SANFORD

INTERIM REPORT 2018

ABOVE: Children perfecting their creations at the Auckland Seafood School

BELOW: Paulie Hooton, Sanford's Head Chef and Mike Thomson, Sales Director at the Auckland Fish Market.

PURPOSE AND PARTNERSHIPS

Sanford is New Zealand's biggest and oldest seafood company. Not only do we have a proud history, we have a continuing purpose: to share the natural goodness of our oceans with uncompromising care. For us, this requires partnerships: a partnership with nature, so we can preserve the ecosystems we work in, ensuring we not only do the right thing but have a business with a long future; partnerships in the communities we work in and give back to wherever we can and partnerships at work where we need to collaborate to produce a great result for not only our shareholders but everyone connected to Sanford.

PERFORMANCE UPDATE

CHAIRMAN AND CEO STATEMENT

Volker Kuntzsch
CHIEF EXECUTIVE OFFICER

Paul Norling
CHAIRMAN

We are pleased to report that the company's reported profit after tax for the six months to 31 March 2018 increased by 43.3% to $27.3m with our adjusted (i.e. underlying) earnings before interest and tax (EBIT) increasing by $4.4m (+14.2%) to $35.4m. Included in our reported result was a one-off receipt of $9.9m being the settlement of our Kaikoura earthquake insurance claim in respect to our Havelock mussel processing plant. This amount was offset in part by a vessel impairment charge of $2.5m.

The Directors are pleased to present the Interim Report of Sanford Limited for the six months ended 31 March 2018.

For and on behalf of the Board of Directors:

Paul Norling
CHAIRMAN
23 May 2018

Robert McLeod
DIRECTOR
23 May 2018

VALUE CREATION THROUGH CUSTOMER FOCUS AND IMPROVED PRICING

The underlying result is certainly pleasing as it continued in line with our strategy of adding more value to the natural resources available to us. While sales volume increased by 6.8%, revenue improved by 18.4% from $230.4m to $272.8m.

Earnings improvement was primarily driven by the focus on channel and customer diversification. The increasing share of high end foodservice in our portfolio was augmented by the further development of important markets. The focus on foodservice leads to greater volumes of fresh fish remaining in New Zealand, but it also enabled us to develop new markets for fresh fish internationally over the last six months.

Total sales (including fresh and frozen product) relative to the 2017 half year to China and Europe experienced strong growth and with both regions now representing more than 10% of total revenue.

CHALLENGES:

Our fishing and aquaculture divisions back home were both challenged by the unusual weather New Zealand experienced over the summer. Cyclones, heavy rains and warmer ocean water temperatures impacted on our operations across the country.

EBIT (EARNINGS BEFORE INTEREST AND TAX):

$

35.4M

FOR THE SIX MONTHS ENDING 31 MARCH 2018, AN IMPROVEMENT OF 14.2% ON THE SAME PERIOD LAST YEAR.

Sales volume increase was in part due to a further reduction in inventories, which has a positive consequence on supply chain cost, coupled with the impact of the now fully operational San Granit, the factory vessel we acquired towards the end of 2016. Above mentioned volume increase was also possible due to the support from an increasing number of contract fishers who supplement Sanford's inshore catching capacity by harvesting high value line caught species for our premium product portfolio. We are very grateful for their commitment to our business. Sanford's teams in Auckland, Timaru, Bluff and Tauranga have done a great job in bringing our emphasis on fresh, chilled quality product to life.

Our annual Antarctic toothfish season in the Ross Sea was also successful, although the newly established Marine Protected Area concentrated all international fishing effort into much smaller areas this year. Offsetting this, however, were slower catches and lower than expected prices, which again had a detrimental impact on our pelagics business (mackerels, tuna). Squid prices remained high this season as catches of this species in other parts of the world were well below market expectations.

We have also moved considerable volumes of hoki into higher value products like fillets, which is an important development for Sanford. Demand is increasing for this sustainably caught product, which was previously processed into lower value commodity blocks for further processing in overseas facilities.

