SANFORD

INTERIM REPORT 2024

HIGHLIGHTS

FOR THE SIX MONTHS ENDED 31 MARCH 2024

SALES REVENUE
$276.0m
▼ 1%
HY23: $277.6m

ADJUSTED EBIT[1]
$38.5m
▲ 45%
HY23: $26.6m

NPAT
$16.2m
▲ 46%
HY23: $11.1m

OPERATING CASHFLOW
$8.3m
▼ 39%
HY23: $13.5m

INTERIM DIVIDEND
5.0 cps
▼ 17%
HY23: 6.0 cps

NET DEBT
$220.5m
▲ 20%
HY23: $183.6m

EPS
17.3 cps
▲ 45%
HY23: 11.9 cps

CATCH & HARVEST
54.3k GWT[2]
▼ 3%
HY23: 56.1k GWT

CUSTOMERS
Greater than 530

1. Adjusted Earnings Before Interest and Tax (EBIT) is reported EBIT adjusted for impairment, restructuring costs, software as a service (SaaS) expenditure and other one-off items.
2. Greenweight tonnes (GWT).

BUSINESS HIGHLIGHTS AND NOTABLE EVENTS

WILDCATCH

Benefits from sale of North Island inshore Annual Catch Entitlement (ACE) helped offset deepwater catch challenges

ADJUSTED EBIT RESULT

Strong earnings uplift driven by strategic initiatives and helped by robust pricing across key species

SALMON

Strong performance, with high pricing and growing global demand

REFRESHED BOARD AND MANAGEMENT

Appointment of two new Directors adding further strength to the Board. David Mair appointed Managing Director from 01 May 2024

MUSSELS

Significant improvement over prior half year with operational improvements and good in-market conditions

DIVIDEND PAYOUT

Payment of 5.0 cents per share payable on 18 June 2024

CHAIR AND MANAGING DIRECTOR REVIEW

Sir Robert McLeod
CHAIRMAN

David Mair
MANAGING DIRECTOR

1H24 OVERVIEW

Our first half result is pleasing with our highest recent half-year adjusted EBIT and a positive outlook for the full financial year. Pricing on key species such as salmon, scampi and mussels have supported this half-year result. The sale of the North Island inshore ACE business has also added a new stable revenue stream.

FINANCIAL PERFORMANCE

Our primary commercial goal remains improved performance, driven by increased revenue, higher margins and cost efficiencies. We are making progress with an adjusted EBIT of $38.5m, a 45% increase on the prior first half year, as well as a 46% jump in profit after tax.

Our improvement has been driven by a continuing strong performance from the Salmon business; an improving Mussels result; and a positive result for the inshore business following the sale of the North Island inshore ACE and related assets in October last year.

Unfortunately, the commoditisation of some nutraceutical products has led to a challenging performance in our 50% held Two Islands investment. As a result, Sanford has written down the value of this business by $3.3m.

Gross margin increased from 21% to 25% due to favourable pricing across an array of products and a more targeted sales mix.

Net debt increased to $220.5m as at 31 March 2024 (from $183.6m pcp) reflecting capital expenditure of approx. $24m and funding of increased inventory in the period.

Profit after tax was up 46% to $16.2m and includes a $1.0m gain on the sale of assets as part of the Moana transaction, as well as being helped by a reduction in IT implementation costs post the rollout of Sancore (Sanford's new IT system).

We continue to invest in initiatives to support growth, including the new scampi vessel, which is due to start sea trials in early 2025. Early-stage sales of marine extracts are now gaining traction but are not yet at desired performance and profit levels.

Overall, the Directors are pleased with the financial improvements but acknowledge there are still opportunities to further lift Sanford's performance.

Challenges remain in the marketplace, including seasonal impacts on our catch and harvest volumes, as well as economic conditions driving cost inflation.

INTERIM DIVIDEND

The Board is pleased to have declared an interim dividend of 5.0 cents per share.

BUSINESS PERFORMANCE

Salmon

	HY22	HY23	HY24
Revenue $m	42.8	46.5	55.0
Profit Contribution $m	12.2	17.7	23.3
Sales Volume k GWT	2.9	2.5	2.5

The Salmon business continues to excel, with the investment in oxygenation equipment and new netting enabling Sanford to keep mortalities at low levels and helping meet growing global demand for our high-quality salmon, despite more varible climatic conditions.

Pricing remains strong and margins have further improved as the business focuses on product mix, smart farming and cost management.

Revenue was up 18% on pcp, with a profit contribution of $23.3m, up 32%.

Mussels

	HY22	HY23	HY24
Revenue $m	50.5	55.6	64.8
Profit Contribution $m	0.8	2.1	9.2
Sales Volume k GWT	16.5	14.4	14.7

Robust pricing and demand have continued for Sanford's Greenshell™ mussels, with a sales shift towards higher margin half shell product.

The labour and productivity challenges experienced in the prior year have been mostly resolved, however, as previously advised, low seeding, particularly in Coromandel in 2023, is affecting 2024 volumes. Low seeding and spat volumes are an industry challenge and the quantum of this impact will become apparent in 18 months' time. Sanford's earlier investment into the SPATNZ mussel hatchery provides around 20% of Sanford's requirements, helping to mitigate some of this risk.

