SANFORD

ANNUAL REPORT
2015

SALT IN OUR VEINS

– SANFORD PEOPLE ARE A –

IN THE

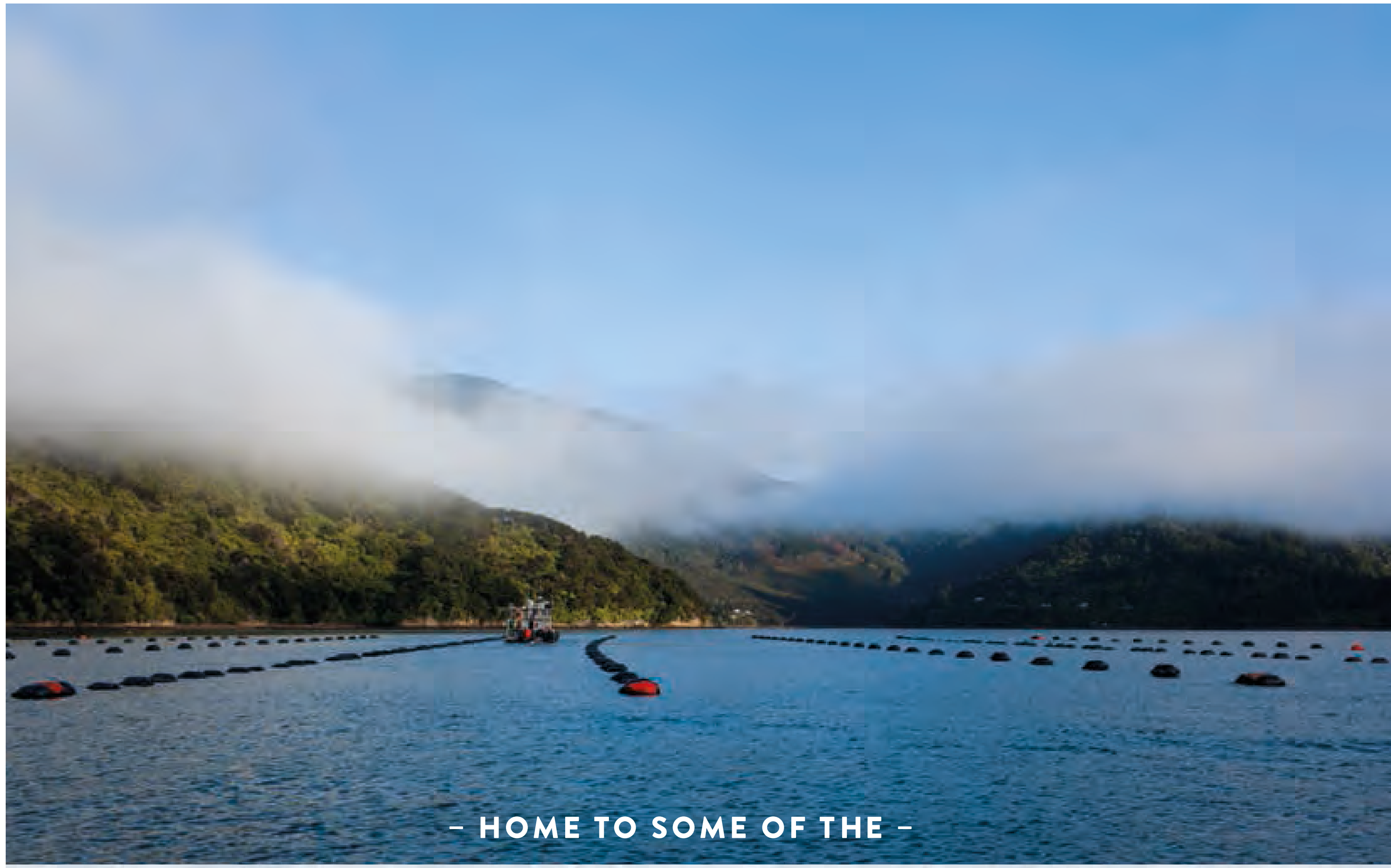
– 4 MILLION SQ.KM –

OF BLUE...

DIVERSE CREW.

...WE ARE UNITED BY

OUR PASSION FOR THE OCEAN.



– HOME TO SOME OF THE –

WORLD'S MOST PRIZED SEAFOOD...

...HARVESTED AND HANDLED WITH THE

RESPECT IT DESERVES...

...FROM THE

SEA TO
– THE PLATE –

OUR PASSION FOR THE OCEAN
+ OUR UNCOMPROMISING CARE =

BEAUTIFUL
- NEW ZEALAND -
SEAFOOD

INTRODUCTION

WHAT WE HAVE – IS UNIQUE –

Here in New Zealand, we are undeniably privileged to live in a place of breathtaking natural beauty surrounded by pristine oceans.

In our big blue backyard live some of the world's most sought after fish and shellfish. As one of New Zealand's largest seafood companies, we never underestimate the responsibility Sanford has to protect and enhance this valuable resource. To meet this challenge, we draw on another precious resource, our people.

Sanford's 1,474 people are committed to delivering beautiful New Zealand seafood in perfect condition to discerning customers around the globe. They take pride in sharing our vision: to be the best seafood company in the world.

For some, this means months at sea in all conditions, handling precious catch with the respect it deserves. For others, it means maximising the full nutritional potential of this valuable resource through innovation or operational excellence.

Sanford continually raises the bar for our people. Throughout the year we've sought improvements across our fishing, aquaculture and processing business. We have demanded a greater focus on our customers through a culture where we all take ownership of our core values; integrity, passion and care. Our people have enthusiastically risen to this challenge.

This report outlines how we have created value during the past year and identifies our commitments and challenges for the future as we progress on our journey to be the best seafood company in the world.

"**To our team; thank you**. And to everyone; we invite you to take a look at what we have delivered in the year past, and where our people will take us in the year ahead. **Welcome to Sanford**."

Volker Kuntzsch
CHIEF EXECUTIVE OFFICER

WHAT MATTERS MOST

Welcome to Sanford's 2015 Annual Report, an integrated overview of strategy, performance and sustainable value creation.

Last year's report focused on how we see the sea. This year, we focus on another critical part of us: our people. Their passion and uncompromising care for the sea is what drives our business.

REPORT STRUCTURE AND BUSINESS STRATEGY

The report starts by identifying what matters most to our stakeholders and the business, namely the material issues which are the basis of this, our second Integrated Annual Report. It continues with our business model and how we create value, followed by *A Global Presence* – where we operate and where our value is created. We then present the highs and lows of the past year and progress against the targets we set ourselves in 2014. To conclude our introduction, the Chairman and Chief Executive Officer communicate their review of the year, leading into this year's performance reported in four chapters:

- Value
- Brand
- Quality
- Innovation

Each chapter starts with the material issues; we use these to identify sustainability goals and targets to create value in the short term (one-year or less), medium term (two to five years) and long term (five to ten years or more). Case studies and other performance information bring Sanford's achievements and challenges to life. We continue to our key performance indicators from page 72, and our financial statements from page 77.

VALUE CREATION AND INTEGRATED REPORTING

The International Integrated Reporting Council (IIRC) Integrated Reporting <IR> Framework informed the content and presentation of this report. The Global Reporting Initiative (GRI) G4 Guidelines were applied to a core level of compliance (the GRI index table is available on our website www.sanford.co.nz). A materiality process was also undertaken in line with the requirements of these frameworks.

The <IR> Framework is designed to create a more complete picture of how a company creates value. It allows us to illustrate how Sanford makes sustainable financial returns for shareholders, while managing and protecting our value enablers; namely our economic performance, people and society, sustainable raw materials, operational capability and capacity and consumers and market access. These value enablers reflect the six capitals, allowing Sanford to create value, for example sustainable raw materials are natural capital inputs (see the table below for more on the six capitals). More information on <IR> is available at **www.theiirc.org**

VALUE ENABLERS	Economic Performance	People and Society*	Sustainable Raw Materials	Operational Capability and Capacity	Consumers and Market Access
SIX CAPITALS	Financial Capital	Human Capital Intellectual Capital Social and Relationship Capital	Natural Capital	Manufactured Capital	Social and Relationship Capital
VALUE CREATED	Sustainable Returns	Empowered Team and Engaged Community	Protected Natural Resource	Innovation and Growth	Consumer Trust and Value

* Our enabler People and Society has been updated this year from People and Safety to reflect the input from the communities we work in. Safety is included as part of the value creation.

This report details Sanford's environmental, social and economic performance from 1 October 2014 to 30 September 2015 in relation to each material issue. Unless otherwise indicated, the report covers performance from all operations. Any changes or restatements of previously reported figures are identified throughout the report. Unless otherwise stated, financial data is presented in New Zealand dollars.

At the request of the Chief Executive Officer and the Board, we engaged KPMG to provide independent assurance of this report. For details of the assurance please refer to page 115, covering the statutory financial information, and pages 74-75 for all other elements. Our report is also available online at **www.sanford.co.nz**. We welcome your feedback to help us improve our report next year by emailing **info@sanford.co.nz**

This report was authored and produced by Sanford's management team and has been reviewed by our executive team. The final report has been signed off by Volker Kuntzsch, our Chief Executive Officer and the Board, as a true and accurate picture of our value creation during the year.

The Directors are pleased to present the Annual Report of Sanford Limited for the year ended 30 September 2015.

For and on behalf of the Board of Directors:

P G NORLING CHAIRMAN
18 November 2015

E M COUTTS DIRECTOR
18 November 2015

CONTENTS

REPORTING – WHAT MATTERS –

Reporting what matters to our stakeholders and our business is the basis of this, our second, integrated Annual Report.

This year, we engaged an independent expert, Jo Cain of Materiality Counts, to help us work out which issues matter most, our material issues.

These issues relate to how Sanford creates value now and into the future from our value enablers. These are economic performance, people and society, sustainable raw materials, operational capability and our consumers and market access.

PEOPLE

Sanford's people are our most valuable asset. We receive a constant stream of direct communication from our employees and independent sharefishers through engagement in team and planning meetings. In turn, we provide a bi-monthly summary of events across Sanford through our internal newsletter, *Flying Fish*, so that everyone knows what is happening in our business

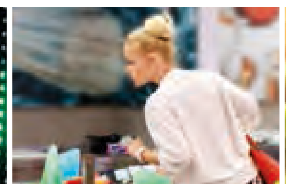
TOP 3 MATERIAL ISSUES:

- Leadership and our Values
- Developing our People
- Sustainable Fishstocks and Marine Farms

SHAREHOLDERS

Regular communication is also made to our shareholders and investors through Interim and Annual reports, continuous disclosures to the New Zealand Stock Exchange and Annual Meetings

- Financial Performance
- Leadership and our Values
- Customer Relationships



CUSTOMERS AND SUPPLIERS

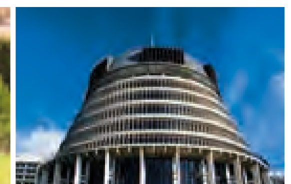
The business is largely export driven, with key markets including North America, Europe, Australia, Japan, China and South Korea. Relationships with customers and suppliers are long-standing. Sanford engages with them daily to make sure that our products are of good quality and addresses any issues that may occur. Sanford is also represented at local and global events to ensure visibility and undertake targeted in-market visits to enhance these relationships

- Food Safety and Quality
- Sustainable Fish Stocks and Marine Farms
- Customer Relationships

COMMUNITY

Sanford remains a positive, engaged and active member of our local communities and strives to give back through attending local events and initiatives that align with what we do. Sanford supports numerous community initiatives and charities and directly engages with non-governmental organisations (NGOs). We work with NGOs through meetings, working groups, training sessions and seminars on topics of mutual interest and continually learn

- Community Engagement
- Financial Performance
- Health, Safety and Wellbeing of our People



GOVERNMENT AND INDUSTRY

We engage with the Government and other governing entities when issues of significance arise for our industry or Sanford specifically. Sanford regularly engages with the Ministry for Primary Industries and Iwi and our CEO is co-chair of the business-government Natural Resources Sector CEO group

- Food Safety and Quality
- Sustainable Fishstocks and Marine Farms
- Leadership and our Values

SURVEY

To establish what matters most, Materiality Counts surveyed a balanced and representative sample of internal and external stakeholders. Balanced means that the same number of internal (10) and external stakeholders (10) were surveyed. Representative means that we included the main parts of our business and key external stakeholder groups with which we engage.

RANKING

Stakeholders were asked to rank 19 issues. This list of issues was based on our 2014 list plus ongoing stakeholder engagement throughout the year, risk review (refer to Enterprise Risks and Mitigation table on page 10), media coverage, peer reports, industry reports and more. Stakeholders ranked each issue from 1 to 5, where 1 was not important to them and 5 was extremely important. We requested a spread of rankings, where possible, to provide us with a view of what is most important to them. We also asked them to prioritise their top three issues, enabling Sanford to focus effort in the right places. Stakeholders could also highlight if any issues of importance to them had been missed.

The results from this survey were used to plot the materiality matrix, showing stakeholder concern on the x-axis (horizontal) and business impact on the y-axis (vertical) (below).

The materiality matrix reflects the top right quadrant only, which are the issues that matter most to both Sanford and stakeholders. By overlaying stakeholders' top three issues, we prioritised the top eight material issues shown in the matrix and covered in the performance chapters on: Value, Brand, Quality and Innovation (pages 28-65). In these performance chapters, we present the link from material issues to our strategic business focus areas.

INTERVIEWS

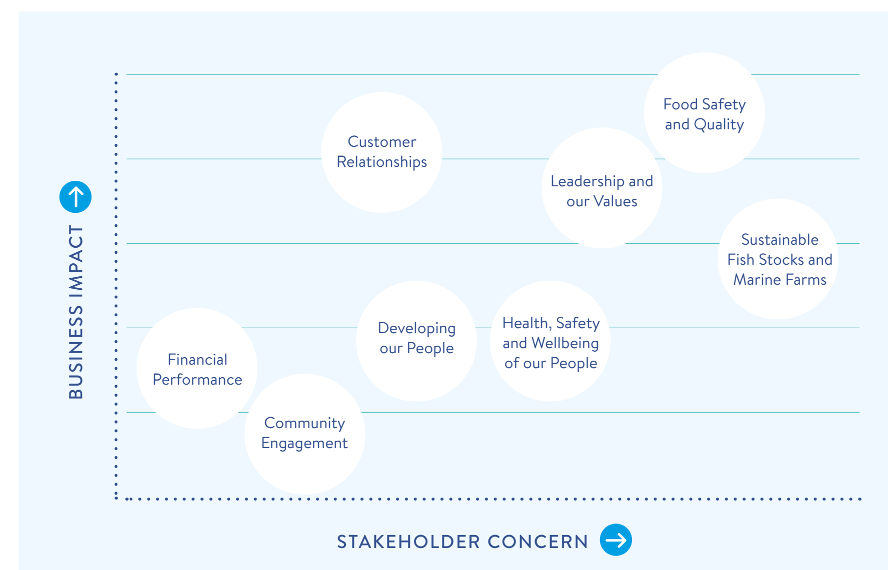
As well as prioritising what matters most, we also needed to understand what each of these material issues mean to internal and external stakeholders. To investigate this, Materiality Counts independently interviewed stakeholders, delving deeper into their top three issues. Using an independent interviewer facilitated openness and provided Sanford with a depth of insight that enabled us to determine what we needed to include in this integrated Annual Report, as well as informing the development of our sustainability strategy to address these material issues. We also took this valuable opportunity to ask our stakeholders for any feedback on our first integrated Annual Report in 2014 and how we could improve. Stakeholders suggested that we improve the connection to strategy and value creation throughout the report. We have done this by presenting our business model as a visual upfront and reporting performance in four chapters – one for each strategic business focus area: Value, Brand, Quality and Innovation.

As with any process, further improvements can be made. Future improvements will include consideration of material issue boundaries and materiality in the supply chain.

TOP 8 MATERIAL ISSUES – MATERIALITY MATRIX

Ensuring Best Practice

This materiality process is based on obtaining representative independent results through a robust approach. A number of best practice inputs were used, including the International Integrated Reporting Council (IIRC) <IR> Framework, the Global Reporting Initiative (GRI) G4 Guidelines and leading approaches taken by our peers in many sectors and countries embarking on integrated reporting like us.



MATERIALITY & STAKEHOLDER ENGAGEMENT

ENTERPRISE RISKS AND MITIGATION

Our Enterprise Risks and Mitigation table shows the potential impacts and mitigation of business risks and how they relate to the four strategic business focus areas of Value, Brand, Quality and Innovation. Our approach to risk management is discussed in our Governance chapter on page 66, and these risks were reviewed during our materiality process.

> The recently announced United Nations Sustainable Development Goal to conserve and sustainably use the oceans, seas and marine resources compels all stakeholders involved to collaborate towards a sustainable future for this important eco-system.
>
> **Volker Kuntzsch**
> CHIEF EXECUTIVE OFFICER

RISK	POTENTIAL IMPACT	IMPACT ON STRATEGY: VALUE	BRAND	QUALITY	INNOVATION	MITIGATION
Natural disaster	Severe damage/destruction of our coastal facilities, including mussel and salmon farms	●		●		• Insurance cover • Geographic diversity
Biological and/or environmental event	Our biological assets become unusable	●	●	●		• Insurance cover • Geographic diversity
Food safety	A full scale product recall resulting in long term damage to our seafood/New Zealand brand or image	●	●	●		• Quality standards • Traceability • Recall controls
Fisheries compliance	A major offence resulting in the automatic forfeiture of all our quota	●	●	●		• Compliance programme • Training
Political and community risk	Losing our "licence" to operate by jeopardising our political and community goodwill	●	●	●		• Awareness of issues • Responsible image • Stakeholder engagement • Industry support
Market risk	Major collapse of financial markets or the international banking system could destroy current market channels	●		●		• Nature of industry • Hedging
Ethics and social responsibility	Loss of reputation, integrity and ultimately business, if we are unable to demonstrate and verify high standard of ethical practice and social responsibility	●	●			• Company culture • Policies and training
Government actions	Governments have powers to force companies into rescue or relief work where company resources can be used for emergency uses	●		●	●	• Diversity of operations • Engagement

SUSTAINABILITY LEADERSHIP

This year, we created the Sustainability Leadership Team (SLT), bringing together our champions of sustainability from across the business to help guide our progress.

Using the material issues identified, we developed a sustainability strategy incorporating a sustainability goal to address each material issue towards value creation and achievement of our vision. We reached an agreement on what sustainability means to Sanford and how we go about growing and developing our business in a way that secures our right to operate within our communities in the future. These sustainability goals can be found against our material issues reported under our four business focus areas (pages 28-65).

The SLT will meet three to four times a year, providing an opportunity for the team to share feedback from stakeholders within their networks and discuss progress against the sustainability goals.

BUSINESS MODEL

1.

Our **VALUES** inform everything we do. Through living our values of integrity, passion and care we protect the environment in which we work and enhance engagement with our communities.

2.

VALUE ENABLERS are the inputs needed to do business and create value. They come from the six capitals (refer page 07), for example, raw materials such as fish are natural capital and people working in our business are human capital.

3.

The **VALUE CREATION PROCESS** is how we do business. Using our value enablers, we optimise the use of resources, efficiently manage our fleet of 49 fishing vessels and our 210 aquaculture farms, successfully sell and distribute our products and in doing so, create value for the business.

4.

The **EXTERNAL ENVIRONMENT** encompasses the economic conditions, technological change, societal issues and environmental challenges relevant to Sanford's operations. Specific to Sanford, this includes market risk, food safety, political and community risk, natural disaster and other enterprise risks (refer page 10).

5.

Sanford's strategy is made up of four business **FOCUS AREAS**, namely Value, Brand, Quality and Innovation. Our goal for each of these is to optimise the **VALUE** from every raw material we use, enhance our **BRAND** by living our values, consistently produce **QUALITY** seafood and create a culture of **INNOVATION** and customer service.

6.

Our eight **SUSTAINABILITY GOALS** relate to our material issues and will enhance our value creation now and into the future. You will find our goals in the table at the start of each performance chapter (pages 28-65).

7.

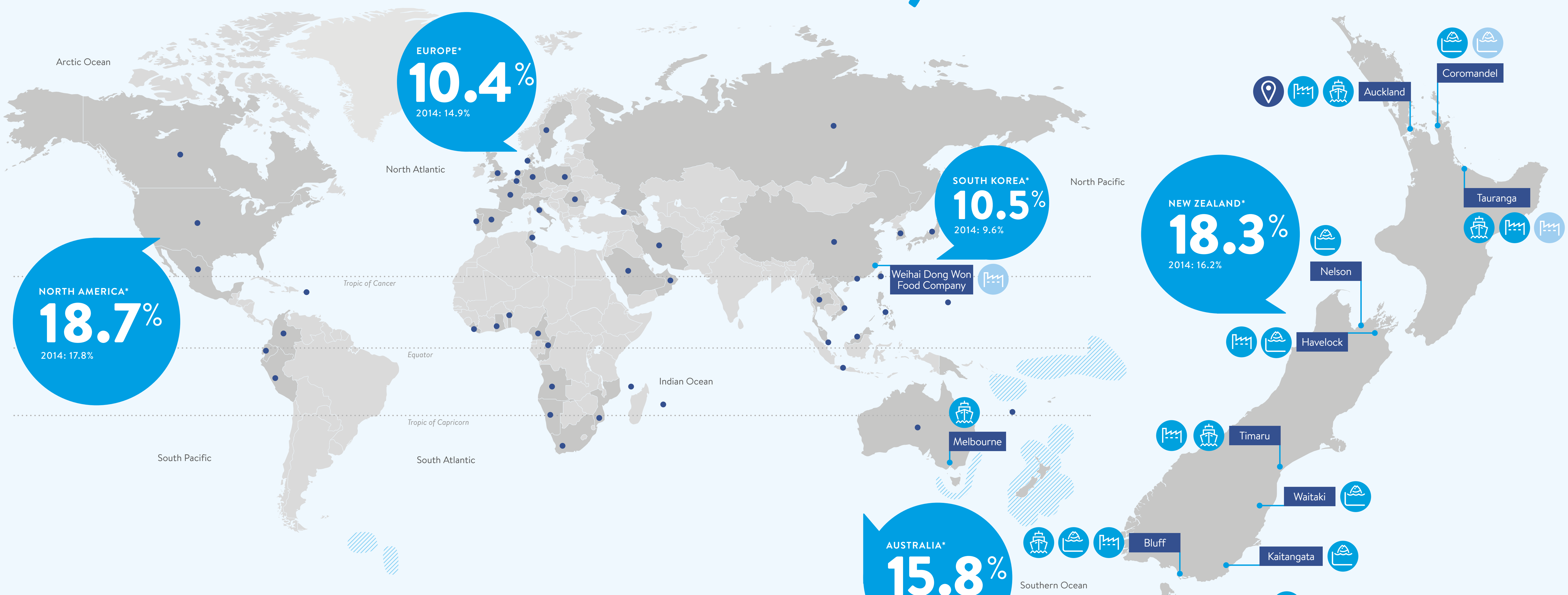
Through this approach, our vision is to become **THE BEST SEAFOOD COMPANY IN THE WORLD.**

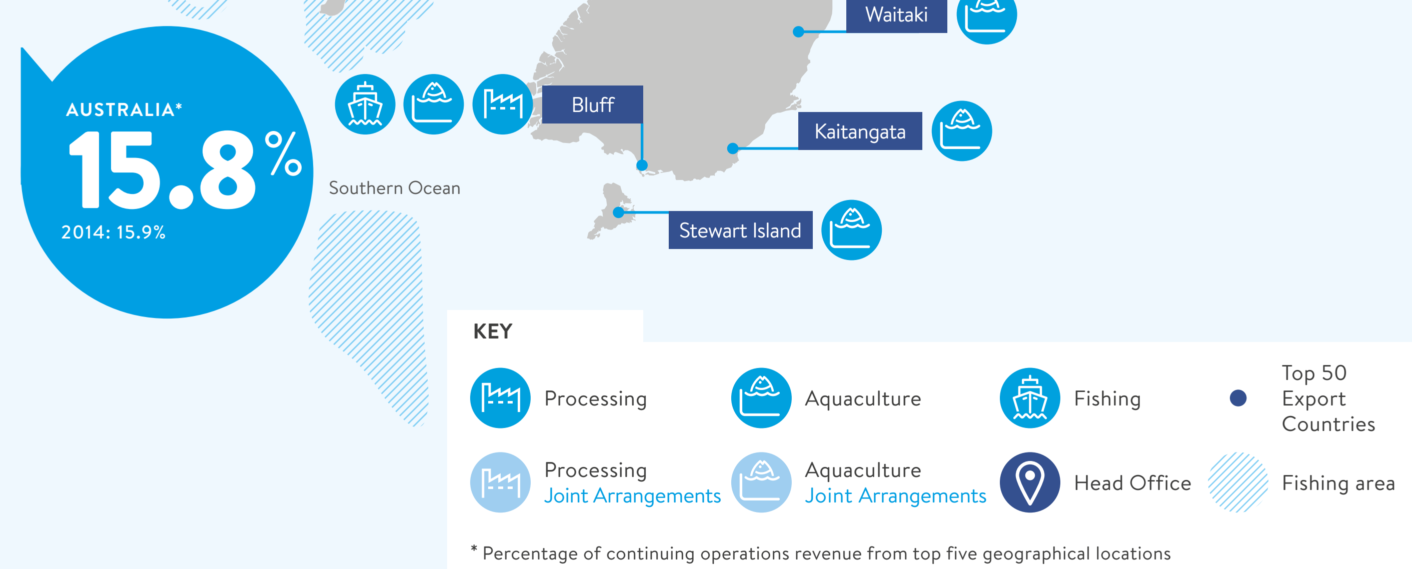
OUR GLOBAL OPERATIONS

– A GLOBAL PRESENCE –

1,474 STAFF

SERVING THOUSANDS OF PEOPLE AROUND THE WORLD EVERYDAY





Sanford started as a family business in Auckland in 1881. We have grown into a company with a team of over 1,400 people. With more than 130 years of sustained growth, we are proud of our history and excited about our future.

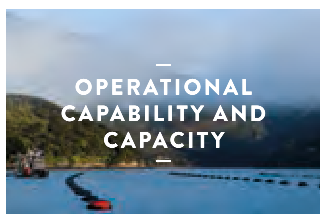
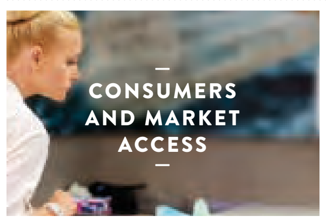
Holding 23% of New Zealand's quota and with 49 vessels and 210 aquaculture farms, Sanford is New Zealand's largest integrated fishing and aquaculture business.

Operations span from Stewart Island to Auckland as well as Australia and China and more than 4,500 containers are shipped each year, connecting with every continent in the world.

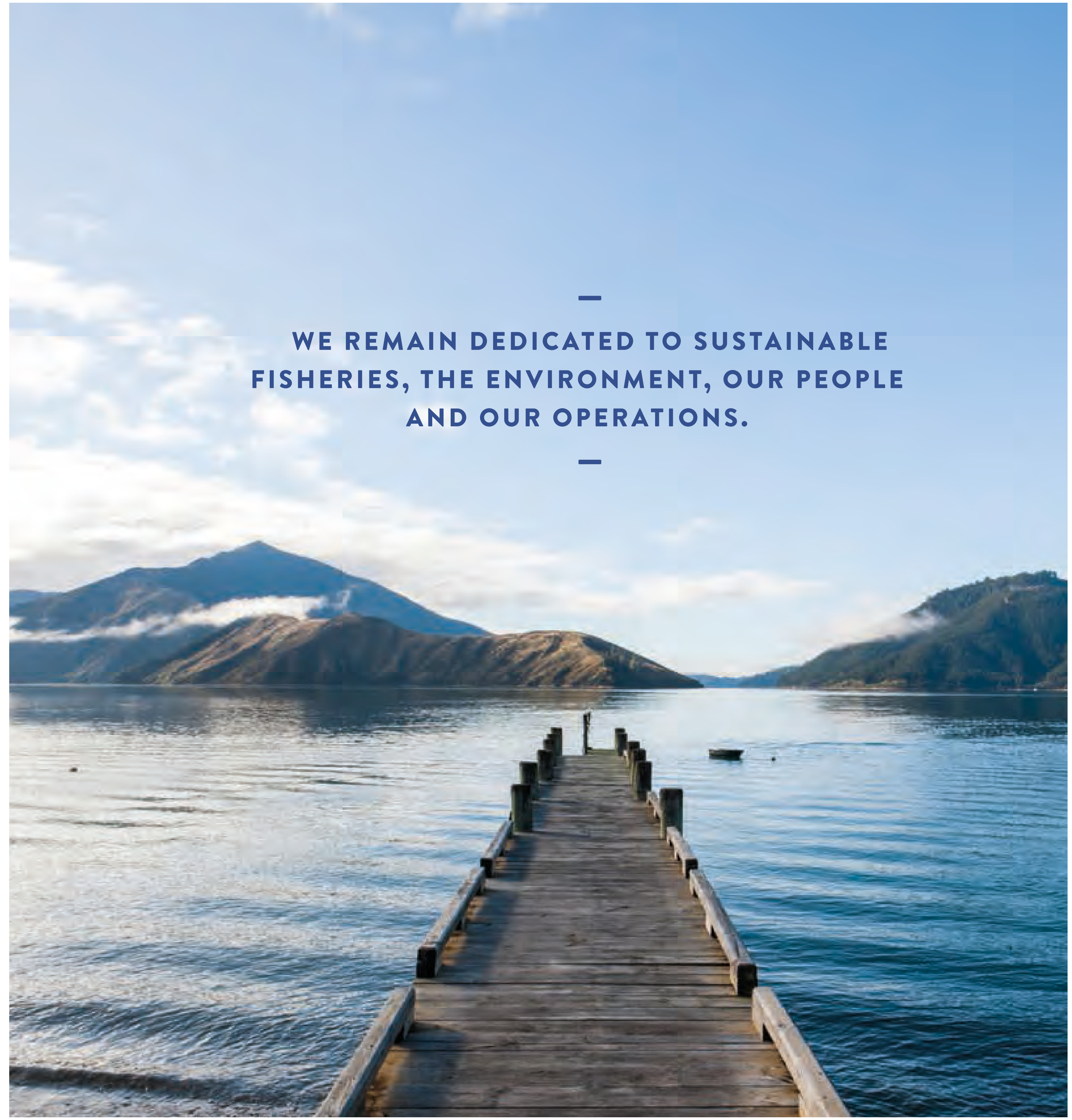
Our vision is to become the best seafood company in the world, driven by the integrity, passion and care of our company and the people within it.

