SANFORD LIMITED
SUSTAINABLE SEAFOOD

Financial Statements
For the year ended 30 September 2011

From sea to food – over 100 years of sustained growth

Financial Statements 2011

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

For and on behalf of the Board of Directors:

J G Todd
Chairman

E F Barratt
Managing Director

30 November 2011

Contents

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

SANFORD LIMITED
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Five Year Financial Review

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

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

† Includes the dividends proposed after balance date.

Income Statement

for the year ended 30 September 2011

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

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Statement of Comprehensive Income

for the year ended 30 September 2011

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

Statement of Financial Position

as at 30 September 2011

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

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Statement of Cash Flows

for the year ended 30 September 2011

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

Statement of Changes in Equity

for the year ended 30 September 2011

Group	Note	Share Capital $000	Translation Reserve $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total Equity $000
Balance at 1 October 2010		**95,355**	**3,358**	**2,721**	**450,135**	**551,569**	**633**	**552,202**
Profit for the year (after tax)		–	–	–	22,286	22,286	24	22,310
Other comprehensive income								
Foreign currency translation differences		–	(532)	–	–	(532)	(9)	(541)
Change in fair value of cash flow hedges		–	–	(4,079)	–	(4,079)	–	(4,079)
Income tax on cash flow hedges		–	–	1,220	–	1,220	–	1,220
Total comprehensive income		**–**	**(532)**	**(2,859)**	**22,286**	**18,895**	**15**	**18,910**
Distributions to shareholders	20	–	–	–	(21,534)	(21,534)	(95)	(21,629)
Balance at 30 September 2011		**95,355**	**2,826**	**(138)**	**450,887**	**548,930**	**553**	**549,483**
Balance at 1 October 2009		**95,355**	**1,795**	**4,115**	**446,665**	**547,930**	**591**	**548,521**
Profit for the year (after tax)		–	–	–	25,004	25,004	21	25,025
Other comprehensive income								
Foreign currency translation differences		–	1,563	–	–	1,563	21	1,584
Change in fair value of cash flow hedges		–	–	(1,991)	–	(1,991)	–	(1,991)
Income tax on cash flow hedges		–	–	597	–	597	–	597
Total comprehensive income		**–**	**1,563**	**(1,394)**	**25,004**	**25,173**	**42**	**25,215**
Distributions to shareholders	20	–	–	–	(21,534)	(21,534)	–	(21,534)
Balance at 30 September 2010		**95,355**	**3,358**	**2,721**	**450,135**	**551,569**	**633**	**552,202**

Parent	Note	Share Capital $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 October 2010		**95,355**	**2,721**	**425,662**	**523,738**
Profit for the year (after tax)		–	–	21,748	21,748
Other comprehensive income					
Change in fair value of cash flow hedges		–	(4,079)	–	(4,079)
Income tax on cash flow hedges		–	1,220	–	1,220
Total comprehensive income		**–**	**(2,859)**	**21,748**	**18,889**
Distributions to shareholders	20	–	–	(21,534)	(21,534)
Balance at 30 September 2011		**95,355**	**(138)**	**425,876**	**521,093**
Balance at 1 October 2009		**95,355**	**4,115**	**420,705**	**520,175**
Profit for the year (after tax)		–	–	26,491	26,491
Other comprehensive income					
Change in fair value of cash flow hedges		–	(1,991)	–	(1,991)
Income tax on cash flow hedges		–	597	–	597
Total comprehensive income		**–**	**(1,394)**	**26,491**	**25,097**
Distributions to shareholders	20	–	–	(21,534)	(21,534)
Balance at 30 September 2010		**95,355**	**2,721**	**425,662**	**523,738**

Notes to the Financial Statements

for the year ended 30 September 2011

Note 1 – Reporting Entity

Sanford Limited (the Company) is a profit-oriented company registered in New Zealand under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer for the purposes of the Financial Reporting Act 1993 and its Financial Statements comply with that Act. The Financial Statements presented include the individual Financial Statements of the Company and the consolidated Financial Statements of the Company, its subsidiaries and associates (the Group) for the year ended 30 September 2011.

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

Note 2 – Basis of Preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

Specific areas requiring significant estimates and judgements include:

- Impairment testing of intangible assets (refer note 11)
- Valuation of biological assets (refer note 12)
- Valuation of financial instruments (refer note 22)
- Fair value assessment of Pacifica Seafoods (refer note 30)

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

(e) Changes in accounting policies

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

Note 3 – Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and have been applied consistently by Group entities, except as disclosed in note 2 (e), which addresses changes in accounting policies.

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(iii) Acquisitions or disposals during the year

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 3 – Significant Accounting Policies (continued)

(c) Derivative financial instruments

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

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

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

(d) Fish quota and marine farm licences

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

Marine farm licences are recorded at cost or when purchased through business combinations are initially valued at fair value.

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

(e) Research and development

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

Note 3 – Significant Accounting Policies (continued)

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

	2011	2010
	Years	Years
Buildings (freehold and leasehold)	25	25
Fishing vessels:		
Hulls	20-30	20-30
Engines	12-15	12-15
Electronic equipment	3-4	3-4
Machinery and plant	7-10	7-10
Motor vehicles	5	5
Office fixtures and fittings	5-7	5-7
Marine farm assets	5-15	5-15

(g) Inventories

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

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 3 – Significant Accounting Policies (continued)

(h) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in the Income Statement. The fair value is determined with reference to the present value of the expected cashflows using anticipated harvest volumes, market prices and the costs of cultivation until sold. Costs to sell include all costs that would be necessary to sell the assets. Biological assets are transferred to inventories at the date of harvest.

