REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED
31 DECEMBER 2021

2021

SETTING THE COURSE FOR A NEW REALITY



Sea Harvest

CORPORATE INFORMATION

Sea Harvest Group Limited
(Incorporated in the Republic of South Africa)

Registration number:	2008/001066/06
JSE share code:	SHG
ISIN:	ZAE000240198

"Sea Harvest" or "the Company" or "the Group"

Registered address:	The Boulevard Office Park 1st Floor, Block C Searle Street Woodstock Cape Town 7925 South Africa
Directors:	F Robertson* (Chairperson) BM Rapiya** WA Hanekom*** MI Khan* T Moodley* KA Lagler*** CK Zama*** F Ratheb (Chief Executive Officer) M Brey (Chief Financial Officer) ** Non-executive Director* *** Lead Independent Non-executive Director* **** Independent Non-executive Director*
Company Secretary:	N Seshoka
Transfer Secretary:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Sponsor:	The Standard Bank of South Africa Limited
Auditors:	Ernst & Young Incorporated

COMMENTARY

KEY PERFORMANCE INDICATORS

	CHANGE	YEAR ENDED 31 DECEMBER 2021	YEAR ENDED 31 DECEMBER 2020
Revenue (R'000)	▲ 5%	**4 615 463**	4 375 339
International revenue mix (%)		**42**	46
Gross profit (R'000)	▼ -4%	**1 423 855**	1 480 761
Gross profit margin (%)		**31**	34
Operating profit (R'000)	▲ 10%	**691 230**	629 260
Operating profit margin (%)		**15**	14
Profit for the year (R'000)	▲ 9%	**434 185**	397 484
Profit after tax attributable to shareholders of Sea Harvest Group	▲ 9%	**469 890**	430 751
Weighted average number of shares ('000)		**280 353**	279 177
Basic earnings per share (EPS) (cents)	▲ 9%	**168**	154
Basic headline earnings per share (HEPS) (cents)	▲ 4%	**157**	151
Ordinary dividend per share (cents)	▲ 24%	**56**	45
Net asset value (NAV) per share (cents)	▲ 13%	**1 110**	987
ZAR: Euro average exchange rate[1]	▼ -7%	**17.40**	18.81
ZAR: AUD average exchange rate[1]	▼ -4%	**11.05**	11.54
Closing share price (cents)		**1 380**	1 426

[1] *Average spot exchange rate at which sales were recorded.*

HIGHLIGHTS FOR THE YEAR

- For the financial year ended 31 December 2021, the Group delivered:
  - Operating profit of R691 million, 10% ahead of 2020, with the operating profit margin expanding to 15%; and
  - Earnings per share (EPS) of 168 cents, 9% ahead of 2020
- The Group made good progress on a number of organic and acquisitive growth projects during the year:
  - Commissioned a third powder plant and a new butter factory at Ladismith Cheese;
  - Acquired 100% of Mooivallei on 2 August 2021, increasing cheese production capacity by 40%;
  - Acquired 53.7% of BM Foods Group on 2 September 2021, securing a shareholding in a platform asset that delivers diversification in the food sector in South Africa; and
  - Announced the acquisition of 100% of MG Kailis' Western Australia-based fishing assets on 11 January 2022; a market leading, vertically integrated seafood business with over 50 years' experience in the seafood industry in Australia
- Difficult trading conditions continue in the Aquaculture business due to COVID-19, with the Group closing the mussel and trout operations
- Gradual reopening of foodservice/HORECA (hotels, restaurants and catering) markets
- Experienced supply chain disruptions locally and internationally
- Successfully rolled out the on-site COVID-19 vaccination programme, with 91% of employees in South Africa vaccinated
- Retained Level 1 B-BBEE contributor status
- Winner of the Fledgling/Alt-X category in the CGISA | JSE Integrated Reporting Awards, winning the award for the second consecutive year

TRADING AND FINANCIAL PERFORMANCE

Despite the ongoing volatility caused by COVID-19, Sea Harvest proved its resilient and defensive nature in delivering **operating profit** for the year ended 31 December 2021 of R691 million (2020: R629 million), 10% ahead of 2020, while **earnings per share** increased 9% to 168 cents (2020: 154 cents).

The Group executed on its **growth strategies** in 2021. In value-added dairy, the Group commissioned a third powder plant and a new butter factory at Ladismith Cheese and acquired Mooivallei Suiwel (Proprietary) Limited (Mooivallei) on 2 August 2021, thereby securing additional cheese capacity. In the broader food sector, the Group acquired 53.7% of BM Foods Group (Proprietary) Limited (BM Foods Group) on 2 September 2021, thereby diversifying the Group's South African food offering across multiple new categories.

Group revenue for the year increased 5% to R4.6 billion (2020: R4.4 billion). **Revenue** from the South African Fishing segment decreased 3% to R2.7 billion (2020: R2.8 billion), driven by a 5% reduction in the total allowable catch (TAC) in 2021 and a 7% strengthening of the rand to the euro. The Cape Harvest Foods segment delivered revenue of R1.3 billion (2020: R1.0 billion), 28% higher than 2020, driven by topline growth in Ladismith Cheese and the acquisitions of Mooivallei and BM Foods Group. Sea Harvest Australia delivered a 2% increase in revenue to R554 million for the year (2020: R543 million) despite a 5% strengthening of the rand to the AUD. With the introduction of additional abalone product formats complementing good growth in live volumes, revenue in the Aquaculture segment increased 72% to R92 million (2020: R53 million).

