SANFORD

INTERIM REPORT

2020

Revenue

$245.5m

▼ 7%
2019 $265.0M

Employee Engagement

73%

▲ 1%
2019 72%

Adjusted EBIT

$23.2m

▼ 29%
2019 $32.6M

EBIT / KG

46¢

▼ 11¢
2019 57¢

NPAT

$19.0m

▼ 17%
2019 $22.9M

Interim Dividend

5¢

▼ 4¢
2019 9¢

CHAIRMAN AND CEO REVIEW

This report on the half year results to 31 March 2020, reflects the benefits of Sanford's diversity in an increasingly demanding landscape. Visible progress across our aquaculture and fishing units highlights the effectiveness of our strategy, but this continues to be impacted by our heavy dependence on global commodities with their associated market fluctuations, our aging infrastructure and natural conditions.

The consequences of COVID-19 on the foodservice industry globally generally led to a strong reduction in demand for seafood commodities, resulting in weaker prices. As some species, in our case toothfish and squid, are primarily consumed in restaurants, demand and prices for these were negatively affected.

We are reporting statutory net profit after tax (NPAT) for the first half of $19.0 million which is 17% behind last year's result for the same period of $22.9 million. Adjusted (underlying) Earnings Before Interest and Tax (EBIT) was $23.2 million for the six months to 31 March 2020. This represents a 29% decrease on adjusted EBIT from the same period last year ($32.6 million) or a 16% decrease on a comparable basis, when excluding the pelagic business which we sold in March 2019.

Overall sales volume was down 13% for the 2020 first half year against the same period last year, but total sales revenue decreased by only 7% (total revenue was $245.5 million versus $265.0 million for the same period in 2019), reflecting a stronger result in our King salmon and Greenshell mussel businesses, partially offsetting the poorer than expected numbers in wildcatch. After excluding pelagics, the divested Tauranga-based mackerel and tuna business, overall sales volume was down 3% and sales revenue down 4%.

Sir Robert McLeod
CHAIRMAN

Volker Kuntzsch
CEO

The Directors are pleased to present the Interim Report of Sanford Limited for the six months ended 31 March 2020.

For and on behalf of the Board of Directors:

Sir Robert McLeod
CHAIRMAN
27 May 2020

Fiona Mackenzie
DIRECTOR
27 May 2020

COVID-19 affected our first half operationally only towards the end of the period. Our plants were shut down for a few days to prepare for the requirements to operate as an essential business during New Zealand's lockdown period. Some orders from overseas customers were cancelled and a number of shipments were rolled over into the second half of the reporting year.

Although normalised EBIT per greenweight kilogram improved across our aquaculture business, this wasn't sufficient to counter the shortfall in our highly valuable toothfish catch and softer pricing, leading to an overall EBIT/kg decrease to $0.46 from $0.57 in the prior year.

Naturally, we are disappointed with a result that has fallen short of our expectations, although there are several positives which deserve to be highlighted in this review.

FISHING – TOOTHFISH FALLS SHORT

We experienced generally good catches of fresh fish across our inshore fleet and of frozen-at-sea product across most of our deep water fleet. Catch volumes, excluding pelagic species, were up 11% on the same period last year when the San Granit was out of action for three months. However, a 39% reduction in the high value toothfish catches in the Ross Sea more than offset this positive result during the year. The lower toothfish catch was partly a reflection of the limitations of our ice class vessels which are not rated to venture into some of the more ice bound areas of the Ross Sea, which other fishing companies were able to access with newer vessels during the most recent fishing season. This shortfall in our catch was exacerbated by reduced prices for toothfish as demand was impacted by COVID-19 internationally. The result was a negative financial impact in excess of $5m EBIT compared to prior year.

Much of the decrease in total sales volume in our fishing business year-on-year (-22%) is due to the fact that the prior year also included a successful season of our pelagic business (mackerels, tuna) in Tauranga, which we sold at the end of March 2019. On a like-for-like basis (i.e. excluding pelagic species from last year's sales numbers), sales volumes (greenweight) from our fishing business declined 8%. The underlying decline in sales volumes (-8%) and respective sales revenue drop (-9%) was the result of softer demand for hoki fillets, smaller sized squid and lower toothfish volumes and pricing.

GREENSHELL MUSSELS – CONTINUING PROGRESS

The performance of this business unit was very encouraging with a 5% sales volume and a 13% revenue increase compared to the same period last year. With EBIT and

> We experienced generally good catches of fresh fish across our inshore fleet and of frozen-at-sea product across most of our deep water fleet.

EBIT/kg continuing to grow, we are confident that our focus on investing in volume growth while diversifying our product portfolio through innovation and executing our sales channel strategy will create more value with every kilogram of mussels. Progress is also supported through the high performance of the spat we breed at our mussel hatchery SPATNZ in Nelson, delivering consistent product of high quality and yield.

We had expected an even stronger growth in this category but were impacted by COVID-19 in March as orders were delayed by customers into April. Our harvesting and processing capacities were also affected by the new requirements for safety and social distancing when New Zealand moved to Alert Level 4.

In November, we announced our plans to build a new marine extract centre in Blenheim. This facility will significantly increase our volumes of Greenshell mussel powder production and will also enable us to drive innovation in other areas of the extracts business. Work is underway on this project, although we expect there to be some disruptions caused by COVID-19.