(i) Impairment

(i) Non-financial assets

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

(ii) Non-derivative financial assets

Trade and other receivables

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

Investments in equity securities

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

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

(j) Trade and other receivables

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

(k) Investments in equity securities

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

(l) Investments in subsidiaries

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

Note 3 – Significant Accounting Policies (continued)

(m) Income tax

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

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

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

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

(n) Cash and cash equivalents

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

(o) Bank loans

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

(p) Revenue

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

(q) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on derivative instruments that are recognised in the Income Statement. All borrowing costs are recognised in the Income Statement using the effective interest method with the exception of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

(r) Trade creditors and other payables

Trade creditors and other payables are stated at cost.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Notes to the Financial Statements

for the year ended 30 September 2011

Note 3 – Significant Accounting Policies (continued)

(t) Employee benefits

(i) Defined contribution plans

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

(ii) Long service leave

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

(iii) Short-term benefits

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

(u) Segment reporting

An operating segment is a distinguishable component of the Group whose operating results are regularly reviewed by the Group's chief operating decision maker in order to assess performance and make decisions about resources to be allocated to the segment. The Group's primary format for segment reporting is based on geographical segments.

(v) New standards and interpretations not yet adopted

A number of new standards and interpretations are not yet effective for the year ended 30 September 2011, and have not been applied in preparing these consolidated Financial Statements. The following accounting standards are not yet effective:

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

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 4 – Segment Reporting

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

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

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

(a) Income and expenditure

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

(b) Revenue by Geographical Location of Customers

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 4 – Segment Reporting (continued)

(c) Assets and liabilities

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

Note 5 – Revenue

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

Note 6 – Other Income

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 7 – Expenses

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

Note 8 – Finance Income and Expenses

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

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Notes to the Financial Statements

for the year ended 30 September 2011

Note 9 – Income Tax Expense

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

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

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 10 – Property, Plant and Equipment

	Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
Group 2011						
Cost						
Balance at beginning of year	1,743	11,441	39,542	158,367	97,855	308,948
Additions	1,222	8,301	626	4,896	26,049	41,094
Disposals	(203)	(401)	–	(899)	(1,230)	(2,733)
Effect of movements in exchange rates	(2)	(97)	72	(10)	(39)	(76)
Balance at end of year	2,760	19,244	40,240	162,354	122,635	347,233
Accumulated depreciation and impairment						
Balance at beginning of year	(85)	(7,397)	(19,214)	(108,643)	(65,924)	(201,263)
Depreciation	–	(668)	(1,450)	(6,644)	(7,443)	(16,205)
Disposals	89	159	–	706	1,174	2,128
Balance at end of year	4	(7,906)	(20,664)	(114,581)	(72,193)	(215,340)
Net book value at 30 September 2011	**2,764**	**11,338**	**19,576**	**47,773**	**50,442**	**131,893**
Group 2010						
Cost						
Balance at beginning of year	1,742	11,098	39,798	159,456	92,681	304,775
Additions	–	362	29	1,439	6,649	8,479
Disposals	(8)	(39)	(285)	(2,552)	(1,493)	(4,377)
Effect of movements in exchange rates	9	20	–	24	18	71
Balance at end of year	1,743	11,441	39,542	158,367	97,855	308,948
Accumulated depreciation and impairment						
Balance at beginning of year	(85)	(7,005)	(18,021)	(104,325)	(62,144)	(191,580)
Depreciation	–	(425)	(1,461)	(6,598)	(5,270)	(13,754)
Disposals	–	33	268	2,280	1,490	4,071
Balance at end of year	(85)	(7,397)	(19,214)	(108,643)	(65,924)	(201,263)
Net book value at 30 September 2010	**1,658**	**4,044**	**20,328**	**49,724**	**31,931**	**107,685**

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Notes to the Financial Statements

for the year ended 30 September 2011

Note 10 – Property, Plant and Equipment (continued)

	Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
Parent 2011						
Cost						
Balance at beginning of year	1,542	10,994	39,542	157,045	93,528	302,651
Additions	1,222	8,301	626	4,883	24,026	39,058
Disposals	–	–	–	(899)	(1,230)	(2,129)
Balance at end of year	2,764	19,295	40,168	161,029	116,324	339,580
Accumulated depreciation and impairment						
Balance at beginning of year	–	(7,289)	(19,142)	(105,821)	(62,731)	(194,983)
Depreciation	–	(668)	(1,450)	(6,590)	(7,051)	(15,759)
Disposals	–	–	–	706	1,175	1,881
Balance at end of year	–	(7,957)	(20,592)	(111,705)	(68,607)	(208,861)
Net book value at 30 September 2011	**2,764**	**11,338**	**19,576**	**49,324**	**47,717**	**130,719**
Parent 2010						
Cost						
Balance at beginning of year	1,550	10,671	39,798	158,158	89,168	299,345
Additions	–	362	29	1,439	5,853	7,683
Disposals	(8)	(39)	(285)	(2,552)	(1,493)	(4,377)
Balance at end of year	1,542	10,994	39,542	157,045	93,528	302,651
Accumulated depreciation and impairment						
Balance at beginning of year	–	(6,909)	(17,949)	(101,561)	(59,310)	(185,729)
Depreciation	–	(413)	(1,461)	(6,540)	(4,912)	(13,326)
Disposals	–	33	268	2,280	1,491	4,072
Balance at end of year	–	(7,289)	(19,142)	(105,821)	(62,731)	(194,983)
Net book value at 30 September 2010	**1,542**	**3,705**	**20,400**	**51,224**	**30,797**	**107,668**