Early-stage sales of marine extracts are now gaining traction and the facility is operating more effectively. However, the opportunity remains challenging and is an area of focus for the company.

As indicated in our last annual report, we have introduced flex capacity to match mussel conditions and are considering several options to improve processing efficiency and reduce costs, particularly in the North Island.

Financial performance for the Mussels business is improving and results were above the prior year. Mussels revenue was up 16% on pcp, with a 338% increase in profit contribution to $9.2m.

Wildcatch

	HY22	HY23	HY24
Revenue $m	141.1	153.2	139.5
Profit Contribution $m	24.5	25.1	26.6
Sales Volume k GWT	29.3	28.9	25.3

The Wildcatch business overall delivered a slightly improved profit result, with the sale of the North Island inshore ACE in October 2023 creating an annuity-like revenue stream and driving a turnaround.

Deepwater fishing remains the primary revenue generator for Sanford. Overall catch volume was down 11% compared to the prior half-year, partially offset by strong pricing in our most profitable species, scampi.

Planned maintenance saw two vessels in dry dock for a total of 10 weeks, affecting hoki and orange roughy catch. In addition, reduced US demand for New Zealand orange roughy is impacting export demand. The squid catch remains challenging across the industry, as was the 2023/24 toothfish season. Lower scampi volumes, due to an unplanned vessel outage and reduced scampi quotas, were mostly offset by higher pricing.

The integrity capital investment programme is ongoing as we continue to update our fleet and infrastructure. The build of Sanford's new scampi vessel remains on track and is expected to be operational in early 2025. This will allow us to fish for longer in the sub-Antarctic conditions and provide superior engine efficiency and fishing capability.

While revenue was down 9% on pcp, profit contribution increased by 6% to $26.6m.

The build of Sanford's new scampi vessel remains on track and is expected to be operational in early 2025. This will allow us to fish for longer in the sub-Antarctic conditions and provide superior engine efficiency and fishing capability.

—

BUSINESS STRENGTH

New Leadership and Refreshed Board

We were delighted to recently announce that current Director, David Mair, would be taking up the Managing Director role from 01 May 2024. He remains on the Board as Executive Director.

David has significant leadership experience and has received several top leadership awards. He was Managing Director of NZX-listed Skellerup Holdings Limited from 2011 until earlier this year and has been a Sanford Director since November 2022.

The Board would also like to thank Sanford Director, Craig Ellison, for his excellent service as Acting CEO since August 2023. Craig remains on the Board as a non-independent Director.

We were pleased to welcome both John Strowger and Tom McClurg to the Board in the last six months. Both are experienced Directors who bring value to the Sanford Board's discussions and strategic oversight.

Our People

Our organisation comprises passionate, experienced and expert individuals who are committed to the delivery of high-quality products, excellent customer service and sustainable growth for our company.

On behalf of the Board and management, we would like to acknowledge and thank them for their efforts. We continue to invest in training and development and the creation of career pathways for our people.

Sustainability

We continue to advocate for sustainable, commercial fishing and farming practices and use robust science and data to inform our commercial decisions on how to sustainably operate at as best optimal level as we can.

We are focused on reducing our carbon footprint and continually look for opportunities to improve our efficiencies and reduce emissions.

OUTLOOK

Our primary commercial goal remains improved profitability and increased returns to shareholders.

Sanford is moving forward with an experienced Board and leadership team. The new Government is supportive of the seafood and fishing industries which will assist with our growth aspirations.

Following a healthy first half result, we expect a more moderate second half performance in line with capacity and market conditions. We remain on track to deliver another improved year-on-year performance in FY24.

Thank you to our shareholders for your continuing support.

Sir Robert McLeod
CHAIRMAN

David W. Mair

David Mair
MANAGING DIRECTOR

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 Financial 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

