training staff on the skills required to manage the operations, focusing on improving efficiency by eliminating waste and concentrating on those activities that add value for our customers. This will be the foundation for improving performance during the coming years.

Any opportunities for growth through acquisition will be investigated and pursued if we are confident 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 cooperative business arrangements. We will continue to rationalise and upgrade our fishing fleet to improve catching, vessel and fuel efficiencies, as well as continue to invest in technology that has added value.

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 consumers and to promote and grow local market seafood consumption.

We will continue to support the rationalisation of industry organisations. This is to ensure that administration costs are minimised and effort and investment in fisheries science is focused and providing the best possible information for sound management decisions.

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

New Zealand Seafood Segment

Deepwater Fishing

Darryn Shaw
Deepwater Fishing Manager

The deepwater operation has had another successful year with the majority of our target species producing good catch rates. Of significant note has been the significant increase in ling catch from our longline operation, along with the general improvement from the hoki fishery, in particular the West Coast catching area.

The squid fishery remains as productive as that experienced in previous years along with the scampi fishery which has also performed well (and, in some areas, above expectation). Toothfish fishing in the Ross Sea was very difficult this year with access limited by a poor ice melt and diversions associated with non-New Zealand vessels that were in distress. Our oreo dory, orange roughy and southern blue whiting fisheries caught to plan.

Our charter operation faced significant challenges this year with extended lay-up periods due to permit-renewal processes (with each vessel being tied up for up to a month longer than had been planned), but crews worked hard at recovering ground in their catch plans and, at year-end they were up to expectations.

Once again, the price of fuel remained high and, being realistic, we can expect it will remain at this level for the foreseeable future. All parts of our operation remain focused on ensuring the energy we use is minimised where possible, or balanced to maximising catch return for effort applied.

Fillet Trawlers – San Discovery / San Enterprise

Our fillet vessels have had a productive year targeting hoki, with the processing output being mainly fillet block. The feedback from our skippers tells us the hoki fishery appears to be in good shape, with the preliminary reports from a NIWA research survey undertaken this year of the West Coast stock supporting their views. This is a good sign for the future as this is a major contributor to the operation's profitability. Hoki sustainability has been further endorsed by the recertification of the fishery by the Marine Stewardship Council (MSC).

Both vessels also participated in the squid fishery, which provided a valuable diversification to the annual catch plan targeting this short-lived but highly reproductive species.

The San Discovery had a scheduled five-year out-of-water survey in the early part of the year which had the vessel out of action for approximately one month. During this period,

San Enterprise, Timaru

Deepwater Fishing

the meal plant was refurbished and an oil-extraction plant installed, allowing the production of fish oil. This addition now provides additional value extraction from the base raw material. The San Discovery continues as a reliable and consistent catching platform.

In addition to hoki and squid, the San Enterprise targeted southern blue whiting as well this year. Catches were very good, although the sales prices for southern blue whiting were lower than the previous year's levels. The San Enterprise did have an unfortunate incident this year when a large volume of fuel was spilt into the Timaru Harbour due to a malfunction in a component piping system. The crew of the vessel reacted in an exemplary manner in responding, containing and helping clean up the lost fuel. During the course of the year the San Enterprise crew reviewed their, and the vessel's operational capabilities, resulting in better productivity – this is a pleasing outcome and a credit to them.

Longline Vessels – San Aotea II / San Aspiring

Fishing in the Antarctic is full of challenges, and none more so than during the season just been. Our vessels were delayed in accessing the main fishery due to a late ice melt along with diversions to assist with non-New Zealand vessels in distress. Despite this, the San Aspiring did manage to have a very successful trip, after taking advantage of emergency diversions to reposition the vessel.

Navy personnel onboard San Aotea II during routine inspection in the Ross Sea

This year was the first year a dedicated research trip identifying and sampling juvenile toothfish stocks occurred. This research activity (called a 'pre-recruit survey') is specifically instigated and designed by the Ross Sea fishery management body, the Commission for the Conservation of Antarctic Living Resources (CCAMLR). The survey was undertaken on our vessel San Aotea II with CCAMLR-appointed scientists onboard. Valuable information was gained into the extent of the small fish habitat and provides significant base-line data concerning the sustainable management of this fishery (and scientifically counters the negative recent journalism/publicity to the contrary). Another survey is planned for the coming season.

Even with the poor start to the season, the combined total catch for our vessels was only slightly behind that of previous seasons. In this environment, it is necessary to expect the unexpected and our crews on these vessels are well prepared to do so.

It is pleasing to report this year that the longline-caught ling fishery targeted by the San Aotea II has rebounded, with catch volumes well up on those of last year. As with the vagrancies of fish behaviour, there is no obvious or explainable reason for the change but, hopefully, it is a signal of a more-productive fishery.

The San Aspiring was again successful in obtaining a licence to access the South Georgia and South Sandwich Islands (SGSSI) toothfish fisheries, which resulted in a successful season during which the vessel continued supporting the research initiatives of the Government of SGSSI.

New Zealand Seafood Segment

Deepwater Fishing

Scampi Fleet

The scampi fleet has had a good year. All of the scampi fish stock sub-areas have fished well and, in particular, the Auckland Island fishery which has been more productive this year with the number of weather related stoppages reducing in the later part of winter and beginning of spring, allowing more time for fishing.

Our vessels Christmas Creek and Albatross both had scheduled dry dockings in the earlier part of the year but, overall, the fleet achieved a 7% increase in days fished compared to the previous year.

This year, a concerted focus has been put into increasing the quality of the vessels' scampi product, with the crews stepping up to the task and increasing their product quality assessment scores substantially – this is a great result. It is also pleasing to note that scampi inventory levels have reduced significantly due to improved demand from new markets.

Christmas Creek, scampi vessel

San Waitaki

The San Waitaki had its most challenging year yet. In addition to its historical catch plan, it has, for the first time in over 10 years, returned to catching hoki. Targeting hoki was primarily focused on the West Coast spawn aggregation although some time was spent earlier on the East Coast while the crew reacclimatised to hoki processing.

The San Waitaki can be considered to be our most versatile catching vessel. During its yearly catch plan, it has trips targeting orange roughy, smooth and black dory, squid, southern blue whiting and now hoki. To be able to catch these different species in commercial volumes requires a skilled set of officers and crew. It is the adaptability and focus of these individuals that allows them to switch between fisheries; with some species, this requires a whole new fishing approach each time.

In addition to the above, the San Waitaki has once again undertaken acoustic research trips under contract to the Ministry for Primary Industries (MPI) to collect biomass data for stock assessment purposes. The vessel and crew's ability to provide a no hassle/customer-service-style approach to this area of business makes them the preferred vessel for this research work. This year, they have undertaken an orange roughy spawn survey, oreo dory survey and were also called in at the last minute to complete a southern blue whiting survey on the Pukaki Rise – after the contracted vessel could not deliver.

NIWA's research equipment

Equipment being loaded onboard San Waitaki for NIWA research trip

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New Zealand Seafood Segment

Deepwater Fishing

The orange roughy Chatham Rise spawn survey this year has resulted in the second physical location and surveying of an additional orange roughy-spawning biomass (found for the first time last year). This aggregation has now been confirmed as a separate and additional stock to the main spawning plume. This, in effect, now confirms that the orange roughy biomass in this sub-area is at least twice as big as was previously estimated. This is excellent news and supports the industry's view that the decline in the fish stock in this area (and associated cut in catch limits by MPI) was premature. We await the outcome of the full stock-assessment process, but the industry has signalled that it will not push for a return to the previous catch limit immediately, to ensure any remaining sustainability concerns are fully considered.

Charter Operations

Our charter operations have had a challenging year. There have been a significant number of audits of Foreign Charter Vessels (FCVs) by government departments, along with regulatory and policy changes being applied (some at short notice) – all in response to the Government's inquiry into FCVs and its determination that all FCVs must be New Zealand-flagged within four years. The associated anti-FCV campaign portrayed through the media has not helped the situation for anybody.

This impacted at the start of the year with extended lay-ups of our FCVs while they were upgraded to meet the newly required standards. This put the annual catch plan behind by a full month, although with productive squid, barracouta and hoki catches throughout the year, they managed to bring their annual catches close to expectations.

Both Sanford and our charter partners are taking time to consider the extent of the impact that the change in the requirements for operating FCVs will bring, and what that will mean for the profitability of the operation for both sides. Not all the outcomes of the review are fully known yet, but we are working closely with our partners to determine the downstream effects.

The workload for our staff and our charter partners has been immense during this period and it is a credit to them that they have been able to tackle this additional workload as well as keeping their operations running efficiently.

Challenges and Opportunities

Looking forward, each of our fish stocks is in a great position. While there have been no increases to any of the deepwater total allowable commercial catches (TACCs) for the new quota year, we are well positioned for the future. The Western hoki stock is looking positive and may justify a quota increase in the next few years, and the biomass estimates for some of our key orange roughy fisheries have now stabilised and have future upside potential – a stark change to the situation faced in previous years' of constant reductions.

Maritime New Zealand (MNZ) is due to change the safety-management system for commercial vessel activities in New Zealand. The previous regime called Safe Ship Management (SSM) is being replaced with a new system called Maritime Operator Safety System (MOSS). The changeover is anticipated to occur during 2013. While Sanford is totally committed to the principles of increased and improved safety the changeover process will be resource intensive. The new system will likely cost more to operate than the previous one, and we are not yet convinced that it will necessarily provide any safety outcomes that are improvements over those we have already.

The Ross Sea fishery has been in the media recently with the proposal for a large Marine Protected Area (MPA) to be established within it. Although no consensus was reached at the CCAMLR meeting held in November, we anticipate that the issue will not go away and planned intercessional work will produce an MPA design that will be more acceptable to all parties. Sanford has not been opposed to an MPA that is representative of the unique habitats in the Ross Sea but we

Former CCAMLR Commissioner Trevor Hughes (right), and Sanford scientist Jack Fenaughty (left), in Antarctica

New Zealand Seafood Segment

Deepwater Fishing

are opposed to political MPAs that have only one intention – to eliminate sustainable and scientifically supported fishing.

We look forward to another productive squid season. A breakthrough has now finally occurred with the fishing operational management framework for the Auckland Islands squid fishery, after the industry has spent many years of effort and millions of dollars on scientific technological work and development of gear. The Ministry for Primary Industries (MPI) has announced that the operational framework will now remain for four years – as a direct outcome of the proven success and effectiveness of the Sea Lion Excluder Device (SLED) which allows any sea lions that enter the trawl net to escape without harm. This is an excellent outcome, but industry must remain vigilant to ensure its operating standards do not slip.

The development of the Subantarctic and Kermadec Islands Regional Coastal Management Plan has now moved through to the Environmental Court process, as the Department of Conservation and the industry could not agree on provisions within the plan during the consultation process. Sanford has a significant interest in this plan and we are active participants in the process to ensure that our ability to harvest our southern ocean fisheries is not restricted – physically or economically.

The year ahead will be very busy for our deepwater operations, with the introduction of regulatory changes along with the continued focus on operating a safe and productive fleet.

It is appropriate to thank all staff and fishers for another very busy but productive year. This year has seen us dealing with a multitude of challenges - some planned, some not - which have put a great deal of pressure on individuals and crews alike. It is pleasing to be able to work with people who can step up when the going is tough and take each challenge ‘head on’ as it appears. Our business is dynamic and the expectation of a modern fishing company grows year on year. This expectation includes more systems to show sustainability/product traceability, better risk management and, of course, providing an adequate return to our Shareholders. I anticipate that next year will be no different.

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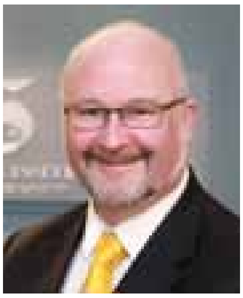
New Zealand Seafood Segment

Aquaculture



Ted Culley
Aquaculture Manager

Further consolidating the gains made last year with the purchase of the Pacifica mussel business, we had a record year in mussel production despite the challenges of supply volume in Coromandel and, to a lesser extent, in Marlborough during the final quarter. Conversely, growth rates and condition from our farms on Stewart Island well exceeded our expectations.

The Coromandel farming and processing operations also underwent significant restructuring with the Coromandel growing area being impacted adversely from a period of slow mussel growth and affected condition.

