SANFORD
INTERIM REPORT
2015

**PEOPLE
WITH
PASSION**


1433
PEOPLE
FROM
AUCKLAND
COROMANDEL
TAURANGA
NELSON
HAVELOCK
TIMARU
WAITAKI
KAITANGATA
BLUFF
STEWART ISLAND
& MELBOURNE
WITH PASSION
FOR THE SEA.

Interim Report to Shareholders

FOR THE SIX MONTHS ENDED 31 MARCH 2015

The Directors are pleased to present the Interim Report of Sanford Limited for the six months ended 31 March 2015.

For and on behalf of the Board of Directors:

P G NORLING
Chairman
25 May 2015

E M COUTTS
Director
25 May 2015

CONTENTS

Passion for the sea
Passion for its product

OVERVIEW

EBITDA for the period improved significantly by 18.1% to $33.9m ($28.7m prior year) on similar revenue, mainly due to lower fuel prices and changes in product and species mix. Net profit after tax, however, decreased by 18.3% to $9.6m this period ($11.7m prior year), primarily due to impairments of $6.8m (pre-tax) of our fleet and our mussel processing facility in Christchurch.

Consolidated Interim Income Statement

	Unaudited 6 months ended 31 March 2015 $000	Unaudited 6 months ended 31 March 2014 (i) restated $000	Audited 12 months ended 30 September 2014 (i) restated $000
Revenue	**225,980**	**225,659**	**469,987**
EBITDA[(ii)]	**33,896**	**28,692**	**64,372**
Depreciation and amortisation	(8,942)	(9,047)	(17,975)
Impairment	(6,787)	–	(2,260)
EBIT[(ii)]	**18,167**	**19,645**	**44,137**
Net interest	(4,886)	(4,545)	(9,607)
Non-trading currency exchange (losses) gains	(4)	725	(4,558)
Net gain on sale of investments, property, plant and equipment	58	435	1,755
Profit before income tax	**13,335**	**16,260**	**31,727**
Income tax expense	(3,772)	(4,549)	(9,363)
Profit for the period	**9,563**	**11,711**	**22,364**
Profit attributable to:			
Equity holders of the Group	9,554	11,757	22,430
Non-controlling interest	9	(46)	(66)
	9,563	**11,711**	**22,364**

(i) Certain amounts shown here do not correspond to the Interim Report as at 31 March 2014 and the Annual Report as at 30 September 2014 and reflect adjustments made as detailed in Note 14: Disclosure Change.

(ii) For a comprehensive definition and reconciliation of this measure to the GAAP measure of net profit refer to page 9 of this report.

DIVIDEND

Directors have decided to maintain the interim dividend at 9 cents per share which will be payable 19 June 2015.

Chairman and CEO's Report

HIGHLIGHTS

The financial result is satisfactory given the largely lacklustre international markets during most of the period. Weak currencies in some of our important export markets, coupled with the political situation in other areas have led to significant shortfalls in revenue during the first part of the reporting period. Commodity prices for pelagic species, especially Skipjack tuna, decreased further from an already low base. The international Greenshell mussel market was oversupplied for a short while, leading to a reduction in prices. However, the remainder of our portfolio experienced stable prices and good demand.

From a slow start, total revenue improved greatly towards the end of the reporting period resulting in similar revenue to the prior year.

We appointed a brand agency at the beginning of this financial year and embarked on a global customer survey to understand our reputation and identify opportunities for improvement. The shift in focus on fishing and aquaculture towards becoming a customer oriented food manufacturing entity has found a lot of support with Sanford's customer base. The resulting change in culture and increasing attention to adding value, through innovation and a continuous improvement initiative, are exciting elements of our longer term journey towards realising our vision of becoming the best seafood company in the world.

HEALTH & SAFETY

The introduction of Health & Safety Coordinators across all of Sanford's sites and highlighting the importance of a safe workplace through transparent discussion of incidents amongst our employees have contributed to a greater awareness of this important key performance indicator and a downward trend in lost time injuries.

The Maritime Operator Safety System (MOSS), as introduced by Maritime New Zealand, is in the process of being implemented across our fleet to underpin the organisation's commitment to adopting high standards of effective safety management.

FISHING

Through lower fuel prices and generally good catches our fishing operations out performed management's expectations. Our inshore, deepwater and international purse seine fleets performed well, while our freezer longliners, *San Aotea II* and *San Aspiring*, catching toothfish in the Ross Sea, had a less successful season this year.

Our three freezer trawlers, *San Waitaki*, *San Discovery*, and *San Enterprise* had a good first half of the year across a variety of deepwater species.

After the sale of one of our international purse seiners last year, the remaining two vessels, *San Nanumea* and *San Nikunau*, had an improved Skipjack tuna fishing season, especially within the New Zealand Exclusive Economic Zone. Catches approximated those made with three vessels last year, but increases in access costs to the fishing grounds around the South Pacific Islands and further reductions in the international Skipjack commodity price continue to undermine the performance of this part of our business.

Sanford's smaller inshore purse seiners, fishing out of Tauranga, had less success with Skipjack tuna, but made up for this shortfall with good jack mackerel catches.

Our scampi vessels did well over the last six months and catches were ahead of expectations. The Timaru and Auckland based inshore vessels are performing well, delivering good volumes of high quality fish.

We charter three vessels from two Korean companies to support an efficient utilisation of our annual quota. They enable us to harvest species that require specialist fishing skills, for example squid, and are operated in line with how we operate our own vessels, such as implementing MOSS. These vessels had a very good squid season and catches are well above last year.