Cost of sales increased 10% as a result of the acquisitions of Mooivallei and BM Foods Group, as well as significantly higher fuel and milk prices in the fishing and dairy businesses, respectively. With a stronger rand and higher commodity prices, **gross profit** for the year decreased 4% to R1.42 billion (2020: R1.48 billion), with the gross profit margin diluting to 31% (2020: 34%).

Other operating income of R242 million (2020: other operating loss of R8 million) includes R143 million in foreign exchange and fuel hedge gains (2020: R68 million hedge losses) and R46 million (2020: R26 million) of insurance income.

Selling and distribution expenses, marketing expenses and other operating expenses increased 16% to R974 million (2020: R843 million) predominantly as a result of the acquisitions of Mooivallei and BM Foods Group, increased logistics costs due to supply chain disruptions arising from COVID-19, and R16 million acquisition-related costs.

To ensure that the Group continued to provide a safe working environment at its sea-based and land-based operations, the Group incurred **COVID-19-related costs** of R27 million (2020: R39 million) in the provision of personal protective equipment, transport, screening, testing, and administering vaccinations, thereby allowing operations to continue in a safe manner.

Despite the 5% reduction in the TAC in 2021, a stronger rand, R16 million acquisition-related costs, and a R64 million (2020: R73 million) operating loss in the Aquaculture segment, the Group delivered **operating profit** of R691 million (2020: R629 million) for the year, 10% higher than the prior year, with the operating profit margin expanding to 15% (2020: 14%).

Fair value losses of R17 million (2020: R5 million) include a R6 million loss (2020: R3 million gain) on biological assets in the Aquaculture segment, with the closure of the mussel and trout operations within the Aquaculture segment resulting in an **impairment of assets** of R6 million (2020: Nil).

Net finance costs, which include investment income and interest expense, decreased to R57 million (2020: R72 million) as a result of lower interest rates and lower levels of debt during the year.

Profit after tax attributable to shareholders of Sea Harvest for the year increased 9% to R470 million (2020: R431 million), while **headline earnings** increased 4% to R439 million (2020: R421 million). Basic **HEPS** increased 4% to 157 cents (2020: 151 cents).

SEGMENTAL REVIEW

	REVENUE			OPERATING PROFIT			OPERATING PROFIT MARGIN	
		2021 R'M	2020 R'M		2021 R'M	2020 R'M	2021	2020
South African Fishing	-3%	**2 664**	2 758	18%	**672**	570	**25%**	21%
Sea Harvest Aquaculture	72%	**92**	53	12%	**(64)**	(73)	**n/a**	n/a
Cape Harvest Food Group	28%	**1 306**	1 021	-45%	**52**	94	**4%**	9%
Sea Harvest Australia	2%	**554**	543	-18%	**31**	38	**6%**	7%
Group	**5%**	**4 616**	**4 375**	**10%**	**691**	**629**	**15%**	**14%**

South African Fishing: The South African Fishing segment delivered a pleasing set of results for the year, contributing revenue of R2.664 billion (2020: R2.758 billion), 3% behind 2020, driven by a 5% reduction in the TAC in 2021, a 7% strengthening of the rand to the euro, and supply chain disruptions.

With cost of sales increasing 0.3% as a result of higher fuel costs and inflation, gross profit was down 9% to R1.059 billion (2020: R1.158 billion), with the gross profit margin at 40% (2020: 42%).

Benefiting from improved fishing conditions, increased vessel availability, factory efficiencies, R142 million of foreign exchange and fuel hedge gains (2020: R61 million hedge losses), and R39 million (2020: R18 million) of insurance income, the South African Fishing segment increased operating profit 18% to R672 million (2020: R570 million). This resulted in the operating profit margin within the segment expanding to 25% (2020: 21%).

Export revenue decreased 10% driven by the 5% reduction in the TAC, export logistics challenges, as well as a 7% strengthening of the rand to the euro over the year, with the export mix at 51% (2020: 54%) of total revenue. Europe remains Sea Harvest's largest export market.

Locally, revenue through the retail channel increased 3% from a high base in 2020, the result of elevated levels of in-home consumption during the hard lockdowns of 2020. The retail channel mix increased to 14% (2020: 13%) of total revenue. With the easing of lockdown restrictions, revenue in the local foodservice channel was up 7%, while product was diverted from the local wholesale channel, resulting in revenue decreasing 6%. The combined local foodservice and wholesale channel mix increased to 35% (2020: 33%).

Aquaculture: The curtailment of international air travel and resultant inflated freight costs from South Africa, together with the continued lockdown restrictions and the slow roll-out of COVID-19 vaccines in the Far East, continue to negatively impact on the Aquaculture segment.

Despite the tough trading conditions and the 8% strengthening of the rand to the US dollar over the year, the introduction of additional abalone product formats complementing good live volume growth resulted in revenue in the Aquaculture segment increasing 72% to R92 million (2020: R53 million).

This increase in revenue was, however, insufficient to turn the segment around, and the Aquaculture segment reduced its operating loss to R64 million (2020: R73 million).