KING SALMON – FROM STRENGTH TO STRENGTH

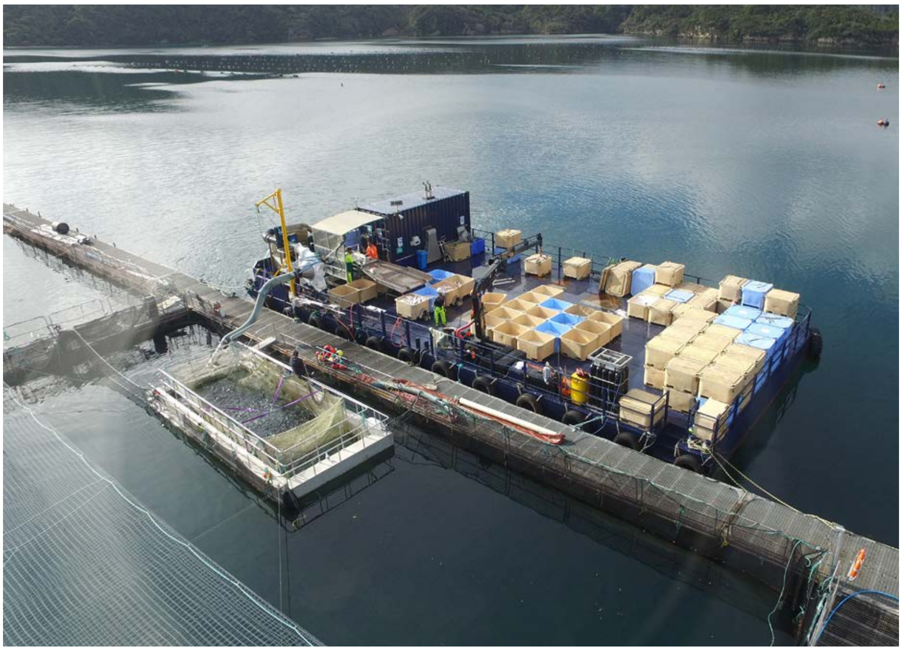
Our overall salmon result was boosted by an increase in stock in water, with our biomass up by 19% on September 2019. We are producing larger fish, partly due to increased oxygenation of the fish enclosures and an enhanced net cleaning regime which also improves oxygen levels. In addition to the fish being larger, we also experienced lower salmon mortalities as a result of the above-mentioned activities and cooler water temperatures throughout the period.

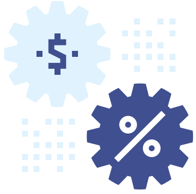
Sales volumes for our salmon were up 2% versus the same period last year and sales revenue increased 6%.

Foodservice channels, where much of our high-end Big Glory Bay salmon has been targeted, developed very encouragingly domestically and in overseas markets and feedback on the quality and performance of our fish was exceptional. Unfortunately, these channels are now severely impacted by the coronavirus. However, with changing consumer behaviour retail is trending upwards both locally and abroad, compensating for the losses experienced in foodservice.

RESPONDING TO MAJOR DISRUPTIONS

In a world where COVID-19 has upended so many of our expectations, it is difficult to write any message to our people and our investors without the impact of the virus being the dominant theme. This interim report, covering the 6 months ended





GREENSHELL MUSSELS – REVENUE INCREASE

13%

COMPARED TO SAME PERIOD 2019

KING SALMON

We are producing larger fish, partly due to increased oxygenation of the fish enclosures and an enhanced net cleaning regime which also improves oxygen levels. In addition to the fish being larger, we also experienced lower salmon mortalities as a result of above mentioned activities and cooler water temperatures throughout the period.

March 31, 2020, is mostly focused on the period before the main impacts of the virus began to be felt by us in March and before it changed the trajectory for so many businesses, governments and citizens globally.

As an essential business we were able to continue fishing, harvesting and processing, albeit under strict health and safety rules to mitigate the potential spread of the virus. Our teams managed to successfully implement the changes to their working environment over a long weekend, while a company-wide communications drive addressed the fears of our employees associated with returning to work in this precarious situation.

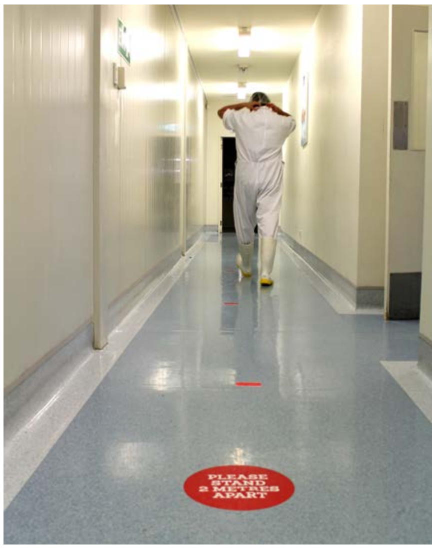
Our ability to supply returned to relatively satisfactory levels within two weeks, but global demand was and remains severely impacted by restrictions on people's movements, including visiting restaurants. With most seafood being consumed in the hospitality sector in countries like the US, a large sales channel for seafood collapsed overnight. Retail and home delivery has certainly been the winner for seafood across all major markets.

Domestically, we were able to shift sales volumes into fast growing online sales through our Sanford and Sons outlet and at the time of writing this report, online sales and home deliveries of our seafood continue to increase strongly. Internationally, countries in Europe and the US continue to suffer from the effects of limitations introduced to combat the spread of COVID-19, with the foodservice sector in those countries largely being in lockdown. Seafood consumption in China, on the other hand, is improving back to pre-COVID-19 levels.

The speed at which our teams retooled our operations to the new strict requirements and the level of comfort that was soon expressed by those employees that returned to work amidst these demanding circumstances highlighted a level of engagement that we are very proud of. This attitude was also reflected in a pulse survey of our people engagement taken in February, which showed a further small increase on the main survey result in 2019 with a score of 73% (up from 72% in September 2019). This is a pleasing result and indicates our people are in the right frame of mind to take us forward through shifting waters.

