



**SANFORD LIMITED**  
**SUSTAINABLE SEAFOOD**

27 January 2010

**CHAIRMAN'S ADDRESS**

Good afternoon Ladies and Gentlemen

When Mr Barratt and I prepared reports for the 2009 Annual Report we were, for good reason, cautious about prospects for the new financial year given international market and financial conditions and the level of the NZ-US dollar and other exchange rates prevailing. Since then there has been no relief from punitive exchange rates, market demand expressed in New Zealand dollar returns rather than volume continues to be slow and while there are early signs of price improvement these relate to individual export markets and species rather than overall. This is a less than happy set of circumstances to report but over riding the conditions is the absolute confidence of Board and Management that the fishing industry in which Sanford is a major participant has a strong and profitable future not only as an industry but also as a contributor to employment and to New Zealand's economic growth and diversity. Before I speak again about the future I should report that no further sales of surplus assets – vessels and property – have been achieved, stock levels are modestly higher than at annual balance date, we have sold, at break even, the investment held in High Liner Foods, Canada and cashflows are in balance.

At this important stage of Sanford's corporate life I must also report that while the company as a long standing single-industry commercial entity has, with its shareholders, been very well served by a conservative balance sheet structure, economic circumstances have demanded, and the Board and executive management have responded by conducting, a basic evaluation of that conservatism and how it should be expressed in future. This has involved, as a first step, measurement and reconciliation of balance sheet and operational asset performance against industry standards and against opportunities and financial yields available from a range of other New Zealand industrial and primary sector investments.

On an industry comparison basis there can be no doubt about the merits and example of Sanford's performance. Compared with other sectors of a highly diverse market place – diverse as to type and performance - and after allowing for the long term nature of fishing industry investments particularly in aquaculture, the Board has agreed that our Balance Sheet strength and corporate talents will be used more aggressively to secure the strategic objectives for which Sanford has planned.


These include objectives;

- To create a fishing enterprise of international scale and depth of species and products to meet the demands of a more sophisticated and organised international customer base;
- To aggregate scarce and sustainably managed wild and farmed seafood resources to achieve critical mass and international competitiveness from all phases of the value chain from production to customers;
- To develop a serious and long term capacity to invest in research and development projects and innovations, both in house and, collaboratively, on a scale that is beyond the scope of a New Zealand company individually;

- To create growth from joining with like-minded parties so as to move from the present fragmented industry approach to international markets, to enterprises which are larger and integrated in offering and moving distinctive and diverse marine products from resource to customer again in building a stronger value chain for the future;
- To continue to respect the interests and equality of shareholders as wealth creation is pursued and achieved.

This statement of strategic objectives may appear lofty but it is and will be based on logic and sound research, to serve the Board's acceptance of it as a path for the future. If example is needed, Sanford's recent purchase of Sealord marine farms in the Marlborough Sounds allied to options open for the purchase of substantial newly opened marine farming areas in Wilsons Bay, Coromandel will, if the options are exercised, build on a dominant position of Sanford in New Zealand mussel farming in particular, and aquaculture overall. Owning farms and efficiently harvesting and processing their outputs is, of itself, a bonus but not an end. Backing up farming and harvesting we are served by a great aquaculture management team, our premises all meet international standards and, in pioneering automated production, we are setting new standards for cost management and yields and productivity. So it is that Sanford Limited, Board, Management and a large skilled and diverse workforce, are committed to working through the present economic turmoil by looking within and beyond the company and its industry for the opportunities time and circumstances will present. Reports on progress will be made as results are achieved.

I thank you again for your attendance and your support of a great New Zealand commercial institution one of the few that has, in its character, stood the test of years. At the same time the energy and commitment of the Board and a fine management team should be recorded. Mr Barratt leads that team with distinction.



B S Cole  
Chairman