

CHAIRMAN'S ADDRESS

Ladies and Gentlemen,

It is an honour to present this address to this one hundred and first Annual Meeting of Sanford Limited and report on the progress of the Company over the past year.

The result for the past year was achieved in difficult conditions and these have continued through into this year. While for the most part export market conditions are stable we continue to be frustrated by the New Zealand dollar remaining at levels far higher than predicted a year ago. There is now almost universal acceptance that the New Zealand dollar cannot remain at current levels for much longer. Just yesterday one major bank economist predicted that the dollar was likely to crash before the end of this calendar year.

There has been a great deal of analysis carried out by Sanford into the effects of the New Zealand dollar on our business model. You will see in the management presentations that follow what these mean to our business.

Expansion and Growth

Last year we financed the acquisition of Simunovich Fisheries assets with debt. The higher than forecast New Zealand dollar and interest rates and poor results from the integration of the Ocean Fresh business in Australia have resulted in returns from this acquisition being lower than forecast. Returns will increase and be satisfactory as exchange rates are normalised and as we reduce debt. A significant focus of the company is on effective asset utilization and cash flow. The Managing Director in his address will outline the longer term positioning of the company which is very positive while highlighting the shorter term difficulties of achieving satisfactory returns to reward shareholders.

Current year activities

Sales for the first three months of the new financial year are 5.9% down on last year but if the effects of reduced foreign exchange gains this year are removed we are 3.4% ahead of last year.

Catches and aquaculture harvest are running 3% ahead of last year with better catches in deepwater and international fisheries offset by lower catches of Mackerels and Skipjack tuna by the Tauranga based inshore purse seine fleet. Final results for the year will mainly depend on catches in the key variable fisheries like skipjack tuna both internationally and in New Zealand and the squid fishery in New Zealand. Early catches of squid have been good but access to resources in the southern Auckland Island waters continues to be hampered by irrational management decisions in respect to sea lions and trawling restrictions despite the use of effective excluder devices.

I will now pass you over to Mr Barratt and his senior management team to outline in more detail the company activities and prospects.

Managing Directors Address

Thank you Mr Cole. I would like to add my welcome to shareholders to Sanford's headquarters and the Auckland Fish Market premises.

If you would like to visit parts of the fish market after the annual meeting there is a video running in the auction room which is as you go out of the marquee it is on the left hand side and also if you would like to have a look at the seafood school this is also open upstairs on the first floor.

SLIDE 1

I want to first talk about the way in which the Board and management team have moved the business over the last few years to build a solid platform for the future and then outline why shareholders will have to be patient while we get over the short term pain.

Firstly if we look at the overall world supply of seafood by species and according to the FAO in 2003 the total world catch including aquaculture species for human consumption totalled 133 million tonnes. The largest single contributor to that total was 31 million tonnes of freshwater fish mainly carp and most of that production is grown in the lakes and rivers in China.

SLIDE 2

Outlined in blue is the world production of white fish of which ground fish is the most significant part and which is a particular part of this mix that I would like to talk more about today because that is where most of Sanford's involvement is.

SLIDE 3

If we look at the wild catch and aquaculture catching by nation we see clearly China well in advance of all other nations and the green part of the bar represents aquaculture, the blue part of the bar represents wild catch. These are the top ten nations in the world producing seafood and if you consider that New Zealand produces approximately 700,000 tonnes of seafood per year we hardly make a dent in the left hand side of the graph and certainly would not be in the top 20 nations of seafood producers in the world. However that doesn't mean to say we are insignificant.

SLIDE 4

If we look at the world supply of ground fish we see that it has declined steadily from 12.1m tonnes in 1988 through to 6.5m tonnes in 2003 and the estimate by the Ground Fish Forum analysts is that production is now forecast to increase slightly to around 6.7m tonnes and it is fair to say most of the stability in supplies since 2000 relates to improved management of the world ground fish resources in most of the major producing nations.

SLIDE 5

The recent history of the ten major ground fish species highlights the dominance of Alaskan Pollock in the overall ground fish supply equation. Alaskan Pollock is mainly harvested by American and Russian fishing fleets in the North Pacific. You will at the middle of the table hoki which in 2003 was forecast to be 374,000 tonnes.

SLIDE 6

I would now like to move onto the next graph and analyse that total slightly more. Here we can see the total hoki production in 2003 according to the FAO statistics and forecast production in 2004, 2005 and 2006 which shows increasing production out of Argentina and Chile but the effect of the hoki quota reduction in New Zealand down to 100,000 tonnes reducing the overall supply. As New Zealand is the only supplier of hoki certified by the Marine Stewardship Council it does tend to have a premier position in the market and interestingly just last week the Wal-Mart organisation which is one of the largest retailers in the world announced that it will be sourcing all of its seafood from certified fisheries by 2008.