WHAT THE FUTURE HOLDS – CHARTING OUR WAY THROUGH UNCERTAINTY

Much changed when COVID-19 began to make its presence felt and we continue to face an environment of great uncertainty. At the time of writing this report we are managing the business to a likely case scenario on our planning horizon, while remaining alert to a worst case scenario. Close contacts with our customer base around the globe informs a more regular forecasting discipline, which we maintain during this time along with weekly board meetings.



> The speed at which our teams retooled our operations to the new strict requirements and the level of comfort that was soon expressed by those employees that returned to work... highlighted a level of engagement that we are very proud of.

The longer term future, however, is supported by three core strengths in our business which provide a strong foundation in these uncertain times.

First, our diversity has once again proven to be of great benefit to us, and particularly our geographic diversity gives us reason to be optimistic. While we felt the impact of consumption reductions in Asian markets early in this calendar year, these markets have begun to strengthen again as other markets, particularly the US and Europe, have weakened. Our increasing focus on our domestic market and Australia over the last few years aligns well with consumers focusing more on domestically produced food. Our recent acquisition of our long time trading partner, Melbourne-based Saltwater Seafood, complements Sanford's supply chain in a region known for discerning consumers.

Our second core strength is rather obvious – we produce food and not just food, but a sustainable, clean and healthy protein. While demand patterns are changing and will continue to change, and we are certainly seeing a period of great disruption in global markets, we know the world did not have enough seafood to go around before this pandemic took hold. People still need to be fed and we are offering the world beautiful New Zealand seafood at a time when safety and health are increasingly at the front of people's minds. Our nutraceuticals (Greenshell mussel powder) and future innovative products delivered through our Marine Extracts Centre bode well for this trend.

Finally, our most important strength is our people. They have shown themselves to be resilient, ambitious, determined and strong throughout the COVID-19 crisis so far. From just a few hours into the crisis, we had formed a leadership group to help us deal with the developing situation. They adopted a focused purpose – to continue to feed New Zealand and the world while keeping our people safe and secure – and this has guided us very successfully in our crisis management. Our Operations teams have moved at speed to put in place all the required changes to keep themselves safe at highest possible productivity and quality, as New Zealand has moved between Alert Levels. They have been ably supported by our HR, Safety and Communications Teams. Our Sales and Marketing teams have worked tirelessly to serve existing customers, secure new ones and develop new product mixes and formats in response to changing market requirements. As we write, we have several new products in development with the work on these being done at a rapid pace. We have put together a future focus group of Sanford people representing a cross section of the business. This highly diverse group has been looking at where upcoming challenges and opportunities lie and their work will help keep our eyes on the shifting horizon, as well as the more immediate ground in front.

All of this has been done with an eye on our values of passion, care, integrity and achieving together. With all the good work and innovation happening, our share of commodity product in our portfolio is still significant and at times like these that is disadvantageous, but our focus remains steadfast and we do not lower our standards or forget our values in a crisis like this.

We go into these uncertain times with a strong balance sheet. We have a low gearing ratio and significant debt headroom, which provides resilience in the face of the storms that lie ahead.

As CEO and Chair of Sanford Limited, we are intensely proud of what our people have achieved, as we move into a future of challenge and change.

Sir Robert McLeod
CHAIRMAN

Volker Kuntzsch
CEO

All of this has been done with an eye on our values of passion, care, integrity and achieving together.

GAAP TO NON-GAAP RECONCILIATION

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 equivalents to 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, non-trading currency exchange losses, depreciation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long-term assets.

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

Adjusted EBIT: Reported EBIT adjusted for impairment, restructuring and other one-off items.

GAAP TO NON-GAAP RECONCILIATION

	Unaudited 6 Months ended 31 March 2020 $000	Unaudited 6 Months ended 31 March 2019 $000	Audited 12 Months ended 30 September 2019 $000
Reported net profit for the period (GAAP)	**19,019**	**22,862**	**41,692**
Add back:			
Income tax expense	5,064	9,004	17,631
Net interest expense	4,412	4,209	7,866
Non-trading currency exchange losses	–	26	26
Net gain on sale of investments, property, plant and equipment and intangibles	(4,047)	(3,580)	(4,613)
Reported EBIT	**24,448**	**32,521**	**62,602**
Adjustments:			
Impairment of assets	527	25	635
Restructuring costs	29	44	1,608
Other one-off items	(1,771)	–	–
Adjusted EBIT	**23,233**	**32,590**	**64,845**
Add back:			
Depreciation	13,438	10,317	20,884
EBITDA	**36,671**	**42,907**	**85,729**

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

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CONSOLIDATED CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2020	Note	**Unaudited 6 months ended 31 March 2020 $000**	Unaudited 6 months ended 31 March 2019 $000	Audited 12 months ended 30 September 2019 $000
Revenue	3	245,512	265,046	545,121
Cost of sales		(197,863)	(210,869)	(437,745)
Gross profit		**47,649**	**54,177**	**107,376**
Other income	7	10,051	7,337	12,663
Distribution expenses		(5,049)	(4,725)	(9,601)
Administrative expenses		(16,247)	(15,998)	(30,945)
Other expenses		(7,864)	(4,797)	(12,853)
Operating profit		**28,540**	**35,994**	**66,640**
Finance income		192	245	678
Finance expense		(4,598)	(4,474)	(8,557)
Net finance expense		**(4,406)**	**(4,229)**	**(7,879)**
Share of (loss) profit of equity accounted investees		(51)	101	562
Profit before income tax		**24,083**	**31,866**	**59,323**
Income tax expense		(5,064)	(9,004)	(17,631)
Profit for the period		**19,019**	**22,862**	**41,692**
Profit attributable to:				
Equity holders of the Company		19,018	22,853	41,696
Non controlling interest		1	9	(4)
		19,019	**22,862**	**41,692**
Earnings per share attributable to equity holders of the Company during the period (expressed in cents per share)				
Basic and diluted earnings per share (cents)		20.3	24.4	44.6