CLIMATIC CHALLENGES

Our fishing and aquaculture divisions back home were both challenged by the unusual weather New Zealand experienced over the summer. Cyclones, heavy rains and warmer ocean water temperatures impacted on our operations across the country. Smaller vessels had to seek shelter from the weather on several occasions. Our King salmon in Stewart Island's Big Glory Bay also experienced higher than normal mortality rates and reduced appetite due to warmer water. The latter had an impact on growth rates, which in turn led to lower harvest volumes. In order to meet demand for the coming Christmas holidays we had to strictly limit deliveries of salmon to our customers for an extended period this year. This is also reflected in the reduced value of our salmon (and mussel) stocks in the water.

Sanford's mussel business performed above prior year, with both volume and pricing trending higher. Diversification of our mussel product portfolio remains a key deliverable, as we want to reduce our dependency on the frozen half-shell mussel market. To this end we are pleased with the increasing demand for mussel powder from our plant, Enzaq, in Blenheim and are installing a new dryer to double capacity over the next few months. We were also excited about the consistent quality delivered from mussel seed originating from our hatchery SpatNZ near Nelson.

REVIEW

CHINA

A CONSIDERABLE GROWTH MARKET FOR HIGH VALUE SPECIES

A FOCUS ON HEALTH, SAFETY AND WELLBEING FOR OUR PEOPLE

The Havelock mussel processing site was impacted by the Kaikoura earthquake in November 2016 and – following initial repairs – further remedial work will be undertaken in the second half of this financial year. We have reached a settlement agreement with our insurers in respect of the earthquake damage.

ORGANISATIONAL CAPABILITY AND PEOPLE ENGAGEMENT

The introduction of internal Business Management Teams during the reporting period enables greater strategic focus across the fishing (fresh and frozen) and aquaculture (salmon and mussels) divisions. A Business Innovation Team ensures alignment of innovation across divisions and supports faster scaling and market implementation of ideas. These teams consist of colleagues from relevant departments and provide excellent opportunity of addressing challenges and implementing strategic objectives with a companywide perspective.

Having embarked on a significant culture change at Sanford a few years ago, it is natural that much of our work continues to be focused on the people within our company. This is particularly so with the emphasis on health, safety and wellbeing where we have seen some early signs of a positive trend leading to reduced serious harm injuries at the half year compared to prior year, but success differs from site to site. We have continued to challenge ourselves on our health and safety performance and introduced Sitewise pre-requisite accreditation to manage the risk of engaging third party contractors across the business. We have further reduced manual handling by reconfiguring factory layout, process flow and by introducing vac-u-lift technology at our Bluff processing site.

It goes without saying that our people are the foundation of our business. Our shared values are passion, care and integrity and we strive to ensure that these values apply equally well to how we relate to each other as well as to how we treat the marine resources we are privileged to fish and farm.

Sanford has continued to invest in building management and leadership capability across our front line and middle management groups with a further 70 people leaders from operations, logistics and our skipper group graduating from our San Ignite and San Activate staff training programmes in the first half of this financial year. We celebrated another group graduation from our literacy and numeracy communication programme in Auckland and extended this programme to more groups in Tauranga and Timaru at the start of the calendar year.

Our engagement levels continue to rise, although very slowly, and we remain focused on improving communication, interaction and recognition across the business to improve overall employee and sharefisher engagement. One of the key initiatives supporting this is the inaugural ideas generation programme for Sanford staff and sharefishers called Ideas Net. Launched in January we were delighted to receive a total of 194 submissions of ideas to improve the business. Each submission focused on at least one of our business sustainability outcomes i.e. healthy food, healthy oceans, communities and partnerships, our people, protecting the environment and building a sustainable seafood business.

194

IDEAS TO IMPROVE THE SANFORD BUSINESS WERE RECEIVED THROUGH IDEAS NET

LOCAL PRESENCE:

In our communities, Sanford is proud to be local in each of the New Zealand regions in which we operate. We have farms or factories or offices in ten New Zealand centres across eight provinces.

CHARITY SUPPORT

30 YEARS SUPPORTING OTAGO'S PENGUIN PLACE RESIDENTS.

COMMUNITY INVOLVEMENT

In our communities, Sanford is proud to be local in each of the New Zealand regions in which we operate. We have farms or factories or offices in ten New Zealand centres across eight provinces. In each of these places, our staff give so much more than their economic contribution. They are local firefighters, band members, coaches and trainers. And as a business, we take the lead from our staff, always aiming to do the right thing for our communities.

On Stewart Island we recently held an aquaculture open day where we invited members of the Island community to come and see our salmon farm. This was a natural outcome of our ongoing commitment to transparency.