Market pricing for half-shell mussels has remained steady throughout the year although net returns continued to be impacted by the high exchange rate. The status of the European economy continues to affect sales to that sector and impacts on sales volumes and returns achievable from that region for both half-shell and meat products.

Early morning in the Marlborough Sounds

The closure of the Kaeo processing plant in the first quarter and subsequent sale of the Pacific oyster-farming operations to Aotearoa Fisheries Limited in the fourth quarter enabled our total exit from the Pacific oyster business. This allowed a consolidation of the Pacific oyster industry following the incursion of the OsHV-1 herpes virus which has caused considerable mortality in farmed and wild oyster stocks, significantly reducing the industry's production volume.

Overall, the performance for aquaculture operations was behind expectations for this financial year influenced mainly by the depressed export market for frozen salmon and the issues experienced in the Tauranga and Coromandel mussel operations.

The trend of low export prices for frozen salmon products that started last year has continued through 2012 with little change anticipated in the short to medium term. The market forecast has concentrated our efforts on diversifying away from the frozen headed and gutted export market to supplying fresh, chilled products and added-value frozen portions in markets closer to home. Market returns have continued to be challenged by the high and volatile exchange rates.

Salmon production for the year is down on last year as we fine-tune the operations to facilitate the supply of larger fish on a year-round basis to support the fresh market demand whilst continuing to reduce the cost of salmon production in a challenging market environment.

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New Zealand Seafood Segment

Aquaculture

Greenshell™ Mussels, Havelock

The La Nina weather pattern caught up with the top of the South Island farming operations in the final quarter of this financial year with consistent rainfall events restricting access to crop supply and also impacting on the condition of the mussels available for processing. This saw the processing plant reduced to a single shift for August and September.

Apart from the issues of crop supply in the final quarter, farming, harvesting and processing operations each had a solid first nine months with continual improvements in plant performance being achieved.

Two vessels have been retired as part of a reorganisation of fleet work patterns following the merger of the Sanford and Pacifica mussel farming and harvesting operations. We are working through the sale of surplus assets and hope to have these completed in the first half of the next financial year.

New-technology mussel grow rope developed for our more exposed sites in Coromandel is being deployed in strategic locations around the Marlborough Sounds where we have assessed the maximum benefit will be achieved. We will also use this rope in Tasman and Golden Bays: this can be a more challenging growing area than Marlborough.

While overall volumes processed were ahead of those of last year, they were slightly below expectations; however, the contribution from these operations was significantly improved over last year.

Mussel chiller room, Havelock

Mussels awaiting shipment, Christchurch

Greenshell™ Mussels, Christchurch

The Christchurch operation had a steady one-shift operation throughout the year. Sanford supplied mussels from Big Glory Bay on Stewart Island were supplied when Marlborough product was lacking condition; the yields obtained from this product consistently exceeded any other product supply. Volumes through the plant were ahead of last year but slightly behind expectations.

Remedial work and strengthening of the factory following the earthquakes has been taking place throughout the year with a completion due at the end of this calendar year. Our contractor's insurance assessors and insurance company have worked proactively in minimising the impact of the repairs on the Christchurch operations.

Greenshell™ Mussels, Coromandel

Coromandel has had another challenging season this year with poor growth and condition. Accordingly, mussel volumes have been well below expectations and last year's volumes.

This resulted in the North Island Mussels Processors Limited (NIMPL) processing plant in Tauranga ceasing production two months earlier than anticipated. This necessitated the processing plant making seasonal lay-offs early and restructuring the permanent staff at the plant. Some personnel accepted temporary positions at Havelock in anticipation of the Tauranga plant reopening in the new harvest season.

New Zealand Seafood Segment

Aquaculture

Severe pressure was placed on the joint venture processing facility at Tauranga with one partner not able to pay its processing charges. This saw the business going into receivership late in the year, which was extremely disappointing and created considerable uncertainty for the remaining staff.

Sanford and Sealord worked collaboratively to set up a new 50/50 joint venture company North Island Mussels Limited (NIML) that, as well as purchasing the NIMPL processing plant, includes the Coromandel farming, harvesting and processing operations of both partners; we are confident that this will generate cost efficiencies in the Coromandel operation.

King Salmon, Stewart Island and Bluff

We continue to improve the productivity of the farming operations. Farming techniques introduced this year have been successful at reducing maturation. We have a new supply agreement with our feed supplier to further reduce our cost of production. Increasing fish availability for all year-round fresh market supply has been a particular focus. With the challenges faced in the export markets for frozen headed and gutted salmon in Asia, smoothing out the harvested volume throughout the year to supply the fresh, chilled domestic and export markets is a key focus for the salmon team.

Work is being undertaken in conjunction with our feed supplier on further innovations in our diet formulations to improve our food conversion rate and potentially further mitigate our impacts on the environment.


Salmon farm, Big Glory Bay

We continue to invest in our salmon breeding programme to improve the genetic performance of our stock, concentrating on growth rate whilst ensuring there are no negative impacts on the flesh texture, colour and fat content.

Oysters, Bluff

This was Sanford's fourth year in the fishery which performed better than expected with additional quota being made available during the season. Prices and catch quality were better than expectations.

Challenges and Opportunities

The global economic conditions and environmental events in New Zealand have made it challenging to achieve an adequate return from the aquaculture business this year.

This has led to some significant restructuring in the oyster and the mussel industries with Sealord exiting its South Island mussel operations this year. This change led to our industry partners pulling out of the Primary Growth Partnership (PGP) programme for mussel hatchery spat development. Over the past six months, with the Ministry for Primary Industries (MPI) support, we have restructured the work programme for this project to continue on a lesser scale; it is scheduled to start later this calendar year. Sanford is still firmly committed to this project as the innovation that we believe will be created during the project's seven-year term will be a step change for the mussel business.

The Government's new legislation for enabling aquaculture development will be tested this year with New Zealand King Salmon's application for nine new salmon farming sites in Marlborough. The process has been longer, more expensive and more litigious than anyone anticipated it would be. Potential future investors may be discouraged if the outcome is not positive for the industry and we are hopeful any outcome does not impose excessive conditions in response to a 'social carrying capacity' for aquaculture.

Access to new water space is still extremely challenging going forward, even under the new legislation.

Further ongoing work is being undertaken on developing new product streams from existing products grown and the further utilisation of waste streams in our processes.

Thanks are due to the aquaculture team for their contribution, and their tenacity in continuing to drive our business forward. Working with them is a pleasure. We are well placed for the challenges next year may bring.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

New Zealand Seafood Segment

Pacific Tuna

Martin de Beer
Pacific Tuna Manager

The performance of the Pacific tuna fleet was severely impaired this year with the final results falling well below forecast. Whilst fish prices reached record highs, this was not sufficient to offset the lack of catch, particularly as the highest prices occurred at the time when two of the three vessels were not fishing. The poor catches meant total revenue was well below expectations whilst total costs were much greater than forecast due to the extended refurbishment of the San Nikunau and the repairs to the Ocean Breeze. This meant the total contribution was significantly down on expectations.

As reported last year, the San Nikunau was detained in July 2011 by the US Coast Guard (USCG) in Pago Pago, American Samoa, for alleged MARPOL violations following a Port State Control inspection. Following the vessel being released, the decision was made to bring the vessel to New Zealand for some immediate remedial work before resuming fishing operations. This meant the vessel lost the first four months of the year before resuming fishing in New Zealand waters in early February. The San Nikunau remained fishing in New Zealand until early May when the season drew to a close.

In mid-June, upon completion of the New Zealand season, the vessel commenced its five-yearly renewal survey and a significant refit and upgrade. This work programme took longer than was originally forecast so, at year-end, the vessel was still completing the necessary upgrade and maintenance work with the finish scheduled for early November.

The San Nanumea started the year well but fishing over December and January was very quiet with the vessel having one its longest trips on record. Given the slow fishing in the Western Central Pacific Ocean (WCPO), the vessel came to New Zealand in February to unload and fish the summer skipjack season. Fishing in New Zealand was sporadic due to the unsettled weather patterns but there were periods of good catches. At the end of the season, the vessel returned to the WCPO but fishing was still slow for the balance of the year.

The Ocean Breeze suffered, as did the San Nanumea, from the very poor fishing early in the year. The vessel then developed a vibration issue which required the vessel to return to New Zealand to undergo out-of-water repairs.

San Nikunau – outside Manukau Harbour

Ocean Breeze – entering Port of Tauranga

New Zealand Seafood Segment

Pacific Tuna

Ocean Breeze – new tail shaft

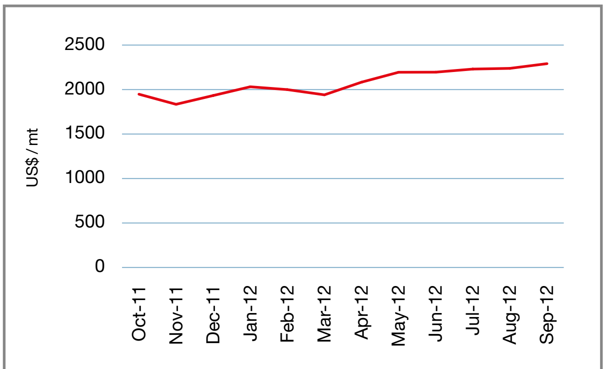
Ocean Breeze – fire in Lyttelton dry dock
(Photo supplied by 'The Press')

Upon inspection it was found there had been significant wear of the aft tail shaft bearing. At the completion of the unload the vessel was relocated to Lyttelton to enter dry dock for this to be repaired. It was found upon docking and the tail shaft being removed that it had suffered damage due to the vibration so the tail shaft was condemned and had to be replaced.

Thankfully, a suitable billet of material was found in New Zealand from which a new tail shaft could be manufactured. Whilst the new tail shaft was being machined, a range of other works were undertaken on the vessel. Unfortunately, just as these works were drawing to a close, a fire broke out on board the vessel at the end of August. Most importantly, there was no loss of life or injuries to anyone on the vessel at the time of the fire but the vessel was severely damaged, particularly from the smoke and water used to extinguish the fire. The repairs to the vessel were still ongoing at the end of the financial year meaning the vessel lost all of the fourth-quarter fishing opportunity. Repairs to the vessel were completed with the vessel resuming fishing operations in early November.

The loss of fishing time due to the continued detention of the San Nikunau at the beginning of the financial year and the extended time frame for the survey and upgrade of the vessel, plus the unexpected repairs to the Ocean Breeze as a result of the tail shaft problem and the fire, were factors which significantly impacted on the performance of the operation.

The frustration at the loss of fishing time was compounded by the fact that fish prices reached record highs by year-end and we were not able to capitalise on these. As shown on the graph below, fish prices increased reasonably steadily during the year.



Bangkok's 4 to 7.5 lb skipjack tuna prices

These record fish prices pushed the average benchmark grade of skipjack tuna price up in the Bangkok market for the current year (to US$2,079/mt) which was a significant increase (35%) compared to the price during the previous year (US$1,534/mt).

New Zealand Seafood Segment

Pacific Tuna

Challenges and Opportunities

We reported last year that the annual meeting of the Western and Central Pacific Fisheries Commission (WCPFC) was due to be held in Palau in December 2011 but, in the event, it was actually deferred until March 2012. It was at this meeting that decisions were to be made on the new Conservation and Management Measure (CMM) to address overfishing of the bigeye and yellowfin tuna stocks. However, the members were unable to agree on the conditions for a new measure. As a result, an interim measure was agreed and final decision-making was deferred to the December 2012 meeting in Manila. There is a great deal of pressure from both within and outside the WCPFC for the member countries to adopt a new measure so the outcomes from this meeting will be critical to the ongoing sustainable management of this fishery.

Unfortunately, no concrete progress has been made in recent times with respect to securing longer-term fishing access rights to the waters of the Pacific Island Countries (PICs) with which we currently have long-standing bilateral fishing agreements with. Tokelau has recently advised that is has become a party to the Nauru Agreement and so, from 1 January 2013, it will be implementing the Vessel Day Scheme for which it is currently seeking expressions of interest from parties wishing to fish in its waters. We will shortly be commencing negotiations with Tokelau and other PICs with regard to continued access to their waters.