With the segment still under pressure, the board of Viking Aquaculture resolved to limit their losses by closing the mussel and trout businesses to focus management's time and efforts on the high-value, high-margin abalone business.

The mussel business was successfully closed by 31 December 2021, and it is expected that the trout business will be closed by the end of March 2022. These closures resulted in R6.2 million of impairment losses in the Aquaculture segment for the year ended 31 December 2021.

The operating loss attributable to the discontinued mussel and trout businesses amounted to R23 million (2020: R24 million) for the year ended 31 December 2021.

Cape Harvest Foods: The Cape Harvest Foods segment, which includes Ladismith Cheese and Sea Harvest's factory shops, experienced significant organic and acquisitive growth in the year ended 31 December 2021. From an organic growth perspective, a third powder plant and a new butter factory were commissioned at Ladismith Cheese and, from an acquisitive growth perspective, the Group concluded the acquisitions of Mooivallei and BM Foods Group.

Mooivallei acquisition: With effect from 2 August 2021, the Group has, through its wholly owned subsidiary Ladismith Cheese, acquired 100% of the issued share capital of Mooivallei.

Based in Bonnievale in the Western Cape, Mooivallei is a producer and supplier of value-added dairy products, with its main products of cheese and butter sold into the retail and non-retail channels in South Africa. The Mooivallei acquisition complements Ladismith Cheese through 40% additional cheese production capacity, raw material supply, and a strong asset base.

BM Foods Group acquisition: With effect from 2 September 2021, the Group has, through its wholly owned subsidiary Cape Harvest Food Group (Proprietary Limited), acquired 53.7% of the issued share capital of BM Foods Group.

BM Foods Group manufactures and distributes a range of chilled and frozen food products. Categories include convenience foods, bakery and dairy products, marketed and sold to local retail and foodservices markets, with brands including Mediterranean Delicacies, Judy's Preserves, Chelsea Pies and Bettafresh. BM Foods Group also holds a 20% shareholding in Alliance Foods, a broad-based ambient foodservice importer and distributor.

With a significant NAV underpin, the BM Foods Group acquisition is diversification into new food categories in the South African food industry, presenting synergies with the Group's dairy and fishing businesses and providing access to a platform business with good management and growth opportunities.

As a result of the organic and acquisitive growth, revenue in the Cape Harvest Foods segment increased 28% to R1.3 billion (2020: R1.0 billion) for the year ended 31 December 2021.

While Mooivallei has made good progress with its turnaround plan and BM Foods Group benefited from the re-opening of foodservice markets, Ladismith Cheese experienced a challenging 2021. These challenges included the inability to fully pass on significant milk price increases during the year, absorbing a once-off R12 million write-down of stock, and absorbing additional costs related to the third powder plant and new butter factory that are not yet fully utilised.

As a result, operating profit in the Cape Harvest Foods segment decreased 45% to R52 million (2020: R94 million), with the operating profit margin diluting to 4% (2020: 9%).

Australian operations: Benefiting from good prawn and increased Spanish mackerel catches and firm pricing across the board, revenue in the Australian operations increased 2% to R554 million (2020: R543 million) despite a 5% strengthening of the rand to the AUD. As a result of the higher proportion of wild-caught products in the basket, the gross profit margin in the Australian operations expanded to 25% (2020: 22%).

The segment recorded operating profit of R31 million, after absorbing R10 million of acquisition-related costs (2020: R38 million, including R13 million of COVID-19 relief benefits), 17% behind 2020. Adjusting for the acquisition-related costs in 2021 and COVID-19 relief benefits in 2020 would have resulted in the Australian operations delivering operating profit of R41 million (2020: R24 million), up 71%, at an operating profit margin of 7% (2020: 4%).

MG Kailis acquisition: On 11 January 2022, the Group announced that it had, through its wholly owned Australian subsidiaries Sea Harvest Proprietary Limited and Sea Harvest Marine Proprietary Limited, entered into a business purchase agreement to acquire the Western Australia-based fishing and related businesses of MG Kailis Holdings Proprietary Limited (MG Kailis) and its subsidiaries for a purchase consideration of AUD70 million (R783 million).

MG Kailis is a well-established and market leading vertically integrated seafood business, involved in the trawling and processing of high-value prawn and fish, with over 50 years' experience in the seafood industry in Australia.

The acquisition is a significant step in the execution of the Group's investment strategy of acquisitive growth in the international seafood space that focuses on businesses of scale in high-value seafood species. MG Kailis complements the Group's existing business operations in Australia from a fishing, trading, engineering and sales perspective.

The acquisition is expected to have a completion date of 2 April 2022.

The purchase consideration will be settled in cash on the completion date and will be funded from a combination of cash on hand and available bank facilities.

CASH FLOW AND FINANCIAL POSITION

The Group generated cash from operations of R822 million (2020: R995 million) during the year, after investing R156 million in working capital (2020: R71 million release of working capital). The investment of R196 million in inventory during the year was primarily as a result of the South African Fishing operation taking advantage of good fishing conditions and supply chain disruptions in ports both locally and internationally.

After settling net interest of R57 million (2020: R75 million) and taxes of R131 million (2020: R112 million), the Group generated cash of R637 million (2020: R811 million) from operating activities during the year.

