



SANFORD LIMITED
SUSTAINABLE SEAFOOD

26 January 2011

CHAIRMAN'S ADDRESS

Good afternoon Ladies and Gentlemen

It is my pleasure as Chairman of Sanford Limited to welcome you here today at this our 106th Annual Meeting.

It has been past practice for me to introduce my fellow Board members but since I am sure they, and their backgrounds, are well know to you I thought this year I should introduce two executives who are assuming new and major responsibilities in the operational and marketing sectors of Sanford Limited and who will be active participants in Boardroom deliberations.

A third executive in the Group Mr Dean McIntosh, now designated General Manager Finance and Administration, already attends part of each Board meeting and the quality and range of his work is evidenced in the accounts before you. Dean joined Sanford in 1992 having gained a wide range of experience in auditing including two years in the United Kingdom. Before joining Sanford Dean was an audit manager with one of the major NZ accounting firms. Dean has a BCom from Auckland University and is a member of New Zealand Institute of Chartered Accountants.

Mr Vaughan Wilkinson who will address you briefly about his new responsibilities joined Sanford Limited in October 2005 when Sanford purchased Simunovich Fisheries. Vaughan holds a Master of Science (First Class Honours) in Marine Biology from the University of Auckland. He has worked, variously, in his career as an Oceanographer and pure research scientist for the then Department of Scientific and Industrial Research (DSIR), as a fisheries manager for the Ministry of Fisheries and, subsequently, as a senior executive in the seafood industry for more than twenty years.

Mr Wilkinson:

Good afternoon Ladies and Gentlemen.

Firstly I would like to thank Mr Cole and his fellow Directors for the opportunity to address you briefly today about the intended future marketing and development activities of the Company.

The simple challenge of this role is to strive for enhanced financial returns from the wide range of quality seafood that we are privileged to have access to though either our wild harvesting or aquaculture operations.

Measurably improved returns are unlikely to be achieved by solely continuing to do business in the same manner as in the past because we are already confident that we can market our existing product base for as competitive or better returns than any other seafood exporter in this country.

Our marketing team is highly experienced and our knowledge of both our customer base and the dynamics of the ever changing international seafood market place is second to none.

The improved marketing returns from this business will ultimately come from the development of a capacity to convert our existing raw commodities into high quality added value seafood products that appeal to the needs of a demanding modern market place.

We are under no illusions about the extent of this challenge and the inevitable competition that we will face in embarking on this path. It is a big challenge and one that I relish. We will succeed, at a measured pace, because we have the highest quality raw material and an extensive depth of practical experience in the seafood business that has few equals. We know that we can produce a range of high quality products that are going to appeal to our customers, with whom we will co-operate closely. These products will contribute a sustained added value return to the business.

As an example of this activity in the past year we have started producing value added King salmon portions for select restaurant chains in the US market. These food service ready portions have been very well received and sell at a premium over the more commonly available Norwegian salmon products.

The majority of our customers have had a long term relationship with the Company and they have unwavering confidence in our ability to deliver them safe high quality seafood. The food safety and product traceability requirements of both our customers and consumers in all markets are now very demanding and we are both vigilant and focused on meeting their expectations. We expect this trend of more demanding food safety and product assurance standards to only increase in the future and our customers already know that we have a company culture that will provide them the assurances they require.

The times ahead are going to be exciting and I am sure you will see us deliver enhanced returns from a wider range of market focused high quality seafood products.

Thank you again for the opportunity to have addressed you today.

Mr Cole:

Thank you Mr Wilkinson.

Mr Greg Johansson started his career in Sanford in January 1991 as a trainee Vessel Manager, after having spent 4 years working as a deckhand commercially fishing in Alaska and Iceland. He has also been employed in the New Zealand inshore fishery and in the Ministry of Fisheries Scientific Observer programme. In his Sanford employment he relocated to Timaru to manage the deepwater fleet in 2000 and has completed 25 years continuous employment in the fishing industry. Greg has a Bachelor of Business Studies gained from Massey University. As Deepwater Division Manager he has played a material role in developing not only the range and successes of the division itself but also, together with Mr Wilkinson and other executives, Governmental relationships and many other aspects of intra industry affairs all in pursuit of a vigorous, sustainable and successful industry. I should mention that the extent and costs of executive time and involvement in industry issues are quite massive but generally rewarding; the prevailing situation provides every incentive to seek greater freedom of action and responsibility for the commercial industry without undue bureaucratic interventions.

Mr Johansson:

Thank you Mr Cole and good afternoon ladies and gentlemen, shareholders, Directors and staff. I am looking forward to the opportunity I have been given to contribute to the growth of your company.

This is a company blessed with very dedicated and talented staff, right from its management teams, vessel personnel, farm and factory workers. They have adapted well to the harsh economic climate of recent years, improving operational performance and focusing on efficiencies throughout the business. Operationally we are well positioned to cope in an economic and environmental climate where volatility has become the norm.