SLIDE 7

On a particular species, in this case Tilapia but similar statistics apply to farmed basa or catfish, these are species that are farmed mainly in tropical areas and you can see dramatic increases in production of these species. As the volumes have increased prices have become more

competitive and Tilapia and basa or catfish are two major whitefish species that compete in the market space of hoki. However to discerning consumers hoki is a cold water fish and has a much better flavour profile than warm water farmed fish which at times can be subject to other environmental issues.

SLIDE 8

This graph tracks the pricing of fillet blocks for various species over the last 16 years compared to the supply. In a normal market situation one would expect as production volumes have declined from virtually 12m tonnes to 6m tonnes the price to do more than just stay stable but as you can see pricing has not increased in line with the reduction in volumes although in the last two years there are signs that market prices are now finally trending upwards.

While hoki is not shown on this graph both hake and Alaskan Pollock are substitutes and the hoki would follow those price trends.

SLIDE 9

If we now move to the New Zealand situation this graph is a 12 month moving average of FOB prices of all seafood prices exported from New Zealand. You will see a steady decline in prices between 1993 through to 1998 and then a dramatic increase between 1998 and 2001 and then a steady decline from 2002 to 2004 and then some stability through 2005. However that stability is at a very low level and at an average FOB price of \$3.80 that is equivalent to what we were earning in 1995 and 1996 and of course since that time the cost of fuel, labour, packaging, electricity and government charges have increased dramatically. And of course the exchange rate is a significant driver of this graph as it is in New Zealand dollars.

SLIDE 10

What has been Sanford's response to these challenges? In the inshore we have reduced the number of vessels and processing plants and increased the utilisation of those vessels and plants. This has increased efficiency and reduced unit costs. We have improved pricing transparency between the export and local markets by the establishment of the Auckland Fish Market auction. Any buyer including Sanford is free to buy on the auction market and export the product and if the local market cannot match the price then the product will go to the export market. Previously with fixed pricing there were times when there were significant distortions between pricing and supply on the local market.

In our deepwater operation we have not only rationalised our core vessels, we have established a freezer long line fleet to focus principally on fishing in the Ross Sea for toothfish but also catching a higher valued ling and other species in the New Zealand zone. We have taken a more strategic focus in respect to our charter vessel operations with a concentration on one major relationship with emphasis on compliance, quality and full time observer coverage.

SLIDE 11

We have expanded our aquaculture operations with a particular focus on ensuring that we have sufficient supply guaranteed with ownership of farms to justify investment in significant processing facilities and research and technology efficiencies.

We have expanded our international fishing operations with a particular focus on an accumulation of long term fishing rights in Australia, Argentina, Ross Sea and in the Pacific in respect of tuna. However this expansion actually has a higher risk reward profile but as fishing regimes are produced we would expect this risk reward profile to improve.

We have taken considerable time to build more enduring market access arrangements and channels, this has seen us aligning our marketing relationships where we have common interests into the major markets of America, Asia and Europe but as well increasing our focus on added value processing in China which is very quickly becoming the major seafood added value region in the world.

We established over the past few years a comprehensive forward foreign exchange hedging programme which has now run out and current returns are below an acceptable level. We operated a fuel hedging programme at various times although this has not been as comprehensive or as successful as our forward cover.

We also have undertaken opportunistic business acquisitions of course, the most recent of which was Simunovich Fisheries and we will of course continue to seek other opportunities where we are able to.

SLIDE 12

As a result of those of challenges we have a well positioned and profitable New Zealand fishing and aquaculture business that has secure access arrangements to both quota and aquaculture areas that will enable us to satisfy demand from an increasingly environmental and health conscious customer base.

The Sanford sustainable seafood focus adopted a number of years ago is increasingly being recognised in world markets. After Project Fish we have now an advanced technology platform that will enable us to provide cost effective solutions to increased quality, traceability and security requirements in the international market place.

With the Auckland Fish Market we have a strong and vibrant local presence that will satisfy commercial seafood demand in New Zealand and protect the viability of the commercial seafood industry in New Zealand. We have the ability to produce reasonable returns to shareholders based on a long term projected value of US 60 cents to the New Zealand dollar. We have an expanding range of access opportunities in a number of international fisheries which will increase returns to shareholders in the longer term. We are also fortunate to have a very competent, professional and industry experienced management team who are all well aware of the need to deliver shareholder value in the long term.

However while the New Zealand dollar is above 65 cents we will not be in a position to deliver adequate returns.

I am now going to ask each of the operational divisional managers to give you an outline of the divisional activities. First up is Shane Walsh from the inshore division.