OUR YEAR IN NUMBERS

– THE HIGHS AND LOWS –

VALUE ENABLERS	HIGHS			LOWS
 ECONOMIC PERFORMANCE	**455.3** REVENUE $M 2014 **460.5**[i]	**69.3** EBITDA $M 2014 **60.0**[i]	**2.6%** RETURN ON EQUITY 2014 **4.1%**	**$16.3m** IMPAIRMENT OF PACIFIC TUNA VESSELS, CHRISTCHURCH SITE, AUSTRALIAN QUOTA AND REDUNDANCIES
 PEOPLE AND SOCIETY	**1,474** OUR PEOPLE 2014 **1,639**	**6,333** NZQA TRAINING CREDITS 2014 **3,783**		**42** LOST TIME INJURIES 2014 **56**; **12** SERIOUS HARM INJURIES 2014 **6**; **232** REDUNDANCIES IN CHRISTCHURCH
 SUSTAINABLE RAW MATERIALS	AWARD WINNING **PRECISION SEAFOOD HARVESTING** SUPREME AWARD AND THE INNOVATION IN SUSTAINABILITY & CLEAN-TECH AWARD AT THE 2014 NEW ZEALAND INNOVATOR AWARDS	**23%** SHARE OF NZ QUOTA HOLDINGS 2014 **23%**	SPATnz OPENING OF NEW MUSSEL HATCHERY IN APRIL 2015	SEABIRD MORTALITY RATE[ii] **52%** 2014 **46%**
 OPERATIONAL CAPABILITY AND CAPACITY	**119** TOTAL NUMBER OF CONTINUOUS IMPROVEMENT PROJECTS 2014 **160**	**ISO 14001** ENVIRONMENTAL CERTIFICATION		**CLOSURE** OF 1 SITE 2014 **OPERATING ACROSS 8 PROCESSING SITES**
 CONSUMERS AND MARKET ACCESS	**NEW INNOVATION PROJECT** SEAFOOD EXTRACTS USED AS INGREDIENTS IN NUTRACEUTICALS	**BRAND RESEARCH** FACE-TO-FACE GLOBAL CUSTOMER INTERVIEWS		**SALE OF PACIFIC TUNA VESSEL** SOLD DUE TO FINANCIAL PERFORMANCE, UNPREDICTABILITY IN TUNA PRICES AND EXPECTATIONS OF THE SUSTAINABILITY OF THIS FISHERY
AWARDS	MONTEREY BAY SEAFOOD WATCH **SALMON FARMING** NATIONAL RECOGNITION AWARDS RECEIVED FOR SALMON FARMING	2015 AUSTRALASIAN REPORTING AWARDS **GOLD AWARD** FOR REPORTING AT AUSTRALASIAN REPORTING AWARDS		2015 AUSTRALASIAN REPORTING AWARDS **FINALIST** INTEGRATED REPORTING AWARD ARA FINALIST

[i] restated adjustments made as detailed in financial statements – Note 30
[ii] ratio between species caught and species caught dead



WE REMAIN DEDICATED TO SUSTAINABLE FISHERIES, THE ENVIRONMENT, OUR PEOPLE AND OUR OPERATIONS.

PROGRESS ON OUR 2015 SUSTAINABILITY TARGETS

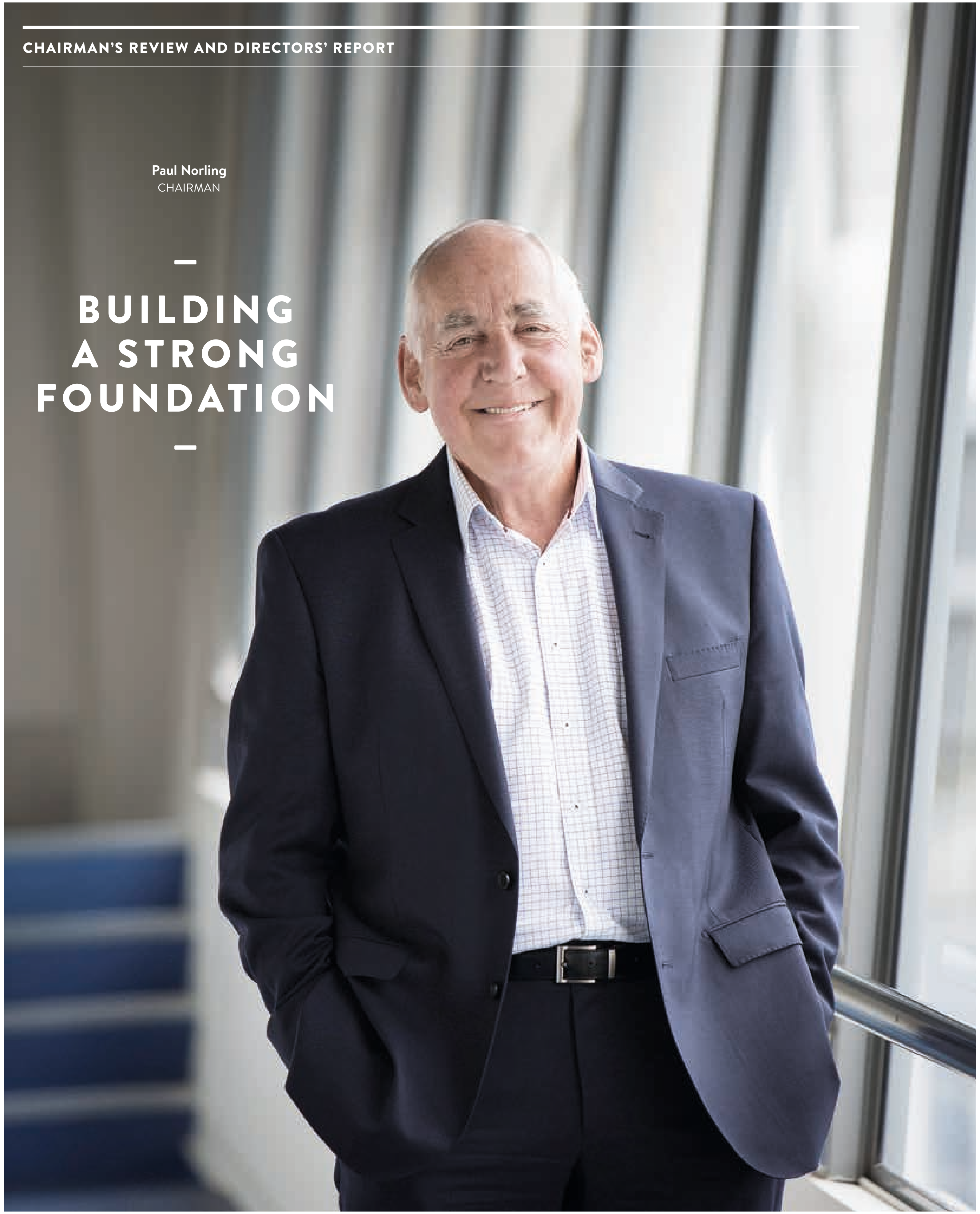
VALUE ENABLER	ACTIVITY	PROGRESS	UPDATE
ECONOMIC PERFORMANCE	Improve underlying profitability of the Company	→	Adjusted EBIT for the financial year was $52.4m (2014: $42.0m). Dividend per share 23 cents (2014: 23 cents)
	Continue sponsorship of Foundation for Youth Development (FYD) Kiwi Can programme	✓	Kiwi Can partnership continued. A partnership strategy is being developed, of which Kiwi Can will be a part
	Each site to participate in one or more activity that contributes to a social or environmental need in the community	✓	All sites participated in a number of projects, including Kiwi Can and major beach clean ups local to our sites
	Each site to undertake fundraising for a nominated charity over and above our commitment to Kiwi Can	✓	All sites increased their contribution to the local community, which is communicated throughout the report
PEOPLE AND SOCIETY	Integrate health and safety with Culture of Continuous Improvement (CCI) programme at each location	✓	A new key performance indicator structure has been introduced for new projects including health and safety. Out of a total of 119 CCI projects 25% related to health and safety
	Complete hazard management training for all supervisors and management by the end of 2015	✓	Hazard management training was completed for supervisors and management
	Complete health and safety legislation training for all management by April 2015	✓	Health and safety legislation training was completed for management
	Obtain Secondary Accident Compensation Corporation (ACC) accreditation at 2015 audit	✓	Secondary ACC accreditation was achieved this year after an audit at our Havelock site
	Each site to run initiatives to support and encourage young people in relevant professions, scholarships, mentoring, school, university e.g. Shadow a Leader, Career Navigator (FYD)	✓	School visits took place at sites to educate and encourage young people to enter the seafood industry
SUSTAINABLE RAW MATERIALS	Engage with New Zealand's Deepwater Group to achieve Marine Stewardship Council (MSC) sustainability certification for all deepwater species in our Exclusive Economic Zone (EEZ)	→	Of the main commercially harvested deepwater species, 76% are either MSC certified or under assessment
	Continue support of Southern Seabird Solutions including management representation	✓	Sponsorship of Southern Seabird Solutions continued. Volker Kuntzsch, Chief Executive Officer, sits on the board as a trustee providing overall direction and Jim Fitzgerald, Inshore Fishing Manager, is an active management representative
	Perform Marine Mammal Medic Training when available at all relevant Sanford locations	→	Marine Mammal Medic training was promoted across our sites, with Timaru and Bluff yet to benefit
	Promote and encourage Fishery Improvement Projects (FIPs) for key species	→	Based on 2013-14 reported catch, of the main commercially harvested deepwater species: • 9% are in FIPs (JMA, SCI, SQU, OEO, ORH MEC) • 74% are MSC Certified (HAK, HOK, LIN, SBW) • 2% are in MSC assessment (ORH3B NWCR, ORH3B ESCR and other ORH fisheries)
	Actively engage in Snapper 1 Commercial working group	✓	Through the Snapper Strategy Group, we invested in innovative commercial solutions, such as electronic monitoring and took a proactive role in social media discussions

VALUE ENABLER	ACTIVITY	PROGRESS	UPDATE
OPERATIONAL CAPABILITY AND CAPACITY	Complete internal environmental auditing training	→	Audit training scheduled for four employees in November 2015
	Implement key performance indicators associated with environmental monitoring by 2015	✓	Key performance indicators were introduced through the site Environmental Management System and discussions are underway with the Energy Efficiency and Conservation Authority (EECA) to further develop this
	Raise awareness of environmental stewardship within the Culture of Continuous Improvement (CCI) programme	✓	A new key performance indicator structure has been introduced for new projects, including environmental stewardship. Out of a total of 119 projects 15% related to environmental stewardship
	Review fleet/catching configuration for greater efficiency	✓	With the introduction of the role of Manager Engineering, focusing on strategic asset management, progress was made in developing a robust asset management system, which will increase fleet efficiency
CONSUMERS AND MARKET ACCESS	Maintain existing export certifications for all of our sites, work with MPI to improve factory hygienic design and hygienic work practices	✓	Export certifications were retained
	Increase product testing to verify our food safety systems	✓	Product micro testing increased by 20% and a new rapid testing system to monitor factory hygiene was introduced
	Continue quality management and food safety system development to meet international and customer expectations	→	Working towards International Standard Organisation (ISO) FSSC 22000, a Food Safety Management System recognised by the Global Food Safety Initiative (GFSI) that secures standards within the production process of the supply chain
	Investigate software systems to improve service delivery to internal and external customers	→	Project commenced late in the financial year with the engagement of Ernst & Young to find a system that is suitable to our needs
	Training and resourcing of the quality compliance teams	✓	Quality Assurance Managers achieved higher level Hazard Analysis Critical Control Point (HACCP) qualifications. Additional resourcing was placed at the Timaru site, with a new member added to the 24-strong quality team

→ IN PROGRESS ✓ ACHIEVED

Where 2015 targets were not fully achieved, work will continue with the targets carried forward into 2016.

CHAIRMAN'S REVIEW AND DIRECTORS' REPORT



BUILDING A STRONG FOUNDATION

For Sanford, 2015 was a very busy year. The Board and management team led by Volker Kuntzsch embarked on a journey that is aimed at delivering improved shareholder returns from our valuable resources.

Sanford's diverse seafood product portfolio coupled with New Zealand's reputation for strict fishery management practices form a strong basis for long term success in the primary sector. Improvements in our performance primarily require a reduced dependence on commodity items and increasing the value of our seafood resources.

With the focus on organisational and strategic changes and a greater alignment with our customers' expectations, 2015 can be regarded as a year of change. We also dealt with certain tidying up steps in respect to our balance sheet and exited unprofitable and/or unsustainable aspects of our existing business while identifying greater value adding opportunities and activities.

2015 IN REVIEW

Earnings before interest and tax for the year is $52.4m, before impairments and one-off restructuring costs, which is a 24.8% improvement on prior year ($42.0m) from revenue of $455.3m (2014: $460.5m). After accounting for the impairments and one-off restructuring costs, net profit after tax for the year is $13.8m compared with $22.4m in the prior year. Cash flow from operations also improved significantly from $32.5m in 2014 to $55.0m.

While the negative impact of the restructuring and impairment actions undertaken during the year has been substantial, they were necessary. The overall result is therefore considered satisfactory in these circumstances, while the improvements in adjusted EBIT and cash flow from operations are certainly pleasing.

Impairment and one-off costs for the year included:

- Impairment and redundancy associated with the closure of the Christchurch mussel processing operation
- Impairment of our international purse seining (IPS) skipjack tuna fishing fleet
- Impairment of our Australian quota holding which we have not been able to utilise economically

Operating profit was also adversely affected by the limited mussel growth and mussel spat supply as well as the weakness encountered in European markets during the year under review. Assisting to counterbalance these unhelpful headwinds were the planned reductions in inventory levels (with an accompanying easing in working capital requirements) and favourable developments in the exchange rate of the major currencies we trade in, with the latter requiring a period of time to work through hedged commitments.

The decision to discontinue operating our IPS vessels was made following years of volatile skipjack tuna prices, increasing access costs to the South Pacific Islands. An additional important consideration was the misalignment of this commodity product and skipjack tuna's opaque sustainability credentials with our future focus on the valuable resources from well managed and sustainable fisheries around New Zealand. We have now sold two of the three vessels that were involved in this fishery.

Our fishing business performed well, both inshore and in the deep sea with catches generally in line with expectations. With our vessels ranging from smaller day boats and inshore trawlers to sophisticated freezer vessels that spend up to three months at sea, we fish a portfolio of almost 100 species. As is the case for most of the global fishing industry, our vessels are aging and we have therefore introduced a strategic asset management focus to ensure the longevity of these vessels. Based on the continuing good catch rates of our vessels we are satisfied with the status of the fish stocks we depend on.

While our salmon farming operation performed well and output increased by over 10%, Greenshell™ mussel farming had to cope with challenges in supply and product pricing. The reduced supply of mussels influenced us to consolidate our operations, resulting in the closure of our mussel processing facility in Christchurch – the site is now on the market for sale. We are grateful to the business community in Christchurch for enabling us to identify new opportunities for more than half of the 232 employees that lost their job in the process. Further information on this can be found on page 48. The risk associated with unpredictable mussel spat supply through environmental conditions will be mitigated through the mussel hatchery, SPATnz, which we opened in April this year, although there is still considerable scientific development work on the spat itself to be done before the hatchery becomes operationally effective.

We are pleased about the progress being made with Precision Seafood Harvesting, another Primary Growth Partnership project in addition to SPATnz. This innovative fishing method will deliver fish of greater quality and likely enhance the sustainable management of fish stocks. We look forward to the progressive commencement of commercialisation of this project in 2016 and the opportunity it presents to us in relation to the increasing share of our catch being sold as chilled fish of premium quality.

The introduction of a new logo and tagline represents a clear shift from resource extraction to food production and customer service. The strategic intent of improving the utilisation and value of our resources has to be supported by appropriate branding and greater innovative capabilities focused on improved utilisation of fish by-products, waste and alternative uses for commodity product.

In respect to resource capture, the recent commitment to invest in an additional freezer trawler will deliver greater value from our frozen but more tailored seafood portfolio at sea. Delivery of the fishing vessel Granit from its current Norwegian owners to Sanford will take place in August 2016.

CHAIRMAN'S REVIEW AND DIRECTORS' REPORT

The introduction of new and revised responsibilities and reporting lines within Sanford's management structure align with our strategic intent and promote the focus on health and safety of employees, contractors and visitors, the quality and food safety of our products, improved coordination between our capabilities and customer expectations and the development of an innovative culture. We look forward to the improvements being embedded in the organisation and we are confident that the tremendous work over the last year – resulting in the strategy around value creation now coming to life – will deliver the benefits we would expect from our business.

HEALTH AND SAFETY

The year under review has seen the company allocate a substantially increased amount of resource to the Health and Safety aspects of our business. The Board and senior management team has put substantial focus and priority on this area to endeavour to ensure we are doing the best we possibly can in respect to the health and well-being of our employees and fishermen.

With the increased emphasis and attention on this highly important area, we have seen a marked increase in awareness amongst all employees with a commensurate and expected increase in incident reporting. Education and identification (and rectification) of higher risk areas as well as independent audit of Board governance and Health and Safety systems, processes and performance, have been the major focus this past year. Increased allocation of management resources specifically targeted in our operating activities has also occurred.

Unfortunately we have not been able to sustain the improvement in the number of serious harm injuries that we achieved in the 2014 year. It is concerning that the number increased to 12 in the latest year compared to 6 during the previous year, which was down from 11 serious harm incidents in 2013. This development is receiving substantial scrutiny from the Board and senior management and increased emphasis on 'lead' indicators (e.g. reporting of near misses) as opposed to 'lag' information should assist in addressing the root causes of incidents.

CORPORATE GOVERNANCE

In the latter part of the year under review, your Directors considered how to further improve the efficiency of the Board. With this objective, we have adopted – with effect from 1 January 2016 – an expanded Committee structure with widened responsibilities. These Committees will be charged with the responsibility to look more closely at the detail of proposals, policies, etc. prior to submission to the full Board for decision. This will free up more Board time for increased scrutiny and consideration of major issues relating to the Company's operations and strategy.

This new Committee structure and their responsibilities is outline on page 69. This restructuring will increase substantially the amount of work undertaken by Committees, but will improve the efficiency and effectiveness of the Board as a whole. The Nominations Committee will continue to be comprised of the total Board.

BOARD COMPOSITION

It is with regret I advise that Mark Cowsill, who has been a Director for the past four years, will retire from the Board on 30 November 2015 as part of his planned reduction in Governance activities. During his tenure on the Board, Mark has made a valuable contribution to the working and deliberations of the Board and his insightful advice will be missed. Mark retires with the Board's thanks and best wishes for the future.

Subsequent to the close of our financial year we were very pleased to announce that Rob McLeod had agreed to put his name forward for nomination to stand as a Director of the Company. This will be put to a shareholder vote at the Annual Meeting on 16 December 2015. His calibre and experience, both generally and specifically within the seafood industry, will make a very meaningful contribution to both Sanford as well as the wider New Zealand seafood industry. If elected, Rob will begin his directorship on 1 January 2016.

DIRECTORS' FEES

The Board has sought to restrict fee increases as well as the size of the Board to limit costs wherever possible. Accordingly, the current per annum cost of the Board today is the same as it was for the year beginning 1 October 2011. The increase in fees to accommodate an additional Director approved at the December 2013 Annual Meeting has not been implemented although an additional $10,000 per annum was incurred for the 2014 and 2015 years to facilitate the transition arrangements relating to the Chairman's position, which involved a Deputy Chairman for that period. Accordingly the Board has underspent the approved level of Fees over the past four years by some $341,000.

While we don't intend to appoint an additional Director during the coming financial year, it is critical that we review our fees now for the current Board members to ensure that they are reasonably in line with the market. If we don't, our present Board could be jeopardised and we would also be challenged in attracting new Directors of sufficiently high calibre for the complexities and demands of the business. In addition to this, the expanded Committee structure as detailed above, will involve a greater workload for all Directors.

With the above in mind an independent report was commissioned from an appropriately qualified external party. Based on this report we will be seeking from Shareholders at the Annual Meeting, approval to an increase of $70,000 in the Director Fees Pool from $630,000 to $700,000 per annum, effective 1 October 2015. This increase will reflect the mid-point of the market Median amongst publicly listed companies of similar size and complexity.

LOOKING AHEAD

As already outlined, the company is in a period of transition from a commodity seafood supplier to a high quality producer of seafood that maximises the value of New Zealand's wonderful seafood resources. This will be achieved by aligning, wherever possible and economically sensible, our products with customers' specific requirements and expectations, with particular emphasis on chilled fresh product as well as technology and product innovation. Such changes are being accorded urgency but obviously will not, in totality, be able to be achieved overnight. These will be progressive.

Technological developments, such as the Precision Seafood Harvesting and SPATnz initiatives, will assist our efforts, as well as the much greater focus on product innovation which will require further investment.

Over the coming 12 months we will be targeting the introduction of products that have advanced through our innovation pipeline and ensure a significant uplift in the amount of product sold in a chilled format. We will sharpen our focus on health and safety to reduce serious harm incidents and will also be looking to achieve greater efficiencies in our cost of doing business. Furthermore, we intend examining opportunities of further collaboration within the New Zealand fishing industry.

DIVIDENDS

The Directors have again reviewed carefully the ratio of profitability against dividend levels. Given the strong cash flow of $55m (+69% cash flow 2014) from operations and the pleasing adjusted EBIT result of $52.4m (+24.8%), the Board has concluded that the dividend should remain unchanged at 23 cents per share. The final dividend of 14 cents per share will be payable on 9 December 2015.

ACKNOWLEDGEMENTS

My sincere thanks go to my fellow Directors and Volker, his management team and all our employees and share fishermen for their support and hard work over a challenging and very busy year. Their dedication to the business is highly valued and the fundamental changes and culture outcomes achieved over this past 12 months are certainly encouraging for the future.

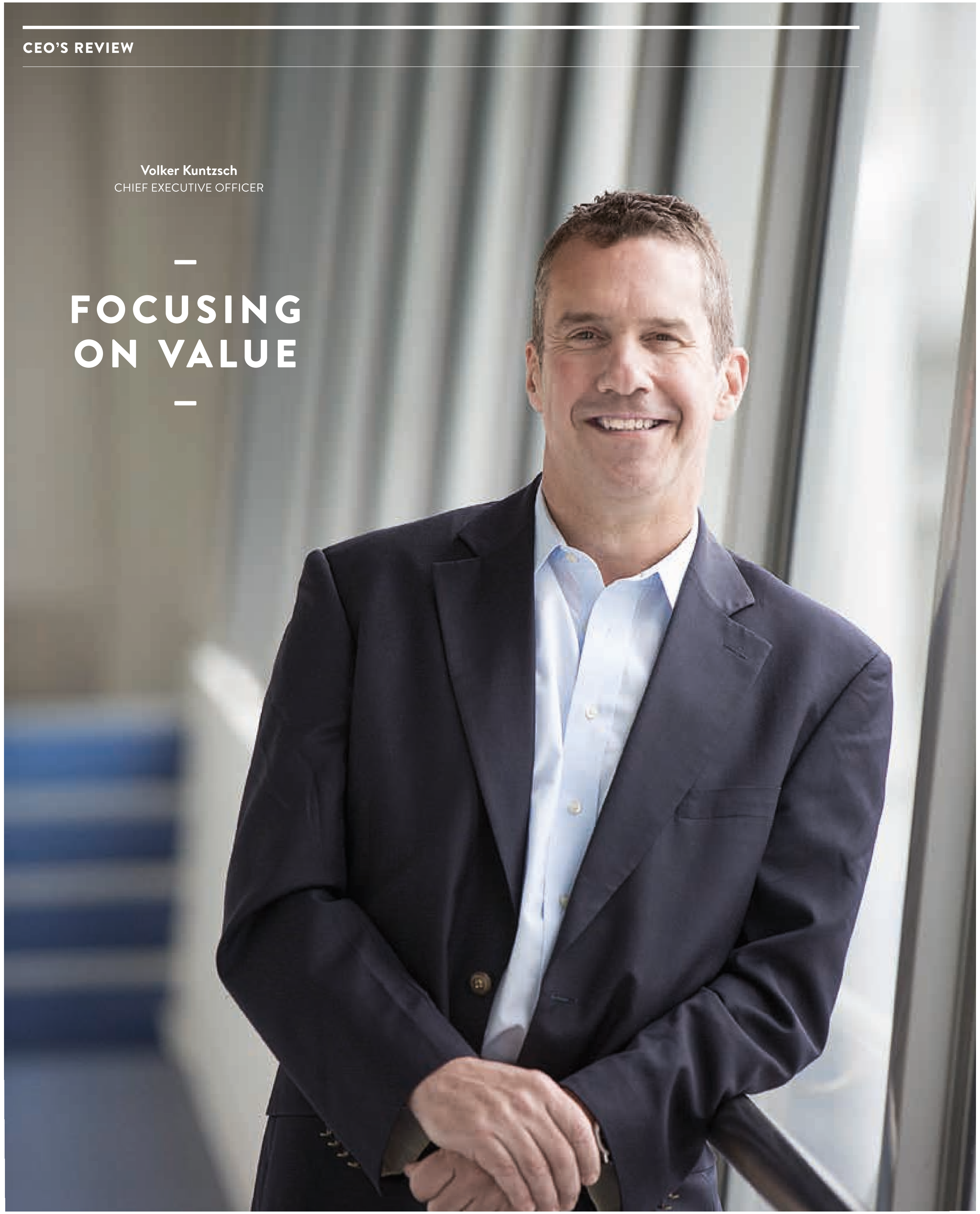
Paul Norling
CHAIRMAN

18 November 2015

CEO'S REVIEW

Volker Kuntzsch
CHIEF EXECUTIVE OFFICER

FOCUSING ON VALUE



We had anticipated a year of change and a hive of activity resulting from the vision and strategy agreed in 2014. Engaging a passionate and experienced team with the task of building the best seafood company in the world had to make 2015 a remarkably busy and rewarding year, and it was.

Our financial result reflects the approach that we took in turning the commodity nature of Sanford into a customer focused food manufacturer. We disengaged from skipjack tuna fishing in the South Pacific Islands as this activity remained unprofitable and challenging to align with our expectations in resource sustainability. Due to our limited quota holding in Australia and the lack of economies of scale in fishing in the Great Australian Bight, we also impaired our Australian fishing quota holding. This will enable a more focused approach to our Australian marketing strategy going forward. Furthermore, in reaction to environmental conditions leading to limited mussel growth and spat supply we consolidated our South Island mussel processing activities within the fully automated Havelock site, which led to the unfortunate closure of the Christchurch operation.

The acquisition of the Wynyard Seafood Market business, including the Auckland Seafood Market, and recent investments into a stronger finance team, a supply chain management team, as well as a stronger operational team looking after our fishing vessels complemented by the introduction of a professional approach to people management will solidify the foundation on which we are building a successful future.

These strategic investments and above mentioned impairments impacted our NPAT, but we are very encouraged by the underlying improvement in profitability.

BRAND

Our strategy is built around the optimisation of the value of our raw materials through innovation and consistent quality. This forms the basis of everything we do and is referenced throughout this report. Interrelated with these activities, in terms of value creation, is the enhancement of our brand. We have taken the bold step of introducing a new and fresher logo representing 'Beautiful New Zealand Seafood' to enable improved communication with stakeholders. The new logo represents the precious resources we have in our big blue backyard coupled with the passion our people have for seafood.

Creating an increasingly customer oriented business brings about a higher level of exposure and scrutiny. We have committed ourselves to a greater degree of transparency and proactive communication as we are eager to share progress at Sanford and the great story the seafood industry has to tell, especially the New Zealand seafood industry. We are now on Twitter and Facebook and our website has been updated in accordance with the new direction we are following. The acquisition of the Auckland Seafood Market enables us to interact with consumers and we are working on transforming the market into an experiential attraction to promote the industry.

Sanford's uniqueness, being involved in both aquaculture and fishing with a portfolio spanning almost 100 species, almost solely originating from the clean waters around New Zealand, is an excellent prerequisite for creating value through capturing the inherent quality and beauty of our seafood and distributing it without much further handling or processing. In addition to supplying a greater share of fresh fish into the domestic market, we are now developing offshore markets for unfrozen product. Developing a discerning customer base for fresh product globally is an ambitious undertaking and we are employing a cross-functional approach to realise this. The structure of our Sales and Marketing team will be enhanced to reflect the focus on fresh seafood with the introduction of a dedicated Category Manager reporting directly to the Chief Customer Officer.

With well over 100,000 tonnes of product caught or farmed, a considerable part of our portfolio will continue to be frozen. The objective of creating a higher degree of value within this portfolio has led to the recent investment in a freezer trawler which is expected to arrive from Norway during the third quarter of 2016. This vessel will enable us to further increase the value of our catch given its ability to segregate for more targeted processing. With the historical focus on volume and throughput, our land based factories have produced only a limited number of customer specific seafood items to date. The combination of operational excellence with the ability to create product for specific markets will require some investment into our processing operations, but this will enable us to do significantly more with our seafood at source.

> Sanford's uniqueness of being involved in both, aquaculture and fishing, with a portfolio spanning almost 100 species, all originating from the clean waters around New Zealand is an excellent prerequisite for creating value through capturing the inherent quality and beauty of our seafood and distributing it without much further handling or processing.

CHALLENGES

It is our responsibility as a leading New Zealand seafood company operating in global markets to play a role in addressing the challenges placed on us by an increasing global population and the effects of climate change and fishing industry related concerns, for example illegal fishing. We do this through our policies, operations, relationships and international involvement. This report is a summary of our performance in relation to our assessed material issues. We encourage feedback on any element of the report and our performance.

We welcome the introduction of stricter and more appropriate health and safety regulations in New Zealand. Sanford is a vertically integrated business with diverse operations and we have invested significant effort to introduce a greater awareness of risk throughout the company. We are encouraged by the progress that has been made and trust that a culture of prioritising safety will evolve as we continue to involve all levels of the organisation.

We are encouraged by the progress being made with the reflagging of our foreign charter fleet and appreciate the commitment of our Korean partners in meeting the stringent requirements set by Sanford and our Government. The additional fishing capacity and fishery specific expertise provided by these vessels is extremely important for New Zealand to utilise its resources in an efficient manner.

THE YEAR AHEAD

2015 was marked by the introduction of a new direction which led to changes in the organisational structure, the way we work and in the focus on our resources. The next step will be a consolidation of these changes into specific activities pointed at creating value. In addition to the focus on delivering an increasing share of fresh seafood we will continue our innovative approach to improved utilisation of fish by-products and waste and alternative uses of commodities.

Global population growth and an ever growing middle class with a greater appreciation for healthy food options in many of our customer countries bode well for New Zealand seafood and Sanford as a supplier of high quality product. Now that we have aligned our organisational structure with the strategy and vision we have developed for Sanford, we will finalise remaining appointments and continue with absolute focus on our customer driven journey.