With regard to more-secure, longer-term access arrangements, as reported last year, the New Zealand Government had signed an Arrangement on Fisheries Co-operation with certain PICs. Under the auspices of this arrangement, the New Zealand Government has now offered to assist in commencing discussions with these parties in the interest of developing some form of a multi-lateral access arrangement. It is intended to progress these negotiations over the forthcoming year.

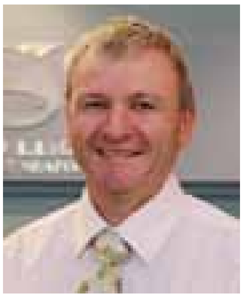
It has been very disappointing that the operation did not produce a positive contribution this year. However, with the work that has been carried out this year and scheduled for next year, the vessels should be set up to give safe, reliable and efficient service during the coming years. This should provide a positive contribution as well as achieve the return on investment that is in line with expectations.

Once again, mention must be made of the crew and staff for their efforts during what has been a very difficult year, with special thanks also to all the people (crew, staff and contractors) who were involved in the refit of the San Nikunau and the repairs to the Ocean Breeze; these were very demanding projects.

Sanford's Jim Fitzgerald with local iwi during blessing of San Nikunau after re-fit in Auckland

San Nikunau crew

Finance and Administration



Dean McIntosh
General Manager Finance and Administration

The year has seen many challenges for the finance and administration team and these have sometimes required significant, additional work on top of their usual day-to-day responsibilities. These challenges include the additional accounting and clerical work as a result of the establishment of several new joint ventures and industry organisations, the restructuring of our charter vessel fleet crew payment systems, the substantial capital upgrade of the San Nikunau, the major repairs to the Ocean Breeze tail shaft and subsequent fire damage in the dry dock, the ongoing and additional earthquake repairs at the Christchurch factory, and the closure of the Kaeo oyster-processing factory and subsequent Pacific oyster farming asset disposal.

In addition this year, we have seen the commencement of the significant IT project, WisePeripherals, which will result in improvements to our catch-landing, production and inventory-management systems. One of the main features of WisePeripherals will be the ability to more effectively manage traceability from fish and shellfish in the water to product in the market place; this is a growing requirement from our increasingly sophisticated customers. It has involved many hours of dedication and extra work by our in-house IT staff as well as production and management staff throughout the Group, especially during the 'go-live' phases; they were required to work weekends prior to the implementation. Our Christchurch branch was the first to 'go live' in March 2012, and, since then, four other branches are 'live' on the new system. The last branch will 'go live' in December with the project concluding once the freezer vessels are implemented during the first part of 2013. Simultaneously, we have improved our IT backup and disaster-recovery plans to ensure our business risks are minimised in the event of a systems failure or in the unlikely event of our computer room being destroyed. While it would be fair to say we have had our share of relatively minor 'go-live' issues that were resolved quickly, the project to date has been successful. The benefits of the new system include enhanced traceability of all our products (now required for many overseas markets) and efficiency gains from having one integrated management system. Thanks go out to all those involved in this project.

Quality control station, Auckland

We again faced a difficult insurance market for the 2012/13 renewal, resulting from market conditions and high value claims including the San Nikunau arrest in July 2011 and the ongoing San Nanumea crew injury claims. The first half of 2012 saw premium increases continuing for most corporate, commercial and domestic policy holders and a general tightening in overall insurer risk selection, particularly in areas exposed to natural perils. Estimated losses from the

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Finance and Administration

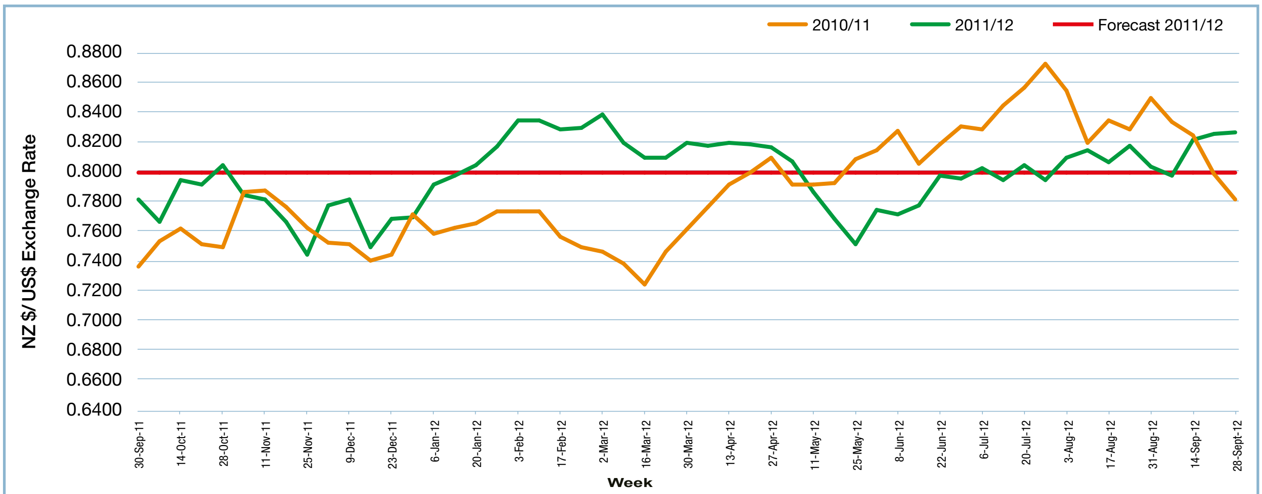
Christchurch earthquakes continued to increase, with the ongoing aftershocks causing additional damage and delaying rebuilding schedules. This has resulted in significant upwards pressure on reinsurance costs and capacity pressures with several underwriters withdrawing capacity or exiting the New Zealand market. Except for increases in our vessel liability and on-board catch cover deductibles, we have been able to maintain the full insurance cover that was previously in place with our insurers. Overall, insurance premiums for the 2012/13 year increased by 16% on similar cover held for the previous year. The main increases were for our material damage, marine cargo, vessel and liability policies.

The estimate for the earthquake repairs to our Christchurch branch has increased to $1.5m from our initial estimate of $800,000 due to a number of hidden issues discovered during the repair process. While there have been delays in finalising the remedial non-urgent work, it is pleasing to note that these repairs are now almost complete. The repairs to date have focused on the known earthquake issues that have been identified and discovered as part of the remedial works. It is planned that the site will undergo a Detailed Engineering Evaluation (DEE) in 2013 which has been requested of Christchurch building owners by Canterbury Earthquake Recovery Authority under the Canterbury Earthquake Recovery Act 2011. It is not known at this stage if the DEE will uncover further work required. We have continued to receive progress payments from our insurers who have, to date, processed our claim in a professional and timely manner.

Sanford has again retained its accreditation of the Accredited Employer Programme (AEP) with the Accident Compensation Corporation (ACC) of which we have been a member since its inception in July 2000. We remained focused on workplace heath and safety and, as noted in our 2012 Sustainability Development Report during the year, we implemented a new health-and-safety system across our land-based processing plants. The main advantage has been the creation of a centralised system based on standard 'procedures manuals' using best-practice documentation from across the Company. We are hoping to see the benefits of the new system in coming years, the results of which will be a safer workplace for our staff together with additional savings through the AEP.

We have seen continued volatility in exchange rates throughout the year, making management of currency risk difficult. Any dips in the currency were often short-lived and we had to react quickly to take advantage of these. Earlier in the year, a revised treasury policy was adopted as a result of an independent review by an external advisory firm. While the new treasury policy has not fundamentally changed our approach or strategy to managing risks, the recommendations adopted by the independent review have resulted in a more-robust policy that covers foreign exchange, borrowing and interest rate and commodity (fuel prices) risks.

Exchange Rate Analysis



US$ (Accounting) Exchange Rate

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Finance and Administration

Interest rates continue to remain low and seem likely to remain at current levels for some time yet. We have hedged a portion of our interest rate exposures in accordance with the new treasury policy using interest rate swaps that expire progressively over the next one to six years.

Challenges and Opportunities

Treasury management will always be a challenge in the business in which we operate. We need to actively and responsibly manage these risks especially in the current economic environment.

Since adopting the International Financial Reporting Standards (IFRS) in 2008, we have continually struggled to understand how some of the additional disclosures in the notes to the accounts add value to our investors and readers of our financial statements. There was a significant volume of additional reporting requirements upon adoption of IFRS which requires considerable effort to produce while adding information of little value that few readers really understand. There needs to be a logical and consistent approach to financial reporting standards but we believe some of the disclosure requirements have gone too far and we look forward to some simplification and rationalisation in the future.

We will continue to refine the accounting and sustainability systems to ensure management receive timely and accurate information to make informed business decisions consistent with the overall strategies of the Company. With new systems in place, we will expect to see the benefits in the coming year.

I would like to thank the finance and administration teams throughout the Group for their dedication and hard work and especially through the challenges we faced this year. We endeavour to support our management team by providing timely and accurate information while, at the same time, striving for continual improvement to our processes and procedures.

Reporting, pre IFRS!

Sustainable Development

Our Sustainable Development Report is available online. The complete report is available at **www.sanford.co.nz**

Managing Director's Review

ERIC BARRATT
MANAGING DIRECTOR

Sustainability plays a significant role in Sanford's values, goals and operations. For this reason, it is important to us that we acknowledge its existence and its magnitude through producing this report annually. This, our 13th Sustainable Development Report, is aimed at recognising our environmental, social and economic achievements, challenges, lessons and development over the last 12 months. At Sanford, we believe that transparency is a fundamental component of any successful company and this is why we seek to openly report our movements, both forward and backwards, to our stakeholders.

During the last 12 months, one of our key focuses has been the building and strengthening of partnerships. Our ever-strengthening relationship with the Iwi Collective Partnership (ICP) has been at the forefront of this with an equal commitment to maintaining sustainable seafood. We were honoured to be the first New Zealand company to join the World Ocean Council (WOC), a global alliance of the multi-sectoral ocean business community working towards a healthy, productive and sustainable global ocean. Another partnership that has strengthened through the year has been that with our foreign charter vessel partners, Dong Won Fisheries Company Limited and Juahm Industries Company Limited, who both operate from our Timaru deepwater offices.

Not all our movements this year have been positive as we have been faced with many challenges, some of which relate to Sanford's core values particularly around sustainability, respect for the environment and the trust our stakeholders put in us. However, our values ensure that, even when we face difficulties, our focus is on how we can put things right, do better, learn and grow.

The key challenge has been dealing with the accusations made against one of our Pacific tuna vessels, the San Nikunau. Criminal charges were filed in January 2012, in the United States of America, alleging that Sanford was vicariously liable for the failure of certain engine-room crew members to properly maintain the vessel's Oil Record Book in connection with the management of oily wastes aboard the vessel. Though this case is still going through the United States court system, we have learnt from this experience and have taken the opportunity to strengthen our environmental systems company-wide.

Now in the new fishing and financial year, we are putting these issues behind us and looking forward with optimism, to a more focused business. We have exited the Pacific oyster business and our aquaculture activities are now clearly focused on Greenshell™ mussels and salmon. The recent settlement of the North Island Mussels Limited acquisition means that our North Island mussel business is now a larger jointly owned business with Sealord.

While exchange rates continue to be a challenge, we are confident that we will see improvements in our business as international markets stabilise, and demand continues to grow for some of the world's finest fresh and frozen seafood responsibly farmed and harvested by Sanford.

> This year, we have rearranged the layout of the report in order to represent a start-to-finish business model. We have done this so stakeholders are able to achieve a greater understanding of our business cycle. Through reporting on Our Resources, Our Operations, Our Impacts and Our Outputs it has been possible to clearly show the processes and operations at Sanford.

Eric Barratt
Managing Director
7 December 2012

Our Resources

If it weren't for our people, the quota and aquaculture farms we have available and access to natural and non renewable resources, we would not have been able to continue to successfully operate for over 100 years.

The aim for this section is to highlight a number of our key resources that enable us to operate as a successful business. These are:

- Non Renewable
- Our People
- Quota
- Aquaculture Farms

Our Operations

Our Operations include the catching, farming, harvesting, processing, transporting, storing and marketing of our seafood. Though not all of these aspects are covered in this report, we have identified and included the key topics of interest to our stakeholders within our operations this year.

