SANFORD

INTERIM REPORT 2019

CHAIRMAN AND CEO REVIEW

Upon completing a further six months on our journey to realising our vision to be the best seafood company in the world, we are confident that we are on the right track. This is in spite of sometimes unforeseen circumstances, challenging us to the core and provoking our creativity to innovate and solve.

The first half of our financial year 2019 was marked by the sad loss of crew member Steffan Stewart in a tragic accident on board *San Granit* on 14 November 2018. Losing Steffan had a significant personal impact on his crewmates and colleagues throughout the company.

Prior to originally launching the vessel in New Zealand waters, extensive work had been undertaken to align *San Granit* with regulatory and internal safety requirements, but following this accident we undertook a further in-depth review and risk analysis of all factory equipment and processes, which kept our largest fishing vessel out of action for three months.

Although this review had a considerable impact on our financial result, it was important to determine whether there were further ways to safeguard the lives of our people. The Sanford team did an outstanding job, both on a personal and professional level. We would like to acknowledge the spirit and dedication that the team put forward during these testing times.

Paul Norling
CHAIRMAN

Volker Kuntzsch
CEO

The Directors are pleased to present the Interim Report of Sanford Limited for the six months ended 31 March 2019.

For and on behalf of the Board of Directors:

Paul Norling
CHAIRMAN
22 May 2019

Sir Robert McLeod
DIRECTOR
22 May 2019

At the same time, we took the opportunity to also bring forward maintenance and process improvements planned for the second half and since *San Granit* has been back at sea, we have been very pleased with her performance.

With this challenge in mind, we are reporting adjusted (underlying) Earnings before Interest and Tax (EBIT) of $32.6m for the six months to 31 March, 2019, which is 8% down on our result for the same period last year. Statutory net profit after tax (NPAT) for the six months was $22.9m being 16% behind last year's first half result of $27.3m. This half's result includes a gain on sale of $4.1m for our pelagic quota whereas the first half of last year's result included the benefit of the Havelock earthquake insurance settlement of $9.9m.

Our EBIT per greenweight kg of fish increased slightly from $0.56 for the first half in FY18 to $0.57 for the first 6 months this year. We estimate *San Granit's* impact on this number to amount to approximately -$0.04 for the period. With reduced catches (-13%), sales volume (product weight) for the period dropped by 12% year-on-year, sales revenue of $272.1m for the period, however, remained on par with prior year ($272.8m) on a like for like basis (refer note 2 of the financial statements). While these results fall short of our performance in the first half of 2018, we are satisfied with what has been achieved under challenging circumstances and we are heartened with our recovery in aquaculture after the climatic challenges in the second half of FY18. The outcome clearly highlights the effectiveness of our strategy of focusing on value as opposed to volume in an environment that can at times be very unpredictable, but generally offers tremendous opportunity to generate greater returns.

FISHING – PARTLY MITIGATING THE VOLUME SHORTFALL

The volume shortfall caused by *San Granit's* absence from fishing was exacerbated by capacity constraints in our inshore fleet, which resulted from changes in our vessel portfolio and the need to upgrade our fleet to align with stricter expectations around product quality. However, reducing traditional commodity items in favour of more preferred product options, primarily with hoki, had the desired effect and improved returns of our deepwater fleet on those species. Also, the focus on fresh fish continued to strengthen the result of our inshore vessels. Additional supplies from our fishing partners and improved market prices for species like squid helped offset the volume shortfalls described above to some degree. It also compensated for softer pricing of toothfish in the North American market, traditionally a very important contributor to our first half result.

AQUACULTURE – DELIVERING ON OUR EXPECTATIONS

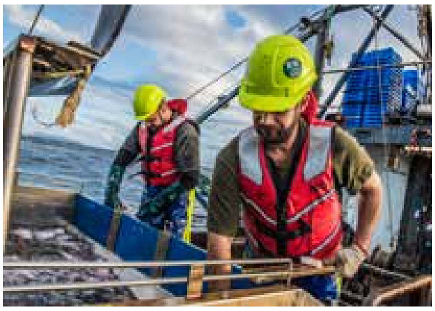
Warmer waters around New Zealand caused our Greenshell mussel lines in the Coromandel to exhibit a high degree of biofouling, i.e. growth of a variety of different organisms like barnacles on the mussels. This impacted negatively on mussel quality and yield and the performance of our joint-venture operation North Island Mussels Limited in Tauranga. Algal blooms in the Marlborough Sounds had a limited impact on our mussel harvests in the South Island during the first half, however our mussel farming operations and the Havelock processing plant performed well, with the availability of workers in remote areas being the only constraint to full capacity utilisation. Much of the inner Sounds have subsequently been closed for harvesting with harvests now shifting to alternative locations. This will lead to a reduction in throughput at the Havelock plant at the start of the second half of this financial year.