Surplus annual catch entitlement (ACE) of species in excess of our internal requirements or catching capacity is traded with other fishers. This trading activity has delivered a return similar to last year.

The Precision Seafood Harvesting project, as part of the Primary Growth Partnership programme between industry and Government, is making very encouraging progress in introducing a paradigm shift in the way fish is caught. This initiative strongly supports our commitment to improving the sustainability of the resources we depend on, while optimising the quality of the product we provide.

In accordance with company policy and good governance practice, we review the carrying value of our fleet of approximately 50 vessels on an ongoing basis. As a result of our latest review we decided to take a $6m non-cash write down on our fleet carrying value in the reported period.

AQUACULTURE

After a successful prior year, our aquaculture business was impacted during this reporting period by weak European currencies and political issues arising in some of our most important export markets, which subsequently led to reduced demand and the need to adjust pricing downward. The supply and demand balance has corrected itself towards the end of the reporting period. The price reductions only materialised during the second quarter and were supported to some degree by a weakening NZ dollar. The impact on our result was therefore relatively limited when compared with the prior year's result.

More recently, however, supply has been adversely impacted by cyclical biological circumstances, for instance lower meat yield due to environmental conditions, and we expect a reduction in throughput during the second half of this financial year. Improvements in operational efficiency through better capacity utilisation is expected to reduce the financial consequences to a degree.

The mussel industry relies on natural mussel spat (juvenile mussels) to farm Greenshell mussels. The spat is collected from beaches or through settling on ropes which have been deployed for this purpose. Weather patterns and other naturally occurring biological impacts lead to an unpredictable spat supply. We are, therefore, excited to have recently opened the first Greenshell mussel hatchery. SPATnz is the outcome of another successful Primary Growth Partnership with Government and we look forward to significantly reducing industry's dependency on naturally occurring spat as the programme develops.

Sanford's King salmon farming business continues on a steady basis and harvest volumes were similar to prior year during this reporting period. Sales volumes were in line with expectations, but below the prior comparable period, which benefited from stock sell down. Most of this species is being utilised as fresh fish in the domestic market. Due to greater feeding requirements in the summer, the result for the second half is expected to improve.

PROCESSING

Our operations across New Zealand include fish and mussel processing plants, ranging from packing whole frozen fish for commodity markets, to producing fish portions or frozen mussels on the half shell for international retail markets. Increasingly, with greater attention to adding more value to our resource, we are embarking on delivering fresh fish to domestic customers and international markets alike. The essential adoption of stringent food safety and quality standards and the benefits of a culture of continuous improvement throughout our operations is progressing well.

Chairman and CEO's Report

Sanford's fish processing facilities in Auckland, Bluff, Tauranga and Timaru have generally performed in line with expectations. Greater demand for fresh fish and larger landings of pelagic species have resulted in higher expenses compared to the prior year and these have been addressed through improved capacity utilisation across our plants.

Subsequent to the reporting period we decided to close the Christchurch plant in order to better cope with these supply circumstances. Due to recent and forecasted shortfalls in Greenshell mussel supply we had to address our processing capacity across Christchurch, Havelock and Tauranga plants. An impairment of $0.8m has been recognised in the result presented in this report.

The closure of our Christchurch operation has directly impacted 232 of our staff. However, with the site management's outstanding efforts and the support of employers in and around Christchurch we are extremely pleased to note that a large number of alternative job offers have come forward. It is our endeavour to find a new workplace for all of our employees.

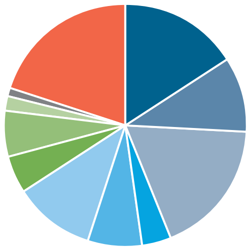
We are extremely grateful to our staff for their understanding despite the fact this was a difficult situation to deal with.

MARKETS AND SPECIES

Currency weaknesses in a number of our markets and political tension between Russia and Ukraine, which led to the diversion of large volumes of seafood from most fishing nations to alternative markets, has had a significant impact on our ability to sell products at consistent volumes and prices. The period was marked by a few months of reduced sales compared to the prior year and prices were under pressure for larger commodity items like Greenshell mussels, hoki fillet block and Skipjack tuna, especially in Euro denominated markets.

The chart below indicates the spread of our product across markets and the changes from the prior year in terms of revenue.

Sales by Geographical Location of Customers YTD March 2015 (March 2014) NZD

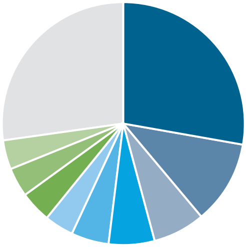


Australia	16% (18%)
Europe	10% (13%)
North America	18% (17%)
Japan	4% (4%)
China/Hong Kong	7% (6%)
Korea	11% (9%)
Other Asia	5% (5%)
Africa	6% (3%)
Middle East	2% (2%)
Pacific	0% (3%)
Other	1% (1%)
New Zealand	20% (19%)

In spite of the challenging international market, total sales revenue has remained similar to prior year, mainly due to a larger proportion of higher value species, e.g. scampi and good fresh fish demand domestically.

As a result of an abundant catch throughout the reporting period, Skipjack tuna prices continued to decrease further from last year, reaching the lowest level in 5 years.
The geographic spread and the diversity of our species portfolio have enabled us, over the years, to reduce the impact of commodity price fluctuations by a considerable degree.