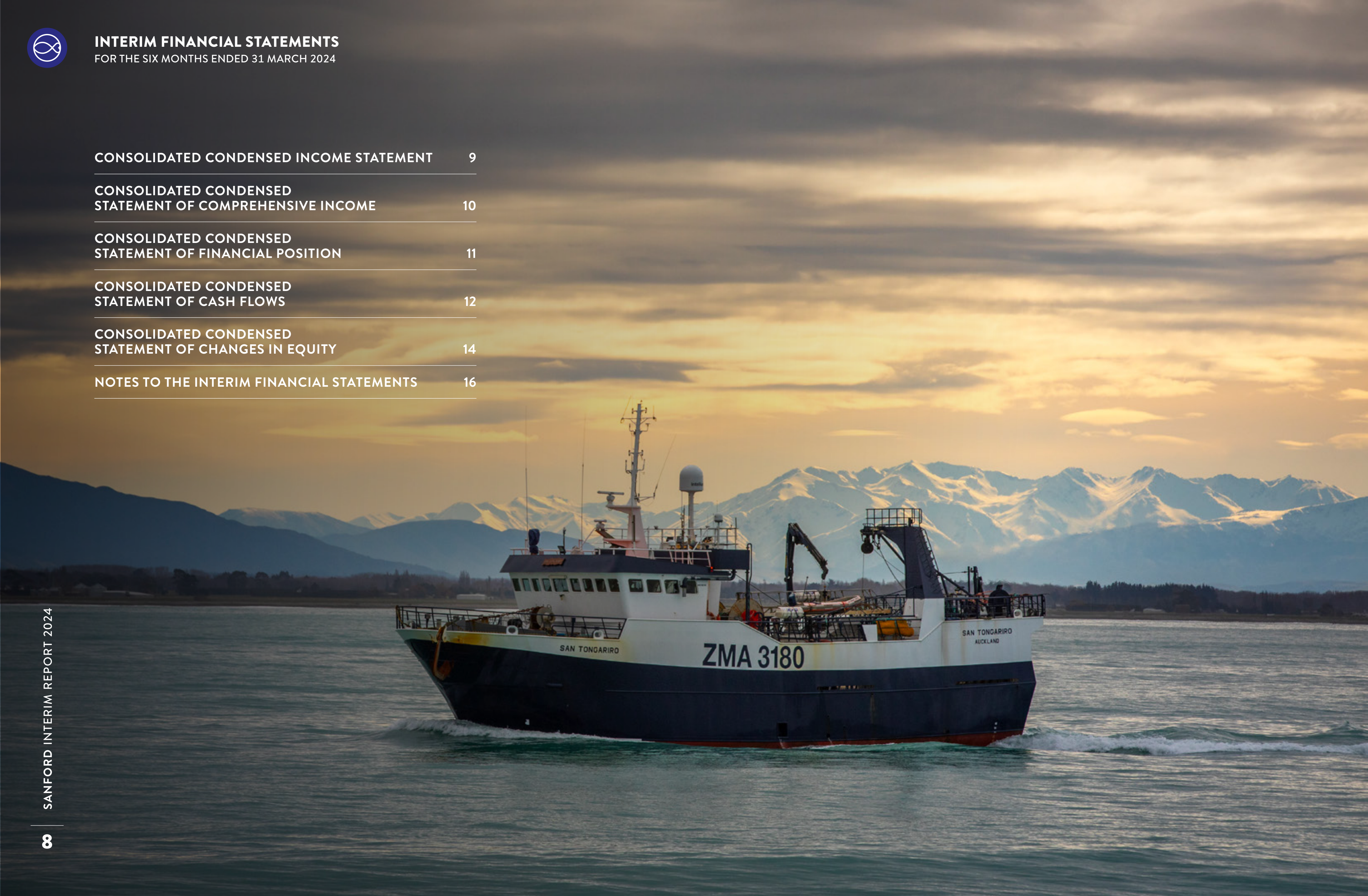
EBIT: Earnings before interest and taxation.

Adjusted EBIT: EBIT adjusted for net gain on sale of property, plant and equipment and intangibles, impairment, restructuring costs, software as a service (SaaS) expenditure, other one-off items and gain from surrender of lease.

Adjusted EBITDA: Adjusted EBIT before depreciation and amortisation.

GAAP TO NON-GAAP RECONCILIATION

	6 Months ended 31 March 2024 $000	6 Months ended 31 March 2023 $000	12 Months ended 30 September 2023 $000
Reported net profit for the period (GAAP)	**16,154**	**11,109**	**10,011**
Add back:			
Income tax expense	9,833	4,409	7,471
Net interest expense	9,200	5,849	13,522
EBIT	**35,187**	**21,367**	**31,004**
Adjustments:			
Net gain on sale of North Island inshore assets	(964)	–	–
Net loss/(gain) on sale of property, plant and equipment and intangibles	6	(15)	(35)
Impairment of investment in Two Islands NZ Co Limited	3,333	–	–
Restructuring costs	659	341	5,544
Other one-off items	257	31	947
Software as a Service (SaaS) expenditure	–	7,074	12,714
Impairment of assets	–	–	1,418
Receipt from surrender of lease	–	(2,200)	(2,200)
Adjusted EBIT	**38,478**	**26,598**	**49,392**
Add back:			
Depreciation and amortisation	17,542	15,529	32,142
Adjusted EBITDA	**56,020**	**42,127**	**81,534**


SAN TONGARIRO
ZMA 3180
SAN TONGARIRO
AUCKLAND

CONSOLIDATED CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2024

	Note	**Unaudited 6 months ended 31 March 2024 $000**	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Revenue	3	275,978	277,578	553,397
Cost of sales		(207,350)	(220,643)	(444,760)
Gross profit		**68,628**	**56,935**	**108,637**
Other income	7	3,490	4,335	7,500
Distribution expenses		(6,515)	(6,703)	(14,762)
Administrative expenses		(19,464)	(18,175)	(37,877)
Other expenses	8	(10,979)	(15,175)	(32,744)
Operating profit		**35,160**	**21,217**	**30,754**
Finance income		605	532	958
Finance expense		(9,805)	(6,381)	(14,480)
Net finance expense		**(9,200)**	**(5,849)**	**(13,522)**
Share of profit of equity accounted investees		27	150	250
Profit before income tax		**25,987**	**15,518**	**17,482**
Income tax expense		(9,833)	(4,409)	(7,471)
Profit for the period		**16,154**	**11,109**	**10,011**
Profit attributable to:				
Equity holders of the Company		16,166	11,088	10,016
Non controlling interest		(12)	21	(5)
		16,154	**11,109**	**10,011**
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)		17.3	11.9	10.7