An algal bloom and elevated water temperatures in Big Glory Bay, Stewart Island, resulted in slower than expected growth of our king salmon biomass. However, our sales volume exceeded prior year's due to an improved harvesting plan in preparation for the Christmas 2018 period. The quality of our king salmon continued to attract high-end customers from around the world to this excellent sought after fish.

EBIT PER GREENWEIGHT KG OF FISH INCREASED

$0.57

FIRST HALF 2018: $0.56



During the first half of FY19 our mussel farming operations and the Havelock processing plant performed well, with the availability of workers in remote areas being the only constraint to full capacity utilisation.

BRANDING AND MARKET STRATEGY – SELECTIVELY BUILDING OUR PRESENCE

The activation of our market and channel strategy in selected markets supported improved pricing for a number of our key products. For example, prices for mussels have continued to strengthen in the wake of product diversification and the shortening of the supply chain to customers.

This ensured increasing revenue despite reduced volumes, leading to significantly improved gross margins in our total export business during the period. Investment into key personnel at the customer facing end of our business is ongoing, with results that exceed expectations.

Despite the impact of slower salmon growth in the second quarter, we have benefited from continued strong demand and pricing in salmon. Our focused channel strategy in this segment has put us in an excellent position for the second half of our financial year. Our Big Glory Bay branded salmon is being welcomed into a rapidly increasing number of high end restaurants in the North American market, and the introduction of the species into selected Asian markets is proving successful as well.

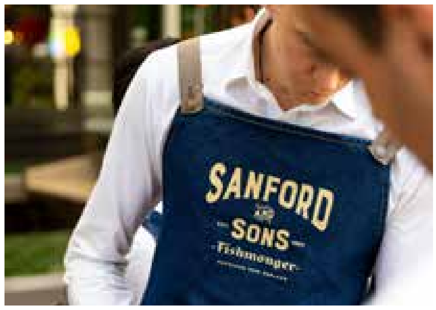
A major highlight of the first half of our year was the successful opening of the *Auckland Fish Market*. The refreshed offering includes the rebranded Sanford & Sons fish monger, which showcases the best of Sanford's beautiful New Zealand seafood and eight high profile eateries, which have garnered a great deal of positive attention on Auckland's culinary scene. Our official opening event was attended by Fisheries Minister Stuart Nash and Auckland Mayor Phil Goff amongst a host of high profile New Zealanders. We were delighted to receive excellent feedback from all who attended and the compliments about the new Fish Market have been reflected in positive media coverage about the arrival of this significant addition to Auckland's dining options and tourist attractions.

Sanford has also launched its first wholly owned supplements brand, the *Sea to Me* Greenshell mussel powder capsules, a high quality nutraceutical for natural inflammation management, which represents our first foray into pure online commerce. The soft launch of this brand in December included a social media campaign and some focused media coverage.

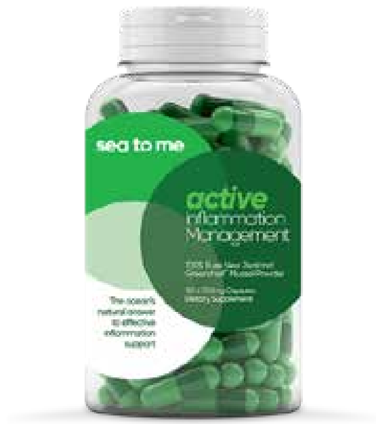
The *Sea to Me* launch has coincided with increased efficiencies in our Enzaq plant in Blenheim, which turns fresh Greenshell mussels into a high quality powder. A second dryer installed at the plant last year continues to offer good results and a further two dryers have been ordered.

AUCKLAND FISH MARKET OPENING

Compliments about the new Fish Market have been reflected in positive media coverage about the arrival of this significant addition to Auckland's dining options and tourist attractions.



SEA TO ME – INNOVATION AT WORK



The acquisition of *Fresh Catch*, a home delivery service, primarily in Auckland at this stage, complements the *Auckland Fish Market's* offering of the freshest seafood directly to consumers and has contributed to realising more value in Sanford's domestic market.