The Group utilised R352 million (2020: R403 million) in investing activities during the year, including:

- R274 million (2020: R286 million) invested in additions to property, plant, equipment and vehicles, including R222 million (2020: R213 million) on maintenance capital expenditure and R52 million (2020: R73 million) on expansion capital expenditure, the majority of which relates to the completion of the third powder plant and butter factory at Ladismith Cheese;
- R69 million (2020: R66 million) in the growth of biological assets; and
- R65 million on the acquisitions of Mooivallei and BM Foods Group.

The Group generated R131 million (2020: utilised R367 million) of cash from financing activities after paying a dividend of R133 million (2020: R147 million), repurchasing shares to the value of R36 million, and drawing down a net R301 million (2020: R205 million net repayment) of borrowings during the year.

The Group opened the year with cash of R270 million (2020: R229 million), generated R416 million of cash during the year, and ended the year with R687 million (2020: R270 million) of cash on hand. The cash accumulation during 2021 was largely to place the Group in a position to execute the acquisition of MG Kailis.

With total borrowings of R1.865 billion (31 December 2020: R1.427 billion), the Group's net debt position at 31 December 2021 was R1.178 billion (31 December 2020: R1.156 billion), an increase of R22 million.

The Group is proud to have implemented its inaugural R700 million sustainability-linked financing facility during the year.

COVID-19

The robust processes implemented since the first phase of the pandemic have enabled the Group's operations to continue to run smoothly. Pleasingly, the Group has been able to maintain full employment and support productive "remote working" for many of its employees during this pandemic.

The Group has experienced 1 267 positive COVID-19 cases to date, with a 99% recovery rate. Regrettably, the Group has lost 10 employees to COVID-19, and we extend our deepest sympathies to the families of all those who have been affected.

A focused approach of administering COVID-19 vaccines to the Group's employees has progressed well, with the first vaccines administered on-site on 23 July 2021, and at the time of writing, 91% of the Group's South African employees have been vaccinated.

DRIVING TRANSFORMATION

The Group is proud to have retained a Level 1 B-BBEE contributor status, with a black shareholding of greater than 90%.

Driving transformation within the Group is central to Sea Harvest's existence and strategy. Accordingly, the Group invests significant resources in skills development, employment equity, and supplier and enterprise development initiatives, as well as projects focused on job creation, the youth and rural development.

During the year, Sea Harvest spent R501 million procuring goods and services from 571 small- and medium-sized enterprises and R37 million on various skills development initiatives.

The Sea Harvest Foundation continued its focus on community-based projects during the year, including the provision of bursaries, healthcare initiatives, early childhood development, donations and supporting youth sports development.

Sea Harvest is a co-founding member of the South African Fisheries Development Fund, a joint initiative with our holding company, Brimstone Investment Corporation Limited (Brimstone). The Fund was established to empower small-scale businesses in the fishing and allied sectors. During 2021, the Fund continued the roll-out of the Fishers' Accidental Death and Disability Policy, providing vulnerable small-scale fishers with accidental death and disability cover.

The Fund also facilitated the training of small-scale fishing communities in various skills, such as business skills, governance and office-bearer development; mentorship and coaching; critical food safety principles; as well as pre-sea training.

OUTLOOK

The Fishing Rights Allocation Process (FRAP) 2020/21 application process opened in November 2021 and the Group dedicated significant resources to ensure that it submitted its best possible application by the extended deadline of 28 January 2022 in order to protect the jobs and livelihoods of 5 270 employees of the Group. As a Level 1 B-BBEE contributor with over 90% black ownership, the Group believes it is well placed to renew its quota allocation for the next 15 years.

While markets have generally become more settled since the first outbreaks in December 2019 and living with COVID-19 has become the norm, it is difficult to predict the impact of the pandemic on both the supply and demand side, as the situation remains extremely fluid. The success rate in the roll-out of vaccines in various jurisdictions is varied, resulting in varying levels of lockdowns globally.

Other than potential negative impacts arising from FRAP, the Group will be affected by a further 5% reduction in the TAC in 2022, with revenue potentially further impacted on by a stronger rand. This is expected to be somewhat mitigated by firmer pricing globally. Cost inflation due to higher fuel prices and supply chain disruptions is also expected to place further pressure on margins in 2022. The effects of the currency and fuel factors will be mitigated with the hedges that are in place for the year ahead.

With the closure of the mussel and trout operations in the Aquaculture segment, Aquaculture management is focused on the high-value abalone business. The segment is reliant on the resumption of international flights and the easing of lockdown measures in Far East markets. Within Cape Harvest Foods, management is focused on delivering the business cases on the new powder plant and butter factory as well as the successful integration of Mooivallei and BM Foods Group, while the execution of the MG Kailis transaction by 2 April 2022 is expected to contribute to delivery on the Australian strategy.

The Group will continue to focus on its COVID-19 protocols to ensure the safety and well-being of its employees, including continuing to encourage employees to take the COVID-19 vaccines in order for sites to reach full immunity as soon as possible.

Any forward-looking statement included in this Outlook section has not been reviewed or reported on by the Group's auditors.



NOTICE OF APPRECIATION

The Board wishes to thank management and employees for their loyalty, dedication, care and professionalism in contributing to the success of the Group.