Note 11 – Intangible Assets

	NZ Units – Emissions Trading Scheme $000	Intellectual Property $000	Fishing Quota $000	Marine Farm Licences $000	Total $000
Group 2011					
Carrying amount					
Balance at beginning of year	3,417	–	417,480	37,370	458,267
Acquisitions	–	425	1,210	55,120	56,755
Amortisation	–	(50)	–	–	(50)
Disposals	(3,417)	–	(2,094)	–	(5,511)
Effect of movements in exchange rates	–	–	(536)	–	(536)
Carrying amount at 30 September 2011	**–**	**375**	**416,060**	**92,490**	**508,925**
Non-current	–	375	416,060	92,490	508,925
Current	–	–	–	–	–
	–	**375**	**416,060**	**92,490**	**508,925**
Group 2010					
Carrying amount					
Balance at beginning of year	–	–	416,194	37,370	453,564
Acquisitions	3,417	–	4	–	3,421
Effect of movements in exchange rates	–	–	1,282	–	1,282
Carrying amount at 30 September 2010	**3,417**	**–**	**417,480**	**37,370**	**458,267**
Non-current	–	–	417,480	37,370	454,850
Current	3,417	–	–	–	3,417
	3,417	**–**	**417,480**	**37,370**	**458,267**

New Zealand units (Emissions Trading Scheme)

In September 2010 the Company was allocated 170,850 New Zealand units under the Emissions Trading Scheme based on the Company's fishing quota holdings as at 24 September 2009. The units were received and taken to the Income Statement at a fair value of $20 per unit, approximately the market price for units on 30 September 2010 and classified as a current asset. All units were sold on 21 December 2010 resulting in a gain on sale of $0.03m which was taken to the Income Statement.

Cash generating units

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

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

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Note 11 – Intangible Assets (continued)

Impairment testing

Impairment testing was performed on the applicable New Zealand cash generating unit (CGU) to determine whether fishing quota and marine farm licences were impaired using a discounted cash flow model based on value-in-use. Post-tax discount rates of between 6.8% and 7.4% were applied. Future cash flows were projected for 5 years and terminal growth rates of between 3% and 4% were applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecast for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cashflows in the terminal year.

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

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

	NZ Units – Emissions Trading Scheme	Intellectual Property	Fishing Quota	Marine Farm Licences	Total
	$000	$000	$000	$000	$000
Parent 2011					
Carrying amount					
Balance at beginning of year	3,417	–	399,784	37,370	440,571
Acquisitions	–	425	1,210	55,120	56,755
Amortisation	–	(50)	–	–	(50)
Disposals	(3,417)	–	(400)	–	(3,817)
Carrying amount at 30 September 2011	**–**	**375**	**400,594**	**92,490**	**493,459**
Non-current	–	375	400,594	92,490	493,459
Current	–	–	–	–	–
	–	**375**	**400,594**	**92,490**	**493,459**
Parent 2010					
Carrying amount					
Balance at beginning of year	–	–	399,780	37,370	437,150
Acquisitions	3,417	–	4	–	3,421
Carrying amount at 30 September 2010	**3,417**	**–**	**399,784**	**37,370**	**440,571**
Non-current	–	–	399,784	37,370	437,154
Current	3,417	–	–	–	3,417
	3,417	**–**	**399,784**	**37,370**	**440,571**

Notes to the Financial Statements

for the year ended 30 September 2011

Note 12 – Biological Assets

	Mussels $000	Oysters $000	Salmon $000	Total $000
Group and Parent 2011				
Balance at beginning of year	7,440	395	5,466	13,301
Change in fair value less estimated costs to sell	15,932	670	5,129	21,731
Increase due to acquisitions	3,656	–	–	3,656
Harvested produce transferred to inventories	(15,305)	(940)	(5,224)	(21,469)
Balance at 30 September 2011	**11,723**	**125**	**5,371**	**17,219**
Non-current	5,748	–	2,675	8,423
Current	5,975	125	2,696	8,796
	11,723	**125**	**5,371**	**17,219**
Group and Parent 2010				
Balance at beginning of year	7,252	608	4,089	11,949
Change in fair value less estimated costs to sell	9,738	763	4,874	15,375
Increase due to acquisitions	266	–	–	266
Harvested produce transferred to inventories	(9,816)	(976)	(3,497)	(14,289)
Balance at 30 September 2010	**7,440**	**395**	**5,466**	**13,301**
Non-current	3,657	–	3,073	6,730
Current	3,783	395	2,393	6,571
	7,440	**395**	**5,466**	**13,301**