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2024

	Unaudited 6 months ended 31 March 2024 $000	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Profit for the period (after tax)	**16,154**	**11,109**	**10,011**
Other comprehensive income			
Items that may be reclassified to the income statement:			
Foreign currency translation differences	70	607	183
Change in fair value of cash flow hedges	(1,239)	34,269	34,270
Deferred tax on cash flow hedges	347	(9,595)	(9,596)
Cost of hedging gains recognised in other comprehensive income	–	544	440
Deferred tax on cost of hedging	–	(152)	(123)
Items that have been reclassified to the income statement:			
Amount of treasury share cost expensed/(recovered) in relation to share-based payment	–	60	(143)
Cost of hedging gain	(293)	–	–
Deferred tax on cost of hedging	82	–	–
Other comprehensive (loss) income for the period	**(1,033)**	**25,733**	**25,031**
Total comprehensive income for the period	**15,121**	**36,842**	**35,042**
Total comprehensive income for the period is attributable to:			
Equity holders of the Company	15,133	36,822	35,047
Non controlling interest	(12)	20	(5)
Total comprehensive income for the period	**15,121**	**36,842**	**35,042**

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

	Note	**Unaudited 6 months ended 31 March 2024 $000**	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Current assets				
Cash on hand and at bank		6,547	11,412	6,805
Trade receivables		102,948	98,097	104,921
Derivative financial instruments		4,051	4,894	6,170
Other receivables and prepayments		7,367	13,024	8,352
Biological assets		57,730	49,055	48,300
Inventories		90,548	75,905	83,029
Assets held for sale	9	12,807	–	18,828
Total current assets		**281,998**	**252,387**	**276,405**
Non-current assets				
Property, plant and equipment		235,568	210,955	227,254
Right-of-use assets		37,993	41,367	40,334
Investments	8	1,148	4,261	4,383
Derivative financial instruments		10,721	13,915	12,515
Biological assets		15,239	15,822	18,226
Intangible assets		491,848	494,264	493,196
Total non-current assets		**792,517**	**780,584**	**795,908**
Total assets		**1,074,515**	**1,032,971**	**1,072,313**

	Note	**Unaudited 6 months ended 31 March 2024 $000**	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Current liabilities				
Bank overdraft and borrowings (secured)	4	–	55,000	58,000
Derivative financial instruments		4,417	7,316	6,138
Trade and other payables		61,106	64,980	87,373
Taxation payable		841	4,168	3,625
Lease obligations		13,648	5,455	11,518
Liabilities held for sale	9	13,326	–	13,732
Total current liabilities		**93,338**	**136,919**	**180,386**
Non-current liabilities				
Bank loans (secured)	4	227,000	140,000	145,000
Contributions received in advance		1,703	2,046	1,878
Employee entitlements		1,233	1,238	1,358
Derivative financial instruments		775	622	2,262
Deferred taxation		34,287	26,678	26,996
Lease obligations		21,717	33,107	29,482
Total non-current liabilities		**286,715**	**203,691**	**206,976**
Total liabilities		**380,053**	**340,610**	**387,362**
Equity				
Paid in capital		94,690	94,690	94,690
Retained earnings		591,572	587,698	581,016
Other reserves		7,832	9,568	8,865
Shareholder funds		**694,094**	**691,956**	**684,571**
Non controlling interest		368	405	380
Total equity		**694,462**	**692,361**	**684,951**
Total equity and liabilities		**1,074,515**	**1,032,971**	**1,072,313**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2024

	Note	**Unaudited 6 months ended 31 March 2024 $000**	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Cash flows from operating activities				
Receipts from customers		290,031	284,044	570,872
Interest received		604	532	958
Payments to suppliers and employees		(269,813)	(258,904)	(506,716)
Income tax paid		(4,768)	(5,897)	(9,156)
Interest paid		(7,804)	(6,262)	(14,905)
Net cash flows from operating activities		**8,250**	**13,513**	**41,053**
Cash flows from investing activities				
Sale of property, plant and equipment		12	31	578
Proceeds from sale of North Island inshore fishery assets	7	6,830	–	–
Dividends received from associates		383	–	152
Purchase of property, plant and equipment and intangible assets		(23,188)	(32,463)	(64,412)
Acquisition of shares in other companies		(278)	(174)	(347)
Net cash flows from investing activities		**(16,241)**	**(32,606)**	**(64,029)**

