SANFORD

Annual Report FY24

Back to Basics

Sanford provides a valuable, safe and healthy source of protein. We must focus on productivity throughout the business so that we can sustainably offer value to our customers.

Contents

Highlights FY24

Financial

Revenue
FY24: **$582.9m** ↑
FY23: $553.4m

Gross margin %
FY24: **21.6%** ↑
FY23: 19.6%

Adjusted EBIT
FY24: **$74.2m** ↑
FY23: $49.4m

Net profit after tax (NPAT)
FY24: **$19.7m** ↑
FY23: $10.0m

Operating cash flow
FY24: **$73.0m** ↑
FY23: $41.1m

Net debt
FY24: **$185.5m** ↓
FY23: $196.2m

Earnings per share
FY24: **21.1cps** ↑
FY23: 10.7cps

Final dividend per share
FY24: **5.0cps**
FY23: 6.0cps

Operational

Sales volume
FY24: **105.0k GWT**
FY23: 92.0k GWT

Catch
FY24: **108.7k GWT**
FY23: 112.5k GWT

Mussels sales volume
FY24: **31.1k GWT**
FY23: 30.1k GWT

Salmon sales volume
FY24: **4.8k GWT**
FY23: 4.8k GWT

Wildcatch sales volume
FY24: **69.1k GWT**
FY23: 57.1k GWT

Workforce numbers
FY24: **1,294**
FY23: 1,485

Total injury frequency rate
FY24: **10.5**
FY23: 17.4

GHG emissions scope 1 and 2 (tonnes CO_2-e)
FY24: **54,700**
FY23: 61,596

Waste generated (metric tonnes)
FY24: **3,656**
FY23: 3,667

Chair's Report

David Mair was appointed Managing Director of Sanford on 01 May 2024, so we are in the seventh month of his leadership. As you will know, David was a director at the time of this appointment, having joined the board on 07 November 2022. He was therefore well known to his colleagues as an internal appointee. We have preferred to continue his board status as Managing Director.

The board has mandated David to review the Group's operations and strategy which is a very important work in progress. It's therefore appropriate for David to deliver a separate report from mine in this year's Annual Report and Annual Shareholder's Meeting (ASM) on Sanford's strategy and operations.

I want to stress that the entire board is committed to the primary objective of maximising total shareholder return measured in terms of share price and dividend performance through time. I do not accept that this goal imposes costs on other company stakeholders. I believe that a rising tide lifts all boats. In this context, I am very pleased that Sanford reported the strongest ever adjusted EBIT result this past year. The board is pleased to declare a dividend of 5.0 cents per share. Setting the dividend requires us to balance several important factors, including the level of debt and capital expenditure.

I am very grateful to David and his team for achieving this outstanding result.

Directors and the Board

Two directors (Tom McClurg and Jo Curin) are standing for election and two directors (Craig Ellison and myself) are standing for re-election at this year's ASM on 18 December 2024. You will hear more details on each candidate at this meeting.

At present, the board comprises six directors; three are independent, and three are not. The board is very comfortable with its composition and spread of directors at this time.

I consider that the mix of skills, together with the level of cohesion and teamwork, is very positive around the board table. I believe our directors are business savvy, sector relevant and shareholder orientated.

Climate Reporting Disclosures

The new disclosure regime is being phased in over time. Reporting against the new climate reporting standards is required from the financial year beginning on or after 01 January 2023, being 01 October 2023 for Sanford. In the second phase (being the accounting periods ending on or after 27 October 2024), elements of the disclosures relating to greenhouse gas emissions will be required to be independently audited.

It will take time to develop the capability to produce high-quality climate-related disclosures, and some disclosure requirements by their nature may require an initial exemption. Therefore, not all requirements in the Aotearoa New Zealand Climate Standards are mandatory immediately. This regime imposes significant compliance obligations and costs on Sanford.

Customers, Our People and Shareholders

Thank you to all our customers for your business. Without revenue from customers, Sanford can't pay wages or dividends. That said, we can't serve customers without our people, so a huge thank you must go to our hard-working teams.

A big thank you to the senior leadership team and my fellow directors. Your efforts are revealed in the bottom-line result this past year.

Last but not least, I thank our shareholders for investing in Sanford.

Sir Robert McLeod
Chair

Managing Director Statement

It is a pleasure to report to Sanford's shareholders, as your Managing Director (MD), for the first time.

Last year's CEO report to shareholders observed that the year brought both challenges and opportunities but delivered an improved financial performance.

In many senses, it was more of the same in FY24. Challenges and opportunities arrived, and the expectation of further improvement in our financial performance was realised.

Sanford's financial result represents a record adjusted EBIT profit – one we have achieved despite challenging global economic conditions. The FY24 net profit after tax (NPAT) was $19.7 million, a 96% improvement on last year's result. Operating cash flow of $73.0 million is an increase of $31.9 million (+78%) over the prior period, an exceptionally good result.

A 5% increase in overall revenue, combined with a team focus on selling through aged inventory (orange roughy) and a concerted effort to expedite cash collection, positively led to cash flow improvements.

The immediate financial numbers are only part of the story, however. As we previously observed in last year's integrated report, "Most of our business remains commodity based, with a smaller total contribution coming from value-added products, albeit at higher margins. Although we target an increased percentage of high-value products, Sanford will remain predominantly a commodity business for the foreseeable future."

This commodity position has implications for the way in which we resource and scale our business divisions. In the past, Sanford has perhaps been guilty of seeking to go up the value chain, spending capital to grow the size and scale of its businesses without considering the commodity position several of its products inhabit. We have also pursued some ostensibly exciting opportunities that have not proved to be (and may never be) profitable.

Strategic Review

This approach needs review. I became MD of Sanford on 01 May 2024, and have instituted a 'bottom up' review of the company, to develop a new strategic view for each part of the business.

It is inevitable that a primary focus of this review will be on costs. There is a need to review every process and commit to continuous improvement to mitigate further cost increases (and even achieve savings). My objective is to simplify and optimise standardised business processes and tools, enabling more cost-effective outcomes, access to more insightful information, a more secure environment and ultimately better outcomes for our customers and our people.

Prioritisation will be to ensure that we have a structure which supports front-end activity with our customers. We then need to make sure that we have a back-end that is focused on reducing product costs relentlessly. In that context, there is also a need to carefully consider the size of the corporate structure that we can afford.

Unglamorous but necessary work.

Whilst this cost reduction strategy will be rigorously pursued in FY25, it is not expected that the net benefits of these initiatives will play through until FY26.

Work will continue on these initiatives during FY25. I hope to report to shareholders on this further, in our HY25 announcement.

Review of Assets/Capital Allocation

Sanford has a significant tangible and intangible asset base of over $1 billion, measured using a mixture of book and fair value. Judicious management of this asset base is an important component of the company.

As part of the strategic review of each business, a rigorous focus will be applied to determining if sufficient returns are being achieved on these assets. This review will encompass a consideration of short- and medium-term use and profitability attained from our assets. It will be necessary to focus on aged assets and whether required maintenance and upkeep is commensurate with attainable and incremental profit achievement. As is evident from the asset impairments identified and recognised in FY24, we have commenced this review; however, the business will look to complete this exercise in the first half of FY25.

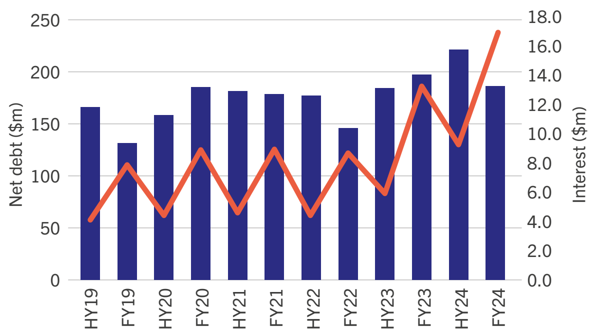
In addition, we own fishing quota and licensed water space, all of which equally needs to be considered from a productivity and contribution perspective.

We will bring a similar rigour to future allocations of capital. While a zero-based capital allocation will be assumed, the reality is that we have a considerable amount of capital expenditure looming, the incurrence of which we will look to manage while protecting our cash flow profile as jealously as we can. Competing priorities will require balancing.

Cash Flow Allocation

We are in the business of natural protein production, with all the vagaries and uncertainties that this implies. A reconsideration of the appropriate level of debt for the business, and associated interest costs, is merited.

Sanford Net Debt and Interest



Net debt

Interest (including hedging)

As you can see from the graph above, interest cost has been rising steadily in an environment of higher interest rates. This has been exacerbated as our favourable cover (interest rate swaps) roll-off.

The Board's current intention is to manage debt levels down to a level that does not impinge on or influence business decisions in respect of opportunities which make good commercial sense.

Sustainability

Addressing climate change considerations continues to be a critical issue for all businesses. As identified in the Chair's report, a strong emphasis has been placed on understanding future climate impacts on Sanford's business.

We are investing resource into completing the complex work of investigating different climate scenarios to understand the potential impacts on our physical assets and manage transition risks (which will vary from one jurisdiction to another). This work will return and inform future investment decisions and help with mandatory reporting obligations going forward.

The sustainability report is now a separate document and will be available by 31 January 2025.

People

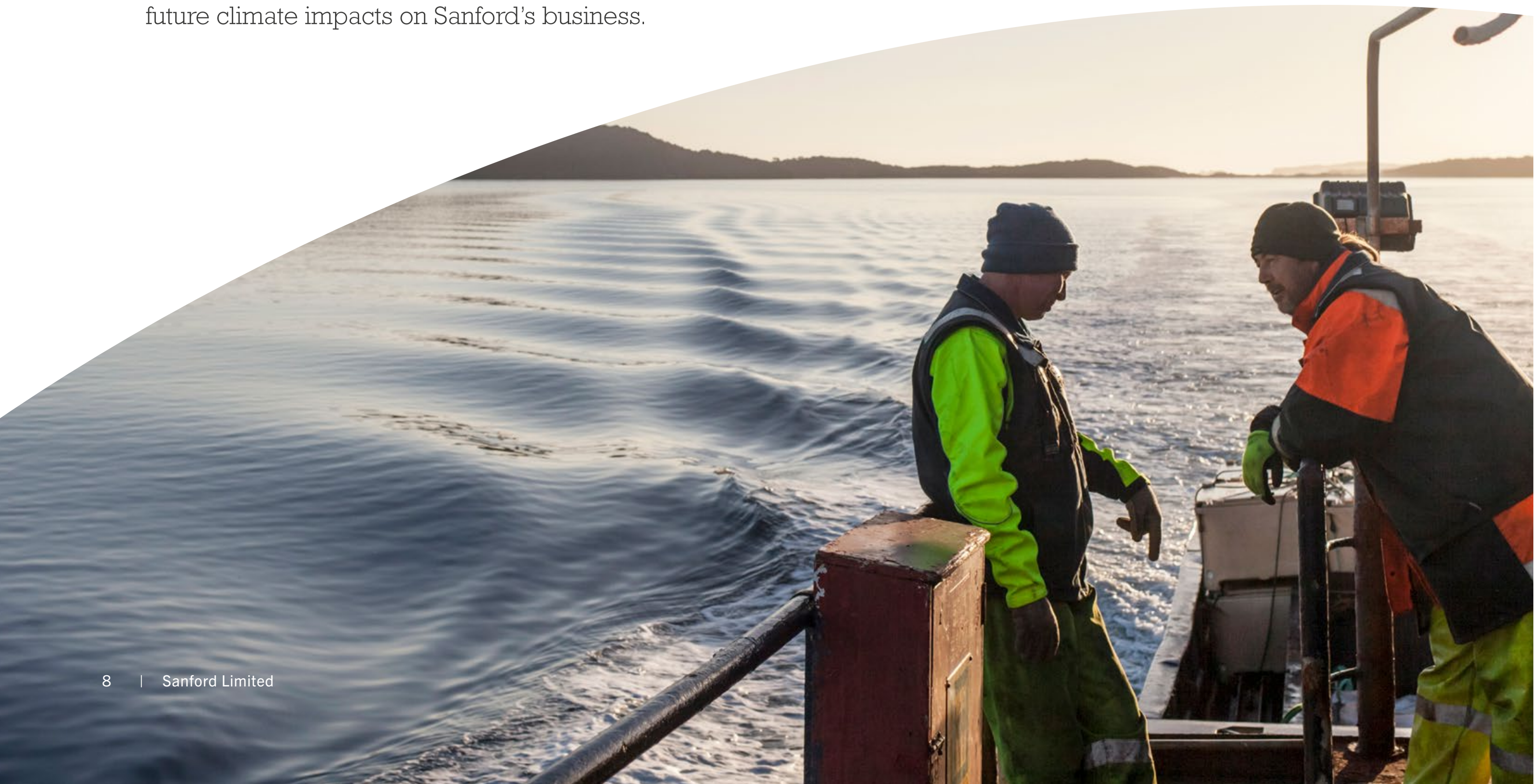
Some of the initiatives I describe above have involved, and will involve, change. Change can be confronting, but I am firmly convinced this is necessary for the future of Sanford.

I would like to record my appreciation to the senior leadership team and all our people for their contributions during FY24. Several of them go to work every day in challenging (and sometimes hostile) environments. I am genuinely grateful for their efforts. We are nothing without their contributions to Sanford.

Finally, I appreciate the support of the directors and shareholders.

David W Mair

David Mair
Managing Director



Performance Summary

Sales and Marketing

FY24 saw buoyant and, in some cases, record pricing for several key species in a wide range of international markets. In the last half of the year, tightening economic conditions in both the North American and Chinese markets saw a softening in market sentiment. We anticipate pricing impacts in FY25.

The comparative sales revenue for the past year, based on the breakdown of key species-split, illustrates the strong dependence on aquaculture species with 57% of sales revenue being derived from mussels and salmon. In addition, 80% of current sales revenue is attributable to just four species: mussels, salmon, scampi and hoki. Several other key species or product forms (fishmeal) variously account for around 3-4% each of the balance in sales revenue. The proportionate split in sales revenue among species has changed little over the past two years.

The comparative sales revenue split by geographic customer location for the past two years indicates the relative stability of market sectors. The exception is the Australian market where the proportion of sales has fallen from 10% to 6% consequent to the company exiting the inshore fresh export business. North America is the core market, with the predominant supply being mussels and salmon as well as toothfish and orange roughy. The growth in the North American market share from 26% to 30% in the past year is simply a reflection of the proportionate market sector redistribution when the inshore fresh export business ceased at the end of FY23. Chinese market demand centres around scampi, salmon and to a lesser extent mussels and squid.

The broad European market trade involves a wide variety of species such as hoki, ling, squid, mussels and southern blue whiting, among others. The New Zealand domestic food service business is solid at about 18% of market sector share, servicing key accounts as well as a multitude of other varying-sized business with a diverse range of fresh and frozen products. The company also operates a third-party agency sales programme for catch taken by its contracted fishing partners. These sales are made on a frozen in-store basis and are subsequently exported to a wide variety of markets. These sales are excluded from the geographic market sector comparison.

Sales Value by Key Species

	FY24	FY23
Mussels	31%	29%
Salmon	26%	24%
Scampi	13%	14%
Hoki	10%	12%
Other	20%	21%

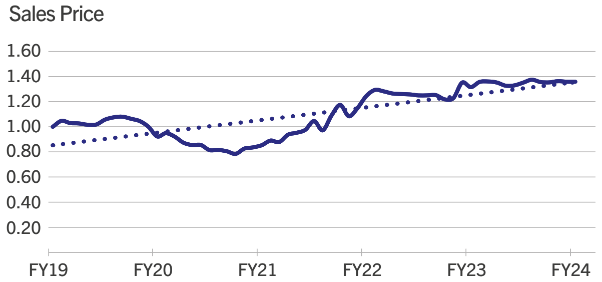
Sales Value by Geographic Region

	FY24	FY23
North America	30%	26%
China	19%	15%
New Zealand	18%	19%
Europe	16%	15%
Australia	6%	10%
Other	11%	15%

The graphs shown below reflect trends in prices over the past year compared with the previous four years; all prices indexed to one on 30 September 2019.

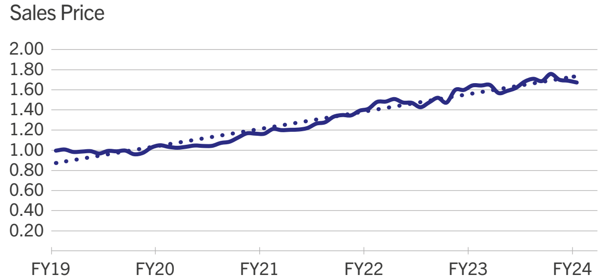
Frozen Half-shell Mussels

Frozen half-shell mussel pricing was increased early in the year to reflect the tightness in available supply relative to demand. Prices in all markets are now at historical highs and have held firm throughout the year. Supply is forecast to remain tight into the coming year and pricing is expected to remain firm.



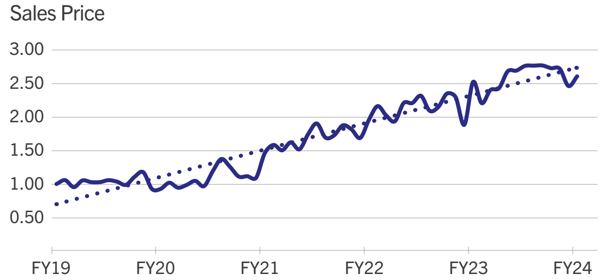
Salmon – Gilled and Gutted

Fresh salmon export prices are firm relative to recent years. Export market channels were simplified during the year, reducing the cost of sales. Pricing improved throughout the year, with demand remaining steady and is forecast to remain so. Domestic market sales account for about a third of whole-salmon production and most of the fillet production. Domestic prices are regularly reviewed with key accounts and were increased during the past year and for the year ahead.



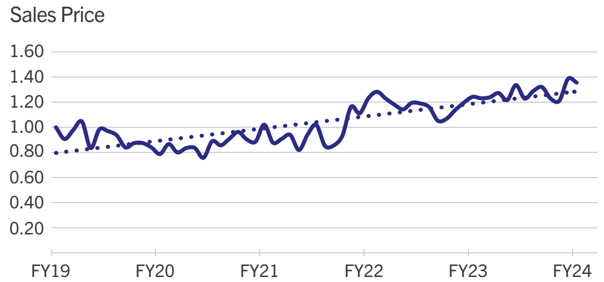
Scampi

Scampi pricing increased to a historical level during the year and remained steady until the last quarter when demand from the Chinese market began softening. Demand remains reasonably steady, though we anticipate prices to ease further in the coming year.



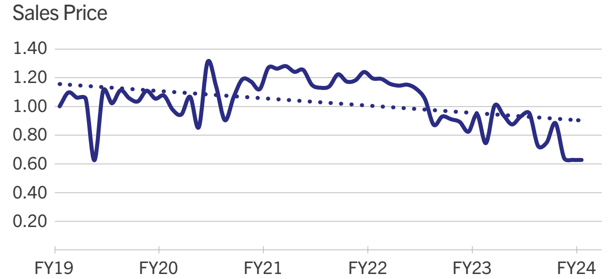
Hoki

Hoki fillet prices have remained buoyant throughout the year and are expected to remain so for FY25. There is some downward pressure on premium hoki fillet block pricing because of the softness in Northern Hemisphere pollack pricing. However, despite this competition, hoki block pricing has been relatively stable, and reasonable volume contracts are in place with established customers for the year ahead.