These are:

- Fleet Management
- San Nikunau
- Foreign Charter Vessels
- Ross Sea Fishing
- Compliance
- Traceability

Our Impacts

Through the resources we utilise, the operations we undertake and the outputs we produce, we create an impact. Positive and negative, this section details the impacts we have on:

- Communities
- The Environment
- Protected and Vulnerable Species

Our Outputs

Outputs are as fundamentally important to Sanford as the other three components that complete our business; resources, operations and impacts. Without the sales of our high quality products, both now and in the future, we would no longer be able to survive as the successful company that we are today. Development of strong relationships is also an important aspect of our business, the Iwi Collective Partnership is a positive example of this. The knowledge we gain from research and development assists us in striving to be a leader in the New Zealand seafood industry regarding best-practice initiatives.

Our Outputs include:

- Products
- Financial Position
- Iwi Collective Partnership
- Industry Leadership

Sanford's longest-serving employee

LLOYD TE NGAIO
AUCKLAND FACTORY FOREMAN

"I commenced work at Sanford Limited in 1963. My job was in the factory ensuring the knife-hands always had fish to fillet and process. Back then there were no such things as gloves or forklifts; everything was done with our bare hands.

Had it not been for the hard work Sanford management and staff have put in over the last 50 years, the Company would not have the facilities that we have today."

Key Performance Indicators

	Unit	2008	2009	2010	2011	2012
Production						
Onshore production[1]	tonnes	48,100	48,272	49,500	61,706	66,586
Fishmeal and oil produced[2]	tonnes	1,080	3,768	5,192	4,437	4,631
Frozen-at-sea product[3]	tonnes	35,184	34,409	28,168	30,677	26,282
Environmental						
Electricity consumed[4]	kWhrs	24,491,708	25,911,076	29,365,399	31,883,212*	31,506,180
Water used[4]	m^3	713,001	757,472	771,960	1,062,487	1,136,290
Solid waste produced[4]	m^3	3,148	2,143	3,747	7,424*	4,641
Coal consumed	kg	502,340	560,420	553,700	492,020	398,691
Liquid fossil fuels consumed[4, 5]	litres	28,032,781	27,054,288	26,362,099	25,733,866	25,883,957
Greenhouse Gas Emissions (CO_2-e)	tonnes	83,910	82,554	96,222^	83,981^	81,610
Lube oil used	litres	123,187	105,307	95,874	103,643	127,226
Social						
Land-based employees[6]		1,147	1,137	1,055	1,401	1,184
Vessel crew		360	437	471	448	472
Lost-time injury frequency rate[7,8]				14*	15*	8
Number of ACC claims accepted[7]				147	205	173
Average age of employees	years	41.1	43.2	43.0	39.6	40.3
Average length of service	years	5.2	6.1	7.1	5.1	6.0
Economic						
Revenue	$000	436,564	433,091	421,087	463,954	459,957
Profit (after tax) for the year	$000	53,344	39,075	25,004	22,286	20,842
Return on average total equity	%	10.2	7.3	4.5	4.1	3.8
New Zealand domestic purchases	$000	174,000	182,000	185,000	213,000	212,000
Dividend per share	cents	23	23	23	23	23
Earnings per share	cents	57.0	41.7	26.7	23.8	22.3
Charitable donations and community investment	$000	223.9	319.0	300.1	319.2	157.7
Business						
New Zealand quota share	%	24.80	23.58	23.53	23.44	23.43
Export sales	tonnes	89,682	69,725	88,593*	83,956*	82,044
Local sales	tonnes	12,986	15,689	9,959*	12,672*	12,920
Vessels owned		46	51	47	54	52
TEU[9] containers shipped		3,585	3,823	3,784	4,959	5,285

Notes

1. Onshore production includes New Zealand (inshore and aquaculture), Australia and China.
2. Fishmeal and oil produced at Timaru and on deepwater vessels.
3. Frozen-at-sea product includes deepwater, scampi, Pacific tuna and Australia vessels.
4. Includes China and Australia.
5. Liquid fossil fuels includes diesel and light fuel oil from 2010 onwards.
6. Includes permanent, seasonal and casual employees.
7. Prior years' data were not recorded.
8. Number of lost-time injuries per million hours worked.
9. TEU – twenty-foot equivalent units – export containers.

* Was incorrectly reported and has been restated.

^ Greenhouse Gas Emissions for 2010 and 2011 have changed due to the use of updated emission factors.

The data from Pacifica Seafoods is included from December 2010.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Financial Statements

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2012.

For and on behalf of the Board of Directors:

J G Todd
Chairman

28 November 2012

E F Barratt
Managing Director

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Five Year Financial Review

	2012	2011	2010	2009	2008
	$000	$000	$000	$000	$000
Revenue	**459,957**	**463,954**	**421,087**	**433,091**	**436,564**
EBITDA*	**51,239**	**49,244**	**49,057**	**68,366**	**65,874**
Depreciation, amortisation and impairment	(18,320)	(16,255)	(13,754)	(14,892)	(22,359)
EBIT	**32,919**	**32,989**	**35,303**	**53,474**	**43,515**
Net interest	(10,196)	(10,607)	(5,780)	(6,788)	(10,021)
Net currency exchange gains	7,385	10,196	7,836	8,387	5,505
Net (loss) gain on sale of investments, property, plant and equipment and intangible assets	(150)	52	409	(35)	29,749
Profit before income tax	**29,958**	**32,630**	**37,768**	**55,038**	**68,748**
Income tax (expense)	(9,074)	(10,320)	(12,743)	(15,899)	(15,328)
Profit for the year	**20,884**	**22,310**	**25,025**	**39,139**	**53,420**
Non controlling interest	(42)	(24)	(21)	(64)	(76)
Profit attributable to equity holders of the Group	**20,842**	**22,286**	**25,004**	**39,075**	**53,344**
Equity					
Paid in capital	95,355	95,355	95,355	95,355	95,355
Reserves	460,004	453,575	456,214	452,575	430,491
Non controlling interest	559	553	633	591	523
Total equity	**555,918**	**549,483**	**552,202**	**548,521**	**526,369**
Represented by:					
Current assets	136,095	118,875	139,049	124,488	109,837
Less current liabilities	64,681	58,760	89,023	67,828	44,891
Working capital	**71,414**	**60,115**	**50,026**	**56,660**	**64,946**
Property, plant and equipment	120,047	131,893	107,685	113,195	106,760
Investments	13,597	11,567	10,981	21,319	20,581
Term receivable	–	–	–	2,749	6,419
Biological assets	7,754	8,423	6,730	5,574	5,039
Intangible assets	496,786	508,925	454,850	453,564	415,768
	709,598	720,923	630,272	653,061	619,513
Less non-current liabilities	153,680	171,440	78,070	104,540	93,144
Total net assets	**555,918**	**549,483**	**552,202**	**548,521**	**526,369**
Dividend per share (cents)	23†	23†	23†	23†	23†
Dividend cover	1.0†	1.1†	1.2†	1.8†	2.5†
Return on average total equity	3.8%	4.1%	4.5%	7.3%	10.2%
Earnings per share (cents)	22.3	23.8	26.7	41.7	57
Net asset backing per share	$5.94	$5.87	$5.90	$5.86	$5.62

* 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
SUSTAINABLE SEAFOOD

Income Statement

for the year ended 30 September 2012

		Group		Parent	
		2012	2011	**2012**	2011
	Note	**$000**	$000	**$000**	$000
Revenue	5	459,957	463,954	414,536	414,018
Cost of sales		(377,228)	(388,622)	(331,570)	(338,259)
Gross profit		**82,729**	**75,332**	**82,966**	**75,759**
Other income	6	4,545	5,896	1,160	2,698
Distribution expenses		(30,320)	(30,365)	(30,319)	(30,365)
Administrative expenses	7	(15,461)	(13,653)	(13,376)	(11,713)
Other expenses	7	(12,088)	(5,388)	(7,477)	(5,170)
Operating profit		**29,405**	**31,822**	**32,954**	**31,209**
Finance income	8	7,597	10,544	8,720	11,747
Finance expenses	8	(10,391)	(10,909)	(10,391)	(10,909)
Net finance income		**(2,794)**	**(365)**	**(1,671)**	**838**
Share of profit of equity accounted investees	13	3,347	1,173	–	–
Profit before income tax		**29,958**	**32,630**	**31,283**	**32,047**
Income tax (expense)	9	(9,074)	(10,320)	(8,955)	(10,299)
Profit for the year		**20,884**	**22,310**	**22,328**	**21,748**
Profit attributable to:					
Equity holders of the Group		20,842	22,286	22,328	21,748
Non controlling interest		42	24	–	–
		20,884	**22,310**	**22,328**	**21,748**
Earnings per share					
Basic and diluted earnings per share (cents)	21	22.3	23.8		

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Comprehensive Income

for the year ended 30 September 2012

	Group		Parent	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Profit for the year (after tax)	**20,884**	**22,310**	**22,328**	**21,748**
Other comprehensive income				
Foreign currency translation differences	(245)	(541)	–	–
Change in fair value of cash flow hedges	10,224	(4,079)	10,224	(4,079)
Income tax on cash flow hedges	(2,863)	1,220	(2,863)	1,220
Total other comprehensive income (loss) for the year	**7,116**	**(3,400)**	**7,361**	**(2,859)**
Total comprehensive income for the year	**28,000**	**18,910**	**29,689**	**18,889**
Total comprehensive income for the year is attributable to:				
Equity holders of the Group	27,963	18,895	29,689	18,889
Non controlling interest	37	15	–	–
Total comprehensive income for the year	**28,000**	**18,910**	**29,689**	**18,889**

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statement of Financial Position

as at 30 September 2012

		Group		Parent	
		2012	2011	**2012**	2011
	Note	**$000**	$000	**$000**	$000
Equity					
Paid in capital		95,355	95,355	95,355	95,355
Retained earnings		450,195	450,887	426,670	425,876
Other reserves		9,809	2,688	7,223	(138)
Total equity attributable to shareholders of the Company		**555,359**	**548,930**	**529,248**	**521,093**
Non controlling interest		559	553	–	–
Total equity	19	**555,918**	**549,483**	**529,248**	**521,093**
Non-current liabilities					
Bank loans (secured)	23	145,000	165,000	145,000	165,000
Advances from subsidiary companies	27	–	–	67,200	67,304
Deferred taxation	15	8,680	6,440	8,797	6,573
Total non-current liabilities		**153,680**	**171,440**	**220,997**	**238,877**
Current liabilities					
Bank overdraft and borrowings (secured)	18	21,822	20,374	21,700	19,800
Derivative financial instruments		2,182	1,734	2,182	1,734
Trade creditors		12,444	11,949	11,822	11,294
Other creditors, provisions and accruals		16,675	15,777	16,204	13,951
Employee entitlements		8,430	8,459	8,196	8,328
Taxation payable		3,128	467	2,828	155
Total current liabilities		**64,681**	**58,760**	**62,932**	**55,262**
Total liabilities		**218,361**	**230,200**	**283,929**	**294,139**
Total equity and liabilities		**774,279**	**779,683**	**813,177**	**815,232**
Non-current assets					
Property, plant and equipment	10	120,047	131,893	118,998	130,719
Investments	13,14	13,597	11,567	51,697	51,697
Biological assets	12	7,754	8,423	7,754	8,423
Intangible assets	11	496,786	508,925	492,283	493,459
Advances to subsidiary companies	27	–	–	19,251	20,481
Total non-current assets		**638,184**	**660,808**	**689,983**	**704,779**
Current assets					
Cash on hand and at bank	18	3,345	2,693	1,863	1,177
Trade debtors	17	43,050	49,773	39,901	46,061
Derivative financial instruments		14,273	224	14,273	224
Other debtors and prepayments		6,958	7,254	5,952	4,668
Biological assets	12	8,931	8,796	8,931	8,796
Inventories	16	50,198	50,135	49,722	49,527
Non-current assets held for sale	34	9,340	–	2,552	–
Total current assets		**136,095**	**118,875**	**123,194**	**110,453**
Total assets		**774,279**	**779,683**	**813,177**	**815,232**