In Havelock, where we farm most of our Greenshell mussels, open days are not new. Here we are also working closely with the community to respond to their needs. In the first half of 2018, this has taken the form of assisting with wasp eradication, beach clean-ups and providing high visibility vests for local children walking to school.

Our community involvement also extends to the penguin rescue charities in Oamaru and Dunedin which we provide with fish to feed their patients. Our relationship with Penguin Place on the Otago peninsula has been a long one and we are proud to have been supplying them with fish for three decades.

We don't always share these passionate and caring stories with the wider public but when we do, we are pleased to be able to dispel some of the myths about fishing and aquaculture that still exist. We relished the chance to do this in Auckland at SeePort over Auckland Anniversary Weekend in January. There we told our story to around 72,000 people, aiming to make the connection for them between the fish or shellfish on their plates and the work we do to make sure it gets there sustainably.

Back in our Auckland Seafood School, we try to make that connection for the dozens of budding chefs who take our classes.

CHANGES ON THE EXECUTIVE TEAM

Earlier this year, Greg Johansson, our Chief Operating Officer, embarked on new opportunities after 27 successful years at Sanford. Clement Chia, previously our Chief Financial Officer, took over Greg's role and we are currently searching for a replacement CFO.

OUR AMBITION

Given the natural limitations imposed by New Zealand's Quota Management System, catch volume growth for key raw materials will not continue. Our efforts are, therefore, concentrated on leveraging our niche position within the global industry and New Zealand's reputation in sustainable fisheries

REVIEW

MEMBERS OF THE PUBLIC FROM STEWART ISLAND VISITING SANFORD'S SALMON FARM AT BIG GLORY BAY

AMBITION:

We are currently in the process of shaping our strategy for the next five years and will ensure sufficient investment into innovation, brand development, training and development and the long term use of our operational assets.

management. Our industry has extended its national campaign to promote the fact that we are serious about the long term health of New Zealand's marine resources, and with that the health of our businesses, so that any transgression of our published code of conduct will be dealt with accordingly.

Our ambition to become the best seafood company in the world is undisputed. We are currently in the process of shaping our strategy for the next five years and will ensure sufficient investment into innovation, brand development, training and development and the long term use of our operational assets. The opportunities our business holds are very exciting, but overcoming historic shortfalls in investment into our asset base while shifting traditional mind-sets is a challenging journey that takes all of us outside our comfort zone time and again. It is, therefore, very pleasing to see the progress towards our vision.

We sincerely thank the Sanford team for their dedicated hard work under sometimes very demanding conditions. Your commitment and never-ending enthusiasm to make things work is highly appreciated by the Board and the Executive Team alike. We now look forward to a similarly challenging and positive second half and trust that the outcome will again bear the fruit of our care, passion and integrity.

Paul Norling
CHAIRMAN

Volker Kuntzsch
CHIEF EXECUTIVE OFFICER

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, depreciation, amortisation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long term assets.

Reported EBIT: Earnings before interest, taxation and gain (loss) on sale of investments, intangible and long term assets.

GAAP TO NON-GAAP RECONCILIATION

	Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Reported net profit for the period (GAAP)	**27,296**	**19,043**	**37,478**
Add back:			
Income tax expense	11,076	7,016	14,172
Net interest expense	4,156	4,186	8,492
Net loss on sale of investments and property, plant and equipment	–	502	580
Deduct:			
Net (profit) on sale of investments and property, plant and equipment	(44)	–	–
Non-trading exchange (gains)	–	(1)	–
Reported EBIT	**42,484**	**30,746**	**60,722**
Adjustments:			
Havelock earthquake insurance settlement	(9,853)	–	–
Impairment of assets	2,451	52	2,130
Provision for one-off vessel disposal costs	–	–	474
Restructuring costs	327	200	418
Adjusted EBIT	**35,409**	**30,998**	**63,744**
Add back:			
Depreciation and amortisation	10,066	8,696	18,803
EBITDA	**45,475**	**39,694**	**82,547**