	Note	**Unaudited 6 months ended 31 March 2024 $000**	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Cash flows from financing activities				
Proceeds from borrowings	4	24,000	40,000	60,000
Repayment of term loans	4	–	(10,000)	(25,000)
Lease payments		(10,693)	(9,543)	(12,360)
Dividends paid to Company shareholders	5	(5,610)	(9,351)	(14,961)
Dividends paid to non controlling shareholders in subsidiaries		–	(3)	(3)
Net cash flows from financing activities		**7,697**	**11,103**	**7,676**
Net decrease in cash and cash equivalents		**(294)**	**(7,990)**	**(15,300)**
Effect of exchange rate fluctuations on cash held		36	(132)	(429)
Cash and cash equivalents at beginning of the period		(51,195)	(35,466)	(35,466)
Short term borrowings reclassified as term loans	4	58,000	–	–
Cash and cash equivalents at end of the period		**6,547**	**(43,588)**	**(51,195)**
Represented by:				
Bank overdraft and borrowings (secured)		–	(55,000)	(58,000)
Cash on hand and at bank		6,547	11,412	6,805
		6,547	**(43,588)**	**(51,195)**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2024

Reconciliation of profit for the period with net cash flows from operating activities

	Note	**Unaudited 6 months ended 31 March 2024 $000**	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Profit for the period (after tax)		**16,154**	**11,109**	**10,011**
Adjustments for non-cash items				
Depreciation and amortisation		17,542	15,529	32,142
Depreciation - Annual Catching Entitlement (ACE)		3,873	3,487	6,882
Impairment of investment in associate	8	3,333	–	–
Impairment of assets held for sale		–	–	750
Impairment of property plant and equipment		–	–	479
Impairment of intangible		–	–	189
Share-based payment expense/(recovered)		–	60	(143)
Change in fair value of biological assets		(6,443)	(1,647)	(3,296)
Change in fair value of forward exchange contracts and foreign currency options		(851)	(3,738)	(3,243)
Unrealised foreign exchange (gains)/losses		(1,425)	3,967	3,993
Share of profit of equity accounted investees		(27)	(150)	(250)
Increase/(Decrease) in deferred tax		7,720	(1,043)	(691)
Decrease in contributions received in advance		(175)	(173)	(341)
Other		(7)	(65)	(65)
		23,540	**16,227**	**36,406**

	Note	**Unaudited 6 months ended 31 March 2024 $000**	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Movement in working capital				
Decrease/(Increase) in trade and other receivables and prepayments		4,186	(16,826)	(17,341)
Increase in inventories		(7,505)	(8,346)	(15,878)
(Decrease)/Increase in trade and other payables and other liabilities		(24,366)	11,810	28,886
Decrease in taxation payable		(2,801)	(446)	(996)
		(30,486)	**(13,808)**	**(5,329)**
Items classified as investing activities				
Loss/(gain) loss on sale of property, plant and equipment		6	(15)	(35)
Gain from sale of North Island inshore fishery assets	7	(964)	–	–
		(958)	**(15)**	**(35)**
Net cash flows from operating activities		**8,250**	**13,513**	**41,053**

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2024

	Note	Share Capital $000	Share Based Payment Reserve $000	Translation Reserve $000	Cash Flow Hedge Reserve $000	Cost of Hedging Reserve $000	Retained Earnings $000	Total $000	Non Controlling Interest $000	Total Equity $000
Balance at 1 October 2023 (audited)		**94,690**	**–**	**1,085**	**7,569**	**211**	**581,016**	**684,571**	**380**	**684,951**
Profit for the period (after tax)		–	–	–	–	–	16,166	16,166	(12)	16,154
Other comprehensive income										
Foreign currency translation differences		–	–	70	–	–	–	70	–	70
Hedging losses recognised in other comprehensive income		–	–	–	(1,239)	–	–	(1,239)	–	(1,239)
Deferred tax on change in cash flow hedge reserve		–	–	–	347	–	–	347	–	347
Cost of hedging gains recovered to the income statement		–	–	–	–	(293)	–	(293)	–	(293)
Deferred tax on cost of hedging		–	–	–	–	82	–	82	–	82
Total comprehensive income		**–**	**–**	**70**	**(892)**	**(211)**	**16,166**	**15,133**	**(12)**	**15,121**
Distributions to shareholders	5	–	–	–	–	–	(5,610)	(5,610)	–	(5,610)
Balance at 31 March 2024 (unaudited)		**94,690**	**–**	**1,155**	**6,677**	**–**	**591,572**	**694,094**	**368**	**694,462**
Balance at 1 October 2022 (audited)		**94,690**	**143**	**902**	**(17,105)**	**(106)**	**585,961**	**664,485**	**388**	**664,873**
Profit for the period (after tax)		–	–	–	–	–	10,016	10,016	(5)	10,011
Other comprehensive income										
Foreign currency translation differences		–	–	183	–	–	–	183	–	183
Hedging gains recognised in other comprehensive income		–	–	–	34,270	440	–	34,710	–	34,710
Deferred tax on change in reserves		–	–	–	(9,596)	(123)	–	(9,719)	–	(9,719)
Amount of treasury share cost recovered in relation to share-based payment		–	(143)	–	–	–	–	(143)	–	(143)
Total comprehensive income		**–**	**(143)**	**183**	**24,674**	**317**	**10,016**	**35,047**	**(5)**	**35,042**
Distributions to non controlling shareholders		–	–	–	–	–	–	–	(3)	(3)
Distributions to shareholders	5	–	–	–	–	–	(14,961)	(14,961)	–	(14,961)
Balance at 30 September 2023 (audited)		**94,690**	**–**	**1,085**	**7,569**	**211**	**581,016**	**684,571**	**380**	**684,951**