Sales Revenue by Major Species YTD March 2015 (March 2014)



Greenshell Mussels	28% (30%)
Hoki	11% (9%)
King Salmon	7% (9%)
Scampi	6% (4%)
Skipjack Tuna	5% (6%)
Snapper	4% (5%)
Ling	4% (3%)
Arrow Squid	4% (3%)
Jack Mackerel	4% (3%)
Other Species	27% (28%)

With the emphasis on minimising the commodity aspect of our product and creating value through optimising the share of fresh fish and customer focused product development, the variability of dealing in a large variety of species should diminish and predictability in performance is expected to improve.

INNOVATION

Sanford continues to play a leading role in the two large Primary Growth Partnership projects, both of which are expected to deliver long term strategic and financial benefits to Sanford and the industry, as well as providing many exciting development opportunities for the Company.

In addition to ongoing development of the more traditional products and processes to meet the changing needs of customers, investigatory work has been underway for some time on new process techniques to recover higher value products from underutilised outputs such as fish frames and skin. This represents an exciting new avenue for the Company and we hope to report further on this matter in our year end report.

AUSTRALIA

Sanford's Australian operations have performed below last year, mainly due to higher expenses and reduced volume through our Melbourne fish market. An action plan to more fully utilise our quota and a new strategy for the market have recently been developed to improve both the volume and overall business performance.

INVESTMENTS

North Island Mussels Limited (NIML)

Greenshell mussel crop supply to NIML, 50% owned by Sanford, has been in line with expectations, but the yield (meat/mussel ratio) was significantly lower than expected. This resulted in higher than expected production costs for the first six months of this financial year.

Weihai Dong Won Food Company Limited

Sanford owns 50% of this processing facility in Weihai, China. The plant produces a variety of breaded and battered seafood items from raw material that we supply from New Zealand. These are delivered to long standing discerning customers, predominantly in Japan and the USA. Profitability continues to be stable and in line with expectations.

IWI COLLECTIVE PARTNERSHIP (ICP)

Our partnership with the ICP, now comprising 14 Iwi, is a strategic business relationship that we value highly. This collaboration enables us to move forward together in improving Iwi's fishing industry operational knowledge, capability and financial returns from their catching rights, while improving our economies of scale. This link to the Maori community also provides us with a broader understanding of our place in, and impact as

Chairman and CEO's Report

citizens of this environment. The 2014-15 summer scholarship recipient Micheala Pardoe, Ngati Porou, now works in our quality assurance team in Tauranga and joins five other ICP young achievers who have successfully stepped into professional seafood careers via the Sanford-ICP scholarship programme.

FINANCIAL

Consolidated condensed income statement

Foreign exchange rate gains and losses arising from the trading performance of the Group have historically been disclosed below operating profit in finance income and finance expenses. For this interim period, and hereafter, such trading gains and losses are disclosed in revenue and cost of goods sold. This treatment better reflects the actual NZD collected/paid in the trading result of the Company. The comparative disclosures have been restated to reflect this disclosure change.

Financing

In May 2015 management successfully refinanced its debt financing over the next 5 years with its major bank partners, which will result in future annualised interest charge savings of $0.6 - $0.7 million.

Capital expenditure

Capital expenditure primarily reflects the SPATnz mussel spat hatchery development, and vessel surveys for *San Nikunau* and *San Aspiring*.

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

SIX MONTH OUTLOOK TO 30 SEPTEMBER 2015

Current lower mussel prices and supply will impact our aquaculture business. This will be largely mitigated by efficiency gains in our capacity utilisation. The lower than expected industry wide supply going forward is anticipated to provide upward pressure on pricing.

Due to a generally good demand for seafood globally and a growing focus on extending our fresh fish offering, we believe that average prices for our product portfolio should not come under any pressure. Furthermore, our increased inventory position at 31 March should facilitate an improved level of sales in the second half assisted by an anticipated improvement in our major currency USD cross rate and the hedging we have in place.

Weather permitting, we are looking forward to our fishing and salmon farming operations extending their catch/harvest performance of the first half into the remainder of this financial year.

The additional expertise in finance, supply chain management and procurement will deliver significant improvements in working capital management, sales and operational planning processes and the terms and conditions of negotiated contracts with suppliers.

We are pleased about the changes that have taken place within Sanford to date and look forward to further developing a strong and reliable seafood brand for all our stakeholders.

Directors and management thank all customers, colleagues and suppliers for their ongoing support.

P G Norling
Chairman

V Kuntzsch
Chief Executive Officer

25 May 2015

Non-GAAP Profit Measures

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford has also used non-GAAP measures when discussing financial performance in this document. The directors and management believe that these measures also provide useful information as they assist internal evaluation of divisional and total Company 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 and impairment, non-trading total currency exchange gains (losses) and gain on sales of intangible and long term assets.

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

GAAP to Non-GAAP Reconciliation

	Unaudited 6 months ended 31 March 2015 $000	Unaudited 6 months ended 31 March 2014 (i) restated $000	Audited 12 months ended 30 September 2014 (i) restated $000
Reported net profit for the period (GAAP)	**9,563**	**11,711**	**22,364**
Add back:			
Income tax expense	3,772	4,549	9,363
Net interest	4,886	4,545	9,607
Deduct:			
Non-trading exchange (losses) gains	(4)	725	(4,558)
Net gain on sale of investments, property, plant and equipment	58	435	1,755
EBIT	**18,167**	**19,645**	**44,137**
Add back:			
Depreciation and amortisation	8,942	9,047	17,975
Impairment of long term assets	6,787	–	2,260
EBITDA	**33,896**	**28,692**	**64,372**

(i) Certain amounts shown here do not correspond to the Interim Report as at 31 March 2014 and the Annual Report as at 30 September 2014 and reflect adjustments made as detailed in Note 14: Disclosure Change.