SANFORD LIMITED
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Statement of Cash Flows

for the year ended 30 September 2012

	Note	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Cash flows from operating activities					
Cash provided from:					
Receipts from customers		477,923	488,745	426,586	434,704
Interest received		196	305	336	583
Dividends received		18	46	18	46
		478,137	489,096	426,940	435,333
Cash applied to:					
Payments to suppliers and employees		416,501	418,826	364,518	367,218
Income tax paid		7,101	11,961	7,096	11,931
Interest paid		10,566	9,807	10,566	9,807
		434,168	440,594	382,180	388,956
Net cash flows from operating activities	26	**43,969**	**48,502**	**44,760**	**46,377**
Cash flows from investing activities					
Cash provided from:					
Disposal of property, plant and equipment		1,411	665	1,009	332
Sale of intangible assets		3,111	5,537	401	3,843
Loans repaid by related parties		–	–	1,127	2,012
Dividends received from associates		954	910	954	910
Repayment of term receivable		–	3,062	–	3,062
		5,476	10,174	3,491	10,159
Cash applied to:					
Purchase of property, plant and equipment		8,646	17,502	7,901	15,510
Pacifica Seafoods acquisition	30	–	85,651	–	85,651
Purchase of intangible assets		–	1,005	–	1,005
		8,646	104,158	7,901	102,166
Net cash flows from investing activities		**(3,170)**	**(93,984)**	**(4,410)**	**(92,007)**
Cash flows from financing activities					
Cash provided from:					
Proceeds from borrowings		–	85,000	–	85,000
Cash applied to:					
Repayment of term loan		20,000	40,000	20,000	40,000
Dividends paid to parent shareholders		21,534	21,534	21,534	21,534
Dividends paid to non controlling shareholders in subsidiaries		31	96	–	–
		41,565	61,630	41,534	61,534
Net cash flows from financing activities		**(41,565)**	**23,370**	**(41,534)**	**23,466**
Net (decrease) in cash and cash equivalents		**(766)**	**(22,112)**	**(1,184)**	**(22,164)**
Effect of exchange rate fluctuations on cash held		(30)	13	(30)	8
Cash and cash equivalents at beginning of year		(17,681)	4,418	(18,623)	3,533
Cash and cash equivalents at 30 September		**(18,477)**	**(17,681)**	**(19,837)**	**(18,623)**
Represented by:					
Bank overdraft and borrowings at call		(21,822)	(20,374)	(21,700)	(19,800)
Cash on hand and at bank		3,345	2,693	1,863	1,177
	18	**(18,477)**	**(17,681)**	**(19,837)**	**(18,623)**

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Statement of Changes in Equity

for the year ended 30 September 2012

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 2011		**95,355**	**2,826**	**(138)**	**450,887**	**548,930**	**553**	**549,483**
Profit for the year (after tax)		–	–	–	20,842	20,842	42	20,884
Other comprehensive income								
Foreign currency translation differences		–	(240)	–	–	(240)	(5)	(245)
Change in fair value of cash flow hedges		–	–	10,224	–	10,224	–	10,224
Income tax on cash flow hedges		–	–	(2,863)	–	(2,863)	–	(2,863)
Total comprehensive income		**–**	**(240)**	**7,361**	**20,842**	**27,963**	**37**	**28,000**
Distributions to shareholders	20	–	–	–	(21,534)	(21,534)	(31)	(21,565)
Balance at 30 September 2012		**95,355**	**2,586**	**7,223**	**450,195**	**555,359**	**559**	**555,918**
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**

Parent	Note	Share Capital $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 October 2011		**95,355**	**(138)**	**425,876**	**521,093**
Profit for the year (after tax)		–	–	22,328	22,328
Other comprehensive income					
Change in fair value of cash flow hedges		–	10,224	–	10,224
Income tax on cash flow hedges		–	(2,863)	–	(2,863)
Total comprehensive income		**–**	**7,361**	**22,328**	**29,689**
Distributions to shareholders	20	–	–	(21,534)	(21,534)
Balance at 30 September 2012		**95,355**	**7,223**	**426,670**	**529,248**
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**

SANFORD LIMITED
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Notes to the Financial Statements

for the year ended 30 September 2012

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 2012.

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
- Biological Assets: immature salmon, mussels and oysters are measured at fair value less costs to sell
- Carrying value of equity accounted investees

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

Specific areas requiring significant estimates and judgements include:

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

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

(e) Changes in accounting policies

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

Notes to the Financial Statements

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).

(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.

Notes to the Financial Statements

for the year ended 30 September 2012

Note 3 – Significant Accounting Policies (continued)

(d) Fish quota and marine farm licences

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

Marine farm licences are recorded at cost 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.

(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. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Land is not depreciated. Estimated useful lives are as follows:

	2012	2011
	Years	Years
Buildings (freehold and leasehold)	20–25	20–25
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

Notes to the Financial Statements

for the year ended 30 September 2012

Note 3 – Significant Accounting Policies (continued)

(g) Inventories

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

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

(h) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in the Income Statement. The fair value is determined with reference to the present value of the expected 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.

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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 2012

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 2012, and have not been applied in preparing these Financial Statements. The following accounting standards are not yet effective:

(i) Presentation of Items of Other Comprehensive Income (Amendments to NZ IAS 1 Presentation of Financial Statements) (effective 1 July 2012)

The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the statement of financial position or the profit or loss in the current period.

The Group will adopt the new standard from 1 October 2012.

(ii) NZ IFRS 10 Consolidated Financial Statements (effective 1 January 2013)

NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 Consolidated and Separate Financial Statements, and NZ IFRIC 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships.

The Group has yet to assess the impact of the new standard on its composition.

(iii) NZ IFRS 11 Joint Arrangements (effective 1 January 2013)

Under IFRS 11 Joint Arrangements, joint arrangements are essentially defined in the same way as under IAS 31 Interests in Joint Ventures: an arrangement over which there is joint control. What is new is the way in which IFRS 11 sub-categorises joint arrangements into:

- joint operations, whereby the parties with joint control have rights to the assets and obligations for the liabilities relating to the arrangement; and
- joint ventures, whereby the parties with joint control have rights to the net assets of the arrangement and how it accounts for them. All joint arrangements will need to be re-assessed on transition to IFRS 11.

The Group has yet to assess the impact of the new standard on its composition.

(iv) NZ IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

NZ IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

The Group does not expect any material impact from the application of this standard.

Notes to the Financial Statements

for the year ended 30 September 2012

Note 3 – Significant Accounting Policies (continued)

(v) NZ IFRS 13 Fair Value Measurement (effective 1 January 2013)

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures.

The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The Group will adopt the new standard from 1 October 2013.

(vi) Revised NZ IAS 27 Separate Financial Statements (effective 1 January 2013)

NZ IAS 27 is renamed Separate Financial Statements and is a standard that will deal solely with separate financial statements.

Application of this standard by the Group and the Company will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Company's investments disclosure in the financial statements of the Company.

(vii) NZ IFRS 9 Financial Instruments: Classification and Measurement (mandatory for annual periods beginning on or after 1 January 2015)

NZ IFRS 9 replaces parts of NZ IAS 39 Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments. NZ IFRS 9 requires financial assets to be classified into two measurement categories - amortised cost and fair value.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the requirements of NZ IAS 39. The main change is that in cases where fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in the income statement, unless this creates an accounting mismatch.

The Group will adopt NZ IFRS 9 prospectively from 1 October 2015.

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	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Total external revenues	422,683	422,984	37,274	40,970	–	–	459,957	463,954
Inter-segment revenue	2,763	994	–	–	(2,763)	(994)	–	–
Segment revenue	425,446	423,978	37,274	40,970	(2,763)	(994)	459,957	463,954
Segment profit for the year	**16,872**	**20,934**	**634**	**163**	**31**	**40**	**17,537**	**21,137**
Share of profit of equity accounted investees							3,347	1,173
Reported profit for the year							**20,884**	**22,310**

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Note 4 – Segment Reporting (continued)

(b) Revenue by geographical location of customers

	2012	2011
	$000	$000
New Zealand	61,195	58,031
Australia	79,216	82,922
Europe	50,482	61,088
North America	70,862	76,177
Japan	30,573	27,966
China/Hong Kong	30,807	28,929
Korea	57,722	53,882
Other Asia	23,633	17,853
Africa	22,104	16,207
Middle East	18,450	26,189
Pacific	10,021	12,274
Other	4,892	2,436
Revenue	**459,957**	**463,954**

(c) Assets and liabilities

	New Zealand		Australia		Total	
	2012	2011	2012	2011	2012	2011
	$000	$000	$000	$000	$000	$000
Segment assets	742,169	744,942	18,577	23,237	760,746	768,179
Investment in equity accounted investees	13,533	11,504	–	–	13,533	11,504
Total assets	**755,702**	**756,446**	**18,577**	**23,237**	**774,279**	**779,683**
Segment liabilities	196,414	203,947	21,947	26,253	218,361	230,200
Total liabilities	**196,414**	**203,947**	**21,947**	**26,253**	**218,361**	**230,200**
Capital expenditure	7,608	102,207	15	1,962	7,623	104,169
Depreciation	15,365	15,923	345	332	15,710	16,255

Note 5 – Revenue

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Sale of goods	459,957	463,954	414,536	414,018
Total revenue	**459,957**	**463,954**	**414,536**	**414,018**

Note 6 – Other Income

	Note	Group		Parent	
		2012	2011	2012	2011
		$000	$000	$000	$000
New Zealand Units (ETS) income	11	–	26	–	26
Commissions received		2,109	2,545	17	20
Net (loss)gain on sale of property, plant and equipment and intangible assets		(150)	52	(964)	83
Sundry income		2,586	3,273	2,107	2,569
		4,545	**5,896**	**1,160**	**2,698**

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Notes to the Financial Statements

for the year ended 30 September 2012

Note 7 – Expenses

	Note	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
(a) Administrative and other expenses					
Directors' fees		500	349	500	349
Donations		50	84	50	82
Audit fees – KPMG		166	165	118	112
KPMG fees for other services		4	–	4	–
Leasing charges		3,092	3,180	2,885	2,757
Bad debts written off		738	620	659	450
Increase in doubtful debts provision		19	21	10	8
Investment in North Island Mussel Processors Limited written off	13,32	526	–	–	–
Advance to North Island Mussel Processors Limited written off	32	2,085	–	–	–
Impairment of property, plant and equipment	10	610	–	610	–
Impairment of intangible assets	11	2,000	–	–	–
(b) Personnel expenses					
Wages and salaries		96,471	97,188	94,132	94,584
(c) Movement in biological assets					
Change in fair value of biological assets loss (gain)	12	534	(262)	534	(262)

Note 8 – Finance Income and Expenses

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Finance income				
Interest income	195	303	335	580
Dividend	17	46	972	957
Net foreign exchange gain	7,385	10,195	7,413	10,210
	7,597	**10,544**	**8,720**	**11,747**
Finance expenses				
Interest rate swaps fair value movement	(31)	802	(31)	802
Interest expense on bank loans and bank overdraft	10,422	10,107	10,422	10,107
	10,391	**10,909**	**10,391**	**10,909**
Net finance (expense) income	**(2,794)**	**(365)**	**(1,671)**	**838**

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Note 9 – Income Tax Expense

	Group		Parent	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
(a) Income tax expense				
Current period	**9,456**	**10,780**	**9,353**	**10,568**
Adjustment for prior periods	241	(50)	241	(37)
	9,697	**10,730**	**9,594**	**10,531**
Deferred tax expense				
Origination and reversal of temporary differences	(497)	(419)	(513)	(240)
Adjustments for prior periods	(126)	(93)	(126)	(94)
Reduction in tax rate	–	102	–	102
Income tax expense	**9,074**	**10,320**	**8,955**	**10,299**
(b) Reconciliation of effective tax rate				
Profit for the year	20,884	22,310	22,328	21,748
Income tax expense	9,074	10,320	8,955	10,299
Profit before income tax	**29,958**	**32,630**	**31,283**	**32,047**
Tax at current rate of 28% (2011 30%)	**8,388**	**9,789**	**8,759**	**9,614**
Non-deductible expenses	940	674	337	618
Non-taxable New Zealand Units (ETS) income	–	–	–	(11)
Non-taxable income – other	(257)	(11)	(257)	–
Utilisation of tax losses previously unrecognised	(161)	(39)	–	–
Over (under) provided in prior periods	116	(312)	116	(132)
Effect of change in tax rate (30% to 28%)	–	102	–	102
Attributed income	–	108	–	108
Different foreign tax rate	4	–	–	–
Other	44	9	–	–
	686	**531**	**196**	**685**
Income tax expense	**9,074**	**10,320**	**8,955**	**10,299**
(c) Imputation credit account				
Balance at beginning of year	64,931	62,276		
Tax payments	6,748	11,408		
Imputation credits attached to dividends received	142	292		
Imputation credits attached to dividends paid	(9,036)	(9,045)		
Balance at 30 September	**62,785**	**64,931**		

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.