The remainder of this report will provide the detail, but in summary I am satisfied with our performance in a year of change and hard work. We have made some far reaching decisions and introduced new people and processes, but have nevertheless managed to achieve good underlying earnings and cash flow improvement. I ascribe this fully to the excitement and passion that my colleagues bring to work and am grateful for their invaluable contribution. I would also like to thank our Chairman, Paul Norling, and the Board who have taken the courageous step of changing the direction of the company and have provided tremendous support and guidance throughout the year.

Volker Kuntzsch
CHIEF EXECUTIVE OFFICER

OUR BUSINESS – FOCUS AREAS –

– VALUE –

OPTIMISE VALUE OF OUR BEAUTIFUL – NEW ZEALAND SEAFOOD –

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– BRAND –

ENHANCE OUR BRAND AND LIVE – OUR VALUES –

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– QUALITY –

CONSISTENTLY PRODUCING QUALITY – SEAFOOD –

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– INNOVATION –

CREATING A CULTURE OF INNOVATION AND – CUSTOMER SERVICE –

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BUSINESS FOCUS – VALUE

OPTIMISE VALUE OF OUR BEAUTIFUL — NEW ZEALAND SEAFOOD —

“Our people understand that our seafood is precious. Everything we do is focused on ensuring we optimise its value”

SHIRLEY SCOTT STORES AND PURCHASING, SANFORD TIMARU

VALUE

We recognise that having access to this precious resource is not a right, but a privilege. It is crucial that we treat it with respect and care. Sanford’s future as a company and the long-term sustainability of the environment relies on our commitment to optimise the value of raw materials, never taking more than can be replenished.

MATERIAL ISSUES AND VALUE CREATION

This table summarises Sanford’s material issues relating to value, our goals and targets for the future, alongside which value enablers are needed to create value.

	VALUE CREATION IN THE SHORT, MEDIUM AND LONG TERM		
MATERIAL ISSUES	SUSTAINABILITY GOALS	TARGETS*	VALUE ENABLER
M FINANCIAL PERFORMANCE	Achieve a self-perpetuating cycle of financial success that allows us to grow as a business	• Continuous improvement at all sites through our Culture of Continuous Improvement (CCI) programme (M)	Operational Capability and Capacity
		• Continued improvement of our $/kg return (L)	Economic Performance
M SUSTAINABLE FISH STOCKS AND MARINE FARMS	To lead the world in sustainable seafood and operate in a way that ensures that future generations are able to enjoy and benefit from our biologically diverse, safe, healthy and dynamic oceans	• Carried over from 2015 Targets: Perform Marine Mammal Medic Training when available at all relevant Sanford locations (S) • Carried over from 2015 Targets: Promote and encourage Fishery Improvement Projects (FIPs) for key species (M) • Carried over from 2015 Targets: Continue engagement with New Zealand’s Deepwater Group to achieve Marine Stewardship Council (MSC) sustainability certification for all deepwater species in our Exclusive Economic Zone (L) • Achieve Best Aquaculture Practices (BAP) Marine Farm certification to Sanford Marine Farms by September 2016 (S) • All fishers record and report their catch to ensure maximum transparency of fish stock status (L)	Sustainable Raw Materials
		• Continue with 6 year Partnership Growth Programme between Government, Sanford Limited, Aotearoa Fisheries Limited and Sealord Group Limited trialling new harvesting technology to result in more precise catches, less by-catch, lower mortality rates, more selectivity and higher quality landed fish (3 years in) (M) • Continue with 7 year Partnership Growth Programme between Government and Sanford Limited introducing a Selective breeding programme to produce a wide range of high-performing mussel strains (3 years in) (M)	Economic Performance

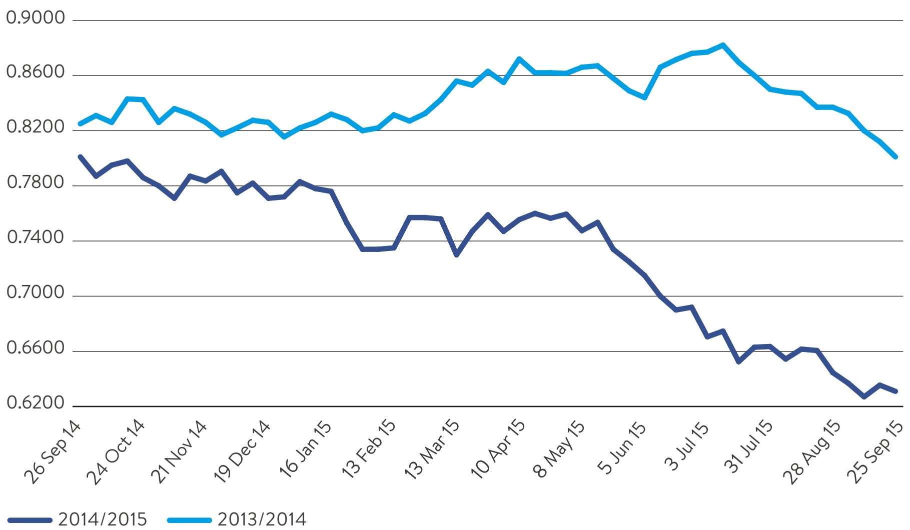
* Progress against targets in 2015 are referred to on page 18

(S) Short term value creation (one-year or less) (M) Medium term value creation (two to five years) (L) Long term value creation (five to ten years or more)

FINANCIAL PERFORMANCE

The USD exchange rate continued in our favour last year with the average USD spot rate at 0.73 (2014: 0.84). We continued our policy of hedging forward to provide certainty of earnings. In a falling market, we inevitably experienced a delay in the favourable foreign exchange rates flowing through to the profit and loss. Effective USD exchange rate after hedging of 0.76 was achieved in the year (2014: 0.80).

USD Exchange Rate 2014 Year compared to 2015 Year



We continued Sanford's business transformation during the financial year through exiting the loss making international tuna business and the closure of our manual mussel processing site in Christchurch. These decisions resulted in non-cash asset impairment charges of $6.8m and restructuring costs of $3.0m.

Due to the limited quota holding in Australia and the lack of economies of scale in fishing in the Great Australian Bight it was decided to take a $6.5m non-cash impairment of that asset. This adversely impacted the result for the year, but will enable a more focused approach to our Australian marketing strategy going forward.

Sanford's adjusted Earnings Before Interest and Tax (EBIT) before restructuring costs, impairments and capital gains of $52.4m represents a significant 24.8% improvement from last year's comparable number of $42.0m (refer page 76).

The difficult but necessary decisions taken this year, and the better forecasted foreign exchange rates, put the company in a sound position going into the next financial year as we continue to focus on increasing our shareholder returns.

Sanford retendered and successfully extended financing facilities to an average of 3.5 years from a previous three years at significantly improved pricing. This is expected to save 10% in interest expense per annum. The extended terms ensure long term certainty of the debt funding of our business which supports the achievement of long term strategies.

The structure of the Finance and Information Technology (IT) teams was reviewed this year and the teams' capability to partner with the business strengthened by introducing an operational commercial finance function. This team will work closely with operations managers from farming, fishing, processing and supply chain to identify opportunities for cost efficiencies and value add to our precious resource. The team's immediate focus is to provide enhanced visibility of profitability by product to enable effective decision making throughout the supply chain.

Improvements have also been made to Sanford's IT platform, which has been significantly stabilised with all servers now externally hosted in a world class facility incorporating disaster recovery provisions.

Financial Overview

TOTAL REVENUE $M

455.3

2014 **460.5**

TOTAL ASSETS $M

745.3

2014 **777.3**

TOTAL OPERATING COSTS $M

424.7

2014 **426.6**

WAGES AND SALARIES $M

101.6

2014 **101.3**

PAYMENTS TO DOMESTIC SUPPLIERS $M

230

2014 **238**

"A highlight this year was introducing a fully automated purchase order system with invoice scanning and matching ability which will greatly enhance the team's productivity and provide considerable visibility of detailed information for procurement analytics."

Clement Chia
CHIEF FINANCIAL OFFICER

Operational Performance

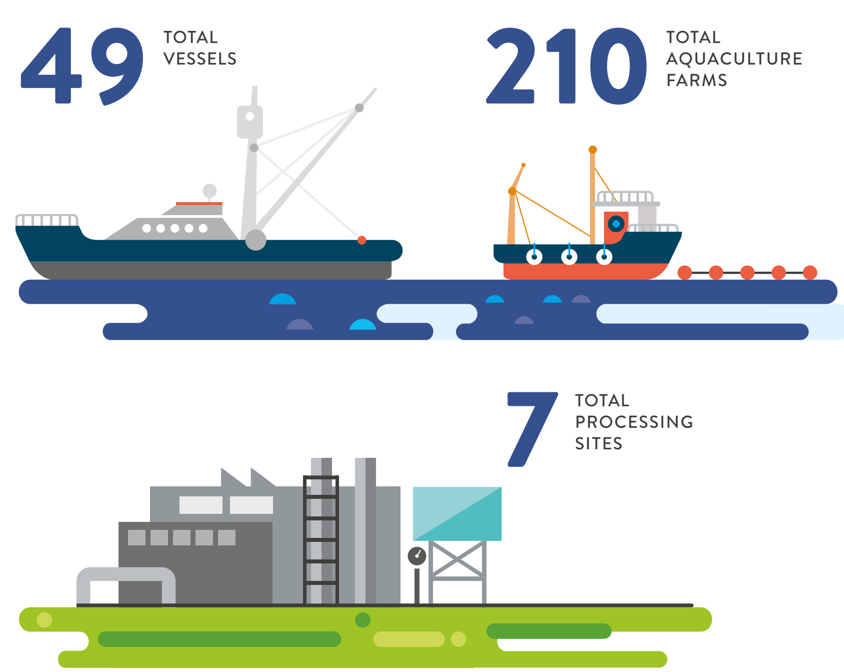
Sanford's operational structure has transformed in the last year. The biggest change related to the unfortunate closure of Sanford's Christchurch site during the year. Changes to our tuna business also took place. As a relatively small player in the large commodity market for Pacific tuna, it was challenging to add value due to unpredictable tuna prices, changes to the management regime of the fishery and the costs of access. As a result, it was decided that Sanford's business model did not support continued investment in this fishery and the operation was divested through the sale of the vessels.

	2015	2014
Total Vessels	49	48**
Total Aquaculture Farms	210	210
Total Processing Sites*	7	8

* Site locations: one in Auckland, two in Tauranga (includes one joint operation), one in Havelock, one in Timaru, one in Bluff and one joint venture in China. 2015 closure of Christchurch site.
** Incorrectly stated in 2014 (47 vessels)

"With the increasing focus on adding more value to our quota portfolio, we are excited to add an additional freezer trawler the 'Granit' to our fleet. The Granit has superior capability and capacity as well as processing flexibility. Currently operating in Norway, the vessel is eminently well suited to New Zealand conditions and for Southern Ocean operations."

Greg Johansson
CHIEF OPERATING OFFICER



Fishing

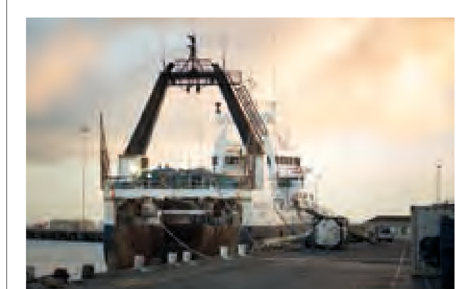
Sanford's fishing fleet consists of both "freshers" that land their catch on ice and "freezers" that process and freeze their catch at sea. Within the fresher fleet, we have a variety of catching methods; longline, trawl, Danish seine and purse seine, with the vessels ranging in length from 18m to 32m. The fishing method is normally dictated by the behaviour of the particular species or market requirements. The freezer fleet is comprised of both trawlers and long liners that range in length from 24m to 64m. Typically, the vessels carry crew of between six and forty people on voyages of between 28 and 90 days duration and product is discharged in a form ready for export.

Overall fishing operations had a successful year, with most species being caught at or above planned volumes and costs generally coming in under budget, mainly driven by lower fuel cost.

Deep water fishing performance for the year was ahead of expectation. Catches across most species exceeded targets, particularly in the scampi and white fish fisheries. In addition, our foreign charter vessels have had good catches of hake. Unfortunately our long liners have had a challenging year with the Ross Sea toothfish season being hampered by ice conditions and ling catch below last year.

Inshore fishing performance was ahead of expectation. Catches across most species, particularly of trevally and gurnard, exceeded targets, while snapper continued to be a challenge for fishermen as its high abundance is making it difficult to avoid this species.

The diverse nature of the fleet provides an opportunity to maximise our quota utilisation and adjust catch plans to meet both customer requirements and seasonal variation of species abundance and geographic location.



The Deepwater fleet has made a successful transition to the new Maritime Operating Safety System (MOSS). It has required a total team effort from shipboard to shore side and has enhanced our approach to having a safe working environment at sea.

Darryn Shaw
DEEPWATER FLEET MANAGER

A highlight for the year has been the transition of our fleet into the new Maritime Operator Safety System which has dovetailed into our ongoing development of our vessel health and safety systems. The reflagging of our foreign charter vessels is also well underway and we expect to have the process completed before the deadline of 1 May 2016.

Farming

Mussel volumes and yields over the year followed predicted seasonal fluctuations but were disappointing overall. The main driver was a weak La Niña weather pattern which restricted the flow of nutrients necessary for optimum mussel growth.

After a poor start, spat catches and seed volumes are recovering and are now moving ahead with positive momentum. Our Golden Bay spat catching season was ahead of expectation and an improved landing of beach cast spat in Kaitaia at the end of the season has bolstered stocks. The SPATnz hatchery in Nelson produced two batches of seed for our operation and these stocks are growing as anticipated.

Typically, due to mussel growth generally being faster in warmer water, our farms in the Coromandel grow crop at a significantly faster rate than those on Stewart Island. To mitigate the risks associated with these environmental differences, Sanford has been actively working towards a greater geographic spread of farming areas to ensure continuity of supply. Sanford is involved in farming in Coromandel, Waiheke Island, Great Barrier Island, Opotiki, Golden Bay, Marlborough Sounds, Pegasus Bay, Banks Peninsula and Stewart Island and, while this geographical spread creates some challenges from a farming operations perspective, our staff and vessel capacities are adjusted in accordance with workloads. We also utilise third party contractors to undertake farm work at peak times.

Our salmon farm management, in partnership with Skretting (our feed supplier) and their technical feed advisors, were able to reduce feed conversion rates and achieve higher returns. Results have been pleasing, harvesting 10% more salmon than last year. Next year, we hope to expand our water space to support an increase in salmon production over the coming years whilst continuing to work on our social license to operate.

Tommy Foggo
SALMON AND AQUACULTURE DEVELOPMENT MANAGER

Processing

Mussels

It has been a difficult year for our mussel processing operations as we adjusted processing capacities to match the available mussel supply for the next two years. One of the unfortunate impacts was the closure of our Christchurch plant in April. For most of the season product from Marlborough and farms north of Marlborough was not in optimal condition resulting in poorer than anticipated meat to shell ratios. Product from Stewart Island was, again, in exceptional condition.

A strong El Niño weather pattern is anticipated for the coming season which should result in mussels in good condition and with good growth profiles.

Fish and Salmon Processing

Our processing sites in Auckland, Tauranga, Timaru and Bluff have been focused on delivering on the increased demand for fresh wild caught fish and salmon to optimise the financial return on each species.

The sites worked collaboratively to achieve greater production efficiency and provide the best outcome for our customers. Over the year the increasing requirement for fresh product has highlighted some constraints in our processing sites, which we will work on resolving over the coming year.

Sales

As a result of our heightened focus on strategic customers, the users of our product and a strong emphasis on fresh fish sales, the fresh category has been growing throughout the year. We expect the fresh volume to continue to increase with a wider range of species being sold both locally and in selected export markets. This is supported by the introduction of sales and operational planning processes and we encouraged by the progress all processing sites are making towards this goal. The domestic market has received a larger share of our product as a result of Sanford's commitment to providing the consumer with high quality fresh fish.

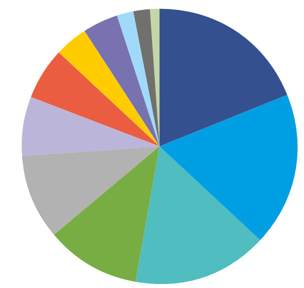
The United States continues to be our biggest export market for a wide variety of frozen product. Due to the impact of foreign exchange, Europe and Australia are still proving to be challenging markets. We are, however, starting to see a turnaround for some species. While the USA continues to be our main market for Sanford branded Greenshell™ mussels and other commodity items, we are supplying retail ready fish product into Australia.

China continues to be a growing market with an increasing variety of species now being exported there, in both fresh and frozen form. Most of the species we export to China are high end products (scampi, toothfish, King salmon, Greenshell™ mussels), sold to restaurants or in retail under the Sanford brand or co-branded with a distributor. With the emphasis on provenance, we anticipate China to grow in importance for good quality seafood from New Zealand.

The Japan and South Korea markets remain relatively stable, while we are expecting other Asian markets to improve in line with their growing levels of affluence.

Africa has had a varied year with the Euro exchange rate influencing the prices we were able to achieve. Recently, we have experienced a greater demand for higher quality land frozen jack mackerel, which has been well received in markets accustomed to frozen at sea product.

Sales by Geographical Location of Customers



North America	19%	(2014: 18%)
New Zealand	18%	(2014: 16%)
Australia	16%	(2014: 16%)
Korea	11%	(2014: 10%)
Europe	10%	(2014: 15%)
Japan	7%	(2014: 4%)
China	6%	(2014: 5%)
Other Asia	4%	(2014: 6%)
Africa	4%	(2014: 3%)
Hong Kong	2%	(2014: 2%)
Middle East	2%	(2014: 2%)
Other	1%	(2014: 1%)
Pacific	0%	(2014: 2%)

M SUSTAINABLE FISH STOCKS AND MARINE FARMS

Sustaining the natural environment is not only beneficial to the whole community, but is a crucial ingredient to Sanford's success for the long term.

Processes in our marine farms and fishing activities must be built on principles of sustainability if Sanford is to increase production over time. We need to meet growing customer demand without jeopardising the marine environment for future generations.

Sustainable Fish Stocks

The commercial fishing industry is critical to New Zealand, representing the sixth biggest export industry with an annual revenue of $1.4 billion. New Zealand benefits from a strong regulatory and oversight system, transparent government, innovative science and a unique marine zone with diverse and well managed resources. However, this unique resource poses specific challenges that can only be addressed with the collaboration and determination of the industry as a whole.

New Zealand fish stocks are in good heart …

… according to Environment Aotearoa 2015, a comprehensive, independent and nationwide set of statistics released by the Ministry for the Environment and Statistics New Zealand. The report notes that commercial fisheries are sustainably managed and overfishing is decreasing. Between 2009 and 2014, the proportion of fish stocks subject to overfishing decreased from 25 percent to 14 percent. In 2014, more than 95 percent of fish caught were from stocks that are not overfished.

95%

IN 2014, MORE THAN 95% OF FISH CAUGHT WERE FROM STOCKS THAT ARE NOT OVERFISHED

The Quota Management System

The Quota Management System (QMS) was first established in 1986 with the purpose of managing commercial fishing operations within New Zealand's Exclusive Economic Zone (EEZ). The purpose of the QMS is to ensure the sustainable use of fishery resources, through controlling the harvest of each species in nominated geographical areas.

There are 100 species subject to the QMS in New Zealand, divided into 638 separate stocks. The Total Allowable Catch (TAC) is determined by the maximum sustainable yield (MSY) of each of the 638 fish stocks, and is allocated to each quota holder based on their quota share in that fish stock. The New Zealand QMS is regarded as world class as a management system that supports sustainable harvesting.

Our Quota: How do we use it?

SANFORD IS NZ'S LARGEST – QUOTA HOLDER –

23%

7
PROCESSING SITES INCLUDING JOINT OPERATIONS

503
INDEPENDENT SHAREFISHERS

25
DEEPWATER & INSHORE VESSELS

638
FISHSTOCKS

100
SPECIES

TONNES OF FISHMEAL AND OIL PRODUCED
11,849
2014: 10,345

TONNES OF FROZEN AT SEA SEAFOOD
26,769
2014: 25,352

* Revenue generated from our quota management profile

Collaborating for Sustainable Fisheries

Sanford is privileged to operate in New Zealand's abundant ocean environment where we share the fishery resource with a wide range of stakeholders. Many of our highly valued inshore species are also the prized catch of non-commercial fishers, and in some areas such as the Hauraki Gulf, the recreational catch volume exceeds that of the commercial sector.

Sanford needs to approach fisheries management collaboratively with different stakeholders, such as the Snapper 1 Commercial Working Group, our work on electronic monitoring and Trident Systems.

Snapper 1 Commercial Working Group

The Snapper 1 (SNA1) fishery is New Zealand's most valuable and largest inshore finfish fishery. Since the Ministry of Fisheries reviewed the Total Allowable Catch in 2012, commercial snapper catches have increasingly been in the public spotlight, often as a catalyst for accusations of overfishing. While Sanford vessels are rarely explicitly targeted, the fact that we have a significant snapper quota holding and catch a large volume of fish means that we are often implicated by default.

The social license to operate of all snapper commercial fishers has been strongly challenged and the industry as a whole needs to step up efforts to offer more transparency. In Fisheries Management Area One (FMA1), between East Northland and the Bay of Plenty, Sanford has taken a lead role in supporting the commercial sector to be more innovative and responsive to public concerns through greater transparency.

Electronic Monitoring

From 1 October 2015, every commercial fishing vessel catching more than five tonnes of snapper in FMA1 has an electronic vessel monitoring system (VMS) on board. It tracks the vessel's movements continuously, irrespective of whether the vessel is actively fishing or tied up against the wharf. In total, 75 vessels have installed an integrated VMS, designed by Trident Systems, SnapIT and commercial fishers, and approved by Ministry for Primary Industries (MPI).

Trident Systems

Sanford owns 43% of Trident Systems, an independent fisheries research service in support of the effective and efficient management of New Zealand commercial fisheries. In addition to the development of electronic monitoring, Trident provides a catch sampling service and is often contracted by the MPI and the National Institute of Water and Atmospheric Research Ltd (NIWA) to co-ordinate industry sampling. Sanford processing staff in Timaru, Tauranga and Auckland are trained to sample six commercial species to a rigorous scientific protocol. The results of their sampling work are aggregated into data sets that are reviewed by MPI's science working groups, and used when reviewing the catch history and sustainable harvesting limits of key inshore fish stocks.

> "Our vessels and catches are now monitored in several ways – electronically, by independent observers, and by our crews who record every undersized fish caught. This level of detail and scrutiny has never been attempted before. It means we now know the facts and can dispel some myths about the number of undersized snapper being caught. Now that we have a fuller picture we can have informed conversations about the future of our snapper fisheries.
>
> **Volker Kuntzsch**
> CHIEF EXECUTIVE OFFICER

Collaborating on Endangered Species

Many of New Zealand's indigenous marine species are protected and much of Sanford's sustainability work relates to our interactions with these animals. Sanford has a long history of working with other organisations on the management and protection of our oceans. We embrace our responsibility to protect New Zealand's natural heritage.

Black Petrel Seabird and Fisher Working Group

Black Petrel *Procellaria parkinsoni*
Māori name: *Tāiko*

Each spring the black petrel (Tāiko) returns home to breed on Great Barrier and Little Barrier Islands in the Hauraki Gulf. In 2014, the Ministry for Primary Industries 'National Plan of Action for Seabirds' identified the black petrel as the seabird most at risk from fishing activity.

In response, Southern Seabird Solutions invited Sanford to take part in a collaborative working group of commercial and recreational fishers, charter fishing companies, environmental groups, government agencies, local bodies and iwi. This group has challenged itself to implement best practice seabird mitigation measures to reduce black petrel fishing related mortalities.

Sanford is committed to the survival of the black petrel. We have a range of initiatives to make sure that Sanford fishers are seabird-smart on the water. This kind of stakeholder collaboration could result in the successful management of other key protected species.

Oil Spills

Sanford makes every effort to avoid pollution from our operations. However, occasionally accidental diesel spills occur into the marine environment. We are dedicated to reporting these spills to maintain transparency. Through training our people, practice emergency drills and system audits, our goal is zero spills.

During 2015, there were three diesel spills, equating to approximately 75 litres in total. This represents a 25% decrease in spills from 2014 (four spills), however a 15.4% increase in litres spilt (2014: 65 litres).

	TOTAL SPILLS	TOTAL LITRES	TOTAL FUEL CONSUMED (L)
2014	4	65	24,062,218
2015	3	75	20,786,897
Percentage Change	(25%)	15.4%	

Maritime New Zealand Regional On-Scene Commander

Sanford employee Grant McGregor is a leader in environmental risk management. We are proud to report that this year he achieved the Maritime New Zealand (MNZ) Spill On-Scene Commander certification.

Grant's valuable expertise will underpin Sanford's response planning for the risks posed by oil spills. The MNZ Programme involves the development of a national response team to respond to marine oil spills at regional and national levels. Essential skills, such as operational planning, equipment deployment, and incident management are taught in order to mitigate the effects of marine oil spill disasters. Grant's involvement in this critical incident team provides an excellent opportunity to develop expertise within Sanford that will also support broader New Zealand environmental protection efforts.

• CASE STUDY •

PRECISION SEAFOOD HARVESTING (PSH)

We are a significant investor and shareholder in Precision Seafood Harvesting (PSH), an innovative programme that involves the use of new harvesting technology to achieve more precise catches, less by-catch, lower mortality rates, more selectivity and higher quality landed fish.

THE GOAL:

For every fish to be landed alive, in perfect condition; and significantly reduce the impact of harvesting on small fish, sharks and other non-targeted species.

THE OUTCOME:

A more environmentally-friendly and sustainable way of fishing that is better for the environment as well as the bottom line.

PSH has recently released data showing the improved potential for survivability in juvenile snapper when harvested using the new technology. These results represent stage one of a three stage development process for the harvesting and handling of fish at sea. Stage two will see the development of improved on-board handling (grading and sorting) technologies to maintain this survivability potential throughout commercial applications. The third and final stage is to develop storage and transportation systems that will maintain the standard of fish during distribution to market.

The commercial testing of snapper using PSH harvest systems has landed approximately 50 metric tonnes this year. The commercial outcomes for hoki are also progressing very well, with commercial testing trips using the new PSH harvesting systems landing over 2,700 metric tonnes this year.

"It changes the way fish can be brought to market. We can offer more great quality fish to consumers and there are new opportunities for higher end product. This increases the value of the products we sell, and in turn, the value of the industry. The story of how the fish is caught is increasingly important for consumers and this new method is a great New Zealand story, that will potentially change the way the world fishes."

Greg Johansson
CHIEF OPERATING OFFICER

– PRECISION SEAFOOD HARVESTING –

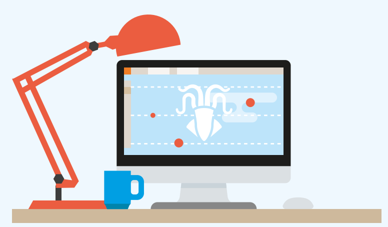
3/6
3 YEARS INTO A 6 YEAR PROGRAMME

50% FUNDED BY MINISTRY FOR PRIMARY INDUSTRIES

50% FUNDED BY INDUSTRY
Aotearoa Fisheries, Sealord and Sanford

SIGNIFICANT IMPROVEMENTS IN SURVIVAL RATES AND VALUE OF
– SNAPPER –

SIGNIFICANT VALUE AND SUSTAINABILITY GAINS IN
– HOKI –



RESEARCH INTO SQUID STARTS IN
– 2016 –

Our Sustainable Marine Farms

Sanford's 210 aquaculture farms across New Zealand not only make positive contributions to the local community, for example 22% of jobs in Stewart Island and 12% jobs in Bluff, but use internationally-recognised best practice sustainable farming processes to protect the marine environment.

New Zealand King salmon: The Frontrunner in Worldwide Sustainability

We have always been proud of the quality of New Zealand King salmon in terms of its taste and how it is produced. This quality has now been recognised by Monterey Bay Aquarium's Seafood Watch® programme, an influential and respected global authority on sustainable seafood, with New Zealand's King salmon named as the world's most environmentally sustainable farmed salmon. Receiving this rating has resulted in overwhelming, immediate recognition for New Zealand, with fantastic flow-on effects for local producers.

THE WORLD'S MOST ENVIRONMENTALLY SUSTAINABLE FARMED SALMON

Leading the way with our New Zealand King salmon

HEALTHY FOOD

30% MORE HEALTHY FATS THAN OTHER MEATS

FAR LESS SATURATED FATS THAN OTHER MEATS

EQUAL AMOUNTS OF PROTEIN COMPARED TO OTHER MEATS

HEALTHY ECONOMY
THROUGH AQUACULTURE

22% OF JOBS ON STEWART ISLAND DEPENDENT ON AQUACULTURE

90% EARN ABOVE THE MEDIAN WAGE ON STEWART ISLAND

12% OF JOBS IN BLUFF DEPENDENT ON AQUACULTURE

87% EARN ABOVE THE MEDIAN WAGE IN BLUFF

To ensure our salmon marine farms are environmentally sustainable:

- ✓ We regularly move farms to limit their environmental impact
- ✓ We control feed through underwater camera monitoring to prevent feed loss
- ✓ We take part in a feed supplier partnership to work together and find a solution that manages protein levels whilst ensuring the highest quality returns
- ✓ We are applying the New Zealand aquaculture industry A+ sustainable management framework to our marine farms: the new standard of sustainable aquaculture
- ✓ Currently we are in application for Global Best Aquaculture Practices (BAP) – first audit due early next year

Aquaculture: Holistic Benefits

The environmental benefits of aquaculture are well-documented. A recent report commissioned by Ministry for Primary Industries highlighted the social and economic benefits of Sanford's marine farms in Bluff and Stewart Island:

"The social effects in Stewart Island and Bluff are remarkable for their positive nature. Despite participants being asked about negative effects experienced, nothing remotely significant was described. Instead, a highly positive and significant social picture has emerged, where the companies and employees have jointly contributed. There is no doubt that the communities of Stewart Island and Bluff are significantly socially richer due to the presence of aquaculture."

Ministry for Primary Industries

A+ is a world class sustainable management framework which enables the New Zealand aquaculture industry to better engage with our communities and continuously improve our environmental practices, while strengthening global demand for our seafood.