Consolidated Condensed Income Statement

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	Note	Unaudited 6 months ended 31 March 2015 $000	Unaudited 6 months ended 31 March 2014 (i) (restated) $000	Audited 12 months ended 30 September 2014 (i) (restated) $000
Revenue	14	225,980	225,659	469,987
Cost of sales	14	(174,973)	(184,993)	(381,094)
Gross profit		**51,007**	**40,666**	**88,893**
Other income	10, 11, 12	2,924	4,964	11,891
Distribution expenses		(14,576)	(14,001)	(28,698)
Administrative expenses		(9,966)	(7,017)	(16,735)
Other expenses	8	(11,402)	(4,811)	(10,396)
Operating profit		**17,987**	**19,801**	**44,955**
Finance income	14	185	779	384
Finance expenses	14	(5,063)	(4,585)	(14,530)
Net finance income		**(4,878)**	**(3,806)**	**(14,146)**
Share of profit of equity accounted investees		226	265	918
Profit before income tax		**13,335**	**16,260**	**31,727**
Income tax expense		(3,772)	(4,549)	(9,363)
Profit for the period		**9,563**	**11,711**	**22,364**
Profit attributable to:				
Equity holders of the Group		9,554	11,757	22,430
Non controlling interest		9	(46)	(66)
		9,563	**11,711**	**22,364**
Earnings per share				
Basic and diluted earnings per share (cents)		10.21	12.6	24.0

(i) Certain amounts shown above do not correspond to the Interim Report as at 31 March 2014 and the Annual Report as at 30 September 2014 and reflect adjustments made as detailed in Note 14: Disclosure Change.

Consolidated Condensed Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	Unaudited 6 months ended 31 March 2015 $000	Unaudited 6 months ended 31 March 2014 $000	Audited 12 months ended 30 September 2014 $000
Profit for the period (after tax)	**9,563**	**11,711**	**22,364**
Other comprehensive income			
Foreign currency translation differences	(854)	(695)	(147)
Change in fair value of cash flow hedges	(5,078)	3,594	(13,223)
Income tax on cash flow hedges	1,422	(1,006)	3,702
Share based payment expenses	41	–	10
Total other comprehensive income for the period	**(4,469)**	**1,893**	**(9,658)**
Total comprehensive income for the period	**5,094**	**13,604**	**12,706**
Total comprehensive income for the period is attributable to:			
Equity holders of the Group	5,105	13,662	12,772
Non controlling interest	(11)	(58)	(66)
Total comprehensive income for the period	**5,094**	**13,604**	**12,706**

Consolidated Condensed Statement of Financial Position

AS AT 31 MARCH 2015

	Note	Unaudited 6 months ended 31 March 2015 $000	Unaudited 6 months ended 31 March 2014 $000	Audited 12 months ended 30 September 2014 $000
Equity				
Paid in capital		94,971	95,355	95,152
Retained earnings		445,145	446,444	448,691
Other reserves		(2,975)	13,088	1,515
Total equity attributable to shareholders of the Company		**537,141**	**554,887**	**545,358**
Non controlling interest		472	491	483
Total equity		**537,613**	**555,378**	**545,841**
Non-current liabilities				
Bank loans (secured)	4	164,340	140,110	160,076
Contributions received in advance		3,589	–	2,510
Employee entitlements		1,907	1,744	1,895
Derivative financial instruments		4,164	–	–
Deferred taxation		8,629	16,055	12,041
Lease obligation		956	–	1,003
Total non-current liabilities		**183,585**	**157,909**	**177,525**
Current liabilities				
Bank overdraft and borrowings (secured)		26,176	16,375	18,285
Current portion of term loan (secured)	4	10,360	43,750	–
Derivative financial instruments		2,798	–	2,848
Trade creditors		12,109	14,581	11,304
Other creditors, provisions and accruals		15,619	13,429	14,258
Employee entitlements		6,221	5,795	6,763
Taxation payable		1,512	–	514
Total current liabilities		**74,795**	**93,930**	**53,972**
Total liabilities		**258,380**	**251,839**	**231,497**
Total equity and liabilities		**795,993**	**807,217**	**777,338**
Non-current assets				
Property, plant and equipment		120,751	129,433	128,769
Investments		10,654	10,645	10,438
Derivative financial instruments		146	–	–
Biological assets		10,855	9,401	10,510
Intangible assets		507,495	498,779	506,078
Total non-current assets		**649,901**	**648,258**	**655,795**
Current assets				
Cash on hand and at bank		5,225	8,187	2,464
Trade debtors		55,556	56,666	60,235
Derivative financial instruments		1,370	21,673	2,266
Other debtors and prepayments		17,432	19,841	8,427
Tax refund		–	295	–
Biological assets		12,048	11,128	12,549
Inventories		54,361	39,573	35,022
Non-current assets held for sale		100	1,596	580
Total current assets		**146,092**	**158,959**	**121,543**
Total assets		**795,993**	**807,217**	**777,338**