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for the year ended 30 September 2012

Note 10 – Property, Plant and Equipment

	Note	Land $000	Freehold Buildings $000	Leasehold Buildings $000	Fishing Vessels $000	Plant and Equipment $000	Total $000
Group 2012							
Cost							
Balance at beginning of year		2,760	19,244	40,240	162,354	122,635	347,233
Reclassification		(20)	28	4,969	–	(6,166)	(1,189)
Additions		–	27	427	6,863	1,237	8,554
Disposals		(12)	–	(48)	(1,539)	(4,346)	(5,945)
Transfer to assets held for sale	34	(146)	(2,093)	(2,937)	(2,447)	–	(7,623)
Effect of movements in exchange rates		–	–	1	(5)	(41)	(45)
Balance at end of year		2,582	17,206	42,652	165,226	113,319	340,985
Accumulated depreciation and impairment							
Balance at beginning of year		4	(7,906)	(20,664)	(114,581)	(72,193)	(215,340)
Depreciation		–	(658)	(1,864)	(6,197)	(6,993)	(15,712)
Impairment		–	(610)	–	–	–	(610)
Transfer to assets held for sale	34	–	1,543	2,476	1,052	–	5,071
Disposals		–	–	25	1,493	4,135	5,653
Balance at end of year		4	(7,631)	(20,027)	(118,233)	(75,051)	(220,938)
Net book value at 30 September 2012		**2,586**	**9,575**	**22,625**	**46,993**	**38,268**	**120,047**
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**

Notes to the Financial Statements

for the year ended 30 September 2012

Note 10 – Property, Plant and Equipment (continued)

	Note	Land $000	Freehold Buildings $000	Leasehold Buildings $000	Fishing Vessels $000	Plant and Equipment $000	Total $000
Parent 2012							
Cost							
Balance at beginning of year		2,764	19,295	40,168	161,029	116,324	339,580
Reclassification		(20)	28	4,969	–	(6,166)	(1,189)
Additions		–	27	114	6,863	1,079	8,083
Disposals		(12)	–	(48)	(1,539)	(4,303)	(5,902)
Transfer to assets held for sale	34	(146)	(2,093)	(2,937)	(2,447)	–	(7,623)
Balance at end of year		2,586	17,257	42,266	163,906	106,934	332,949
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,957)	(20,592)	(111,705)	(68,607)	(208,861)
Depreciation		–	(658)	(1,816)	(6,146)	(6,555)	(15,175)
Impairment		–	(610)	–	–	–	(610)
Disposals		–	–	25	1,493	4,106	5,624
Transfer to assets held for sale	34	–	1,543	2,476	1,052	–	5,071
Balance at end of year		–	(7,682)	(19,907)	(115,306)	(71,056)	(213,951)
Net book value at 30 September 2012		**2,586**	**9,575**	**22,359**	**48,600**	**35,878**	**118,998**
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**

Impairment charge of $0.6m relates to the Kaeo processing plant which was closed in December 2011 and is now held for sale.

Notes to the Financial Statements

for the year ended 30 September 2012

Note 11 – Intangible Assets

	Note	NZ Units – Emissions Trading Scheme $000	Intellectual Property $000	Fishing Quota $000	Marine Farm Licences $000	Total $000
Group 2012						
Carrying amount						
Balance at beginning of year		–	375	416,060	92,490	508,925
Reclassification		–	–	–	1,189	1,189
Acquisitions		–	–	–	–	–
Amortisation		–	(85)	–	–	(85)
Disposals		–	–	(1,942)	(2,279)	(4,221)
Transfer to assets held for sale	34	–	–	(6,788)	–	(6,788)
Effect of movements in exchange rates		–	–	(234)	–	(234)
Balance at end of year		–	290	407,096	91,400	498,786
Impairment						
Balance at beginning of year		–	–	–	–	–
Impairment		–	–	(2,000)	–	(2,000)
Balance at end of year		–	–	(2,000)	–	(2,000)
Carrying amount at 30 September 2012		**–**	**290**	**405,096**	**91,400**	**496,786**
Non-current		–	290	405,096	91,400	496,786
Current		–	–	–	–	–
		–	**290**	**405,096**	**91,400**	**496,786**
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**

Fishing quota

The impairment charge of $2m is a reduction in the carrying value of Australia fishing quota and licences recorded in the March 2012 half year accounts. This was based on management's assessment of the carrying value of each asset. Fishing quota and licences no longer required by Sanford Australia have been transferred to assets held for sale.

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 $000	Intellectual Property $000	Fishing Quota $000	Marine Farm Licences $000	Total $000
New Zealand Seafood	–	290	400,603	91,400	492,293
Australia Seafood	–	–	4,493	–	4,493
	–	**290**	**405,096**	**91,400**	**496,786**

Notes to the Financial Statements

for the year ended 30 September 2012

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 7.4% and 7.8% were applied. Future cash flows were projected for 5 years and a terminal growth rate of 3% was applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecasts for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cashflows in the terminal year.

The Australian CGU applied similar assumptions to those stated above using a post-tax discount rate between 7.9% and 8.3%. Quota and fishing licences in use in the business were tested on their written down values as at 30 September 2012 which includes the $2m impairment charge already taken in the March 2012 half year accounts. Quota and fishing licences held for sale 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 as at 30 September 2012. 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 2012					
Carrying amount					
Balance at beginning of year	–	375	400,594	92,490	493,459
Reclassification	–	–	–	1,189	1,189
Acquisitions	–	–	–	–	–
Amortisation	–	(85)	–	–	(85)
Disposals	–	–	–	(2,280)	(2,280)
Carrying amount at 30 September 2012	**–**	**290**	**400,594**	**91,399**	**492,283**
Non-current	–	290	400,594	91,399	492,283
Current	–	–	–	–	–
	–	**290**	**400,594**	**91,399**	**492,283**
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**

Notes to the Financial Statements

for the year ended 30 September 2012

Note 12 – Biological Assets

	Mussels	Oysters	Salmon	Total
	$000	$000	$000	$000
Group and Parent 2012				
Balance at beginning of year	11,723	125	5,371	17,219
Change in fair value less estimated costs to sell	20,820	229	2,950	23,999
Increase due to acquisitions	–	–	–	–
Harvested produce transferred to inventories	(19,629)	(354)	(4,550)	(24,533)
Balance at 30 September 2012	**12,914**	**–**	**3,771**	**16,685**
Non-current	6,848	–	906	7,754
Current	6,066	–	2,865	8,931
	12,914	**–**	**3,771**	**16,685**
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**

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

	Note	Group	
		2012	2011
		$000	$000
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:			
Current assets		14,229	14,987
Non-current assets		18,054	45,027
Total assets		**32,283**	**60,014**
Current liabilities		2,801	7,119
Non-current liabilities		–	20,071
Total liabilities		**2,801**	**27,190**
Revenue		34,900	46,086
Expenses		(33,394)	(43,344)
Profit		**1,506**	**2,742**
(b) Movements in carrying value of equity accounted investees:			
Balance at beginning of year		11,504	10,866
Share of profit		736	1,173
Gain in share of equity earnings in North Island Mussels Limited	32	2,611	–
Write off investment in North Island Mussel Processors Limited	7	(526)	–
Dividends from associates		(954)	(911)
Acquisitions		–	376
Other		162	–
Balance at 30 September		**13,533**	**11,504**

Notes to the Financial Statements

for the year ended 30 September 2012

Note 14 – Other Investments

	Group		Parent	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Shares in other companies	64	63	63	63
Shares in subsidiaries	–	–	41,576	41,244
Shares in associates at cost	–	–	10,058	10,390
	64	**63**	**51,697**	**51,697**

Note 15 – Deferred Taxation

	Group		Parent	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
(a) Unrecognised deferred tax assets				
Net tax losses – Australia	2,356	2,293	–	–

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	
	2012	2011	**2012**	2011	**2012**	2011
	$000	$000	**$000**	$000	**$000**	$000
Group						
Property, plant and equipment	–	–	(4,695)	(4,852)	(4,695)	(4,852)
Intangible assets	–	–	(4,920)	(4,283)	(4,920)	(4,283)
Trade debtors	65	62	–	–	65	62
Derivative financial instruments	–	54	(2,809)	–	(2,809)	54
Biological assets	312	–	–	(599)	312	(599)
Other liabilities	3,367	3,178	–	–	3,367	3,178
Deferred tax assets (liabilities)	**3,744**	**3,294**	**(12,424)**	**(9,734)**	**(8,680)**	**(6,440)**
Parent						
Property, plant and equipment	–	–	(4,698)	(4,871)	(4,698)	(4,871)
Intangible assets	–	–	(4,920)	(4,283)	(4,920)	(4,283)
Trade debtors	5	2	–	–	5	2
Derivative financial instruments	–	54	(2,809)	–	(2,809)	54
Biological assets	312	–	–	(599)	312	(599)
Other liabilities	3,313	3,124	–	–	3,313	3,124
Deferred tax assets (liabilities)	**3,630**	**3,180**	**(12,427)**	**(9,753)**	**(8,797)**	**(6,573)**

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Note 15 – Deferred Taxation (continued)

(c) Movement in temporary differences during the year

	Balance 30 Sept 2011 $000	Recognised in Income Statement $000	Recognised in Other Comprehensive Income $000	**Balance 30 Sept 2012 $000**
Group 2012				
Property, plant and equipment	(4,852)	157	–	(4,695)
Intangible assets	(4,283)	(637)	–	(4,920)
Trade debtors	62	3	–	65
Derivative financial instruments	54	–	(2,863)	(2,809)
Biological assets	(599)	911	–	312
Other liabilities	3,178	189	–	3,367
Net deferred tax (liability) asset	**(6,440)**	**623**	**(2,863)**	**(8,680)**
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)**
Parent 2012				
Property, plant and equipment	(4,871)	173	–	(4,698)
Intangible assets	(4,283)	(637)	–	(4,920)
Trade debtors	2	3	–	5
Derivative financial instruments	54	–	(2,863)	(2,809)
Biological assets	(599)	911	–	312
Other liabilities	3,124	189	–	3,313
Net deferred tax (liability) asset	**(6,573)**	**639**	**(2,863)**	**(8,797)**
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)**

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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Notes to the Financial Statements

for the year ended 30 September 2012

Note 16 – Inventories

	Group		Parent	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Fish	40,593	40,996	40,148	40,404
Packaging, fishing gear, fuel and stores	9,605	9,139	9,574	9,123
	50,198	**50,135**	**49,722**	**49,527**

Note 17 – Trade Debtors

	Group		Parent	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Trade debtors	43,050	49,773	39,711	45,311
Trade debtors due from related parties	–	–	190	750
	43,050	**49,773**	**39,901**	**46,061**

Note 18 – Cash and Cash Equivalents

	Group		Parent	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Cash on hand and at bank	3,345	2,693	1,863	1,177
Bank overdraft and borrowings at call (secured)	(21,822)	(20,374)	(21,700)	(19,800)
	(18,477)	**(17,681)**	**(19,837)**	**(18,623)**

Interest rates applicable on call deposits range from 0% – 3.0% (2011: 0% – 3.0%).

Interest rates applicable in the bank overdraft range from 3.5% – 4.0% (2011: 3.5% – 4.0%).

Notes to the Financial Statements

for the year ended 30 September 2012

Note 19 – Capital and Reserves

(a) Translation reserve

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

(b) Cash flow hedge reserve

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

(c) Share capital

	Ordinary Shares	
	2012	2011
	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

	2012	2011
	$000	$000
The following dividends were declared and paid by the Company for the year ended 30 September:		
$0.23 per ordinary share (2011: $0.23)	21,534	21,534

On 28 November 2012 the Directors proposed a final dividend of 14 cents per share (2011: 14 cents per share) to be paid on 17 December 2012. This dividend has not been provided for in the accounts at 30 September 2012.

Note 21 – Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 September 2012 was based on the profit attributable to ordinary shareholders of $20.842m (2011: $22.286m) and a weighted average number of ordinary shares outstanding of 93,626,735 (2011: 93,626,735).