DIVESTMENTS – DELIVERING ON STRATEGY

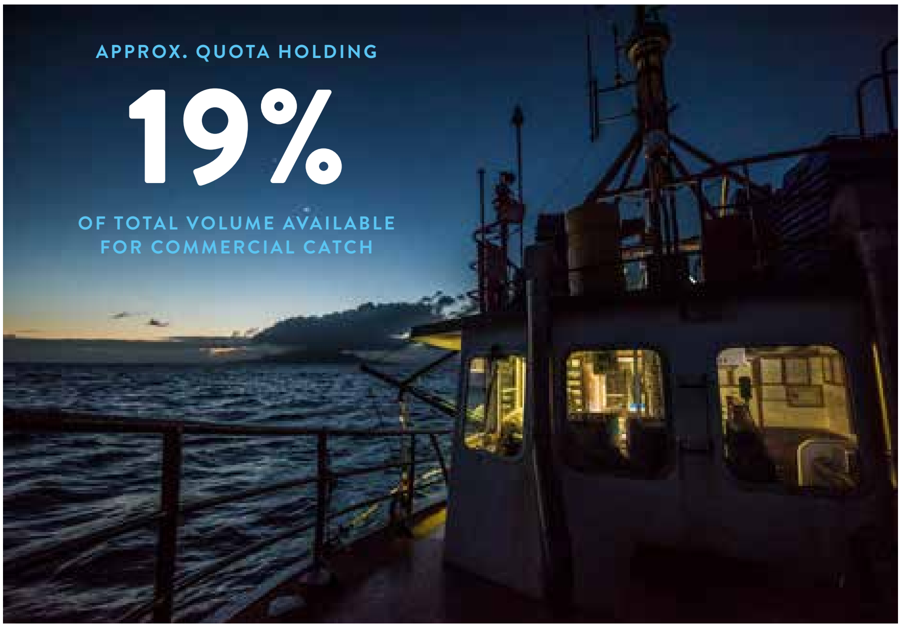
The sale of our 50% shareholding in the Weihai Dong Won Foods processing facility in Weihai, China, to Japanese restaurant group Plenus, was finalised during the first quarter of FY19 with the cash receipt of $9.0m. The sale included a mutually beneficial multi-year supply agreement of raw material from Sanford to Weihai to ensure continued value addition to remaining volumes of commodity product, for which we currently have no in-house opportunity for conversion into higher value items.

Another significant change enacted in the first half of this year was the sale of our pelagic assets in Tauranga to local company Pelco. The assets included three purse seine fishing vessels, processing equipment and pelagic quota in Fisheries Management Area 1. The quota sale reduces Sanford's overall quota holding under New Zealand's Quota Management System from around 22% to approximately 19% of the total volume available for commercial catch. In value terms, the sale of quota represents just 3.75% of the company's quota book value.

While the transfer of these physical assets took effect on 23rd April, the majority of the planning and work to achieve a smooth transition was completed in the first half and the quota sale completed on 29th March, with cash settlement on 3rd April. We are pleased that this was achieved with minimal impact on employees at our Tauranga site. Going forward, this site will be dedicated to processing and packing fresh fish from our inshore fleet.

The sale strongly aligns with our value-focused strategy. Sanford's ability to improve returns on species like mackerel is dependent on economies of scale, global commodity pricing and consumer preferences, which we cannot influence globally. We are, however, retaining a sizeable share of pelagic quota in Fisheries Management Area 7 and will continue to investigate innovative ways of extracting value from these species.

We are grateful to the fishermen and support teams who have given their service to Sanford in this area of our business and are pleased that many of them will be working with Pelco, and their newly acquired economies of scale, which we believe creates additional value to the New Zealand economy as a whole.



> The pelagic sale strongly aligns with our value-focused strategy. Sanford's ability to improve returns on species like mackerel is dependent on economies of scale, global commodity pricing and consumer preferences, which we cannot influence globally.

OUTLOOK – BALANCING GROWTH AND INNOVATION WITH OPERATIONAL REJUVENATION

Our strategic thrust in operations is dominated by the need to rejuvenate assets and we have made good progress in determining how and where to place priorities in order to align with our expectations around value creation and future customer and consumer preferences. Investments in fishing assets will primarily be made into capacity that will deliver improved returns in the short term by allowing for the continuing utilisation of high value species in a sustainable manner.

In our aquaculture operations our efforts have focused on renewing and improving on-water infrastructure. Considerable effort went into applying for and receiving a higher nitrogen cap in Big Glory Bay to reflect the latest scientific research. This will allow for a considered increase in salmon farming volume with the understanding of all relevant stakeholders in the Stewart Island community. Our mussel operation continues to be diversified and innovative to ensure greater utilisation of this unique New Zealand seafood and its health benefits.

Other innovations have seen the only Greenshell mussel hatchery in the world, SPATNZ, continuing to deliver improved results in settling spat in the wild, and our precision seafood harvesting is now deployed across an ever growing number of our fishing vessels, following MPI's approval for the inshore sector.

These investments as well as operating expenditure investment in marketing, people, systems and processes, prepare us well to capture the significant potential of our diverse portfolio of marine resources. While we expect challenges to persist, especially from a climatological perspective, we are strongly encouraged by the results we are seeing as a result of being a more innovative and consumer driven company.

Paul Norling
CHAIRMAN
22 May 2019

Volker Kuntzsch
CEO
22 May 2019

> Great effort went into applying for and receiving a higher nitrogen cap in Big Glory Bay to reflect updated science and ensure a considered increase in salmon farming volume with the understanding of all relevant stakeholders in the Stewart Island community.