Consolidated Condensed Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	Note	Unaudited 6 months ended 31 March 2015 $000	Unaudited 6 months ended 31 March 2014 (i) restated $000	Audited 12 months ended 30 September 2014 (i) restated $000
Cash flows from operating activities				
Cash provided from:				
Receipts from customers	14	224,242	213,862	469,723
Interest received		170	40	365
Dividends received		12	14	20
		224,424	213,916	470,108
Cash applied to:				
Payments to suppliers and employees	14	212,815	209,071	424,653
Income tax (received) paid		4,615	(840)	3,007
Interest paid		5,258	4,711	9,970
		222,688	212,942	437,630
Net cash flows from operating activities	5	**1,736**	**974**	**32,478**
Cash flows from investing activities				
Cash provided from:				
Sale of property, plant and equipment		548	913	6,714
Sale of intangible assets		–	–	1,934
Contributions received in advance		1,079	–	2,510
Sale of investments and subsidiaries		10	12	12
Dividends received from associates		–	260	1,119
		1,637	1,185	12,289
Cash applied to:				
Purchase of property, plant and equipment		7,847	8,203	12,301
Purchase of business	12	1,940	–	13,870
		9,787	8,203	26,171
Net cash flows from investing activities		**(8,150)**	**(7,018)**	**(13,882)**
Cash flows from financing activities				
Cash provided from:				
Proceeds from borrowings	4	19,624	22,391	24,250
Cash applied to:				
Repayment of term loan	4	5,000	600	26,243
Dividends paid to parent shareholders	6	13,100	13,108	21,534
Dividends paid to non controlling shareholders in subsidiaries		–	26	26
Purchase of own shares		222	–	213
		18,322	13,734	48,016
Net cash flows from financing activities		**1,302**	**8,657**	**(23,766)**
Net (decrease) increase in cash and cash equivalents		**(5,112)**	**2,613**	**(5,170)**
Effect of exchange rate fluctuations on cash held		(18)	(145)	5
Cash and cash equivalents at beginning of the period		(15,821)	(10,656)	(10,656)
Cash and cash equivalents at end of the period		**(20,951)**	**(8,188)**	**(15,821)**
Represented by:				
Bank overdraft and borrowings at call		(26,176)	(16,375)	(18,285)
Cash on hand and at bank		5,225	8,187	2,464
		(20,951)	**(8,188)**	**(15,821)**

(i) Certain amounts shown above do not correspond to the Interim Report as at 31 March 2014 and the Annual Report as at 30 September 2014 and reflect adjustments made as detailed in Note 14: Disclosure Change.

Consolidated Condensed Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	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 (audited)	**95,355**	**(203)**	**641**	**874**	**448,691**	**545,358**	**483**	**545,841**
Profit for the period (after tax)	–	–	–	–	9,554	9,554	9	9,563
Other comprehensive income								
Foreign currency translation differences	–	–	(834)	–	–	(834)	(20)	(854)
Change in fair value of cash flow hedges	–	–	–	(5,078)	–	(5,078)	–	(5,078)
Income tax on cash flow hedges	–	–	–	1,422	–	1,422	–	1,422
Share based payment and other expenses	–	41	–	–	–	41	–	41
Total comprehensive income	**–**	**41**	**(834)**	**(3,656)**	**9,554**	**5,105**	**(11)**	**5,094**
Acquisition of treasury shares	–	(222)	–	–	–	(222)	–	(222)
Distributions to shareholders	–	–	–	–	(13,100)	(13,100)	–	(13,100)
Balance at 31 March 2015 (unaudited)	**95,355**	**(384)**	**(193)**	**(2,782)**	**445,145**	**537,141**	**472**	**537,613**
Balance at 1 October 2013 (audited)	**95,355**	**–**	**788**	**10,395**	**447,795**	**554,333**	**575**	**554,908**
Profit for the period (after tax)	–	–	–	–	11,757	11,757	(46)	11,711
Other comprehensive income								
Foreign currency translation differences	–	–	(683)	–	–	(683)	(12)	(695)
Change in fair value of cash flow hedges	–	–	–	3,594	–	3,594	–	3,594
Income tax on cash flow hedges	–	–	–	(1,006)	–	(1,006)	–	(1,006)
Total comprehensive income	**–**	**–**	**(683)**	**2,588**	**11,757**	**13,662**	**(58)**	**13,604**
Distributions to shareholders	–	–	–	–	(13,108)	(13,108)	(26)	(13,134)
Balance at 31 March 2014 (unaudited)	**95,355**	**–**	**105**	**12,983**	**446,444**	**554,887**	**491**	**555,378**
Balance at 1 October 2013 (audited)	**95,355**	**–**	**788**	**10,395**	**447,795**	**554,333**	**575**	**554,908**
Profit for the period (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	–	(213)	–	–	–	(213)	–	(213)
Distributions to shareholders	–	–	–	–	(21,534)	(21,534)	(26)	(21,560)
Balance at 30 September 2014 (audited)	**95,355**	**(203)**	**641**	**874**	**448,691**	**545,358**	**483**	**545,841**

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

1. General Information

Sanford Limited is a profit-oriented 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. Sanford's condensed interim financial statements comply with these Acts.

The financial statements presented are the consolidated financial statements of the Company, its subsidiaries, joint arrangements and associates (the Group) for the six months ended 31 March 2015.

The interim financial statements are prepared in accordance with NZ IAS 34: *Interim Financial Reporting*. The interim financial statements and the comparative information for the six months ended 31 March 2014, are unaudited. The comparative information for the year ended 30 September 2014 is audited.

2. Accounting Policies

There have been no changes in accounting policies. All 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 a disclosure change is described at note 14.