Ted Culley
GENERAL MANAGER PROCESSING AND AQUACULTURE NEW ZEALAND'S DEPUTY CHAIR

SANFORD SALMON FARMING: FROM EGG TO PLATE

01 BROOD STOCK TRANSPORTED FROM CAGES TO KAITANGATA

02 ~2 MILLION EGGS INCUBATED IN HATCHERY FACILITY

03 2 MONTHS LATER, THE EGGS HATCH

04 START FEEDING THE FRY

05 450,000 — TRANSFER ~450,000 TO WAITAKI HATCHERY FOR FURTHER GROWING

06 PALLETISED FEED UNTIL THEY REACH ~10GRAMS

07 150,000 — GRADE AND SPLIT INTO GROUPS OF ~150,000

08 SMOLT REACH ~22-25 GRAMS AND ARE TRANSPORTED IN OXYGEN MONITORED TANKS TO BLUFF

09 BY VESSEL TO SEA CAGES IN BIG GLORY BAY

10 SMOLT GROW INTO SALMON AND LIVE ON THE FARMS FOR 2 YEARS

11 4.5 KG — ONCE SALMON REACH ~4.5KGS, THEY ARE READY FOR HARVESTING

12 SALMON TRANSPORTED TO BLUFF FOR PROCESSING

13 PROCESSED SALMON IS SOLD NATIONALLY AND INTERNATIONALLY

• CASE STUDY •

SPATnz: SECURE SUPPLY OF HIGH-PERFORMING MUSSELS

Greenshell™ mussels are unique to New Zealand waters and one of our most iconic seafoods. Traditionally, the industry has relied on wild-caught spat (baby mussels), which has led to inconsistency in supply and variable mussel performance during farming. SPATnz aims to change this.

By taking control of reproduction, SPATnz will help provide certainty of spat supply and continually improve the crop quality through traditional selective breeding, conducted in conjunction with scientists from Cawthron Institute. The breeding programme provides a wide range of high-performing mussel strains selected for traits valued by farmers, processors and consumers. Selective breeding will drive substantial ongoing gains in Sanford's Greenshell™ mussel operations, just as it has in almost every other plant and animal that we cultivate.

SPATnz is a Primary Growth Partnership Programme jointly funded by the Ministry for Primary Industries (MPI) and Sanford. We are three years into a seven year project and pleased to report that a state-of-the-art pilot scale mussel hatchery that was opened in April 2015 has already begun to produce spat.

Swimming mussel larva (0.25mm)
PHOTO: ADAM RUSK

The new hatchery facility provides the perfect platform to underpin this ambitious and exciting project.

Rodney Roberts
SPATnz PROGRAMME MANAGER

SHELLFISH PRODUCTION AND TECHNOLOGY NEW ZEALAND (SPATnz)

3/7
3 YEARS INTO A 7 YEAR PROGRAMME

15
STARTED WITH 4 STAFF IN 2012, CURRENTLY 15 AND GROWING TO ~20 BY 2019

FUNDING
50% SANFORD
50% MINISTRY FOR PRIMARY INDUSTRIES (MPI)

STATE OF THE ART FACILITY, DESIGNED AND BUILT FOR PURPOSE

SOPHISTICATED SYSTEMS FOR ENVIRONMENTAL CONTROL, MONITORING AND ALARMS

400M
PRODUCING MUSSEL SPAT FROM INITIAL TRIALS: ~400 MILLION READY-TO-SETTLE LARVAE PRODUCED

3,360L
PRODUCING MICROALGAE AS MUSSEL FOOD: UP TO 3,360 LITRES (36 TRILLION CELLS) PER DAY

SELECTIVE BREEDING PROGRAMME IS PRODUCING A WIDE RANGE OF HIGH-PERFORMING MUSSEL STRAINS

Our New Supply Chain Team

The supply chain team was formed in early 2015. It brings together experienced supply chain professionals and long-standing Sanford team members.

The supply chain team work alongside sales, processing, harvesting and finance to better understand the value chain of the raw materials we handle, gain greater insight into customers' requirements, and improve our cost performance.

Some early initiatives have included improving the utilisation of Sanford owned cold storage capacity and developing business to business interfaces with customers and suppliers to ensure more timely and accurate flow of data. There has also been the review of all New Zealand transportation volumes and routes to understand the potential for improved network utilisation and lower transport costs. The team have also led the development of a cross functional Sales and Operational Planning process across the new business structure which is starting to identify opportunities for increased returns.

From left to right:

Dave Stewart
SHIPPING COORDINATOR

Adrian Grey
MANAGER PROCUREMENT

Louise Wood
GENERAL MANAGER SUPPLY CHAIN

Martin de Beer
MANAGER SALES AND OPERATIONS PLANNING

David Cawdron
MANAGER LOGISTICS, COLDSTORES AND SHIPPING

Procurement Approach

The procurement team is uniquely positioned to drive our four focus areas: Value, Brand, Quality and Innovation, by developing relationships with our suppliers to create value across our entire supply chain. Understanding our existing supply base has been a key first step. Aggregating some of the demand across the country is also yielding early success.

Materiality in Sanford's supply chain is also important and we plan to work with our suppliers to better understand their material issues, i.e. what matters most, in line with the Global Reporting Initiative (GRI) G4 Guidelines.

> The introduction of a Supply Chain and Strategic Procurement function within our business has already added significant value in the areas of inventory control and reduction in external storage costs.

Clement Chia
CHIEF FINANCIAL OFFICER

BUSINESS FOCUS – BRAND

ENHANCE OUR BRAND AND LIVE — OUR VALUES —

"Our values are the DNA of the company, they drive our decisions and are reflected through our behaviour of uncompromising care."

CLAIRE WALKER CHIEF PEOPLE OFFICER

BRAND

Building on the establishment of our vision and values in 2014, this year we refreshed our brand to better reflect our values. A roadshow which covered the length and breadth of our operations was an excellent opportunity to launch the new Sanford brand internally and refocus our teams on what is most important to our customers. The executive team visited each site and talked about how our values of integrity, passion and care, should guide our every action and decision and how they add value for our customers.

MATERIAL ISSUES AND VALUE CREATION

This table summarises Sanford's material issues relating to brand, our goals and targets for the future, alongside which value enablers are needed to create value.

	VALUE CREATION IN THE SHORT, MEDIUM AND LONG TERM		
MATERIAL ISSUES	SUSTAINABILITY GOALS	TARGETS*	VALUE ENABLER
M HEALTH, SAFETY AND WELLBEING OF OUR PEOPLE	Lead the way in maintaining the health, safety and engagement of our workforce by implementing initiatives that will continually better our working environments	• Achieve Lost Time Injury Frequency Rate (LTIFR) of <5/1,000,000 hours worked (S) • Implement SanWell at all Sanford sites by end of next financial year (S) • Achieve Tertiary Accident Compensation Corporation (ACC) (M)	People and Society
M DEVELOPING OUR PEOPLE	Become an Employer of Choice by attracting and retaining highly skilled and engaged people	• Undergo employee engagement survey and communicate results by February 2016 (S) • Investigate the Foundation for Youth Development Career Navigator programme to attract youth into the industry (M)	People and Society
M COMMUNITY ENGAGEMENT	Establish strategic partnerships that create value for the community, our partners and Sanford in the short, medium and long term	• Implement a partnership strategy that will guide our engagement with our three key community partners (S) • Measure the engagement of our communities through our social media channels (S)	People and Society Economic Performance
M LEADERSHIP AND OUR VALUES	Lead with integrity, passion and care, to be an employer of choice and an industry leader	• Establish a leadership development programme for the senior management team by end of next financial year (S) • Participate in industry discussions and bring forward solutions that genuinely make a difference (M) • Achieve recognition as an employer of choice (L)	People and Society

* Progress against targets in 2015 are referred to on page 18

(S) Short term value creation (one-year or less) (M) Medium term value creation (two to five years) (L) Long term value creation (five to ten years or more)

BUSINESS FOCUS – BRAND

BRAND

OUR PEOPLE

Sanford people have a passion for the seafood industry and depth of loyalty to the company. The role of Sanford's leaders is to develop and nurture an environment that empowers our people to be the best they can be.

Much work has been done over the past year to put in place the systems and processes that will support the new direction Sanford has embarked upon.

Sanford continues to focus sharply on the health, safety and wellbeing of our teams. In partnership with the Ministry of Health, we have established the WorkWell site-based health and wellbeing programme, which is seeing excellent levels of engagement and interest from our employees in opportunities to focus on good health.

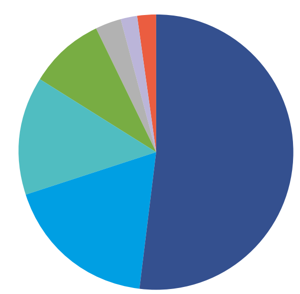
The establishment of a Sanford People Survey in November 2015 will give us a valuable snapshot of our company culture as is stands today, and help us to identify the key areas of improvement that will inform our leadership objectives for the coming year.

PEOPLE DEMOGRAPHIC

CONTRACT	TOTAL 2015 (2014)	FEMALE 2015 (2014)	MALE 2015 (2014)
PERMANENT FULL-TIME	817 (1,056)	37% (38%)	63% (62%)
PERMANENT PART-TIME	18 (22)	72% (73%)	28% (27%)
FIXED TERM FULL TIME	34 (43)	47% (56%)	53% (44%)
FIXED TERM PART TIME	3 (2)	100% (100%)	0% (0%)
CASUAL AND SEASONAL	99 (89)	42% (35%)	58% (65%)
INDEPENDENT SHAREFISHERS	503 (427)	8% (5%)	92% (95%)
GRAND TOTAL	**1,474 (1,639)**	**28% (30%)**	**72% (70%)**

* As at 30 September 2015. People total for 2014 has been re-stated due to changes in reporting and expanding the employment contracts description for the report (previously stated: 1,611).

Ethnicity



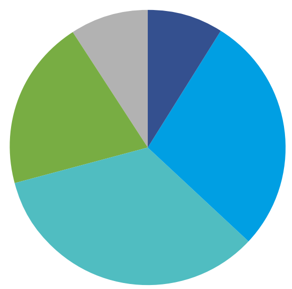
New Zealand European	52%	(2014: 47%)
Pacific Island Peoples	18%	(2014: 17%)
Māori	14%	(2014: 14%)
Other	9%	(2014: 7%)
Asian	3%	(2014: 11%)
European	2%	(2014: 2%)
Not stated	2%	(2014: 2%)

This year, we have included a separate descriptor for both our Asian and our New Zealand European employees and independent sharefishers. Percentages are consistent year on year with the exception of our Asian demographic which has dropped from 11% to 3%. This drop is largely attributed to the closure of the Christchurch site.

WORKFORCE DEMOGRAPHICS

This year, we have seen increases in both union membership (2015: 22%; 2014: 20%) and the average length of service (2015: 8.55 years; 2014: 6.98 years). Whilst we have seen changes in the average age of employees, these have been small and indicate that the average age of sea workers has lowered whereas the average age of land-based workers has increased. We have also introduced a new key performance indicator this year, *absenteeism rate*; it shows an improvement, with a 1% decrease compared to 2014 (2015: 4%; 2014: 5%).

New hires by age group

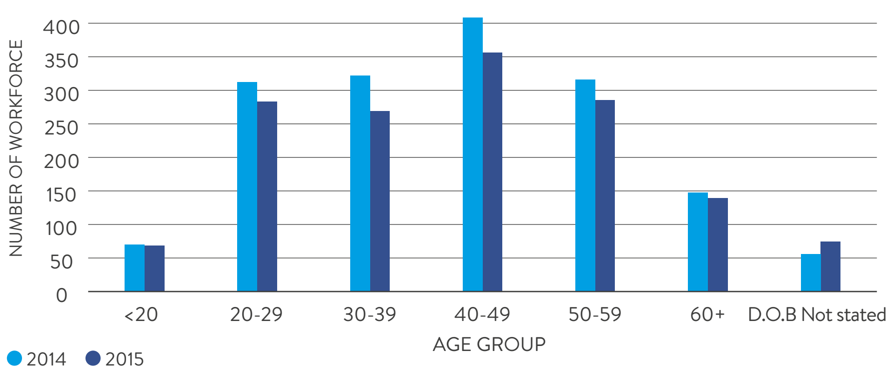


Under 20	9%	(2014: 11%)
20 to 29	28%	(2014: 32%)
30 to 39	34%	(2014: 21%)
40 to 49	20%	(2014: 22%)
50 to 59	9%	(2014: 11%)
60+	0%	(2014: 3%)

* Data relates to permanent employees only

The majority of new hires were within the age range of 30 to 39, showing a significant increase in this proportion from 2014 (2015: 34%; 2014: 21%). All other age groups experienced small decreases in the proportion of new hires. This trend differentiates from 2014. Over the next year, our focus will be on retaining and developing our workforce, with a focus on improving the induction process.

Age of workforce



Although exhibiting small changes in the number of workforce, age of workforce trends have not seen significant change compared to 2014. The majority of our workforce are aged between 40 to 49 years old, which has led us to investigate the Foundation for Youth Development Career Navigator programme as an opportunity to attract young people to the industry.

AVERAGE AGE

SEA

32.07

2014: 33.29

LAND

42.77

2014: 41.78

UNION MEMBERSHIP

22%

2014: 20%

ABSENTEEISM RATE

4%

2014: 5%

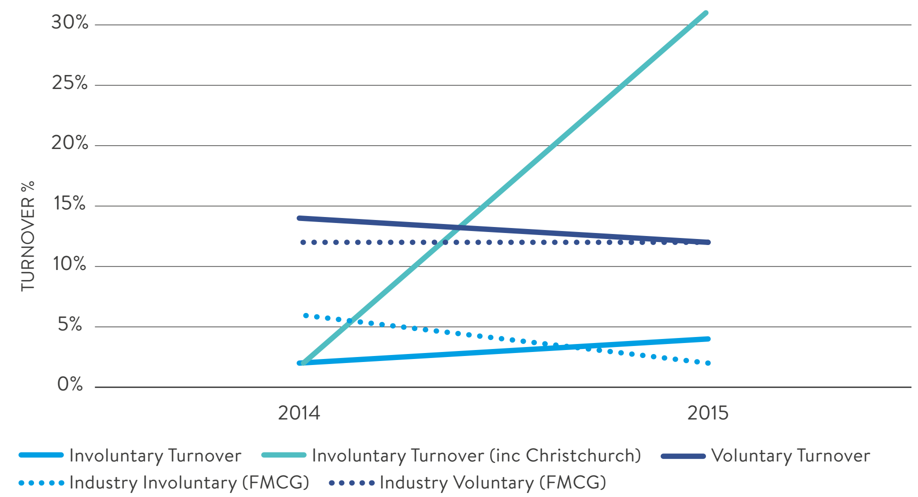
AVERAGE LENGTH OF SERVICE

8.55 Years

2014: 6.98 Years

* 2014 figures for average age and length of service have been restated to reflect actual years' service (2014 previously based on mean calculation)
* Data for average age relates to total workforce
* Data for length of service relates to permanent employees only
* Union membership relates to total workforce excluding independent sharefishers
* Absenteeism rate relates to total workforce excluding independent sharefishers

Employee turnover



GENDER	VOLUNTARY TURNOVER 2015 (2014)	INVOLUNTARY TURNOVER 2015 (2014)	TOTAL TURNOVER 2015 (2014)
MALE	66 (99)	18 (21)	84 (120)
FEMALE	32 (49)	13 (5)	45 (54)

AGE GROUP	VOLUNTARY TURNOVER 2015 (2014)	INVOLUNTARY TURNOVER 2015 (2014)	TOTAL TURNOVER 2015 (2014)
Under 20	3 (5)	2 (1)	5 (6)
20 to 29	35 (53)	8 (9)	43 (62)
30 to 39	19 (35)	3 (2)	22 (37)
40 to 49	24 (29)	6 (4)	30 (33)
50 to 59	9 (18)	4 (4)	13 (22)
60+	8 (8)	8 (6)	16 (14)
Total	**98 (148)**	**31 (26)**	**129 (174)**

Note: The data in this table excludes Christchurch employees due to the closure of this site impacting on the typical turnover trend.
* Data relates to permanent employees only.

During the year, 129 people (excluding Christchurch) left the company (2014: 174), 84 men and 45 women (2014: 120 men, 54 women). This represents a turnover rate of 16% (2014: 16%). Our voluntary turnover rate of 12% for 2015 is on par with the industry average of 12% (source: LawsonWilliams 2014 New Zealand staff turnover survey), whilst involuntary turnover is slightly above with 4% compared to 2% in 2014. There was a substantial decrease in voluntary turnover in most age groups, indicating success in our continued work on recruiting and retaining employees (2015: 98; 2014: 148). However, figures show an increase in involuntary turnover in most age groups (2015: 31; 2014: 26).

Supporting our Team

The Employee Support Programme was introduced in 2014 as a valuable resource for employees, independent sharefishers (self-employed contractors) and their families. Having access to professional counselling and guidance has helped our people to deal with some difficult circumstances such as the closure of our Christchurch site (see page 48).

Christchurch Redundancies

The closure of Christchurch and the 232 redundancies affected the following demographics:

	TOTAL TURNOVER
GENDER	
MALE	50%
FEMALE	50%
AGE GROUP	
Under 20	2%
20 to 29	15%
30 to 39	34%
40 to 49	26%
50 to 59	18%
60+	5%

Claire Walker
CHIEF PEOPLE OFFICER

Q&A WITH CLAIRE

1. **WHAT HAVE BEEN THE GREATEST CHALLENGES FOR SANFORD PEOPLE THIS YEAR?**

The closure of the Christchurch site was enormously difficult for us all. Saying goodbye to well-loved colleagues and understanding the impact of this business decision on families and the local community was very tough. I am proud of the team's commitment to finding new opportunities for as many of those affected by the closure as possible. In the end 120 of the 232 team members secured offers of new employment.

2. **WHAT OPPORTUNITIES DO SANFORD PEOPLE HAVE TO ENGAGE WITH THEIR COMMUNITIES?**

A survey completed by Ministry for Primary Industries on the social and economic impact of aquaculture on the Stewart Island community was extremely encouraging, as it showed that Sanford's aquaculture activities have had a very positive effect on the local community. This includes providing employment and the related economic benefits, as well as organisations such as the local volunteer fire brigade benefiting significantly from Sanford employees' involvement.

3. **WHAT ARE YOUR GOALS FOR THE FUTURE OF OUR PEOPLE?**

I am looking forward to hearing what our people have to say about their experience of working for Sanford in our first company-wide people survey in November. By asking them about their needs and aspirations, we will identify our top priorities for the next 12 to 18 months.

The Closing of Christchurch

The difficult decision to close the Sanford Christchurch business resulted in the redundancy of 232 of our people.

The closure was a response to changing weather patterns which severely impacted supply and diminished the harvest of natural Greenshell™ mussel spat and meant we could not sustain two South Island processing sites working with uncertain supply.

During this time, we provided our employees with counselling and outplacement support. In addition, employees – even those who had not been with us for very long – received a minimum of four weeks' redundancy compensation and were paid out their four-week notice period.

Local Christchurch employers were generous with their support and attendance at employer open days resulted in over half of the team receiving an offer of employment. We are grateful for this support, which shows that the sense of community is alive and well in Christchurch.

The closure of our Christchurch plant has again highlighted our vulnerability to the environment, climate change, and changing weather patterns. The uncertain supply of Greenshell™ mussel spat is a significant challenge to one of our most iconic seafoods and we look to our Primary Growth Partnership, SPATnz with high hopes (page 39 for further information).

Sustainable management and security of supply is now more important than ever.

M HEALTH, SAFETY, AND WELLBEING OF OUR PEOPLE

A Culture of Continuous Improvement

There has been a significant reduction in lost time injuries over the year from 56 to 42. However, too many of our people are still being hurt. In line with advice from New Zealand companies achieving best practice in health and safety, Sanford has shifted attention from lag indicators, such as Lost Time Injury Frequency Rate (LTIFR), to leading indicators, such as near miss reporting and the number of opportunities for employees to be involved in decisions relating to the safety of their workplace. This will continue to be our focus over the coming year, alongside the more traditional measures.

	2015	2014
Total number of ACC claims*	188	153

	2015	2014
Number of reported injuries**	944	853
Number of serious harm injuries**	12	6
Number of near misses reported**	242	122
Safety-related prosecutions**	0	0

	2015	2014
Lost time injury frequency rate (LTIFR)***	10.33	18.09
Number of lost-time injuries***	42	56
Average cost per claim paid*	$997	$1,233
Average cost per claim (including outstanding estimates)*	$1,797	$1,360

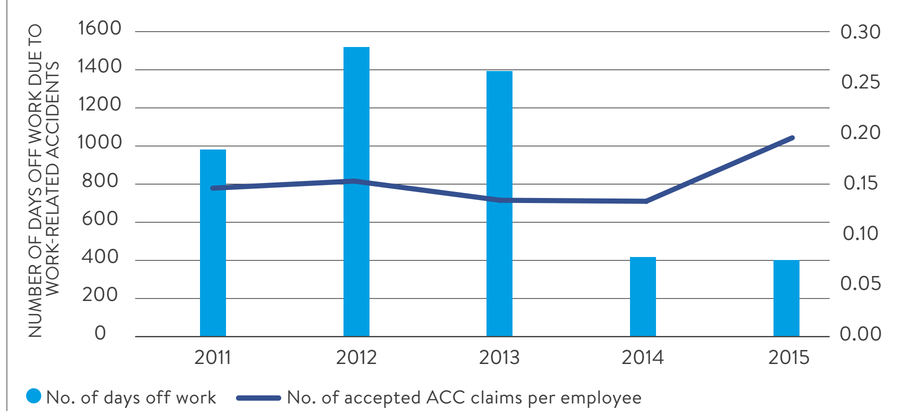
* Relates to ACC data for Sanford employees only (excludes independent sharefishers and contractors). ACC claims are continuously updated throughout the year, based on acceptance of ongoing claims and costs relating back to date of injury. As a result, 2014 has been updated and increased by 9%.

** Includes total workforce (employees, independent sharefishers and contractors)

*** Total workforce (employees, independent sharefishers, excluding contractors)

We were disappointed to lose our secondary level Accident Compensation Corporation (ACC) Partnership Programme status last year due to changes in our contractor management programme not being fully implemented and therefore, to avoid recurrence, Sanford has strengthened contractor management systems and processes towards regaining this important accreditation in August 2015. Comments from the auditor about the substantial culture change and continually improving work environments were great evidence of the level of commitment to health and safety at Sanford.

Work related injuries



Staying Safely Ahead

Earlier this year, Parliament passed the Health and Safety at Work Act 2015 which will come into effect in April 2016. Information sessions on the new requirements were held throughout February and March 2015 for employees and independent sharefishers.

Sanford directors, managers and supervisors attended health and safety training sessions and our Chief Executive Officer, Volker Kuntzsch, represented Sanford on the New Zealand Business Leaders Health and Safety Forum. The forum was established with a focus on getting ready for the new health and safety environment and provided opportunities to collaborate with New Zealand's leading companies.

Striving for Best Practice

Employees at our Timaru site have great things to say about our pilot WorkWell Programme. This successful initiative was led by the Toi Te Ora-Public Health Service, the public health unit for the Bay of Plenty and Lakes District Health Boards. It involves following a step-by-step process to develop a healthy working environment, create improvements in employee wellbeing and enable continuous improvement.

Our plan is to implement the WorkWell Programme, re-branded 'SanWell', at our sites across New Zealand. All Sanford people will therefore have access to community-based health and wellbeing initiatives that begin with a focus in the workplace and extend out to homes and families.

WORKWELL

Toi Te Ora
Public Health Service
BAY OF PLENTY DISTRICT HEALTH BOARD

DEVELOPING OUR PEOPLE

Sanford has increased our participation in New Zealand Qualifications Authority (NZQA) programmes across many of our sites. Provided by the Primary Industry Training Organisation (PITO), these programmes give our people the opportunity to achieve a qualification in food safety, seafood freshness, hygienic work practices, workplace health and safety and the handling of seafood products.

Over the coming year we will deliver focused health and safety training at all levels of the company in support of our commitment to reduce the risk of harm to our people.

What Sanford produces ultimately ends up on a customer's plate. In our factories we take pride in what we do and adhere to strict food safety and quality standards. Sanford has a process of continuous improvement and actively seeks out opportunities to develop the knowledge and skills of our people to ensure that this happens.

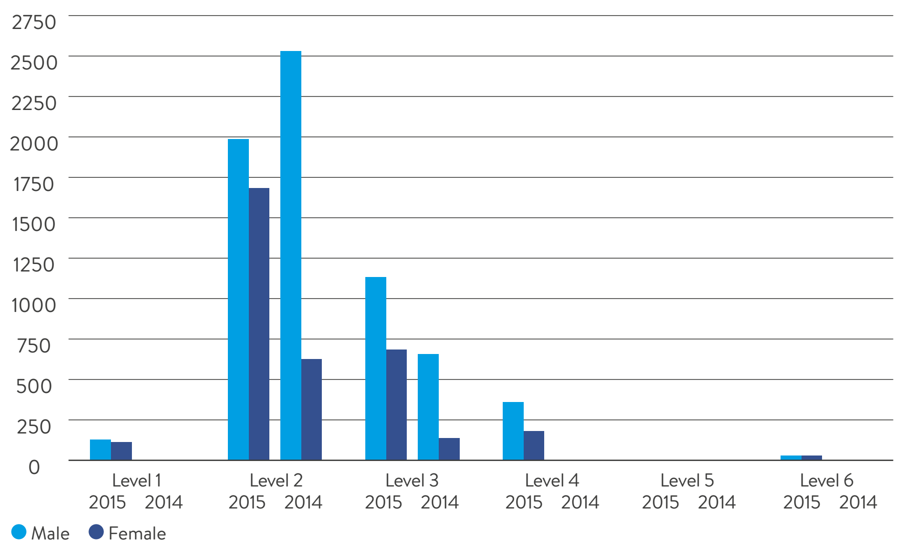
> This year, four of my colleagues and I completed a diploma Level 6 in HACCP (Hazard, Analysis, Critical Control Points) management. HACCP is a system that aids us in dealing with food safety issues. Through it, we can ensure that we have the appropriate controls in place to consistently produce safe, high quality products.
>
> **Dani Taylor**
> QUALITY COORDINATOR, SANFORD BLUFF

Training Credits

	2015	2014
Completed PITO programmes	176	113
Total credits awarded	6,333	3,783
Formal qualifications received (National Certificate)	53	71
End of year enrolments	186	115

* Figures are subject to change as new enrolments, or completed enrolments, may be backdated into this specified period when entered into the PITO system.

Credits achieved by level and gender



Note: one credit equates to approximately 10 hours of learning

The different levels indicate the level of training by employee category:

Level 1: Basic awareness by all staff (Certificate) **Level 2:** Competent operator (Certificate)

Level 3: Supervisor (Certificate) **Level 4:** Management (Certificate)

Level 5: Specialised business function (Diploma) **Level 6:** Specialised business function (Diploma)

COMMUNITY ENGAGEMENT

Sanford plays a significant part in many New Zealand communities. We want to be a good neighbour and make a positive contribution.

Drawing on the insights provided by our materiality process, we are taking a more structured approach to our key partnerships. Our goal is to establish strategic partnerships that create value for the community, our partners and Sanford in the short, medium and long term.

Sanford was pleased to continue our well established partnership with the Foundation for Youth Development (FYD) through Kiwi Can during the year. We are excited to further explore opportunities to work with Sustainable Coastlines and proudly announce a new partnership with Paralympics New Zealand, an organisation with whom we share similar values and have much in common.

Adding value to local communities

PROGRAMME	SUM OF AMOUNT
Community Programme	$40,626
Foundation for Youth Development (FYD)	$183,042
Other Charity	$58,823
Paralympics Spirit of Gold®	$100,000
2015 Total	**$382,491**
2014 Total	**$172,181**
	122% increase

Sanford has contributed a total of $382,491 to community and charity programmes in 2015. This represents a 122% increase from our 2014 contributions of $172,181. Donations to FYD, community programmes, and charities all grew due to our increased focus on the community, including our new sponsorship of Paralympics Spirit of Gold®.

TOTAL CONTRIBUTION 2015

$382,491

2014: $172,181

Foundation for Youth Development

Kiwi Can makes a significant difference to school communities, FYD's research shows that it can significantly reduce bullying and enhance positive behaviour in children.

The average long term benefit to New Zealand from Sanford's investment from this year alone would be:

$1,308,750*

* Infometrics Report – Growing Great Futures – Whakatipu Tamariki Ora found that every dollar invested in FYD programmes results in an average long term benefit to New Zealand of an estimated $7.15.

Foundation for Youth Development

Backing our Paralympians

Given the shared ambition for Sanford and Paralympics New Zealand to be the best, when the opportunity came to support their Paralympics Spirit of Gold® Initiative campaign, we jumped on board.

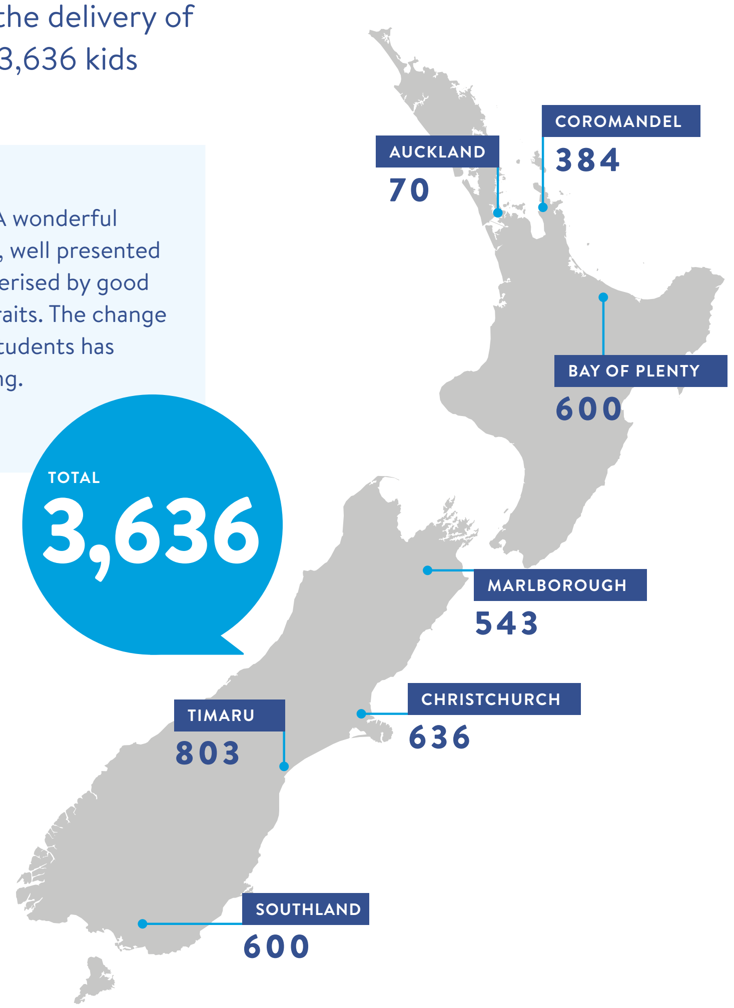
The Spirit of Gold® Initiative is a long-term campaign that is aimed at increasing awareness and raising funds to, firstly, support the Paralympians and Para-Athletes currently on the Road to the Rio 2016 Paralympic Games and secondly, to invest in the development of Para-Sport across New Zealand. We believe in what the Paralympians stand for and proudly support their campaign to achieve global recognition and inspire the next generation of young kiwis.