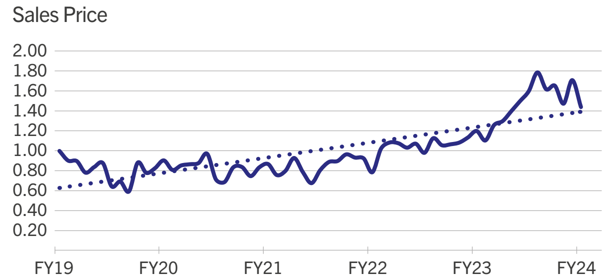
Orange Roughy Fillets

Orange roughy fillet prices have been steadily declining for the past two years. The US retail sentiment is that orange roughy was over-priced in the COVID era and that a market correction was inevitable. Orange roughy fillets were among the highest-priced offerings at US retail fish counters and as prices rose consumer demand waned. Prices then declined rapidly as orange roughy fell out of retail customer favour. It then became a challenge to sell orange roughy to an increasingly sluggish US economy. All New Zealand producers have had to make substantial price concessions to move any inventory. In this climate it is difficult to forecast the likelihood of a sustained price improvement anytime soon.



Squid – Whole

There continues to be a shortage of squid in international markets and this season's New Zealand arrow squid catch remained mediocre. As a result, whole-squid prices reached record highs at the outset of the season and stayed firm throughout the year in both European and Asian markets. Unless catches markedly increase during the coming season, export prices are likely to remain firm.



Mussels

Sanford farms mussels in both the North and South Islands. The main farming areas are the Coromandel in the North and spread widely in the South, from the Marlborough region through to Stewart Island.

We farm, process, market and sell mussel products, predominantly in frozen half-shell format. Strong demand for half-shell mussels continues internationally but it has been a challenging growing year, particularly in the North Island, where spat mortalities have been higher than normal.

Revenue

$134.1m

FY23: $122.9m

Profit contribution

$13.9m

FY23: $6.9m

Sales volume (GWT)

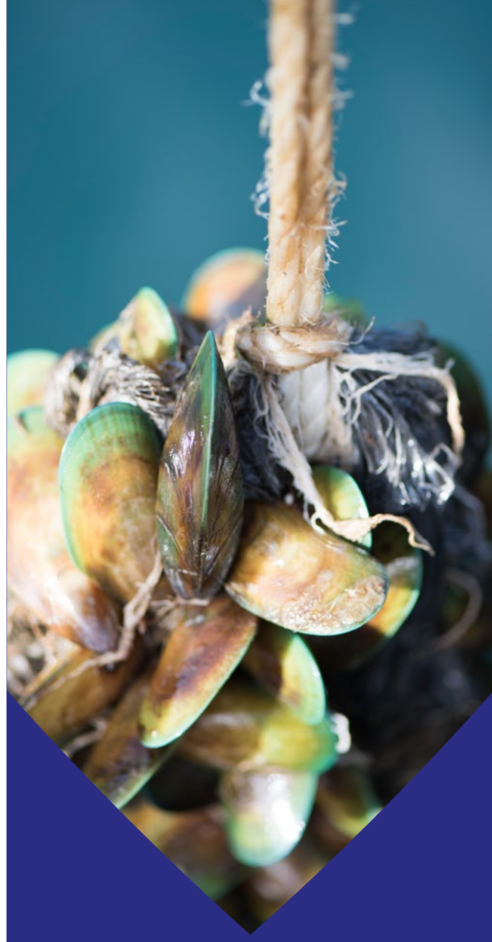
31.1k tonnes

FY23: 30.1k tonnes

Year in Review

The mussel division made progress in FY24 with improvements in operational performance, delivering a $13.9m EBIT contribution.

- The operational team improved structure, reducing overhead costs in line with operating size. Performance was also supported by stable market pricing.
- Demand in the half-shell mussel market is strong, with solid prices reflecting the current shortage of supply from New Zealand.
- The division and the wider industry have faced reduced spat availability from Ninety Mile Beach, primarily due to adverse weather conditions. The quota year for spat (GLM9) changed in FY24 and with good catches returning, spat landing volumes and quality are expected to improve next year.
- Spat from our mussel hatchery in Nelson, SPATnz, provided an important lifeline for our South Island mussel farms, supporting sufficient volumes for efficient processing at Havelock.
- The SPATnz minor expansion addressed larvae settlement constraints, resulting in more spat deployed to farms this year. Selective breeding continues to offer a distinct advantage.
- Coromandel farms yielded below-average crop during the year, and are experiencing significant fluctuations in volume and timing, due to a range of factors including seed mortality. The variability and shortage directly impacted Sanford's joint-venture business NIML, and in July the Tauranga factory was closed with the loss of 154 jobs. A new toll processing arrangement with Whakatōhea Mussels (Ōpōtiki) Ltd offers greater flexibility in managing Coromandel's fluctuating supply.
- In September 2024 the Resource Management (Extended Duration of Coastal Permits for Marine Farms) Amendment Bill was made law. This Act automatically renews the existing coastal permits for New Zealand's 1,200 marine farms by 20 years, but not beyond 2050. This legislation provides certainty for farmers and reduces future consent renewal costs.
- Labour constraints at Havelock are largely resolved, and current supply volumes match labour and throughput capacity.



Outlook

- Low volumes out of the Coromandel are expected in FY25 from poor spat uptake in FY24.
- Supply is forecast to remain tight into the coming year and pricing is expected to remain firm.
- Overhead cost in the North Island is expected to reduce from processing and farming restructures completed in FY24.

Salmon

Our salmon division has two farms at Big Glory Bay in Stewart Island and a processing facility in Bluff employing over 150 people.

A positive performance for the salmon business was achieved in FY24 with increased profitability to $40.9 million (+27.8% on FY23). Pricing was maintained throughout the year and demand for fresh king salmon remains at good levels.

Revenue

$107.0m

FY23: $93.6m

Profit contribution

$40.9m

FY23: $32.0m

Sales volume (GWT)

4.8k tonnes

FY23: 4.8k tonnes

Year in Review

A strong year for salmon with growth in both volume and performance.

- Through a challenging El Niño summer, the continued investment in aeration and oxygenation technology, to manage risk and smooth environmental influence, has helped deliver the required harvest volumes. Fish quality has been good, with a 6.0% uplift in size compared to the previous year.
- Feed cost remained at challenging highs for the duration of FY24 with some softening during Q4 and an expectation this will continue through to early FY25. Feed cost impact has been partially mitigated through a 6% better feed conversion-to-growth ratio relative to the previous year, which was from improved efficiency within the farming operation.
- Sanford commissioned a new feed barge, San Big Glory Bay, during Q4 to replace a leased vessel. The new barge has been fitted with a fuel-efficient hybrid battery system and will support risk management by keeping farms split across two leases within Big Glory Bay.
- Two new fish pens were installed in late Q4, in advance of an increase in harvest volume, to be realised in FY25.
- Green-weight harvest is on par with the previous year; however, a significant improvement in by-product utilisation has supported packed weight yield improvement. Mortality waste is 100% sustainably managed through a zero-landfill objective.
- The salmon division's focus remains on attracting and retaining the right level of expertise, supported by a positive rostering change, which was embedded during the year. This programme has produced improving efficiency metrics.

Outlook

- Productivity and efficiency will underpin a continued focus in both the farming and processing operations.
- La Niña conditions are expected over the critical summer period that will result in more settled weather patterns and less mortality risk.
- A new service vessel will be built during FY25 to replace the 46-year-old San Hauraki and provide the future reliability and capacity required. The vessel is anticipated to be commissioned midway through FY26.
- The focus for FY25 is on maximising volume from Big Glory Bay and efficiency improvements from the Bluff processing factory.

Wildcatch

Wildcatch is at the core of Sanford's business, predominantly generating revenue streams from commodity products in export markets.

Following the sale of the North Island inshore assets and leasing of ACE to Moana, the hub of operation is now Timaru where most of our fleet are based. The business benefits from the diverse fishing vessels we operate and our fishing partner contracts. This ensures we utilise our fishing quota and have access to a broad portfolio of species to minimise our commercial exposure.

We catch and process hoki, squid, scampi, toothfish, orange roughy, ling, smooth dory, and many other species. Specific species are more abundant at different times of year, so we align our vessel catch plans and land-based processing to maximise sustainable harvest.

In addition to catching and processing fish, income is generated from the sale of annual catch entitlement (ACE). The quantity that can be caught each year is defined by New Zealand's Quota Management System. Quota owners can catch, or trade ACE. Our aim is to fully utilise Sanford's ACE in a sustainable way to achieve the best commercial outcome.

Revenue

$318.9m

FY23: $299.8m

Profit contribution

$55.7m

FY23: $48.8m

Sales volume (GWT)

69.1k tonnes

FY23: 57.1k tonnes

Year in Review

This financial year has seen some changes to our business operations with the closure of the Auckland processing site and sale of our North Island inshore assets and leasing of ACE to Moana at the beginning of the year.

- Sanford's 10-year ACE supply agreement with Moana guarantees annual income and improves our wildcatch EBIT. Sanford continues to control the seafood auction and fishmonger operation at Wynyard Quarter.
- Our primary operational focus is the deepwater fleet and Timaru processing factory. The San Waitaki, San Enterprise, and San Aramand underwent five-year renewal surveys, requiring three months in dry dock for certification and maintenance upgrades.
- During this period, San Waitaki and San Enterprise upgraded propulsion systems and engines to improve energy efficiency and reduce carbon emissions, also enhancing crew accommodations. The San Enterprise received funding from the Energy Efficiency and Conservation Authority (EECA) for this initiative. The San Granit had an extended in-water lay-up to replace outdated control systems. These projects reduced our catching capacity by 2,718 metric tonnes (mt) to 28,540mt this year.
- The deepwater long line Antarctic toothfish season in the Ross Sea proved to be challenging this year with weather and ice conditions extending fishing to mid-February. With more vessels licensed it was very competitive and catch was down 163mt on last year. After returning from the Ross Sea the long line fleet has had a better ling season than last year.
- The Ocean and Fisheries Ministry reduced the Total Allowable Commercial Catch (TACC) for orange roughy in FMA ORH3B (South East, Chatham Rise area) under advice from the industry and the science community as part of the ongoing management of stocks. Despite initial unfavourable reactions in North America, the market recovered in Q4, albeit at lower prices. We adjusted catch plans to prioritise whole orange roughy for the Asian market and shifted reprocessing at Timaru to other species.
- Squid catch improved over the last year but remained below FY21 and FY22 levels; however, prices were better due to low supply. The hoki season performed well, with strong pricing and recovery of global hospitality markets. Hoki catch was lower due to planned vessel surveys.
- Scampi operations faced challenges due to an ageing fleet and poor weather in the Sub-Antarctic. The converted inshore vessel San Tongariro suffered a catastrophic engine failure in January 2024 and was unavailable for the rest of the year; repairs will be complete by December 2024. With the new scampi vessel San Koura Rangi arriving in May 2025, the fleet will strengthen. Scampi demand and pricing remain steady.
- Sanford's fishing partners – Maruha, Dong Won New Zealand, and Jaico – operate New Zealand-flagged vessels, catching 39,221mt this year (up from 33,697mt in FY23) mainly due to increased squid, hoki and jack mackerel catch. Partnering allows us to generate consistent EBIT from the ACE beyond our fleet's capacity without capital investment.

Outlook

- Steady demand is expected for FY25 with downward price pressure on many species, particularly orange roughy.
- There are likely to be increased operational costs, including wages and salaries, fuel, freight, and repairs and maintenance.
- The commissioning of Sanford's new purpose-built scampi vessel is expected in the third quarter of FY25.
- Increased snapper quota available for the inshore division following the SNA8 TACC decision will positively increase the ACE income.

Sustainability

Sanford's commitment to sustainable seafood and to a sustainable future for our business, our stakeholders, our people, our customers and our suppliers is unwavering.

Sustainability can be simple and increasingly complex at the same time. We know this from the most fundamental foundation upon which Sanford's business exists – the ability of fisheries and marine natural resources to sustain seafood harvests in an ongoing manner.

Harvests must be managed to ensure future viability, made increasingly complex by information and data demands to support management decisions. Indeed, this has been the case in FY24 when the New Zealand deepwater wildcatch industry self-suspended Marine Stewardship Council certification for the East and South Chatham Rise orange roughy fishery. This was not due to primary stock-level concerns, but because the age-stage data used for stock assessments had challenges when fitting it to the models used for those fishery assessments. In this case, a precautionary approach was justified, which the industry advocated, and this meant a reduction in catch limits reflective of the uncertainty in the underlying data. That is fisheries management in action.

Sanford's deep belief and commitment to sustainable fisheries and data-driven, fact-based management led the business to support this process throughout.

A fresh approach to Sanford sustainability reporting

Sanford has been at the forefront of sustainability reporting for many years. The company's first 'triple bottom line' sustainability report was issued in 2000, and evolved since then through sustainable development reports, integrated reports, the application of G4 Sustainability Frameworks and subsequently the Global Reporting Initiative (GRI) standards for the structured reporting of sustainability topics.

During recent times, we have experienced an ever-increasing expectation from standards setters and interested stakeholders in terms of the breadth and depth of data disclosure, coupled with the more recent mandatory climate-related disclosures which are applicable for Sanford. The cumulative and increasing demand for disclosures creates resource pressure to collect, collate, check, track and disclose the growing quantum of data.

Sanford has therefore reviewed its approach to sustainability reporting to right-size and balance resource allocation. The result of this is the next evolution of our sustainability reporting for FY24 – a separation of sustainability reporting from the financial annual report, with the sustainability report, inclusive of Climate-Related Disclosure, to be issued post the FY24 financial reporting. In addition, a more selective and targeted approach to the application of voluntary sustainability reporting standards has been undertaken. Sanford's reporting will be more focused on the key aspects that are of relevance to our business.

Sanford's climate-related disclosure

Sanford is a climate reporting entity for the purposes of the Financial Markets Conduct Act 2013. We are currently preparing our first mandatory Climate-Related Disclosure (CRD) for FY24 under the Aotearoa New Zealand Climate Standards and Part 7A of the Financial Markets Conduct Act 2013. Sanford's CRD will be made available at **sanford.co.nz/investors/reports-1/company-reports** by no later than the filing date of 31 January 2025.

Sustainability project progress during 2024

During 2024, Sanford's team has worked to update the environmental and sustainability data systems to support a more efficient tracking of carbon emissions, water use, energy use, as well as waste and recycling volumes across our sites and vessels.

Within the operational areas of the business there has been a strong focus on sustainability project delivery throughout FY24, including the following:

- Receiving and commissioning of a hybrid feed barge for our Big Glory Bay salmon farm
- Fuel efficiency upgrades for the fishing vessel San Enterprise
- Climate adaptation planning and implementation for the seafood sector.

Salmon farms represent challenging sites to deploy renewable and low-carbon energy systems due to a combination of inclement climate conditions, remote geographic locations without nearby access to grid electricity, and high energy demands from operations. The hybrid system, with its battery-based energy storage, ensures that on-barge diesel generators can run less frequently overall and operate in a more energy-efficient mode. After 12 months of operation, these systems will be reviewed by Sanford's engineers for fuel savings, reliability, maintenance and general performance to provide key learnings and inform future energy system decisions at this key operational site.

The San Enterprise, one of Sanford's largest deepwater fleet vessels, entered dry dock in August 2024 for significant maintenance work which included some substantial fuel and emissions efficiency upgrades. Those upgrades will deliver dual benefits of reducing carbon emissions and lower fuel costs during operation.

The upgrades primarily include a new propeller and thrust nozzle design – alone forecast to deliver circa 7% in fuel savings and electrical system upgrades to provide for shore power connections (to run the ship's systems on mains grid electricity rather than diesel generator when berthed at dock). Other associated fuel-efficiency upgrades include replacing the primary fixed-speed drive refrigeration compressor with a variable-speed drive unit and economiser, which will result in a more than 30% reduction in energy demand for the on-board refrigeration unit.

Climate impacts on the seafood sector can be complex requiring adaptation planning across many sector participants – from quota and asset holders, to regulators, science providers, and the NGO community. Successful adaptation requires all participants to adjust approaches, understand inflection points and drivers, and have a clear path ahead to ensure the sector is well placed to preserve resources and successfully deliver seafood to market. During FY24, significant progress has been made, in conjunction with the Aotearoa Circle, where Sanford has contributed, along with others, to deliver a Seafood Sector Climate Adaptation Strategy, which is now in the implementation phase. More details on this exciting initiative are available at **theaotearoacircle.nz/sasimplementation**.

Corporate Governance

This section provides an overview of Sanford's Corporate Governance Framework, introduces our board, and details pertinent information on shareholdings, remuneration, indemnity and insurance.

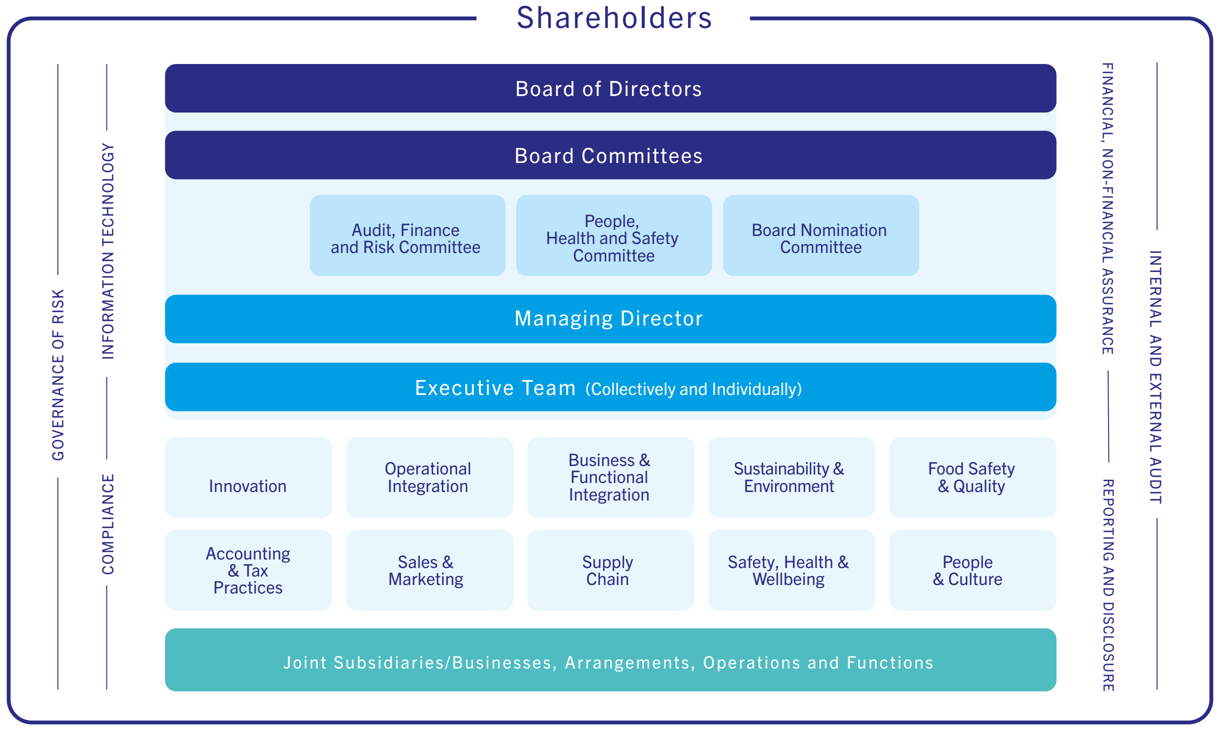
For further details on the company's governance structure, policies and practices, and the extent to which Sanford has followed the recommendations in the NZX Corporate Governance Code dated 01 April 2023 (NZX Code) during FY24, please refer to the Sanford Corporate Governance Statement dated 14 November 2024, available at: **sanford.co.nz/investors/governance/corporate-governance-statement**.