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2020	**Unaudited 6 months ended 31 March 2020 $000**	Unaudited 6 months ended 31 March 2019 $000	Audited 12 months ended 30 September 2019 $000
Profit for the period (after tax)	**19,019**	**22,862**	**41,692**
Other comprehensive income			
Items that may be reclassified to the income statement:			
Foreign currency translation differences	(452)	(213)	(68)
Change in fair value of cash flow hedges recognised in other comprehensive income	(11,318)	2,994	(18,642)
Deferred tax on cash flow hedges	3,169	(838)	5,220
Cost of hedging (losses) gains recognised in other comprehensive income	(880)	70	(752)
Deferred tax on cost of hedging	246	(20)	210
Items that may not be reclassified to the income statement:			
Amount of treasury share cost expensed in relation to share-based payment	(150)	(99)	(1)
Other comprehensive (loss) income for the period	**(9,385)**	**1,894**	**(14,033)**
Total comprehensive income for the period	**9,634**	**24,756**	**27,659**
Total comprehensive income for the period is attributable to:			
Equity holders of the Company	9,644	24,756	27,665
Non controlling interest	(10)	–	(6)
Total comprehensive income for the period	**9,634**	**24,756**	**27,659**

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020	Note	**Unaudited 6 months ended 31 March 2020 $000**	Unaudited 6 months ended 31 March 2019 $000	Audited 12 months ended 30 September 2019 $000
Current assets				
Cash on hand and at bank		8,070	3,669	8,322
Trade receivables		76,634	70,934	61,241
Derivative financial instruments		665	3,410	265
Other receivables and prepayments		13,811	32,615	8,047
Biological assets		46,584	32,131	29,452
Inventories		56,446	48,473	48,558
Taxation receivable		2,534	–	–
Assets held for sale	10	8,000	8,527	8,527
Total current assets		**212,744**	**199,759**	**164,412**
Non-current assets				
Property, plant and equipment		150,910	139,605	141,774
Right-of-use assets	2	43,184	–	–
Investments		1,780	1,578	1,831
Derivative financial instruments		468	1,524	11
Biological assets		14,061	12,134	20,074
Intangible assets		494,779	491,903	493,111
Total non-current assets		**705,182**	**646,744**	**656,801**
Total assets		**917,926**	**846,503**	**821,213**
Current liabilities				
Bank overdraft and borrowings (secured)	4	56,892	68,761	55,000
Lease liabilities	2	10,476	–	–
Derivative financial instruments		26,597	4,670	17,524
Trade and other payables		62,739	48,398	40,779
Taxation payable		–	2,313	1,077
Total current liabilities		**156,704**	**124,142**	**114,380**
Non-current liabilities				
Bank loans (secured)	4	109,000	100,000	84,000
Lease liabilities	2	28,902	–	–
Contributions received in advance		3,139	3,334	3,305
Employee entitlements		1,356	1,348	1,232
Derivative financial instruments		20,580	7,180	14,720
Deferred taxation		13,520	16,900	15,394
Total non-current liabilities		**176,497**	**128,762**	**118,651**
Total liabilities		**333,201**	**252,904**	**233,031**
Equity				
Paid in capital		94,690	94,690	94,690
Retained earnings		519,059	502,705	513,132
Other reserves		(29,689)	(4,381)	(20,315)
Shareholder funds		**584,060**	**593,014**	**587,507**
Non controlling interest		665	585	675
Total equity		**584,725**	**593,599**	**588,182**
Total equity and liabilities		**917,926**	**846,503**	**821,213**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2020	Note	**Unaudited 6 months ended 31 March 2020 $000**	Unaudited 6 months ended 31 March 2019 $000	Audited 12 months ended 30 September 2019 $000
Cash flows from operating activities				
Receipts from customers		240,814	245,288	555,027
Interest received		186	239	665
Dividends received		6	6	13
Payments to suppliers and employees		(216,550)	(220,944)	(483,581)
Income tax paid		(7,135)	(9,947)	(15,026)
Interest paid		(4,652)	(4,251)	(8,446)
Net cash flows from operating activities		**12,669**	**10,391**	**48,652**
Cash flows from investing activities				
Sale of property, plant and equipment		37	8	4,786
Sale of intangible assets		5,501	1,329	19,175
Sale of investments		–	8,958	8,958
Dividends received from associates		208	–	–
Purchase of property, plant and equipment and intangible assets		(21,890)	(20,261)	(38,348)
Purchase of business		(1,936)	–	–
Acquisition of other investments		–	(9)	(9)
Net cash flows utilised in investing activities		**(18,080)**	**(9,975)**	**(5,438)**
Cash flows from financing activities				
Proceeds from borrowings	4	45,000	15,000	48,000
Repayment of term loans	4	(20,000)	(15,000)	(64,000)
Lease payments		(8,602)	–	–
Dividends paid to Company shareholders	5	(13,091)	(13,091)	(21,507)
Net cash flows from (utilised in) financing activities		**3,307**	**(13,091)**	**(37,507)**
Net (decrease) increase in cash and cash equivalents		**(2,104)**	**(12,675)**	**5,707**
Effect of exchange rate fluctuations on cash held		(40)	(47)	(15)
Cash and cash equivalents at beginning of the period		(46,678)	(52,370)	(52,370)
Cash and cash equivalents at end of the period		**(48,822)**	**(65,092)**	**(46,678)**
Represented by:				
Bank overdraft and borrowings (secured)		(56,892)	(68,761)	(55,000)
Cash on hand and at bank		8,070	3,669	8,322
		(48,822)	**(65,092)**	**(46,678)**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