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

Note 13 – Equity Accounted Investees

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

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Note 14 – Other Investments

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

Note 15 – Deferred Taxation

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

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

(b) Recognised deferred tax assets and liabilities

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

Note 15 – Deferred Taxation (continued)

(c) Movement in temporary differences during the year

	Balance 30 Sept 2010	Recognised in Income Statement	Recognised in Other Comprehensive Income	**Balance 30 Sept 2011**
	$000	$000	$000	**$000**
Group 2011				
Property, plant and equipment	(5,254)	402	–	(4,852)
Intangible assets	(2,961)	(1,322)	–	(4,283)
Trade debtors	43	19	–	62
Term receivable	(21)	21	–	–
Derivative financial instruments	(1,166)	–	1,220	54
Other debtors and prepayments	(22)	22	–	–
Biological assets	(2,272)	1,673	–	(599)
Other liabilities	3,583	(405)	–	3,178
Net deferred tax (liability) asset	**(8,070)**	**410**	**1,220**	**(6,440)**
Group 2010				
Property, plant and equipment	(2,384)	(2,870)	–	(5,254)
Investments	607	(607)	–	–
Intangible assets	(2,567)	(394)	–	(2,961)
Trade debtors	43	–	–	43
Term receivable	15	(36)	–	(21)
Derivative financial instruments	(1,763)	–	597	(1,166)
Other debtors and prepayments	(22)	–	–	(22)
Biological assets	(2,358)	86	–	(2,272)
Trade creditors	–	–	–	–
Other liabilities	3,889	(306)	–	3,583
Net deferred tax (liability) asset	**(4,540)**	**(4,127)**	**597**	**(8,070)**
Parent 2011				
Property, plant and equipment	(5,055)	184	–	(4,871)
Intangible assets	(2,961)	(1,322)	–	(4,283)
Trade debtors	–	2	–	2
Term receivable	(21)	21	–	–
Derivative financial instruments	(1,166)	–	1,220	54
Biological assets	(2,272)	1,673	–	(599)
Other liabilities	3,450	(326)	–	3,124
Net deferred tax (liability) asset	**(8,025)**	**232**	**1,220**	**(6,573)**
Parent 2010				
Property, plant and equipment	(2,185)	(2,870)	–	(5,055)
Intangible assets	(2,567)	(394)	–	(2,961)
Term receivable	15	(36)	–	(21)
Derivative financial instruments	(1,763)	–	597	(1,166)
Biological assets	(2,358)	86	–	(2,272)
Trade creditors	–	–	–	–
Other liabilities	3,755	(305)	–	3,450
Net deferred tax (liability) asset	**(5,103)**	**(3,519)**	**597**	**(8,025)**

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

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for the year ended 30 September 2011

Note 16 – Inventories

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

Note 17 – Trade Debtors

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

Note 18 – Cash and Cash Equivalents

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 19 – Capital and Reserves

(a) Translation reserve

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

(b) Cash flow hedge reserve

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

(c) Share capital

	Ordinary Shares	
	2011	2010
	No. of Shares	No. of Shares
On issue at beginning and end of year	93,626,735	93,626,735

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

Note 20 – Dividends

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

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

Note 21 – Earnings per Share

(a) Basic earnings per share

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

(b) Profit attributable to ordinary shareholders

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

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 22 – Financial Instruments

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

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

(a) Credit risk

The Group does not generally require collateral in respect of trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes.

The Group has credit insurance in respect of its largest customer for USD8.4m. At balance date the Group's exposure in respect of this debt is USD4.8m which comprised 11.5% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 40% of the outstanding balance. There are no concerns with the collectability of this debt.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

(b) Liquidity risk

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

(c) Market risk

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

(d) Currency risk

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

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

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

At balance date the Group has trade debtors of USD10.473m – NZD13.698m (2010: USD22.726m – NZD30.882m), AUD3.610m – NZD4.599m (2010: AUD2.907m – NZD3.819m), JPY153.332m – NZD2.618m (2010: JPY40.464m – NZD0.658m), GBP0.114m – NZD0.233m (2010: GBP0.112m – NZD0.241m), EUR 0.422m – NZD0.747m (2010: EUR 0.348m – NZD0.643m), trade creditors of USD1.274m – NZD1.571m (2010: USD2.052m – NZD2.798m) and cash of USD-0.056m – NZD-0.073m (2010: USD0.234m – NZD0.318m), JPY19.562m – NZD0.334m (2010: JPY23.417m – NZD0.381m) and AUD0.261m – NZD0.332m (2010: AUD0.163m – NZD0.214m) which are not hedged.