(b) Profit attributable to ordinary shareholders

	2012	2011
	$000	$000
Net profit attributable to ordinary shareholders	20,842	22,286

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

Notes to the Financial Statements

for the year ended 30 September 2012

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 USD 8.4m. At balance date the Group's exposure in respect of this debt is USD 7.2m which comprised 20.7% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 54% 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 other comprehensive income and transferred to profit or loss when the highly probably forecast transactions affected profit or loss.

As at 30 September 2012, the foreign exchange contracts designated in a hedge relationship had a fair value of $14.273m (2011: $0.001m).

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

At balance date the Group has trade debtors of USD4.241m – NZD5.076m (2011: USD10.473m – NZD13.698m), AUD2.205m – NZD2.762m (2011: AUD3.610m – NZD4.599m), JPY42.247m – NZD0.652m (2011: JPY153.332m – NZD2.618m), GBP0.213m – NZD0.415m (2011: GBP0.114m – NZD0.233m), EUR 0.349m – NZD0.541m (2011: EUR 0.422m – NZD0.747m), trade creditors of USD1.491m – NZD1.868m (2011: USD1.274m – NZD1.571m) and cash of USD0.679m – NZD0.813m (2011: USD-0.056m – NZD-0.073m), JPY-0.280m – NZD-0.000m (2011: JPY19.562m – NZD0.334m) and AUD0.376m – NZD0.471m (2011: AUD0.261m – NZD0.332m) 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.

Notes to the Financial Statements

for the year ended 30 September 2012

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 $10m maturing in November 2012, $25m maturing in May 2013, $25m maturing in June 2013, $10m maturing in November 2013, $10m maturing in August 2014, $25m maturing in May 2015, $15m maturing in August 2015, $25m maturing in June 2017, and $20m maturing in May 2018 (2011: $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). The fair value of interest rate swaps at year end is $(1.480m) (2011: $(1.511m)).

(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	
	2012	2011
	$000	$000
New Zealand	12,145	18,273
Australia	8,675	9,654
Europe	9,346	7,786
North America	10,663	12,379
Japan	2,275	4,374
Other	6,904	4,561
Trade and other receivables	**50,008**	**57,027**

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

	Gross Receivables	Impairment	Gross Receivables	Impairment
	2012	**2012**	2011	2011
	$000	**$000**	$000	$000
Not past due	34,789	–	39,480	–
Past due 0 – 30 days	7,205	–	7,925	–
Past due 31 – 120 days	1,035	(58)	2,111	(8)
Past due 121 – 365 days	71	(18)	217	–
Past due more than 1 year	26	–	256	(208)
	43,126	**(76)**	**49,989**	**(216)**

Notes to the Financial Statements

for the year ended 30 September 2012

Note 22 – Financial Instruments (continued)

(g) Credit risk (continued)

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

	2012	2011
	$000	$000
Gross trade receivables	43,126	49,989
Individual impairment	(76)	(216)
Trade receivables net	**43,050**	**49,773**

(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 2012						
Bank loans	145,000	151,191	2,631	2,670	145,890	–
Trade creditors	12,444	12,444	12,444	–	–	–
Other creditors	16,675	16,675	16,675	–	–	–
Bank overdraft	21,822	21,822	21,822	–	–	–
Total non-derivative liabilities	**195,941**	**202,132**	**53,572**	**2,670**	**145,890**	**–**
Interest rate swaps	2,182	44	529	470	202	(1,156)
Total derivative liabilities	**2,182**	**44**	**529**	**470**	**202**	**(1,156)**
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)**

Notes to the Financial Statements

for the year ended 30 September 2012

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 2012						
Bank loans	145,000	151,191	2,631	2,670	145,890	–
Trade creditors	11,822	11,822	11,822	–	–	–
Other payables	16,204	16,204	16,204	–	–	–
Bank overdraft	21,700	21,700	21,700	–	–	–
Total non-derivative liabilities	**194,726**	**200,917**	**52,357**	**2,670**	**145,890**	**–**
Interest rate swaps	2,182	44	529	470	202	(1,156)
Total derivative liabilities	**2,182**	**44**	**529**	**470**	**202**	**(1,156)**
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)**

(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 2012					
Foreign currency risk					
Trade debtors	5,076	2,762	652	541	415
Trade creditors	(1,868)	–	–	–	–
Net Statement of Financial Position exposure before hedging activity	3,208	2,762	652	541	415
Estimated forecast sales	273,580	34,609	19,836	5,153	3,699
Estimated forecast purchases	(57,453)	(9,948)	–	–	–
Net cash flow exposure before hedging activity	219,335	27,423	20,488	5,694	4,114
Forward exchange contracts and options	(99,330)	(18,477)	(14,897)	–	–
Net un-hedged exposure	**120,005**	**8,946**	**5,591**	**5,694**	**4,114**

Notes to the Financial Statements

for the year ended 30 September 2012

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 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	(31,389)	–	(19,467)	–	–
Net un-hedged exposure	**180,646**	**23,930**	**3,950**	**6,176**	**2,584**

(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
Group 2012					
Cash and cash equivalents	3,345	3,345	–	–	–
Forward exchange contracts	8,323	3,718	2,243	2,362	–
Bank overdrafts	(21,822)	(21,822)	–	–	–
Bank loans	(145,000)	(145,000)	–	–	–
Interest rate swaps					
Cash inflows	120,000	120,000	–	–	–
Cash outflows	(165,000)	(10,000)	(50,000)	(60,000)	(45,000)
Total variable rate	**(200,154)**	**(49,759)**	**(47,757)**	**(57,638)**	**(45,000)**
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)**

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.

Notes to the Financial Statements

for the year ended 30 September 2012

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 $0.7m (2011: $1m) and changed equity by $0.7m (2011: $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 $1.2m (2011: $1.4m).

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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 2012						
Assets						
Investments						
Advances to associates	–	2,537	–	–	2,537	2,537
Shares in other companies	–	–	64	–	64	64
Total non-current assets	**–**	**2,537**	**64**	**–**	**2,601**	**2,601**
Trade debtors	–	43,050	–	–	43,050	43,050
Cash and cash equivalents	–	3,345	–	–	3,345	3,345
Derivative financial instruments						
Forward exchange contracts	8,323	–	–	–	8,323	8,323
Foreign exchange options	5,950	–	–	–	5,950	5,950
Total current assets	**14,273**	**46,395**	**–**	**–**	**60,668**	**60,668**
Total assets	**14,273**	**48,932**	**64**	**–**	**63,269**	**63,269**
Liabilities						
Bank loans	–	–	–	145,000	145,000	145,000
Total non-current liabilities	**–**	**–**	**–**	**145,000**	**145,000**	**145,000**
Bank overdraft and borrowings	–	–	–	21,822	21,822	21,822
Trade creditors	–	–	–	12,444	12,444	12,444
Other payables	–	–	–	9,448	9,448	9,448
Derivative financial instruments						
Interest rate swaps	2,182	–	–	–	2,182	2,182
Total current liabilities	**2,182**	**–**	**–**	**43,714**	**45,896**	**45,896**
Total liabilities	**2,182**	**–**	**–**	**188,714**	**190,896**	**190,896**

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 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**

Notes to the Financial Statements

for the year ended 30 September 2012

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 2012				
Derivatives – Forward exchange contracts used for hedging	–	8,323	–	8,323
Derivatives – Options contracts used for hedging	–	5,950	–	5,950
Interest rate swaps	–	(2,182)	–	(2,182)
	–	**12,091**	**–**	**12,091**
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)**
Parent 2012				
Derivatives – Forward exchange contracts used for hedging	–	8,323	–	8,323
Derivatives – Options contracts used for hedging	–	5,950	–	5,950
Interest rate swaps	–	(2,182)	–	(2,182)
	–	**12,091**	**–**	**12,091**
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)**

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

Total related gains (losses) recognised in other comprehensive income during the period were $7.4m (2011: ($2.9m)).

Notes to the Financial Statements

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 are as follows:

	2012	2011
Interest rate swaps	2.56% – 4.63%	2.83% – 4.63%

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
2012				
Non-current liabilities				
Bank loans (secured)	145,000	3.48% – 4.05%	November 2013	145,000
2011				
Non-current liabilities				
Bank loans (secured)	190,000	3.70% – 4.05%	November 2013	165,000

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.

Notes to the Financial Statements

for the year ended 30 September 2012

Note 24 – Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Less than one year	1,520	1,411	1,294	1,194
Between one and five years	5,684	5,362	4,554	4,496
More than five years	3,675	4,619	3,317	3,843
	10,879	**11,392**	**9,165**	**9,533**

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	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Guarantees	1,527	311	1,527	311

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	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Commitments for capital expenditure	2,429	2,806	2,293	2,806

Notes to the Financial Statements

for the year ended 30 September 2012

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

	Group		Parent	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Profit for the year (after tax)	**20,884**	**22,310**	**22,328**	**21,748**
Adjustments for non-cash items:				
Depreciation and amortisation	15,710	16,255	15,260	15,809
Impairment	2,610	–	610	–
Change in fair value of biological assets	534	(262)	534	(262)
Change in fair value of interest rate swaps	(31)	802	(31)	802
Change in fair value of foreign exchange options	(2,050)	224	(2,050)	224
New Zealand units (ETS) income	–	(26)	–	(26)
Change in fair value of foreign exchange contracts	(1,297)	733	(1,297)	733
Equity accounted (profit) in associated companies	(3,347)	(1,173)	–	–
(Decrease) in deferred taxation	(625)	(409)	(639)	(232)
Unrealised foreign exchange losses (gains)	3,909	(3,843)	3,909	(3,843)
	15,413	**12,301**	**16,296**	**13,205**
Movement in working capital				
Decrease in debtors and prepayments	3,527	12,149	967	11,258
(Increase) in inventories	(72)	(2,301)	(194)	(2,135)
Increase in creditors and other liabilities	1,406	5,373	2,680	4,859
Increase (decrease) in current tax	2,661	(1,278)	2,673	(1,564)
	7,522	**13,943**	**6,126**	**12,418**
Items classified as investing activities				
(Gain) on sale of property, plant and equipment	(914)	(52)	(914)	(83)
Net loss on disposal of intangible asset	1,064	–	1,878	–
Associate company dividends received by Parent	–	–	(954)	(911)
	150	**(52)**	**10**	**(994)**
Net cash inflows from operating activities	**43,969**	**48,502**	**44,760**	**46,377**

Notes to the Financial Statements

for the year ended 30 September 2012

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	
	2012	2011
	$000	$000
(i) Transactions with subsidiaries		
Income		
Management fees	310	355
Sales	15,085	12,728
Interest	139	281
Rent	336	336
	15,870	**13,700**

	Balance Outstanding	
	2012	2011
	$000	$000
Due from Parent to subsidiaries	(67,200)	(67,304)
Due to Parent from subsidiaries	19,251	20,481
	(47,949)	**(46,823)**

	Transaction value	
	2012	2011
	$000	$000
(ii) Transactions with associates		
Income		
Management fees	255	188
Dividend received	954	911
	1,209	**1,099**
Expenses		
Processing	5,969	9,654
Freight	166	205
	6,135	**9,859**

	Balance Outstanding	
	2012	2011
	$000	$000
Due from Group	(520)	(20)
Due to Group	3,057	2,237
	2,537	**2,217**

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.

Notes to the Financial Statements

for the year ended 30 September 2012

Note 28 – Key Management Personnel Compensation

Key management personnel compensation comprised:

	2012	2011
	$000	$000
Salary, short-term employee benefits and directors' fees included in note 7	4,009	3,537

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 Seafood Festival Limited	100	30 September	Festival operating company
The Big Picture Auckland Limited (2011: 50%)	100	30 September	Tourism company
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 Mussels Limited (2011: 0%)	50	30 September	Seafood processing
San Won Limited	50	30 September	Cold storage
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

Notes to the Financial Statements

for the year ended 30 September 2012

Note 30 – Pacifica Seafoods Acquisition (Year Ended 30 September 2011)

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 was 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 – San Nikunau Case

Sanford Limited was found guilty on 16 August 2012 of vicarious liability of six of seven counts for failure to properly maintain the Oil Record Book for the Company's Pacific tuna fishing vessel San Nikunau and the obstruction of port state control inspections by the U.S. Coast Guard. The Company has made a provision in the 30 September 2012 Financial Statements for the fines and related legal costs. This has been based on the Company's interpretation of the underlying case, taking into account the range of possible outcomes of the forthcoming sentencing and appeal process and supported by independent legal advice. Each count carries a maximum penalty of US$500,000 with sentencing set down for early 2013.