Our fleet has the versatility and skill set to move between fisheries as and when market demand and abundance dictate. Innovative harvesting strategies under development have the potential to significantly improve the returns from our wild harvest, for both inshore and deepwater species. Strategic relationships with large quota owners have recently been agreed and there is an opportunity to expand these in the years ahead.

Developments around head office, the Auckland Fish market and the viaduct basin are very exciting and progressing at a rapid pace. We expect a substantial increase in foot traffic through the area once the current upgrade has been completed, which should convert to improved returns for the investments in this area.

The recent investments and mechanisation upgrades in the aquaculture division have provided the opportunity for growth in a sector of the seafood industry not constrained by aggregation limits. With a more receptive government and regulatory change underway, the opportunity to farm additional species is close to becoming a reality. There are busy and exciting times ahead for the Aquaculture division.

Many sectors of the industry are now benefiting by working more collectively rather than competing or duplicating effort, for example the Deepwater Group. The Deepwater group is the stakeholder organisation that represents deepwater quota owners. It provides a single voice and point of contact for officials, manages numerous projects on behalf of shareholders and has gained national and international recognition for its work. Work is currently underway to establish an Inshore Coastal Collective, with the aim of creating a single umbrella stakeholder organisation to be the voice for the inshore sector.

Other examples of successful co-operative activities are; Pure New Zealand Green Shell Mussels, the Auckland Fish Market, North Island Mussel Processor Ltd, and various research and development projects, just to name a few. While establishing and managing these co-operative entities is challenging, the benefits can be significant for the parties involved and I predict we will see more of them emerging as the industry continues to mature.

As I mentioned earlier, we have a great team of people who take great pride in their company. They are committed to capitalising on the opportunities we have before us and I am confident in their ability to deliver.

Thank you.

Mr Cole:

Thank you Mr Johansson.

In part due to a general improvement in prices and demand sales for the first quarter of the present financial year, which include one month of Pacifica have been good and exceed the comparable period of the previous year by 11%, this despite the adverse exchange rates prevailing.

At a time when a great deal is said and written about exporting it is of interest that 84% of total turnover was from exports or offshore investment. Similar buoyancy attended fishing and aquaculture production which exceeded last year by 9.2%. A reflection of sound management is also found in debtors being 98.2% current at 31 December.

The special feature of the quarter was the Pacifica purchase about which Mr Barratt will speak.

Decisions and events of the last 15 months and planning have made very clear for Sanford three major issues or needs essential to reinforce a growing diversity of activity and to allow the Company to prosper in what is today and in prospect, and historically, a somewhat hostile general environment yet one which, in our judgement, favours initiative.

The first issue is in aquaculture. Until recently the industry in New Zealand has been seriously fragmented and not financially resilient. The conditions, last financial year, led to export mussel prices tumbling to levels failing to recover for many participants their true costs of production. Our purchase of Pacifica Seafoods gives Sanford a strong and positive market position which allied to a number of recent initiatives – ours and others – are catalysts for the industry and Government achieving the long term and major growth to which they are committed. Leadership roles are not easily achieved or sustained and while such a role may become ours, the primary task ahead is to set and act by example and to influence and reconcile the best long term and wider interests of the industry with those of the many individuals for whom mussel farming is the primary interest.

Certainly Sanford now has the assets and the people to succeed in aquaculture as an important if not essential complement to our wild fishing interests.

The second issue concerns debt and returns on investment.

Prior to agreeing the Pacifica purchase the Board gave a great deal of consideration to the consequences of the purchase and, particularly the level of debt to which Sanford would be exposed. In the result, the strategic argument for the opportunity and the conservative assessments of its benefits, short and long term, won the day. Nevertheless pressure is now on Board and management to achieve agreed debt reduction programmes as well as critically assessing the real relevance to Sanford's future and earnings of some existing long term assets and activities. It might well be said that historically, asset acquisition has been found far more comfortable than divestment, an attitude that is not affordable today. In today's conditions and with advancement of technology there are many ways in which future profitability will be enhanced through judicious new investment taking full account of ROI and affordability.

The third issue describes our immediate position as a company.

In moving far beyond choice we must seek and are seeking greater export market diversity while not neglecting domestic and Australian market opportunities; as well, we must add value to production and not risk treating fish, basically, as a raw material.

We must be dissatisfied with what we do and how we do it. Are there better ways and how do we find them? The issues do not begin and end with commercial objectives and profitability but include how we sustain our primary resource – wild caught fish – and act as a good employer and New Zealand corporate citizen.

In summary the Board is entirely confident we have the people and the resources to achieve and succeed. Like any other primary industry ours is not, in any sense, a comfortable operational environment but it offers great potential to reward skill, commitment and investment.

Budgets for the current 2010/11 financial year present a challenge in the growth they predict which is consistent with the quality of management and governance to which we aspire.

On the downside, any projections longer than six months in present national and international social, economic and financial conditions do not engender confidence or comfort about their outcomes. Nonetheless Sanford Board and management accept this

reality and welcome the opportunities that good people, investment, excellent products and markets always make achievable. We have a great company.

A handwritten signature in black ink, appearing to read 'B S Cole', with a small dot at the end.

B S Cole
Chairman