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 gains (losses), depreciation, amortisation, 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 gains (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 2019 $000	Unaudited 6 Months ended 31 March 2018 $000	Audited 12 Months ended 30 September 2018 $000
Reported net profit for the period (GAAP)	**22,862**	**27,296**	**42,300**
Add back (deduct):			
Income tax expense	9,004	11,076	17,664
Net interest expense	4,209	4,156	8,065
Non-trading currency exchange losses	26	–	116
Net gain on sale of investments, property, plant and equipment and intangibles	(3,580)	(44)	(463)
Reported EBIT	**32,521**	**42,484**	**67,682**
Adjustments:			
Havelock earthquake insurance settlement, net of repair cost	–	(9,853)	(6,835)
Impairment of assets	25	2,451	3,387
Provision for one-off vessel disposal costs	–	–	60
Restructuring costs	44	327	377
Adjusted EBIT	**32,590**	**35,409**	**64,671**
Add back:			
Depreciation and amortisation	10,317	10,066	19,731
EBITDA	**42,907**	**45,475**	**84,402**

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

CONSOLIDATED CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2019	Note	**Unaudited 6 months ended 31 March 2019 $000**	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Revenue	3c	265,046	272,773	514,976
Cost of sales		(210,869)	(211,940)	(401,069)
Gross profit		**54,177**	**60,833**	**113,907**
Other income	7	7,337	13,174	14,448
Distribution expenses		(4,725)	(12,140)	(22,873)
Administrative expenses		(15,998)	(12,389)	(26,072)
Other expenses	8	(4,797)	(7,082)	(12,453)
Operating profit		**35,994**	**42,396**	**66,957**
Finance income		245	182	462
Finance expense		(4,474)	(4,331)	(8,628)
Net finance expense		**(4,229)**	**(4,149)**	**(8,166)**
Share of profit of equity accounted investees		101	125	1,173
Profit before income tax		**31,866**	**38,372**	**59,964**
Income tax expense		(9,004)	(11,076)	(17,664)
Profit for the period		**22,862**	**27,296**	**42,300**
Profit attributable to:				
Equity holders of the Company		22,853	27,287	42,303
Non controlling interest		9	9	(3)
		22,862	**27,296**	**42,300**
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)		24.4	29.2	45.2

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2019	**Unaudited 6 months ended 31 March 2019 $000**	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Profit for the period (after tax)	**22,862**	**27,296**	**42,300**
Other comprehensive income			
Items that may be reclassified to the income statement:			
Foreign currency translation differences	(213)	(108)	20
Change in fair value of cash flow hedges recognised in other comprehensive income	2,994	(2,453)	(20,055)
Deferred tax on cash flow hedges	(838)	687	5,616
Cost of hedging gains (losses) recognised in other comprehensive income	70	(12)	(566)
Deferred tax on cost of hedging	(20)	3	158
Items that may not be reclassified to the income statement:			
Amount of treasury share cost expensed in relation to share-based payment	(99)	(26)	72
Other comprehensive income (loss) for the period	**1,894**	**(1,909)**	**(14,755)**
Total comprehensive income for the period	**24,756**	**25,387**	**27,545**
Total comprehensive income for the period is attributable to:			
Equity holders of the Company	24,756	25,383	27,547
Non controlling interest	–	4	(2)
Total comprehensive income for the period	**24,756**	**25,387**	**27,545**