On behalf of the Board

FJ Robertson
Chairperson
Cape Town
28 February 2022

F Ratheb
Chief Executive Officer

CASH DIVIDEND DECLARATION

Notice is hereby given of dividend number five. A gross and final ordinary cash dividend amounting to 56 cents per share in respect of the year ended 31 December 2021 was recommended on Monday, 28 February 2022, out of current earnings. Where applicable, the deduction of dividends withholding taxation at a rate of 20% will result in a net ordinary dividend amounting to 44.8 cents per share.

The number of ordinary shares in issue at the date of this declaration is 298 866 214.

The Company's taxation reference number is 9223/794/16/6.

Relevant dates in respect of the ordinary dividend are as follows:

Last day to trade *cum* dividend	Tuesday, 5 April 2022
Commence trading *ex* dividend	Wednesday, 6 April 2022
Record date	Friday, 8 April 2022
Dividend payable	Monday, 11 April 2022

Share certificates may not be rematerialised between Wednesday, 6 April 2022 and Friday, 8 April 2022, both dates inclusive.

By order of the Board

N Seshoka
Company Secretary
28 February 2022



INDEPENDENT REVIEWER'S REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SEA HARVEST GROUP LIMITED

We have reviewed the condensed consolidated financial statements of Sea Harvest Group Limited, contained in the accompanying preliminary report, which comprise the condensed consolidated statement of financial position as at 31 December 2021 and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of condensed consolidated financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

OTHER MATTERS

The annual consolidated financial statements of Sea Harvest Group Limited for the year end 31 December 2020, was audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2021.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Sea Harvest Group Limited for the year ended 31 December 2021 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa.

Ernst & Young Inc.
Director – Pierre Gustav Du Plessis
Chartered Accountant
Registered Auditor

28 February 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021

	NOTES	REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
Revenue	3	**4 615 463**	4 375 339
Cost of sales		**(3 191 608)**	(2 894 578)
Gross Profit		**1 423 855**	1 480 761
Other operating income/(loss)[1]		**241 778**	(8 041)
Selling and distribution expenses		**(238 625)**	(207 895)
Marketing expenses		**(20 638)**	(14 476)
Other operating expenses		**(715 140)**	(621 089)
Operating profit before fair value (losses)/gains, associate (loss)/ income, gain on bargain purchase and impairment of assets		**691 230**	629 260
Share of (loss)/profit in associate		**(478)**	790
Gains on bargain purchase		**1 578**	–
Fair value losses		**(16 577)**	(4 608)
Impairment of assets		**(6 153)**	–
Operating profit before net finance cost and taxation		**669 600**	625 442
Investment income		**20 770**	28 994
Interest expense		**(77 859)**	(101 079)
Profit before taxation		**612 511**	553 357
Taxation		**(178 326)**	(155 509)
Profit after taxation		**434 185**	397 848
Profit after taxation attributable to:			
Shareholders of Sea Harvest Group Limited		**469 890**	430 751
Non-controlling interests		**(35 705)**	(32 903)
		434 185	397 848
Earnings per share (cents)			
– Basic		**168**	154
– Diluted		**166**	149

[1] *Other operating income includes net foreign exchange and fuel hedge gains of R143 million (2020: R68 million hedge losses) and insurance income of R46 million (2020: R26 million) largely relating to vessel breakdowns.*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
Profit after taxation	**434 185**	397 848
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Movement in cash flow hedging reserve	**59 886**	(109 566)
Movement in cost of hedging reserve	**(34 660)**	19 400
Reserves recycled to other operating income	**(10 507)**	31 199
Exchange rate differences on foreign operations	**18 947**	69 126
Items that may not be reclassified subsequently to profit or loss:		
Movement in investment at fair value through other comprehensive income	**3 639**	–
Net measurement gain on defined benefit plan	**324**	619
Other comprehensive income, net of tax	**37 629**	10 778
Total comprehensive income for the year	**471 814**	408 626
Total comprehensive income attributable to:		
Shareholders of Sea Harvest Group Limited	**507 519**	444 035
Non-controlling interests	**(35 705)**	(35 409)
	471 814	408 626

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2021

	NOTES	REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
ASSETS			
Property, plant, equipment and vehicles[1]		**2 192 999**	1 993 274
Right-of-use assets		**114 446**	131 904
Biological assets	6	**68 299**	67 321
Investment property		**3 700**	–
Intangible assets		**769 463**	733 174
Goodwill		**865 192**	862 492
Investment in associate		**8 073**	5 994
Investments at fair value through other comprehensive income	6	**29 989**	25 264
Other financial assets	6	**24 936**	25 138
Loans to related parties	8	**121 718**	129 444
Loans to supplier partners		**94 384**	85 484
Long-term loan receivable		**7 446**	3 836
Deferred tax assets		**3 312**	489
Non-current assets		**4 303 957**	4 063 814
Inventories[2]		**902 618**	631 023
Biological assets	6	**82 123**	93 087
Trade and other receivables[3]		**739 496**	694 747
Short-term loan receivable		**537**	1 036
Other financial assets		**58 866**	27 334
Tax assets		**10 678**	7 729
Cash and bank balances		**739 909**	275 245
Current assets		**2 534 227**	1 730 201
Total assets		**6 838 184**	5 794 015

[1] Movement in property, plant, equipment and vehicles includes:

– Acquired through business combination of R164 million. Refer to note 7 for details; and

– Vessel refits of R113 million.