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2024

		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 2022 (audited)		**94,690**	**143**	**902**	**(17,105)**	**(106)**	**585,961**	**664,485**	**388**	**664,873**
Profit for the period (after tax)		–	–	–	–	–	11,088	11,088	21	11,109
Other comprehensive income		–	–	–	–	–	–		–	
Foreign currency translation differences		–	–	608	–	–	–	608	(1)	607
Hedging gains recognised in other comprehensive income		–	–	–	34,269	544	–	34,813	–	34,813
Deferred tax on change in reserves		–	–	–	(9,595)	(152)	–	(9,747)	–	(9,747)
Amount of treasury share cost expensed in relation to share-based payment		–	60	–	–	–	–	60	–	60
Total comprehensive income		–	**60**	**608**	**24,674**	**392**	**11,088**	**36,822**	**20**	**36,842**
Distribution to non-controlling shareholders		–	–	–	–	–	–	–	(3)	(3)
Distributions to shareholders	5	–	–	–	–	–	(9,351)	(9,351)	–	(9,351)
Balance at 31 March 2023 (unaudited)		**94,690**	**203**	**1,510**	**7,569**	**286**	**587,698**	**691,956**	**405**	**692,361**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2024

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 Reporting Entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

The unaudited interim financial statements presented are for Sanford Limited ('Sanford' or 'the Group') as at and for the six months ended 31 March 2024.

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 2023 are unaudited. The comparative information for the year ended 30 September 2023 is audited.

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

NOTE 2 - BASIS OF PREPARATION

Significant accounting policies

Amendment to NZ IAS 1: Presentation of Financial Statements, Classification of Liabilities as Current or Non-current

The Amendment to NZ IAS 1: *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current* (the Amendment) is effective for the Group in the financial year ended 30 September 2025. Under the Amendment, an entity classifies a liability as current unless the entity has a right to defer settlement of the liability for at least twelve months after the reporting period. The right must also exist at the reporting date and have substance.

The Group has elected to early adopt the Amendment retrospectively, effective from 1 October 2023. Bank loans drawn under the Group's working capital facilities are classified as non-current liabilities at 31 March 2024 as a result. Refer to note 4 for details. The Amendment has no impact on comparative information for the six months ended 31 March 2023 or year ended 30 September 2023.

Apart from the early adoption of the Amendment as detailed above, 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. The interim financial statements should be read in conjunction with the financial statements for the year ended 30 September 2023.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2024

NOTE 3 – SEGMENT REPORTING

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.

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 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. Further information on segment reporting is included in the financial statements for the year ended 30 September 2023.

Revenue by geographical location of customers

	Unaudited 6 months ended 31 March 2024	Unaudited 6 months ended 31 March 2023	Audited 12 months ended 30 September 2023
	$000	$000	$000
New Zealand	99,729	98,846	192,577
North America	65,864	59,729	113,123
China	48,089	31,213	68,787
Australia	25,888	30,138	45,444
Europe	11,037	27,833	67,522
Other Asia	9,488	10,658	28,859
Japan	6,198	7,028	13,569
South Korea	3,266	4,780	9,202
Central and South America	1,711	1,211	2,288
Pacific	1,509	598	861
Hong Kong	1,466	1,952	3,927
Middle East	1,380	2,942	6,102
Africa	353	650	1,136
Revenue	**275,978**	**277,578**	**553,397**

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

The Group has two customers accounting for more than 10% of total sales for the current period across both wildcatch and aquaculture (six months ended 31 March 2023: one customer, year ended 30 September 2023: two customers).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2024

NOTE 4 – BANK LOANS (SECURED)

	Carrying and face value		
	Unaudited 31 March 2024	Unaudited 31 March 2023	Audited 30 September 2023
	$000	$000	$000
Balance at beginning of period	**203,000**	**155,000**	**155,000**
Bank term loans			
Proceeds	24,000	40,000	60,000
Repaid	–	(10,000)	(25,000)
Bank overdraft and short term borrowings			
Movement	–	10,000	13,000
Balance at end of period	**227,000**	**195,000**	**203,000**
Interest rates applicable	6.2% - 6.8%	5.8% - 6.1%	6.3% - 6.8%

Bank term 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 (six months ended 31 March 2023 and year ended 30 September 2023: all covenants were complied with).

The repayment dates of bank term loans outstanding and totalling $227.0m at 31 March 2024 are:

- 30 November 2025: $40m;
- 15 April 2025: $20m;
- 31 March 2026: $40m (working capital facility)
- 15 April 2026: $15m;
- 30 April 2026: $42m (working capital facility)
- 30 April 2026: $40m
- 30 April 2028: $30m

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.