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

Note 22 – Financial Instruments (continued)

(e) Interest rate risk

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

(f) Other market price risk

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

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

QUANTITATIVE DISCLOSURES

(g) Credit risk

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

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

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

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

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

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

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Notes to the Financial Statements

Note 22 – Financial Instruments (continued)

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

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

(h) Liquidity risk

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

	Statement of Financial Position	Contractual Cash Flows	6 months or less	6–12 months	1–2 years	2–5 years
	$000	$000	$000	$000	$000	$000
Group 2011						
Bank loans	165,000	181,644	3,186	3,510	8,240	166,708
Trade creditors	11,949	11,949	11,949	–	–	–
Other creditors	15,777	15,777	15,777	–	–	–
Bank overdraft	20,374	20,374	20,374	–	–	–
Total non-derivative liabilities	**213,100**	**229,744**	**51,286**	**3,510**	**8,240**	**166,708**
Interest rate swaps	1,511	323	409	250	109	(445)
Total derivative liabilities	**1,511**	**323**	**409**	**250**	**109**	**(445)**
Group 2010						
Bank loans	120,000	133,140	1,924	51,821	4,216	75,179
Trade creditors	13,053	13,053	13,053	–	–	–
Other payables	11,347	11,347	11,347	–	–	–
Bank overdraft	5,824	5,824	5,824	–	–	–
Total non-derivative liabilities	**150,224**	**163,364**	**32,148**	**51,821**	**4,216**	**75,179**
Interest rate swaps	708	(1,069)	204	48	(391)	(930)
Total derivative liabilities	**708**	**(1,069)**	**204**	**48**	**(391)**	**(930)**

Note 22 – Financial Instruments (continued)

(h) Liquidity risk (continued)

	Statement of Financial Position	Contractual Cash Flows	6 months or less	6–12 months	1–2 years	2–5 years
	$000	$000	$000	$000	$000	$000
Parent 2011						
Bank loans	165,000	181,644	3,186	3,510	8,240	166,708
Trade creditors	11,294	11,294	11,294	–	–	–
Other payables	13,951	13,951	13,951	–	–	–
Bank overdraft	19,800	19,800	19,800	–	–	–
Total non-derivative liabilities	**210,045**	**226,689**	**48,231**	**3,510**	**8,240**	**166,708**
Interest rate swaps	1,511	323	409	250	109	(445)
Total derivative liabilities	**1,511**	**323**	**409**	**250**	**109**	**(445)**
Parent 2010						
Bank loans	120,000	133,140	1,924	51,821	4,216	75,179
Trade creditors	11,811	11,811	–	–	–	–
Other payables	10,504	10,504	–	–	–	–
Bank overdraft	5,000	5,000	–	–	–	–
Total non-derivative liabilities	**147,315**	**160,455**	**1,924**	**51,821**	**4,216**	**75,179**
Interest rate swaps	708	(1,069)	204	48	(391)	(930)
Total derivative liabilities	**708**	**(1,069)**	**204**	**48**	**(391)**	**(930)**

(i) Foreign currency exchange risk

The Group's exposure to foreign currency risk can be summarised as follows:

	USD	AUD	JPY	EUR	GBP
(figures are NZD)	$000	$000	$000	$000	$000
Group 2011					
Foreign currency risk					
Trade debtors	13,698	4,599	2,618	747	233
Trade creditors	(2,797)	–	–	–	–
Net Statement of Financial Position exposure before hedging activity	10,901	4,599	2,618	747	233
Estimated forecast sales	262,643	32,520	20,799	5,429	2,351
Estimated forecast purchases	(61,509)	(13,189)	–	–	–
Net cash flow exposure before hedging activity	212,035	23,930	23,417	6,176	2,584
Forward exchange contracts and options	(31,389)	–	(19,467)	–	–
Net un-hedged exposure	**180,646**	**23,930**	**3,950**	**6,176**	**2,584**

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for the year ended 30 September 2011

Note 22 – Financial Instruments (continued)

(i) Foreign currency exchange risk (continued)

	USD	AUD	JPY	EUR	GBP
(figures are NZD)	$000	$000	$000	$000	$000
Group 2010					
Foreign currency risk					
Trade debtors	39,035	3,819	2,121	643	241
Term receivables	2,685	–	–	–	–
Trade creditors	(2,797)	–	–	–	–
Net Statement of Financial Position exposure before hedging activity	38,923	3,819	2,121	643	241
Estimated forecast sales	260,711	30,071	27,266	4,668	2,373
Estimated forecast purchases	(58,491)	(15,647)	–	–	–
Net cash flow exposure before hedging activity	241,143	18,243	29,387	5,311	2,614
Forward exchange contracts	(61,150)	–	(25,849)	–	–
Net un-hedged exposure	**179,993**	**18,243**	**3,538**	**5,311**	**2,614**

(j) Interest rate risk – repricing analysis

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

	Total	6 months or less	6–12 months	1–3 years	3–4 years	4–5 years
	$000	$000	$000	$000	$000	$000
Group 2011						
Cash and cash equivalents	2,693	2,693	–	–	–	–
Forward exchange contracts	224	643	(48)	(371)	–	–
Bank overdrafts	(20,374)	(20,374)	–	–	–	–
Bank loans	(165,000)	(165,000)	–	–	–	–
Interest rate swaps						
Cash inflows	100,000	100,000	–	–	–	–
Cash outflows	(100,000)	–	–	(85,000)	(15,000)	–
Total variable rate	**(182,457)**	**(82,038)**	**(48)**	**(85,371)**	**(15,000)**	**–**
Group 2010						
Cash and cash equivalents	10,242	10,242	–	–	–	–
Term receivables	2,685	2,685	–	–	–	–
Forward exchange contracts	3,442	2,036	1,277	129	–	–
Bank overdrafts	(5,824)	(5,824)	–	–	–	–
Bank loans	(70,000)	(70,000)	–	–	–	–
Interest rate swaps						
Cash inflows	50,000	50,000	–	–	–	–
Cash outflows	(50,000)	–	–	(25,000)	(10,000)	(15,000)
Total variable rate	**(59,455)**	**(10,861)**	**1,277**	**(24,871)**	**(10,000)**	**(15,000)**

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

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

Notes to the Financial Statements

Note 22 – Financial Instruments (continued)

(k) Capital management

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

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

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

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

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

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

(l) Sensitivity analysis

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

It is estimated that a change of one percentage point in the value of the New Zealand dollar against other foreign currencies would have changed the Group's profit after tax by approximately $1m (2010: $1m) and changed equity by $1m (2010: $1m).