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

FOR THE SIX MONTHS ENDED 31 MARCH 2020	Note	**Unaudited 6 months ended 31 March 2020 $000**	Unaudited 6 months ended 31 March 2019 $000	Audited 12 months ended 30 September 2019 $000
Profit for the period (after tax)		**19,019**	**22,862**	**41,692**
Adjustments for non-cash items				
Depreciation		13,438	10,317	20,884
Impairment of assets held for sale	10	527	–	–
Impairment of investments		–	25	25
Impairment of property, plant and equipment	8	–	–	512
Impairment of advance		–	–	98
Share-based payment expense		(150)	(99)	(1)
Change in fair value of biological assets		(11,119)	(794)	(6,056)
Change in fair value of foreign currency options		335	(968)	(915)
Change in fair value of forward exchange contracts		1,543	(828)	1,713
Share of loss (profit) of equity accounted investees		51	(101)	(562)
Increase in deferred tax		1,540	870	5,653
Unrealised foreign exchange (gains) losses		(638)	342	(911)
		5,527	**8,764**	**20,440**
Movement in working capital				
Increase in trade and other receivables and prepayments		(18,406)	(29,058)	(11,089)
Increase in inventories		(7,893)	(2,628)	(2,697)
Increase in trade and other payables and other liabilities		22,247	15,979	8,131
Decrease in contributions received in advance		(167)	(135)	(164)
Decrease in taxation payable		(3,611)	(1,813)	(3,048)
		(7,830)	**(17,655)**	**(8,867)**
Items classified as investing activities				
Loss (gain) on sale of property, plant and equipment		1,341	124	(910)
Gain on disposal of intangible assets		(5,388)	(3,911)	(3,911)
Loss on disposal of investments		–	207	208
		(4,047)	**(3,580)**	**(4,613)**
Net cash flows from operating activities		**12,669**	**10,391**	**48,652**

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Note	Share Capital $000	Share Based Payment Reserve $000	Translation Reserve $000	Cash Flow Hedge Reserve $000	Cost of Hedging Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total Equity $000
Balance at 1 October 2019 (audited)		**94,690**	**401**	**410**	**(21,122)**	**(4)**	**513,132**	**587,507**	**675**	**588,182**
Profit for the period (after tax)		–	–	–	–	–	19,018	19,018	1	19,019
Other comprehensive income										
Foreign currency translation differences		–	–	(441)	–	–	–	(441)	(11)	(452)
Hedging losses recognised in other comprehensive income		–	–	–	(11,318)	(880)	–	(12,198)	–	(12,198)
Deferred tax on change in reserves		–	–	–	3,169	246	–	3,415	–	3,415
Amount of treasury share cost expensed in relation to share-based payment		–	(150)	–	–	–	–	(150)	–	(150)
Total comprehensive income		**–**	**(150)**	**(441)**	**(8,149)**	**(634)**	**19,018**	**9,644**	**(10)**	**9,634**
Distributions to shareholders	5	–	–	–	–	–	(13,091)	(13,091)	–	(13,091)
Balance at 31 March 2020 (unaudited)		**94,690**	**251**	**(31)**	**(29,271)**	**(638)**	**519,059**	**584,060**	**665**	**584,725**
Balance at 1 October 2018 (audited)		**94,690**	**402**	**476**	**(7,700)**	**538**	**492,943**	**581,349**	**585**	**581,934**
Profit for the period (after tax)		–	–	–	–	–	41,696	41,696	(4)	41,692
Other comprehensive income										
Foreign currency translation differences		–	–	(66)	–	–	–	(66)	(2)	(68)
Hedging losses recognised in other comprehensive income		–	–	–	(18,642)	(752)	–	(19,394)	–	(19,394)
Deferred tax on change in reserves		–	–	–	5,220	210	–	5,430	–	5,430
Amount of treasury share cost expensed in relation to share-based payment		–	(1)	–	–	–	–	(1)	–	(1)
Total comprehensive income		**–**	**(1)**	**(66)**	**(13,422)**	**(542)**	**41,696**	**27,665**	**(6)**	**27,659**
Shares issued to non-controlling shareholders in subsidiaries		–	–	–	–	–	–	–	96	96
Distributions to shareholders	5	–	–	–	–	–	(21,507)	(21,507)	–	(21,507)
Balance at 30 September 2019 (audited)		**94,690**	**401**	**410**	**(21,122)**	**(4)**	**513,132**	**587,507**	**675**	**588,182**