The operational divisional managers will then overview their particular areas of operation in more detail. Firstly Shane Walsh, Inshore Division Manager.

| | |
|------------------------------------|--|
| Slide 1 | <p>Good afternoon</p> <p>My name is Shane Walsh. It is my pleasure today to talk to you about Sanford's Inshore Division.</p> <p>I intend to do this in four parts</p> <ul style="list-style-type: none"> • First explain what is the Inshore Division • Second give you a general overview of last Financial Year • Third give you a specific overview of each key business unit • And Finally talk to you about the Challenges and Opportunities for this financial year |
| Overview Slide 2 | <p>The Inshore Division business is the</p> <ul style="list-style-type: none"> • Profitable • Harvesting, processing and selling of • Fish species caught in NZ inshore waters <p>(Inshore water refers to water less then about 200 m depth)</p> <p>The Assets employed are</p> <ul style="list-style-type: none"> • Approx 40,000 tonnes Fish Quota • 22 Sanford owned Fishing Vessels (plus many other Independent vessels) • 3 processing operations • 2 Coldstores • And 540 employees <p>In terms of the General Overview for the last financial year</p> <ul style="list-style-type: none"> • The high exchange rate reduced returns for many species despite the markets being relatively stable • The Profitability was lower then expected which was due to sales revenues being well below expectations • The slow down of the orange roughy market in the United States affected revenue and profitability of all three sites especially over the last six months of the financial year. • We had poor catches of skip jack, red cod and barracouta. • We also had increased costs especially fuel but also government compliance costs such as cost recovery levies. |
| Auckland Slide 3 Slide 4 | <p>In terms of each specific Business Unit we will start with Auckland Factory and Fleet.</p> <ul style="list-style-type: none"> • On a positive note they had increased catches compared to previous year mainly due to the Simunovich Acquisitions where we acquired extra quota and vessels. • The fishing patterns improved over previous years to balance landings throughout the year to ensure we maximised volumes and returns • A strong demand for airfreight product resulted in increased volumes requirements from the longliners |

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| <p>Slide 5</p> <p>Slide 6</p> | <ul style="list-style-type: none"> • We developed new snapper markets in Asia and Europe to minimise our reliance on the fragile Japanese market where demand has dropped year by year. • We had improved returns for trevally which was driven by increased demand in the Middle East and Europe. • On a negative note compared to last year landing of albacore from independent vessels were poor due to bad weather and lower sea water temperatures. |
| <p>AFM</p> <p>Slide 7</p> <p>Slide 8</p> <p>Slide 9</p> <p>Slide 10</p> | <p>Now I would like to talk to you about the Auckland Fish Market</p> <ul style="list-style-type: none"> • The Auction, in its first full year, the turnover exceeded our expectations. The average daily sales doubled from the start to the end of the year with increasing numbers of buyers and sellers. • The Seafood School sales increased monthly as advertising and promotion affected awareness. Corporates use for staff and client entertainment increased and the school has now been accepted as a new option for Corporate entertainment. • The AFM retail area has seen an ever increasing customer traffic as awareness has increased. Informal surveys of customer indicated that once they come and see the market they keep returning and many had heard about the market through word of mouth. • During the year Seamart purchased Ocean Discovery and they intend to consolidate and rebrand as Seamart within the next few months. |
| <p>Tauranga</p> <p>Slide 11</p> <p>Slide 12</p> | <p>If we travel South our next operation is Tauranga</p> <ul style="list-style-type: none"> • Skipjack tuna catches were low but on a positive note all the purse-seine species had very strong market demand resulting in very low levels of stock. • On a negative note as a result of its introduction into the quota management system there was a significant reduction in kahawai allocated and therefore caught. • Longline tuna landings from Independent vessels were well down on last year due to poor returns from the Japanese market. • Returns for our Export Cold Store located at Mount Maunganui were well ahead of last year following a rationalization of customers and maximising storage of Sanford product ex the Auckland factory. |
| <p>Timaru</p> <p>Slide 13</p> | <p>Further South in Timaru</p> <ul style="list-style-type: none"> • On a negative note hoki processing volumes were down due to a reduction in quota • Catches of red cod and barracouta were well below previous years. • Our Oamaru crayfish operation had a good result due to good catches over a short period of time incurring minimal costs while achieving a reasonable market price and demand • The San Won Cold Store located in Timaru (a 50/50 joint venture with Dong Won) |