[2] Movement in inventories includes inventories acquired through business combination of R70 million (refer to note 7 for details), with the remaining movement largely relating to supply chain disruptions and the rebuilding of low finished goods inventory levels.

[3] Movement in trade and other receivables includes trade and other receivables acquired through business combination of R50 million. Refer to note 7 for details.

	NOTES	REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
EQUITY AND LIABILITIES			
Stated capital[1]		**1 832 487**	1 809 038
Other reserves		**(6 558)**	(3 143)
Retained earnings		**1 286 289**	948 311
Attributable to shareholders of Sea Harvest Group Limited		**3 112 218**	2 754 206
Non-controlling interests[4]		**56 506**	40 138
Capital and reserves		**3 168 724**	2 794 344
Long-term borrowings[2]		**1 793 679**	1 308 982
Employee-related liabilities		**20 927**	22 557
Share-based payment liability		**–**	31 510
Deferred grant income		**32 148**	30 814
Contingent consideration	6	**9 773**	99 974
Lease liabilities		**125 224**	144 261
Deferred taxation		**608 994**	508 807
Non-current liabilities		**2 590 745**	2 146 905
Short-term interest bearing borrowings[2]		**70 828**	117 758
Contingent consideration	6	**120 671**	–
Trade and other payables[3]		**727 408**	648 340
Lease liabilities		**19 882**	15 706
Share-based payment liability		**35 746**	–
Deferred grant income		**3 546**	4 059
Other financial liabilities		**118**	24 889
Short-term provisions		**47 513**	36 432
Taxation		**13**	778
Bank overdrafts		**52 990**	4 804
Current liabilities		**1 078 715**	852 766
Total equity and liabilities		**6 838 184**	5 794 015

[1] *4 572 400 shares were issued and 2 432 929 shares were repurchased during the year.*

[2] *Movement in borrowings includes borrowings assumed through business combinations of R85 million (refer to note 7 for details) and borrowings of R451 million raised to place the Group in a position to execute on acquisitions.*

[3] *Movement in trade and other payables includes trade and other payables acquired through business combinations of R55 million. Refer to note 7 for details.*

[4] *Movement in non-controlling interests includes non-controlling interests arising at acquisition of BM Foods Group of R51 million. Refer to note 7 for details*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
Balance at the beginning of the year	**2 794 344**	2 513 774
Attributable to:		
Shareholders of Sea Harvest Group Limited	**2 754 206**	2 437 274
Non-controlling interests	**40 138**	76 500
Total comprehensive income for the period attributable to shareholders of Sea Harvest Group Limited	**507 519**	444 035
Profit after taxation	**469 890**	430 751
Movements in other items of comprehensive income, net of tax	**37 629**	13 284
Movements attributable to shareholders of Sea Harvest Group Limited		
Shares repurchased	**(36 221)**	(1 468)
Dividends paid	**(131 913)**	(146 161)
Share-based payments	**(18 703)**	20 526
Further acquisition of investment in subsidiary	**(76)**	–
Movement attributable to non-controlling interests	**16 368**	(36 362)
Balance at the end of the year	**3 168 724**	2 794 344

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
Operating activities		
Profit after taxation	**434 185**	397 848
Adjustments for non-cash and other items	**543 512**	525 721
Operating cash flows before changes in working capital	**977 697**	923 569
Increase in inventories	**(196 400)**	(41 104)
Decrease in trade and other receivables	**18 150**	15 010
Increase in trade and other payables	**22 297**	97 132
Cash generated from operations	**821 744**	994 607
Investment income received	**19 006**	21 163
Proceeds from government grant	**3 048**	3 328
Income taxes paid	**(131 347)**	(111 737)
Interest paid	**(75 506)**	(96 645)
Net cash generated from operating activities	**636 945**	810 716
Investing activities		
Acquisition of investment in subsidiaries	**(65 116)**	–
Acquisition of property, plant, equipment and vehicles	**(273 751)**	(286 313)
Proceeds on disposal of property, plant, equipment and vehicles	**2 496**	7 574
Insurance proceeds	**46 450**	25 747
Acquisition of intangible assets	**(1 940)**	(32 210)
Additions to biological assets	**(68 703)**	(65 605)
Amounts advanced to supplier partners	**–**	(8 425)
Amounts advanced to related parties	**–**	(56 270)
Proceeds on loans advanced to related parties	**7 725**	10 891
Proceeds on loans advanced to supplier partners	**1 559**	1 130
Cash movement in other long-term and short-term loans	**(1 142)**	343
Net cash utilised in investing activities	**(352 422)**	(403 138)
Financing activities		
Shares repurchased	**(36 221)**	(15 322)
Proceeds from borrowings	**544 878**	588 026
Repayment of borrowings and lease liabilities	**(220 041)**	(769 836)
Repayment of other financial liabilities	**(24 448)**	(22 752)
Dividends paid	**(133 005)**	(147 115)
Net cash generated/(utilised in) from financing activities	**131 163**	(366 999)
Net increase in cash and cash equivalents	**415 686**	40 579
Cash and cash equivalents at the beginning of the year	**270 441**	229 293
Effects of exchange rates on the balance of cash held in foreign operation	**792**	569
Cash and cash equivalents at the end of the year	**686 919**	270 441

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the year ended 31 December 2021 are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act 71 of 2008 (Companies Act) of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated annual financial statements as at 31 December 2021, once issued.