> There was an instant connection between Paralympics New Zealand and Sanford from the moment we first met. Not only do we share very similar values but, in parallel, we are also both undergoing major organisational transformation. This has created a unique situation, where we are both perfectly positioned to help each other meet similar objectives – delivering high performance through a mix of vision, innovation, passion and commitment, whilst showing care for that which matters most – people. With your stature, having Sanford supporting us brings enormous credibility. We could not be more excited to be working with you as we aim to bring home a record 18 medals from Rio 2016, including 12 gold.
>
> **Fiona Allan**
> CHIEF EXECUTIVE, PARALYMPICS NEW ZEALAND

KIWI CAN SUPPORT

Through Sanford's contribution we support the delivery of Kiwi Can to 3,636 kids

> Kiwi Can – A wonderful programme, well presented and characterised by good behaviour traits. The change within our students has been amazing.
>
> **Teacher**



DEPARTING OUR IWI COLLECTIVE PARTNERSHIP

The Iwi Collective Partnership (ICP) was an important relationship for Sanford. For the last five years we fished their deepwater catching rights while supporting them to grow industry capability and capacity. It was a great disappointment to Sanford that the relationship was not renewed as the ICP sought to consolidate wider iwi interests by aligning with Māori fishing companies that it owns. Sanford entered the ICP with very much a long term view, our vision was that both companies would prosper and grow from the relationship. While we no longer fish the ICP quota, we have maintained a close link with individual iwi within the ICP partnership and with them Sanford will continue to pursue common interests. The legacy of our relationship continues through the five amazing scholarship recipients, four of whom work with us as full time employees.

Social Media

With the direction for the Sanford brand now clear, it was the right time to have a social media presence. We want to share our story and provide more information to people about Sanford and the seafood industry.

Our much visited Facebook page (www.facebook.com/SanfordLimited) has created a place where people who share our passion for fishing, great New Zealand seafood and our oceans can have conversations about things they care about. It has also given us a valuable opportunity to tell the Sanford story, including how commercial fisheries are run in New Zealand.

FACEBOOK

939 LIKES

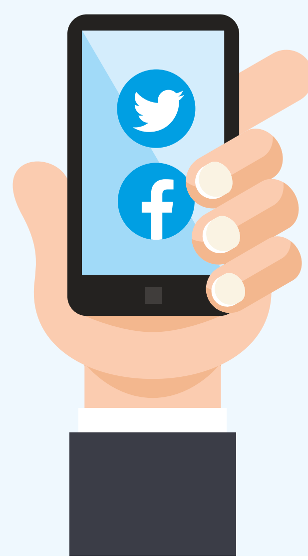
257 PEOPLE TALKING ABOUT OUR PAGE*

* relates to sharing, comment and tagging Sanford posts

TWITTER

611 FOLLOWERS

69% Male 31% Female



LEADERSHIP AND OUR VALUES

Leading by Example

Our people are encouraged to be bold when participating in industry discussions and to bring forward solutions that genuinely make a difference. Sanford people contribute in international forums, such as the proposed Ross Sea Marine Protected Area, the World Ocean Council and the International Union for Conservation of Nature (IUCN) Blue Solutions. Local involvement is also important and includes the recently set up Sea Lion Risk Management Plan. Sanford is also involved in national food quality standards, export regulations and safety in the workplace.

This year, our CEO, Volker Kuntzsch, was appointed to the advisory board of the Sustainable Business Council (SBC), through which he will share his global multi-sector experience with the SBC council members.

> Over the past year, Sanford has increased transparency by joining other companies to put cameras on-board fishing vessels. It has also taken some big strides toward embedding sustainability within its business strategy and is at the vanguard of reporting in New Zealand. Sanford is one of a small handful of companies producing an integrated report that uses international best practice.
>
> Volker Kuntzsch's appointment to the SBC Advisory Board and as co-chair of the business-government Natural Resource Sector CEO group demonstrates his leadership within the wider business community.
>
> **Penny Nelson**
> EXECUTIVE DIRECTOR, SUSTAINABLE BUSINESS COUNCIL

Aligning our Brand with our Future Ambitions

Our new brand, which better reflects who we are and our ambitions, will be rolled out over the next six months across our website, manufacturing sites, vehicles and packaging. The first opportunity to do this was the China Trade Show in November 2015.

Further information and research into the development of our brand can be found under the chapter: Quality (page 59).

BUSINESS FOCUS – QUALITY

CONSISTENTLY PRODUCING QUALITY — SEAFOOD —

"We all need to remember that we are a food company. What we process today could be on your plate tomorrow"

RUSSELL CUDDIHY PROCESSING MANAGER, SANFORD TAURANGA

QUALITY

Sanford catches and processes some of the most prized seafood in the world. We are dedicated to ensuring that our products maintain their natural inherent quality, from harvesting, to processing and delivery to customers around the world.

MATERIAL ISSUES AND VALUE CREATION

This table summarises Sanford's material issues relating to quality, our goals and targets for the future, alongside which value enablers are needed to create value.

	VALUE CREATION IN THE SHORT, MEDIUM AND LONG TERM		
MATERIAL ISSUE	SUSTAINABILITY GOAL	TARGETS*	VALUE ENABLER
M FOOD SAFETY AND QUALITY	Be recognised as a global leader in providing safe, high quality seafood that delights our customers and represents our love for the sea	• Full review of product specification (S) • Engage with customers through a satisfaction survey annually (S) • Action and close 80% of quality complaints within 10 days (S)	Consumers and Market Access
M CUSTOMER RELATIONSHIPS	Be the worldwide supplier of choice for New Zealand seafood through nurturing a reputation of trust, expertise, and quality products	• Carried over from 2015 targets: International Organisation for Standardisation standard ISO 22000 food safety in all land-based processing sites by next financial year end (S) • Implement British Retail Consortium (BRC) standard at Havelock by next financial year end (S) • Carried over from 2015 targets: Investigate software systems to improve service delivery to internal and external customers (M)	Consumers and Market Access

* Progress against targets for 2015 are referred to on page 18.
(S) Short term value creation (one-year or less) (M) Medium term value creation (two to five years) (L) Long term value creation (five to ten years or more)

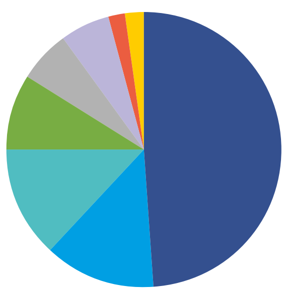
BUSINESS FOCUS – QUALITY

FOOD SAFETY AND QUALITY

Customers are becoming increasingly aware and concerned about the quality and safety of their food. There are calls for increased transparency regarding the health properties of food and where it comes from. Sanford is dedicated to meeting these requirements with a quality team continuously looking for ways to exceed customer expectations.

The focus on monitoring customer feedback and analysing complaints has increased. Our data shows that the majority of complaints relate to product defects, such as deformities found in tuna and holes found in hoki fillet blocks. Over the last year, Sanford has been working hard to reduce these complaints through product specification review, ensuring consistency across operations and aligning with Product Quality Inspections (PQIs) to consistently produce quality seafood.

Quality Complaints Breakdown*



Quality Defects	49%
Product grading error	13%
Product Count/Missing	13%
Other	9%
Bone	6%
Temperature Abuse	6%
Weight Control	2%
Labelling errors	2%

* First time reported in 2015

How we Test our Products

Sanford aims to maintain the highest product quality, in accordance with the strict standards outlined in our Risk Management Programme, which align with national legislation. Compliance with Ministry for Primary Industries (MPI) Seafood Code of Practice is a priority, as is following stringent health and safety protocols at our sites. Our overarching goal is to *consistently produce quality seafood.*

Product Testing

PRODUCTS	EXTERNAL LABORATORIES	INTERNAL
Greenshell™ Mussels	Microbiological – Daily testing for pathogens	Finished product quality assessed for each production period
	Biotoxins – growing areas tested weekly	In process product quality checks – frequency proportional to volume
	Other: As per market requirements (e.g. heavy metals)	
Fish	Microbiological – As per customer and regulatory requirements	Finished product quality assessed for each production period
	Other: As per market requirements (e.g. heavy metals)	In process product quality checks – frequency proportional to volume

How We Trace Our Products

Each product finished in a Sanford processing site includes the following minimum traceability details:

1 | Fishing area
2 | Fishing trip
3 | Lot (batch) number
4 | Net weight
5 | Producer name
6 | Product code (includes size grade and quality grade)
7 | Production date

QUALITY

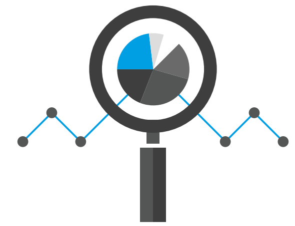
Compliance Audits and Recall Systems

During the year we were subject to 87 external compliance audits (2014: 83). These audits cover process, management systems, testing and export requirements.

EXTERNAL COMPLIANCE AUDITS 2015

2014: 83

87



Compliance Audits

	2015	2014
Ministry for Primary Industries (MPI) Food safety Performance Based Verification Audits (PBV)	56	67
British Retail Consortium (BRC)	1	1
MPI National Shellfish Sanitation Programme (NSSP)	10	10
Marine Stewardship Council (MSC) Chain of Custody	1	1
ISO 14001 Environmental Audits (Third party auditor: SGS)	3	1
ISO 14001 Environmental Audits (Third party auditor: Telarc)	5	0
Accident Compensation Corporation (ACC) Audit	1	1
Maritime Audits	10	2
Total Audits	**87**	**83**

MPI regularly conducts Performance Based Verification (PBV) food safety audits. When a location is at the highest standard, these audits are conducted every six months. However, if MPI requests corrective action, the registered site will drop down a step and the frequency is increased to three-monthly intervals. In order to go up a step, a site must receive two clear audits with no corrective action requests.

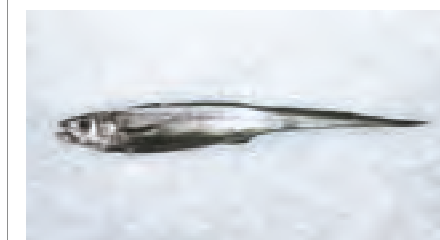
We currently operate 28 registered Risk Management Programmes at processing locations, including vessels. Therefore, the target number of audits for this financial year was 56 (two per site). This was achieved, demonstrating a 13.4% improvement in food safety standards at Sanford from 2014, when 67 audits were conducted for 29 sites.

Sanford operates a stringent product recall system meeting MPI requirements. This requires our products to be traced back to their origin and products traced forward to the customer. We are proud to report that in 2015 we had no product recalls.

Product Traceability and Transparency

Last year we reported that the New Zealand ling and hake fisheries had become Marine Stewardship Council (MSC) certified, taking the number of certified fisheries to seven. This year, this number has increased again, with the Australian blue grenadier (hoki) fishery becoming certified.

CERTIFIED SUSTAINABLE SEAFOOD MSC www.msc.org



Australian blue grenadier (hoki)
Macruronus novaezelandiae

An important part of the food safety and quality story is being able to prove that fisheries are both well-managed and ecologically sustainable so that the quality of raw materials is maximised. The MSC certification provides a scientific standard for assessing this and is critical to the quality of our products.

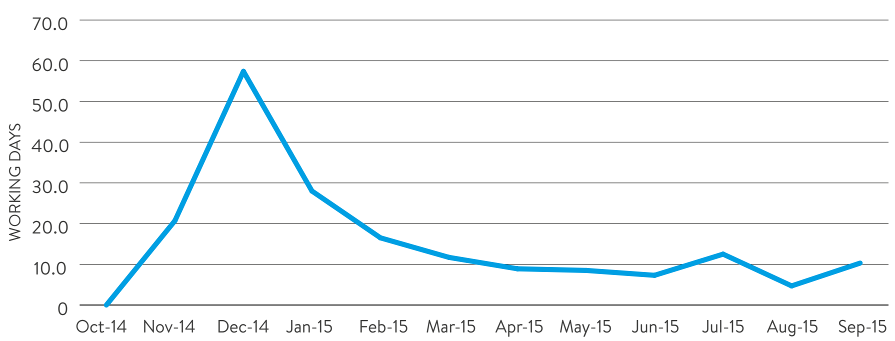
Wild-caught MSC Certified

Food Safety and Quality Results

Our focus on customer satisfaction has, this year, led to the introduction of key performance indicators relating to customer service levels and the time taken to respond to quality complaints.

We have set a target to action and close 80% of quality complaints within 10 days; this target has been set taking into consideration the collection of source data, product testing, root cause analysis and the implementation of corrective and preventative actions. The remaining 20% of complaints would typically require a higher level of investigation. From an initial 40 days average first half of the year, we have managed to improve this response time significantly by closer management and are now averaging 12 days response time over the second half of the financial year.

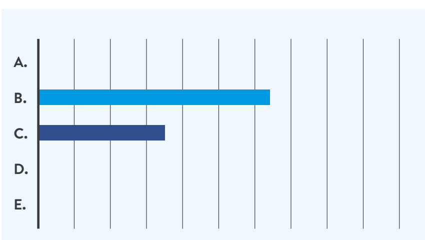
Working Days to Action and Close Complaints



CUSTOMER RELATIONSHIPS

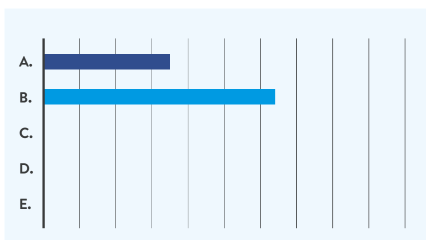
This year Sanford developed a customer survey to help us understand our performance. Quality and customer- focused surveys were sent out to 23 of our largest customers across the globe, in Asia, Europe, North America and Australia. Of these, 14 completed surveys were returned, and here are the results:

How would you rate the quality of our products? ANSWERED: 14 SKIPPED: 0



A	Very high quality	0%
B	High quality	64%
C	Neither high nor low quality	36%
D	Low quality	0%
E	Very low quality	0%

How would you rate the quality of our customer support? ANSWERED: 14 SKIPPED: 0

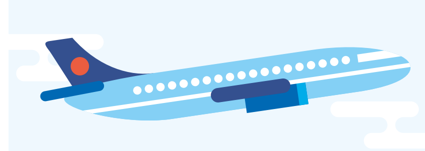


A	Very positive	36%
B	Somewhat positive	64%
C	Neutral	0%
D	Somewhat negative	0%
E	Very negative	0%

The results above best reflect our material issues of 'Food safety and Quality' and 'Customer Relationships'. The results received were pleasing, with 64.29% saying our product quality was high and 100% stating we deliver positive customer support. This is now our benchmark for next year's survey and we hope to achieve a greater result.

Engaging with our Customers

With approximately 82% of our product, by revenue, being exported overseas, maintaining our international customer relationships is essential. For us, there is no better way than to talk to our customers directly. This year, a number of our people visited key customers to better understand their needs. This allows us to stay at the forefront of the industry and maintain our competitive edge whilst providing customers with exactly what they want.



EUROPE*

10.4% OF OUR MARKET BY REVENUE

Brussels Seafood Show

ATTENDED BY Chief Executive Officer and Market Manager, Europe

NORTH AMERICA*

18.7% OF OUR MARKET BY REVENUE

Boston Seafood Show and Global Pet Show

ATTENDED BY Chief Executive Officer, Product Development Manager and Market Manager, America (Global Pet Show attended by Product Development Manager only)

CHINA*

6.3% OF OUR MARKET BY REVENUE

Qingdao Seafood Show

ATTENDED BY Chief Executive Officer, Senior Market Manager and Market Manager, Asia

* Continuing operations revenue

Listening to our Customers

Building stronger relationships with our customers forms the essence of our new brand.

To develop the new brand direction, research was undertaken to better understand how customers perceived the existing Sanford brand, including the quality of our product. Conducted by an independent organisation, via face to face interviews, we identified the strengths and weakness of the brand. Here we report the outcomes of this research and the opportunities identified.

Who did they talk to:

SAMPLE BASE

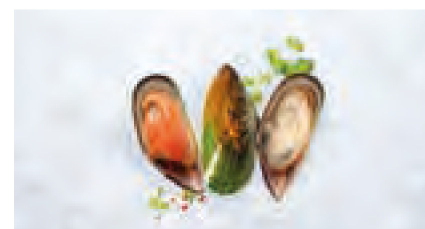
CITIES COVERED:

SPECIES PURCHASED:

Snapper *Pagrus auratus*

Skipjack *Katsuwonus pelamis*

Salmon *Oncorhynchus tshawytscha*



Mussels *Perna canaliculus*

Squid *Nototodarus sloanii*

Frozen Scampi *Metanephrops challengeri (Nephrops challengeri)*

RESPONDENTS:

90%

90% were key decision makers. The majority were also owners of the business. All were business to business, who in turn also sold to other business customers.

PUTTING OUR BRAND INTO ACTION:

The research identified the following opportunities:

- Leverage customers' positive associations with New Zealand's pristine environment
- Focus the business on customers
- Consider 'product' holistically – not only the seafood quality but also packaging, product information, and most importantly, the service our people deliver
- Develop a long-term brand differentiator

> We are grateful to our customers for their frank feedback and will respond with a solid plan to address the gaps identified.
>
> **Volker Kuntzsch**
> CHIEF EXECUTIVE OFFICER

• CASE STUDY •

'LOVE NZ' SALMON CAMPAIGN

LOVE NZ SALMON

In 2015, the New Zealand King salmon industry achieved Green Accreditation from Monterey Bay Seafood Watch™ Programme. Combined with the impact of imported Atlantic salmon, this prompted Aquaculture New Zealand to launch the 'Love NZ Salmon' campaign.

Now, more than ever, customers are aware of where their products come from. They understandably want to be sure that what they are buying meets stringent environmental and quality standards. The 'Love NZ Salmon' campaign encourages people to buy New Zealand King salmon and support the environmentally sustainable processes used in farming it. Sanford is proud to be a supporter of this campaign and a provider of the best salmon in the world through our own aquaculture.

King salmon
Oncorhynchus tshawytscha

CREATING A CULTURE OF INNOVATION AND — CUSTOMER SERVICE —

"We all need to do our bit to add more value to every kilogram of fish that we take from the ocean"

AKSHAY TRIVEDI SANFORD PRODUCT DEVELOPMENT TECHNOLOGIST

Sanford is constantly searching for opportunities to evolve, improve and add value through intelligent business design, process design and technology. Optimising the use of by-products and creating maximum value from our precious resource drive Sanford to improve efficiency, increase economic value and reduce our impact on the environment.

MATERIAL ISSUES AND VALUE CREATION

This table summarises Sanford's material issues relating to innovation, our goals and targets for the future, alongside which value enablers are needed to create value.

	VALUE CREATION IN THE SHORT, MEDIUM AND LONG TERM		
MATERIAL ISSUE	SUSTAINABILITY GOAL	TARGETS*	VALUE ENABLER
M CUSTOMER RELATIONSHIPS	Be the worldwide supplier of choice for New Zealand seafood through nurturing a reputation of trust, expertise, and quality products	• Challenge operations to find targeted and innovative solutions through the Culture of Continuous Improvement teams (M) • Engage with existing and potential new customers at seafood trade shows to develop new products and new markets (M)	Operational Capability and Capacity Consumers and Market Access
M FINANCIAL PERFORMANCE	Achieve a self-perpetuating cycle of financial success that allows us to grow as a business	• 2% of revenue to be from new markets annually (M)	Consumers and Market Access

* Progress against 2015 targets are referred to on page 18

(S) Short term value creation (one-year or less) (M) Medium term value creation (two to five years) (L) Long term value creation (five to ten years or more)

CUSTOMER RELATIONSHIPS

Sanford's focus on the seafood marketplace is now being supplemented by demand from new markets, including the pet food and nutraceutical industries.

These markets provide new and innovative ways to optimise the parts of fish that are not suitable for human consumption. This has stimulated new collaborations with a range of industry partners to capitalise on the potential offered by these new markets.

• CASE STUDY •

Sanford Tests the Nutraceutical Market

In line with our goal of achieving increased value from our resources, Sanford's innovation team has been working on developing seafood extracts to be used as ingredients in nutraceuticals. Oils and powders are collected using natural, modern, low temperature process technologies to maintain maximum nutritional value. This is an exciting growth market to enter as consumers increasingly turn to natural supplements to improve their health.

FINANCIAL PERFORMANCE

Investment in new innovative technologies is critical to stay ahead of the market, maximise the value from our seafood, and deliver innovative products which can be produced economically.

Government Funding of Primary Growth Partnerships

The Primary Growth Partnership (PGP) is a joint partnership between the New Zealand Government and industry. It invests in long-term innovation programmes within our primary sector aimed at boosting productivity and profitability, delivering long-term economic growth and encouraging more private investment in research and development in New Zealand.

The partnership aimed at Fishing and Aquaculture could bring economic benefits of up to $237m to the New Zealand Gross Domestic Product (GDP) from 2025, if its full potential is realised. The Government has committed $37m to this partnership, specifically to SPATnz ($13m) and Precision Seafood Harvesting (PSH) ($24m), which equates to the 50% of the total funding of these programmes.

Precision Seafood Harvesting (PSH)

A collaboration between several industry participants and Ministry for Primary Industries (MPI), PSH is a revolutionary fishing technology that does away with traditional trawl nets to allow fish to be landed alive and in perfect condition.

Greenshell mussels *Perna canaliculus*

Shellfish Production and Technology (SPATnz)

SPATnz is a collaboration between Sanford and Ministry for Primary Industries (MPI), aimed at producing innovations that will advance New Zealand's mussel aquaculture industry and deliver benefits for New Zealand's economy.

Greenshell™ mussels (Perna canaliculus) are unique to New Zealand and are one of our most iconic seafoods. Until now, New Zealand mussel growers have relied on catching wild spat (baby mussels) around our coastline. SPATnz is pioneering natural selective breeding of Greenshell™ mussels so that our growers have the spat they need to grow the best mussels in the world.

PSH and SPATnz programmes are covered in further detail in our value chapter (page 28).

Innovation in Production

Sanford closely manages and reviews operational efficiency. This includes reviewing yield and productivity improvement, as well as process extensions.

Mechanisation projects such as Automatic Mussel Openers (AMOs), automatic portioning line and batching and grading systems have already significantly improved quality and cost of processing.

Investigations are underway into equipment and processes that will provide capacity to produce nutraceutical and other medium-to-high value products. Future capacity will result in greater overall resource utilisation and value creation.

• CASE STUDY •

A Culture of Continuous Improvement

At Sanford, we have dedicated the last three years developing a Culture of Continuous Improvement (CCI) programme in order to nurture innovation and to make the generation of ideas everyone's responsibility.

Compared to the 160 CCI projects identified in 2014, there has been a 25.6% decrease against the 119 CCI projects raised this year. However, with projected savings of approximately $1.9m identified this year in addition to the $2m identified in 2014, our culture of continuous improvement remains a strong focus here at Sanford.

PROJECTED SAVINGS IDENTIFIED IN 2015

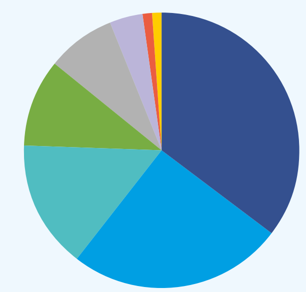
$1,912,916

2014: $2,000,000

> Last year, we introduced our report cards to encourage reporting and to develop our culture of continuous improvement. The lucky person with the best idea gets the opportunity to spin the Winning Wheel and be in to win a number of great prizes.

Louise Franklin
AUCKLAND OPERATIONS MANAGEMENT SUPPORT

Number of CCI Projects



Process/Production	35%
Health & Safety	25%
Environment	15%
People Development	10%
Quality Development	8%
Logistics	4%
Other	1%
Customer Relations	1%

BOARD OF DIRECTORS

SETTING – THE STANDARD –

Sanford is a listed New Zealand company operating fishing, fish processing and aquaculture businesses in New Zealand and in selected international markets. The Board of Directors are responsible for our governance and oversight.

PAUL NORLING
Chairman

Paul joined the Board of Sanford Limited in 2008; he was appointed Deputy Chair on 1 December 2013 and then Chairman of the Board from 1 January 2015. 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 Limited, established and listed on the New Zealand Stock Exchange in 1987, until he retired from this role in 1998. Since that time he remained a non-executive member of the Bancorp Board until 2014 when he also retired from this position. He was also a member of the Board of listed Gullivers Travel Group Limited and has other private company director interests. He is also a past director and President / Chairman of the American Chamber of Commerce in New Zealand, and is a Chartered member of the New Zealand Institute of Directors.

ELIZABETH (LIZ) COUTTS

Liz joined the Board of Sanford Limited in 2011. A former Chief Executive of Caxton Group. Liz is Chairman of Oceania Healthcare Limited, Urwin and Company Limited, Risk and Assurance Committee of the Inland Revenue and a director of EBOS Group Limited, Skellerup Holdings Limited, Yellow Pages Group of Companies, Ports of Auckland Limited, Tennis Auckland Region Incorporated and a member of the Marsh Advisory Board. She is Vice President and a Chartered Fellow of the Institute of Directors in New Zealand Inc. and a Chartered Accountant. Liz has previously been Chairman of the Meritec Group Limited, Industrial Research Limited, Life Pharmacy Limited, Deputy Chairman of Public Trust, director of Air New Zealand and Commissioner of the Commerce Commission. Liz has also been a member of the Monetary Policy Committee of the Reserve Bank, the Financial Standards Reporting Board of the Institute of Chartered Accountants, Board member of the Earthquake Commission, Health Funding Authority, Pharmac and Sport and Recreation New Zealand.

MARK COWSILL

Mark joined the Board of Sanford Limited in 2011. Mark is a New Zealand business leader with extensive experience in profitable and complex business enterprises. He has deep knowledge of a range of international consumer markets. For 18 years, until his retirement in 2011, he lead Frucor Beverages through a significant growth period and through a variety of ownership structures including a grower cooperative, a publicly listed entity and into multinational ownership. He served as a director of Frucor Beverages Limited during its time as a listed company. Mark is also a director of Hellaby Holdings Limited, The Comfort Group Limited, Wonderest Limited and New Zealand Comfort Group Limited.

PETER GOODFELLOW

Peter joined the Board of Sanford Limited in 2006. He has degrees in Commerce and Law from Auckland University as well as an MBA from the University of California, in Los Angeles. He is Chairman of trade finance and factoring company S H Lock (NZ) Limited, Chairman of Cambridge Clothing Company Limited, Food & Agricultural Trading New Zealand Limited and a director of Refrigeration Engineering Company Limited. Peter is a trustee of the Auckland Medical Research Foundation and St Andrew's Village in Glendowie. He has previously practised law and for some years was a director and Chairman of former listed radio company XS Corporation Limited.

BRUCE GOODFELLOW

Bruce joined the Board of Sanford Limited in 2006. He has a Doctorate in Chemical Engineering from Auckland University and wide experience in trading, financial and commercial business management. He has been a director of ASX-listed firm Nufarm Limited (formerly Fernz Corporation) since 1991 and is a director of a number of private investment and manufacturing companies as well as being Chairman of The St Kentigern Trust Board, Refrigeration Engineering Company Limited and Sulkem Company Limited.

PETER KEAN

Peter joined the Board of Sanford Limited in 2014. Peter has had extensive experience in corporate New Zealand, Australia and Internationally. He is former Managing Director of three Divisions of Lion Nathan in both New Zealand and Australia, including Retail; International, Beer, Spirits & Wine; plus Dairy & Drinks. He has a vast experience in dealing with major customers in a fast moving and complex world.

Peter is also Director of the New Zealand Rugby Union and Chairman of their Commercial Committee. Other Directorships include All Blacks Experience (ABex), The Lion Foundation, Southfuels/ Northfuels and Carrick Winery.

Peter is Chairman of the Partners' Programme for the Bank of New Zealand and Chairman of Rogue Society Gin Limited.

In 2003, Peter completed The Programme for Management Development at Harvard University where he was elected as the Class of 2003's Valedictory Speaker. He also completed a Programme at Harvard in 2014 for 'Making Corporate Boards More Effective'.

EXECUTIVE TEAM

LEADING – THE WAY –

Our strategy is ambitious and we are employing a cross-functional approach to realise it. Sanford's executive team will lead the way by living our values and realising our potential to become the Best Seafood Company in the World.

VOLKER KUNTZSCH
Chief Executive Officer

Volker has a distinguished international career in the fishing industry spanning 25 years. He was formerly the President of Nippon Suisan (USA) and President and CEO of King and Price Seafood Corp in Brunswick, Georgia, USA. His former appointments include Global Marketing Director for Nippon Suisan Kaisha Limited, Tokyo, Managing Director of Hangana Seafood, Namibia and senior roles with Unilever Europe in Germany and the United Kingdom.

Volker was educated in South Africa; he gained a Master of Science from the University of Stellenbosch.

Volker's experience in creating awareness of seafood sustainability includes development of Marine Stewardship Council certification of key fisheries and he played a key role in the early accreditation of the New Zealand hoki fishery.

GREG JOHANSSON
Chief Operating Officer

Greg has 30 years of fishing industry experience, the last 25 of these with Sanford after joining the company in 1991. He is responsible for all of the companies; Inshore, Deepwater and Aquaculture activities both at sea and ashore, along with Health and Safety, Compliance and Industry Liaison. Greg represents Sanford as a director on a range of stakeholder groups and joint ventures and has been involved with Precision Seafood Harvesting since its inception.

CLAIRE WALKER
Chief People Officer

Claire joined Sanford Limited in June 2014 as Chief People Officer. In this role she holds responsibility for leading the development and implementation of best practice human resource and sustainability strategy for the Sanford Group. Previously, Claire was Executive Manager, People and Performance at Skycity Entertainment Group where she led the HR and employee relations activity for the Skycity Auckland business. Claire has also held senior HR roles with Carter Holt Harvey and Downer after several years working in the education sector.