| | |
|-----------------------|--|
| Slide 14 STOP HERE | had an acceptable results at a similar level to the previous year |
| | <p>Finally I would like to share with you the Challenges and Opportunities going forward</p> <ul style="list-style-type: none"> • To ensure we can maintain profitability in this difficult operating environment we need to continue to focus on cost management • The process of rationalisation over the last few years have involved closing Wanganui, Hikurangi and Nelson and downsized Auckland and Oamaru this has been achieved while maintaining the same process volumes • We will continue to rationalise our fleet and sell or renew vessels to ensure the best return on assets. • We will continue investigating ways of improving process efficiencies through reengineering and investing in technology • We will continue looking for opportunities to expand through acquisition of existing operations and the purchase of quota. The recent Simunovich acquisition has proved beneficial. We acquired quota, vessels and staff which has improved our efficiency and helped to rationalize the local market supply. • We will continue to ensure that we are in markets and processing products to a state that gives us the best possible return per kg of quota. • This completes my presentation. • Thank you for your attention. • I will now pass you on to Greg Johansson, Deepwater Division Manager. |

2004-05 Annual General Meeting Presentation.

Slide 1 title page

Good afternoon

The Deepwater Division is based in Timaru and currently consists of:

15 freezer vessels

12 owned and operated by Sanford Ltd and
3 foreign charter vessels

Sanford Limited commenced investment in their own freezer vessels capacity in 1986, when the quota management system was first established.

Slide 2 graph

The company has continued to invest in freezer vessels over the last 20 years, which has resulted in a reduction in our reliance on the foreign charter fleet.

The Division has a quota portfolio of 110,000 mt
This quota generates an annual catch entitlement, otherwise referred to as ACE

Our objective is to maximise the economic return from this ACE
This is done through both the Divisions catching activities and by trading surplus ACE to other operators.

Slide 3 Quota utilisation #1.

Our aim is to minimise the amount of unused ACE, which actually doesn't look too good in this chart.

But if we remove the unused jig squid and Auckland Islands squid, where access to capital equipment and government policy restrict our harvesting opportunities, things look a lot better

Slide 4 Quota utilisation #2.

The Division has 433 Staff based out of Timaru, mainly in sea going roles, as you can see from the chart

Slide 5 Staff numbers

Moving on the Divisions Operational performance for 2004-05
Starting with the Domestic freezer fleet

San Discovery & San Enterprise
Slide 6 " 1999 Hoki Fillet Vessels"

These two sister vessels were originally purchased and set-up to fillet hoki year round but have diversified over the last two years and developed new skills in alternate fisheries, in particular, Squid, Hake, Ling and Warehouse.

Slide 7 Pie chart % species

In addition to new species we have attempted to improve returns on our hoki catch by trialling some value added processing onboard. For example these vacuum packed, weight controlled, hoki portions

Slide 8 fish portions

This diversification has incurred costs and a very steep learning curve. However last year the vessels produced a satisfactory result and early indications are that this year should be better again.

Slide 9 " 2006 Multi Purpose Vessels

While it is still too soon to be confident, there are early signs that the hoki stock has stabilised and is starting to rebuild.

San Waitaki

[Slide 10 Vessel photo](#)

The San Waitaki continues to performance to a very high standard, targeting an ACE package of mainly ORH and OEO. Since the vessel was purchased in late 1999, catch rates have been maintained and efficiency gains made.

[Slide 11 graph ORH, OEO](#)

Last year these efficiency gains provided the vessel with the opportunity to complete a trip targeting SQU for the first time, with excellent results.

The vessel has also been under charter to NIWA and the Orange Roughy Management Company to complete ORH & OEO research voyages.

[Slide 12 Vessel photo](#)

San Aotea II & San Aspiring

[Slide 13 vessel photo Longliners](#)

These two auto-longline freezer vessels target ling and bluenose within the NZ EEZ and toothfish in the Ross Sea region.

Last year was by far our most successful season the vessels have had during our 8 years of exploratory fishing in Antarctica. Unfortunately this season will not be as productive due to increased competition from vessels from other member nations.

[Slide 14 vessel and man in ice](#)

Last season the ling and blue nose fishing produced improved results and we are optimistic that this trend will continue.

Scampi Fleet

[Slide 15 4 Vessels](#)

The introduction of SCI to the quota management system in Oct 2004, combined with the acquisition of Simunovich Fisheries has provided an excellent platform for the Division to develop a long term and sustainable strategy for this fishery.

The integration of the Simunovich scampi fleet into the deepwater division has largely been completed, with increased efficiencies now being achieved based on the experience gained last year.

[Slide 16 scampi product](#)

Scampi is packed to very high quality standards and is in good demand.

[Slide 17 Charter Vessels](#)

Charter Operations

Last year the Charter fleet consisted of three trawlers from our long term relationship with Dong Won Fisheries of Korea and one squid jigger from Taiwan.

As you saw in the earlier graph, the Companies reliance on charters vessels has reduced.

Slide 18 Graph

However we believe there will always be a need for well managed charter vessels to complement our own freezer vessel catching capacity, assisting the company to manage the variable and seasonal nature of some of our fisheries.