The interim financial statements should be read in conjunction with the financial statements for the year ended 30 September 2014.

3. 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 the operating profit or loss. Capital expenditure consists of additions of property, plant and equipment.

The Group's key 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 operation farms, harvests and processes mussels and salmon.
- International purse seiners – Sanford's two Pacific tuna vessels operate in international waters and are specifically designed for tuna fishing.

The Group has determined that the above operating segments should be aggregated to form one reportable segment to reflect the harvesting, processing and selling of seafood products. Further information on segment reporting is included in the financial statements for the year ended 30 September 2014.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

3. Segment Reporting (continued)

(a) Income and expenditure

	New Zealand			Australia		
	Unaudited 31 March 2015 $000	Unaudited 31 March 2014 $000	Audited 30 September 2014 $000	Unaudited 31 March 2015 $000	Unaudited 31 March 2014 $000	Audited 30 September 2014 $000
Total external revenues	212,424	210,360	442,893	13,556	15,299	27,094
Inter–segment revenue	1,952	1,717	2,511	–	–	–
Segment revenue	214,376	212,077	445,404	13,556	15,299	27,094
Segment profit for the period	**9,210**	**11,263**	**21,926**	**127**	**183**	**(480)**
Share of profit of equity accounted investees						
Reported profit for the period						

Inter-segment Transactions

Inter-segment revenues are eliminated upon consolidation and reflected in the eliminations column.

(b) Assets and liabilities

	New Zealand		
	Unaudited 31 March 2015 $000	Unaudited 31 March 2014 $000	Audited 30 September 2014 $000
Segment assets	774,777	784,850	756,123
Investment in equity accounted investees	10,529	10,509	10,303
Total assets	**785,306**	**795,359**	**766,426**
Segment liabilities	240,187	232,610	212,181
Total liabilities	**240,187**	**232,610**	**212,181**
Capital expenditure	9,787	8,203	26,156
Depreciation and amortisation	8,878	8,981	17,836

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

Eliminations			Total		
Unaudited 31 March 2015 $000	Unaudited 31 March 2014 $000	Audited 30 September 2014 $000	Unaudited 31 March 2015 $000	Unaudited 31 March 2014 (restated) $000	Audited 30 September 2014 (restated) $000
–	–	–	225,980	225,659	469,987
(1,952)	(1,717)	(2,511)	–	–	–
(1,952)	(1,717)	(2,511)	225,980	225,659	469,987
–	**–**	**–**	**9,337**	**11,446**	**21,446**
			226	265	918
			9,563	**11,711**	**22,364**

Australia			Total		
Unaudited 31 March 2015 $000	Unaudited 31 March 2014 $000	Audited 30 September 2014 $000	Unaudited 31 March 2015 $000	Unaudited 31 March 2014 $000	Audited 30 September 2014 $000
10,687	11,858	10,912	785,464	796,708	767,035
–	–	–	10,529	10,509	10,303
10,687	**11,858**	**10,912**	**795,993**	**807,217**	**777,338**
18,193	19,229	19,316	258,380	251,839	231,497
18,193	**19,229**	**19,316**	**258,380**	**251,839**	**231,497**
–	–	15	9,787	8,203	26,171
64	66	139	8,942	9,047	17,975

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

3. Segment Reporting (continued)

(c) Revenue by geographical location of customers

	Unaudited 6 months ended 31 March 2015 $000	Unaudited 6 months ended 31 March 2014 $000 (restated)	Audited 12 months ended 30 September 2014 $000 (restated)
New Zealand	46,122	42,299	81,761
Australia	35,097	40,313	72,449
Europe	23,421	30,718	69,232
North America	40,555	39,494	82,989
Japan	10,253	9,130	20,580
China/Hong Kong	15,713	15,025	33,363
Korea	24,426	19,579	44,763
Other Asia	10,543	10,303	29,050
Africa	13,859	6,269	15,622
Middle East	4,178	3,898	7,948
Pacific	334	6,846	9,338
Other	1,479	1,785	2,892
Revenue	**225,980**	**225,659**	**469,987**

Revenue information above is based on customer locations.

4. Bank Loans (secured)

	Carrying and face value		
	Unaudited 31 March 2015 $000	Unaudited 31 March 2014 $000	Audited 30 September 2014 $000
Balance at beginning of period	**160,076**	**162,069**	**162,069**
Issued	19,624	22,391	24,250
Repaid	(5,000)	(600)	(26,243)
Balance at end of period	**174,700**	**183,860**	**160,076**
Interest rates applicable	4.15% – 5.73%	3.19% – 5.88%	3.19% – 6.22%

Bank 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. Sanford Limited and its joint operation North Island Mussels Limited (NIML) has complied with all covenants during the period (March and September 2014: all covenants were complied with except NIML did not comply with its covenants for the quarter ended 31 December 2013. However, a waiver was granted by ANZ on 12 February 2014 effective until 29 September 2014. The non-compliance resulted in NIML's term debt ($8.75m) disclosed in current liabilities in the statement of financial position at 31 March 2014).