CLEMENT CHIA
Chief Financial Officer

Clement is a chartered accountant with over 20 years' experience in corporate financial management. Joining Sanford in September 2014, Clement is responsible for all financial aspects of the company including financial management and reporting, legal, risk, treasury and information technology. A commercially focused CFO with extensive experience in business transformation, Clement has a diverse background having worked in FMCG, timber, forestry and service industries prior to joining Sanford. His most recent role was as the CFO of Griffin's Foods Limited, NZ's largest snack food company. He has also held senior financial management roles in Carter Holt Harvey and Fletcher Challenge Forests.

GOVERNANCE

GOVERNANCE STRUCTURE AND FUNCTIONS

The Board is committed to ensuring that shareholders are informed of all major issues and developments affecting the Company. Such information is communicated to shareholders in the Annual and Interim Reports as well as continuous disclosure announcements made to the New Zealand Stock Exchange.

The Company considers its governance practices complied with the NZX Corporate Governance Best Practice Code in its entirety for the year ended 30 September 2015.

The illustration below shows the revised framework (effective 1 January 2016) as to how the business interacts at each stage of our business process; from investment through to customers purchasing our high quality seafood in order to return profit to shareholders.

SANFORD BOARD OF DIRECTORS

People

Human Resources:
- Corporate Culture and Ethics
- Organisational Structure and People Capability
- Executive Development and Staff Training
- Succession Planning
- Senior Executive Performance Reviews
- Regulatory – People

Remuneration:
- Chief Executive Officer
- Executive and Management Team
- Independent Sharefishers
- All Other Employees
- Long Term and Short Term Incentives
- Non-Cash Benefits
- Key Performance Indicators
- Senior Employee Previews
- Directors' Fees

Audit and Finance

- Audit (External and Internal)
- Budgets
- Capex
- Insurance
- Risk Management
- Capital and Funding
- Treasury
- Operational and Financial Efficiency
- Financial and Market Reporting
- Regulatory – Financial and Corporate

Health and Safety and Quality Control (including Regulatory Compliance)

Health and Safety:
- New Zealand
- International
- At Sea

Food Safety

Product Quality

Regulatory (excluding people, financial and corporate):
- Fisheries and Quota Management
- Environmental – Land, Sea, Air
- Port Regulatory
- Foreign Charter Vessels

Board Nomination

The full board meet once a year, or as required, to determine the most appropriate make-up of the Board and to nominate any changes

GOVERNANCE

DIRECTORS

Directors holding office during the year and attendance at Directors' and Committee meetings during the year was as follows:

		DIRECTORS	AUDIT	ERC	NOMINATIONS
P G NORLING	Independent	11/11	6/6	6/6	1/1
E M COUTTS****	Independent	11/11	6/6	1/6	1/1
J G TODD*	Independent	3/3	3/3	2/2	–
M G COWSILL***	Independent	10/11	1/6	6/6	1/1
P J GOODFELLOW****	Non-executive	11/11	6/6	1/6	1/1
P KEAN**	Independent	8/8	3/3	4/4	1/1
W B GOODFELLOW***	Non-executive	11/11	1/6	6/6	1/1

* Retired 31 December 2014
** Effective 01 December 2014
*** Attended Audit Committee meeting at the invitation of the Chair
**** Attended ERC Committee meeting at the invitation of the Chair

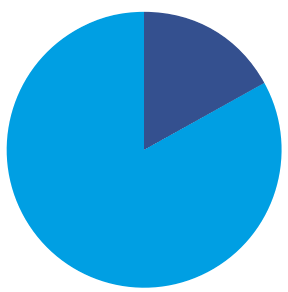
BOARD MEMBERSHIP

Under the Constitution, one-third of the Directors (therefore two – the number nearest one-third) shall retire from office at the Company's Annual Meeting. This requires the retirement by rotation of Mrs E M Coutts and Mr P G Norling.

Mrs E M Coutts and Mr P G Norling both seek re-election at the Annual Meeting.

GENDER DIVERSITY AS AT 30 SEPTEMBER 2015

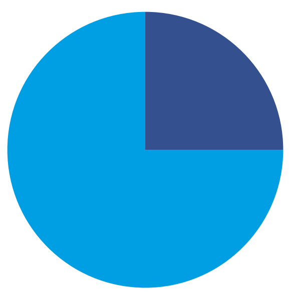
Board Gender Diversity



Female Board	17%	(2014: 14%)
Male Board	83%	(2014: 86%)

In accordance with the New Zealand Stock Exchange (NZX) Diversity Rule, we continue to report the gender composition of our directors and senior executives within the Company, This year, we have also included the gender composition of our newly established Senior Leadership Team.

Executive Team Gender Diversity

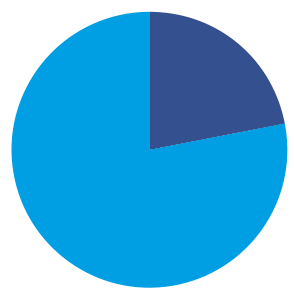


Female Executive team	25%	(2014: 25%)
Male Executive team	75%	(2014: 75%)

The Sanford Board comprises six members (2014: 6), five of whom are male and one female (2014 5:1).

The Sanford executive team comprises of four members (2014:4), three of whom are male and one female (2014 3:1)

Senior Leadership Team Gender Diversity



Female Senior Leadership team	22%
Male Senior Leadership team	78%

The Senior Leadership Team comprises of 18 members, 14 of whom are male and four female. Reporting on gender composition raises awareness of gender diversity within the management team; a move that could promote more women into senior management positions.

SHARE TRADING

The Constitution requires that each Director holds a minimum of 500 shares in the Company.

Directors and executives are required to seek approval in advance of their share trading and certify to the Board that they are not in possession of inside information. The Board has determined that trading may occur during two trading window periods in each year. The periods commence at the time the interim and annual results are announced and end on 31 July, after the end of the half-year and on 28 February, after the end of the financial year.

Details of share trading by Directors are included in the Statutory Information on page 117 this report.

AUDITOR

It is proposed that the current Auditor, KPMG, should continue in office, in accordance with Section 196 of the Companies Act 1993.

AUDIT

The Board ensures the quality and independence of the external audit process, which culminates in the audit report issued in relation to the annual financial statements.

To ensure independence of the Company's external auditor is maintained, the Audit and Risk Management Committee approves any non-audit services that are provided by the external auditor. The Audit and Risk Management Committee meets regularly with the external auditors and management.

Sanford's external auditor is KPMG and was reappointed by shareholders at the 2014 Annual Meeting in accordance with the Companies Act 1993. KPMG did provide non-audit services during the year ended 30 September 2015 which in the opinion of the Audit and Risk Management Committee did not affect its independence. The audit partner responsible for the Sanford audit has been the lead audit partner for the past five years and will rotate in 2016.

The significant issues and judgements considered by the Audit and Risk Management Committee are disclosed in Note 2 on page 84 of the financial statements.

RISK MANAGEMENT AND COMPLIANCE

Identification and mitigation, where possible, of business risks, the integrity of management systems and the quality and relevance of reporting to shareholders are responsibilities of the Board.

APPROACH TO RISK MANAGEMENT

The Board is satisfied that there are sufficient written procedures, policies, guidelines and organisational structures in place to ensure an appropriate division of responsibility, as well as programmes to identify and manage areas of significant risk.

A number of interrelated mechanisms are used to identify and review enterprise risks. At each Board meeting, the Directors review the Sanford Enterprise Risk Management framework and assess the implementation and/or effectiveness of mitigation measures.

A key control is Sanford's annual operating budget, which is prepared by management and approved by the Board. This document, combined with the preparation and presentation of quarterly financial statements allow the Board to review management's performance against the annual plan and the previous year. The Board also has a constant focus on strategic direction and global and local trends impacting the Company and industry. Enterprise Risks and Mitigation can be found in chapter Reporting What Matters as risks were reviewed as part of the materiality process this year. In addition to internal mechanisms, the Board also engages external advisors to carry out internal audit functions on various parts of the business on a rotational basis each year.

LEGISLATIVE COMPLIANCE AND ETHICS

The Company utilises both internal resources and external consultants to ensure full compliance with legislation governing its activities in fisheries, aquaculture, maritime transport, resource management and human resources.

Beyond the statutory financial audit, there are in place other external audit processes, systems and reporting with respect to safe ship management, environmental management, sustainable development, finance and taxation, licensed fish-receiving and health and safety. Group policies require management and our people to comply fully with legislative and operational requirements of authorities in jurisdictions within which the Company operates. Any issues of unethical behaviour raised are brought to the Board's attention.

MEMBERSHIPS

The Company subscribes to a number of industry and sustainability related organisations. Our involvement is described throughout this report. Our principal memberships include the following:

- **Seafood New Zealand** – Industry body for New Zealand seafood sector
- **Aquaculture New Zealand** – Industry body sector for aquaculture
- **Deepwater Group** – Industry body for deepwater stocks
- **Fisheries Inshore** – Industry body for inshore stocks
- **Southern Seabird Solutions** – Protection of seabirds
- **Sustainable Business Council (SBC)** – Advocacy body for sustainable business in New Zealand
- **Trident Systems** – Undertakes fisheries science and catch sampling
- **Sustainable Seas** – Ecosystem Based Management group set to enhance and protect our marine resources
- **World Ocean Council** – Industry leadership alliance on "Corporate Ocean Responsibility"
- **Natural Resource Sector Working Group** – Promoting responsible management and stewardship of New Zealand's precious natural resources

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ANNUAL MEETING:

Wednesday 16 December 2015

2:00pm

Viaduct Event Centre

161 Halsey Street,
Wynyard Quarter, Auckland 1010

Disabled parking is available at the venue. Alternative parking is in the car park adjacent to the Auckland Fish Market or the Downtown Car Park from where attendees can walk across the Viaduct Bridge.

The Directors encourage full participation of shareholders at the Annual Meeting.

KEY PERFORMANCE INDICATORS

	UNITS	2015	2014	2013
ECONOMIC PERFORMANCE				
Revenue	$m	455.3	460.5[i]	462.6
Profit Attributable to Shareholders	$m	13.8	22.4	20.4
Total Assets	$m	745.3	777.3[i]	780.0
Total Equity	$m	512.5	545.8	554.9
Return on Average Equity	%	2.6	4.1	3.7
Dividend per Share	cents	23.0	23.0	23.0
Earnings per Share	cents	14.8	24.0	21.7
Wages and Salaries	$m	102	101	94
Payments to Domestic Suppliers	$m	230	238	225
Payments to New Zealand Income Tax	$m	9.1	3.0	12.6
Community and Charitable Investments	$000	383	172	198
PEOPLE AND SOCIETY				
Total Workforce		1,474[ii]	1,639[ii]	1,603
Women in the Workforce – Directors	%	17	14	14
Women in the Workforce – Executive	%	25	25	0
Women in the Workforce – Senior Management[iii]	%	22	–	–
Independent Sharefishers		503	427	483
New Hires <20[iv]	%	9	11	–
New Hires 20 to 29[iv]	%	28	32	–
New Hires 30 to 39[iv]	%	34	21	–
New Hires 40 to 49[iv]	%	20	22	–
New Hires 50 to 59[iv]	%	9	11	–
New Hires 60+[iv]	%	0	3	–
Involuntary Turnover[iv]	%	4%	2%	–
Voluntary Turnover[iv]	%	12%	14%	–
Average Length of Service	years	8.55	6.98[v]	6.3
Average Age of Employees on Land[iv]	years	42.77	41.78	–
Average Age of Employees at Sea[iv]	years	32.07	33.29	–
Union Membership[iv]	%	22	20	–
Absenteeism Rate[iv]	%	4	5	–
Age of Workforce <20		68	70	63
Age of Workforce 20 to 29		283	312	347
Age of Workforce 30 to 39		269	322	303
Age of Workforce 40 to 49		356	408	379
Age of Workforce 50 to 59		285	316	300
Age of Workforce 60+		139	147	130
Workforce Date of Birth Not Stated		74	56	–
Ethnicity – New Zealand European	%	52	47	–
Ethnicity – Pacific Island Peoples	%	18	17	13
Ethnicity – Māori	%	14	14	18
Ethnicity – Asian	%	3	11	–
Ethnicity – European	%	2	2	53
Ethnicity – Other	%	9	7	16
Ethnicity – Not stated	%	2	2	–
Number of Accepted ACC Claims[vi]		188	153	150
Average Cost per Claim (including outstanding estimates)	$	1,797	1,360	718
Number of Reported Injuries		944	853	718
Number of Serious Harm Injuries		12	6	11
Number of Near Misses Reported		242	122	72
Lost Time Injury Frequency Rate (LTIFR)		10.33	18.09	13.00[vii]
Number of Lost-time Injuries		42	56	26[vii]
Number of Days Off Work		402	418	1394
Number of Accepted ACC Claims per Employee		0.196	0.133	0.134

	UNITS	2015	2014	2013
Safety-related Prosecutions		0	0	1
Training Credits Achieved by Females	NZQA Credits[viii]	2694	940	1381
Training Credits Achieved by Males	NZQA Credits[viii]	3639	2843	3440
Health Insurance Plan	members	247	176	175
Employees in Superannuation Scheme Only		150	150	171
Employees in KiwiSaver Only		368	475	271
Employees in Both Superannuation and KiwiSaver Schemes		111	83	71
OPERATIONAL CAPABILITY AND CAPACITY				
Number of Vessels		49	48	50
Number of Aquaculture Farms[iv]		210	211	–
Number of CCI Projects Completed[ix]		119	160	
CCI Projects Relating to Health and Safety[x]	%	25	–	–
CCI Projects Relating to Environmental Stewardship[x]	%	15	–	–
Approximate Projected Savings from CCI Projects[iv]	$m	1.9	2.0	–
Number of Fuel Spills		3	4	7
Total Amount of Fuel Spills	litres	75	65	218
Liquid Fossil Fuel Consumed	litres	20,786,897	24,062,218	25,834,285
Electricity Consumed	Kwh	27,755,910	30,601,113	30,271,206
Coal Consumed	kg	649,220	608,820	323,280
Lube Oil Consumed	litres	92,554	128,517	154,889
Natural Gas Consumed	Kwh	1,806,346	1,905,188	2,075,981
Fuel Efficiency	L/Kg	0.166	0.175	–
Electricity Efficiency	Kwh/kg	0.568	0.595	–
Total Greenhouse Gas Emissions (CO_2-e)[xi]	tonnes	71,563	88,410	89,418
Direct Emissions (CO_2-e) – Scope 1[xi]	tonnes	65,927	82,079	82,569
Purchased Electricity (CO_2-e) – Scope 2[xi]	tonnes	3,840	4,233	4,188
Indirect Emissions (CO_2-e) – Scope 3[xi]	tonnes	1,796	2,097	2,660
Total Number of Audits[iv]		87	83	–
CONSUMERS AND MARKET ACCESS				
Number of Containers Shipped	TEU[xii]	4570	4697	4,770
MSC Certified Sales by Revenue[xiii]	%	28	27	23
Number of Food Safety Recalls		0	0	0
Working Days to Action and Close Complaints (12 month average)[x]	days	17	–	–
Product Exported to Global Customers	% revenue[xiv]	82	84	–
SUSTAINABLE RAW MATERIALS				
Quota Owned Based on ACE Equivalent	%	22.94	22.82	23.10
Greenweight Wild Caught Harvested[xv]	tonnes	92,677	96,555	–
Greenweight Aquaculture Harvested[xv]	tonnes	32,598	41,333	–
MSC Fisheries Certified in New Zealand[iv]	fisheries	5	5	–
Seabird Mortality Rate[xvi]	%	52	46	62
Marine Mammal Mortality Rate[xvi]	%	83	87	72

i Restated: adjustments made as detailed in financial statements – Note 30

ii Total workforce for 2014 has been re-stated due to changes in reporting and employment contracts expansion

iii Senior Management Team formed in 2015

iv Reported for the first time in 2014

v 2014 figures have been restated to reflect actual years' service (previously based on mean calculation)

vi ACC claims are continuously updated throughout the year, based on acceptance of ongoing claims and costs relating back to date of injury

vii Lost time injuries and frequency rate in 2013 relates to Sanford employees only under the ACC standard of over 7 days lost time. 2014 and 2015 relates to all workforce injuries resulting in lost time.

viii Report training credits as a proxy for hours – one credit equates to approximately 10 hours of learning

ix CCI – Culture of Continuous Improvement

x Reported for the first time in 2015

xi All six Kyoto gases are included in the calculation as appropriate. Emission factors are based on the most recent Ministry for the Environment guidelines. Greenhouse Gas Emissions for 2013 and 2014 have changed due to the use of updated emission factors. Waste to landfill data for Auckland Fish Market and Head Office has been excluded as data was not available for this report.

xii TEU – twenty-foot equivalent units – export containers

xiii MSC – Marine Stewardship Council

xiv Continuing operations revenue

xv Greenweight – weight of seafood before processing

xvi Mortality Rate – ratio between species caught and species caught dead

KPMG ASSURANCE STATEMENT

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF SANFORD LIMITED

We were engaged by the Board of Directors of Sanford Limited (“Sanford”) to perform a limited assurance engagement in relation to Sanford’s Annual Report for the year ended 30 September 2015 (“the Report”).

Our assurance engagement involves providing a limited assurance conclusion as to whether anything has come to our attention that causes us to believe that:

- The “Selected Non-Financial Information”, as defined below, has not been prepared in all material respects in accordance with the Global Reporting Initiative (“GRI”) G4 reporting principles and guidelines; and
- The self-declared GRI “in accordance” assertion made on page 6 of the Report does not comply in all material respects with the relevant GRI G4 requirements.

Selected non-financial information

The “Selected Non-Financial Information” covers the collation and presentation of the significant indicators and claims made in the Report under the following sections:

- Reporting What Matters on pages 8 to 11;
- Optimise Value of Our Beautiful New Zealand Seafood on pages 28 to 40;
- Enhance Our Brand and Live Our Values on pages 42 to 53;
- Consistently Producing Quality Seafood on pages 54 to 61;
- Creating a Culture of Innovation and Customer Service on pages 62 to 65; and
- Key Performance Indicators on pages 72 to 73

We have not been engaged to provide assurance over any comparative indicators outside of the reporting period.

Management responsibility

Management is responsible for the preparation and presentation of the “Selected Non-Financial Information” in accordance with the criteria set out in the GRI G4 guidelines, for each of the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Management is also responsible for determining Sanford’s objectives in respect of sustainability reporting and for establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

Our responsibility

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE (NZ) 3000 (Revised): *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance approach

We planned and performed our work to obtain all the evidence, information and explanations we considered necessary in relation to the above scope. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

Our procedures included:

- Enquiries of Sanford personnel to understand the process for deriving the “Selected Non-Financial Information”;
- Analytical review and other testing to assess the reasonableness of the information presented;
- Comparing the GRI Index, referenced in the Report, to the requirements of the GRI G4 guidelines; and
- Overall sense check of the Report against our findings and understanding of Sanford.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

Use of our report

Our assurance report is made solely to the Directors of Sanford in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Sanford those matters we have been engaged to state in this assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of Sanford for our work, for this assurance report, or for the conclusions we have reached.

Independence

KPMG also provides financial statement audit and other assurance and advisory services to Sanford. Subject to certain restrictions, the Partners and employees of our firm may also deal with Sanford on normal terms within the ordinary course of trading activities. This has not impaired our independence in respect of this engagement. The firm has no other relationship with, or interests in, Sanford.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that:

- The “Selected Non-Financial Information” has not, in all material respects, been prepared in accordance with the GRI G4 reporting principles and guidelines.
- The self-declared GRI ‘in accordance’ assertion of Core does not comply in all material respects with the relevant GRI G4 requirements.

Our assurance engagement was completed as at 18 November 2015 and our conclusion is expressed as at that date.

KPMG

KPMG
Auckland

NON-GAAP PROFIT MEASURES

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford have used non-GAAP measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate divisional and total group performance and to establish operating and capital budgets. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be viewed in isolation or as a substitute for GAAP profit measures as reported by Sanford in accordance with NZ IFRS.

DEFINITIONS

EBITDA: Earnings before interest, taxation, depreciation, amortisation, restructuring, adjusting items, impairment, non-trading total currency exchange gains (losses), gain on sales of intangible and long term assets

Reported EBIT: Earnings before interest, taxation, non-trading total currency exchange gains(losses), gain on sales of intangible and long term assets

GAAP TO NON-GAAP RECONCILIATION

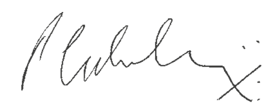
	Audited 12 Months ended 30 September 2015 $000	Audited 12 Months ended 30 September 2014 restated[i] $000
Reported net profit for the period (GAAP)	**13,802**	**22,364**
Add back:		
Income tax expense	8,024	9,363
Net interest	9,460	9,607
Non-trading exchange losses	4,963	4,558
Deduct:		
Net gain on sale of investments, property, plant & equipment	(136)	(1,755)
Reported EBIT	**36,113**	**44,137**
Adjustments:		
Impairment of assets	13,287	2,260
Restructuring costs	3,048	–
Gain on business combination	–	(2,159)
Timaru fire insurance receipt	–	(2,173)
Adjusted EBIT	**52,448**	**42,065**
Add back:		
Depreciation and amortisation	16,901	17,975
EBITDA	**69,349**	**60,040**

(i) Certain amounts shown here do not correspond to the Annual Report as at 30 September 2014 and reflect adjustments made as detailed in Note 30: *Reconciliation of Previously Reported Statements*.

FINANCIAL STATEMENTS 2015

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2015.

For and on behalf of the Board of Directors:



P G Norling
CHAIRMAN

18 November 2015

E M Coutts
DIRECTOR

18 November 2015

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FIVE YEAR FINANCIAL REVIEW

	2015 $000	2014 (restated)(i) $000	2013 (ii) $000	2012 $000	2011 $000
Revenue	**455,319**	**460,521**	**462,644**	**459,957**	**463,954**
EBITDA*	**69,349**	**60,040**	**49,285**	**50,099**	**49,244**
Depreciation and amortisation	(16,901)	(17,975)	(17,428)	(15,797)	(16,255)
Restructuring	(3,048)	–	–	–	–
Adjusting items	–	4,332	–	–	–
Impairment	(13,287)	(2,260)	(4,226)	(2,610)	–
EBIT – reported	**36,113**	**44,137**	**27,631**	**31,692**	**32,989**
Net interest	(9,460)	(9,607)	(8,692)	(10,196)	(10,607)
Non-trading exchange (losses)/gains	(4,963)	(4,558)	10,349	7,385	10,196
Net gain (loss) on sale of investments, property, plant and equipment and intangible assets	136	1,755	152	(150)	52
Profit before income tax	**21,826**	**31,727**	**29,440**	**28,731**	**32,630**
Income tax expense	(8,024)	(9,363)	(9,040)	(9,074)	(10,320)
Profit for the year	**13,802**	**22,364**	**20,400**	**19,657**	**22,310**
Non controlling interest	21	66	(39)	(42)	(24)
Profit attributable to equity holders of the Group	**13,823**	**22,430**	**20,361**	**19,615**	**22,286**
Equity					
Paid in capital	95,027	95,152	95,355	95,355	95,355
Reserves	417,052	450,206	458,978	458,777	453,575
Non controlling interest	451	483	575	559	553
Total equity	**512,530**	**545,841**	**554,908**	**554,691**	**549,483**
Represented by:					
Current assets	127,708	121,543	132,416	136,095	118,875
Less current liabilities	114,082	53,972	48,366	62,924	58,760
Working capital	**13,626**	**67,571**	**84,050**	**73,171**	**60,115**
Property, plant and equipment	93,658	128,769	131,077	120,047	131,893
Investments	10,964	10,438	10,651	12,370	11,567
Biological assets	12,654	10,510	6,693	7,754	8,423
Intangible assets	500,356	506,078	499,177	496,786	508,925
	631,258	723,366	731,648	710,128	720,923
Less non-current liabilities	118,728	177,525	176,740	155,437	171,440
Total net assets	**512,530**	**545,841**	**554,908**	**554,691**	**549,483**
Dividend per share (cents)	23†	23†	23†	23†	23†
Dividend cover	0.6†	1†	1.0†	0.9†	1.1†
Return on average total equity	2.6%	4.1%	3.7%	3.6%	4.1%
Earnings per share (cents)	14.8	24.0	21.7	21.0	23.8
Net asset backing per share	$5.48	$5.83	$5.93	$5.92	$5.87

*Earnings before interest, taxation, depreciation, amortisation, restructuring, adjusting items, impairment, non-trading total currency exchange gains (losses), gain on sale of intangible and long term assets

† Includes the dividends proposed after balance date.

(i) Certain amounts shown above do not correspond to the Annual Report as at 30 September 2014 and reflect adjustments made as detailed in Note 30: Reconciliation of Previously Reported Statements.

(ii) The Group, on adoption of NZ IFRS 11: *Joint Arrangements*, has adjusted the comparatives for the year ended 30 September 2013 to reflect the portion at consolidation of its 50% own joint arrangement North Island Mussels Limited. The 2015, 2014 and 2013 financial years all adhere to the accounting and disclosure requirements of NZ IFRS 11.

The five year financial review reflects Sanford Group for 2015 and 2014 and includes both the continuing and discontinued businesses.

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 $000	2014 (restated)(i) $000
Continuing Operations			
Revenue		444,289	442,174
Cost of sales		(326,689)	(338,945)
Gross profit		**117,600**	**103,229**
Other income	5	4,424	10,958
Distribution expenses		(28,357)	(28,348)
Administrative expenses	6	(21,302)	(15,852)
Other expenses	6	(22,557)	(9,415)
Operating profit		**49,808**	**60,572**
Finance income	7	263	384
Finance expenses	7	(14,669)	(14,530)
Net finance income		**(14,406)**	**(14,146)**
Share of profit of equity accounted investees	11	1,190	918
Profit before income tax		**36,592**	**47,344**
Income tax expense	13	(12,149)	(13,729)
Profit for the year from continuing operations		**24,443**	**33,615**
Discontinued Operations			
Loss for the year from discontinued operations net of tax (attributable to equity holders of the parent)	28	**(10,641)**	**(11,251)**
Profit for the year		**13,802**	**22,364**
Profit attributable to:			
Equity holders of the parent		13,823	22,430
Non controlling interest		(21)	(66)
		13,802	**22,364**
Earnings per share from continuing and discontinued operations attributable to equity holders of the Company during the year (expressed in cents per share)			
Basic and diluted earnings per share (cents)			
From continuing operations		26.2	36.0
From discontinued operations		(11.4)	(12.0)
From profit for the year	18	14.8	24.0

(i) Certain amounts shown above do not correspond to the Annual Report as at 30 September 2014 and reflect adjustments made as detailed in Note 30: Reconciliation of Previously Reported Statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 $000	2014 $000
Profit for the year (after tax)	**13,802**	**22,364**
Other comprehensive income		
Items that may be reclassified to the income statement		
Foreign currency translation differences	(132)	(147)
Change in fair value of cash flow hedges	(35,192)	(13,223)
Income tax on cash flow hedges	9,854	3,702
Items that may not be reclassified to the income statement		
Share-based payment expenses	97	10
Other comprehensive income for the year	**(25,373)**	**(9,658)**
Total comprehensive income for the year	**(11,571)**	**12,706**
Total comprehensive income for the year is attributable to:		
Equity holders of the parent	(11,539)	12,772
Non controlling interest	(32)	(66)
Total comprehensive income for the year	**(11,571)**	**12,706**
Total comprehensive income attributable to equity shareholders arises from:		
– continuing operations	(930)	23,957
– discontinued operations	(10,641)	(11,251)
	(11,571)	**12,706**

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Note	2015 $000	2014 $000
Equity			
Paid in capital		95,027	95,152
Retained earnings		440,996	448,691
Other reserves		(23,944)	1,515
Total equity attributable to shareholders of the Company		**512,079**	**545,358**
Non controlling interest		451	483
Total equity	18	**512,530**	**545,841**
Non-current liabilities			
Term loans (secured)	21	88,160	160,076
Contributions received in advance		3,609	2,510
Employee entitlements		1,892	1,895
Derivative financial instruments		25,621	–
Deferred taxation	14	(1,495)	12,041
Lease obligation		941	1,003
Total non-current liabilities		**118,728**	**177,525**
Current liabilities			
Bank overdraft and borrowings (secured)	17	56,218	18,285
Current portion of term loan (secured)	21	10,402	–
Derivative financial instruments		15,139	2,848
Trade creditors		5,298	11,304
Other creditors, provisions and accruals		16,002	14,258
Employee entitlements		6,899	6,763
Taxation payable		1,429	514
Liabilities held for sale	28	2,695	–
Total current liabilities		**114,082**	**53,972**
Total liabilities		**232,810**	**231,497**
Total equity and liabilities		**745,340**	**777,338**
Non-current assets			
Property, plant and equipment	8	93,658	128,769
Investments	11,12	10,964	10,438
Derivative financial instruments		–	–
Biological assets	10	12,654	10,510
Intangible assets	9	500,356	506,078
Total non-current assets		**617,632**	**655,795**
Current assets			
Cash on hand and at bank	17	5,960	2,464
Trade debtors	16	51,305	60,235
Derivative financial instruments		–	2,266
Other debtors and prepayments		3,472	8,427
Biological assets	10	12,349	12,549
Inventories	15	36,433	35,022
Assets held for sale	28	18,189	580
Total current assets		**127,708**	**121,543**
Total assets		**745,340**	**777,338**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 $000	2014 (restated)[i] $000
Cash flows from operating activities			
Receipts from customers		474,618	469,723
Interest received		191	365
Dividends received		17	20
Payments to suppliers and employees		(400,856)	(424,653)
Income tax paid		(9,255)	(3,007)
Interest paid		(9,746)	(9,970)
Net cash flows from operating activities	24	**54,969**	**32,478**
Cash flows from investing activities			
Sale of property, plant and equipment		10,045	6,714
Sale of intangible assets		–	1,934
Contributions received in advance		1,099	2,510
Sale of investments	11	–	12
Dividends received from associates	11	664	1,119
Purchase of property, plant and equipment		(16,076)	(12,301)
Purchase of business		(1,940)	(13,870)
Net cash flows from investing activities		**(6,208)**	**(13,882)**
Cash flows from financing activities			
Proceeds from borrowings		18,489	24,250
Repayment of term loan		(80,003)	(26,243)
Dividends paid to parent shareholders	19	(21,518)	(21,534)
Dividends paid to non controlling shareholders in subsidiaries		–	(26)
Purchase of own shares	18	(222)	(213)
Net cash flows from financing activities		**(83,254)**	**(23,766)**
Net (decrease) in cash and cash equivalents		**(34,493)**	**(5,170)**
Effect of exchange rate fluctuations on cash held		56	5
Cash and cash equivalents at beginning of year		(15,821)	(10,656)
Cash and cash equivalents at 30 September		**(50,258)**	**(15,821)**
Represented by:			
Bank overdraft and borrowings at call		(56,218)	(18,285)
Cash on hand and at bank		5,960	2,464
	17	**(50,258)**	**(15,821)**

(i) Certain amounts shown above do not correspond to the Annual Report as at 30 September 2014 and reflect adjustments made as detailed in Note 30: Reconciliation of Previously Reported Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	Share Capital $000	Treasury shares $000	Translation Reserve $000	Cashflow Hedge Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total Equity $000
Balance at 1 October 2014		**95,355**	**(203)**	**641**	**874**	**448,691**	**545,358**	**483**	**545,841**
Profit for the year (after tax)		–	–	–	–	13,823	13,823	(21)	13,802
Other comprehensive income									
Foreign currency translation differences		–	–	(121)	–	–	(121)	(11)	(132)
Change in fair value of cash flow hedges		–	–	–	(35,192)	–	(35,192)	–	(35,192)
Income tax on cash flow hedges		–	–	–	9,854	–	9,854	–	9,854
Share-based payment expenses		–	97	–	–	–	97	–	97
Total comprehensive income		**–**	**97**	**(121)**	**(25,338)**	**13,823**	**(11,539)**	**(32)**	**(11,571)**
Acquisition of treasury shares	18	–	(222)	–	–	–	(222)	–	(222)
Distributions to shareholders	19	–	–	–	–	(21,518)	(21,518)	–	(21,518)
Balance at 30 September 2015		**95,355**	**(328)**	**520**	**(24,464)**	**440,996**	**512,079**	**451**	**512,530**
Balance at 1 October 2013		**95,355**	**–**	**788**	**10,395**	**447,795**	**554,333**	**575**	**554,908**
Profit for the year (after tax)		–	–	–	–	22,430	22,430	(66)	22,364
Other comprehensive income									
Foreign currency translation differences		–	–	(147)	–	–	(147)	–	(147)
Change in fair value of cash flow hedges		–	–	–	(13,223)	–	(13,223)	–	(13,223)
Income tax on cash flow hedges		–	–	–	3,702	–	3,702	–	3,702
Share-based payment expenses		–	10	–	–	–	10	–	10
Total comprehensive income		**–**	**10**	**(147)**	**(9,521)**	**22,430**	**12,772**	**(66)**	**12,706**
Acquisition of treasury shares	18	–	(213)	–	–	–	(213)	–	(213)
Distributions to shareholders	19	–	–	–	–	(21,534)	(21,534)	(26)	(21,560)
Balance at 30 September 2014		**95,355**	**(203)**	**641**	**874**	**448,691**	**545,358**	**483**	**545,841**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 1 – GENERAL INFORMATION

(a) Reporting entity

Sanford Limited is a profit orientated company that is domiciled and incorporated in New Zealand. The Company is registered under the New Zealand Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an FMC entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. Both these acts have become effective for financial years beginning on or after 1 April 2014, and the Financial Reporting Act 1993 was repealed with effect from this date.