INTERIM FINANCIAL STATEMENTS 2018

CONSOLIDATED CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2018	Note	**Unaudited 6 months ended 31 March 2018 $000**	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Revenue	3c	272,773	230,363	477,940
Cost of sales		(211,940)	(173,641)	(365,661)
Gross profit		**60,833**	**56,722**	**112,279**
Other income	10	13,174	2,909	6,464
Distribution expenses		(12,140)	(12,255)	(24,457)
Administrative expenses		(12,389)	(12,700)	(23,329)
Other expenses	7	(7,082)	(4,901)	(11,676)
Operating profit		**42,396**	**29,775**	**59,281**
Finance income		182	210	389
Finance expense		(4,331)	(4,396)	(8,853)
Net finance expense		**(4,149)**	**(4,186)**	**(8,464)**
Share of profit of equity accounted investees		125	470	833
Profit before income tax		**38,372**	**26,059**	**51,650**
Income tax expense		(11,076)	(7,016)	(14,172)
Profit for the period		**27,296**	**19,043**	**37,478**
Profit attributable to:				
Equity holders of the Company		27,287	19,059	37,486
Non controlling interest		9	(16)	(8)
		27,296	**19,043**	**37,478**
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)		29.2	20.4	40.1

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2018	**Unaudited 6 months ended 31 March 2018 $000**	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Profit for the period (after tax)	**27,296**	**19,043**	**37,478**
Other comprehensive income			
Items that may be reclassified to the income statement:			
Foreign currency translation differences	(108)	217	189
Change in fair value of cash flow hedges recognised in other comprehensive income	(2,453)	(839)	2,254
Deferred tax on cash flow hedges	687	235	(631)
Cost of hedging losses recognised in other comprehensive income	(12)	(330)	(385)
Deferred tax on cost of hedging	3	92	108
Items that may not be reclassified to the income statement:			
Amount of treasury share cost expensed in relation to share-based payment	(26)	(4)	62
Other comprehensive income for the period	**(1,909)**	**(629)**	**1,597**
Total comprehensive income for the period	**25,387**	**18,414**	**39,075**
Total comprehensive income for the period is attributable to:			
Equity holders of the Company	25,383	18,420	39,075
Non controlling interest	4	(6)	–
Total comprehensive income for the period	**25,387**	**18,414**	**39,075**

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018	Note	Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Current assets				
Cash on hand and at bank		5,061	5,381	5,150
Trade receivables		69,832	67,647	55,362
Derivative financial instruments		11,144	8,314	12,450
Other receivables and prepayments		21,813	11,207	7,277
Tax receivable		–	537	–
Biological assets		17,961	15,494	18,048
Inventories		45,370	41,972	43,576
Assets held for sale	9	17,998	8,809	8,500
Total current assets		**189,179**	**159,361**	**150,363**
Non-current assets				
Property, plant and equipment		127,517	128,905	132,000
Investments		1,593	11,782	10,940
Derivative financial instruments		4,545	5,358	5,816
Biological assets		15,167	17,461	16,448
Intangible assets		505,202	502,582	504,398
Total non-current assets		**654,024**	**666,088**	**669,602**
Total assets		**843,203**	**825,449**	**819,965**
Current liabilities				
Bank overdraft and borrowings (secured)	4	55,399	55,182	55,121
Current portion of bank loans (secured)	4	36,000	–	36,000
Derivative financial instruments		2,283	2,696	2,631
Trade and other payables		36,095	34,523	29,354
Tax payable		3,730	–	576
Total current liabilities		**133,507**	**92,401**	**123,682**
Non-current liabilities				
Bank loans (secured)	4	94,800	146,100	95,000
Contributions received in advance		3,612	3,859	3,756
Employee entitlements		1,902	1,877	1,964
Derivative financial instruments		3,865	3,404	3,496
Deferred tax		17,385	13,456	15,781
Lease obligation		–	891	450
Total non-current liabilities		**121,564**	**169,587**	**120,447**
Total liabilities		**255,071**	**261,988**	**244,129**
Equity				
Paid in capital		94,690	94,690	94,690
Retained earnings		486,343	462,135	472,147
Other reserves		6,568	6,244	8,472
Shareholder funds		**587,601**	**563,069**	**575,309**
Non controlling interest		531	392	527
Total equity		**588,132**	**563,461**	**575,836**
Total equity and liabilities		**843,203**	**825,449**	**819,965**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Note	Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Cash flows from operating activities				
Receipts from customers		257,000	224,323	490,102
Interest received		176	194	361
Dividends received		6	16	28
Payments to suppliers and employees		(224,189)	(200,559)	(418,078)
Income tax paid		(5,628)	(8,938)	(13,505)
Interest paid		(4,530)	(4,361)	(8,628)
Net cash flows from operating activities		**22,835**	**10,675**	**50,280**
Cash flows from investing activities				
Sale of property, plant and equipment		362	169	419
Contributions received in advance		(145)	45	(58)
Dividends received from associates		–	–	1,206
Purchase of property, plant and equipment and intangible assets		(9,623)	(20,675)	(36,803)
Purchase of business		(510)	–	(1,478)
Net cash flows from investing activities		**(9,916)**	**(20,461)**	**(36,714)**
Cash flows from financing activities				
Proceeds from borrowings	4	9,800	29,700	23,600
Repayment of bank loans	4	(10,000)	(5,000)	(14,000)
Dividends paid to Company shareholders	5	(13,091)	(13,088)	(21,503)
Dividends paid to non controlling shareholders in subsidiaries		–	–	(27)
Net cash flows from financing activities		**(13,291)**	**11,612**	**(11,930)**
Net (decrease) increase in cash and cash equivalents		**(372)**	**1,826**	**1,636**
Effect of exchange rate fluctuations on cash held		5	18	38
Cash and cash equivalents at beginning of the period		(49,971)	(51,645)	(51,645)
Cash and cash equivalents at end of the period		**(50,338)**	**(49,801)**	**(49,971)**
Represented by:				
Bank overdraft and borrowings (secured)		(55,399)	(55,182)	(55,121)
Cash on hand and at bank		5,061	5,381	5,150
		(50,338)	**(49,801)**	**(49,971)**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2018