Governance Framework

Sanford's board and management are committed to achieving high standards of corporate governance. The company considers that the governance practices we have adopted follow these principles and policies for the year ended 30 September 2024.

The board provides effective leadership to ensure the long-term success of the company and therefore build shareholder value, and is responsible for the strategic direction and control of the company. The board exercises this control through a governance framework, which includes detailed reporting to the board and its committees, effective delegation, risk management and a system of assurances regarding financial reporting and internal controls.

Creating Value Through Sound Corporate Governance



Board of Directors

Sanford's directors bring a diverse wealth of experience, acting on behalf of our shareholders and other stakeholders.

Directors are chosen for their corporate leadership skills, professional backgrounds, experience and expertise. The right blend of skills and experience, combined with the diversity of director perspectives, is crucial to ensuring the attainment of long-term value for Sanford's shareholders.

The board currently comprises six directors: Sir Robert (Rob) McLeod, Managing Director David Mair, Thomas (Tom) McClurg, Joanne (Jo) Curin, Craig Ellison and William (John) Strowger.

During the year ended 30 September 2024, John Strowger was elected as a director at the 2023 Annual Shareholder's Meeting on 18 December 2023 and David Mair became Managing Director on 01 May 2024. Tom McClurg was appointed as a director on 19 February 2024 and Jo Curin was appointed as a director on 22 August 2024. Abigail (Abby) Foote resigned as a director on 09 November 2023 and Fiona Mackenzie did not seek re-election at the 2023 Annual Shareholder's Meeting, and accordingly retired as a director at the conclusion of that meeting.

As a consequence of the above changes, Recommendation 2.8 of the NZX Code (that a majority of the board should be independent directors) was not followed for periods during FY24, including as at 30 September 2024.

The board has sought to bring its composition closer in line with Recommendation 2.8 during FY24, with the appointment of Tom McClurg and Jo Curin as independent directors. However, the composition of Sanford's board is ultimately determined by its shareholders, with the appointment of each of the company's directors being approved by a shareholder vote at Sanford's annual meetings.

The board is mindful of the importance of reflecting the best interests of its shareholders generally in decision-making. Accordingly, the board has adopted a robust Conflicts of Interest Policy in order to regulate and manage the risk of conflicts. The board has also approved the composition of its committees, with a majority of each comprising independent directors.

Under the NZX Listing Rules, a director must not hold office (without re-election) past the third annual meeting following that director's appointment or three years, whichever is longer. Accordingly, Sir Rob McLeod and Craig Ellison will retire from office at the 2024 Annual Shareholder's Meeting (having held office as directors of the company since 01 January 2016 and 20 December 2021 respectively). Being eligible, both Sir Rob McLeod and Craig Ellison have offered themselves for re-election at the 2024 Annual Shareholder's Meeting.

Further, under the NZX Listing Rules, any director appointed by the board during the year must retire from office at the next annual meeting but is eligible for election at that meeting. Accordingly, Tom McClurg and Jo Curin, being directors who were appointed by the board in FY24, will retire from office at the 2024 Annual Shareholder's Meeting. Being eligible, both Tom McClurg and Jo Curin have offered themselves for election at the 2024 Annual Shareholder's Meeting.

For more information about each director, see overleaf or visit: **sanford.co.nz/investors/governance/board-of-directors**.

Independence

Director independence is assessed in accordance with the NZX Listing Rules and with regard to the factors described in Table 2.4 of the NZX Corporate Governance Code.

As at 30 September 2024, the board considered that Sir Rob McLeod (Chair of the board), Tom McClurg (Chair of the Audit, Finance and Risk Committee) and Jo Curin are independent directors. They are non-executive directors who do not have any interests, positions, associations or relationships which might interfere, or might be seen to interfere, with their ability to bring independent judgement to the issues before the board.

David Mair is not independent, as he is an executive director. John Strowger is not considered to be independent, as he is associated with a substantial shareholder of the company, Tasman Equity Holdings Limited. Craig Ellison is not considered to be independent. From August 2023 until the end of April 2024, Mr Ellison was the Acting CEO of Sanford, and is associated with a substantial shareholder of the company.

Directors are required to notify the company of any interests they have that could impact an assessment of their independence or their ability to act in the best interests of the company. Sanford has processes in place to manage any conflicts of interest with directors.

Executive Team

For information about our executive team, please visit: **sanford.co.nz/about-sanford/executive-team**.

Our Board

As at 30 September 2024

Sir Robert McLeod

Chair, Independent Non-Executive Director

Appointed 2016, appointed Chair in 2019

Rob has had an extensive professional and governance career, both within the accounting profession and various public and private companies. He is a past Chair of Aotearoa Fisheries Limited (Moana) and Sealord Group Limited and was a Commissioner of the Waitangi Fisheries Commission. Rob has chaired and been a member of a number of Government Task Forces and is also a past Chair of the New Zealand Business Roundtable.

Committee Responsibilities:

Chair of the board and Nomination Committee; member of Audit, Finance and Risk Committee and People, Health and Safety Committee

David Mair

Managing Director

Appointed 2022

David has significant corporate experience. He has been Managing Director of NZX-listed Skellerup Holdings Limited since 2011, and a director since 2006. David was also involved in a2 Milk from 2008 until the company listed on the ASX in 2015.

He was recently judged Deloitte Top 200 CEO of the Year for 2021 and given the prestigious Johnson Partners Leadership Award from the Institute of Finance Professionals (INFINZ), which speaks to the quality of his leadership and focus. David is also currently a director of Forté Funds Management Limited.

Committee Responsibilities:

Member of People, Health and Safety Committee and Nomination Committee until 01 May 2024

Tom McClurg

Independent Non-Executive Director

Appointed 2024

Tom is Ngāti Mutunga o Wharekauri and has over 30 years of experience in natural resource management and policy roles within New Zealand's primary sector. He has held senior executive roles with government, Te Ohu Kai Moana, Aotearoa Fisheries Limited (Moana NZ), Ernst & Young, and Landcorp Farming Limited. Tom serves as a director for several entities, including Toroa Strategy Limited, Ngāti Mutunga o Wharekauri Asset Holding Company, and Port Nicholson Fisheries. He is also Chair of Fishserve. In addition, Tom has been engaged by the World Bank, NZAid, and PNA, among other organisations to provide fisheries management advice.

Committee Responsibilities:

Chair of the Audit, Finance and Risk Committee; member of the People, Health and Safety Committee and the Nomination Committee

Joanne Curin

Independent Non-Executive Director

Appointed 2024

Joanne has over 25 years of governance experience in public and private structures including large-scale global companies. She has also held various senior executive positions, including as CFO of FTSE 100, ASX 50 and FTSE 250 businesses. Joanne's sector experience includes shipping, logistics, manufacturing, engineering, construction, critical infrastructure, property development, retail, technology and healthcare.

She is currently Deputy Chair and Audit Committee Chair for Geoquip Marine, a global offshore geotechnical engineering company.

Craig Ellison

Non-Executive Director

Appointed 2021

Craig has had a long involvement in the fisheries and seafood sector. He was the past Chief Executive of Ngāi Tahu Holdings, Chair of Ngāi Tahu Seafood, Poutama Trust, Moana Pacific, Prepared Foods, the NZ Seafood Standards Council, as well as serving on the executive of the Fishing Industry Association Board, and numerous stakeholder organisations. Craig has served on a number of other trade organisations and task forces in the sector, and was a Commissioner with the Treaty of Waitangi Fisheries Commission (Te Ohu Kaimoana) as it worked through the Allocation model and giving effect to the Fisheries Settlement. After the agreement on allocation methodology Craig served on the boards of Aotearoa Fisheries Limited (Moana NZ) and Sealord Group Limited.

Committee Responsibilities:

Member of Nomination Committee

John Strowger

Non-Executive Director

Appointed 2023

John is a leading commercial lawyer with an extensive career. He was a partner at Chapman Tripp from 1993 to 2022 and remains a consultant there. John specialises in corporate, contract and securities law, with expertise in mergers and acquisitions. He was named NZ Deal Maker of the Year at the Australasian Law Awards in 2019, 2017 and 2015. He is also recognised by IFLR1000 as a "Market Leader" in mergers and acquisitions as well as equity capital markets. John chairs Skellerup Holdings Limited and serves on the boards and advisory committees of various private sector businesses, including Qestral Corporation Limited and Caspex Corporation Limited.

Committee Responsibilities:

Chair of the People, Health and Safety Committee; member of the Audit, Finance and Risk Committee

Remuneration

Director Remuneration

Name of Director	Board Fees	Audit, Finance and Risk Committee	People, Health and Safety Committee	Total Remuneration
Sir Robert McLeod (Chair)	(Chair) 170,000	10,000	8,000	188,000
David Mair	52,500	5,833	4,667	63,000
Tom McClurg [1]	54,714	(Chair) 11,009	4,864	70,587
Joanne Curin [2]	9,919	–	–	9,919
Craig Ellison	37,500	–	–	37,500
John Strowger [3]	70,521	7,836	(Chair) 12,537	90,894
Abigail (Abbey) Foote [4]	9,863	1,096	1,753	12,712
Fiona Mackenzie [5]	22,500	5,000	–	27,500
Total	**427,517**	**40,774**	**31,821**	**500,112**

1. Appointed 19 February 2024
2. Appointed 22 August 2024
3. Appointed 18 December 2023
4. Resigned 09 November 2023
5. Resigned 18 December 2023

Managing Director/CEO Remuneration

The Managing Director/CEO's remuneration (hereafter Managing Director) consists of fixed remuneration and variable remuneration in the form of a short-term incentive (STI) plan and a long-term incentive (LTI) plan. This is reviewed annually by the People, Health and Safety Committee and the board after reviewing the company's performance, the Managing Director's individual performance and advice from external remuneration specialists.

Fixed Remuneration

David Mair was appointed Managing Director on 01 May 2024 and was paid $375,000 for the period ending 30 September 2024. David is a member of the board but does not receive director's fees due to his Managing Director role.

Between 01 October 2023 and 30 April 2024 Craig Ellison was the Acting CEO and was paid $636,346 for that period. Craig was also a member of the board during his Acting CEO tenure, but did not receive director's fees during this period.

Variable Remuneration

Short-Term Incentive Plan

The aim of the STI plan is to reward the Managing Director for achieving strategic objectives, which will result in strong financial returns for our shareholders. Participation in the plan is by annual invitation at the discretion of the company at which time financial targets and key performance indicators are established.

The Acting CEO was not eligible for an award under the company's STI plan.

The Managing Director is eligible for an STI award in relation to the year ended 30 September 2024 set by comparing achieved FY24 adjusted EBIT against the budget adjusted EBIT, pro-rated from commencement date and 5% of any surplus calculation. An amount of $150,000 is payable in respect of the plan for FY24.

Long-Term Incentive Plan

In September 2021 the company announced a new LTI plan as part of its retention and incentive arrangements for the former CEO. The LTI plan also has flexibility to be extended to other employees in the future, to align the interests of employees with the interests of Sanford's shareholders and to encourage share ownership. The board retains absolute discretion as to whether any future offers will be made and to review the terms of the LTI plan.

Vesting of the awards is subject to certain conditions, none of which are applicable to FY24 as the Acting CEO was not eligible for the LTI and no grant under the LTI plan has been made to the Managing Director in FY24.

			Base Salary $	Other Short-term Benefits $	Remuneration $	Employer Super $	STI*	LTI	Total Remuneration $
Craig Ellison	01-Oct-24	30-Apr-24	566,346	70,000	636,346	–	–	–	636,346
David Mair	01-May-24	30-Sep-24	375,000	–	375,000	–	150,000	–	525,000
			941,346	**70,000**	**1,011,346**	–	**150,000**	–	**1,161,346**

* STI accrued in FY24 is disclosed.

Annual Total Compensation Ratio

The annual total compensation ratio represents the number of times greater the highest-paid individual's remuneration is to the remuneration of an employee paid at the median of all Sanford employees (excluding the highest-paid individual). For the purposes of determining the median paid to all Sanford employees, all permanent full-time and fixed-term employees are included, with part-time employees excluded. Employee median remuneration includes basic wage and salary payments, employer superannuation and KiwiSaver payments, short-term incentives, overtime and leave buyouts.

Highest-paid remuneration includes basic salary payments, employer superannuation and short-term incentive payments.

At 30 September 2024, the Managing Director and Acting CEO's remuneration combined for FY24, as shown above, was 13.38 times (FY23: 13.58 times) that of the median employee at $86,812 per annum (FY23: $82,017).

Employee Remuneration

The table below shows the number of employees and former employees, who are not also directors, who received remuneration and other benefits in excess of $100,000 during the year ended 30 September 2024. The table does not include amounts paid after 30 September 2024 that relate to the year ended 30 September 2024.

Remuneration Range $000	Number of Employees
100 – 110	63
110 – 120	49
120 – 130	27
130 – 140	29
140 – 150	25
150 – 160	21
160 – 170	14
170 – 180	6
180 – 190	8
190 – 200	6
200 – 210	4
210 – 220	3
220 – 230	4
230 – 240	1

Remuneration Range $000	Number of Employees
250 – 260	1
260 – 270	2
270 – 280	1
280 – 290	1
290 – 300	1
300 – 310	2
320 – 330	3
340 – 350	3
370 – 380	1
390 – 400	1
410 – 420	1
510 – 520	1
570 – 580	1

Gender Diversity

The gender composition of Sanford's directors and 'officers' (as defined by the NZX Listing Rules) as at 30 September 2024 and as of 30 September 2023 is set out in the table below.

	FY24 Female	FY24 Male	FY23 Female	FY23 Male
Directors	1	5	2	3
Officers	1	6	2	7*

* Four of these officers held their roles on an 'acting' basis.

There were no directors or officers who self-identified as gender diverse in FY23 or FY24.

Our approach to diversity is outlined in our Diversity, Equity and Inclusion Policy, which is available on the company website. The policy sets out behavioural and process expectations and standards to deliver practices which increase diversity and reduce bias.

Measurable objectives are set by the board to track how Sanford is progressing towards our goals under the policy. The board believes that initiatives undertaken by management during the year upheld the company's commitment to diversity and inclusion. Sanford has applied all terms of employment fairly and equitably and in accordance with our frameworks. Work continues on progress towards achieving our other objectives; in particular, the board acknowledges that membership of the board and executive team did not achieve the objective of having at least 30% of members self-identifying as female.

Director Information

Interests Register

Sanford maintains an interests register in which relevant interests and matters involving the directors are recorded. The following are particulars of general interests in the company's interests register as at 30 September 2024 and of those added during the year. There were no specific disclosures of interests in transactions entered into by the company in FY24.

Director	Interest
R McLeod	Chair, Nāti Growth Limited. Director, Nāti Properties Limited, Porou Miere Limited, Ngāti Porou Seafoods Limited, Pakihiroa Farms Limited, Ngāti Porou Fisheries Limited, Ngāti Porou Manuka Limited, Ngāti Porou Berries Limited, Point 76 Limited, Point Seventy Limited, Point Guard Limited, MSJS NZ Limited, AZSTA NZ Limited, VCFA NZ Limited, China Construction Bank (New Zealand) Limited, Singita Holdings Limited, Singita Investments Limited, Singita Properties Limited, Port of Tauranga Limited.
J Curin	Director, Geoquip Marine Holding AG.
C Ellison	Chair, FENRIS Limited; Director, Lesvos Abalone Limited; Raniera Fishing Pty Ltd.
D Mair	Managing Director, Sanford Limited; Director, Skellerup Holdings Limited, Forté Funds Management Limited, San Won Limited; Chair, ADNZ Management Limited; President, Judo New Zealand.
T McClurg	Chair, Commercial Fisheries Services Limited. Director and shareholder, Toroa Strategy Limited. Director, Port Nicholson Facilities General Partner Limited (general partner of Port Nicholson Facilities LP), Koura Inc General Partner Limited (general partner of Port Nicholson Fisheries LP), Ngāti Mutunga o Wharekauri Asset Holding Company Limited, Waitaha Asset General Partner Limited, Waitaha Management Limited, Puainuku Pastures General Partner Limited (general partner of Puainuku Pastures LP), Puainuku Vines General Partner Limited (general partner of Puainuku Vines LP), Te Tamoremorenui Limited, Ngā Kai Tautoko Limited (general partner of Te Pou Herenga Pakihi LP), Maruehi Fisheries Limited.
J Strowger	Chair, Skellerup Holdings Limited. Associated with substantial product holder group Tasman Equity Holdings Limited, Arden Capital Limited and Past Limited Partnership. Consultant, Chapman Tripp.

Indemnification and Insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, Sanford has given indemnities to, and has effected insurance for, directors and executives of the company and its related companies. Except for some specific matters that are expressly excluded (such as the incurring of penalties and fines, which may be imposed for breaches of law), the indemnities and insurance indemnify and insure directors and executives against monetary losses as a result of actions undertaken by them in the course of their duties.

Director Interests in Shares

As at 30 September 2024, directors had disclosed the following relevant interests in Sanford shares:

Director	Number of Shares	Nature of Relevant Interest
R McLeod	41,725	Beneficial interest
C Ellison	1,000	Beneficial interest and registered holder
T McClurg	500	Beneficial interest
D Mair	31,000	Registered holder as trustee of the DM2 Investment Trust, in which D Mair has a beneficial interest
J Strowger	22,500	Beneficial interest and registered holder (500 shares), Beneficial interest (22,000 shares)

Director Share Dealing

Directors and executives are required to seek approval in advance of share trading and certify to the board that they are not in possession of inside information, in accordance with the company's Share Trading Policy and Guidelines. Directors acquired shares during the year ended 30 September 2024 as follows:

Director	Nature of Relevant Interest	Number of Shares Acquired	Consideration Paid	Date
R McLeod	Beneficial interest	9,655	$36,656.17	01 December 2023
		3,570	$13,473.54	04 December 2023
T McClurg	Beneficial interest	500	$1,910.00	22 February 2024

Statutory Information

Shareholding Analysis

As at 01 October 2024

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 to 999	650	26.52	281,493	0.30
1,000 to 4,999	1,130	46.10	2,375,065	2.54
5,000 to 9,999	301	12.28	1,932,401	2.06
10,000 to 49,999	285	11.63	5,332,545	5.70
50,000 to 99,999	30	1.22	2,093,877	2.24
100,000 and above	55	2.25	81,611,354	87.16
Total	**2,451**	**100.00**	**93,626,735**	**100.00**

Twenty Largest Shareholders

As at 01 October 2024

Registered Name	Number of Shares	%
Ngāi Tahu Investments Limited	18,607,721	19.87
ASB Nominees Limited	9,000,000	9.61
Masfen Securities Limited	7,093,500	7.58
ANZ Wholesale Australasian Share Fund – NZCSD	5,046,289	5.39
Maruha Nichiro Corporation	4,534,231	4.84
Tasman Equity Holdings Limited	3,795,054	4.05
BNP Paribas Nominees (NZ) Limited – NZCSD	2,963,511	3.17
Citibank Nominees (New Zealand) Limited – NZCSD	2,778,840	2.97
Forsyth Barr Custodians Limited	2,200,732	2.35
Sterling Nominees Limited	2,184,037	2.33
Rural Equities Limited	2,000,000	2.14
Accident Compensation Corporation – NZCSD	1,957,529	2.09
Seajay Securities Limited	1,825,000	1.95
New Zealand Depository Nominee Limited	1,710,704	1.83
HSBC Nominees (New Zealand) Limited – NZCSD	1,579,532	1.69
Arden Capital Limited	1,265,018	1.35
Tea Custodians Limited Client Property Trust Account – NZCSD	1,260,904	1.35
JBWere (NZ) Nominees Limited	1,158,512	1.24
Custodial Services Limited	1,130,273	1.21
MMZ Trustee Company Limited	985,449	1.05

Substantial Product Holders

According to company records and substantial product holder notices given to the company under the Financial Markets Conduct Act 2013, as at 30 September 2024, the following were substantial product holders in the company through having a relevant interest in the company's ordinary shares:

Substantial Product Holder	Number of Voting Securities	% of Ordinary Held Shares	Date of Last Substantial Product Holder Notice
Ngāi Tahu Holdings Corporation Limited and Ngāi Tahu Investments Limited*	18,607,721	19.87	01 September 2021
Tasman Equity Holdings Limited, Arden Capital Limited and Past Limited Partnership	14,060,072	15.02	14 December 2023
Masfen Securities Limited	7,093,500	7.58	14 March 2022
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited (aggregated as related bodies corporate)	6,084,123	6.50	05 August 2024

* Ngāi Tahu Holdings Corporation Limited has disclosed that it has a relevant interest in the shares held by Ngāi Tahu Investments Limited.