Looking at the current Year

Operationally we are off to a good start, catches are in line with expectations and it appears that we will have yet another good squid season.

However we have a range of challenges as usual.

Slide 19 on bird mitigation & seal excluder

Despite significant research being undertaken by industry on Sealion by catch and seabird mitigation, access to the Auckland Islands squid fishery is still a matter of contention between Industry and officials. The restriction on full access to this fishery is likely to continue this season.

Fuel prices are expected to remain high and a continuing drive for energy efficiency is a high priority for the division.

The tight labour market and proposed reforms to immigration policy are likely to present significant challenges throughout the year.

Despite these and other challenges, the Deepwater Division is on track to produce another result in line with expectations.

Good day and good health to you all.

Thank you for the opportunity to make this presentation. I will now pass you onto

Ted Culley, Aquaculture Division Manager.

Aquaculture

Slide 1
"San Nikau on
Line"

Sanford's aquaculture operations just like the other seafood companies / sectors has had its profitability eroded by the high exchange rate and increasing costs of operating in the New Zealand business environment.

Our sector has also being heavily involved with local Governments as they interpret the Aquaculture Law reform legislation in relation to their respective regions.

It appears there will be variation between regions on how aquaculture is managed across the New Zealand coastal marine area but we can be relatively

sure that the cost of operating our farms in the marine environment will increase.

The creation of new water space for aquaculture development, is also being treated differently by individual Regional Councils, but all employ a rigorous process that is unlikely to produce any new water space in the next 5 years

Slide 2
"Sea
Squirt"

Another issue that appeared on the radar screen last year is the discovery of Sea Squirt at a number of locations around New Zealand. The Sea Squirt has the potential to impact on our farmed shellfish by competing for the same food and space occupied by the farmed species. Sea Squirt has the potential to reduce farm yield and the condition of the shellfish. At this stage it is unknown how well it will become established in the New Zealand Coastal marine area but we do know it has had a significant detrimental affect on specific areas for farming shellfish in Canada. Options for mitigating this pest are being looked iat as well as the monitoring of it's incursions into the coastal marine area. The industry has developed a code of practice to minimize the risk of spreading Sea Squirt in the course of our farming operations.

In this challenging environment the key focus of our staff has been to improve returns from our existing water space whilst constraining operational costs This has lead to some major changes in the structure of this Division over the last year together with investment in farm development, new farming, harvesting and processing technologies.

Oyster Operations

Slide 3
"Oyster
Graph"

Kaeo had a record year processing nearly 900,000 dozen oysters compared to the 519,000 dozen processed two years ago – an increase of 73%.

Slide 4
"Oyster
Farm"

To minimize the effects on our ability to harvest product off our own farms in Whangaroa, Houhora and Kerikeri during rainfall events we have secured a number of independent growers in Parengarenga and Rangaunu harbours. This offers the processing plant more flexibility to continue to operate during rainfall events.

Slide 5
"Harvesting
& truck"

The number of oysters sourced from independent farmers has almost doubled since 2001.

Slide 6
"Stick Vs
Long-line"

The farming sector are trialing Long-line bags to assess this growing medium against our traditional stick culture for improving quality, yield on the farm as well as the affect of this growing method has on processing costs and it's suitability for mechanization in the future.

Slide 7
"Oyster
Processing"

To improve the plant's throughput and productivity extensions to the opening table were made during the off season last year which increased the numbers of openers from 16 to 22. This delivers a further 33 % in daily processing capacity to the plant which provides us with another means of mitigating rainfall events and the ability to process more product when it is in peak condition.

Slide 8
"Oysters In
pack"

Oyster prices in our traditional markets of Australia and Japan have been steady. With the recent reclassification of some of our harbours as being suitable for products destined to the EU we will have the opportunity during this year to explore whether or not we can gain a market niche in this sector that offers better returns.

Our expectations for the coming year are for a modest increase in volume and after the first three months of operation we are on schedule to achieve this.

Slide 9
"Mussel
Graph"

Mussel Operations

Overall green weight production from our farming and harvesting operations has been growing steadily to just under 13,000 t from our own farms and supply arrangements. Coromandel has grown with the development of Wilson's Bay and our learning of how to farm this area. Havelock has grown with the increase productivity seen in the Sounds over the past two years and continuous improvement in farming practices. For operational efficiency excess product from Havelock was transported to the Bluff for processing.

Slide 10

Slide 11
"Mussel
Harvesting"

Our crop expectation is for similar volumes to last year and after 3 months we are on schedule to achieve this

Slide 12
"Hatchery
Spat"

Work on retaining hatchery spat on our growing ropes is continuing as we trial different methodologies of transport and conditioning to improve the viability of this spat after seeding. A full commercial trial is planned for this year.