Note 32 – North Island Mussel Processors Limited (NIMPL) and North Island Mussels Limited (NIML)

The Company owns a 33% share in NIMPL which operated a large automated toll mussel processing plant in Tauranga. On 5 September 2012 NIMPL was placed into receivership. As there are no funds expected to be available to shareholders after the receivership the investment of $0.5m and an advance of $2.1m have been written off in other expenses in the Income Statement.

On 30 September 2012 the processing plant assets of NIMPL were purchased from the receivers by NIML, a new joint venture company 50% owned by Sanford. A bargain purchase gain was recorded by NIML as the fair value of the assets acquired exceeded the price paid. The Company has recorded $2.6m in equity earnings in the Financial Statements representing its share of this gain.

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Notes to the Financial Statements

for the year ended 30 September 2012

Note 33 – Discontinuance of Pacific Oyster Operations

In July 2012 the Company concluded an agreement to sell its Pacific oyster farms in Northland to Aotearoa Fisheries Limited. This comprised 16 farms totalling 128 hectares (6 near Kerikeri, 4 in Whangaroa Harbour and 6 in Houhora Harbour). The sale includes all relevant licences, racks, sticks and cages as well as oysters growing on the farms, vessels and vehicles relevant to the farms.

Note 34 – Assets Classified as Held for Sale

		Group	Parent
	Note	**$000**	$000
Property, plant & equipment at book value	10	2,552	2,552
Intangible assets at carrying value	11	6,788	–
Total assets held for sale		**9,340**	**2,552**

No assets were classified as held for sale in the comparative year.

Note 35 – Subsequent Events

There are no events occurring after the reporting period that require disclosure (2011: none).

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Independent Auditor's Report

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 46 to 85. The financial statements comprise the statements of financial position as at 30 September 2012, 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.

Our firm has also provided other assurance services to the Company and Group. Partners and employees of our firm may also deal with the Company and Group on normal terms within the ordinary course of trading activities of the business of the Company and Group. These matters have not impaired our independence as auditor of the Company and Group. The firm has no other relationship with, or interest in, the Company and Group.

Opinion

In our opinion the financial statements on pages 46 to 85:

- 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 2012 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

28 November 2012
KPMG Auckland

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statutory Information

Shareholding Analysis
as at 14 November 2012

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 – 999	530	21.92	239,459	0.25
1,000 – 4,999	1,162	48.07	2,508,582	2.68
5,000 – 9,999	326	13.49	2,148,563	2.29
10,000 – 49,999	303	12.54	6,133,145	6.55
50,000 – 99,999	42	1.74	2,843,338	3.04
Over 100,000	54	2.24	79,753,648	85.19
	2,417	**100.0**	**93,626,735**	**100.0**

Twenty Largest Shareholders
as at 14 November 2012

Shareholder	Number of Shares
Amalgamated Dairies Limited	35,059,067
New Zealand Central Securities Depository Limited[1]	10,185,777
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	2,431,913
Sterling Nominees Limited	2,099,866
Hauraki Trading Company Limited	1,643,630
William Douglas Goodfellow – J A Goodfellow A/C	1,143,940
Khyber Pass Investment Company Limited	932,950
NZ Guardian Trust Company Limited – A/c 01036200	731,896
Ryca Investments Limited	720,328
Vela Holdings Limited	531,404
The Goodfellow Foundation Incorporated	518,687
Seaford Holdings Limited	512,750
Mary Dorcas Spackman	500,000
Auckland Medical Research Foundation	494,920
Craig Leonard Heatley & Hayley Maree Pyle & Benjamin Alexander Heatley & Gregory Bernard Horton & Sophia Louise Heatley – Bell Investment A/C	435,503
Michael Walter Daniel & Nigel Geoffrey Ledgard Burton & Michael Murray Benjamin – Wairahi A/C	430,000
Richard Heywood Taylor & Marie Roberta Taylor – F V Lindberg A/C	406,314

[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:

BNP Paribas Nominees (NZ) Limited	3,627,340
Citibank Nominees (New Zealand) Limited	1,726,467
Accident Compensation Corporation	1,282,318
New Zealand Superannuation Fund Nominees Limited	896,974
JP Morgan Chase Bank NA	811,974
HSBC Nominees (New Zealand) Limited	785,311
National Nominees New Zealand Limited	599,743

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statutory Information

Substantial Security Holders

According to notices given to the Company under the Securities Amendment Act 1988, as at 7 December 2012 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 2012

	Beneficial Interest		Non Beneficial Interest		Associated Persons	
	2012	2011	**2012**	2011	**2012**	2011
D G Anderson	11,952	11,952	160,000	160,000	287	287
E F Barratt	720,828	220,828	–	–	–	–
E M Coutts	20,000	5,000	–	–	–	–
M G Cowsill*	10,000		–		–	
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 October 2011

Share Dealings by Directors

Directors acquired shares during the year as follows:

	Number of Shares Acquired	Consideration Paid	Date
E F Barratt	5,000	$19,294	8 December 2011
E F Barratt	15,000	$57,250	9 December 2011
E F Barratt	25,000	$91,500	12 December 2011
E F Barratt	73,000	$286,890	16 December 2011
E F Barratt	12,000	$48,000	22 December 2011
E F Barratt	100,000	$400,000	23 December 2011
E F Barratt	42,400	$173,840	11 January 2012
E F Barratt	9,269	$38,003	13 January 2012
E F Barratt	74,150	$304,015	26 January 2012
E F Barratt	666	$2,731	1 February 2012
E F Barratt	80,000	$336,000	7 February 2012
E F Barratt	63,515	$266,763	15 February 2012
E M Coutts	5,000	$19,000	14 December 2011
E M Coutts	5,000	$20,100	9 January 2012
E M Coutts	3,000	$12,300	13 January 2012
E M Coutts	2,000	$8,200	16 January 2012

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Statutory Information

Directors' Indemnity and Insurance

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

Employees' Remuneration

	Number of Employees	
	2012	2011
During the year, the following numbers of employees received remuneration and other benefits that exceeded $100,000:		
$100,000 – $109,999	17	13
$110,000 – $119,999	11	2
$120,000 – $129,999	4	3
$130,000 – $139,999	4	6
$140,000 – $149,999	4	1
$150,000 – $159,999	–	3
$160,000 – $169,999	4	1
$170,000 – $179,999	1	1
$190,000 – $199,999	2	1
$200,000 – $209,999	1	2
$210,000 – $219,999	–	1
$220,000 – $229,999	1	–
$230,000 – $239,999	1	1
$270,000 – $279,999	1	–
$290,000 – $299,999	–	2
$300,000 – $309,999	–	1
$310,000 – $319,999	2	–
$320,000 – $329,999	1	–
$340,000 – $349,999	–	1
$360,000 – $369,999	–	1
$390,000 – $399,999	1	–
$400,000 – $409,999	1	–

Directors' Remuneration

	Director's Fee		Salary, Benefits and Other Payments	
	2012	2011	**2012**	2011
	$	$	**$**	$
During the year, Directors received the following remuneration (including the value of benefits):				
D G Anderson	62,500	44,500	–	–
E F Barratt	–	–	671,692	614,135
E M Coutts*	75,000	16,667	–	–
M G Cowsill**	65,000		–	
P J Goodfellow	65,000	47,500	–	–
W B Goodfellow	62,500	44,500	–	–
P G Norling	62,500	44,500	–	–
J G Todd	107,500	65,883	–	–

* Appointed June 2011
** Appointed October 2011

SANFORD LIMITED
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Glossary of Terms

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

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 fish stocks 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.

Environmental Management System (EMS)
EMS is a framework that helps a company achieve its environmental goals through consistent control of its operations. Each EMS is tailored to the company's specific business and goals.

Fishery Management Areas (FMAs)/Fish Stocks
There are 10 FMAs within the EEZ. For some species different FMAs are amalgamated. The fish stock is the combination of the species and area. For example, snapper in FMA 1 is fish stock 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.

Global Reporting Initiative (GRI)
GRI is a comprehensive sustainability reporting framework that enables all organisations to measure and report their economic, environmental, social and governance performance – the four key areas of sustainability.

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 tradable in New Zealand, can be secured by registered mortgage and are issued in perpetuity.

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

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 for Primary Industries (MPI)
A new Ministry formed from the merger of the Ministry of Agriculture and Forestry, the Ministry of Fisheries and the New Zealand Food Safety Authority. Some of its key functions include: being the Government's principal adviser on fisheries and aquaculture management, providing or purchased services to maintain the effective management of New Zealand's fisheries, protecting consumers of New Zealand food (whether here or overseas) and providing effective food regulation for food produced or consumed in New Zealand, including imported and exported food products.

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

Seafood New Zealand (SNZ)
Seafood New Zealand provides a range of services that add value to the New Zealand seafood industry, with one voice on whole-of-industry matters. Seafood New Zealand's core services support these industry sectors by: retaining and advancing cost-effective access to our international and domestic seafood markets, protecting and promoting the New Zealand seafood industry and its reputation and protecting and promoting the opportunity and right to produce seafood.

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 fish stock, determined before taking into account interests in the fisheries.

Total Allowable Commercial Catch (TACC)
TACC is the annual catch limit for each fish stock, 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 8 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 2012 Annual and Sustainable Development reports

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 — Shareholder number

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

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

8) Name

Address

Email

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

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Sanford Limited
PO Box 443
Shortland Street
Auckland 1140

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SANFORD LIMITED
SUSTAINABLE SEAFOOD

Management Directory

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

Finance and Administration

D C McIntosh	*General 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 Europe*
P B Cox	*Market Manager Americas*
H I Kwon	*Market Manager Asia*
K J Griffin	*Market Manager Fresh Chilled & Oceania*
M J M Morgan	*Market Manager Pacific & Middle East*
D K Cawdron	*Logistics Manager*
D A Stewart	*Shipping Coordinator*

Australia Seafood Segment

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

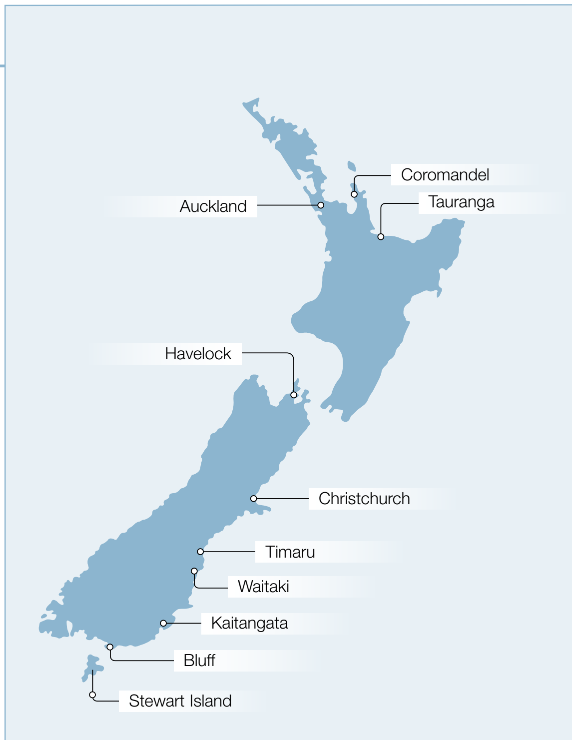
S D Keeves	*Manager*
D C Cowdrey	*Fleet Supervisor*
D N Anderson	*ECS Coldstores Manager*

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*
S S Dyer	*Plant Engineer*

Havelock Farming

Z Charman	*Farming Operations Manager*
D A Condon	*Spat Catching & Development Manager*
P Hawke	*Harvesting Coordinator*
D Herbert	*Seed & Spat Manager*
J Higgins	*Farm Support Services Manager*
R Roberts	*SPATnz Manager*

Christchurch

T J Denley	*Manager*
G D Boyd	*Factory Manager*
M K Stark	*Engineering 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*
R Parry	*Mussel Farm Manager*
P M Buxton	*Hatchery Manager*

Pacific Tuna

M C de Beer	*Pacific Tuna Manager*

SANFORD LIMITED
SUSTAINABLE SEAFOOD

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

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

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