The total number of quoted voting products of Sanford Limited on issue as at 30 September 2024 was 93,626,735 (which includes treasury stock of 120,598 shares).

Waivers and Exemptions from the NZ Stock Exchange and the Overseas Investment Office (OIO)

NZX Waiver – Overseas Ownership Provisions in the Company's Constitution

To enable the board to better manage the risk of the company being an 'overseas person' in the future (which would, among other things, impact the company's ability to acquire an interest in fishing quota (including ACE) in the ordinary course of its business), the company's constitution was amended in 2016 to include provisions which enable the board to:

- Require certain documentation and/or information in relation to a proposed transferor or transferee of the company's shares and to restrict the transfer of the company's shares to 'overseas persons' (Transfer Powers)
- Suspend the voting rights of any of the company's shares the board determines are 'affected shares' (being, in summary, shares which the board determines are held by 'overseas persons' and which have caused the company to be in breach of the 'overseas ownership threshold' – a threshold which is currently set at 90% of the maximum aggregate percentage of the company's shares that can be owned or controlled by 'overseas persons' without the company itself being an 'overseas person') (Suspension Powers)
- Require (or effect) a sale of any 'affected shares' to a 'non-overseas person'.

A more detailed outline and explanation of the effects of the above powers can be found on the company's website at **sanford.co.nz/investors/governance/company-constitution** and the provisions which enable the board to exercise those powers are set out in the company's constitution. NZX Regulation (a body now referred to as NZ RegCo) granted the company a waiver from NZX Listing Rule 8.1.5 to enable the company to have the Suspension Powers in its constitution (Waiver). As a condition of the Waiver, Sanford is listed on the NZX Main Board with a Non-Standard designation. The full text of the Waiver can be found here **nzx.com/companies/SAN/documents.** In addition, NZX Regulation granted the company approval in 2016 in order for the company to include the Transfer Powers in its constitution. The full text of that approval can be found here **nzx.com/announcements/293474**.

OIO exemption – Overseas Ownership

In 2018, the company obtained an exemption from the requirement under the Overseas Investment Act 2005 (OIA) to obtain consent prior to acquiring 'fishing quota' in certain limited circumstances, which expired in August 2023 (Original Exemption).

At the time the Original Exemption was obtained, the OIA provided that a body corporate such as the company would be an 'overseas person' where (in summary) it has a level of overseas ownership or control of 25% or more. However, the test in the OIA is for when the company (being a New Zealand company that is listed on the NZX Main Board) will be an 'overseas person' has subsequently been amended. The changes to that test effectively increase the extent of overseas ownership required for the company to be considered an 'overseas person', making it less likely that the company could become an 'overseas person' within a short period of time without its prior knowledge.

Given the company's current level of overseas ownership and the amendments to the OIA described above, the company considers that the risk of it becoming an 'overseas person' in circumstances where the company is not aware that such a change has occurred (or may be about to occur) to be very low. Accordingly, a new exemption has not been pursued. However, the company continues to monitor its level of overseas ownership to minimise the prospect of it becoming an 'overseas person' within a short period of time without its prior knowledge. Such monitoring complements the provisions in its constitution which enable the board to require (or effect) a sale of the 'affected shares' to a 'non-overseas person' (as discussed above).

For the avoidance of doubt, any exemption from the OIA would not exempt any 'overseas person' from any requirement to obtain consent under the OIA before giving effect to the acquisition of rights or interests in the company's securities.

GAAP to Non-GAAP Reconciliation
for the year ended 30 September 2024

	2024 $000	2023 $000
Reported net profit for the period (GAAP)	19,670	10,011
Add back:		
Income tax expense	17,725	7,471
Net interest expense	16,867	13,522
EBIT	54,262	31,004
Adjustments:		
Impairment of assets	16,856	1,418
Impairment of investment and advances in Two Islands Co NZ Limited	3,132	–
Restructuring costs	1,495	5,544
Net gain on sale of North Island inshore fishery assets	(964)	–
Net loss/(gain) on sale of property, plant and equipment and intangibles	293	(35)
Other one-off (gains)/losses	(866)	947
Software as a Service (SaaS) expenditure	–	12,714
Receipt from surrender of lease	–	(2,200)
Adjusted EBIT	74,208	49,392
Add back:		
Depreciation and amortisation	34,442	32,142
Adjusted EBITDA	108,650	81,534

GAAP to Non-GAAP Reconciliation

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford has 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: Earnings before interest, taxation, restructuring costs, impairment of assets and investments, net gain on sale of North Island inshore fishery assets, net (gain)/loss on sale of property, plant and equipment and intangible assets and other one-off items.

Adjusted EBITDA: Adjusted EBIT before depreciation and amortisation.

Five-Year Financial Review

	2024 $000	2023 $000	2022 $000	2021 $000	Restated 2020 (i) $000
Revenue	582,913	553,397	531,887	489,625	468,849
Adjusted EBITDA*	108,650	81,534	68,262	52,603	66,294
Depreciation and amortisation	(34,442)	(32,142)	(28,086)	(29,310)	(28,016)
**Adjusted EBIT ** **	74,208	49,392	40,176	23,293	38,278
Restructuring costs	(1,495)	(5,544)	(345)	(288)	(3,452)
Impairment of assets	(16,856)	(1,418)	(1,301)	–	(1,193)
Impairment of investment and advances in Two Islands Limited group	(3,132)	–	–	–	–
Net gain on sale of North Island inshore fishery assets	964	–	–	–	–
Net (loss)/gain on sale of property, plant and equipment and intangible assets	(293)	35	43,616	12,935	4,037
Other one-off items	866	(947)	(639)	(711)	2,082
Software as a Service (SaaS) expenditure (i)	–	(12,714)	(10,312)	(6,183)	(4,187)
Receipt from termination of lease	–	2,200	–	–	–
EBIT	54,262	31,004	71,195	29,046	35,565
Net interest expense	(16,867)	(13,522)	(8,731)	(9,011)	(8,995)
Profit before income tax	37,395	17,482	62,464	20,035	26,570
Income tax expense	(17,725)	(7,471)	(6,692)	(3,800)	(7,151)
Profit for the year	19,670	10,011	55,772	16,235	19,419
Non-controlling interest	15	5	122	28	11
Profit attributable to equity holders of the Company	19,685	10,016	55,894	16,263	19,430
Equity					
Paid in capital	94,690	94,690	94,690	94,690	94,690
Reserves	609,303	589,881	569,795	538,702	512,266
Non-controlling interest	365	380	388	702	665
Total equity	704,358	684,951	664,873	634,094	607,621
Represented by:					
Current assets	264,909	276,405	224,096	208,477	193,677
Less current liabilities	74,048	180,386	139,888	118,549	120,808
Working capital	190,861	96,019	84,208	89,928	72,869
Property, plant and equipment	217,819	227,254	193,032	167,660	157,143
Right-of-use assets	32,751	40,334	37,574	35,655	40,381
Investments	1,261	4,383	3,938	4,096	4,050
Derivative financial instruments	16,364	12,515	6,925	9,051	10,306
Biological assets (non-current)	23,239	18,226	19,019	18,286	25,806
Intangible assets	490,087	493,196	493,096	497,132	494,973
	972,382	891,927	837,792	821,808	805,528
Less non-current liabilities	268,024	206,976	172,919	187,714	197,908
Total net assets	704,358	684,951	664,873	634,094	607,620
Dividend per share (cents)	10†	12†	10†	–	5†
Dividend cover (times)	2.1	0.9	6.0†	–	1.0†
Return on average total equity	2.8%	1.5%	8.6%	2.6%	3.2%
Earnings per share (cents)	21.1	10.7	59.8	17.4	20.8
Net asset backing per share	$7.53	$7.32	$7.10	$6.77	$6.49

* Adjusted EBITDA: Adjusted EBIT before depreciation and amortisation.

** Adjusted EBIT: Earnings before interest, taxation, restructuring costs, impairment of assets and investments, net gain on sale of North Island inshore fishery assets, net gain/(loss) on sale of property, plant and equipment and intangible assets and other one-off items.

† Includes the dividends proposed after balance date.

(i) The Group has adopted a new interpretation issued in April 2021 by the IFRS Interpretations Committee (IFRIC) on the International Accounting Standard IAS 38 Intangible Assets. The interpretation has resulted in the recognition of Software-as-a-Service (SaaS) expenditure as an expense in the income statement rather than a capitalised asset and a restatement has occurred through retained earnings in the 2020 financial year. Refer to the Sanford 2021 integrated report for details.

Financial Statements 2024

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2024.

For and on behalf of the Board of Directors:

Sir Robert A McLeod
Chair

14 November 2024

David W Mair
Managing Director

14 November 2024

Contents

Income Statement
for the year ended 30 September 2024

	Note	2024 $000	2023 $000
Revenue	4	582,913	553,397
Cost of sales		(456,726)	(444,760)
Gross profit		126,187	108,637
Other income		7,240	7,500
Distribution expenses		(13,630)	(14,762)
Administrative expenses	5	(33,778)	(37,877)
Other expenses	5	(31,896)	(32,744)
Operating profit		54,123	30,754
Finance income	6	1,270	958
Finance expense	6	(18,137)	(14,480)
Net finance expense		(16,867)	(13,522)
Share of profit of equity-accounted investees	13	139	250
Profit before income tax		37,395	17,482
Income tax expense	7	(17,725)	(7,471)
Profit for the year		19,670	10,011
Profit attributable to:			
Equity holders of the Company		19,685	10,016
Non-controlling interest		(15)	(5)
		19,670	10,011
Earnings per share, net of tax attributable to equity holders of the Company during the year (expressed in cents per share)			
Basic and diluted earnings per share (cents)			
From profit for the year	16	21.1	10.7

Statement of Comprehensive Income
for the year ended 30 September 2024

	2024 $000	2023 $000
Profit for the year (after tax)	19,670	10,011
Other comprehensive income		
Items that may be reclassified to the income statement:		
Foreign currency translation differences	68	183
Change in fair value of cash flow hedges recognised in other comprehensive income	14,119	34,270
Deferred tax on cash flow hedges	(3,953)	(9,596)
Cost of hedging gains recognised in other comprehensive income	–	440
Deferred tax on cost of hedging	–	(123)
Items that have been classified to the income statement:		
Amount of treasury share cost recovered in relation to share-based payment	–	(143)
Cost of hedging gain	(293)	–
Deferred tax on cost of hedging	82	–
Other comprehensive income for the year	10,023	25,031
Total comprehensive income for the year	29,693	35,042
Total comprehensive income for the year is attributable to:		
Equity holders of the Company	29,708	35,047
Non-controlling interest	(15)	(5)
Total comprehensive income for the year	29,693	35,042

Statement of Financial Position

as at 30 September 2024

	Note	2024 $000	2023 $000
Current assets			
Cash on hand and at bank	8	14,475	6,805
Trade receivables	9(a)	83,167	104,921
Derivative financial instruments	18	13,556	6,170
Other receivables and prepayments	9(b)	5,085	8,352
Biological assets	10	55,557	48,300
Inventories	11	73,363	83,029
Assets held for sale	20	19,706	18,828
Total current assets		**264,909**	**276,405**
Non-current assets			
Property, plant and equipment	12	217,819	227,254
Right-of-use assets	19	32,751	40,334
Investments	13	1,261	4,383
Derivative financial instruments	18	16,364	12,515
Biological assets	10	23,239	18,226
Intangible assets	14	490,087	493,196
Total non-current assets		**781,521**	**795,908**
Total assets		**1,046,430**	**1,072,313**
Current liabilities			
Bank overdraft and borrowings (secured)	8	–	58,000
Derivative financial instruments	18	1,705	6,138
Trade and other payables	15	44,647	87,373
Taxation payable		899	3,625
Lease obligation	19	13,889	11,518
Liabilities held for sale	20	12,908	13,732
Total current liabilities		**74,048**	**180,386**
Non-current liabilities			
Bank loans (secured)	18	200,000	145,000
Contributions received in advance		1,531	1,878
Employee entitlements	15	1,260	1,358
Derivative financial instruments	18	1,145	2,262
Deferred taxation	7	43,646	26,996
Lease obligation	19	20,442	29,482
Total non-current liabilities		**268,024**	**206,976**
Total liabilities		**342,072**	**387,362**
Equity			
Paid in capital		94,690	94,690
Retained earnings		590,415	581,016
Other reserves		18,888	8,865
Shareholder funds		**703,993**	**684,571**
Non-controlling interest		365	380
Total equity	16	**704,358**	**684,951**
Total equity and liabilities		**1,046,430**	**1,072,313**

Statement of Cash Flows

for the year ended 30 September 2024

	Note	2024 $000	2023 $000
Cash flows from operating activities			
Receipts from customers		630,832	570,872
Interest received		1,270	958
Payments to suppliers and employees		(533,856)	(506,716)
Income tax paid		(7,770)	(9,156)
Interest paid		(17,480)	(14,905)
Net cash flows from operating activities		**72,996**	**41,053**
Cash flows from investing activities			
Sale of property, plant and equipment		1,306	578
Proceeds from sale of North Island inshore fishery assets	20	6,830	–
Sale of investment in Two Islands NZ Co Limited	13	200	–
Dividends received from investments	13,22	383	152
Purchase of property, plant and equipment	12	(45,916)	(62,701)
Purchase of intangible assets	14	(1,490)	(1,711)
Acquisition of shares in other companies	13,22	(278)	(347)
Net cash flows used in investing activities		**(38,965)**	**(64,029)**
Cash flows from financing activities			
Proceeds from borrowings		27,000	60,000
Repayment of term loans		(30,000)	(25,000)
Dividends paid to company shareholders	17	(10,286)	(14,961)
Dividends paid to non-controlling interest shareholders		–	(3)
Lease payments	19	(13,135)	(12,360)
Net cash flows (used in)/from financing activities		**(26,421)**	**7,676**
Net increase/(decrease) in cash and cash equivalents		7,610	(15,300)
Effect of exchange rate fluctuations on cash held		60	(429)
Cash and cash equivalents at the beginning of the year		(51,195)	(35,466)
Short-term borrowings reclassified as term loans		58,000	
Cash and cash equivalents at 30 September		**14,475**	**(51,195)**
Represented by:			
Bank overdraft and borrowings (secured)		–	(58,000)
Cash on hand and at bank		14,475	6,805
	8	**14,475**	**(51,195)**

Statement of Cash Flows

for the year ended 30 September 2024

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

	Note	2024 $000	2023 $000
Profit for the year (after tax)		19,670	10,011
Adjustments for non-cash items:			
Depreciation and amortisation		34,442	32,142
Depreciation – Annual Catching Entitlements (ACE)	19	7,746	6,882
Impairment of investment	13	2,956	–
Impairment of assets classified as held for sale	20	–	750
Impairment of property plant and equipment	12	14,837	479
Impairment of intangibles	14	1,832	189
Impairment of right-of-use assets	19	187	–
Share-based payment recovered		–	(143)
Share of profit of equity-accounted investees	13	(139)	(249)
Change in fair value of biological assets	10	(12,270)	(3,296)
Change in fair value of forward exchange contracts and foreign currency options		(2,882)	(3,243)
Increase/(Decrease) in deferred tax liability	7	12,697	(691)
Decrease in contributions received in advance		(347)	(341)
Unrealised foreign exchange loss		1,489	3,993
Other		–	(66)
		60,548	36,406
Movement in working capital			
Decrease/(Increase) in trade and other receivables and prepayments		23,410	(17,341)
Decrease/(Increase) in inventories		9,666	(15,878)
(Decrease)/Increase in trade and other payables and other liabilities		(40,446)	28,886
Decrease in taxation payable		(2,726)	(996)
		(10,096)	(5,329)
Items classified as investing activities			
Gain on sale of North Island inshore fishery assets	20	(964)	–
Net loss/(gain) on sale and disposal of property, plant and equipment		3,838	(35)
		2,874	(35)
Net cash flows from operating activities		72,996	41,053

Statement of Cash Flows

for the year ended 30 September 2024

Reconciliation of movement of liabilities to cash flows arising from financing activities

	Note	Lease Obligation $000	Bank Loans (secured) $000	Derivative Financial Liabilities (asset) $000	Total $000
As at 01 October 2023		41,000	145,000	(10,285)	175,715
Lease payments	19	(13,135)	–	–	(13,135)
Proceeds from bank loans		–	27,000	–	27,000
Repayment of bank loans		–	(30,000)	–	(30,000)
Financing cash flows		(13,135)	(3,000)	–	(16,135)
Short-term borrowings reclassified as term loans	18	–	58,000	–	58,000
New leases, net of settlements	19	6,363	–	–	6,363
Terminations of leases	19	(53)	–	–	(53)
Effect of movement in exchange rates	19	156	–	–	156
Change in fair value of derivative financial instruments		–	–	(16,785)	(16,785)
As at 30 September 2024		34,331	200,000	(27,070)	207,261
As at 01 October 2022		38,511	110,000	27,688	176,199
Lease payments	19	(12,360)	–	–	(12,360)
Proceeds from bank loans		–	60,000	–	60,000
Repayment of bank loans		–	(25,000)	–	(25,000)
Financing cash flows		(12,360)	35,000	–	22,640
New leases, net of settlements	19	31,425	–	–	31,425
Terminations of leases	19	(2,573)	–	–	(2,573)
Lease obligations classified as held for sale		(13,732)	–	–	(13,732)
Effect of movement in exchange rates	19	(271)	–	–	(271)
Change in fair value of derivative financial instruments		–	–	(37,973)	(37,973)
As at 30 September 2023		41,000	145,000	(10,285)	175,715

Statement of Changes in Equity

for the year ended 30 September 2024

	Note	Share Capital	Share-based Payment Reserve	Translation Reserve	Cash Flow Hedge Reserve	Cost of Hedging Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
		$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 01 October 2023		**94,690**	**–**	**1,085**	**7,569**	**211**	**581,016**	**684,571**	**380**	**684,951**
Profit for the year (after tax)		–	–	–	–	–	19,685	19,685	(15)	19,670
Other comprehensive income										
Foreign currency translation differences		–	–	68	–	–	–	68	–	68
Hedging gains recognised in other comprehensive income		–	–	–	14,119	–	–	14,119	–	14,119
Deferred tax on change in reserves		–	–	–	(3,953)	–	–	(3,953)	–	(3,953)
Cost of hedging gains recovered to the income statement		–	–	–	–	(293)	–	(293)	–	(293)
Deferred tax on cost of hedging gains		–	–	–	–	82	–	82	–	82
Total comprehensive income		**–**	**–**	**68**	**10,166**	**(211)**	**19,685**	**29,708**	**(15)**	**29,693**
Distributions to shareholders	17	–	–	–	–	–	(10,286)	(10,286)		(10,286)
Balance at 30 September 2024		**94,690**	**–**	**1,153**	**17,735**	**–**	**590,415**	**703,993**	**365**	**704,358**
Balance at 01 October 2022		**94,690**	**143**	**902**	**(17,105)**	**(106)**	**585,961**	**664,485**	**388**	**664,873**
Profit for the year (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	17	–	–	–	–	–	(14,961)	(14,961)	–	(14,961)
Balance at 30 September 2023		**94,690**	**–**	**1,085**	**7,569**	**211**	**581,016**	**684,571**	**380**	**684,951**

Notes to the Financial Statements
for the year ended 30 September 2024

Note 1 – General Information

(a) Reporting entity

Sanford Limited ('the parent' or 'the Company') is a profit-orientated 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 financial statements presented are for Sanford Limited ('Sanford' or 'the Group') as at and for the year ended 30 September 2024. The Group comprises the Company, its subsidiaries, and its investments in joint arrangements and associates.