Reconciliation of profit for the period with net cash flows from operating activities	Note	Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Profit for the period (after tax)		**27,296**	**19,043**	**37,478**
Adjustments for non-cash items				
Depreciation and amortisation		10,066	8,696	18,803
Impairment of property, plant and equipment	7	2,451	52	1,865
Impairment of assets held for sale	9	–	–	265
Share-based payment expense		(26)	(4)	62
Change in fair value of biological assets		1,368	(3,101)	(4,642)
Change in fair value of foreign currency options		(327)	(115)	(479)
Change in fair value of forward exchange contracts		459	650	(515)
Share of profit of equity accounted investees		(125)	(470)	(833)
Increase in deferred tax		2,294	1,655	3,130
Unrealised foreign exchange (gains) losses		(318)	748	2,658
		15,842	**8,111**	**20,314**
Movement in working capital				
(Increase) decrease in trade and other receivables and prepayments		(28,761)	(10,233)	4,034
(Increase) in inventories		(1,804)	(7,818)	(8,913)
Increase (decrease) in trade and other payables and other liabilities		7,152	4,647	(749)
Increase (decrease) in tax payable		3,154	(3,577)	(2,464)
		(20,259)	**(16,981)**	**(8,092)**
Items classified as investing activities				
(Profit) loss on sale of property, plant and equipment		(44)	502	580
		(44)	**502**	**580**
Net cash flows from operating activities		**22,835**	**10,675**	**50,280**

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Note	Share Capital $000	Share Based Payment Reserve $000	Translation Reserve $000	Cashflow Hedge Reserve $000	Cost of Hedging Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total equity $000
Balance at 1 October 2017 (audited)		**94,690**	**330**	**457**	**6,739**	**946**	**472,147**	**575,309**	**527**	**575,836**
Profit for the period (after tax)		–		–	–	–	27,287	27,287	9	27,296
Other comprehensive income										
Foreign currency translation differences		–	–	(103)	–	–	–	(103)	(5)	(108)
Hedging losses recognised in other comprehensive income		–	–	–	(2,453)	(12)	–	(2,465)	–	(2,465)
Deferred tax on change in reserves		–	–	–	687	3	–	690	–	690
Amount of treasury share cost expensed in relation to share-based payment		–	(26)	–	–	–	–	(26)	–	(26)
Total comprehensive income		**–**	**(26)**	**(103)**	**(1,766)**	**(9)**	**27,287**	**25,383**	**4**	**25,387**
Distributions to shareholders	5	–	–	–	–	–	(13,091)	(13,091)	–	(13,091)
Balance at 31 March 2018 (unaudited)		**94,690**	**304**	**354**	**4,973**	**937**	**486,343**	**587,601**	**531**	**588,132**
Balance at 1 October 2016 (audited)		**94,690**	**268**	**276**	**5,116**	**1,223**	**456,164**	**557,737**	**398**	**558,135**
Profit for the period (after tax)		–	–	–	–	–	19,059	19,059	(16)	19,043
Other comprehensive income										
Foreign currency translation differences		–	–	207	–	–	–	207	10	217
Hedging losses recognised in other comprehensive income		–	–	–	(839)	(330)	–	(1,169)	–	(1,169)
Deferred tax on change in reserves		–	–	–	235	92	–	327	–	327
Amount of treasury share cost expensed in relation to share-based payment		–	(4)	–	–	–	–	(4)	–	(4)
Total comprehensive income		**–**	**(4)**	**207**	**(604)**	**(238)**	**19,059**	**18,420**	**(6)**	**18,414**
Distributions to shareholders	5	–	–	–	–	–	(13,088)	(13,088)	–	(13,088)
Balance at 31 March 2017 (unaudited)		**94,690**	**264**	**483**	**4,512**	**985**	**462,135**	**563,069**	**392**	**563,461**