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019	Note	**Unaudited 6 months ended 31 March 2019 $000**	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Current assets				
Cash on hand and at bank		3,669	5,061	2,630
Trade receivables		70,934	69,832	49,759
Derivative financial instruments		3,410	11,144	3,438
Other receivables and prepayments		32,615	21,813	7,314
Biological assets		32,131	17,961	28,393
Inventories		48,473	45,370	45,869
Assets held for sale	10	8,527	17,998	17,692
Total current assets		**199,759**	**189,179**	**155,095**
Non-current assets				
Property, plant and equipment		139,605	127,517	130,787
Investments		1,578	1,593	1,494
Derivative financial instruments		1,524	4,545	669
Biological assets		12,134	15,167	15,077
Intangible assets		491,903	505,202	506,249
Total non-current assets		**646,744**	**654,024**	**654,276**
Total assets		**846,503**	**843,203**	**809,371**
Current liabilities				
Bank overdraft and borrowings (secured)	4	68,761	55,399	55,000
Current portion of bank loan (secured)	4	–	36,000	–
Derivative financial instruments		4,670	2,283	7,936
Trade and other payables		48,398	36,095	32,434
Taxation payable		2,313	3,730	4,125
Total current liabilities		**124,142**	**133,507**	**99,495**
Non-current liabilities				
Bank loans (secured)	4	100,000	94,800	100,000
Contributions received in advance		3,334	3,612	3,469
Employee entitlements		1,348	1,902	1,355
Derivative financial instruments		7,180	3,865	7,947
Deferred taxation		16,900	17,385	15,171
Total non-current liabilities		**128,762**	**121,564**	**127,942**
Total liabilities		**252,904**	**255,071**	**227,437**
Equity				
Paid in capital		94,690	94,690	94,690
Retained earnings		502,705	486,343	492,943
Other reserves		(4,381)	6,568	(6,284)
Shareholder funds		**593,014**	**587,601**	**581,349**
Non controlling interest		585	531	585
Total equity		**593,599**	**588,132**	**581,934**
Total equity and liabilities		**846,503**	**843,203**	**809,371**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2019	Note	**Unaudited 6 months ended 31 March 2019 $000**	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Cash flows from operating activities				
Receipts from customers		245,288	257,000	525,823
Havelock earthquake insurance settlement, net of deductible		–	–	10,096
Interest received		239	176	447
Dividends received		6	6	15
Payments to suppliers and employees		(220,944)	(224,334)	(446,319)
Income tax paid		(9,947)	(5,628)	(8,950)
Interest paid		(4,251)	(4,530)	(8,752)
Net cash flows from operating activities		**10,391**	**22,690**	**72,360**
Cash flows from investing activities				
Sale of property, plant and equipment		8	362	2,101
Sale of intangible assets		1,329	–	–
Sale of investments		8,958	–	–
Dividends received from associates		–	–	894
Purchase of property, plant and equipment and intangible assets		(20,261)	(9,623)	(24,739)
Purchase of business		–	(510)	(510)
Acquisition of other investments		(9)	–	–
Net cash flows used in investing activities		**(9,975)**	**(9,771)**	**(22,254)**
Cash flows from financing activities				
Proceeds from borrowings	4	15,000	9,800	40,000
Repayment of term loans	4	(15,000)	(10,000)	(71,000)
Dividends paid to Company shareholders	5	(13,091)	(13,091)	(21,507)
Dividends paid to non controlling shareholders in subsidiaries		–	–	(27)
Net cash flows used in financing activities		**(13,091)**	**(13,291)**	**(52,534)**
Net decrease in cash and cash equivalents		**(12,675)**	**(372)**	**(2,428)**
Effect of exchange rate fluctuations on cash held		(47)	5	29
Cash and cash equivalents at beginning of the period		(52,370)	(49,971)	(49,971)
Cash and cash equivalents at end of the period		**(65,092)**	**(50,338)**	**(52,370)**
Represented by:				
Bank overdraft and borrowings (secured)		(68,761)	(55,399)	(55,000)
Cash on hand and at bank		3,669	5,061	2,630
		(65,092)	**(50,338)**	**(52,370)**

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 2019	Note	**Unaudited 6 months ended 31 March 2019 $000**	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Profit for the period (after tax)		**22,862**	**27,296**	**42,300**
Adjustments for non-cash items				
Depreciation		10,317	10,066	19,731
Impairment of investments		25	–	–
Impairment of property, plant and equipment	8	–	2,451	2,314
Impairment of assets held for sale	10	–	–	560
Impairment of advance		–	–	513
Share-based payment expense		(99)	(26)	72
Change in fair value of biological assets		(794)	1,368	(8,974)
Change in fair value of foreign currency options		(968)	(327)	372
Change in fair value of forward exchange contracts		(828)	459	2,922
Share of profit of equity accounted investees		(101)	(125)	(1,173)
Increase in deferred tax		870	2,294	5,164
Unrealised foreign exchange losses (gains)		342	(318)	(2,894)
		8,764	**15,842**	**18,607**
Movement in working capital				
(Increase) decrease in trade and other receivables and prepayments		(29,058)	(28,761)	7,931
Increase in inventories		(2,628)	(1,804)	(2,291)
Increase in trade and other payables and other liabilities		15,979	7,152	3,015
Decrease in contributions received in advance		(135)	(145)	(287)
(Decrease) increase in taxation payable		(1,813)	3,154	3,548
		(17,655)	**(20,404)**	**11,916**
Items classified as investing activities				
Loss (gain) loss on sale of property, plant and equipment		124	(44)	(463)
Gain on disposal of intangible assets		(3,911)	–	–
Loss on disposal of investments		207	–	–
		(3,580)	**(44)**	**(463)**
Net cash flows from operating activities		**10,391**	**22,690**	**72,360**

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	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 (losses) recognised in other comprehensive income	–	–	–	2,994	70	–	3,064	–	3,064
Deferred tax on change in hedging 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	–	–	–	–	–	(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**
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)	–	–	–	–	–	42,303	42,303	(3)	42,300
Other comprehensive income									
Foreign currency translation differences	–	–	19	–	–	–	19	1	20
Hedging gains (losses) recognised in other comprehensive income	–	–	–	(20,055)	(566)	–	(20,621)	–	(20,621)
Deferred tax on change in hedging reserves	–	–	–	5,616	158	–	5,774	–	5,774
Amount of treasury share cost expensed in relation to share-based payment	–	72	–	–	–	–	72	–	72
Total comprehensive income	–	72	19	(14,439)	(408)	42,303	27,547	(2)	27,545
Shares issued to non-controlling shareholders in subsidiaries	–	–	–	–	–	–	–	87	87
Distributions to shareholders	–	–	–	–	–	(21,507)	(21,507)	(27)	(21,534)
Balance at 30 September 2018 (audited)	**94,690**	**402**	**476**	**(7,700)**	**538**	**492,943**	**581,349**	**585**	**581,934**