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent disclosures are not required.

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 – Basis of Preparation

(a) Statement of compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following which are measured on the bases set out below:

- Derivative financial instruments: interest rate and fuel swaps, forward exchange contracts and foreign currency options are measured at fair value.
- Biological assets: in water salmon and mussel assets are measured at fair value less costs to sell.
- Inventories are measured at lower of cost and net realisable value.
- Assets held for sale are measured at the lower of fair value less cost to sell and carrying value.

(c) Foreign currency

Functional and presentation currency

These financial statements are presented in New Zealand dollars (NZD), the Company's functional currency. All financial information presented in NZD has been rounded to the nearest thousand dollars (unless described as millions within the notes to these financial statements).

Foreign currency transactions

Foreign currency transactions are translated to NZD at the exchange rates ruling at the dates of the transactions. At balance date foreign currency monetary assets and liabilities are translated at the closing rate. The exchange variations arising from these translations are recognised in the income statement.

Foreign operations

Foreign operations are entities within the Group, the activities of which are based in a country other than New Zealand, or are conducted in a currency other than NZD. The assets and liabilities of foreign operations are translated into NZD at the closing rate, while revenues and expenses are translated at rates approximating the exchange rate ruling at the date of the transaction. Exchange variations are taken directly to the foreign currency translation reserve.

(d) Use of estimates and judgements

The preparation of financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Accounting policies, and information about judgements, estimates and assumptions that have had a significant impact on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Valuation of deferred tax assets and liabilities (refer note 7)
- Valuation of biological assets (refer note 10)
- Valuation of inventories (refer note 11)
- Impairment testing of property, plant and equipment (refer note 12 and 14)
- Impairment testing of intangible assets (refer note 14)

Note 2 – Basis of Preparation (continued)

(d) Use of estimates and judgements (continued)

- Valuation of financial instruments (refer note 18)
- Determination of lease term and incremental borrowing rates (refer note 19).

Estimates are identified by a grey tint in the notes to the financial statements.

(e) Significant accounting policies

Accounting policies are disclosed within each of the applicable notes to the financial statements and are identified by a teal tint.

Apart from the early adoption of the Amendment to IAS 1: Presentation of Financial Statements, Classification of Liabilities as Current or Non-current as described below, the Group's accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

To ensure consistency with the current period, comparative figures have been amended to conform with current period presentation where appropriate.

(f) New and amended accounting standards and interpretations adopted

The Amendments to IAS 12 Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (the Amendments) are effective for the Group in the financial year ended 30 September 2024. Under the Amendments, the Group is required to recognise a separate deferred tax asset and deferred tax liability when the temporary differences arising on the initial recognition of an asset and liability are equal. This is reflected in note 7 to the financial statements. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of NZ IAS 12.

A number of new standards and interpretations effective at 30 September 2024 (for annual periods beginning 01 January 2024 and 2025) are not mandatory for the Group but are available for early adoptions. Except for the Amendment to IAS 1: Presentation of Financial Statements, Classification of Liabilities as Current or Non-current as described below, no other new standards and interpretations have been early adopted.

The impact of these new standards and interpretations on the financial statements has not been assessed. These standards will be mandatory for the Group in the financial year ended 30 September 2025.

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 12 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, effective from 01 October 2023. Bank loans drawn under the Group's working capital facilities are classified as non-current liabilities at 30 September 2024 as a result. Refer to note 18 (b) for details. The Amendment has no impact on comparative information for the year ended 30 September 2023.

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 deepwater fish species, and the leasing of Annual Catch Entitlements (ACE) for North Island inshore 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.

The criteria as set out in paragraph 12 of NZ IFRS 8 Operating Segments was considered in determining the aggregation of the operating divisions. In aggregating these operating divisions into one reportable segment, the Group identified similarities in the following:

Similar economic characteristics

The Group considered and identified similarities in economic characteristics in the wildcatch and aquaculture divisions. The Group concluded, having considered several factors, that the operating segments exhibited similar long-term economic characteristics because the impact of these factors is expected to be similar across all operating divisions. This is supported by the following observations:

Foreign exchange

A large proportion of the Group's sales are derived from exporting seafood products. Movements in foreign exchange rates have a significant influence on the degree of profitability of the Group.

Competitive and operating risks

The operating risks are similar for all of the seafood products in which the Group trades, due to the vagaries of nature and its impact in respect of weather patterns, nutrients in the oceans, parasites and disease.

The global growth in seafood product demand and rising commodity prices have led to a heightened competitive environment in which the Group trades; this applies in a similar manner across all of the operating divisions.

Notes to the Financial Statements

for the year ended 30 September 2024

Note 3 – Segment Reporting (continued)

Economic and political risk

Economic prosperity and political stability for countries in which Sanford's customers are based have a direct impact across the Group in its ability to derive increasing positive returns to shareholders.

Other variables impacting profit

There are many other variables that directly or indirectly impact the profitability of the operating divisions, such as international trade rules and tariffs and climate change. The Group has assessed that the operating divisions are similarly impacted by these variables.

Nature of the products

All of the seafood products have similar nutritional factors; principally they are a good source of protein and relatively low in fat.

Similar nature of production processes

The Group has determined that all of the seafood products produced for its customers are harvested from the sea. In addition, certain fish species and mussels have hand-opening or machine-opening processes involved in the final completion of the production chain.

The type or class of customer for the product

The Group sells products derived from all of its operating divisions to four (2023: seven) of its top ten customers. The Group's customers are largely of a wholesale nature.

The methods used to distribute the product

The Group's sales and marketing team is structured geographically and not by product type or operating division.

The nature of the regulatory environment

Both aquaculture and fish products are governed by the quality control regulations set by the Ministry for Primary Industries in New Zealand and those countries to which the Group exports. In respect of vessels, these must meet Maritime New Zealand regulations; this requirement is similar for all operating divisions.

Revenue by geographical location of customers

	2024 $000	2023 $000
New Zealand	222,699	192,577
North America	125,188	113,123
China	78,573	68,787
Europe	66,183	67,522
Australia	43,631	45,444
Other Asia	19,019	28,859
Japan	10,516	13,569
South Korea	5,493	9,202
Middle East	4,000	6,102
Hong Kong	2,882	3,927
Pacific	2,117	861
Central and South America	1,848	2,288
Africa	764	1,136
Revenue	**582,913**	**553,397**

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

The Group has no customers who account for more than 10% of total sales for the year (2023: two customers who both account for more than 10% of total sales).

Note 4 – Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, the performance obligations are satisfied and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable.

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 the 20th of the month following invoice date.

Export sales

The performance obligation 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. Payment terms vary between customers and export destinations.

Revenue from leasing of Annual Catch Entitlements (ACE)

ACE is the annual right to catch a specific amount of a relevant fish stock within the Quota Management System for the duration of a fishing year and is allocated annually to quota owners of that fish stock. Lease income is derived from transferring to industry lessees the right to catch the allocated fish stock as stipulated under the ACE.

Lease arrangements involving ACE are treated as operating leases as the risks and rewards of ownership to the underlying fish species quota – from which an ACE is derived – are not substantially transferred to the lessee. Lease income is recognised over the period when the lessee has the right to fish under the ACE.

	2024 $000	2023 $000
Revenue from contracts with customers	567,903	553,397
Revenue from ACE lease income	15,010	–
	582,913	553,397

Revenue in relation to contract assets

Of the revenue recognised this year $nil (2023: $1.3m) originated from contract assets due to performance obligations being satisfied before the end of the year. The Group recognises this revenue from the satisfaction of performance obligations prior to consideration received from these customers, in line with the above. In addition, the payment terms for these assets are in line with the above.

Notes to the Financial Statements
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Note 5 – Expenses and Other Income

	Note	2024 $000	2023 $000
(a) Administrative and other expenses includes:			
KPMG statutory audit fees		425	429
KPMG fees for other services†		–	68
Other auditors' fees for non-financial audit services††		72	53
Impairment of investment	13	2,956	–
Impairment of advance to Two Islands NZ Co Limited		176	–
Impairment of property, plant and equipment	12	14,837	479
Impairment of intangible assets	14	1,832	189
Impairment of right-of-use assets	19	187	–
Impairment of assets classified as held for sale	20	–	750
Restructuring costs		1,495	5,544
Donations		406	362
Research and development		572	663
(b) Personnel expenses included in cost of sales, administrative and distribution expenses			
Wages and salaries (including short-term employee benefits)		119,015	136,089

† In 2023 KPMG fees of $68,000 for other services were charged in respect of a limited assurance engagement performed in October 2023 relating to selected sustainability information. No other KPMG fees were charged in 2024.

†† Non-financial audit services include but are not limited to health and safety and quality audits.

(c) Other income

30 September 2024 – Sale of North Island inshore fisheries assets

Refer to note 20(c) for details.

30 September 2023 – Lease surrender

Sanford Limited and Port of Tauranga reached an agreement which was settled on 03 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 6 – Finance Income and Expense

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets (except for trade receivables), as well as non-trading currency exchange losses.

	Note	2024 $000	2023 $000
Finance income			
Interest income		1,270	958
		1,270	**958**
Finance expense			
Interest expense on bank loans and bank overdraft		16,101	11,939
Interest expense on leases	19	2,036	2,541
		18,137	**14,480**
Net finance expense		**16,867**	**13,522**

Note 7 – Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income (OCI), in which case it is recognised in OCI.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is:

- Recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes
- Not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future
- Measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at balance date.

7.1 Income tax expense

	2024 $000	2023 $000
Current period	6,300	8,109
Adjustments for prior periods	(1,272)	53
	5,028	**8,162**
Deferred tax expense		
Origination and reversal of temporary differences	11,191	(645)
Adjustments for prior periods	1,506	(46)
	12,697	**(691)**
Income tax expense	**17,725**	**7,471**
Reconciliation of effective tax rate		
Profit for the year	19,670	10,011
Income tax expense	17,725	7,471
Profit before income tax	**37,395**	**17,482**
Tax at current rate of 28%	**10,471**	**4,895**
Non-deductible expenses	716	535
Tax legislation changes	1,722	–
Impairment of investment	828	–
Impairment of goodwill	408	–
Capitalised asset timing differences	325	179
Unrecognised tax losses	2,908	1,876
Adjustments for prior periods	316	19
Different foreign tax rate	40	(102)
Other	(9)	69
	7,254	**2,576**
Income tax expense	**17,725**	**7,471**
Imputation credit account		
Imputation credits available for use in subsequent reporting periods	58,957	58,009

Tax legislation changes

Recent tax legislation changes have removed the ability for entities to claim tax depreciation deductions for commercial and industrial buildings with an estimated useful life of 50 years or more. The changes come into effect for the 2025 income year and later income years. This change impacts deferred tax as the tax base will reduce to reflect future tax deductions which are no longer available. As the change was enacted prior to balance date the Group recorded the deferred tax impact, an increase in the liability and corresponding tax expense in the profit and loss statement.

The Group's imputation credits are available to be attached to dividends paid by Sanford Limited.

Note 7 – Taxation (continued)

7.2 Deferred tax

	2024			
	Balance 30 September 2023	Recognised in Income Statement	Recognised in Other Comprehensive Income	Balance 30 September 2024
	$000	$000	$000	$000
Movement in temporary differences during the year				
Property, plant and equipment	4,367	4,899	–	9,266
Intangible assets	13,613	5,744	–	19,357
Trade receivables	(108)	16	–	(92)
Derivative financial instruments	3,025	(82)	3,953	6,896
Biological assets	10,023	2,055	–	12,078
Leases (net)	(557)	257	–	(300)
Other assets	(3,367)	(192)	–	(3,559)
Net deferred tax liability	**26,996**	**12,697**	**3,953**	**43,646**

	2023			
	Balance 30 September 2022	Recognised in Income Statement	Recognised in Other Comprehensive Income	Balance 30 September 2023
	$000	$000	$000	$000
Movement in temporary differences during the year				
Property, plant and equipment	5,897	(1,530)	–	4,367
Intangible assets	14,021	(408)	–	13,613
Trade receivables	(31)	(77)	–	(108)
Derivative financial instruments	(6,694)	–	9,719	3,025
Biological assets	7,833	2,190	–	10,023
Leases (net)	(376)	(181)	–	(557)
Other assets	(2,682)	(685)	–	(3,367)
Net deferred tax liability	**17,968**	**(691)**	**9,719**	**26,996**

Note 7 – Taxation (continued)

7.2 Deferred tax (continued)

Deferred tax recognised in OCI relates to tax on the effective portion of the change in fair value of cash flow hedges, and on the cost of hedging gains or losses.

Deferred tax asset and liability associated with leases in the Group are as follows:

	2024	2023
	$000	$000
Deferred tax associated with leases		
Asset	8,456	13,844
Liability	(8,156)	(13,287)
	300	557

A deferred tax asset has not been recognised in respect of the following item because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. There is no expiry time for the use of these tax losses.

	2024	2023
	$000	$000
Unrecognised deferred tax asset		
Net tax losses attributable to the joint operation	24,053	21,004

Note 8 – Cash and Cash Equivalents

Cash and cash equivalents includes deposits that are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are classified and measured at amortised cost in the statement of financial position. These financial instruments are short term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

Bank overdraft and borrowings are classified and measured at amortised cost. These financial instruments are short term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

	2024	2023
	$000	$000
Cash on hand and at bank	14,475	6,805
Bank overdraft and working capital facilities (secured)	–	(58,000)
	14,475	**(51,195)**

On 28 March 2024, the working capital facilities expiring on 30 April 2024 were extended to 31 March 2026 and 30 April 2026 respectively.

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for the year ended 30 September 2024

Note 9 – Trade and Other Receivables

Trade and other receivables are financial assets classified and measured at amortised cost less allowance for doubtful debts. Short-term trade receivables are not discounted. These financial instruments are short term in nature and the carrying amounts are considered to be a reasonable approximation of fair values.

(a) Trade receivables

	2024	2023
	$000	$000
Gross trade receivables	83,521	105,367
Less: Allowance for doubtful debts (refer to note 18(a))	(354)	(446)
	83,167	**104,921**

(b) Other receivables and prepayments

		2024	2023
	Note	$000	$000
Advances to related parties	22(b)	137	300
Other receivables		2,788	5,256
Prepayments		2,160	2,796
		5,085	**8,352**

Note 10 – Biological Assets

Biological assets include pre-harvest salmon and mussel stocks, and are measured at fair value less costs to sell, with any change therein recognised as cost of sales in the income statement. This method of valuation falls into Level 3 on the fair value hierarchy (refer to note 18). Biological assets are transferred to inventories at the date of harvest.

	2024		
	Mussels	Salmon	Total
	$000	$000	$000
Balance at the beginning of the year	25,667	40,859	66,526
Changes due to biological transformation and movement in fair value less estimated costs to sell	24,163	16,728	40,891
Harvested produce transferred to inventories	(22,217)	(6,404)	(28,621)
Balance at 30 September 2024	**27,613**	**51,183**	**78,796**
Current	16,472	39,085	55,557
Non-current	11,141	12,098	23,239
	27,613	**51,183**	**78,796**

Note 10 – Biological Assets (continued)

	2023		
	Mussels	Salmon	Total
	$000	$000	$000
Balance at the beginning of the year	26,922	36,308	63,230
Changes due to biological transformation and movement in fair value less estimated costs to sell	21,871	10,827	32,698
Harvested produce transferred to inventories	(23,126)	(6,276)	(29,402)
Balance at 30 September 2023	**25,667**	**40,859**	**66,526**
Current	14,352	33,948	48,300
Non-current	11,315	6,911	18,226
	25,667	**40,859**	**66,526**

Risk factors

The Group is exposed to a number of risks relating to its growing of salmon and mussel stocks. These include storms, marine predators, biosecurity incursions and other contamination of the water space. The Group has extensive processes in place to monitor and mitigate these risks including insurance of salmon and mussels, regular inspection of the growing areas and contingency plans in the event of an adverse climatic event.

Fair value risk and sensitivity

The Group is exposed to financial risks relating to the production of biological assets (salmon and mussels) arising from climate change volatility, climatic events, disease and contamination of water space.

The estimation of the fair value of in-water salmon and mussels is based on several assumptions. Changes in these assumptions will impact the fair value calculation. The profit which is achieved on the sale of inventory will differ from the calculations of fair value of biological assets because of changes in key factors such as the final sales destinations of inventory sold, changes in selling prices, foreign exchange rates, harvest weight, growth rates, mortality, input costs and costs to sell, and differences in quality of harvested salmon and mussels.

With all other variables remaining constant, a 10% increase/decrease in average future sales prices would increase/ decrease the fair value of biological assets and profit before tax by $7.1m (2023: 10% increase/decrease $6.7m). A 10% increase/decrease in biomass (future harvest volumes) would increase/decrease the fair value of biological assets on hand and profit before tax by $7.8m (2023: 10% increase/decrease $6.3m).

Determining fair value

Salmon

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value less costs to sell per kg at the point of harvest. The fair value less costs to sell per kg at the point of harvest is determined with reference to expected market prices for the first half of the next financial year, net of estimated cost up to the date of harvest. The fair value measurement commences at the date of transfer to seawater as this is considered the point at which the fish commence their growth cycle.

Mussels

The pre-harvest mussel stock has been valued with reference to their stage of development, the length of the growth cycle for the mussels in the regions being farmed, the fair value less costs to sell per kg at point of harvest, and the physical quantity in the water at balance date. The fair value less costs to sell per kg at the point of harvest is determined with reference to expected market prices for the first half of the next financial year, net of estimated cost up to the date of harvest. The fair value measurement commences at the date of seeding as this is considered the point at which the mussel commence their growth cycle.

Notes to the Financial Statements

for the year ended 30 September 2024

Note 11 – Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable marketing, selling and distribution costs. The selling price is estimated with reference to prices obtainable in the current market.

Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventory and bringing it to its existing condition and location. In the case of processed inventories and work in progress, cost includes an appropriate share of overheads. Fixed overheads are allocated on the basis of normal operating capacity. The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

	2024	2023
	$000	$000
Seafood – at cost	67,652	70,694
Net realisable value provision	(12,014)	(3,202)
	55,638	**67,492**
Packaging, fishing gear, fuel and stores – at cost	17,725	15,537
	73,363	**83,029**

The cost of inventories recognised as an expense for the year ended 30 September 2024 is $364.7m (2023: $358.5m). This is included in cost of sales in the income statement.

Note 12 – Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Property, plant and equipment is allocated to the respective cash-generating units and assessed for indicators of impairment annually. Where indicators of impairment are noted an impairment test is performed at the cash-generating unit's level.

Costs may include:

- The consideration paid on acquisition of the asset
- The cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use
- The costs of dismantling and removing the items and restoring the site on which they are located
- Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The capitalisation of expenditure ceases when the asset is ready for use, at which point depreciation commences. Capital work in progress of $44.6m is included within the relevant category of property, plant and equipment below (2023: $67.5m).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure that increases the economic benefits derived from an asset is capitalised.

Depreciation of property, plant and equipment, other than land, is calculated using a straight-line basis and is expensed over the useful life of the asset.

Depreciation methods, useful lives and residual values are reassessed at least annually. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Estimated useful lives (years) are as follows:

	2024	2023
Buildings (freehold and leasehold)	20–25	20–25
Fishing vessels:		
Hulls	15–30	20–30
Engines	10–15	12–15
Electronic equipment	3–4	3–4
Machinery and plant	1–10	1–10
Motor vehicles	5	5
Office fixtures and fittings	2–7	3–7
Marine farm assets	3–15	5–15

Note 12 – Property, Plant and Equipment (continued)

		2024					
		Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	Note	$000	$000	$000	$000	$000	$000
Cost							
Balance at the beginning of the year		2,309	22,108	65,661	291,035	162,631	543,744
Additions		–	833	869	36,097	7,826	45,625
Disposals		–	(18)	–	(10,021)	(6,448)	(16,487)
Assets classified as held for sale	20	(880)	(166)	(31,884)	–	(9,899)	(42,829)
Effect of movements in exchange rates		–	–	18	–	2	20
Balance at the end of the year		**1,429**	**22,757**	**34,664**	**317,111**	**154,112**	**530,073**
Accumulated depreciation and impairment							
Balance at the beginning of the year		–	(7,984)	(33,484)	(165,857)	(109,165)	(316,490)
Depreciation		–	(935)	(1,898)	(15,407)	(7,789)	(26,029)
Impairment		–	(62)	(5,731)	–	(9,044)	(14,837)
Assets classified as held for sale	20	–	83	25,948	–	9,899	35,930
Disposals		–	4	–	8,586	582	9,172
Balance at the end of the year		–	(8,894)	(15,165)	(172,678)	(115,517)	(312,254)
Net book value at 30 September 2024		**1,429**	**13,863**	**19,499**	**144,433**	**38,595**	**217,819**

(a) Auckland site sale of perpetual right to lease land and building assets

The Group has reassessed the use of its leased Auckland premises and negotiated the sale of its perpetual right to lease the Auckland premises and buildings thereon. The perpetual right to lease the Auckland premises was classified as an asset held for sale at 30 September 2023. Following further negotiations with the purchaser the buildings were agreed to be included in the sale. As at 30 September 2024, the signing of a sales and purchase contract is imminent, the unconditional execution of which is anticipated to be in the second half of FY25. On this basis these site leases and associated buildings have been classified as held for sale.

The conditional contract with the developer provides evidence of the fair value of the lease and building assets, which overall indicates there is a gain from this transaction to be recognised when the conditions of the contract are fulfilled in the future. However, the conditional contract provides current evidence as to the fair value of the building assets prior to its reclassification to assets held for sale, which is less than the carrying value. In light of this the buildings have been impaired by $4.2m as at 30 September 2024.

Refer to note 20 for details on assets classified as held for sale and associated impairment recognised.

(b) Closure of North Island Mussels Limited mussels processing facility

North Island Mussels Limited (NIML) is a joint operation in which Sanford Limited has 50% shareholding to farm, process and sell mussels. The processing plant, based in Tauranga, was closed in the current year. Land, buildings, plant and equipment of the Tauranga site were actively marketed for sale in the current year and as such have been classified as held for sale. A conditional sales contract was signed subsequent to year-end which indicates market values for the land, building, plant and equipment assets are lower than the carrying amounts. Sanford's share of this resulting impairment of $6.4m is recognised in the income statement for FY24.

(c) Bioactive assets

The concept of our marine extract facility in Blenheim was to profitably produce commercial quantities of several bioactive products. The facility has not been implemented nor operated as originally intended and is now principally focused on mussel powder alone. Plans for oil and collagen products do not form part of the business strategy going forward. These assets are therefore impaired by $3.9m as at 30 September 2024.

Note 12 – Property, Plant and Equipment (continued)

	2023					
	Land	Freehold Buildings	Leasehold Buildings	Fishing Vessels	Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance at the beginning of the year	2,252	22,108	66,821	253,899	150,317	495,397
Additions	57	–	1,409	49,942	14,992	66,400
Disposals	–	–	(2,569)	(1)	(1,283)	(3,853)
Assets classified as held for sale	–	–	–	(12,805)	(1,332)	(14,137)
Effect of movements in exchange rates	–	–	–	–	(63)	(63)
Balance at the end of the year	**2,309**	**22,108**	**65,661**	**291,035**	**162,631**	**543,744**
Accumulated depreciation and impairment						
Balance at the beginning of the year	–	(7,354)	(33,580)	(156,662)	(104,769)	(302,365)
Depreciation	–	(630)	(2,034)	(15,636)	(6,059)	(24,359)
Impairment	–	–	–	–	(479)	(479)
Assets classified as held for sale	–	–	–	6,441	963	7,404
Disposals	–	–	2,130	–	1,179	3,309
Balance at the end of the year	–	(7,984)	(33,484)	(165,857)	(109,165)	(316,490)
Net book value at 30 September 2023	**2,309**	**14,124**	**32,177**	**125,178**	**53,466**	**227,254**

Commitments

The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is $4.4m for the Group (2023: $22.4m).

Note 13 – Investments

The Group's interest in equity-accounted investees comprises interests in those associates and joint ventures disclosed in note 21.

Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than the rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

The Group's other investments comprise shareholdings in other companies which do not constitute controlling interests, nor does the Group have significant influence over the investees. As these are not held for trading, the Group has elected these equity instruments to be classified and measured at fair value through OCI.

Note 13 – Investments (continued)

	Note	2024 $000	2023 $000
Equity accounted investees			
(a) Summary financial information for equity-accounted investees, not adjusted for the percentage ownership held by the Group			
Current assets		4,377	5,021
Non-current assets		6,146	6,136
Total assets		**10,523**	**11,157**
Current liabilities		718	795
Non-current liabilities		1,911	2,058
Total liabilities		**2,629**	**2,853**
Revenue		5,662	7,355
Expenses		(5,890)	(7,044)
(Loss)/profit		**(228)**	**311**
(b) Movements in the carrying value of equity-accounted investees			
Balance at the beginning of the year		4,279	3,834
Share of profit		139	250
Impairment of investment in Two Islands Co NZ Limited	5	(2,956)	–
Sale of investment in Two Islands Co NZ Limited		(200)	–
Dividends received from associates		(383)	(152)
Acquisition of shares in associate		278	347
Balance at 30 September		**1,157**	**4,279**
Other investments			
Shares in other companies		104	104
		1,261	**4,383**

Sale of investment in Two Islands

The Group sold its equity-accounted investment in Two Islands Co NZ Limited, including its subsidiary Two Islands Co Australia Pty Limited, resulting in an impairment of $2.9m during the year. An advance to Two Islands Co NZ Limited of $0.2m including interest was written off also. Refer to note 22.

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

Note 14 – Intangible Assets

Purchased fishing quota is carried at cost less impairment losses. Quota and licences which are initially recognised on the basis of previous permits, catch history or when purchased through business combinations are initially valued at fair value on allocation. Fair value is determined by reference to Crown tender prices and market prices available close to the time of the acquisition. This became the deemed cost upon the adoption of NZ IFRS.

Marine farm licences are recorded at cost or, when purchased through business combinations, are initially measured at fair value.

Marine farm licences and fishing quota have indefinite useful lives and are not amortised but are tested annually for impairment at reporting date.

Fishing quota has no expiry date and is therefore deemed to have an indefinite useful life. Marine farm licences are deemed by the Directors to have indefinite useful lives as it is highly probable that they are renewed, and the costs of renewal are expected to be minimal.

Expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge, is expensed as incurred. Expenditure on development activities, whereby research findings are applied to a plan or a design for the production of new or substantially improved products or processed, is capitalised if the product or process is commercially and technically feasible, and the Group has sufficient resources to complete development. Other development expenditure is expensed as incurred.

Note 14 – Intangible Assets (continued)

	2024					
	Fishing Quota	Marine Farm Licences	Goodwill	Intellectual Property	Computer Software	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance at the beginning of the year	387,090	102,616	4,375	3,660	10,598	508,339
Additions	–	1,274	–	–	223	1,497
Disposals	–	(366)	–	–	–	(366)
Effect of movements in exchange rates	2	–	23	–	–	25
Balance at the end of the year	387,092	103,524	4,398	3,660	10,821	509,495
Accumulated amortisation and impairment						
Balance at the beginning and end the of year	(9,522)	(1,244)	(974)	(2,867)	(536)	(15,143)
Amortisation	–	–	–	(732)	(1,701)	(2,433)
Impairment	(374)	–	(1,458)	–	–	(1,832)
Balance at the end of the year	(9,896)	(1,244)	(2,432)	(3,599)	(2,237)	(19,408)
Carrying amount at 30 September 2024	**377,196**	**102,280**	**1,966**	**61**	**8,584**	**490,087**

Impairment of goodwill

In FY24 the Group has impaired the goodwill balance of $1.4m associated with Enzaq, a mussel powder business acquired in 2017.

	2023					
	Fishing Quota	Marine Farm Licences	Goodwill	Intellectual Property	Computer Software	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance at the beginning of the year	387,100	102,654	4,481	3,660	8,887	506,782
Additions	–	–	–	–	1,711	1,711
Assets classified as held for sale	–	(38)	–	–	–	(38)
Effect of movements in exchange rates	(10)	–	(106)	–	–	(116)
Balance at the end of the year	387,090	102,616	4,375	3,660	10,598	508,339
Accumulated amortisation and impairment						
Balance at the beginning and end of the year	(9,333)	(1,244)	(974)	(2,135)	–	(13,686)
Amortisation	–	–	–	(732)	(536)	(1,268)
Impairment	(189)	–	–	–	–	(189)
Balance at the end of the year	(9,522)	(1,244)	(974)	(2,867)	(536)	(15,143)
Carrying amount at 30 September 2023	**377,568**	**101,372**	**3,401**	**793**	**10,062**	**493,196**

Assets held for sale

Refer to note 20 on information regarding assets held for sale.

Note 14 – Intangible Assets (continued)

14.1 Market capitalisation

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 30 September 2024 the Group's market capitalisation was $353m (2023: $364m) and the carrying value of its net assets was $706m (2023: $685m). Accounting standards consider this to be an indicator of impairment. The Group does not believe the current share price provides an accurate reflection of the fair value of the net assets, due to factors such as:

- Management do not consider that the share price factors in rising global seafood prices, continuing strong demand, and the likelihood of profitability improving across the business.
- The likelihood that the market value of the Group's New Zealand fishing quota (recognised within the wildcatch cash-generating unit) materially exceeds its carrying value. In 2022 the sale of CRA2, CRA7 and CRA8 quota realised a consideration of $52.7m whereas the carrying value was $8.3m. For 2024, management has obtained an updated independent valuation of the Group's remaining New Zealand fishing quota which shows headroom over the $377m carrying value recorded in the financial statements, which is in excess of the market capitalisation shortfall.

Recently management obtained an updated independent valuation of Sanford as a whole, with the carrying amount of the Group's net assets' value below the fair valuation range.

Management undertakes impairment testing in respect of the cash-generating units which contain the New Zealand fishing quota and marine farm licences using the value-in-use methodology. This testing 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.

14.2 Cash-generating units

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount, which is the greater of its value in use and its fair value less costs to sell. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement. For goodwill and intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

The table below outlines the allocations of intangible assets with indefinite useful lives to CGUs:

	2024			
	Fishing Quota	Marine Farm Licences	Goodwill	Total
	$000	$000	$000	$000
New Zealand Wildcatch	376,155	–	–	376,155
New Zealand Aquaculture	846	102,280	–	103,126
Australia Seafood	195	–	1,966	2,161
	377,196	**102,280**	**1,966**	**481,442**

	2023			
	Fishing Quota	Marine Farm Licences	Goodwill	Total
	$000	$000	$000	$000
New Zealand Wildcatch	376,529	–	–	376,529
New Zealand Aquaculture	846	101,372	1,458	103,676
Australia Seafood	193	–	1,943	2,136
	377,568	**101,372**	**3,401**	**482,341**

Note 14 – Intangible Assets (continued)

14.2 Cash-generating units (continued)

Wildcatch and Aquaculture – impairment testing and assumptions

Impairment testing and assumptions

Based on impairment testing undertaken in the current year, except for the impairment on the goodwill balance associated with Enzaq, no further impairment is required for New Zealand fishing quota or marine farm licences given the recoverable amount of both the New Zealand wildcatch and aquaculture CGUs exceed the carrying value of their net assets.

Impairment testing was performed on the applicable CGUs to determine whether fishing quota and marine farm licences were impaired using a discounted cash flow model based on value in use. Post-tax discount rates of between 8.0% and 9.0% (2023: 7.8% and 8.8%) were applied; the midpoint being 8.5% (2023: 8.3%). Future cash flows were projected for 5 years and a terminal growth rate of 2.25% (2023: 2.25%) was applied.

Key assumptions for earnings and capital expenditure are based on actual historical results and the 2025 budget approved by the Board, and Sanford's strategy. The 2025 budget assumption is largely based on earnings returning to levels evidenced in 2017 to 2019 as well as other strategic initiatives. The Aquaculture CGU assumes that for the FY25–FY29 (2023: FY24–FY28) period the compound annual growth rate (CAGR) of earnings is 10.2% (2023: 10.8%) and for the equivalent period for the New Zealand wildcatch CGU the CAGR of earnings is 24.8% (2023: 3.9%). The New Zealand Wildcatch CGU assumes positive earnings growth associated with the sale of much of Sanford's North Island inshore Annual Catch Entitlement (ACE) to Moana New Zealand, which provides an annuity-like revenue stream to this CGU. Growth from expansionary capital items is excluded from the assessment as required by NZ IAS 36. The recoverable amount of New Zealand wildcatch exceeds its carrying value by $109m (2023: $190m) and aquaculture by $93m (2023: $88m).

Sensitivity analysis – impairment testing

The Group has conducted an 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 budget earnings assumption was assumed to have a CAGR of 1.2% (2023: nil growth) through to FY29 (2023: FY28), then the carrying amount would approximately equal the recoverable amount. For the New Zealand Wildcatch CGU earnings would have to fall to a CAGR of 18.4% (2023: 2.6%) over the modelled period for the carrying amount to equal the recoverable amount.

14.3 Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets of the acquired business. Goodwill is carried at cost less accumulated impairment losses.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Sanford's goodwill balance of $2.0m arises from the acquisition of Saltwater Seafoods in 2020, an Australian seafood trading business. This balance is supported by expected future earnings.

Note 14 – Intangible Assets (continued)

14.4 Computer software

Software-as-a-Service (SaaS) arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. For SaaS arrangements, the Group assesses if the contract will provide a resource that it can 'control' to determine whether an intangible asset is present. If the Group cannot determine control of the software, the arrangement is deemed a service contract and any implementation costs, including costs to configure or customise the cloud provider's application software, are recognised as operating expenses when incurred.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. If distinct, such costs are expensed as incurred when the service is provided. If not distinct, such costs are expensed over the SaaS contract term.

In implementing SaaS arrangements, the Group has incurred customisation costs which creates additional functionality to a cloud-based software. Management has determined that it has rights to the intellectual property and has owned the developed software which meets the definition and recognition criteria for an intangible asset.

Cost incurred for the development of software that enhances or modifies, or creates additional functionality to an on-premise software, that meets the definition and recognition criteria of intangible assets are recognised as intangible assets. These costs are recognised as intangible software assets when they are available for use, and subsequently amortised over the useful life of the software on a straight-line basis. The estimated useful life for computer software is between 3-10 years.

Note 15 – Trade and Other Payables

Trade and other payables

Trade and other payables are classified as financial liabilities, measured at amortised cost. As these are short term in nature the carrying amount is considered to be a reasonable approximation of fair value.

Provisions

The Group recognises a provision when the Group has a present obligation – legal or constructive – as a result of a past event, it is more likely than not that the resulting liability from the obligation will be required to be settled, and the amount required to settle can be reliably estimated.

Employee entitlements

(i) Long-service leave

The Group's net obligation in respect of long-service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using an actuarial technique. Changes in long-service leave provision are recognised in the income statement.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

	2024	2023
	$000	$000
Current liabilities		
Trade payables	15,149	29,226
Other payables and accruals	21,328	45,943
Employee entitlements	8,071	8,585
Restructuring provision	99	3,619
	44,647	**87,373**
Non-current liabilities		
Employee entitlements	1,260	1,358
	1,260	**1,358**

In the 2023 disclosure for other payables and accruals is a provision for redundancy of $3.6m arising from the Group's then intended closure of the Auckland processing factory, which was part of the sale of Sanford's North Island inshore fishery assets (refer to note 20). The provision was settled in October 2023.

Notes to the Financial Statements
for the year ended 30 September 2024

Note 16 – Capital/Reserves and Earnings Per Share

(a) Translation reserve

This reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

(b) Share-based payments reserve

This reserve comprises the fair value of equity instruments granted under the long-term incentive plan.

(c) Cash flow hedge and cost of hedging reserve

The cash flow hedge reserve comprises the effective portion of changes in the fair value of derivative contracts for highly-probable forecast transactions.

The cost of hedging reserve contains the cumulative net change in fair value on foreign currency options which are excluded from the hedge designations of foreign currency risk.

(d) Share capital and earnings per share

	Ordinary Shares	
	2024	2023
	No. of Shares	No. of Shares
On issue at the beginning and end of the year	93,626,735	93,626,735

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to Sanford's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

The calculation of basic earnings per share (EPS) at 30 September 2024 was based on the profit attributable to ordinary shareholders of $19.7m (2023: $10.0m) and a weighted average number of ordinary shares outstanding of 93,506,137 (2023: 93,506,137). The EPS for 2024 is 21.1 cents (2023: EPS was 10.7 cents).

(e) Treasury shares and the long-term incentive scheme

In 2014, Sanford established a long-term incentive plan (the LTI plan) for the CEO role. This was subsequently updated with the 2021 LTI plan. The LTI plan is designed to improve the performance of the Group by incentivising and motivating the former CEO. This involved the Group purchasing treasury shares pursuant to the terms of the LTI plan. The Group has not acquired any Sanford Limited shares in 2024 for the purposes of the LTI plan (2023: no shares acquired). The total treasury shares held at 30 September 2024 was 120,598 shares (2023: 120,598 shares).