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 22 – Financial Instruments (continued)

(m) Classification and fair values

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

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 22 – Financial Instruments (continued)

(m) Classification and fair values (continued)

	Fair Value through Profit or Loss	Loans and Receivables	Available-for-sale	Other Amortised Cost	Total Carrying Amount	Fair Value
	$000	$000	$000	$000	$000	$000
Group 2010						
Assets						
Investments						
Advances to associates	–	1,853	–	–	1,853	1,853
Shares in other companies	–	–	115	–	115	115
Total non-current assets	**–**	**1,853**	**115**	**–**	**1,968**	**1,968**
Current portion of term receivable	–	2,685	–	–	2,685	2,685
Trade debtors	–	54,294	–	–	54,294	54,294
Cash and cash equivalents	–	10,242	–	–	10,242	10,242
Derivative financial instruments						
Forward exchange contracts	3,442	–	–	–	3,442	3,442
Foreign exchange options	1,371	–	–	–	1,371	1,371
Total current assets	**4,813**	**67,221**	**–**	**–**	**72,034**	**72,034**
Total assets	**4,813**	**69,074**	**115**	**–**	**74,002**	**74,002**
Liabilities						
Bank loans	–	–	–	70,000	70,000	70,000
Total non-current liabilities	**–**	**–**	**–**	**70,000**	**70,000**	**70,000**
Bank overdraft and borrowings	–	–	–	5,824	5,824	5,824
Trade creditors	–	–	–	13,053	13,053	13,053
Other payables	–	–	–	4,737	4,737	4,737
Bank Loans	–	–	–	50,000	50,000	50,000
Derivative financial instruments						
Interest rate swaps	708	–	–	–	708	708
Total current liabilities	**708**	**–**	**–**	**73,614**	**74,322**	**74,322**
Total liabilities	**708**	**–**	**–**	**143,614**	**144,322**	**144,322**

Notes to the Financial Statements

for the year ended 30 September 2011

Note 22 – Financial Instruments (continued)

(n) Fair value hierarchy

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 22 – Financial Instruments (continued)

(o) Determining fair value

(i) Derivatives

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

(ii) Loans and receivables

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

(iii) Other amortised costs

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

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

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

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

Note 23 – Bank Loans

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

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

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

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 24 – Operating Leases

Non-cancellable operating lease rentals are payable as follows:

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

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

Note 25 – Contingent Liabilities and Commitments

(a) Contingent liabilities

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

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

(b) Commitments

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Commitments for capital expenditure	2,806	10,687	2,806	9,311

Notes to the Financial Statements

for the year ended 30 September 2011

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

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

Notes to the Financial Statements

for the year ended 30 September 2011

Note 27 – Related Party Transactions

(a) Basis of transactions

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

(b) Material transactions and balances with related parties

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

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

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

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

No interest is charged on balances between New Zealand related parties. Interest is charged at market rates on balances with Australian subsidiaries. All related party balances are repayable on demand, however the parties have agreed not to call upon the loans within 12 months from balance date.

Notes to the Financial Statements

for the year ended 30 September 2011

Note 28 – Key Management Personnel Compensation

Key management personnel compensation comprised:

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

Note 29 – Group Entities

The Sanford Group comprises the following principal entities:

Name	Interest Held %	Balance Date	Principal Activity
Subsidiaries:			
New Zealand			
Sanford Investments Limited	100	30 September	Investment company
Auckland Fish Market Limited	100	30 September	Auction
Auckland Fishing Port Limited	67	31 March	Wharf company
Australia			
Sanford Australia Pty Limited	100	30 September	Fish catching and auction
Ocean Fresh Fisheries Pty Limited	100	30 September	Non-operating company
Primestone Nominees Pty Limited	75	30 September	Seafood wholesaler
Associates:			
New Zealand			
New Zealand Japan Tuna Company Limited	46.74	31 March	Fish catching and processing
Barnes Oysters Limited	20	30 September	Seafood processing and wholesaler
Live Lobster Southland (1995) Limited	25	31 March	Seafood processing
North Island Mussel Processors Limited	33.33	30 September	Seafood processing
San Won Limited	50	30 September	Cold storage
SS Fishing Limited	50	30 June	Non-operating company
The Big Picture Auckland Limited	50	30 September	Tourism company
Perna Contracting Limited	50	31 March	Mussel harvesting
Pure New Zealand Greenshell Mussels Limited Partnership	55	30 September	Greenshell mussel exporting
China			
Weihai Dong Won Food Company Limited	50	31 December	Seafood processing

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Notes to the Financial Statements

for the year ended 30 September 2011

Note 30 – Pacifica Seafoods Acquisition

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

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

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

The major classes of assets acquired were as follows:

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

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

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

The fair values of significant property, plant and equipment 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 – Christchurch Earthquake

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

Note 32 – Subsequent Events

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

Independent Auditor's Report

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 2 to 41. The financial statements comprise the statements of financial position as at 30 September 2011, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the Company and the Group.