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	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 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 gains (losses) recognised in other comprehensive income	–	–	–	(2,453)	(12)	–	(2,465)	–	(2,465)
Deferred tax on change in hedging 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	–	–	–	–	–	(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**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

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 2019.

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 2018, are unaudited. The comparative information for the year ended 30 September 2018 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 2018.

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 supersedes NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity is expected to be entitled in exchange for transferring goods or services to a customer.

NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted NZ IFRS 15 with the date of initial application of 1 October 2018. The initial application of NZ IFRS 15 has had no cumulative effect on previously reported earnings. Therefore, no adjustment is made to the opening statement of financial position. As the Group has elected to use the cumulative effect method of transition, the comparative information in the income statement has not been restated and continues to be reported under NZ IAS 11, NZ IAS 18 and related interpretations.

The nature of the adjustment and the reasons for the change in the consolidated condensed income statement for the six months ended 31 March 2019 are due to performance obligations as described below:

Domestic Sales

The performance obligation for domestic sales is satisfied upon delivery of the products to the customer or collection of the goods by the customer. Payment terms generally range between seven days and 20th of the month following invoice date. Consequently the recognition of revenue from domestic sales is unchanged between NZ IFRS 15 and previous financial reporting standards.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

NOTE 2 - ACCOUNTING POLICIES (CONTINUED)

NZ IFRS15 Revenue from Contracts with Customers (continued)

Export Sales

Certain export sales arrangements have resulted in a change in the amount of revenue recognised under NZ IFRS 15 and previous standards. The performance obligation for the sale of goods is satisfied upon transfer of legal title in line with the relevant incoterms. The Group typically acts as agent in arranging transport and insurance under such arrangements. Revenue is recognised net of the associated costs of these arrangements, which accounts wholly for the disclosure change below.

The adoption of NZ IFRS 15 in the current period has had the following effect on the reported amounts of profit or loss, with the effect of the change in accounting policy shown below:

CONSOLIDATED CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2019	Amounts prepared under		
	Previous NZ IFRS $000	Increase / (Decrease) $000	**NZ IFRS 15 $000**
Revenue	272,109	(7,063)	265,046
Cost of sales	(210,869)	–	(210,869)
Gross profit	**61,240**	**(7,063)**	**54,177**
Other income	7,337	–	7,337
Distribution expenses	(11,788)	7,063	(4,725)
Administrative expenses	(15,998)	–	(15,998)
Other expenses	(4,797)	–	(4,797)
Operating profit	**35,994**	**–**	**35,994**
Profit before income tax	**31,866**	**–**	**31,866**
Income tax expense	(9,004)	–	(9,004)
Profit for the period	**22,862**	–	**22,862**

The change in accounting policy has had no impact on the reported amounts of assets and liabilities or cash flows of the Group for the period ended 31 March 2019.

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 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

(a) Income and expenditure

	New Zealand			Australia		
	Unaudited 6 months ended 31 March 2019 $000	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000	**Unaudited 6 months ended 31 March 2019 $000**	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Total external revenues	252,995	258,559	490,592	12,051	14,214	24,384
Inter-segment revenue	1,870	1,888	2,934	–	–	–
Segment revenue	**254,865**	**260,447**	**493,526**	**12,051**	**14,214**	**24,384**
Segment profit (loss) for the period	**22,866**	**27,243**	**41,428**	**(105)**	**(72)**	**(301)**
Share of profit of equity accounted investees						
Reported profit for the period						

Inter-segment 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 2019 $000	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000	**Unaudited 6 months ended 31 March 2019 $000**	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Segment assets	839,757	835,782	802,812	5,265	5,917	5,154
Investment in equity accounted investees	1,481	1,504	1,405	–	–	–
Total assets	**841,238**	**837,286**	**804,217**	**5,265**	**5,917**	**5,154**
Segment liabilities	233,101	234,725	207,205	19,803	20,346	20,232
Total liabilities	**233,101**	**234,725**	**207,205**	**19,803**	**20,346**	**20,232**
Capital expenditure	20,245	9,611	24,049	16	12	56
Depreciation and amortisation	10,246	9,992	19,582	71	74	149