The repayment dates of secured loans outstanding at 31 March 2015 are: 31 October 2015 - $10.36m (disclosed as a current liability), 30 June 2016 – $10m, 1 July 2016 – $35m, 1 July 2017 – $40m, 1 July 2018 – $39.34m and 30 June 2019 – $40m. Interest rates for all loans are floating based on the bank bill rate plus a margin.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

5. Reconciliation of Profit for the Period with the Net Cash Flow from Operating Activities

	Unaudited 31 March 2015 $000	Unaudited 31 March 2014 $000	Audited 30 September 2014 $000
Profit for the period (after tax)	**9,563**	**11,711**	**22,364**
Adjustments for non-cash items			
Depreciation and amortisation	8,942	9,047	17,975
Impairment	6,787	–	2,260
Long term incentive fair value adjustment	41	–	10
Gain on business combination	–	–	(2,159)
Change in fair value of biological assets	156	(3,637)	(4,105)
Change in fair value of fuel swaps	(121)	–	–
Change in fair value of interest rate swaps	(26)	(246)	(351)
Change in fair value of foreign exchange options	(119)	(464)	3,691
Change in fair value of foreign exchange contracts	51	(561)	826
Equity accounted (profit) in associated companies	(226)	(265)	(918)
(Decrease) increase in deferred taxation	(1,988)	1,667	2,367
Unrealised foreign exchange losses (gains)	3,116	314	(4,026)
	16,613	**5,855**	**15,570**
Movement in working capital			
(Increase) in debtors and prepayments	(7,648)	(16,341)	(4,216)
(Increase) decrease in inventories	(19,389)	(6,121)	(1,527)
Increase (decrease) in creditors and other liabilities	1,657	2,419	(1,815)
Increase (decrease) in current tax provision	998	3,886	3,857
	(24,382)	**(16,157)**	**(3,701)**
Items classified as investing activities			
(Gain) on sale of property, plant and equipment	(58)	(435)	(2,077)
Net loss on disposal of intangible asset	–	–	322
	(58)	**(435)**	**(1,755)**
Net cash inflows from operating activities	**1,736**	**974**	**32,478**

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

6. Dividends

The following dividends were declared and paid by the Group during the six months ended 31 March 2015:

	Unaudited 6 months ended 31 March 2015 $000	Unaudited 6 months ended 31 March 2014 $000	Audited 12 months ended 30 September 2014 $000
Ordinary dividend (14 cents per share) December 2014 (14 cents December 2013, 9 cents June 2014)	13,100	13,108	21,534

On 25 May 2015 the Directors proposed an interim dividend of 9 cents per share (fully imputed) to be paid on 19 June 2015. This dividend has not been provided for in the accounts at 31 March 2015.

7. Contingent Liabilities and Commitments

	Unaudited 31 March 2015 $000	Unaudited 31 March 2014 $000	Audited 30 September 2014 $000
Guarantees (joint operation)	10,125	10,125	10,125
Guarantees (other)	3,382	368	3,263

8. Impairment of Non-Current Assets

For the six months ended 31 March 2015 the Directors have reviewed the carrying values of assets and determined that certain vessels in Sanford's fishing fleet are impaired based on independent market information as to the fair value for those vessels. A write down of $6m has been recognised in other expenses in the income statement for the six months ended 31 March 2015.

Additionally, a write down in respect of the Christchurch mussel processing plant and equipment of $0.8m has been recognised in other expenses in the income statement for the six months ended 31 March 2015. This impairment reflects an independent valuation of assets which will largely no longer be required by the Company.

No other impairments have been identified in respect of property, plant and equipment and intangible assets (31 March 2014: Nil, 30 September 2014: $2.26m).

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

9. Financial Instruments

(a) Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

	Non-Current Assets		Current Assets			
	Share in Other Companies	Derivatives	Trade and other Debtors	Derivatives	Cash and Cash Equivalents	Total
Unaudited						
31 March 2015						
Financial assets measured at fair value						
Shares in other companies (Level 3)	125	–	–	–	–	125
Forward exchange contracts (Level 2)	–	100	–	1,370	–	1,470
Fuel derivatives (Level 2)	–	46	–	–	–	46
Financial assets not measured at fair value						
Trade debtors	–	–	55,556	–	–	55,556
Cash and cash equivalents	–	–	–	–	5,225	5,225
Other debtors – advances to associates	–	–	235	–	–	235
	125	**146**	**55,791**	**1,370**	**5,225**	**62,657**
Audited						
30 September 2014						
Financial assets measured at fair value						
Shares in other companies (Level 3)	135	–	–	–	–	135
Forward exchange contracts (Level 2)	–	–	–	982	–	982
Interest rate swaps (Level 2)	–	–	–	1,284	–	1,284
Financial assets not measured at fair value						
Trade debtors	–	–	60,235	–	–	60,235
Cash and cash equivalents	–	–	–	–	2,464	2,464
Other debtors – advances to associates	–	–	235	–	–	235
	135	**–**	**60,470**	**2,266**	**2,464**	**65,335**

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

(a) Carrying amounts and fair values (continued)

	Non-Current Liabilities		Current Liabilities				
$000	Loans and Borrowings	Derivatives	Bank Overdraft and Current Borrowings	Current Portion of Term Loan	Derivatives	Trade Creditors and Other Payables	Total
Unaudited							
31 March 2015							
Financial liabilities measured at fair value							
Foreign exchange options (Level 2)	–	1,682	–	–	1,244	–	2,926
Interest rate swaps (Level 2)	–	2,482	–	–	50	–	2,532
Fuel derivatives (Level 2)	–	–	–	–	1,504	–	1,504
Financial liabilities not measured at fair value							
Bank overdraft	–	–	26,176	–	–	–	26,176
Secured bank loans	164,340	–	–	10,360	–	–	174,700
Trade creditors and other payables	–	–	–	–	–	25,964	25,964
	164,340	**4,164**	**26,176**	**10,360**	**2,798**	**25,964**	**233,802**
Audited							
30 September 2014							
Financial liabilities measured at fair value							
Foreign exchange options (Level 2)	–	–	–	–	2,848	–	2,848
Financial liabilities not measured at fair value							
Bank overdraft	–	–	18,285	–	–	–	18,285
Secured bank loans	160,076	–	–	–	–	–	160,076
Trade creditors and other payables	–	–	–	–	–	23,588	23,588
	160,076	**–**	**18,285**	**–**	**2,848**	**23,588**	**204,797**

Other payables that are not financial liabilities are excluded (provisions March 2015 $1.8m, September 2014 $1.9m).