Slide 13
"NIMPL
panoramic"

Sanford Ltd was an integral part of an exciting new initiative in the mussel industry last year with our involvement in the creation of North Island Mussel Processors Ltd, based in Tauranga.

Slide 14
"Pre & Post
grade"

This processing plant operating as a toll processor for each of three shareholders processes alternate harvests, supplied by the shareholders respective harvesting barges, and packages their mussels into their own branded packs. Each Shareholder is responsible for marketing their own product sourced from their farms.

Slide 15
"Cook
room &

Each entity maintains autonomy in the farming and marketing segments of the business but gains the economies of scale and the cost savings by combining volumes through the one processing plant.

The plant started one week behind schedule in November and is now operating on two shifts. Production volumes are a little behind target at the moment but we believe we should pick this back up later in the season.

This joint venture toll processing arrangement has provided us with sufficient processing capacity to develop the Wilson's Bay Stage 2 farming space approved in mid 2004. This 55 ha development is currently underway with the first crop being available in the next financial year. Once this is completed our Coromandel farming operations will be fully developed.

Slide 16
"Spiral at
Bluff"

Other development investments have included the purchase of the 16 ha of farming space in Big Glory Bay, and the installation of a new spiral and refrigeration plant in the Bluff operation. This equipment was installed over the Christmas period in 2004 and has performed well over the past year.

In the last three months two sets of machinery upgrades have taken place at Havelock.

Slide 17
"Weigher &
Bagger"

Firstly the installation of the latest technology in weighing and bagging equipment that will improve yield and reduce our labour costs in the packing area. This equipment was installed in November and is performing to expectations

Slide 18
"Packing
Equipment"

New packaging equipment developed in New Zealand designed to mechanically pack the bagged product into a "tamper" proof inner carton and then mechanically pack the inner carton into the outer case was installed over the Christmas break. This equipment is currently undergoing production trials.

Bluff is in the process of installing a mechanical weighing and bagging unit ex Havelock which will replace their manual weighing operation.

Slide 19
"Mussel
Picture"

In the markets prices have been steady throughout the year in all regions and the split between the market sectors, US, Asia and Europe have remained similar to previous years

Slide 20
"Salmon
Graph"

Salmon Operations

Production from our salmon farming operation has been steady at around 1500 t G & G for the last three since we reduced production to align our volume with market demand and consolidate the operation onto one site.

Salmon production for the coming year is in line with our expectations

Slide 21
"Salmon
farm"

Staff have been working hard at constraining the costs of production whilst still achieving the best performance from the fish. Work is ongoing with feed suppliers in both Australia and Chile to find the optimal diets and feeding regimes to best suit our environment. Along with the latest biomass scanning equipment to measure the results of our feeding programmes we believe we are exploring every opportunity to maximise growth and manage our feeding costs.

Slide 22
Harvest
Pump"

A new harvest pump and automatic stunner was installed on the farm this year as to further improve the fish quality and reduce labour and consumable costs.

This is the first pump in New Zealand to be used on harvesting king salmon. The pump was used to harvest our growers destined for export up to the end of December and operated to our expectations

Slide 23
"Salmon
Filletts "

80 % of our salmon production is exported with the main markets being Japan and Australia.

Prices have been steady in Japan throughout the year but Australia has been subjected to price fluctuations at different times when there has been an excess of supply from the domestic production.

In the local market prices have been firm with volumes steadily increasing.

Thank you for the opportunity to update you on the developments in the Aquaculture division.

We look forward to another challenging year in 2006.

I will now pass you onto

Tom Birdsall, International Fishing Division Manager.

Thank you – I am responsible for two business units, one in Argentina and one in Australia.

Argentina – commenced in mid 2002 and it revolves around the operation of the fillet vessel San Arawa. History; The San Arawa was Sanford's first filleting vessel and she was purchased in 1992 – and operated in New Zealand hoki fishing until 1999.

The operation in Argentina is predominately producing fillet block which is being sold to markets in Spain, France, Germany and Australia.

The Argentine venture has been both interesting and challenging to date but we are making a medium on our investment.

The Argentine hoki fishing is distinctly different from that in New Zealand or Australia; it is a fishery managed with input controls rather than output controls as in New Zealand. The fish are a similar species but a little smaller individual size.

Achieving market parity with New Zealand product has been our goal, this involves quality and market pricing and we are 98% there today – the basic problem was that Argentine product was seen as generally poor quality, all of the people involved in our operation have been working very hard to overcome this and have achieved considerable success.