These condensed consolidated financial statements for the year ended 31 December 2021 have been reviewed by Ernst & Young Inc, who expressed an unmodified review conclusion.

The directors take full responsibility for the preparation of this report. The condensed consolidated annual financial statements were prepared under the supervision of the Chief Financial Officer, M Brey CA(SA).

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the financial statements for the year ended 31 December 2020.

	REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
3. REVENUE		
Group revenue for the year can be analysed as follows:		
Revenue recognised at a point in time	**4 590 316**	4 360 967
Revenue recognised over time	**25 147**	14 372
	4 615 463	4 375 339
Revenue from sale of goods comprise of:		
Wild-caught fish[1]	**2 808 530**	2 848 476
Shellfish[2]	**343 255**	308 089
Convenience foods	**246 588**	93 852
Traded[3]	**132 005**	188 774
Dairy	**1 085 085**	936 148
	4 615 463	4 375 339
Revenue is further split by geographic location as follows:		
South Africa	**2 657 470**	2 348 134
Australia	**544 388**	543 009
Europe	**1 143 488**	1 299 838
Other markets	**270 117**	184 358
	4 615 463	4 375 339

[1] *Cape Hake, Horse mackerel and related by-catch*

[2] *Prawns, scallops, crabs and abalone*

[3] *Includes sales of purchased in products*

Revenue from wild-caught fish is disclosed in the South African Fishing and Australian segments. Shellfish revenue is disclosed in the South African Fishing, Australian and Aquaculture segments. Revenue from convenience foods is disclosed in the Cape Harvest Foods and Australian segments, with dairy revenue disclosed in the Cape Harvest Foods segment. Traded revenue is disclosed in the South African Fishing and Cape Harvest Foods segments.

		REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
4.	**HEADLINE EARNINGS PER SHARE**		
4.1	DETERMINATION OF HEADLINE EARNINGS		
	Profit for the period attributable to shareholders of Sea Harvest Group Limited	**469 890**	430 751
	(Profit)/loss on disposal of property, plant, equipment and vehicles	**(970)**	7 574
	Insurance proceeds	**(46 135)**	(25 747)
	Gains on bargain purchase	**(1 578)**	–
	Impairment of assets	**6 153**	–
	Total non-controlling interest and tax effects of adjustments	**11 675**	8 331
	Headline earnings for the year	**439 035**	420 909
4.2	CALCULATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
	Weighted average number of shares on which earnings and headline earning per share is based	**280 352 798**	279 177 043
	Weighted average number of shares on which diluted earnings and diluted headline earnings per share is based	**282 478 541**	289 498 880
	Reconciliation of weighted average number used in the calculation of basic and diluted headline earnings per share:		
	– Basic	**280 352 798**	279 177 043
	– Dilutive instruments	**2 125 743**	10 321 837
	Diluted[1]	**282 478 541**	289 498 880
	Headline earnings per share (cents)		
	– Basic	**157**	151
	– Diluted	**155**	145

[1] *Dilutive instruments relate to forfeitable share plan of 2 125 743 (2020: 6 213 085).*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

5. SEGMENTAL RESULTS

The Groups' reportable segments under IFRS 8: Operating Segments are the South African Fishing, Australian operation, Aquaculture and Cape Harvest Foods segments.

	REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
Segment revenue		
South African Fishing[1]	**2 664 472**	2 758 205
Australian operations	**553 722**	542 477
Aquaculture[2]	**91 686**	53 334
Cape Harvest Foods[3]	**1 305 583**	1 021 323
Total revenue	**4 615 463**	4 375 339
Segment profit/(loss) from operations		
South African Fishing	**671 583**	570 176
Australian operations	**31 243**	37 525
Aquaculture	**(63 701)**	(72 511)
Cape Harvest Foods[3]	**52 105**	94 070
Operating profit before fair value (losses)/gains, associate (loss)/income, gain on bargain purchase and impairment of assets	**691 230**	629 260
Share of (loss)/profit in associate	**(478)**	790
Gain on bargain purchase	**1 578**	–
Fair value losses	**(16 577)**	(4 608)
Impairment of assets	**(6 153)**	–
Operating profit before net finance cost and taxation	**669 600**	625 442
Investment income	**20 770**	28 994
Interest expense	**(77 859)**	(101 079)
Profit before taxation	**612 511**	553 357
Total assets		
South African Fishing	**3 696 190**	3 048 569
Australian operations	**1 130 391**	1 084 782
Aquaculture	**665 697**	708 189
Cape Harvest Foods[3]	**1 345 906**	952 475
	6 838 184	5 794 015
Total liabilities		
South African Fishing	**2 322 218**	1 878 634
Australian operations	**412 048**	398 741
Aquaculture	**454 917**	455 666
Cape Harvest Foods[3]	**480 277**	266 630
	3 669 460	2 999 671

[1] Revenue excludes inter-segmental revenue of R208.4 million (2020: R218.4 million), which is eliminated on consolidation.