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Eliminations			Total		
	Unaudited 6 months ended 31 March 2019 $000	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000	**Unaudited 6 months ended 31 March 2019 $000**	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Total external revenues	–	–	–	265,046	272,773	514,976
Inter-segment revenue	(1,870)	(1,888)	(2,934)	–	–	–
Segment revenue	**(1,870)**	**(1,888)**	**(2,934)**	**265,046**	**272,773**	**514,976**
Segment profit (loss) for the period	–	–	–	**22,761**	**27,171**	**41,127**
Share of profit of equity accounted investees				101	125	1,173
Reported profit for the period				**22,862**	**27,296**	**42,300**

	Total		
	Unaudited 6 months ended 31 March 2019 $000	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Segment assets	845,022	841,699	807,966
Investment in equity accounted investees	1,481	1,504	1,405
Total assets	**846,503**	**843,203**	**809,371**
Segment liabilities	252,904	255,071	227,437
Total liabilities	**252,904**	**255,071**	**227,437**
Capital expenditure	20,261	9,623	24,105
Depreciation and amortisation	10,317	10,066	19,731

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

NOTE 3 - SEGMENT REPORTING (CONTINUED)

(c) Revenue by geographical location of customers

	Unaudited 6 months ended 31 March 2019 $000	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
New Zealand	106,029	109,716	220,669
North America	35,006	26,749	56,810
Europe	34,769	30,814	61,546
Australia	26,712	31,642	55,016
China	26,054	35,828	57,353
Other Asia	10,610	7,524	14,557
Japan	9,427	9,868	17,312
South Korea	3,709	8,893	11,399
Hong Kong	3,260	1,973	4,634
Africa	3,209	2,418	6,007
Middle East	2,917	2,594	3,552
Other	2,482	3,651	3,841
Pacific	862	1,103	2,280
Revenue	**265,046**	**272,773**	**514,976**

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

The Group has no individual customer accounting for more than 10% of total sales for the current period, prior period and September 2018 year.

NOTE 4 - BANK LOANS (SECURED)

	Carrying and face value		
	Unaudited 31 March 2019 $000	Unaudited 31 March 2018 $000	Audited 30 September 2018 $000
Balance at beginning of period	**155,000**	**186,121**	**186,121**
Bank loans			
Proceeds	15,000	9,800	40,000
Repaid	(15,000)	(10,000)	(71,000)
Bank overdraft and short term borrowings			
Movement	13,761	278	(121)
Balance at end of period	**168,761**	**186,199**	**155,000**
Interest rates applicable	2.65% - 3.53%	2.51% - 3.41%	2.47% - 3.47%

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 2018: all covenants were complied with).

The repayment dates of secured term loans outstanding at 31 March 2019 are - 30 April 2019: $55m, 30 April 2020: $65m, 30 April 2022: $28.8m, 31 October 2022: $20m. The $55m secured loans expiring on 30 April 2019 have been extended post reporting date to 30 April 2020.

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 2019

NOTE 5 - DIVIDENDS

The following dividends were declared and paid by the Company:

	Unaudited 6 months ended 31 March 2019 $000	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Ordinary dividend ($0.14 per share) December 2018 ($0.14 per share December 2017, $0.09 per share June 2018)	13,091	13,091	21,507

On 22 May 2019 the Directors approved an interim dividend of 9 cents per share (fully imputed) to be paid on 14 June 2019. This dividend has not been provided for in the accounts at 31 March 2019.

NOTE 6 - CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	Unaudited 31 March 2019 $000	Unaudited 31 March 2018 $000	Audited 30 September 2018 $000
Guarantees	642	592	592

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 Group has commenced a capital reinvestment programme as approved by the board of directors. The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is $8.1m (31 March 2018: $3.5m, 30 September 2018: $4.6m).

NOTE 7 - OTHER INCOME

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 cash settlement of $17.8m (net of a deposit of $1.5m) on the quota sale was received on 3 April 2019 and is disclosed within other receivables at reporting date. The remainder of the assets were sold on 23 April 2019 for $5m.

30 September 2018 and 31 March 2018 – Havelock earthquake insurance settlement

In the 2018 year the Group's insurer paid a settlement of $11.1m in respect of the damages to the Havelock mussel processing plant resulting from the 2016 Kaikoura earthquake. This amount is recognised in other income net of the $1m insurance excess and cost of all remedial works, which were completed in August 2018.

NOTE 8 - IMPAIRMENT OF NON-CURRENT ASSETS

31 March 2019

No material impairment losses have been recognised during the period.