Our area of operation is off the Southern coast of Argentina up to 49 degrees and we use the port of Ushuaia in Tierra del Fuego as our base of operations. It is an area of some beauty with adverse weather as it is the southern most city in the world and adjacent to Cape Horn.

Overall Argentina has been hard, the country is bureaucratic and the cultural differences are immense but things are progressing reasonably steadily and we are happy with progress.

Australia

In Australia our business is made up of two parts, firstly our consignment market business call RAFA which we have owned since late '80s, the business operates as a company fish agent in Melbourne Fishmarket, and secondly the Ocean Fresh Fisheries business which is a catching operation that we have owned for a little over one year.

The business is based in Melbourne at the Fish Market which is in Footscray close to the Port and about 3 kilometers from the City center.

At the consignment market we handle the sales of about 150 suppliers that vary from from larger fishing companies, aquaculture producers, fresh water fishermen and many small fishermen, generally with volumes of about 125 tonnes per week, in addition we also supply a supermarket chain with their fresh fish requirements and process market fish into fillets for this service.

We are currently operating three of our own vessels in the waters of NSW, Vic, Tas and South Australia.

The original business has been profitable but we have had a very difficult year integrating and improving both businesses against difficult market conditions.

Australia is an interesting place to operate in from a seafood point of view, distinctly different from New Zealand. In Australia a very strong domestic market which drives most prices, in New Zealand there is small domestic market and we have export determined prices.

Culture is similar but with some different ethnic groups – Melbourne has historically had a Greek leadership in fisheries processing and retailing but today Vietnamese are the new face of the fish retailing.

We have some challenges in regards to the following;
maintenance of quotas,

The security of our tenancy at the Melbourne market,
Marine Protected Areas impacting on existing fisheries and fishermen,
The strength of the dollar reducing export options,
The lack of a stable fisheries business environment,
and high and increasing business compliance costs.

The Australian Operations are not achieving a satisfactory return at this time.
I will now pass you over to

Vaughan Wilkinson, Business Development Manager to talk about the Pacific Tuna Vessels.
Pacific Tuna Presentation; AGM 1 February 2006

Slide 1

Range of species called tunas.

From the large bluefin tuna's that can weigh 100's kgs and average about \$25/kg wholesale market price, often called the sashimi tuna. Down to the small skipjack tuna weighing a few kilograms that have an average wholesale price of about \$1/kg and are destined for the canned tuna market.

It is the skipjack tuna that we target in our pacific purse seine operation.

Slide 2

The San Nikunau is one of the three super seiners that Sanford's operates in the Central and Western Pacific tuna fishery.

The other two vessels are the San Nanumea and the ocean Breeze.

We search for the tuna schools on the surface of the ocean and then by fish them encircling them with the large net which can be seen on the stern of the boat.

The San Nikunau is a typical super seiner working in the Western Pacific. Approx. 80m in length, 4000 HP, and which can hold about 1200 tonnes of tuna.

The tuna are frozen in salt brine and kept in about 14 separate fish holds that are known as fish wells. They each hold about 80 tonne of tuna.

Slide 3

This is the fishing operation where a school of tuna has been sighted on the surface (top right) and then the net is dropped off the back of the vessel which then steams in a circle around the tuna (top left).

The school is completely encircled in the bottom left photo and the yellow floating corks on the top of the net can be seen near the horizon.

In the bottom right the vessel is retrieving both ends of the net which has sunk below the tuna school. The bottom of the net is being pulled tight by a circle of wire, like closing a duffel bag, and the fish are said to be pursed up which is why it is called purse seining.

Slide 4

When the net has been drawn to the side of the boat the tuna are scooped out with a dip net (top right) the bottom of which is then released into a hopper (top left) which then leads down below the deck to the frozen brine wells.

When the vessel is full the catch is either taken to one of the cannery's in the Pacific such as Pago Pago in American Samoa (bottom right) or it may be taken to a frozen carrier vessel where it is transhipped (bottom right). The carrier vessel will then transport it to regional cannery's, typically in Bangkok.

Slide 5

This is the Western and Central Pacific showing the EEZ's of all the Pacific states.

We operate in the tuna fishery because it is on our backdoor step and because New Zealand has favourable relations with many of our Pacific neighbours who provide us with access to their fishing zones.

Slide 6

This is the distribution of the four major tuna fisheries in the world. The western and central Pacific, the eastern Pacific, the Atlantic and the Indian Ocean tuna fisheries catch about 4 million tonnes per annum.

The fisheries typically operate in the equatorial band about 10 degrees north and south of the equator

The western and Central Pacific fishery is by far the largest and accounts for about 50% of that 4 million tonnes.

Indian Ocean ; 1 m
Eastern Pacific ; 600,000
Atlantic ; 400,000

Slide 7

This shows the average distribution of the skipjack catch in the western Pacific from 1990 to 2003.