Directors' Responsibility for the Company and Group Financial Statements

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

Auditor's Responsibility

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

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Company and Group.

Opinion

In our opinion the financial statements on pages 2 to 41:

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG

30 November 2011

KPMG Auckland

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Comments on Sanford Limited Annual Result 2011

- ▶ **SANFORD PROFIT AFTER TAX FOR THE YEAR $22.3M**
- ▶ **EARNINGS AFTER TAX DECREASE BY 10.9% FROM LAST YEAR**
- ▶ **ACQUISITION OF PACIFICA SEAFOODS ASSETS**
- ▶ **EXCHANGE RATE REMAINS A SIGNIFICANT CHALLENGE IN SECOND SIX MONTHS**
- ▶ **ANNUAL DIVIDEND MAINTAINED AT 23 CENTS PER SHARE**
- ▶ **WINNER 2011 ACCA BEST SUSTAINABILITY REPORT BY NZ AND NZX 50 COMPANY**

Overview and Highlights

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

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

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

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

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

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

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

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New Zealand Seafood Segment

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

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

The San Nikunau was detained by United States (US) authorities in Pago Pago on the basis of allegations that the vessel had failed to properly document oily water discharges. This is a complex issue as the vessel is required to operate under flag state law (New Zealand in this case) but also abide by port state law (Pago Pago is a US territory). This is currently being investigated by Sanford legal advisors in New Zealand and the US who have been appointed by our insurers. At the time of completing this report the outcome of this investigation is still not clear but obviously we are losing valuable fishing time. Although settlement negotiations are not uncommon in these types of cases in the US, there has been no settlement as at the date of this report. Whilst the legal costs of the investigations and defending any charges are covered by insurance, we have provided in the accounts to 30 September to allow for any possible costs that may not be covered.

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

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

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

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

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

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

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

The General Manager Operations (Greg Johansson) has provided a more detailed overview of the New Zealand seafood segment and individual components are reviewed by the relevant managers in the Annual Report.

Iwi Collective Partnership

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

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

Australia Seafood Segment

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

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

International Investments

Weihai Dong Won Food Company Limited

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

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

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

Markets and Pricing

A fuller explanation of market issues follows from the General Manager Marketing and Development (Vaughan Wilkinson), but, in summary, markets have remained favourable for most species throughout the year. There is a sense that for some species, prices have peaked and there may be potential softness ahead. However, we are confident that the major species which generate the greater part of our revenue, such as hoki, Greenshell™ mussels, ling, toothfish and skipjack tuna, will hold their price levels and enable us to earn improved returns.

Sustainable Development

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

Outlook For Coming Year

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

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

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

Acknowledgements

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

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

We continue to be extremely well served by our fishermen and farm workers, processing and administration staff, and management and executive teams who are all extremely competent and well trained to deal with the challenges we face. I would like to record my appreciation to each and every one of them for their efforts in achieving the results in what has been an exceptionally trying year.

E F Barratt
Managing Director

30 November 2011

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

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Markets and Pricing – Vaughan Wilkinson, General Manager Marketing and Development

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

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

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

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

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

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

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

The market pricing for smooth oreo dory fillets was relatively stable through the year but market demand remains comparatively soft. The principal market for this species of dory is Europe where both demand and pricing for this product have been softening for the past few years. In Europe smooth oreo dory is often used for meals in schools and like institutions. Competition from other cheaper-priced white-fish products has impacted supply to these contracts over recent years. Efforts are now being made to stimulate growth in demand for smooth oreo dory in other markets.

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

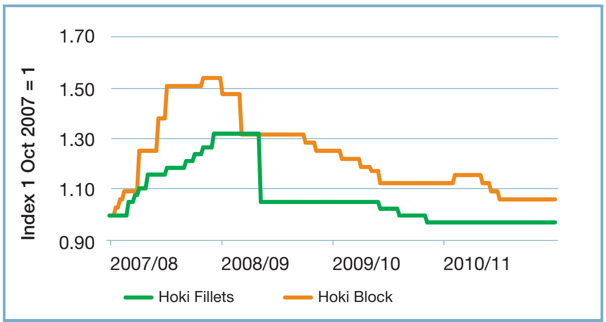
There is a shortage of squid in international markets and prices were firm throughout the period and likely to remain so into the coming year.

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

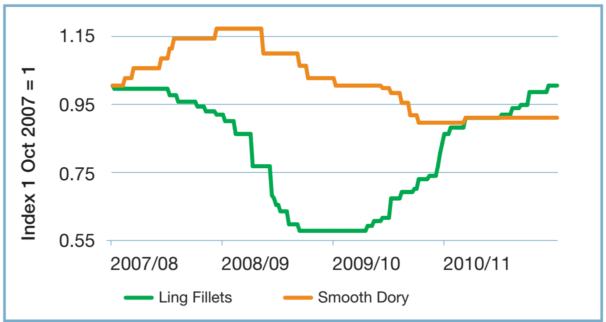
The pricing of many inshore species such as snapper and trevally also remained comparatively stable through the year. Demand is steady and forecast to remain so.