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Note	Share Capital $000	Share Based Payment Reserve $000	Translation Reserve $000	Cashflow Hedge Reserve $000	Cost of Hedging Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total equity $000
Balance at 1 October 2016 (audited)		**94,690**	**268**	**276**	**5,116**	**1,223**	**456,164**	**557,737**	**398**	**558,135**
Profit for the period (after tax)		–	–	–	–	–	37,486	37,486	(8)	37,478
Other comprehensive income										
Foreign currency translation differences		–	–	181	–	–	–	181	8	189
Hedging gains (losses) recognised in other comprehensive income		–	–	–	2,254	(385)	–	1,869	–	1,869
Deferred tax on change in reserves		–	–	–	(631)	108	–	(523)	–	(523)
Amount of treasury share cost expensed in relation to share-based payment		–	62	–	–	–	–	62	–	62
Total comprehensive income		**–**	**62**	**181**	**1,623**	**(277)**	**37,486**	**39,075**	**–**	**39,075**
Shares issued to non controlling shareholders in subsidiaries		–	–	–	–	–	–	–	156	156
Distributions to shareholders	5	–	–	–	–	–	(21,503)	(21,503)	(27)	(21,530)
Balance at 30 September 2017 (audited)		**94,690**	**330**	**457**	**6,739**	**946**	**472,147**	**575,309**	**527**	**575,836**

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 2018.

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 2017, are unaudited. The comparative information for the year ended 30 September 2017 is audited.

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

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. To ensure consistency with the current period, comparative figures have been restated where appropriate. The interim financial statements should be read in conjunction with the financial statements for the year ended 30 September 2017.

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 2017.

3. SEGMENT REPORTING (CONTINUED)

(a) Income and expenditure

	New Zealand			Australia		
	Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000	**Unaudited 6 months ended 31 March 2018 $000**	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Total external revenues	258,559	216,244	451,786	14,214	14,119	26,154
Inter-segment revenue	1,888	1,591	2,824	–	–	–
Segment revenue	260,447	217,835	454,610	14,214	14,119	26,154
Segment profit (loss) for the period	**27,243**	**18,512**	**36,657**	**(72)**	**61**	**(12)**
Share of profit of equity accounted investees						
Reported profit for the period						

Intersegment Transactions

Inter-segment revenue is eliminated upon consolidation and reflected in the eliminations column.

(b) Assets and liabilities

	New Zealand			Australia		
	Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000	**Unaudited 6 months ended 31 March 2018 $000**	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Segment assets	835,782	807,292	802,747	5,917	6,463	6,367
Investment in equity accounted investees	1,504	11,694	10,851	–	–	–
Total assets	**837,286**	**818,986**	**813,598**	**5,917**	**6,463**	**6,367**
Segment liabilities	234,725	240,874	223,046	20,346	21,114	21,083
Total liabilities	**234,725**	**240,874**	**223,046**	**20,346**	**21,114**	**21,083**
Capital expenditure	9,611	20,624	36,228	12	51	131
Depreciation and amortisation	9,992	8,632	18,669	74	64	134