You can see that the bulk of the catch is taken in that equatorial band by purse seining (the green portion of the circle represents purse seining)

Slide 8

The substantial growth in the global tuna catch from a 1950 level of about 300,000 tonnes to the present day 4 m tonnes has been largely dominated by the expansion and development of the western and central Pacific fishery (the green wedge) that has occurred over the past 30 years.

The Indian Ocean fishery has also expanded considerably over the past 20 years.

Slide 9

It is the skipjack purse seine catch that has fueled the bulk of the growth in the western and central Pacific tuna catch.

It accounts for 1.3 m of the 2m tonnes of tuna that are caught in the region.

The current scientific assessment of the skipjack stock in the western Pacific suggests that you can still substantially increase catches without affecting sustainability.

Slide 10

New Zealand currently has a comparatively small participation in this regional fishery even though it is on our backdoor step.

New Zealand's catch has now grown to about 23,000 tonnes per annum with the operation of 4 super seiners in the Pacific.

However there are over 200 super seiners working in the western Pacific and our total catch still pales in comparison to the average catch of 200,000 tonnes or more that are taken by the likes of the Japanese, Korean and Taiwanese fleets.

We do have some competitive advantages in the region that are not enjoyed by the Asian fleets. We are seen as a sister Pacific state by those the various Islands with whom we have fishing access arrangements and they often express some preference to deal with us rather than the Asian operators.

Slide 11

The global tuna market is worth about \$US 5 billion and accounts for around 9% of the 60 billion US dollars of the annual world seafood sales.

It is the third largest globally traded seafood commodity behind finfish and shrimp.

Slide 12

This illustrates skipjack prices in three main cannery production areas that are the USA, Thailand and Africa.

Thailand pays the most for skipjack. During 1999-2000 prices declined sharply to reach US\$ 350/MT in Bangkok because of the oversupply of catch from the fishery.

Since early 2001 prices have recovered somewhat.

Prices have now stabilized at around US\$ 800/MT but are still subject to substantial seasonal fluctuation.

Slide 13

The global tuna canning industry produces about 1.55 million MT.

Production in Bangkok which is the main canning facility in the western Pacific region accounts for about 300,000 metric.

USA used to be the main producer of canned tuna but its influence has waned as canned tuna production has expanded in Thailand, Spain and Central America

Slide 14

The behaviour of the Bangkok market sets the price that we receive for the tuna that we catch in this region.

If the Bangkok cannery's are short of fish for production then the price will rise but as the volume of fish available for production increases the price falls.

The price fluctuations from month to month can be dramatic and reflect the true commodity character of the global canned tuna trade.

Slide 15

The US is the single largest canned tuna market but it still only imports about 15 % of the global production.

Collectively the European Community is the dominant importing market with states like the UK, France and Italy accounting for much of the trade.

In recent years there have also been growing sales to the Eastern European states. The likes of Poland and Romania in the other category

Slide 16

The US per head of capita seafood consumption is not great when compared to the European states or even New Zealand.

However about 25% of that seafood consumption in the US is canned tuna whereas in Europe canned tuna only accounts for about 8% of the average per head of capita seafood consumption.

The European market is still seen as a market of opportunity to further grow canned tuna sales.

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Slide 17

Returning to our own fishing operation in the Pacific this table shows the average catch per day for a vessel by the various fleets.

On average our vessels are catching as well as any other vessel in the fleets with which we compete.

Slide 18

The graph shows our actual combined catches by month for the San Nikunau and San Nanumea since the Pacific tuna operation started in October 2001.

There is quite a degree of seasonality in the fishery and the December to February period tends to be the slowest often because the vessels are dodging around cyclones and tropical depressions and can't fish until the weather settles.

The yellow line and right axis shows the pricing we have reached per tonne for the catch since we began fishing.

Again its variability reflects supply and demand pricing in the regional Bangkok market which sets the bench mark prices for the western Pacific fishery.

Slide 19

The overwhelmingly dominant influence on the economic performance of our vessels in recent times has been the relentless rise in the fuel price.

These are actual prices that we have paid for fuel since August 2001 till December last year which was the last time we fueled the boats.

The increase is staggering. We are now paying 3 times the price for fuel that we were in four years ago and the price has doubled in the last two years alone.

To search for tuna you need to move and use fuel so it accounts for a significant proportion of operating costs

Slide 20

This is a P and L analysis of our operation on a month by month basis.

In the last year we have been making intensive efforts to cut costs as a way to amortise the effect of the fuel increases and that is where our focus will remain. At the same time we are trying to increase our catching performance to improve the revenue stream.

It is a challenging operating environment but this is a large and sustainable fishery that is on our backdoor step.