The financial statements presented are for Sanford Limited ('Sanford' or 'the Group') as at, and for the year ended 30 September 2015. The Group comprises Sanford Limited (the parent or 'company'), its subsidiaries, joint arrangements and associates.

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent disclosures are not required.

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 Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

(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:

- Derivative instruments: interest rate swaps, forward exchange and fuel contracts and foreign currency options
- Biological assets: immature salmon and mussels 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 (unless described as millions within the notes to these financial statements).

(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 9)
- Valuation of biological assets (refer note 10)
- Valuation of financial instruments (refer note 20)

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 and amendments to existing standards

There have been no changes in accounting policies except as detailed below. All other policies have been applied on bases consistent with those used in the previous financial statements. To ensure consistency with the current period, comparative figures have been restated where appropriate.

Additionally in note 30 – reconciliation of previously reported statements, two disclosure changes are identified and the impact of the discontinued operation.

NZ IAS 32 *Financial Instruments: Presentation (Amendment)* on offsetting financial assets and liabilities clarifies that the right of set-off must not be contingent on a future event but must be legally enforceable for all counterparties in the normal course of business as well as in the event of default, insolvency or bankruptcy. This amendment also considers the mechanisms for settlement.

The application of this amendment has had no material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

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.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it de-recognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interest in equity accounted investees

The Group's interest in equity accounted investees comprises interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than the rights to its assets and obligations for its liabilities.

Interest in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of equity accounted investees, until the date on which significant influence or joint control ceases.

(vi) Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. The Group classifies its joint arrangements as either joint operations or joint ventures depending on the legal, contractual or other rights and obligations. Where the interest in the joint arrangement is in the net residual of the business, the arrangement is a joint venture. Joint ventures are accounted for using the equity method; the equity method of accounting is detailed in (v) above. Where the Group has rights to the assets, and obligations for liabilities of the joint arrangement, this is a joint operation. The Group recognises its share of assets, liabilities, revenues and expenses of each joint operation.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra group transactions, are eliminated. 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 there is no evidence of impairment.

(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 revenues 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).

(c) Derivative financial instruments

The Group uses derivative financial instruments including foreign exchange forward and fuel contracts, foreign currency options and interest rate swaps to manage exposure to foreign exchange, commodity 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 less impairment losses. 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.

(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. Leased 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:

	2015 Years	2014 Years
Buildings (freehold and leasehold)	20–25	20–25
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.

(h) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in the income statement.
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 costs 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 on 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 assessed in terms of net realisable value and then discounted.

(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) Government grants

Reimbursement from the Ministry of Primary Industries (MPI) for costs incurred in line with the Primary Growth Partnership Agreement is recognised on an accrual basis to the extent that the amounts can be measured reliably, and in line with agreements in place between the Group and MPI.

(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) Contributions received in advance

Grants received from MPI whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognised as contributions received in advance in the statement of financial position. As these assets are depreciated over their useful lives, the contributions received in advance is reduced by the annual depreciation charge and recognised as revenue from MPI in the income statement.

(r) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, 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, 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.

(s) Trade creditors and other payables

Trade creditors and other payables are stated at cost.

(t) 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.

(u) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. An operating lease is where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

(w) 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 Chief Executive Officer has been identified as Sanford's chief operating decision maker for the purpose of applying NZ IFRS 8: *Operating Segments*.

Operating segments are aggregated into reporting segments having regard to the requirements of NZ IFRS 8, including similarities in economic characteristics and in each of the following respects:

- the nature of the products,
- the nature of the production processes,
- the type or class of customers for their products,
- the methods used to distribute their products, and
- the regulatory environment.

Segmental information is presented in respect of the Group's industry and geographical segments.

(x) Held for sale assets

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(y) Share based payments

Equity-settled share based payments awarded to employees are measured at fair value at the date of grant and are recognised as an employee expense, with a corresponding increase in equity, over the period from the date of grant to the date on which the employees become unconditionally entitled to the option. The fair value at grant date is determined using an appropriate valuation model. At each reporting date, the Group revises the estimate of the number of options expected to vest. The cumulative expense is revised to reflect the revised estimate, with a corresponding adjustment to equity.

(z) New standards and interpretations not yet adopted

The following recently published standards and interpretations, which are considered relevant to the Group, are not effective for the year ended 30 September 2015, and have not been applied in preparing these financial statements.

(i) NZ IFRS 9: *Financial Instruments: Classification and Measurement*

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It will eventually replace NZ IAS 39 *Financial Instruments – Recognition and Measurement* and is required to be adopted by the Group in the financial statements for the year ended 30 September 2019. The Group has not determined the impact of this new standard.

(ii) NZ IFRS 15: *Revenue from Contracts with Customers*

NZ IFRS 15 was issued on 28 May 2014 and addresses recognition and measurement of revenue. It is required to be adopted by the Group in the financial statements for the year ending 30 September 2018. The Group has not determined the impact of this new standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 4 – SEGMENT REPORTING

The executive management of the Group monitors the operating results of the inshore fishing, deepwater fishing, and aquaculture divisions separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Capital expenditure consists of additions of property, plant and equipment.

The Group's operating segments are:

- Inshore fishing – responsible for catching and processing inshore species of fish.
- Deepwater fishing – responsible for catching deepwater species of fish, several of the deepwater vessels also have processing facilities on board.
- Aquaculture – this segment farms, harvests and processes salmon and mussels.

The Group has determined that the above operating segments should be aggregated to form one reportable segment to reflect the farming, harvesting, processing and selling of seafood products.

The criteria as set out in paragraph 12 of NZ IFRS 8: *Operating Segments* was considered in determining the aggregation of the operating segments. In aggregating these operating segments into one reportable segment, the Group identified similarities in the following:

Similar economic characteristics

The Group considered and identified similarities in economic characteristics in the inshore fishing, deepwater fishing, and aquaculture operating segments. The Group concluded, having considered several factors, that the operating segments exhibited similar long term economic characteristics because the impact of these factors is expected to be similar across all operating segments. This is supported by the following observations:

Foreign exchange

The majority of the Group's sales are derived from exporting seafood products. Movements in foreign exchange rates, particularly the US dollar, have a significant influence on the degree of profitability of the Group.

Competitive and operating risks

The operating risks are similar for all of the seafood products in which the Group trades, due to the vagaries of nature and its impact in respect of weather patterns, nutrients in the oceans, parasites and disease.

The global growth in seafood product demand and rising commodity prices has led to a heightened competitive environment in which the Group trades, this applies in a similar manner across all of the operating segments.

Economic and political risk

Economic/political prosperity and stability for countries in which Sanford's customers are based, have a direct impact across the Group in its ability to derive increasing positive returns to shareholders.

Other variables impacting profit

There are many other variables that directly or indirectly impact the profitability of the operating segments such as international trade rules and tariffs and climate change. The Group has assessed that the operating segments are similarly impacted by these variables.

Nature of the products

All of the seafood products have similar nutritional factors, principally they are a good source of protein and relatively low in fat.

Similar nature of production processes

The Group has determined that all of the seafood products produced for its customers are harvested from the sea. Additionally certain fish species and mussels have hand opening or machine opening processes involved in the final completion of the production chain.

The type or class of customer for the product

The Group sells products derived from all of its operating segments to nine of its top ten customers. The Group's customers are largely of a wholesale nature.

The methods used to distribute the product

The Group's sales and marketing team is structured geographically and not by product type or by operating segment.

The nature of the regulatory environment

Both aquaculture and fish products are governed by the quality control regulations set by the Ministry of Primary Industries in New Zealand and those countries to which the Group export. In respect of vessels these must meet Maritime New Zealand regulations; this requirement is similar for all operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 4 – SEGMENT REPORTING (continued)

(a) Income and expenditure (continuing operations)

	NEW ZEALAND		AUSTRALIA		ELIMINATIONS		TOTAL	
	2015 $000	2014 (restated) $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 (restated) $000
Total external revenues	418,479	415,080	25,810	27,094	–	–	444,289	442,174
Inter-segment revenue	3,757	2,511	–	–	(3,757)	(2,511)	–	–
Segment revenue	422,236	417,591	25,810	27,094	(3,757)	(2,511)	444,289	442,174
Segment profit for the year	**29,502**	**33,177**	**(6,249)**	**(480)**	**–**	**–**	**23,253**	**32,697**
Share of profit of equity accounted investees							1,190	918
Reported profit for the year							**24,443**	**33,615**

Intersegment transactions

Intersegment revenues are eliminated upon consolidation and reflected in the eliminations column.

(b) Revenue by geographical location of customers

	2015 $000	2014 $000
New Zealand	81,305	71,510
Australia	69,976	70,151
Europe	46,415	65,740
North America	82,972	78,819
Japan	30,962	19,718
China	27,961	24,131
Hong Kong	8,274	7,550
Korea	46,682	42,505
Other Asia	18,017	27,585
Africa	15,506	14,834
Middle East	9,174	7,547
Pacific	1,584	9,338
Other	5,461	2,746
Revenue	**444,289**	**442,174**

The revenue information above is based on the locations of the customers.

Sales to one customer for the year accounted for $48.4m or 11% of total sales (2014: $55.8m and 13%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 4 – SEGMENT REPORTING (continued)

(c) Assets and liabilities

		NEW ZEALAND		AUSTRALIA		DISCONTINUED OPERATION		TOTAL	
	Note	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Segment assets		718,933	730,643	6,484	10,912	9,094	25,480	734,511	767,035
Investment in equity accounted investees	11	10,829	10,303	–	–	–	–	10,829	10,303
Total assets		**729,762**	**740,946**	**6,484**	**10,912**	**9,094**	**25,480**	**745,340**	**777,338**
Segment liabilities		209,098	206,804	21,017	19,316	2,695	5,377	232,810	231,497
Total liabilities		**209,098**	**206,804**	**21,017**	**19,316**	**2,695**	**5,377**	**232,810**	**231,497**
Capital expenditure		15,182	29,506	9	15	2,124	1,288	17,315	30,809
Depreciation and amortisation		14,675	13,958	132	139	2,094	3,878	16,901	17,975

NOTE 5 – OTHER INCOME

	Note	2015 $000	2014 $000
Insurance recovery income – Timaru coldstore fire		–	2,173
Insurance recovery income – Salmon loss		–	1,000
Gain on business combination	29	–	2,159
Commissions received		1,225	1,449
Net (loss)gain on sale of property, plant and equipment and intangible assets		11	822
Sundry income		3,188	3,355
		4,424	**10,958**

In 2014 $2.2m was recorded in the income statement in respect of a final insurance recovery for the Timaru cold store fire, that took place in May 2013, the income was for the building damage, mitigation costs and business interruption. Additionally in 2014 an insurance recovery for salmon loss arose as a result of an extreme weather event on 24 October 2013 when approximately 77,000 live salmon (203,000kg) escaped from Stewart Island, resulting in an impairment of salmon stock of $0.9m which has been included in the 2014 cost of sales in the income statement. The insurance proceeds of $1m (net of an insurance excess of $0.5m) has been included in other income in the 2014 income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 6 – EXPENSES

	Note	2015 $000	2014 $000
(a) Administrative and other expenses			
Directors' fees		510	509
Donations		159	26
Audit fees – KPMG		196	170
KPMG fees for other services †		30	123
Leasing charges		4,287	3,852
Research and development		2,668	1,733
Bad debts written off		6	211
Increase (decrease) in doubtful debts provision		(5)	130
Share based payment expense		97	10
Impairment of assets held for sale	8	789	1,016
Restructuring costs		3,048	–
Impairment of intangible assets	9	6,500	1,244
(b) Personnel expenses			
Wages and salaries		101,643	101,290
(c) Movement in Biological Assets			
Change in fair value of biological assets loss	10	(1,944)	(4,105)

Sanford announced on 20 April 2015 that is was closing the Christchurch mussel processing facility. The closure led to the redundancy of 232 staff employed at the Riccarton site. Recent weather patterns had impacted on natural spat (offspring) leading to a reduced Greenshell mussel crop supply in the short to medium term, this led to Sanford needing to look at its South Island mussel processing capacity. Sanford has now combined its South Island mussel volumes at the Havelock site. Costs associated with the closure are $2m and include payments to staff for notice period, redundancy and leave entitlements, these have been recognised in the income statement. Other restructuring costs within the Group of $1.0m have been recognised in the year including crew payments to the discontinued International Purse Seine business.

† KPMG fees for other services is in respect of assurance of the selected sustainability information $30,000.

(2014: assurance of the selected sustainability information $30,000 and IT consulting $78,000).

The fair value arising from the equity settled share based payment scheme has been assessed at $96,762 for 2015 (2014: $9,641).

NOTE 7 – FINANCE INCOME AND EXPENSES

	2015 $000	2014 (restated)(i) $000
Finance income		
Interest income	246	364
Dividend	17	20
	263	384
Finance expenses		
Interest rate swaps fair value movement (gain)	(77)	(351)
Fair value of unexpired forwards contracts and options	4,963	4,558
Interest expense on bank loans and bank overdraft	9,783	10,323
	14,669	**14,530**
Net finance expense	**14,406**	**14,146**

(i) The above reflects a change in approach of disclosure from last year's Annual Report, see note 30 for details on this disclosure change.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

2015	Note	Land $000	Freehold Buildings $000	Leasehold Buildings $000	Fishing Vessels $000	Plant and Equipment $000	Total $000
Cost							
Balance at beginning of year		3,840	28,273	42,813	173,746	122,405	371,077
Additions – business combination	29	–	–	–	–	378	378
Additions – other		–	229	257	8,960	6,517	15,963
Disposals		(175)	(302)	–	(27,137)	(650)	(28,264)
Net transfer of assets held for sale	28	(1,093)	(7,424)	–	(23,139)	(4,241)	(35,897)
Effect of movements in exchange rates		–	–	–	7	(39)	(32)
Balance at end of year		2,572	20,776	43,070	132,437	124,370	323,225
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,970)	(23,421)	(126,048)	(84,869)	(242,308)
Depreciation		–	(763)	(1,417)	(7,206)	(7,430)	(16,816)
Impairment		–	–	–	(5,998)	(789)	(6,787)
Disposals		–	1	–	17,419	636	18,056
Net transfer of assets held for sale	28	–	1,356	–	14,625	2,307	18,288
Balance at end of year		–	(7,376)	(24,838)	(107,208)	(90,145)	(229,567)
Net book value at 30 September 2015		**2,572**	**13,400**	**18,232**	**25,229**	**34,225**	**93,658**

2014	Note	Land $000	Freehold Buildings $000	Leasehold Buildings $000	Fishing Vessels $000	Plant and Equipment $000	Total $000
Cost							
Balance at beginning of year		3,595	19,726	42,722	176,784	118,960	361,787
Additions – business combination	29	245	150	–	3,595	1,255	5,245
Additions – other		–	8,399	91	3,290	3,291	15,071
Disposals		–	(2)	–	(9,923)	(1,099)	(11,024)
Effect of movements in exchange rates		–	–	–	–	(2)	(2)
Balance at end of year		3,840	28,273	42,813	173,746	122,405	371,077
Accumulated depreciation and impairment							
Balance at beginning of year		–	(7,150)	(21,923)	(123,403)	(78,234)	(230,710)
Depreciation		–	(820)	(1,498)	(7,883)	(7,689)	(17,890)
Disposals		–	–	–	5,238	1,054	6,292
Balance at end of year		–	(7,970)	(23,421)	(126,048)	(84,869)	(242,308)
Net book value at 30 September 2014		**3,840**	**20,303**	**19,392**	**47,698**	**37,536**	**128,769**

The plant and equipment impairment charge ($0.8m) relates to the recently closed Christchurch mussel processing facility. All Christchurch related assets have been transferred to assets held for sale. The fishing vessel impairment charge ($6.0m) is in respect of the two international purse seine fishing vessels. The San Nanumea was sold in August, and the San Nikunau is now classified as a held for sale asset. See note 28 for further details on the held for sale assets.

NOTE 9 – INTANGIBLE ASSETS

	Note	Intellectual Property $000	Fishing Quota $000	Marine Farm Licences $000	Goodwill $000	Total $000
		2015				
Carrying amount						
Balance at beginning of year		120	412,814	99,537	–	512,471
Acquired as part of business combination	29	–	–	–	974	974
Amortisation		(85)	–	–	–	(85)
Effect of movements in exchange rates		–	(111)	–	–	(111)
Balance at end of year		35	412,703	99,537	974	513,249
Impairment						
Balance at beginning of year		–	(5,149)	(1,244)	–	(6,393)
Impairment		–	(6,500)	–	–	(6,500)
Balance at end of year		–	(11,649)	(1,244)	–	(12,893)
Carrying amount at 30 September 2015		**35**	**401,054**	**98,293**	**974**	**500,356**

	Note	Intellectual Property $000	Fishing Quota $000	Marine Farm Licences $000	Goodwill $000	Total $000
		2014				
Carrying amount						
Balance at beginning of year		205	412,722	91,400	–	504,327
Acquired as part of business combination	29	–	135	10,303	–	10,438
Acquisitions – other		–	–	55	–	55
Amortisation		(85)	–	–	–	(85)
Disposals		–	(34)	(2,221)	–	(2,255)
Effect of movements in exchange rates		–	(9)	–	–	(9)
Balance at end of year		120	412,814	99,537	–	512,471
Impairment						
Balance at beginning of year		–	(5,149)	–	–	(5,149)
Impairment		–	–	(1,244)	–	(1,244)
Balance at end of year		–	(5,149)	(1,244)	–	(6,393)
Carrying amount at 30 September 2014		**120**	**407,665**	**98,293**	**–**	**506,078**

NOTE 9 – INTANGIBLE ASSETS (continued)

Fishing Quota

An impairment charge of $6.5m has been recognised in respect of the carrying value of Australian fishing quota and licences. The impairment reflects the challenges faced by Sanford to catch a sufficient and profitable quantum of fish in the Great Australian Bight to support the value of this asset. Based on impairment testing undertaken in September 2015 no impairment is required for NZ quota.

Prior year impairments will be reversed in future years if circumstances positively change. If an impairment is reversed the increased carrying amount of intangible assets shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Marine Farm Licences

In 2014 an impairment of $1.24m arose from the non-renewal of a resource consent for the Port Gore marine farm.

Goodwill

During the year the Group acquired the business of Wynyard Seafood Market Limited and its subsidiaries, the acquisition gave rise to goodwill ($0.974m).

Cash Generating Units

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

	Intellectual Property $000	Fishing Quota $000	Marine Farm Licences $000	Goodwill $000	Total $000
New Zealand Seafood	35	400,729	98,293	974	500,031
Australia Seafood	–	325	–	–	325
	35	**401,054**	**98,293**	**974**	**500,356**

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 7.2% and 7.9% (2014: 6.7% and 8.4%) were applied. Future cash flows were projected for 5 years and a terminal growth rate of 3% (2014: 3%) was applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecasts for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cash flows in the terminal year.

The recoverable amount of the New Zealand CGUs exceeded the carrying value of the net assets as at 30 September 2015. Therefore management has determined that no impairment to New Zealand fishing quota and marine farm licences has occurred.

The Australian CGU applied similar assumptions to those stated above using post-tax discount rates of between 7.2% and 7.7% (2014: 6.9% and 8.5%) and a terminal growth rate of 3% (2014: 3%). The recoverable amount of the Australian CGU was less than the carrying value of the net assets indicating the quota and licenses were impaired. In light of this, and further analysis performed by the Group, certain quota and fishing licences have been written down as at 30 September 2015; the impairment charge of NZ$6.5m has been recorded in the income statement (2014: nil).

NOTE 10 – BIOLOGICAL ASSETS

	2015 Mussels $000	2015 Salmon $000	2015 Total $000
Balance at beginning of year	18,717	4,342	23,059
Change in fair value less estimated costs to sell	23,188	5,787	28,975
Harvested produce transferred to inventories	(22,618)	(4,413)	(27,031)
Balance at 30 September 2015	**19,287**	**5,716**	**25,003**
Non-current	10,859	1,795	12,654
Current	8,428	3,921	12,349
	19,287	**5,716**	**25,003**

	2014 Mussels $000	2014 Salmon $000	2014 Total $000
Balance at beginning of year	13,523	3,369	16,892
Change in fair value less estimated costs to sell	25,433	2,459	27,892
Acquired as part of business combination	2,062	–	2,062
Harvested produce transferred to inventories	(22,301)	(1,486)	(23,787)
Balance at 30 September 2014	**18,717**	**4,342**	**23,059**
Non-current	9,138	1,372	10,510
Current	9,579	2,970	12,549
	18,717	**4,342**	**23,059**

Risk factors

The group is exposed to a number of risks relating to its growing of salmon and mussel stocks. These include storms, marine predators, toxic algae blooms and other contamination of the water space. The group 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.

The key assumption which would lead to future uncertainty which may cause an adjustment to the carrying amounts of biological assets is the fair value per kg at the point of harvest. The value of these assets may fluctuate with both the market prices and foreign exchange movements.

Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volumes of salmon and mussels. Management performs regular analysis to ensure that the Group's pricing structure is in line with the market and to ensure harvest volumes are appropriate.

Determining fair value

Salmon

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value per kg at the point of harvest.

The fair value per kg at the point of harvest is determined with reference to the market selling prices, as at 30 September 2015.

Mussels

The pre-harvest mussel stock has been valued with reference to their stage of development, the length of the growth cycle for the mussels in the regions being farmed, the fair value per kg at point of harvest, and the physical quantity in the water at year end.

The fair value per kg at the point of harvest is determined with reference to market selling prices, as at 30 September 2015.

NOTE 11 – EQUITY ACCOUNTED INVESTEES

	2015 $000	2014 $000
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:		
Current assets	21,436	19,321
Non-current assets	13,650	12,934
Total assets	**35,086**	**32,255**
Current liabilities	3,824	5,685
Non-current liabilities	1,362	1,395
Total liabilities	**5,186**	**7,080**
Revenue	45,477	39,507
Expenses	(43,158)	(37,595)
Profit	**2,319**	**1,912**
(b) Movements in carrying value of equity accounted investees:		
Balance at beginning of year	10,303	10,588
Share of profit	1,190	918
Dividends from associates	(664)	(1,119)
Decrease in investment	–	(12)
Associate reclassified as other investments	–	(72)
Balance at 30 September	**10,829**	**10,303**

NOTE 12 – OTHER INVESTMENTS

	2015 $000	2014 $000
Shares in other companies	135	135
	135	**135**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 13 – INCOME TAX EXPENSE

	2015 $000	2014 $000
(a) Income tax expense – continuing operations		
Current period	**11,792**	**10,281**
Adjustment for prior periods	(163)	(169)
	11,629	**10,112**
Deferred tax expense		
Origination and reversal of temporary differences	334	3,435
Adjustments for prior periods	186	182
	520	**3,617**
Income tax expense	**12,149**	**13,729**
(b) Reconciliation of effective tax rate		
Profit for the year	24,443	33,615
Income tax expense	12,149	13,729
Profit before income tax	**36,592**	**47,344**
Tax at current rate of 28%	**10,246**	**13,256**
Non-deductible expenses	123	468
Capitalised asset timing differences	9	–
Non-taxable income – other	(281)	(435)
Unutilised tax losses	1,775	(2)
Over (under) provided in prior periods	23	13
Different foreign tax rate	2	1
Other	252	428
	1,903	**473**
Income tax expense	**12,149**	**13,729**
(c) Imputation credit account		
Imputation credits available for use in subsequent reporting periods	61,902	61,126

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 14 – DEFERRED TAXATION

	2015 $000	2014 $000
(a) Unrecognised deferred tax assets		
Net tax losses – Australia	2,724	2,210

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) Movement in temporary differences during the year

	2015					
	Balance 30 Sept 2014 $000	**Recognised in Income Statement Continuing Operations $000**	**Recognised in Income Statement Discontinued Operations $000**	**Recognised in Other Compre-hensive Income $000**	**Discontinued Operations Deferred Tax transferred to held for sale $000**	**Balance 30 Sept 2015 $000**
Property, plant and equipment	(7,401)	(196)	2,876	–	1,650	(3,071)
Intangible assets	(7,793)	(1,638)	–	–	–	(9,431)
Trade debtors	60	–	–	–	–	60
Derivative financial instruments	(340)	–	–	9,854	–	9,514
Biological assets	508	1,391	–	–	–	1,899
Other liabilities	2,925	(77)	71	–	(395)	2,524
Net deferred tax (liability) asset	**(12,041)**	**(520)**	**2,947**	**9,854**	**1,255**	**1,495**

	2014			
	Balance 30 Sept 2013 $000	Recognised in Income Statement $000	Recognised in Other Compre-hensive Income $000	Balance 30 Sept 2014 $000
Property, plant and equipment	(7,665)	264	–	(7,401)
Intangible assets	(6,460)	(1,333)	–	(7,793)
Trade debtors	60	–	–	60
Derivative financial instruments	(4,042)	–	3,702	(340)
Biological assets	1,446	(938)	–	508
Other liabilities	3,285	(360)	–	2,925
Net deferred tax (liability) asset	**(13,376)**	**(2,367)**	**3,702**	**(12,041)**

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 15 – INVENTORIES

	2015 $000	2014 $000
Fish	28,893	27,662
Packaging, fishing gear, fuel and stores	7,540	7,360
	36,433	**35,022**

NOTE 16 – TRADE DEBTORS

	2015 $000	2014 $000
Gross trade debtors	51,430	60,365
Provision for doubtful debts	(125)	(130)
	51,305	**60,235**

NOTE 17 – CASH AND CASH EQUIVALENTS

	2015 $000	2014 $000
Cash on hand and at bank	5,960	2,464
Bank overdraft and borrowings at call (secured)	(56,218)	(18,285)
	(50,258)	**(15,821)**

Interest rates applicable on call deposits range from 1.50% – 4.06% (2014: 2.50% – 3.50%).

Interest rates applicable on the bank overdraft range from 2.75% – 14.65% (2014: 1.45% – 14.65%).

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

NOTE 18 – CAPITAL/RESERVES AND EARNINGS PER SHARE

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from 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 and earnings per share

	ORDINARY SHARES	
	2015 No. of Shares	2014 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 Sanford. All shares rank equally with regard to Sanford'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.

The calculation of basic earnings per share at 30 September 2015 was based on the profit attributable to ordinary shareholders of $13.8m (2014: $22.430m) and a weighted average number of ordinary shares outstanding of 93,538,228 (2014: 93,617,279).

(d) Treasury shares

The Company acquired 46,466 of Sanford Limited shares between 19 December 2014 and 7 January 2015 for a price range of $4.69 to $4.90 per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 19 – DIVIDENDS

	2015 $000	2014 $000
The following dividends were declared and paid by the Company for the year ended 30 September:		
$0.23 per ordinary share (2014: $0.23)	21,518	21,534

On 18 November 2015 the Directors proposed a final dividend of 14 cents per share (2014: 14 cents per share) to be paid on 9 December 2015. This dividend has not been provided for in the accounts at 30 September 2015.

NOTE 20 – 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 fuel 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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

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 (defined as having a minimum credit rating of A–) are used for investing and cash handling purposes.

The Group has credit insurance in respect of its largest customer for USD 8.4 m. At balance date the Group's exposure in respect of this debt is USD 4.03m which comprised 12% of trade debtors. Since balance date and in accordance with agreed credit terms the customer has subsequently paid 46% 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 has secured bank loans which contain debt covenants. A breach of covenant may require accelerated repayment of the loans earlier than indicated in the loan contract. It is not expected that the cash flows included in the maturity analysis in the quantitative liquidity note 20 (h) will occur significantly earlier or at significantly different amounts.

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. At year end the Group had available approximately $77m of headroom funding to meet any unforeseen liability obligations.

(c) Market risk

Market risk is the risk that arises from changes in foreign exchange rates, interest rates or equity/commodity prices. Such changes will affect the Group's earnings and/or the value of its holdings of financial instruments. These risks arise due to the Group having financial instruments that would be impacted by changes in these market factors.

The Group enters into derivative arrangements in the ordinary course of business to manage foreign currency, fuel pricing 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 Directors which provides policy for the use of derivative instruments.