Eliminations			Total		
Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000	**Unaudited 6 months ended 31 March 2018 $000**	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
–	–	–	272,773	230,363	477,940
(1,888)	(1,591)	(2,824)	–	–	–
(1,888)	(1,591)	(2,824)	272,773	230,363	477,940
–	**–**	**–**	**27,171**	**18,573**	**36,645**
			125	470	833
			27,296	**19,043**	**37,478**

Total		
Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
841,699	813,755	809,114
1,504	11,694	10,851
843,203	**825,449**	**819,965**
255,071	261,988	244,129
255,071	**261,988**	**244,129**
9,623	20,675	36,359
10,066	8,696	18,803

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

3. SEGMENT REPORTING (CONTINUED)

(c) Revenue by geographical location of customers

	Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
New Zealand	109,716	79,666	169,247
China	35,828	20,062	40,488
Australia	31,642	33,391	65,542
Europe	30,814	16,619	45,554
North America	26,749	39,936	85,083
Japan	9,868	9,117	18,261
Korea	8,893	7,097	12,351
Other Asia	7,524	8,966	12,749
Other	3,651	1,055	1,820
Middle East	2,594	3,243	5,623
Africa	2,418	7,333	13,589
Hong Kong	1,973	2,217	4,326
Pacific	1,103	1,661	3,307
Revenue	**272,773**	**230,363**	**477,940**

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

Sales to one customer for the period accounted for $19.7m or 7% of sales (March 2017: $26.3m and 11%, September 2017: $49.8m and 10%).

4. BANK LOANS AND BORROWINGS (SECURED)

	Carrying and face value		
	Unaudited 31 March 2018 $000	Unaudited 31 March 2017 $000	Audited 30 September 2017 $000
Balance at beginning of period	**186,121**	**176,634**	**176,634**
Bank loans			
Proceeds	9,800	29,700	23,600
Repaid	(10,000)	(5,000)	(14,000)
Bank overdraft and short term borrowings			
Movement	278	(52)	(113)
Balance at end of period	**186,199**	**201,282**	**186,121**
Interest rates applicable	2.51% - 3.41%	2.62% - 3.06%	2.50% - 2.87%

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 2017: all covenants were complied with).

The repayment dates of secured term loans outstanding at 31 March 2018 are - 30 April 2018: $36m , 30 April 2019: $59.8m, 30 April 2020: $35m. The term loans expiring 30 April 2018 have subsequently been extended to 31 October 2022.

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.

5. DIVIDENDS

The following dividends were declared and paid by the Company:

	Unaudited 6 months ended 31 March 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Ordinary dividend ($0.14 per share) December 2017 ($0.14 per share December 2016, $0.09 per share June 2017)	13,091	13,088	21,503

On 23 May 2018 the Directors approved an interim dividend of 9 cents per share (fully imputed) to be paid on 15 June 2018. This dividend has not been provided for in the accounts at 31 March 2018.

6. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	Unaudited 31 March 2018 $000	Unaudited 31 March 2017 $000	Audited 30 September 2017 $000
Guarantees	592	566	779

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

(b) Commitments

The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is $3.5m for the Group (31 March 2017: $3.2m, 30 September 2017: $1.0m).

7. IMPAIRMENT OF NON-CURRENT ASSETS

31 March 2018

Following its failure to meet survey, it has been deemed uneconomic to repair the Auckland-based inshore fishing vessel, *San Hikurangi*. On this basis the vessel has been decommissioned from the fleet. An impairment loss of $2.45m has been recognised in other expenses in the six month period ended 31 March 2018.

30 September 2017

An impairment charge of $1.8m was recognised in respect of an inshore vessel which was acquired during the 2017 financial year. This vessel was subsequently found to have structural weakness that requires significant remediation work in order for the vessel to meet compliance standards for fishing. The Company continues to pursue legal remedy, however no recoveries have been recorded at balance date due to the early stage of the process (30 September 2017: none). A provision of $0.5m was recognised at 30 September 2017 in respect of the anticipated disposal costs of this vessel.

31 March 2017

An impairment of $0.1m was recognised in respect of the Auckland Fish Market hospitality equipment as a result of management's decision to close this portion of the business in February 2017.