On 28 March 2024, the working capital facilities expiring on 30 April 2024 were extended to beyond 12 months from the current 31 March 2024 reporting date. These now expire on 31 March 2026 and 30 April 2026 respectively.

The Group elected to early adopt the Amendment to NZ IAS 1: *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*, effective 1 October 2023. All bank term loans including those drawn under the working capital facilities are therefore classified as non current liabilities in the Statement of Financial Position as at 31 March 2024. Refer to note 2 for details on the Amendment.

On 28 April 2023 the Group restructured its loan portfolio such that the total banking facility limit was reduced from $270.0m to $250.0m.

NOTE 5 – DIVIDENDS

The following dividends were declared and paid by the Company:

On 28 May 2024 the Board declared an interim dividend for the six months ended 31 March 2024 of 5.0 cents per share (31 March 2023: 6.0 cents per share, 30 September 2023: a final dividend of $5.6m at 6.0 cents per share was approved by the Board on 13 November 2023 and paid on 6 December 2023).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2024

NOTE 6 – 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.

	Note	**Unaudited 6 months ended 31 March 2024 $000**	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Non-derivative financial assets not measured at fair value[(i)]				
Trade receivables		102,948	98,097	104,921
Cash and cash equivalents		6,547	11,412	6,805
Other receivables - advances to associates		137	300	300
Shares in other companies		104	104	104
Non-derivative financial liabilities not measured at fair value[(i)]				
Bank overdraft and short term borrowings (secured)	4	–	(55,000)	(58,000)
Trade and other payables		(52,539)	(55,334)	(75,053)
Bank term loans (secured)	4	(227,000)	(140,000)	(145,000)
Total net non-derivative financial (liabilities)		**(169,803)**	**(140,421)**	**(165,923)**

	Note	**Unaudited 6 months ended 31 March 2024 $000**	Unaudited 6 months ended 31 March 2023 $000	Audited 12 months ended 30 September 2023 $000
Derivative financial assets (liabilities) measured at fair value[(ii)]				
Forward exchange contracts		5,335	8,080	314
Foreign currency options		–	18	(300)
Interest rate swaps		3,476	4,784	7,161
Fuel swaps		769	(2,011)	3,110
Total net derivative financial assets		**9,580**	**10,871**	**10,285**

(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 2024: $8.6m, March 2023: $9.7m, September 2023: $12.3m).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2024

NOTE 7 – OTHER INCOME

(i) 31 March 2024 – Sale of North Island inshore fishery assets

On 31 October 2023, the agreement for Sanford to lease the Annual Catch Entitlement (ACE) for much of its quota of North Island inshore species to Aotearoa Fisheries Limited (Moana) on a long-term basis became unconditional. The transaction included the sale of two of the Group's inshore fishing vessels, a selection of processing equipment and refrigerated vehicles/trailers, and one marine farm comprising three coastal permits in the Croisilles Harbour. The assets and marine farm license were classified as assets held for sale (net of impairment) at 30 September 2023.

In the six months ended 31 March 2024 the group received total consideration of $6.8m for the assets, resulting in a gain on sale of $0.96m that is included in other income in the income statement for the same period.

For full details on the arrangement, refer to the Group's financial statements for the year ended 30 September 2023.

(ii) 31 March 2023 and 30 September 2023 – Lease surrender

Sanford and Port of Tauranga reached an agreement which was settled on 3 October 2022 for Sanford to surrender leases for the Tauranga processing site. Sanford received $2.2m in compensation for surrendering its perpetual right to the Cross Road lease.

NOTE 8 – OTHER EXPENSES

31 March 2024 – Impairment of Investment in Two Islands Co NZ Limited

The Group impaired its equity accounted investment in Two Islands Co NZ Limited, including its subsidiary Two Islands Co Australia Pty Limited, by $3.3m during the six months ended 31 March 2024. The carrying value of the investment at 31 March 2024 is nil.

Two Islands Co NZ Limited and its subsidiary are in the business of manufacturing and distributing dietary supplements in New Zealand and Australia.

30 September 2023 – Impairment of assets held for sale and redundancy provision

As the long-term ACE lease agreement received clearance from the New Zealand Commerce Commission on 13 September 2023, the associated assets and marine farm license were classified as held for sale with depreciation of these assets ceasing on the same date. The fair value less costs to sell for certain assets were lower than their carrying amounts at the time of classification as held for sale, resulting in an impairment loss of $0.7m recognised in the Income Statement.

Further to the above, a provision for redundancy of $3.6m was also recognised, arising from the Group's closure of the Auckland processing factory, which was part of the sale of Sanford's North Island inshore catching rights and ancillary assets.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2024

NOTE 9 – ASSETS HELD FOR SALE

a) Sale of perpetual right to lease

At 30 September 2023 the Group had started to reassess the use of its leased Auckland premises. The Group commenced negotiations for the sale of its perpetual right to lease the Auckland premises and on that basis the site leases were classified as held for sale. These negotiations remain ongoing. The fair value less cost to sell for the right of use asset is higher than the carrying value. No impairment has been recognised for this asset.

The assets and liabilities specifically relating to the lease of the Auckland premises remain classified as held for sale.