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

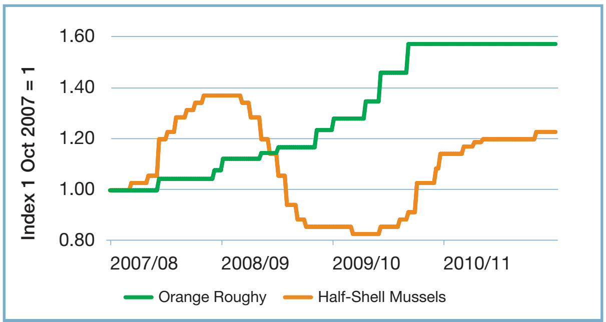
The following graphs show trends in prices over the past year compared with the previous three years; all prices indexed to 1 October 2007.



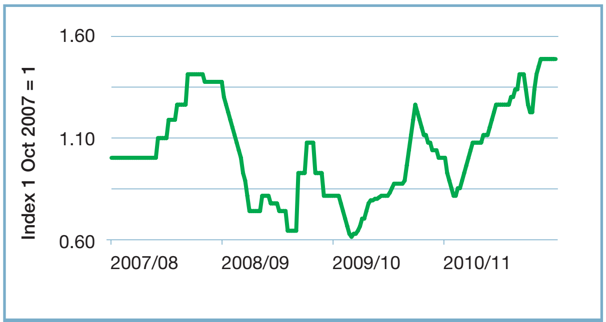
Hoki Fillets and Block



Ling and Smooth Dory Fillets



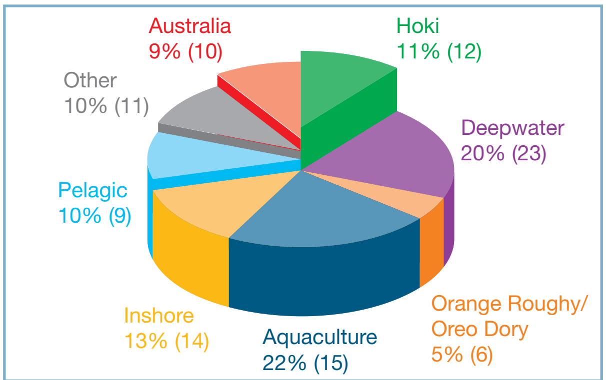
Orange Roughy and Half-Shell Mussels



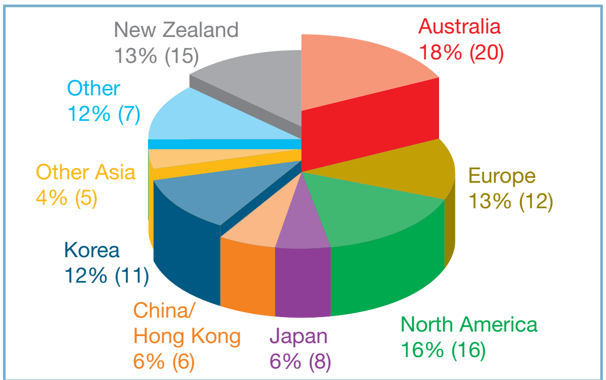
Skipjack Tuna

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

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



Approximate Percentages Species Split 2011 (2010)



Sales by Geographical Location of Customers 2011 (2010)

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New Zealand Seafood Segment Operations – Greg Johansson, General Manager Operations

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

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

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

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

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

The Pacific tuna purse seine fleet was on track to produce a significantly improved performance compared to the previous year until difficulties beset the operations in the final quarter. An unexpected extension to a dry-dock survey and a USA coastguard investigation into recording of bilge water discharges seriously impacted the fleets' activities in the fourth quarter and will have a flow-on effect into the year ahead.

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

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

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

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

The industry-requested ministerial inquiry into the use of foreign charter vessels (FCVs) in New Zealand waters is now well under way. As the largest employer of New Zealanders in the seafood industry and owning the largest fleet of vessels here, Sanford is well qualified to provide the inquiry panel with a balanced perspective on the appropriate use of FCVs in our waters. While FCVs make up only 8% of the Company's fleet and foreign crew represent only 8% of our workforce, these vessels and crew play a vital role in our operations as a whole. Sanford has consistently lobbied for stronger measures to be taken against the few operators (both domestic and FCVs) who fail to comply and bring the entire industry into disrepute.

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

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

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

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

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

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

SANFORD LIMITED
SUSTAINABLE SEAFOOD

Information required by NZX

SANFORD LIMITED		
Audited results for announcement to the market		
Reporting Period	12 months to 30 September 2011	
Previous Reporting Period	12 months to 30 September 2010	
	Amount	Percentage change
Revenue from ordinary activities	$NZ 464.0m	10.2%
Profit (loss) from ordinary activities after tax attributable to security holders	$NZ 22.3m	(10.9%)
Net profit (loss) attributable to security holders	$NZ 22.3m	(10.9%)
Final Dividend	Amount per security	Imputed amount per security
	14 cents per share	6.0000 cents per share
Record Date	14 December 2011	
Dividend Payment Date	19 December 2011	

SANFORD LIMITED
SUSTAINABLE SEAFOOD

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