8. 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 2018 $000	Unaudited 6 months ended 31 March 2017 $000	Audited 12 months ended 30 September 2017 $000
Non-derivative financial assets not measured at fair value(i)			
Trade receivables	69,832	67,647	55,362
Insurance settlement receivable (note 10)	8,853	–	–
Cash and cash equivalents	5,061	5,381	5,150
Other receivables - advances to associates	416	420	363
Non-derivative financial assets measured at fair value(ii)			
Shares in other companies (Level 3)	89	89	89
Non-derivative financial liabilities not measured at fair value(i)			
Bank overdraft and short term borrowings (secured)	(55,399)	(55,182)	(55,121)
Trade and other payables	(27,979)	(26,941)	(20,658)
Bank loans (secured)	(130,800)	(146,100)	(131,000)
Total non-derivative financial assets (liabilities)	**(129,927)**	**(154,686)**	**(145,815)**
Derivative financial assets (liabilities) measured at fair value(ii)			
Forward exchange contracts (Level 2)	7,773	5,660	8,960
Foreign currency options (Level 2)	5,601	6,460	7,521
Interest rate swaps (Level 2)	(5,843)	(4,584)	(5,458)
Fuel swaps (Level 2)	2,010	36	1,116
Total derivative financial assets (liabilities)	**9,541**	**7,572**	**12,139**

(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 2018 $8.1m, March 2017 $7.6m, September 2017 $8.7m).

9. ASSETS CLASSIFIED AS HELD FOR SALE

	Unaudited 31 March 2018 $000	Unaudited 31 March 2017 $000	Audited 30 September 2017 $000
Property, plant and equipment at fair value less costs to sell	8,527	8,809	8,500
Equity accounted investment at carrying amount	9,471	–	–
Total assets held for sale	**17,998**	**8,809**	**8,500**

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. During the 2017 financial year, an impairment of $0.3m was recognised against the carrying value. No further impairment has been recognised during the six months to 31 March 2018.

The Group is at an advanced stage of negotiations for the sale of its 50% equity accounted investment in Weihai Dong Won Food Company Ltd. The seafood processing business located in Weihai, China is not core to the strategy of the Group and consequently the decision has been made to sell the business. It is anticipated the sale will be completed within the next six months and the investment is classified as held for sale at 31 March 2018.

10. HAVELOCK EARTHQUAKE UPDATE

Sanford's Havelock mussel processing site was impacted by the 14 November 2016 Kaikoura earthquake. The Group's insurer has agreed a settlement of $11m in respect of this event, of which $1m was received during the period. The insurance recovery has been recognised in other income net of the $1.1m insurance excess payable.

11. SUBSEQUENT EVENTS

No subsequent events have been identified.

DIRECTORY

Board of Directors

Paul Norling, Chairman
Abby Foote
Dr Bruce Goodfellow
Peter Goodfellow
Peter Kean
Robert McLeod

Executive Management

Volker Kuntzsch, Chief Executive Officer
Clement Chia, Chief Operating Officer
Karen Duffy, Chief People Officer
Andre Gargiulo, Chief Customer Officer
Stuart Houliston, Acting Chief Financial Officer

Registered Office

22 Jellicoe Street
Freemans Bay
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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
New Zealand

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 SAN065

R

MUSSEL CHOWDER

AUCKLAND SEAFOOD SCHOOL / SERVES 10

FOR VELOUTÉ

- 1 litre fish stock
- 200gm butter diced
- 2/3 cup potato starch
- 1.25 litre milk

FOR CHOWDER

- *3 carrots, diced*
- 3 onions, diced
- 300gm celery
- 1 tablespoon dried thyme
- 200ml olive oil
- 1 litre milk
- 400ml white wine
- 1.5kg chopped mussel meat (2kg fresh mussels steamed open)
- 2 tablespoon fine salt
- 1 tablespoon white pepper

METHOD

1. To make the velouté (white sauce) heat the fish stock in a pot. In another pot melt the butter and add the potato flour, mix well together then add the hot fish stock and stir vigorously, making sure there are no lumps. Add the 1.25 litre of milk and stir. Once you have a nice sauce take off the heat and place to the side.
2. In another large sauce pot on a medium high heat add the olive oil, carrots, celery and onion and sweat until the vegetables are softened. Add white wine and cook for 5-10 minutes.
3. Add chopped mussels and thyme and mix well, then add the white sauce. Stir and cook for 5-10 minutes on a low setting.
4. Add remaining milk and stir.

4\. Add a tablespoon of salt and a tablespoon of white pepper, mix and taste. Add add another tablespoon of salt if needed.

6\. Mix & serve.