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Note	Share Capital $000	Share Based Payment Reserve $000	Translation Reserve $000	Cash Flow Hedge Reserve $000	Cost of Hedging Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total Equity $000
Balance at 1 October 2018 (audited)		**94,690**	**402**	**476**	**(7,700)**	**538**	**492,943**	**581,349**	**585**	**581,934**
Profit for the period (after tax)		–	–	–	–	–	22,853	22,853	9	22,862
Other comprehensive income										
Foreign currency translation differences		–	–	(204)	–	–	–	(204)	(9)	(213)
Hedging gains recognised in other comprehensive income		–	–	–	2,994	70	–	3,064	–	3,064
Deferred tax on change in reserves		–	–	–	(838)	(20)	–	(858)	–	(858)
Amount of treasury share cost expensed in relation to share-based payment		–	(99)	–	–	–	–	(99)	–	(99)
Total comprehensive income		**–**	**(99)**	**(204)**	**2,156**	**50**	**22,853**	**24,756**	**–**	**24,756**
Distributions to shareholders	5	–	–	–	–	–	(13,091)	(13,091)	–	(13,091)
Balance at 31 March 2019 (unaudited)		**94,690**	**303**	**272**	**(5,544)**	**588**	**502,705**	**593,014**	**585**	**593,599**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

NOTE 1 - GENERAL INFORMATION

Sanford Limited ('the parent' or 'the Company') is a profit-oriented company that is domiciled and incorporated in New Zealand. The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an FMC entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

The interim financial statements presented are for Sanford Limited ('Sanford' or 'the Group') as at and for the six months ended 31 March 2020.

The Group comprises the Company, its subsidiaries and its investments in joint arrangements and associates.

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 2019, are unaudited. The comparative information for the year ended 30 September 2019 is audited.

The Group is a large and long-established fishing and aquaculture farming business devoted entirely to the farming, harvesting, processing, storage and marketing of quality seafood products and investments in related activities.

NOTE 2 - ACCOUNTING POLICIES

The Group's accounting policies have been applied consistently to all periods presented in these interim financial statements, and have been applied consistently by Group entities.

There have been no changes in accounting policies or methods of computation except as detailed below. The interim financial statements should be read in conjunction with the financial statements for the year ended 30 September 2019.

NZ IFRS 16 Leases

The Group adopted NZ IFRS 16: *Leases*, effective from 1 October 2019. The Group applied NZ IFRS 16 using the modified retrospective transition approach. Comparative information and opening equity are therefore not restated and continue to be reported under NZ IAS 17: *Leases*.

On transition, the Group applied the following practical expedients available under NZ IFRS 16:

- To not recognise right-of-use assets and lease liabilities for short-term leases with lease terms ending within 12 months from the date of transition. The costs related to these leases are recognised in profit or loss;
- To exclude initial direct costs from the measurement of the right-of-use asset on initial application; and
- To not reassess whether an arrangement is, or contains a lease, at the date of transition if such arrangement was previously identified as a lease applying NZ IAS 17 and IFRIC 4: *determining whether an arrangement contains a lease.*

The adoption of NZ IFRS 16 results in those leases previously classified as operating leases being recorded on the balance sheet subject to certain exemptions for short term and low value leases. All other arrangements will be considered under NZ IFRS 16 when the contract is amended or renewed.

As a result of applying NZ IFRS 16, the Group recognised $46.1m of new right-of-use lease assets upon transition, which included $0.3m of prepayments. Right-of-use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. These assets are depreciated over the expected lease term. The expected lease term may include the taking-up of lease extension options, if the Group is reasonably certain of exercising such options.

New liabilities of $45.8m were also recognised on transition. These are classified as lease liabilities on the statement of financial position and split into current and non-current portions. Lease liabilities are recognised at the commencement date of the lease as the present value of the lease payments over the lease term. Expected lease payments are discounted to present value using the Group's incremental borrowing rates. These rates are set on a lease-by-lease basis, with key inputs being the expected term of the lease, the expected security over the lease and the economic environment of the lease. The weighted average interest rate used on transition was 3.49%.

In the income statement, application of NZ IRFS 16 for the six months ended 31 March 2020 decreased Group operating expenses by $2.4m, increased finance costs by $0.7m and increased depreciation expense by $2.0m The depreciation of leased assets of annual catch entitlement (ACE) is recognised as part of operating expenses, and not within the depreciation line. These changes meant a net increase in operating profit of $0.4m, but a net $0.3m decrease in profit before income tax.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

NOTE 2 - ACCOUNTING POLICIES (CONTINUED)

The following table provides a reconciliation of the operating lease commitments disclosed as at 30 September 2019 to the total lease liabilities recognised on the statement of financial position in accordance with NZ IFRS 16 as at 1 October 2019:

	Note	Unaudited As at 1 October 2019 $000
Operating lease commitments as at 30 September 2019		**53,148**
Effect of discounting	(a)	(8,673)
New leases identified	(b)	1,529
Modifications to transitional values		(223)
Total lease liabilities on adoption of NZ IFRS 16		**45,781**

(a) The amount of the lease liability recognised under NZ IFRS 16 is on a discounted basis whereas operating lease commitments under NZ IAS 17 were on an undiscounted basis. The discount rates used on transition were appropriate for each lease.

(b) A number of leases have been identified and formalised as part of the Groups transition to NZ IFRS 16. The transitional values of these additional leases have been included in the value recognised on transition under NZ IFRS 16.

NOTE 3 - SEGMENT REPORTING

Executive management of the Group monitors the operating results of the wildcatch and aquaculture (mussels and salmon) divisions. Divisional performance is evaluated based on operating profit or loss. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

The Group's key operating divisions are:

- wildcatch - responsible for catching and processing inshore and deepwater fish species; and
- aquaculture - responsible for farming, harvesting and processing mussels and salmon.

The Group has determined that the divisions above should be aggregated to form one reportable segment to reflect the farming, harvesting, processing and selling of seafood products, due to the aggregated manner in which performance is monitored. Further information on segment reporting is included in the financial statements for the year ended 30 September 2019.