30 September 2018 and 31 March 2018

San Hikurangi, an Auckland-based inshore fishing vessel failed to meet its survey requirements and was deemed uneconomic to repair. The vessel was decommissioned from the fleet and sold in August 2018. A $2.2m impairment charge was recognised in the comparative figures.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 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 2019 $000	Unaudited 6 months ended 31 March 2018 $000	Audited 12 months ended 30 September 2018 $000
Non-derivative financial assets not measured at fair value (i)			
Trade receivables	70,934	69,832	49,759
Other receivables – sale of pelagic fishing quota	17,800	–	–
Insurance settlement receivable	–	8,853	–
Cash and cash equivalents	3,669	5,061	2,630
Other receivables - advances to associates	381	416	381
Non-derivative financial assets measured at fair value (ii)			
Shares in other companies (Level 3)	98	89	89
Non-derivative financial liabilities not measured at fair value (i)			
Bank overdraft and short term borrowings (secured)	(68,761)	(55,399)	(55,000)
Trade and other payables	(40,263)	(27,979)	(24,812)
Bank loans (secured)	(100,000)	(130,800)	(100,000)
Total non-derivative financial assets (liabilities)	**(116,142)**	**(129,927)**	**(126,953)**
Derivative financial assets (liabilities) measured at fair value (ii)			
Forward exchange contracts (Level 2)	348	7,773	(8,600)
Foreign currency options (Level 2)	1,290	5,601	928
Interest rate swaps (Level 2)	(9,030)	(5,843)	(6,536)
Fuel swaps (Level 2)	476	2,010	2,432
Total derivative financial (liabilities) assets	**(6,916)**	**9,541**	**(11,776)**

(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 2019 $8.1m, March 2018 $8.1m, September 2018 $7.6m).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

NOTE 10 – ASSETS CLASSIFIED AS HELD FOR SALE

	Unaudited 31 March 2019 $000	Unaudited 31 March 2018 $000	Audited 30 September 2018 $000
Property, plant and equipment	8,527	8,527	8,527
Equity accounted investment	–	9,471	9,165
Total assets held for sale	**8,527**	**17,998**	**17,692**

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. It is recognised at fair value less cost to sell. No impairment has been recognised during the six months to 31 March 2019.

In November 2018, the Group completed the sale of its 50% equity accounted investment in Weihai Dong Won Food Company Ltd. This seafood processing business located in Weihai, China was not core to the strategy of the Group and consequently the decision was made to sell the business. An impairment loss of $0.6m was recognised in the year ended 30 September 2018, reflecting the anticipated selling price at that date.

NOTE 11 - SUBSEQUENT EVENTS

Other than the matter disclosed in notes 4 and 7, no subsequent events have been identified.

Board of Directors

Paul Norling, Chairman
Sir Robert McLeod, Deputy Chairman
Peter Cullinane
Abigail (Abby) Foote
Peter Goodfellow
Peter Kean

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

22 Jellicoe Street
Freemans Bay
Auckland 1010
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PO Box 443
Shortland Street
Auckland 1140
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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
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 SAN083

R

PAN ROASTED SALMON, ROASTED CAULIFLOWER, BUTTERED CORN WITH MISO AND SESAME

AUCKLAND SEAFOOD SCHOOL (SERVES 4)

INGREDIENTS

600g salmon fillet skin off, bone out

1 lemon, quartered, for garnish

FOR THE CAULIFLOWER SALAD

2 cups quinoa, cooked

40g butter

1 cup corn kernels

½ head cauliflower, cut into small florets

30ml Lupi Extra Virgin Olive Oil

10g salt

10g black pepper

¼ cup fresh dates

3 tbsp toasted sesame seeds

¾ cup coriander leaves

1 cup cherry tomatoes, cut into halves

FOR THE MISO SAUCE

2 tbsp white miso

2 tbsp rice wine vinegar

1 tsp Lee Kum Kee sesame oil

1 tsp tamari soy sauce

1 tbsp maple syrup

1 tsp fresh ginger, finely grated

1 tbsp water

METHOD

1. **To cook the quinoa:** place quinoa in a fine strainer, rinse with cold water and drain. Place two cups of water and some salt in a saucepan and bring to a rolling boil. Turn heat down to a low setting, add the quinoa and cook for 15-20 minutes. Remove from the heat and let stand for five minutes with the lid on.
2. **To cook the corn:** add butter and corn to a pan and toss until warm, season and taste.
3. **For the cauliflower:** in a large roasting dish or pan toss the florets with olive oil. Season with salt and pepper and roast in a hot oven (or BBQ) until the cauliflower is tender and lightly brown, approximately 15-20 minutes. Toss the cauliflower half way through cooking and watch carefully as you are looking for an even colour.
4. **For the miso sauce:** in a bowl combine all the ingredients for the sauce and whisk/blend until smooth. Taste and check seasoning.
5. **For the salmon:** heat a pan with olive oil (or use BBQ hot plate) place in seasoned salmon fillets, and cook on a medium heat for five minutes until the protein starts to come out (this is a white foam that appears on the surface of the fish). Turn and cook sides evenly for another four minutes. Remove from heat.
6. **To serve:** toss roasted cauliflower with cooked quinoa, corn, tomatoes, dates, sesame seeds and coriander. Dress with miso sauce, garnish with lemon, coriander and sesame seeds.