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

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

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

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

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

9. Financial Instruments (continued)

(b) Measurement of fair values

The following table shows the valuation techniques used in measuring level 2 fair values at 31 March 2015 and 30 September 2014.

Type	Valuation technique
Interest rate swaps	The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates.
Foreign exchange options	The fair value of options is estimated using option valuation methods with reference to current spot rates and market volatility.
Forward exchange contracts	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.
Bank loans	Bank loans are floating rate debt, therefore their fair value approximates carrying values.
Fuel derivatives	The fair value of fuel derivatives is estimated using forward fuel prices at reporting date.

10. Salmon Insurance Proceeds

In the March 2014 comparatives the effect of an extreme weather event on 24 October 2013, where approximately 77,000 live salmon (203,000 kg) escaped from the farm at Stewart Island, resulted in an impairment of salmon stock of $0.9m which has been included in cost of sales in the income statement for the six months ended 31 March 2014. The Group's insurer had agreed at 31 March 2014 a final settlement in respect of the lost salmon. The insurance proceeds of $1m (net of an insurance excess of $0.5m) have been included in other income in the income statement for the six months ended 31 March 2014.

11. Surrender of Lease, Hamer Street, Auckland

In the March 2014 comparatives, the company surrendered a lease in Hamer Street, Freemans Bay.
The compensation for surrender of the lease of $0.6m was included in other income in the income statement for the six months ended 31 March 2014.

12. Business Acquisition

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 has been recorded in other income in the income statement for the year ended 30 September 2014.

13. Subsequent Events

On 9 April 2015 the company announced that consultations with Sanford Christchurch employees had begun to discuss the potential closure of the company's Christchurch mussel processing facility. Subsequent to this consultation process it was determined by the Directors that the Christchurch facility would be closed. The immediate financial impact of this closure will be a redundancy and notice payment in the second half of the financial year, estimated to be $1.9 million. A decision in respect of whether to retain or sell the site has yet to be made.

The anticipated poor performance of the Christchurch plant, in light of the shortage of spat supply, provides an indicator of impairment in respect of certain plant and equipment. An impairment of $0.8m has been recorded in the six months ended 31 March 2015 financial statements; further details are provided in note 8.

On 9 April 2015 a conditional agreement was signed for the sale of Sanford's two international purse seine vessels, *San Nikunau* and *San Nanumea*.

In May 2015 management successfully refinanced its debt financing over the next 5 years with its major bank partners.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

14. Disclosure change

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 interim period 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 tables below.

	6 months ended 31 March 2014 $000	Disclosure Change $000	6 months ended 31 March 2014 (Restated) $000	12 months ended 30 September 2014 $000	Disclosure Change $000	12 months ended 30 September 2014 (Restated) $000
Revenue	221,052	4,607	225,659	452,424	17,563	469,987
Cost of sales	(185,217)	224	(184,993)	(381,229)	135	(381,094)
Gross profit	**35,835**	**4,831**	**40,666**	**71,195**	**17,698**	**88,893**
Other income	4,964	–	4,964	11,891	–	11,891
Distribution expenses	(14,001)	–	(14,001)	(28,698)	–	(28,698)
Administrative expenses	(7,017)	–	(7,017)	(16,735)	–	(16,735)
Other expenses	(4,811)	–	(4,811)	(10,396)	–	(10,396)
Operating profit	**14,970**	**4,831**	**19,801**	**27,257**	**17,698**	**44,955**
Finance income	5,610	(4,831)	779	13,524	(13,140)	384
Finance expenses	(4,585)	–	(4,585)	(9,972)	(4,558)	(14,530)
Net finance income	**1,025**	**(4,831)**	**(3,806)**	**3,552**	**(17,698)**	**(14,146)**
Share of profit of equity accounted investees	265	–	265	918	–	918
Profit before income tax	**16,260**	**–**	**16,260**	**31,727**	**–**	**31,727**
Income tax expense	(4,549)	–	(4,549)	(9,363)	–	(9,363)
Profit for the year	**11,711**	**–**	**11,711**	**22,364**	**–**	**22,364**

If the historic presentation approach had applied to the current six month period ended 31 March 2015, both revenue and cost of goods sold would be lower by $1.4m and $0.1m 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 6 months ended 31 March 2014 is $0.2m and for the 12 months ended 30 September 2014 is $0.09m.

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).

Directory

Directors

Paul Norling
Chairman

Elizabeth Coutts
Mark Cowsill
Bruce Goodfellow
Peter Goodfellow
Peter Kean

Senior Management

Volker Kuntzsch
Chief Executive Officer

Greg Johansson
Chief Operating Officer

Clement Chia
Chief Financial Officer

Claire Walker
Chief People Officer

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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

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Enquiries

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

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Email **enquiry@computershare.co.nz**

Other queries should be directed to the General Manager Finance & Administration at the Registered Office.


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