Revenue by geographical location of customers

	Unaudited 6 months ended 31 March 2020 $000	Unaudited 6 months ended 31 March 2019 $000	Audited 12 months ended 30 September 2019 $000
New Zealand	106,739	106,029	239,073
Europe	43,051	34,769	67,045
Australia	25,689	26,712	48,624
China	24,276	26,054	56,813
North America	23,330	35,006	73,002
Other Asia	8,460	10,610	18,590
South Korea	5,279	3,709	7,041
Japan	4,639	9,427	15,158
Middle East	1,906	2,917	3,910
Hong Kong	1,061	3,260	5,518
Pacific	632	862	1,859
Africa	43	3,209	3,802
Other	407	2,482	4,686
Revenue	**245,512**	**265,046**	**545,121**

The revenue information above is based on the delivery destination of sales.

The Group has no customers accounting for more than 10% of total sales for the current period, prior period and September 2019 year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

NOTE 4 - BANK LOANS, OVERDRAFT AND BORROWINGS (SECURED)

	Carrying and face value		
	Unaudited 31 March 2020 $000	Unaudited 31 March 2019 $000	Audited 30 September 2019 $000
Balance at beginning of period	**139,000**	**155,000**	**155,000**
Bank loans			
Proceeds	45,000	15,000	48,000
Repaid	(20,000)	(15,000)	(64,000)
Bank overdraft and short term borrowings			
Movement	1,892	13,761	–
Balance at end of period	**165,892**	**168,761**	**139,000**
Interest rates applicable	1.38% - 2.32%	2.65% - 3.53%	1.73% - 2.25%

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

All borrowings are subject to covenant arrangements. The Group has complied with all covenants during the period (March and September 2019: all covenants were complied with).

The repayment dates of secured term loans outstanding at 31 March 2020 are - 30 April 2020: $55m, 30 April 2022: $15m, 31 October 2022: $39m, 30 April 2023: $25m and 1 October 2024: $30m. On 23 April 2020, the secured term loans expiring on 30 April 2020 were extended to 30 April 2021.

On 27 May 2020, additional facilities of $40m have been agreed between the Group and its existing banking partners. These facilities expire as follows – 15 April 2021: $20m, 15 April 2022: $20m. The Group's total banking facilities are now $270m.

Interest rates for all loans are floating based on the bank bill rate plus a margin. The Group's policy for term loans is to hedge between 25% and 75% of floating rate debt by using interest rate swaps.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2020

NOTE 5 - DIVIDENDS
The following dividends were declared and paid by the Company:

	Unaudited 6 months ended 31 March 2020 $000	Unaudited 6 months ended 31 March 2019 $000	Audited 12 months ended 30 September 2019 $000
Ordinary dividend ($0.14 per share) December 2019 ($0.14 per share December 2018, $0.09 per share June 2019)	13,091	13,091	21,507

On 27 May 2020 the Directors approved an interim dividend of 5 cents per share (fully imputed) to be paid on 19 June 2020. This dividend has not been provided for in the accounts at 31 March 2020.

NOTE 6 - CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	Unaudited 31 March 2020 $000	Unaudited 31 March 2019 $000	Audited 30 September 2019 $000
Guarantees	1,029	642	970

The Group has guarantees with its commercial banking partners. 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
The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is $17.7m (31 March 2019: $8.1m, 30 September 2019: $6.9m).

NOTE 7 - OTHER INCOME

31 March 2020 -
Sale of Australian fishing quota
On 20 March 2020, the Group disposed of certain of its statutory fishing rights granted under the Australian Fisheries Management Act 1991 for a total consideration of $5.5m. This included rights to fish blue grenadier and orange roughy. The gain of $5.4m on this disposal has been recognised within other income at 31 March 2020.

Relocation compensation
In November 2019, the Group received compensation of $2.0m from the Victorian Major Transport Infrastructure Authority ("the Authority") for interruption to its business in Melbourne, Australia as a result of the acquisition of its leased premises at 1/29 Youell Street by the Authority. This compensation is recognised within other income at 31 March 2020. The Group's Australian operations have been relocated to new premises during December 2019.

30 September 2019 and 31 March 2019 - Sale of Tauranga based pelagic business assets
On 19 November 2018, the Company agreed to sell its Tauranga based pelagic business to Pelco NZ Limited for $24.3m. The sale included quota of various pelagic species, three fishing vessels and associated processing equipment. The quota sale was completed on 29 March 2019, with a gain of $4.1m being recognised within other income for the six month period ended 31 March 2019. The remainder of the assets were transferred on 23 April 2019 and a gain on the total transaction of $5.1m was recognised within other income for the year ended 30 September 2019.

NOTE 8 - IMPAIRMENT OF NON-CURRENT ASSETS
There have been no indicators of impairment identified during the reporting period and no material impairment losses have been recognised during the period or the periods ending 31 March 2019 and 30 September 2019.

NOTE 9 - FINANCIAL INSTRUMENTS

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities at reporting date.