Note 17 – Dividends

	2024	2023
	$000	$000
The following dividends were declared and paid by the Company for the year ended 30 September:		
– Final dividend in respect of the 2023 year was 6 cents per share (2022: 10 cents per share)	5,610	9,351
– Interim dividend in respect of the 2024 half year was 5 cents per share (2023 half year: 6 cents per share)	4,676	5,610
	10,286	**14,961**

On 14 November 2024, the Board declared a final dividend for the year ended 30 September 2024 of 5.0 cents per share.

Note 18 – Financial Instruments

Classification and measurement

Classification and measurement of financial assets

Financial assets are classified into three categories depending on their contractual cash flow characteristics and the Group's business model for managing the financial assets. These categories are:

- Amortised cost
- Fair value through profit or loss
- Fair value through OCI.

A financial asset which is a debt instrument is measured at amortised cost only if both the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For investments in equity instruments that are not held for trading nor managed on a fair value basis, the Group has elected to measure these at fair value through OCI.

Derivative financial instruments which are not designated in an effective hedge relationship are classified as fair value through profit or loss.

Classification and measurement of financial liabilities

Financial liabilities are classified as either amortised cost or fair value through profit or loss. The Group may choose at initial recognition to designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. All financial liabilities of the Group are measured at amortised cost except for derivative financial instruments which are measured at fair value. Changes in the fair value of derivative financial liabilities are recognised in profit or loss except when the derivative instrument is designated in an effective hedge relationship.

Specific accounting policies for the Group's financial assets and liabilities are described below.

Exposure to credit, interest rate, foreign currency, fuel price and liquidity risks arise in the normal course of the Group's business. Derivatives may be used as a means of reducing exposure to fluctuations in foreign exchange rates, interest rates and fuel prices. While these instruments are subject to the risk of subsequent changes to market rates, such changes would generally be offset by opposite effects on the items being hedged.

The Group is not exposed to substantial other market price risk arising from financial instruments.

Fair value measurement

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates. The fair value of foreign currency options is estimated using option valuation methods with reference to current spot rates and market volatility. The fair value of fuel swaps is estimated using forward fuel prices at reporting date.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Notes to the Financial Statements
for the year ended 30 September 2024

Note 18 – Financial Instruments (continued)

(a) Credit risk

Credit risk, the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, arises principally from the Group's receivables from customers.

The Group does not generally require collateral in respect of trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions (defined as having a minimum credit rating of A-) are used for investing and cash-handling purposes.

Maximum exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The Group's maximum exposure to credit risk for trade and other receivables (excluding prepayments and statutory tax receivables) by geographic regions is as follows:

	2024	2023
	$000	$000
New Zealand	34,516	72,223
North America	17,619	16,098
Europe	19,833	15,611
Other	9,382	5,310
Australia	3,922	2,699
Japan	911	–
Trade and other receivables	**86,183**	**111,941**

The status of trade receivables at the reporting date is as follows:

	Gross Receivables	**Allowance for Doubtful Debts**	Gross Receivables	Allowance for Doubtful Debts
	2024	**2024**	2023	2023
	$000	**$000**	$000	$000
Not past due	72,867	–	75,714	–
Past due 0 – 30 days	9,882	–	23,297	–
Past due 31 – 90 days	200	–	5,241	–
Past due 91 – 120 days	134	–	916	(247)
Past due 121 – 365 days	438	(354)	199	(199)
	83,521	**(354)**	**105,367**	**(446)**

Impairment assessment – expected credit losses

The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision on trade receivables that are individually significant is determined by an evaluation of the exposures on a line-by-line basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on the number of days overdue, and taking into account the historical loss experience in portfolios with a similar number of days overdue. The expected credit losses incorporate forward looking information and relevant macroeconomic factors.

Note 18 – Financial Instruments (continued)

(b) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on a daily basis.

The Group has secured bank loans which contain debt covenants. A breach of covenant may require accelerated repayment of the loans earlier than indicated in the loan contract.

The following table sets out the contractual and expected cash flows for all financial liabilities and derivatives:

	2024						
	Statement of Financial Position	**Contractual Cash Out/ (In) Flows**	**6 months or less**	**6–12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Bank loans	200,000	252,846	5,976	6,009	176,746	64,115	–
Trade payables	15,149	15,149	15,149	–	–	–	–
Other payables	21,328	21,328	21,328	–	–	–	–
Total non-derivative liabilities	**236,477**	**289,323**	**42,453**	**6,009**	**176,746**	**64,115**	–
Forward exchange contracts	(28,689)	(29,275)	(5,941)	(7,371)	(10,807)	(5,156)	–
Interest rate swaps	(314)	570	1,022	27	(80)	(447)	48
Fuel swaps	1,933	1,983	1,053	659	271	–	–
Total derivative liabilities (assets)	**(27,070)**	**(26,722)**	**(3,866)**	**(6,685)**	**(10,616)**	**(5,603)**	**48**

	2023						
	Statement of Financial Position	Contractual Cash Out/ (In) Flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
	$000	$000	$000	$000	$000	$000	$000
Bank loans	145,000	172,740	4,812	4,812	9,599	153,517	–
Trade payables	29,226	29,226	29,226	–	–	–	–
Other payables	45,943	45,943	45,943	–	–	–	–
Bank overdraft and borrowings	58,000	60,159	1,855	58,304	–	–	–
Total non-derivative liabilities	**278,169**	**308,068**	**81,836**	**63,116**	**9,599**	**153,517**	–
Foreign currency options	300	833	833	–	–	–	–
Forward exchange contracts	(314)	(489)	1,619	1,204	(1,176)	(2,136)	–
Interest rate swaps	(7,161)	(8,246)	(1,468)	(1,530)	(2,471)	(2,661)	(116)
Fuel swaps	(3,110)	(3,177)	(2,712)	(214)	(251)	–	–
Total derivative liabilities (assets)	**(10,285)**	**(11,079)**	**(1,728)**	**(540)**	**(3,898)**	**(4,797)**	**(116)**

Facilities

On 28 March 2024 the working capital facilities expiring on 30 April 2024 were extended to beyond 12 months from the current 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 30 September 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 $270m to $250m.

Note 18 – Financial Instruments (continued)

(b) Liquidity risk (continued)

Bank loans and borrowings

Bank loans and borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, bank loans and borrowings are measured at amortised cost, applying the effective interest method.

Facilities, interest rate ranges, expiry dates and balances of bank loans for the Group are as follows:

	2024		
	Facility	Expiry Date	Balance
	$000		$000
Non-current liabilities			
Syndicated and secured bank loans			
4.5-year facility	40,000	November 2025	30,000
Working capital facilities	85,000	March 2026 – April 2026	85,000
3-to-5-year facilities	95,000	April 2026	55,000
5-year facility	30,000	April 2028	30,000
	250,000		**200,000**

	2023		
	Facility	Expiry Date	Balance
	$000		$000
Current liabilities			
Working capital facilities	85,000	April 2024	58,000
Non-current liabilities			
Syndicated and secured bank loans			
4.5-year facility	40,000	November 2025	40,000
3-to-5-year facilities	95,000	April 2026	75,000
5-year facility	30,000	April 2028	30,000
	250,000		**203,000**

Interest rates

Interest rates on the above loans ranged from 5.62% – 6.65% (2023: 6.30% – 6.79%).

Security and covenants

All syndicated bank loans are secured by a general security interest over property and a mortgage over all quota shares. All borrowings are subject to borrowing covenant arrangements, which include interest cover ratio, gearing ratio and ratios of assets and EBITDA between Sanford and the Guaranteeing Group. The Group has complied with all covenants during the period (September 2023: all covenants were complied with).

Note 18 – Financial Instruments (continued)

(c) Market risk

Financial risk management and hedge accounting

Market risk is the risk that arises from changes in foreign exchange rates, interest rates and commodity (specifically fuel) prices. Such changes will affect the Group's earnings and/or the value of its holdings of financial instruments. These risks arise due to the Group having financial instruments that would be impacted by changes in these market factors.

The Group enters into derivative contracts, being forward exchange contracts, foreign currency options and interest rate swaps, to manage exposure to foreign currency and interest rate risks. The Group also enters into commodity swaps to manage fuel price risk. Senior management is involved in the operation and oversight of risk management and derivative activities. Regular reporting of activities is provided to the Board of Directors which provides the policy for the use of derivative instruments. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as held for trading and classified at fair value through profit or loss.

The Group initially recognises derivatives at fair value when the Group becomes a party to the contractual provisions of the instrument, and subsequently re-measures these at fair value at each balance date. All derivatives are classified as level 2 on the fair value hierarchy explained above. The resulting fair value gain or loss on re-measurement is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in profit or loss depends on the nature of the designated hedge relationship.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income (OCI) to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. For cash flow hedges of financial items (for example forecast sales), the changes in fair value deferred in OCI are transferred to the profit or loss when the hedged item affects the profit or loss.

The Group designates only the intrinsic value of options into hedging relationships. The time value of the options is treated as a cost of hedging. Changes in fair value of the time value component of the option contract are deferred in OCI over the term of the hedge. For transaction-related hedged items the cumulative change in fair value deferred in OCI is recognised in profit or loss at the same time as the hedged item. If the hedged item first gives rise to the recognition of a non-financial asset or a non-financial liability, the amount in equity is removed and recorded as part of the initial carrying amount of the hedged item. If the hedged item gives rise to the recognition of a financial asset or liability, then the amount in equity is recognised in profit or loss at the same time as the hedged item is recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs, or is immediately recognised in profit or loss if the transaction is no longer expected to occur.

Fair value measurement

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward foreign exchange rate contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates. The fair value of foreign currency options is estimated using option valuation methods with reference to current spot rates and market volatility. The fair value of fuel contracts is estimated using forward fuel prices at reporting date.

Interest rate risk

The Group is exposed to interest rate risk through its cash balances and short-term and long-term borrowings. The Group adopts a risk management strategy of managing the exposure to interest rate risk through a proportion of fixed and floating rate borrowings. To meet this strategy the Group uses interest rate swaps to fix between 25% and 75% of the floating rate exposure on long-term borrowings in line with its Board-approved Treasury Policy. In the current period, the Group designated the highly-probable forecast transactions and the interest rate swap contracts into cash flow hedge relationships.

Interest rate swap contracts are recognised within derivative financial instruments in the statement of financial position as at reporting date. The fair value gains and losses on these derivatives were recognised in OCI and transferred to profit or loss when the underlying transactions affected the profit or loss within finance expenses in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments as set out below; therefore, the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit valuation adjustments and timing of cash flows. No ineffectiveness arose on cash flow hedges of interest rate risk during the year (2023: none).

Note 18 – Financial Instruments (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest-bearing variable rate instruments and related derivatives re-price as follows:

	2024					
	Total	**6 months or less**	**6–12 months**	**1–3 years**	**3–5 years**	**More than 5 years**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Cash and cash equivalents	14,475	14,475	–	–	–	–
Bank loans	(200,000)	(200,000)	–	–	–	–
Interest rate swaps						
Notional cash inflows	152,000	152,000	–	–	–	–
Notional cash outflows	(152,000)	–	(26,000)	(31,000)	(80,000)	(15,000)
Total variable rate	**(185,525)**	**(33,525)**	**(26,000)**	**(31,000)**	**(80,000)**	**(15,000)**

	2023					
	Total	6 months or less	6–12 months	1–3 years	3–5 years	More than 5 years
	$000	$000	$000	$000	$000	$000
Cash and cash equivalents	6,805	6,805	–	–	–	–
Bank overdraft and borrowings	(58,000)	(58,000)	–	–	–	–
Bank loans	(145,000)	(145,000)	–	–	–	–
Interest rate swaps						
Notional cash inflows	122,000	122,000	–	–	–	–
Notional cash outflows	(122,000)	–	(5,000)	(42,000)	(55,000)	(20,000)
Total variable rate	**(196,195)**	**(74,195)**	**(5,000)**	**(42,000)**	**(55,000)**	**(20,000)**

Effects of hedge accounting on the financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2024					
			Carrying Amounts			
	Nominal	**Weighted Average Rate**	**Assets**	**Liabilities**	**Change in Fair Value used to Measure Ineffectiveness**	**Cash Flow Hedge Reserve**
Cash flow hedges	**$000**		**$000**	**$000**	**$000**	**$000**
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(200,000)	6.32%	n/a	n/a	(307)	n/a
Hedging instrument: Interest rate swaps	(152,000)	3.45%	314	–	314	(314)

Note 18 – Financial Instruments (continued)

(c) Market risk (continued)

Effects of hedge accounting on the financial position and performance (continued)

	2023					
			Carrying Amounts			
	Nominal	Weighted Average Rate	Assets	Liabilities	Change in Fair Value used to Measure Ineffectiveness	Cash Flow Hedge Reserve
Cash flow hedges	$000		$000	$000	$000	$000
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(203,000)	6.72%	n/a	n/a	(7,194)	n/a
Hedging instrument: Interest rate swaps	(122,000)	3.34%	7,161	–	7,161	(7,161)

Foreign currency risk

The Group is exposed to foreign currency risk as a result of sales and investments denominated in foreign currencies, as well as the foreign currency exposure arising from USD-denominated fuel purchases. The Group has entered into forward exchange contracts and foreign currency options (hedging instruments) to hedge the variability in cash flows arising from foreign exchange rate movements in relation to foreign currency sales (hedged item) up to two years forward. Minimum and maximum hedging levels for the next two years' expected sales volumes are stipulated by its Board-approved Treasury Policy. In the current period, the Group designated the highly-probable forecast transactions and the forward exchange contracts and options into cash flow hedge relationships.

Forward exchange contracts and foreign currency options are recognised within the derivative financial instruments in the statement of financial position as at reporting date. The fair value gains and losses on these derivatives were recognised in OCI and transferred to profit or loss when the underlying transactions affected the profit or loss within revenue and cost of sales in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments as set out below; therefore, the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit risk adjustments on the derivatives and timing of cash flows. No ineffectiveness arose on cash flow hedges of foreign currency transactions during the year (2023: none).

As at 30 September 2024, the Group's exposure to foreign currency risk for the next 12 months can be summarised as follows:

	2024				
	USD	**AUD**	**JPY**	**EUR**	**GBP**
(figures are NZD)	**$000**	**$000**	**$000**	**$000**	**$000**
Cash	1,279	1,058	(71)	2,894	(76)
Trade receivables	64,780	2,064	–	2,503	–
Trade payables	(3,845)	(2,917)	–	(724)	–
Net statement of financial position exposure before hedging activity	62,214	205	(71)	4,673	(76)
Forecast net receipts/(net payments)	295,082	(26,374)	1,765	(1,621)	–
Net cash flow exposure before hedging activity	357,296	(26,169)	1,694	3,052	(76)
Forward exchange contracts	(320,452)	26,118	(1,544)	–	–
Net un-hedged exposure	**36,844**	**(51)**	**150**	**3,052**	**(76)**

Note 18 – Financial Instruments (continued)

(c) Market risk (continued)

Foreign currency risk (continued)

	2023				
	USD	AUD	JPY	EUR	GBP
(figures are NZD)	$000	$000	$000	$000	$000
Cash	1,579	1,399	311	62	63
Trade receivables	72,296	4,306	1,646	215	–
Trade payables	(5,129)	(7,033)	–	(689)	(37)
Net statement of financial position exposure before hedging activity	68,746	(1,328)	1,957	(412)	26
Forecast net receipts	200,642	9,158	6,429	(14,675)	–
Net cash flow exposure before hedging activity	269,388	7,830	8,386	(15,087)	26
Forward exchange contracts and options	(197,330)	(7,289)	(5,859)	12,647	–
Net un-hedged exposure	**72,058**	**541**	**2,527**	**(2,440)**	**26**

The Group's policy is to not hedge operating cash flows denominated in EUR and GBP. The forecast net payment for the EUR currency in FY23, which was hedged, related to cash outgoings expected to be incurred in FY24 for a capital project.

Effects of hedge accounting on the financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2024				
		Carrying Amounts			
	Nominal	**Assets**	**Liabilities**	**Change in Fair Value used to Measure Ineffectiveness**	**Cash Flow Hedge Reserve**
Cash flow hedges*	**$000**	**$000**	**$000**	**$000**	**$000**
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	300,591	n/a	n/a	(26,287)	n/a
Hedging instruments: Forward exchange contracts	300,591	28,760	(71)	28,689	(28,689)

	2023				
		Carrying Amounts			
	Nominal	Assets	Liabilities	Change in Fair Value used to Measure Ineffectiveness	Cash Flow Hedge Reserve
Cash flow hedges*	$000	$000	$000	$000	$000
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	386,038	n/a	n/a	(228)	n/a
Hedging instruments: Forward exchange contracts	382,704	7,933	(6,881)	1,266	(1,266)
Hedging instruments: Foreign currency options	3,334	–	(149)	(149)	149

* Includes all hedges of forecast future transactions

Note 18 – Financial Instruments (continued)

(c) Market risk (continued)

Fuel price risk

The Group is exposed to fuel price risk through its purchases of fuel for its fishing fleet.

Fuel price risk is the risk of loss to the Group due to adverse fluctuations in fuel prices in USD terms. The currency exposure arising from USD fuel costs is managed separately (see foreign currency risk management). The Group's fuel price risk has the following contractually specified components: gas oil and shipping costs.

The Group enters into gas oil commodity swaps to reduce the variability in those components of fuel costs, which historically have comprised approximately 80% (2023: 80%) of total fuel cost for the year. Minimum and maximum hedging levels for the next two years' expected purchase volumes are stipulated by its Board-approved Treasury Policy. A 1:1 hedge ratio is used, reflecting the match of the hedging instruments and the component exposures in the fuel costs.

Fuel swaps are recognised within the derivative financial instruments in the statement of financial position as at reporting date and were designated as the hedging instruments in qualifying cash flow hedges. The fair value gains and losses on these derivatives were recognised in OCI and transferred from OCI and included in the initial carrying amount of inventory. When the fuel is consumed it is expensed to the profit or loss within cost of sales in the income statement.

Hedge ineffectiveness is only expected to result from credit valuation adjustments and any shortfalls in the amounts of the expected exposures. Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. Any ineffectiveness is recognised within cost of sales in the income statement.

All fuel derivative contracts mature within 12 months of reporting date (2023: 12 months).

Reconciliation of changes in hedge reserves

The movement in the fair value of hedging instruments which are deferred to the cash flow hedge reserve during the year are set out below, together with changes in the cost of hedging reserve, and the tax thereon:

	2024			
	Hedging Instruments used to Hedge			
	Interest Rate Risk	**Currency Risk**	**Fuel Price Risk**	**Total**
Recognised in statement of changes in equity hedge reserves	**$000**	**$000**	**$000**	**$000**
Balance at the beginning of the year	**5,156**	**385**	**2,239**	**7,780**
Changes in cash flow hedge reserve – changes in fair value	(6,847)	26,009	(5,043)	14,119
Changes in cost of hedging reserve – reclassified to profit or loss	–	(293)	–	(293)
Deferred tax on reserve movements	1,917	(7,199)	1,411	(3,871)
Balance at the end of the year	**226**	**18,902**	**(1,393)**	**17,735**

	2023			
	Hedging Instruments used to Hedge			
	Interest Rate Risk	Currency Risk	Fuel Price Risk	Total
Recognised in statement of changes in equity hedge reserves	$000	$000	$000	$000
Balance at the beginning of the year	**3,957**	**(20,869)**	**(299)**	**(17,211)**
Changes in cash flow hedge reserve – changes in fair value	1,665	29,080	3,525	34,270
Changes in cost of hedging reserve – changes in fair value	–	440	–	440
Deferred tax on reserve movements	(466)	(8,266)	(987)	(9,719)
Balance at the end of the year	**5,156**	**385**	**2,239**	**7,780**

Note 18 – Financial Instruments (continued)

(c) Market risk (continued)

Sensitivity to changes in market prices or rates

All derivatives are measured at fair value and changes in market inputs used to determine these fair values would have an impact on Sanford's financial statements. For each type of market risk that the entity is exposed to at the end of the reporting period, the sensitivity analysis below shows the impacts of reasonably plausible changes in the relevant market variables on the profit or loss and OCI for the period. The effects of a variation in a particular assumption is calculated independently of any changes in another assumption. As this sensitivity analysis is only on financial instruments (derivative and non-derivative), these ignore the offsetting impacts of future forecast transactions designated as hedged items to the derivatives held.