As at 30 September 2015, the fuel contracts designated in a hedge relationship had a fair value loss of $2.7m (2014: nil).

(d) Currency risk

The Group incurs currency risk as a result of sales and investments that are denominated in foreign currencies. The currency giving rise to currency risk in which the Group primarily deals is US Dollars. 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 and options into a cash flow hedge relationship. The fair value gains and losses on the forward exchange contracts and options were recognised in other comprehensive income and transferred to profit or loss when the highly probable forecast transactions affected profit or loss.

As at 30 September 2015, the foreign exchange and options designated in a hedge relationship had a fair value loss of $33.15m (2014: loss of $1.87m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 20 – 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.

The fair value loss of interest rate swaps at year end is $4.927m (2014: gain of $1.284m).

(f) Other market price risk

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

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:

	2015 $000	2014 $000
New Zealand	21,218	23,458
Australia	3,995	6,917
Europe	10,364	13,347
North America	11,500	17,316
Japan	2,142	1,014
Other	5,558	6,610
Trade and other receivables	**54,777**	**68,662**

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

	Gross Receivables 2015 $000	**Impairment 2015 $000**	Gross Receivables 2014 $000	Impairment 2014 $000
Not past due	39,183	–	53,832	–
Past due 0 – 30 days	10,448	–	5,898	–
Past due 31 – 120 days	1,679	(4)	484	–
Past due 121 – 365 days	120	(121)	2	–
Past due more than 1 year	–	–	149	(130)
	51,430	**(125)**	**60,365**	**(130)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

(h) Liquidity risk

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

	2015					
	Statement of Financial Position $000	**Contractual Cash Flows $000**	**6 months or less $000**	**6–12 months $000**	**1–2 years $000**	**2–5 years $000**
Bank loans	98,562	125,191	12,049	1,500	51,343	60,299
Trade creditors	5,298	5,298	5,298	–	–	–
Other creditors	16,002	16,002	16,002	–	–	–
Bank overdraft	56,218	56,218	56,218	–	–	–
Total non-derivative liabilities	**176,080**	**202,709**	**89,567**	**1,500**	**51,343**	**60,299**
Forward exchange options	15,919	18,347	2,823	2,936	5,990	6,598
Forward exchange contracts	17,235	17,603	7,726	4,723	4,550	604
Interest rate swaps	4,927	5,551	662	766	1,295	2,828
Fuel swaps	2,679	2,737	967	913	845	12
Total derivative liabilities	**40,760**	**44,238**	**12,178**	**9,338**	**12,680**	**10,042**

	2014					
	Statement of Financial Position $000	Contractual Cash Flows $000	6 months or less $000	6–12 months $000	1–2 years $000	2–5 years $000
Bank loans	160,076	181,842	43,065	3,303	52,010	83,464
Trade creditors	11,304	11,304	11,304	–	–	–
Other creditors	14,258	14,258	14,258	–	–	–
Bank overdraft	18,285	18,285	18,285	–	–	–
Total non-derivative liabilities	**203,923**	**225,689**	**86,912**	**3,303**	**52,010**	**83,464**
Forward exchange options	2,848	3,890	1,406	2,545	(61)	–
Forward exchange contracts	(982)	(3,309)	(3,310)	(484)	485	–
Interest rate swaps	(1,284)	(1,312)	112	24	(440)	(1,008)
Total derivative liabilities (assets)	**582**	**(731)**	**(1,792)**	**2,085**	**(16)**	**(1,008)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

(i) Foreign currency exchange risk

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

(figures are NZD)	2015 USD $000	2015 AUD $000	2015 JPY $000	2015 EUR $000	2015 GBP $000
Foreign currency risk					
Cash	2,059	311	30	28	16
Trade debtors	31,965	3,747	2,002	78	231
Trade creditors	(339)	–	–	–	–
Net Statement of Financial Position exposure before hedging activity	33,685	4,058	2,032	106	247
Estimated forecast sales	275,581	49,424	17,255	5,879	1,785
Estimated forecast purchases	(62,173)	(16,613)	–	–	–
Net cash flow exposure before hedging activity	247,093	36,869	19,287	5,985	2,032
Forward exchange contracts and options	(186,411)	(19,258)	(12,174)	–	–
Net un-hedged exposure	**60,682**	**17,611**	**7,113**	**5,985**	**2,032**

(figures are NZD)	2014 USD $000	2014 AUD $000	2014 JPY $000	2014 EUR $000	2014 GBP $000
Foreign currency risk					
Cash	201	(29)	128	4	–
Trade debtors	22,890	1,841	62	643	270
Trade creditors	(1,187)	–	–	–	–
Net Statement of Financial Position exposure before hedging activity	21,904	1,812	190	647	270
Estimated forecast sales	284,212	35,405	12,759	3,731	4,357
Estimated forecast purchases	(81,983)	(16,119)	–	–	–
Net cash flow exposure before hedging activity	224,133	21,098	12,949	4,378	4,627
Forward exchange contracts	(154,513)	(16,554)	(10,439)	–	–
Net un-hedged exposure	**69,620**	**4,544**	**2,510**	**4,378**	**4,627**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

(j) Interest rate risk – repricing analysis

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

	2015 Total $000	6 months or less $000	6–12 months $000	1–3 years $000	3–4 years $000	4–5 years $000
Cash and cash equivalents	5,960	5,960	–	–	–	–
Bank overdrafts	(56,218)	(56,218)	–	–	–	–
Bank loans	(98,562)	(98,562)	–	–	–	–
Interest rate swaps						
Notional cash inflows	190,000	190,000	–	–	–	–
Notional cash outflows	(190,000)	–	(10,000)	(45,000)	(50,000)	(85,000)
Total variable rate	**(148,820)**	**41,180**	**(10,000)**	**(45,000)**	**(50,000)**	**(85,000)**

	2014 Total $000	6 months or less $000	6–12 months $000	1–3 years $000	3–4 years $000	4–5 years $000
Cash and cash equivalents	2,464	2,464	–	–	–	–
Bank overdrafts	(18,285)	(18,285)	–	–	–	–
Bank loans	(160,076)	(160,076)	–	–	–	–
Interest rate swaps:						
Notional cash inflows	160,000	160,000	–	–	–	–
Notional cash outflows	(160,000)	–	(40,000)	(35,000)	(20,000)	(65,000)
Total variable rate	**(175,897)**	**(15,897)**	**(40,000)**	**(35,000)**	**(20,000)**	**(65,000)**

(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 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.

The table below provides an estimate of the impact on the Group's profit after tax if the USD or interest rates changed by 1%.

	2015 $000 –1% change	**2015 $000 +1% change**	2014 $000 –1% change	2014 $000 +1% change
USD	2,063	(2,063)	868	(868)
Interest rate	1,284	(1,284)	1,260	(1,260)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

(m) Master netting or similar arrangements

Sanford enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts, because the rights to offset is enforceable only on the occurrence of future events such as default on the bank loans or other credit events.

Net derivatives position under ISDA agreements

	2015 $000	2014 $000
Derivative assets	–	2,266
Derivative liabilities	(40,760)	(2,848)
Net amount	**(40,760)**	**(582)**

(n) Classification and determination of fair values

	2015				
	Fair Value through Profit or Loss $000	Loans and Receivables $000	Available-for-sale $000	Total Carrying Amount $000	Fair Value $000
Assets					
Investments					
Shares in other companies	–	–	135	135	135
Total non-current assets	**–**	**–**	**135**	**135**	**135**
Trade debtors	–	51,305	–	51,305	51,305
Cash and cash equivalents	–	5,960	–	5,960	5,960
Other debtors – advance to associates	–	527	–	527	527
Total current assets	**–**	**57,792**	**–**	**57,792**	**57,792**
Total assets	**–**	**57,792**	**135**	**57,927**	**57,927**
Liabilities					
Derivative financial instruments					
Forward exchange contracts	17,235	–	–	17,235	17,235
Interest rate swaps	4,927	–	–	4,927	4,927
Foreign exchange options	15,919	–	–	15,919	15,919
Fuel contracts	2,679	–	–	2,679	2,679
	40,760	**–**	**–**	**40,760**	**40,760**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

(n) Classification and determination of fair values (continued)

	2014				
	Fair Value through Profit or Loss $000	Loans and Receivables $000	Available-for-sale $000	Total Carrying Amount $000	Fair Value $000
Assets					
Investments					
Shares in other companies	–	–	135	135	135
Total non-current assets	**–**	**–**	**135**	**135**	**135**
Trade debtors	–	60,235	–	60,235	60,235
Cash and cash equivalents	–	2,464	–	2,464	2,464
Other debtors – advance to associates	–	235	–	235	235
Derivative financial instruments					
Forward exchange contracts	982	–	–	982	982
Interest rate swaps	1,284	–	–	1,284	1,284
Foreign exchange options	–	–	–	–	–
Fuel contracts	–	–	–	–	–
Total current assets	**2,266**	**62,934**	**–**	**65,200**	**65,200**
Total assets	**2,266**	**62,934**	**135**	**65,335**	**65,335**
Current liabilities					
Derivative financial instruments					
Foreign exchange options	2,848	–	–	2,848	2,848
Total liabilities	**2,848**	**–**	**–**	**2,848**	**2,848**

In 2015 and 2014 bank loans, bank overdraft, trade creditors and other payables are all held at other amortised cost.

Determining Fair values

(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. The fair value of fuel contracts is estimated using forward fuel prices at reporting date.

The interest rates used for the determination of fair value for interest rate swaps and receivables are as follows:

	2015	2014
Interest rate swaps	3.22% – 4.77%	3.18% – 4.8%

(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.

(o) Fair value hierarchy

There are three different levels of valuation method, 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).

All derivative financial instruments are valued using the Level 2 valuation method (2014: Level 2).

Total related gains/(losses) recognised in other comprehensive income during the period was a loss of $25.3m (2014: $9.5m loss).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 21 – TERM LOANS

Group

Facilities, interest rate ranges, expiry dates and balances of term loans for the Group is as follows:

	2015		
	Facility $000	**Expiry Date**	**Balance $000**
Current liabilities	10,402	October 2015	10,402
Non-current liabilities			
Term loans (secured)			
3 year	40,000	April 2018	25,000
4 year	60,000	April 2019	38,160
5 year	65,000	April 2020	25,000
	175,402		**98,562**

	2014		
	Facility $000	Expiry Date	Balance $000
Non-current liabilities			
Term loans (secured)			
2 year	10,406	October 2015	10,406
2 year	45,000	June 2016	39,670
3 year	50,000	July 2017	40,000
4 year	50,000	July 2018	25,000
5 year	50,000	June 2019	45,000
	205,406		**160,076**

The above interest rates ranged from 3.305% – 5.44% (2014: 3.19% – 6.22%).

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

All borrowings are secured and subject to borrowing covenant arrangements. The Group has complied with all covenants during the period (September 2014: all covenants were complied with).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 22 – OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2015 $000	2014 $000
Less than one year	4,726	3,481
Between one and five years	15,573	10,906
More than five years	28,153	15,367
	48,452	**29,754**

The Group 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.

The Group acts as a lessor and lessee in respect of leasing certain annual catch entitlement (ACE) to and from other ACE holders in the industry.

	2015 $000	2014 $000
Lessor of ACE	10,740	11,507
Lessee of ACE	8,571	10,359

The leasing arrangements are for never more than one year and vary each year in respect of species and amount.

NOTE 23 – CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	2015 $000	2014 $000
Guarantees (Joint Operation)	10,125	10,125
Guarantees (Other)	3,942	3,263

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

(b) Commitments

	2015 $000	2014 $000
Commitments for capital expenditure (Joint Operation)	65	20
Commitments for capital expenditure (Other)	29,795	3,567

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 24 – RECONCILIATION OF PROFIT FOR THE PERIOD WITH THE NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 $000	2014 $000
Profit for the year (after tax)	**13,802**	**22,364**
Adjustments for non-cash items:		
Depreciation and amortisation	16,901	17,975
Impairment of property, plant and equipment	6,787	2,260
Impairment of intangible assets	6,500	–
(Gain) on business combination	–	(2,159)
Long term incentive plan fair value adjustment	97	10
Change in fair value of biological assets	(1,944)	(4,105)
Change in fair value of fuel swaps	118	–
Change in fair value of interest rate swaps	(77)	(351)
Change in fair value of foreign exchange options	1,632	3,691
Change in fair value of foreign exchange contracts	3,213	826
Equity accounted (profit) in associated companies	(1,190)	(918)
(Decrease) increase in deferred taxation	(2,450)	2,367
Unrealised foreign exchange losses (gains)	2,791	(4,026)
	32,378	**15,570**
Movement in working capital		
Decrease (increase) in debtors and prepayments	11,147	(4,216)
(Increase) in inventories	(1,422)	(1,527)
(Decrease) in creditors and other liabilities	(1,738)	(1,815)
Increase in current tax	938	3,857
	8,925	**(3,701)**
Items classified as investing activities		
(Gain) on sale of property, plant and equipment	(136)	(2,077)
Net loss on disposal of intangible asset	–	322
	(136)	**(1,755)**
Net cash inflows from operating activities	**54,969**	**32,478**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 25 – 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 – ASSOCIATES		TRANSACTION VALUE – JOINT OPERATION	
	2015 $000	2014 $000	2015 $000	2014 $000
Income/(Expenses)				
Management fees	248	248	–	–
Sales	–	–	2,824	4,025
Dividends received	664	1,119	–	–
Processing	(2,297)	(2,284)	–	–
Freight	(133)	(133)	–	–
Purchases	–	–	(20,370)	(24,610)
	(1,518)	**(1,050)**	**(17,546)**	**(20,585)**

	AMOUNTS OWING (TO) / FROM RELATED PARTIES	
	2015 $000	2014 $000
Associates	527	235
Joint Operation	1,937	450
	2,464	**685**

In respect of the joint operations the transaction values and amounts owing to/from are eliminated on consolidation and are therefore for information purposes.

Except for North Island Mussels Limited (NIML), no interest is charged on balances between New Zealand related parties. Interest is charged at market rates on balances with Australian subsidiaries and NIML. All related party balances are repayable on demand. Except for NIML, the parties have agreed not to call upon the loans within 12 months from balance date.

NOTE 26 – KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation comprised:

	2015 $000	2014 $000
Salary and short-term employee benefits	5,335	4,293
Directors' fees (Parent)	510	509
Share based payment	97	10
	5,942	**4,812**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 27 – GROUP ENTITIES

The Sanford Group comprises the following principal entities:

Name	2015 Interest Held (%)	2014 Interest Held (%)	Balance Date	Principal Activity
Subsidiaries:				
New Zealand				
Auckland Fish Market Limited	100	100	30 September	Auction
Sanford Fish Market Limited	100	–	30 September	Retail
Sanford Investments Limited	100	100	30 September	Investment company
Sanford LTI Limited	100	100	30 September	Holding company
Shellfish Production & Technology NZ limited	100	100	30 September	Research company
BreedCo Limited	80	80	30 September	Research company
Auckland Fishing Port Limited	67	67	31 March	Wharf company
Australia				
Sanford Australia Pty Limited	100	100	30 September	Fish catching and auction
Sanford Seafoods (Australia) Pty Limited	100	100	30 September	Holding company
Primestone Nominees Pty Limited	75	75	30 September	Seafood wholesaler
Joint Operation:				
North Island Mussels Limited	50	50	30 September	Mussel farming and seafood processing
Associates:				
New Zealand				
Perna Contracting Limited	50	50	31 March	Mussel harvesting
San Won Limited	50	50	30 September	Cold storage
New Zealand Japan Tuna Company Limited	46.74	46.74	30 September	Fish catching and processing
Live Lobster Southland (1995) Limited	25	25	31 March	Seafood processing
Trident Systems General Partner Limited	42.35	42.35	30 September	Research company
Precision Seafood Harvesting General Partner Limited	33.33	33.33	30 September	Research company
China				
Weihai Dong Won Food Company Limited	50	50	31 December	Seafood processing

NOTE 28 – ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

(a) Assets and Liabilities Classified as Held for Sale

	GROUP 2015 $000	GROUP 2014 $000
Property, plant & equipment at fair value (continuing operations)	9,095	580
Property, plant & equipment at fair value (discontinued operations)	9,094	–
Total assets held for sale	**18,189**	**580**
Liabilities (discontinued operations per note 28(b))	2,695	5,377
Total liabilities held for sale	**2,695**	**5,377**

As described in note 6, the Group has exited the mussel processing plant based in Christchurch, which is now marketed for sale. External valuers were engaged to assess the fair value of the various assets at this site, the result of which is to impair plant and equipment by $0.8m, which is recorded in the income statement.

Continuing unsatisfactory returns of the International Purse Seine (IPS) vessels driven by low prices and the strict commodity nature of skipjack tuna coupled with ever increasing access costs to the fishery, resulted in the decision to exit this business and offer the vessels for sale. The vessels were fair valued during the year, resulting in an impairment of $6m, which is recorded in the income statement.

Additionally during 2015 one of the vessels, the San Nanumea, has been sold, see note 8. Discussions with potential purchasers of the remaining IPS vessel San Nikunau are continuing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 28 – ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

(b) Discontinued Operations

With the decision to exit the IPS business, the results of this operation are now disclosed in discontinued operations.

	2015 $000	2014 $000
(i) Assets		
Property, plant and equipment	9,094	23,335
Other debtors and prepayments	–	451
Inventories	–	1,694
Total	**9,094**	**25,480**
(ii) Liabilities		
Other creditors, provisions and accruals	1,440	1,173
Deferred taxation	1,255	4,204
Total	**2,695**	**5,377**
(iii) Income statement		
Revenue	11,030	18,347
Operating expenses	(19,106)	(33,964)
Restructuring	(692)	–
Impairment	(5,998)	–
Loss before income tax	**(14,766)**	**(15,617)**
Income tax benefit	4,125	4,366
Loss for the year	**(10,641)**	**(11,251)**
(iv) Cash flows		
Operating cash flows	(6,674)	(11,739)
Investing cash flows	7,180	(1,288)
Total	**506**	**(13,027)**

NOTE 29 – BUSINESS ACQUISITIONS

On 24 October 2014, the Group acquired the business of Wynyard Seafood Market Limited and its subsidiary Bar of Wynyard Limited, which up to that date was one of the lessees at 22 Jellicoe Street, Auckland. Total cash consideration of $1.9m was funded from existing facilities.

On 9 May 2014, the Group acquired the business of Greenshell New Zealand Limited (in receivership). The acquisition price was $13.9m resulting in a bargain purchase gain of $2.2m. The bargain purchase gain arose from the acquiree companies being in receivership and had been recorded in other income in the income statement for the year ended 30 September 2014. The assets purchased and the fair value assigned to each category of asset were as follows:

	$m
Marine farm licences	10.3
Marine farm structures	1.0
Mussels in the water	2.1
Farming vessels	3.5
Land and buildings	0.4
Spat quota	0.1
Other assets	0.4
Deferred tax liability	(0.7)
Finance lease	(1.0)
Total fair value of assets acquired	**16.1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

NOTE 30 – RECONCILIATION OF PREVIOUSLY REPORTED STATEMENTS

	12 months ended 30 September 2014 $000	Disclosure Change (i) $000	Disclosure Change (ii) $000	Discontinued Operations (iii) $000	12 months ended 30 September 2014 (restated) $000
Revenue	452,424	17,563	(9,466)	(18,347)	442,174
Cost of sales	(381,229)	135	9,466	32,683	(338,945)
Gross profit	**71,195**	**17,698**	**–**	**14,336**	**103,229**
Other income	11,891	–	–	(933)	10,958
Distribution expenses	(28,698)	–	–	350	(28,348)
Administrative expenses	(16,735)	–	–	883	(15,852)
Other expenses	(10,396)	–	–	981	(9,415)
Operating profit	**27,257**	**17,698**	**–**	**15,617**	**60,572**
Finance income	13,524	(13,140)	–	–	384
Finance expenses	(9,972)	(4,558)	–	–	(14,530)
Net finance income	**3,552**	**(17,698)**	**–**	**–**	**(14,146)**
Share of profit of equity accounted investees	918	–	–	–	918
Profit before income tax	**31,727**	**–**	**–**	**15,617**	**47,344**
Income tax expense	(9,363)	–	–	(4,366)	(13,729)
Profit for the year from continuing operations	**22,364**	**–**	**–**	**11,251**	**33,615**
Loss for the year from discontinued operations	–	–	–	(11,251)	(11,251)
Profit for the year	**22,364**	**–**	**–**	**–**	**22,364**

(i) Presentation of foreign exchange gains or losses

Foreign exchange rate gains and losses arising from the trading performance of the Group has historically been disclosed below operating profit in finance income and expenses. For this year end the Directors have determined that such gains and losses are more appropriately disclosed in revenue and cost of goods sold. Comparatives disclosures have been restated to reflect this disclosure change, the impact of which is highlighted in the table above, per disclosure change(i).

If the historic presentation approach for disclosure change(i) had been applied to the results for 30 September 2015, both revenue and cost of goods sold would be lower by $3.4m and $0.7m respectively, with the net difference recorded in finance income. The change in presentation of foreign currency exchange gains and losses results in cash flow presentational changes. Specifically the payments to suppliers and employees and receipts from customers reduce by equal amounts, which for the year ended 30 September 2014 is $0.09m.

(ii) Presentation of result from Auckland Fish Market

Sanford's wholly owned subsidiary Auckland Fish Market acts as an agent in the provision of seafood auction services to local and national businesses. The comparatives have been restated to reflect this agency relationship which results in revenue and cost of goods sold to fall/increase by offsetting amounts of $9.5 million; there is no change to profit, see disclosure change (ii) above.

(iii) Removal of Discontinued Operations

As detailed in note 28, the IPS business is treated as a discontinued operation and has been separately disclosed.

Additionally the 30 September 2014 comparatives in respect of the investing and financing cash flows have been restated for a classification change in respect of contributions in advance, which are more appropriately disclosed as investing activities, and a presentation change for proceeds from borrowings and repayment of term loan, which have been restated to correctly disclose the gross cash flow issued and repaid. The restatement results in the grossing up of proceeds from borrowings ($23.7m) and repayment of term loans ($26.2m) and contributions received in advance ($2.5m).

NOTE 31 – SUBSEQUENT EVENTS

There are no events occurring after the reporting period that require disclosure (2014: none).

INDEPENDENT AUDITOR'S REPORT

KPMG

TO THE SHAREHOLDERS OF SANFORD LIMITED

We have audited the accompanying consolidated financial statements of Sanford Limited and its subsidiaries ("the group") on pages 79 to 114. The financial statements comprise the consolidated statement of financial position as at 30 September 2015, the consolidated income statement and consolidated 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.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the consolidated financial statements

The directors are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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 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 consolidated financial statements.

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

Our firm has also provided other services to the group in relation to sustainability assurance and IT advisory. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Opinion

In our opinion, the consolidated financial statements on pages 79 to 114 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Sanford Limited as at 30 September 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

18 November 2015

Auckland

STATUTORY INFORMATION

SHAREHOLDING ANALYSIS
AS AT 4 NOVEMBER 2015

	Number of Shareholders	%	Number of Shares	%
Size of Holding				
1 – 999	474	22.20	208,433	0.23
1,000 – 4,999	995	46.60	2,094,478	2.24
5,000 – 9,999	300	14.05	1,963,311	2.10
10,000 – 49,999	282	13.21	5,547,904	5.92
50,000 – 99,999	33	1.55	2,274,860	2.42
Over 100,000	51	2.39	81,537,749	87.09
	2,135	**100.0**	**93,626,735**	**100.0**

TWENTY LARGEST SHAREHOLDERS
AS AT 4 NOVEMBER 2015

	Number of Shares
Shareholder	
Amalgamated Dairies Limited	30,671,567
Avalon Investment Trust Limited	12,993,554
New Zealand Central Securities Depository Limited [1]	8,708,555
Masfen Securities Limited	3,879,605
Cazna (2904) Limited	3,434,370
Investment Custodial Services Limited	2,785,091
Waikato Investment Company Limited	2,576,580
Sterling Nominees Limited	2,159,037
Kevin Glen Douglas & Michelle McKenney Douglas – K & M Douglas A/C)	1,330,182
3640 Limited	1,297,731
Cazna (JAG) Limited & Cazna (JAG2) Limited – J A Goodfellow A/C	1,182,012
Ryca Investments Limited	720,328
NZ Guardian Trust Company Limited – A/c 01036200	699,994
James Douglas & Jean Ann Douglas – Douglas Family A/C	593,721
Kevin Douglas & Michelle Douglas – Douglas Irrevocable A/C	593,503
Sealord Holdings Limited	534,750
Vela Holdings Limited	531,404
The Goodfellow Foundation Incorporated	518,687
Mary Dorcas Spackman	500,000
Auckland Medical Research Foundation	494,920

[1] New Zealand Central Securities Depository Limited provides a custodial depository service to institutional shareholders and does not have a beneficial interest in these shares. Its major holders are:

Citibank Nominees (New Zealand) Limited	2,229,979
HSBC Nominees (New Zealand) Limited	1,951,076
BNP Paribas Nominees (NZ) Limited	1,420,246
National Nominees New Zealand Limited	1,403,537
Accident Compensation Corporation	650,790

STATUTORY INFORMATION

SUBSTANTIAL PRODUCT HOLDERS

According to substantial product holder notices given to the Company under the Financial Markets Conduct Act 2013, as at 30 September 2015 the following were substantial product holders in the Company through having a relevant interest in the Company's ordinary shares as shown below.

	Number of Voting Securities	Date of Notice
Avalon Investment Trust Limited	8,606,054	23 February 2006
Amalgamated Dairies Limited	35,059,067*	23 February 2006
Paul Gerard Keeling and Edgar William Preston	35,992,017*	23 February 2006

The total number of Voting Securities of Sanford Limited on issue as at 30 September 2015 was 93,527,172.

Because of the provisions of the Financial Markets Conduct Act 2013 more than one relevant interest can exist in the same Voting Security.

* Because Messrs Keeling and Preston have a relevant interest in Amalgamated Dairies Limited, the shares held by Amalgamated Dairies Limited are included in the shares in which Messrs Keeling and Preston have a relevant interest.

DIRECTORS' SHAREHOLDING
AS AT 30 SEPTEMBER 2015

	BENEFICIAL INTEREST		NON BENEFICIAL INTEREST		ASSOCIATED PERSONS	
	2015	2014	**2015**	2014	**2015**	2014
E M Coutts	24,000	24,000	–	–	–	–
M G Cowsill	10,000	10,000	–	–	–	–
P J Goodfellow	127,200	127,200	–	–	–	–
W B Goodfellow	146,049	146,049	–	–	500	500
P N Kean	5,000	–	–	–	–	–
P G Norling	43,500	43,500	–	–	–	–
J G Todd*	–	1,000	–	55,076	–	–

* Retired December 2014

SHARE DEALINGS BY DIRECTORS

Directors acquired shares during the year as follows:

	Number of Shares Acquired	Consideration Paid	Date
P N Kean	2,000	$9,520	23 December 2014
P N Kean	3,000	$14,550	9 February 2015

INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, the Company has given indemnities to, and has effected insurance for, the directors and executives of the Company and it's related companies which, except for some specific matters that are expressly excluded, indemnify and insure directors and executives against monetary losses as a result of actions undertaken by them in the course of their duties. Specifically excluded are certain matters, such as the incurring of penalties and fines, which may be imposed for breaches of law.

STATUTORY INFORMATION

EMPLOYEES' REMUNERATION

	NUMBER OF EMPLOYEES	
	2015	2014
$100,000 – $109,999	16	20
$110,000 – $119,999	15	14
$120,000 – $129,999	5	6
$130,000 – $139,999	6	7
$140,000 – $149,999	10	4
$150,000 – $159,999	4	3
$160,000 – $169,999	1	1
$170,000 – $179,999	3	2
$180,000 – $189,999	2	1
$190,000 – $199,999	1	–
$210,000 – $219,999	1	2
$220,000 – $229,999	3	1
$230,000 – $239,999	1	–
$240,000 – $249,999	–	1
$260,000 – $269,999	2	–
$290,000 – $299,999	–	1
$310,000 – $319,999	1	–
$340,000 – $349,999	1	1
$350,000 – $359,999	–	1
$400,000 – $409,999	1	–
$420,000 – $429,999	–	1
$430,000 – $439,999	–	1
$450,000 – $459,999	1	–
$600,000 – $609,999	1	–
$700,000 – $709,999	–	1
$710,000 – $719,999	1	–
$970,000 – $979,999	1	–

DIRECTORS' REMUNERATION

	DIRECTOR'S FEES		SALARY, BENEFITS AND OTHER PAYMENTS	
	2015	2014	**2015**	2014
E F Barratt	–	–	–	984,034
E M Coutts	80,000	80,000	–	–
M G Cowsill	80,000	77,500	–	–
P J Goodfellow	70,000	70,000	–	–
W B Goodfellow	70,000	70,000	–	–
P N Kean	62,500	–	–	–
P G Norling	116,250	86,667	–	–
J G Todd	31,250	125,000	–	–

CORPORATE DIRECTORY

BOARD OF DIRECTORS

P G Norling, Chairman
E M Coutts
M G Cowsill
P J Goodfellow
W B Goodfellow
P N Kean

EXECUTIVE MANAGEMENT

Volker Kuntzsch, Chief Executive Officer
Greg Johansson, Chief Operating Officer
Clement Chia, Chief Financial Officer
Claire Walker, Chief People Officer

REGISTERED OFFICE

22 Jellicoe Street
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Email info@sanford.co.nz

PRINCIPAL BANKERS

ANZ Bank New Zealand Limited
Bank of New Zealand
Rabobank New Zealand Limited

SOLICITORS

Chapman Tripp
Fletcher Vautier Moore

GROUP AUDITORS

KPMG, Auckland

STOCK EXCHANGE

The Company's shares trade on the New Zealand Stock Exchange (NZX).

NZX Trading Code: SAN

The minimum marketable parcel on the Exchange is 100 shares (price $2 to $5 per share) or 50 shares (price $5 to $10 per share)

SHARE REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road,
Takapuna, North Shore City 0622
Private Bag 92119, Victoria Street West
Auckland 1142, New Zealand

Telephone +64 9 488 8777
Facsimile +64 9 488 8787

ENQUIRIES

Shareholders with enquiries about transactions, change of address or dividend payments should contact Computershare Investor Services Limited.

Telephone +64 9 488 8777
Email enquiry@computershare.co.nz

Other queries should be directed to the General Manager Risk and Corporate Affairs at the Registered Office.

ANNUAL MEETING

The Annual Meeting will be held at 2.00pm Wednesday 16th December 2015 at the Viaduct Events Centre, 161 Halsey Street, Wynyard Quarter, Auckland 1010

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SANFORD

BEAUTIFUL
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SEAFOOD