	Unaudited 6 months ended 31 March 2020 $000	Unaudited 6 months ended 31 March 2019 $000	Audited 12 months ended 30 September 2019 $000
Non-derivative financial assets not measured at fair value (i)			
Trade receivables	76,634	70,934	61,241
Other receivables - sale of pelagic fishing quota	–	17,800	–
Cash and cash equivalents	8,070	3,669	8,322
Other receivables - advances to associates	291	381	231
Non-derivative financial assets measured at fair value (ii)			
Shares in other companies (Level 3)	97	98	97
Non-derivative financial liabilities not measured at fair value (i)			
Bank overdraft and short term borrowings (secured)	(56,892)	(68,761)	(55,000)
Trade and other payables	(54,328)	(40,263)	(31,940)
Bank loans (secured)	(109,000)	(100,000)	(84,000)
Total non-derivative financial assets (liabilities)	**(135,128)**	**(116,142)**	**(101,049)**
Derivative financial assets (liabilities) measured at fair value (ii)			
Forward exchange contracts (Level 2)	(25,191)	348	(17,875)
Foreign currency options (Level 2)	(5,271)	1,290	(1,590)
Interest rate swaps (Level 2)	(11,800)	(9,030)	(11,926)
Fuel swaps (Level 2)	(3,782)	476	(577)
Total derivative financial (liabilities) assets	**(46,044)**	**(6,916)**	**(31,968)**

(i) Presented at carrying value which is equivalent to fair value.

(ii) Presented at fair value.

Other payables that are not financial liabilities are excluded above (provisions and employee entitlements: March 2020 $8.4m, March 2019 $8.1m, September 2019 $8.8m)

NOTE 10 – ASSETS CLASSIFIED AS HELD FOR SALE

Property, plant and equipment classified as held for sale reflects the Christchurch mussel processing facility, which was closed during the 2015 financial year and continues to be marketed for sale. The property is measured at its fair value less cost to sell, per level 3 of the fair value hierarchy. An impairment of $0.5m was recognised in the six months to 31 March 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

NOTE 11 - COVID-19

COVID-19 struck the majority of markets served by the Group during the second half of March 2020, and as such has impacted the results reported for the six months to 31 March 2020.

As an essential business, the Group was able to continue operating during the lockdown restrictions imposed as a result of COVID-19. Our plants were temporarily shut for a few days to prepare for the requirements to operate as an essential business, adjusting for the new requirements for safety and social distancing imposed on New Zealand business as the country moved to Alert Level 4.

Sanford's value add strategy is to get closer to our customers, which has led to a focus on foodservice, particularly our high-end Big Glory Bay salmon. Unfortunately this channel has been severely impacted by COVID-19, however changing consumer behaviours has led to retail trending upwards both locally and abroad and the Group has experienced good growth in salmon sales in this area. The Group continued fishing, harvesting and processing with our supply returning to relatively satisfactory levels within two weeks, but demand remains uncertain and volatile.

NOTE 12 - SUBSEQUENT EVENTS

Other than the matters discussed in note 4, no events have been identified between the end of the reporting period and date of issue of the interim financial statements that require disclosure.

Board of Directors

Sir Robert McLeod, Chairman
Peter Cullinane
Abigail (Abby) Foote
Peter Goodfellow
Peter Kean
Fiona Mackenzie

Executive Management

Volker Kuntzsch, Chief Executive Officer
Clement Chia, Chief Operating Officer
Karen Duffy, Chief People Officer
Andre Gargiulo, Chief Customer Officer
Katherine Turner, Chief Financial Officer

Registered Office

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Telephone +64 9 379 4720
Email info@sanford.co.nz
Website www.sanford.co.nz

Principal Bankers

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

Solicitors

Chapman Tripp
Russell McVeagh

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
Private Bag 92 119
Auckland 1142
New Zealand

159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Managing your Shareholding Online

To change your address, update your payment instructions and to view your investment portfolio including transactions please visit:

www.investorcentre.com/nz

General Enquiries

General enquiries can be directed to:
enquiry@computershare.co.nz
Private Bag 92 119
Auckland 1142
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Telephone +64 9 488 8777

Please assist our registrar by quoting your CSN or shareholder number.

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

insightcreative.co.nz SAN106

TERIYAKI SALMON, ASIAN GREENS AND SOBA NOODLES

PAULIE HOOTON, HEAD CHEF
AUCKLAND SEAFOOD SCHOOL
(SERVES 4)

INGREDIENTS

- 600g salmon, skin on, bone out
- ¼ cup soy sauce
- 2 cloves garlic, minced
- 10g ginger, minced
- 2 tbsp vinegar (e.g. rice, white wine, malt)
- 2 tbsp brown sugar
- 150g soba noodles
- 2 cloves garlic, minced
- 3 mushrooms, cut into quarters
- ½ courgette, sliced
- 1 head bok choy, cut into quarters
- 100g beans
- ½ broccoli, trimmed and cut into florets
- 1 spring onion, white part cut into inch pieces, green part used for garnish
- 2 tbsp sesame seeds
- 1 lemon, for garnish

METHOD

1. Preheat oven to fan grill. Line an oven tray with baking paper.
2. Place salmon pieces, side by side, on prepared oven tray.
3. In a bowl combine soy sauce, garlic, ginger, vinegar and brown sugar. Spoon half of this mixture over salmon. Place salmon in the middle of the oven and fan grill until just cooked, 6-8 minutes.
4. Place soba noodles in a pot of salted water, cook for 3 minutes and then drain and refresh in cold water.
5. Heat a drizzle of oil in a fry-pan on high heat. Fry garlic, mushroom, courgette, bok choy, beans, broccoli and spring onion until just wilted and broccoli is tender, around 2-3 minutes (you can add a splash of water to help cooking).
6. Add noodles and cook for a further 1-2 minutes, mix through 1 tablespoon of the sesame seeds and mix all ingredients gently together.
7. Add remaining sauce to the vegetables and toss to combine well, cooking for a further 1-2 minutes.
8. Place noodles and vegetables onto a large plate. Flake salmon over the top and spoon over any sauce from the tray. Garnish with spring onions, lemon and sesame seeds.

AFM SEAFOOD SCHOOL

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