	Unaudited 31 March 2024 $000	Audited 30 September 2023 $000
Assets		
Right-of-use assets	12,807	18,828
Liabilities		
Lease obligations	13,326	13,732

b) Moana transaction

The assets held for sale previously recognised at 30 September 2023 in respect of the transaction with Aotearoa Fisheries Limited (Moana) completed on 31 October 2023 and is detailed further in note 7 (i).

NOTE 10 – IMPAIRMENT OF ASSETS

Other than that noted in note 8, there have been no other material impairment losses recognised in the six months ended 31 March 2024 or 31 March 2023, or in the year ended 30 September 2023.

Impairment testing

The group's market capitalisation has been below the carrying amount of net assets from September 2020 onwards with an increasing gap over this time. At 31 March 2024 the Group's market capitalisation was $358m (31 March 2023: $383m and 30 September 2023: $364m) and the carrying value of its net assets was $694m (31 March 2023: $692m and 30 September 2023: $685m). Accounting standards consider this to be an indicator of impairment.

Assets are tested for impairment whenever there are indications this may exist, particularly intangible assets with infinite lives, such as the Group's quota and marine farm licenses. An assessment of the recoverable amount needs to be made in light of the indicator. When the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the greater of fair value less cost to sell and its value in use ('VIU'). In light of this matter management performed impairment testing at half-year.

For the Group, impairment testing is in respect of the cash generating units ('CGU's') which contain the New Zealand fishing quota and marine farm licences, wildcatch and aquaculture respectively. The testing performed as at 31 March 2024 results in positive headroom between the value of these cash generating units and the carrying amount of their net assets, indicating that there is no impairment at the cash generating unit level.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2024

The recoverable amount of the CGU's were estimated based on the following significant assumptions:

- Post tax discount rate of 8.0% to 9.0% were applied (30 September 2023: 7.8% to 8.8%)
- Future cashflows were projected for a period of 5 years and a terminal growth rate of 2.25% (30 September 2023: 2.25%)
- Compound annual growth rates in respect of earnings for New Zealand wildcatch of 3.9% and for aquaculture of 10.8%, between 2025 and 2028.

The recoverable amount of New Zealand wildcatch exceeds its carrying amount by $137m (30 September 2023: $190m) and aquaculture by $80m (30 September 2023: $88m).

Sensitivity analysis

The Group has conducted analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amounts for the applicable CGUs. The recoverable amounts in the New Zealand wildcatch and aquaculture CGUs are not sensitive to reasonably possible changes in assumptions of the group's terminal growth and discount rates. However, the recoverable amounts are sensitive to reasonably possible changes in assumptions of the group's earnings growth expectations. For the aquaculture CGU, if the FY25 forecast earnings assumption was assumed to continue with no growth through to FY28, then the carrying amount would approximately equal the recoverable amount. For the New Zealand Wildcatch CGU earnings would have to fall by a CAGR of 4.9% over the modelled period for the carrying amount to equal the recoverable amount.

NOTE 11 - CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	Unaudited 31 March 2024	Unaudited 31 March 2023	Audited 30 September 2023
	$000	$000	$000
Guarantees	801	801	801

The Group has guarantees with its commercial banking partners. In this respect the Group treats the guarantee contracts as contingent liabilities until such times as it becomes probable that the Group will be required to make payments under the guarantees.

(b) Commitments

The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is $16.2m (31 March 2023: $28.6m, 30 September 2023: $22.4m).

NOTE 12 - SUBSEQUENT EVENTS

North Island Mussels Limited processing plant closure

North Island Mussels Limited (NIML) is a joint operation in which Sanford Limited has 50% shareholding to farm, process and sell mussels. On 1 May 2024, Sanford announced to staff at NIML based in Tauranga, that the processing plant will be closed in the coming months. The net book value of NIML's property, plant and equipment held in the Group's Consolidated Condensed Statement of Financial Position is $10.3m.

Interim dividend approval

The Board approved an interim dividend for the six months ended 31 March 2024 on 28 May 2024. Refer to note 5 for details.

DIRECTORY

BOARD OF DIRECTORS

Sir Robert McLeod, Chairman
Craig Ellison
David Mair
Tom McClurg
John Strowger

EXECUTIVE TEAM

David Mair, Managing Director (effective 01 May 2024)

Paul Alston, Chief Financial Officer

Debra Lumsden, Chief People Officer

Richard Miller, Executive GM Salmon

Andrey Stanley, Executive GM Mussels

Paul Turnbull, Acting Co-executive GM Wildcatch

Colin Williams, Acting Co-executive GM Wildcatch

Vaughan Williamson, Executive GM Strategy and Innovation

Louise Wood, Executive GM Supply Chain & Operations

REGISTERED OFFICE

22 Jellicoe Street
Freemans Bay
Auckland 1010
New Zealand

PO Box 443
Shortland Street
Auckland 1140
New Zealand

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

SHARE REGISTRAR

Computershare Investor Services Limited
Private Bag 92 119
Victoria Street West
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
Victoria Street West
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 Counsel and Company Secretary at the Registered Office.


SANFORD.CO.NZ