

30 January 2008

## **CHAIRMAN'S ADDRESS**

On behalf of the Directors and Management of Sanford Limited I extend a warm welcome to today's meeting our 103<sup>rd</sup>.

The Annual report sets out in detail the trading difficulties of the financial year ended 30 September 2007 difficulties which, by and large, have continued into this New Year. For those of you who have been long term holders of Sanford shares and who have experienced the ups and downs of fishing industry outcomes over the years I suggest that the adverse market and economic conditions today are to be regretted but, finally, accepted to the extent we do not have the power to change them. The sadness to me and I'm sure to you and to all shareholders is that the results posted and the conditions faced depreciate the real value and substance of Sanford Limited as a leader, if not the leader of an important and essential New Zealand export industry as they depreciate the quality, skills, commitment and effort of an excellent management and staff team.

The Annual Report posed and answered in part the question "what are we doing about the conditions faced?"

My task today and that of Mr Barratt who will follow me is to report progress since that report was written.

- Prices – Exchange rates continue to inflict a baleful influence on prices and, following on, profitability and cashflow. Despite this, and pricing weakness for a number of volume species, we were, at December '07, achieving better prices over a range of other species at a US dollar exchange rate of 76 cents compared with December '06 when the exchange rate was 66 cents. This work of seeking improved prices continues.
- Sales – In the quarter to December '07 sales revenue exceeded the comparable figure for the same period last year by 17%, some of that increase resulting from a higher carry over of inventory at 30 September balance date. This situation compares, as to a year on year improvement, with the first quarter's report to last year's Annual Meeting. Unfortunately, during the last financial year the first quarter's gains were lost during the balance of the year and, a similar outcome could temper this year's performance. Despite this, sales increases, several substantial, have been achieved in all but one market and evidence prospects of a greater security of demand in the immediate future.

### **Costs**

Speaking of costs it will be of interest and concern that over the past decade the Ministry of Fisheries annual costs as a Government Department have increased from \$48m by \$95m. Sanford Limited has contributed at least \$6.5m of the \$95m, a position which, as to funding a Government activity contrasts adversely with that of other export industries. Our information is that over the same decade the Ministry's staff numbers have increased from 210 to 440, our experience is that frequent changes in management personnel have led to confusing changes in policy settings and in research and management philosophy and practice. As a



result, a great deal of industry time, input and other costs are required to address resulting issues all too often to questionable advantage.

### **Board Membership**

As the apologies indicated today's meeting sees the end of Mr Mike Bitossi's direct involvement in the management and direction of Sanford's affairs over many years. Mike has been a great colleague and friend to many in the Sanford team to whom his departure will be a matter of deeply felt regret. At a meeting of Directors to follow this meeting it is intended to appoint Mr Paul Norling to fill the vacancy as an independent director. Mr Norling has enjoyed a long and successful career in finance and in merger and acquisition activity; his appointment as an independent director will complement and build on the Board's range of skills and experience.

"Specifically he has had an extensive career in banking with senior executive and/or director roles in New Zealand and Australia. He was the founding Managing Director of merchant bank Bancorp Holdings Ltd, established and listed on the New Zealand Stock Exchange in 1987, until he retired from this role in 1998. Since that time he has continued to be involved in the corporate advisory field, and remains a non-executive member of the Bancorp Board.

Paul was a member of the Board of listed Gullivers Travel Group Ltd and has other private company director interests as a director. He is also a past director and president of the American Chamber of Commerce in New Zealand and is a member of the New Zealand Institute of Directors".

### **Canada**

While all the transactions related to the Fishery Products International restructuring have been completed the settlement of legal and governance issues that flow from it have led to delays in finalising the Sanford Limited involvement. However that will not reduce our expected exit value.

Suffice it to say today, as advised in Mr Barratt's review in the Annual Report, the settlement is forecast, in this financial year, to contribute a capital profit of some NZ\$28m and a reduction of term debt of approximately NZ\$37m. I would be remiss if I did not take this opportunity of congratulating and thanking Mr Barratt for the quality of his stewardship in managing the FPI investment.

### **Rationalisation and the Future**

The need of and, indeed, pressures for changes in the New Zealand fishing industry of concern to Sanford Limited are acknowledged both within and beyond the industry but not, certainly yet, as a matter of consensus. Other issues apart, there are two significant impediments to effecting widespread or rapid changes. The first of these is that in acquisition situations of the kind Sanford might undertake the assets involved are all too often overvalued based, as they are, on history and not on present day operational realities and prospects. The second impediment is that some quota entitlements, while properly based on the historic investment and industry involvement of its owners of the time, today confer privilege and income to current holders without any need for industry activity or commitment of any kind. Despite this, Sanford Limited, and those who share its values, intend pressing on with examining all avenues open to rationalise and build activity, to generate more acceptable returns from fishing in all its facets, to achieve greater value outputs from costs and, essential, from a national viewpoint, to improve export receipts. These commonly held objectives may seem lofty but, in the end result can New Zealand, as



a small and remote nation, continue to dissipate the vitality and unique strengths of its fishing industry?

So it is that Sanford, Board and Management have restated six key corporate commitments or objectives:

- To build on present operational activities and strengths primarily in New Zealand and Australia
- To be active participants in all aspects of industry affairs and developments
- To consider, seriously and positively, any opportunities offering potential to strengthen performance while safeguarding security of employment
- To restore shareholder value
- To maintain and enhance the Sanford obligations to sustain resources and follow international best practice and sound environmental management practices
- To work collaboratively and co-operatively within industry sectors, large and small, to find and share answers to greater productivity

Ours will not be an easy task, overall but we are not pioneers in addressing issues of the kind. Put simply, we can have no cause or interest to accept passively the current state of economic affairs and outlook but, rather, the company and its people must face realistically and confidently the challenges and opportunities events and conditions make or could make possible.

B S Cole  
Chairman