	2024		2023	
	$000	$000	$000	$000
Other comprehensive income, net of tax will increase/(decrease) by:	**Increase in Rates or Prices**	**Decrease in Rates or Prices**	Increase in Rates or Prices	Decrease in Rates or Prices
Sensitivity to changes in interest rates				
100 basis points change in interest rates	2,909	(2,706)	2,816	(4,624)
Sensitivity to changes in foreign exchange rates				
10% change in foreign exchange rates	19,432	(24,740)	25,653	(30,088)
Sensitivity to changes in fuel prices				
10% change in fuel prices	2,706	(3,037)	2,009	(1,875)
Profit after tax will increase/(decrease) by:				
Sensitivity to changes in interest rates				
100 basis points change in interest rates	98	(24)	83	(207)
Sensitivity to changes in foreign exchange rates				
10% change in foreign exchange rates	2,165	(2,765)	2,918	(3,185)

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of capital structure on shareholders' return is also recognised and the Group acknowledges the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

(e) Master netting arrangements

Sanford enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is shown below. Sanford does not hold and is not required to post collateral against its derivative positions.

Net derivatives after applying rights of offset under ISDA agreements

	2024	2023
	$000	$000
Derivative assets	29,920	18,685
Derivative liabilities	(2,850)	(8,400)
Net amount	**27,070**	**10,285**

Note 19 – Right-of-Use Assets and Lease Liabilities

(a) Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently carried at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. These assets are depreciated over the expected lease term. The expected lease term may include the taking-up of lease extension options, if the Group is reasonably certain of exercising such options. The depreciation of leased assets of annual catch entitlement (ACE) is recognised as part of operating expenses, and not within the depreciation line in the income statement.

	2024				
	Land and Buildings	Plant and Equipment	Annual Catch Entitlement (ACE)	Marine Farm Licences	Total
	$000	$000	$000	$000	$000
Cost					
Balance at the beginning of the year	12,157	18,169	39,111	9,038	78,475
Additions	85	380	2,891	66	3,422
Re-measurements	867	31	2,251	(183)	2,966
Disposals	(48)	(686)	–	(3,005)	(3,739)
Effect of movement in exchange rates	8	–	–	–	8
Balance at the end of the year	**13,069**	**17,894**	**44,253**	**5,916**	**81,132**
Accumulated depreciation and impairment					
Balance at the beginning of the year	(2,650)	(4,155)	(26,171)	(5,165)	(38,141)
Depreciation	(1,314)	(3,749)	–	(917)	(5,980)
Depreciation – ACE	–	–	(7,746)	–	(7,746)
Impairment	(91)	(96)	–	–	(187)
Disposals	28	644	–	3,005	3,677
Effect of movement in exchange rates	(4)	–	–	–	(4)
Balance at the end of the year	**(4,031)**	**(7,356)**	**(33,917)**	**(3,077)**	**(48,381)**
Net book value at 30 September 2024	**9,038**	**10,538**	**10,336**	**2,839**	**32,751**

Note 19 – Right-of-Use Assets and Lease Liabilities (continued)

(a) Right-of-use assets (continued)

		2023				
	Note	Land and Buildings $000	Plant and Equipment $000	Annual Catch Entitlement (ACE) $000	Marine Farm Licences $000	Total $000
Cost						
Balance at the beginning of the year		25,495	8,737	27,696	7,810	69,738
Additions		6,635	11,081	12,624	1,367	31,707
Disposals		(3,332)	(1,649)	(1,209)	(139)	(6,329)
Transfer to assets held for sale	20	(16,621)	–	–	–	(16,621)
Effect of movement in exchange rates		(20)	–	–	–	(20)
Balance at the end of the year		**12,157**	**18,169**	**39,111**	**9,038**	**78,475**
Accumulated depreciation and impairment						
Balance at the beginning of the year		(5,513)	(2,171)	(20,498)	(3,982)	(32,164)
Depreciation		(2,100)	(3,125)	–	(1,314)	(6,539)
Depreciation – ACE		–	–	(6,882)	–	(6,882)
Disposals		1,134	1,141	1,209	131	3,615
Transfer to assets held for sale	20	3,814	–	–	–	3,814
Effect of movement in exchange rates		15	–	–	–	15
Balance at the end of the year		**(2,650)**	**(4,155)**	**(26,171)**	**(5,165)**	**(38,141)**
Net book value at 30 September 2023		**9,507**	**14,014**	**12,940**	**3,873**	**40,334**

Impairment testing

All right-of-use assets not held for sale were assessed for impairment within the relevant cash-generating unit and are assessed for indicators of impairment annually.

(b) Lease liabilities

At the inception of the lease contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from the use of the asset throughout the term. The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rates as at the commencement date
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Note 19 – Right-of-Use Assets and Lease Liabilities (continued)

(b) Lease liabilities (continued)

The lease liability is measured at amortised cost using the effective interest rate method. The liability is re-measured when there is a change in future lease payments arising from a change in an index or a rate and if the Group revises its assessment as to whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Leases are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after the balance date.

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Variable lease payments not included in the measurement of the lease liability

Variable lease payments which do not depend on an index or a rate are excluded from the measurement of the lease liability and recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Leasing activities

The Group leases land and buildings, plant and equipment, annual catch entitlement (ACE) and marine farm licences. Land and building and plant and equipment leases are typically for periods of between 1 and 20 years with a number of extension options. Rent is either fixed or reset periodically based on an index or rate. The lease of ACE for use on the Company's fishing vessels is for periods of between 3 and 5 years, and is renegotiated periodically based on commercial rates. Marine farm licence leases are for periods of between one and 12 years and are typically linked to the period of the licence or consent. Rent may be adjusted on the basis of annual fixed percentage increases, CPI movements, rent negotiations or market reviews.

The Group has estimated the potential future cash outflows arising from optional lease renewal periods, should it exercise these extension options, would result in an increased lease liability of $2.3m (2023: $2.1m).

Determination of lease term

The lease term is the non-cancellable period of a lease, together with periods covered by an option (available to the lessee only) to extend or terminate the lease if the lessee is reasonably certain to exercise/not to exercise that option. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise/not exercise an option. This may include the existence of large penalties for early termination, the incurrence of significant maintenance costs in meeting early return obligations, the uniqueness of the underlying asset being leased or consideration as to whether leasehold improvements still carry significant value. Such assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and is within the control of the Group. Certain property leases, for which there is no readily identifiable alternative property available, include an additional renewal period where one is available under the lease contract or where the Group considers the exercise of renewal options highly likely.

Determination of incremental borrowing rate

The Group determines the incremental borrowing rate by obtaining the rates from various external financing sources and makes certain adjustments to reflect the term and currency of the lease and the type of asset being leased.

Note 19 – Right-of-Use Assets and Lease Liabilities (continued)

(b) Lease liabilities (continued)

Amounts recognised as lease liabilities are presented below.

	2024				
	Land and Buildings	Plant and Equipment	Annual Catch Entitlement (ACE)	Marine Farm Licences	Total
	$000	$000	$000	$000	$000
Balance at the beginning of the year	9,725	14,151	13,408	3,716	41,000
Additions	948	389	5,143	(117)	6,363
Interest cost	588	717	620	111	2,036
Repayments of principal and interest	(1,692)	(4,269)	(8,337)	(873)	(15,171)
Terminations	(22)	(31)	–	–	(53)
Effect of movement in exchange rates	4	152	–	–	156
Balance at the end of the year	**9,551**	**11,109**	**10,834**	**2,837**	**34,331**
Represented by:					
Current	1,145	3,268	9,105	371	13,889
Non-current	8,406	7,841	1,729	2,466	20,442
	9,551	**11,109**	**10,834**	**2,837**	**34,331**

		2023				
		Land and Buildings	Plant and Equipment	Annual Catch Entitlement (ACE)	Marine Farm Licences	Total
	Note	$000	$000	$000	$000	$000
Balance at the beginning of the year		20,946	6,686	7,208	3,671	38,511
Additions		6,516	10,927	12,624	1,358	31,425
Interest cost		994	604	801	142	2,541
Repayments of principal and interest		(2,780)	(3,441)	(7,225)	(1,455)	(14,901)
Terminations		(2,214)	(359)	–	–	(2,573)
Transfer to liabilities held for sale	20	(13,732)	–	–	–	(13,732)
Effect of movement in exchange rates		(5)	(266)	–	–	(271)
Balance at the end of the year		**9,725**	**14,151**	**13,408**	**3,716**	**41,000**
Represented by:						
Current		974	3,329	6,498	717	11,518
Non-current		8,751	10,822	6,910	2,999	29,482
		9,725	**14,151**	**13,408**	**3,716**	**41,000**

Note 19 – Right-of-Use Assets and Lease Liabilities (continued)

(b) Lease liabilities (continued)

Present value of future rentals payable

	2024			2023		
	Principal	Interest	Gross	Principal	Interest	Gross
	$000	$000	$000	$000	$000	$000
Less than one year	13,889	1,072	14,961	11,518	1,766	13,284
Between one and five years	14,163	2,862	17,025	22,197	3,167	25,364
More than five years	6,279	2,892	9,171	7,285	3,117	10,402
Total	**34,331**	**6,826**	**41,157**	**41,000**	**8,050**	**49,050**

Lease expenses included in profit or loss

	2024	2023
	$000	$000
Short-term leases	5,095	3,936
Short- term leases of annual catch entitlement (ACE)	2,844	5,011
	7,939	**8,947**

Note 20 – Assets Held for Sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are recognised in the income statement.

The criteria for held-for-sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment, and right-of-use assets are not depreciated once classified as held for sale.

(a) Auckland site sale of perpetual right to lease land and building assets

Assets associated with the sale of perpetual right to lease Auckland land and building assets are as follows. Refer to note 12 for details on the closure.

	2024	2023
	$000	$000
Assets		
Right-of-use assets	12,807	12,807
Buildings	5,243	–
Total	**18,050**	**12,807**
Liabilities		
Lease obligation	(12,908)	(13,732)
Net held-for-sale asset position	**5,142**	**(925)**

Note 20 – Assets Held for Sale (continued)

(b) Closure of North Island Mussels Limited mussels processing facility

Assets associated with the closure of the North Island Mussels Limited mussels processing facility are as follows. Refer to note 12 for details on the closure.

	2024 $000
Assets	
Land	880
Buildings	776
Net held-for-sale asset position	**1,656**

c) Sale of North Island inshore fisheries 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, refrigerated vehicles/trailers, and one marine farm comprising three coastal permits in the Croisilles Harbour. The assets and marine farm licences were classified as assets held for sale (net of impairment) at 30 September 2023. In the year ended 30 September 2024 the Group received total consideration of $6.8m for the assets, resulting in a gain on sale of $0.96m which is included in other income in the income statement. The redundancy provision of $3.6m recognised at 30 September 2023 was also utilised during the year.

Specific assets classified as held for sale in FY23 and sold at completion in FY24 are as follows:

	2023 $000
Assets	
Property, plant and equipment	
– Fishing vessels	6,364
– Plant and equipment	369
Impairment of property, plant and equipment	
Less: impairment	
– Fishing vessels	(738)
– Plant and equipment	(12)
Intangible assets	38
Net held-for-sale asset position	**6,021**

Note 21 – Group Entities

Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value (excluding transaction costs), as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated on consolidation.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. The Group classifies its joint arrangements as either joint operations or joint ventures depending on the legal, contractual or other rights and obligations. Where the interest in the joint arrangement is in the net residual part of the business, the arrangement is a joint venture. Joint ventures are accounted for using the equity method, which is detailed in note 13. Where the Group has rights to the assets, and obligations for liabilities of the joint arrangement, this is a joint operation. The Group recognises its share of assets, liabilities, revenues and expenses of each joint operation.

The Group comprises the Company and the following principal entities:

	2024 Interest Held (%)	2023 Interest Held (%)	Balance Date	Principal Activity
Subsidiaries:				
New Zealand				
Auckland Fish Market Limited	100	100	30 September	Auction
Sanford Fish Market Limited	100	100	30 September	Retail
Sanford Investments Limited	100	100	30 September	Investment company
Sanford LTI Limited	100	100	30 September	Holding company
Shellfish Production & Technology NZ Limited	100	100	30 September	Research company
BreedCo Limited	80	80	30 September	Research company
Auckland Fishing Port Limited	67	67	31 March	Wharf company
Australia				
Sanford Australia Pty Limited	100	100	30 September	Auction
Sanford Seafoods (Australia) Pty Limited	100	100	30 September	Holding company
Joint Operation:				
New Zealand				
North Island Mussels Limited	50	50	30 September	Mussel farming and seafood processing
Joint Ventures and Associates:				
New Zealand				
San Won Limited	50	50	30 September	Cold storage
New Zealand Japan Tuna Company Limited	46.74	46.74	30 September	Fish catching and processing
Trident Systems General Partner Limited	42.53	42.53	30 September	Research company
Precision Seafood Harvesting General Partner Limited	33.33	33.33	30 September	Research company
Precision Seafood Harvesting Limited	25	25	30 September	Research company
Two Islands Co NZ Limited	–	50	31 March	Dietary supplements

Note 22 – Related Party Transactions

(a) Basis of transactions

Related parties of the Group include the joint ventures, associates and joint operation disclosed in note 21.

Transactions with related parties have been entered into in the ordinary course of business and undertaken on normal commercial terms.

(b) Material transactions and balances with related parties

		Transaction Value Joint Ventures and Associates		Transaction Value Joint Operation	
		2024	2023	**2024**	2023
	Note	**$000**	$000	**$000**	$000
Income (Expenses)					
Management fees		195	231	–	–
Sales		4	4	3,166	5,730
Interest received		16	–	2,358	1,864
Dividends received	13	383	152	–	–
Acquisition of shares in associates	13	(278)	(347)	–	–
Purchases		(477)	(133)	(19,328)	(33,061)
		(157)	**(93)**	**(13,804)**	**(25,467)**

	Amounts Owing from/(to) Related Parties	
	2024	2023
	$000	$000
Associates	211	300
Joint operation	34,818	32,368
	35,029	**32,668**

The advance to Two Islands Co NZ Limited, inclusive of interest charged, was impaired to $nil this year.

In respect of the joint operation, the transaction values and amounts owing are eliminated on consolidation and are therefore for information purposes only.

Interest is charged on balances between New Zealand related parties at rates linked to the market. All related party balances are repayable on demand. The parties have agreed not to call upon the loans within 12 months from the reporting date.

Note 23 – Key Management Personnel Compensation

Key management personnel compensation comprised:

	2024	2023
	$000	$000
Salary and short-term employee benefits*	13,301	12,965
Redundancy payments	301	158
Directors' fees	500	688
	14,102	**13,811**

Key management personnel is defined as the executive and their direct reports.

* The FY24 disclosure includes the provision for short-term incentive payments, payable in December 2024; $1.3m (2023: $nil).

Note 24 – Contingent Liabilities

	2024	2023
	$000	$000
Guarantees	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.

Note 25 – Subsequent Events

The Board approved a final dividend of 5.0 cents per share for the year ended 30 September 2024 on 14 November 2024. Refer to note 17.

KPMG

Independent Auditor's Report

To the shareholders of Sanford Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 September 2024;
- the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including material accounting policy information and other explanatory information

In our opinion, the accompanying consolidated financial statements of Sanford Limited (the **Company**) and its subsidiaries (the **Group**) on pages 34 to 79 present fairly in all material respects:

- the Group's financial position as at 30 September 2024 and its financial performance and cash flows for the year ended on that date; and
- in accordance with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (**ISAs (NZ)**). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Sanford Limited in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (**IESBA Code**), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has provided other services to the Group in relation to assurance over selected Non-Financial Information. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2.7 million determined with reference to a benchmark of the Group's total revenue. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion.

Our procedures were undertaken in the context of and solely for the purpose of our audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Valuation of Quota and Marine Farm Licences	
Refer to note 14 to the Financial Statements. The Group holds Quota and Marine Farm Licences in New Zealand and Australia, recognised as indefinite life intangible assets, across three cash generating units of $479.5m (2023: $478.9m). The accounting standards require assets with an indefinite useful life are tested for impairment annually. Valuation of these assets is a key audit matter due to the uncertainty in the growth and discount rates used in the cash flow forecasts that support the carrying value. In addition to the above, the carrying amount of the Group's net assets as at 30 September 2024 was $704m, which is greater than the market capitalisation of $353m. This is an indicator of impairment and required additional analysis and interpretation. Marine Farm Licences are renewed periodically with minimal cost of renewal and are deemed to be indefinite life intangibles and are not amortised.	The procedures we performed to evaluate the impairment assessments included: • assessing whether the methodology adopted was consistent with accepted valuation approaches of IAS 36 Impairment of Assets; • evaluating the key assumptions by comparing to historical trends, approved budgets, business plans and external market data; • comparing the discount rates and terminal growth rates applied to the estimated future cash flows to relevant benchmarks using KPMG valuation specialists; • challenging the above assumptions and judgements by performing sensitivity analysis, considering a range of outcomes based on various scenarios; • evaluating the estimate of the recoverable amount of the Group as a whole, including evaluating the work performed by the Group's external valuation specialist; and • considering the appropriateness of the disclosures in the financial statements. In relation to the judgement that the Marine Farm Licences are indefinite life intangibles, we evaluated the status of the Marine Farm Licence renewal, including the likelihood of renewal and costs expected to be incurred upon renewal.

Other information

The directors, on behalf of the Group, are responsible for the other information. The other information comprises information included in the entity's Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated.

If, based on the work we have performed, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the shareholders for our audit work, this independent auditor's report, or any of the opinions we have formed.

Independent Auditor's Report (continued)

To the shareholders of Sanford Limited (**Group**)

Responsibilities of directors for the consolidated financial statements

The directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board;
- implementing the necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error;
- assessing the ability of the Group to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Laura Youdan.

For and on behalf of:

KPMG

KPMG
Auckland

14 November 2024

Directory

As at 14 November 2024

Board of Directors

Sir Robert McLeod, Chair
KNZM, LLB/BCom, FCA

David Mair
BE (Civil), MBA

Tom McClurg
B.Ag.Sc, RLV, M.Sc.
(Natural Resource Management)

Joanne Curin
BCom, FCA

Craig Ellison
M.Sc. (Zoology)

John Strowger
LLB (Hons)

Officers

David Mair, Managing Director
Paul Alston, Chief Financial Officer
Vaughan Wilkinson, Strategy and Innovation Officer
Debra Lumsden, Chief People Officer

Registered Office

22 Jellicoe Street
Freemans Bay
Auckland 1010
New Zealand

PO Box 443
Shortland Street
Auckland 1140
New Zealand

Website: **sanford.co.nz**

Principal Bankers

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

Solicitors

Chapman Tripp
Russell McVeagh

Group Auditor

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: **investorcentre.com/nz**

To change your address, update your payment instructions and to view your investment portfolio including transactions.

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

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