[2] Revenue excludes inter-segmental revenue of R5.5 million (2020: R2.5 million), which is eliminated on consolidation.

[3] BM Foods Group and Mooivallei, which were acquired through business combination, have been included in the Cape Harvests Foods segment since the respective acquisition dates.

6. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

The following table displays the Group's assets and liabilities that are measured at fair value subsequent to initial recognition, grouped in Levels 1 to 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Fair value measurement hierarchy for assets and liabilities as at 31 December 2021:

	DATE OF VALUATION	TOTAL	PRICES QUOTED IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Assets measured at fair value					
Biological assets	31 December 2021	**150 422**	**–**	**–**	**150 422**
Investment at fair value through other comprehensive income	31 December 2021	**29 989**	**–**	**–**	**29 989**
Financial assets	31 December 2021	**83 802**	**–**	**58 866**	**24 936**
Liabilities measured at fair value					
Financial derivatives liabilities	31 December 2021	**118**	**–**	**118**	**–**
Contingent consideration liability	31 December 2021	**130 444**	**–**	**–**	**130 444**

Fair value measurement hierarchy for assets and liabilities as at 31 December 2020:

	DATE OF VALUATION	TOTAL	PRICES QUOTED IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Assets measured at fair value					
Biological assets	31 December 2020	160 408	–	–	160 408
Investment at fair value through other comprehensive income	31 December 2020	25 264	–	–	25 264
Financial assets	31 December 2020	52 472	–	27 334	25 138
Liabilities measured at fair value					
Financial derivatives liabilities	31 December 2020	227	–	227	–
Contingent consideration liability	31 December 2020	99 974	–	–	99 974

There were no transfers between Levels 1, 2 and 3 during the current or prior year.

Specific valuation techniques used for the instruments are:

- **Biological assets:** Biological assets are measured at fair value less costs to sell. Biological assets include abalone, mussels, oysters, fish and spats cultivated at aquaculture farms, and are measured at their fair value less estimated point-of-sale costs. Fair value is determined based on the dollar denominated market prices of biological assets of similar age, breed and genetic merit. In order to measure and value biological assets, management uses growth-formula and drip-and-purge-loss factors to determine the weight of animals at the reporting date. These formulas are based on empirical evidence and confirmed industry norms. A fair value loss of R5.6 million (2020: R2.6 million gain) was recognised in profit or loss relating to the valuation of biological assets. A change in unobservable inputs would not have a significant change in the fair value.
- **Investment at fair value through other comprehensive income:** Asset valuation method performed by an independent valuator and represents unlisted shares in a vessel-owning company. The underlying vessel is valued based on the age and condition of the vessel and current market value derived by sales comparison of these or similar types of vessels adjusted for differences in age, condition, degree of upgrade already carried out on the vessel, and size. A change in unobservable inputs would not have a significant change in the fair value.
- **Financial assets:**
  - Level 3 financial assets represent the call option to acquire shares in Vuna Fishing Company Proprietary Limited (Vuna Fishing Company). The fair value was independently determined by an expert using the Black-Scholes option pricing model. Key unobservable assumptions being the value of Vuna Fishing Company calculated using an average of actual 2021 earnings and 2022 projected earnings multiplied by a price earnings multiple, yield curve of 6.39% (2020: 5.28%), and volatility of 36.02% (2020: 37.16%). A change in unobservable inputs would not have a material change in the fair value. A fair value loss on the revaluation of the share option of R0.4 million (2020: R1.9 million) has been recognised in profit or loss.
  - Level 2 financial assets and liabilities relate to hedging contracts entered into by the Group for the purpose of minimising the Group's exposure to foreign currency and fuel price volatility. The valuation is performed by an independent valuator, taking into account forward exchange contracts spot and forward rates, current fuel prices, and discount factors.
- **Contingent consideration:** The fair value of the contingent consideration arrangements was estimated calculating the present value of the expected future cash flows. The estimates are based on discount rates and the assumption that the earn-out targets will be met based on the best available forecast information at acquisition date. As at 31 December 2021, there was an increase of R10.6 million (2020: R9.1 million) recognised in fair value losses in profit or loss as a result of discounting the Viking Fishing earn-out. An additional R19.8 million relating to the acquisition of BM Foods Group was recognised in 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

7. BUSINESS COMBINATIONS

7.1 MOOIVALLEI

With effect from 2 August 2021, Sea Harvest has, through its wholly owned subsidiary Ladismith Cheese, acquired 100% of the issued share capital of Mooivallei for a purchase consideration of R9 million and assumed or settled Mooivallei debts to the value of R32 million.

Based in Bonnievale in the Western Cape, Mooivallei is a producer and supplier of value-added dairy products, with its main products of cheese and butter sold into the retail and non-retail channels in South Africa. The Mooivallei acquisition complements Ladismith Cheese through 40% additional cheese production capacity, raw material supply, access to industry skills and expertise, a strong asset base, and additional working capital.

The accounting for the acquisition of Mooivallei has been finalised.

	FAIR VALUE AT ACQUISITION DATE R'000
Assets acquired and liabilities assumed	
Property, plant, equipment and vehicles	**41 592**
Right-of-use assets	**678**
Intangible assets	**1 972**
Inventory	**14 426**
Trade and other receivables	**13 651**
Borrowings	**(13 001)**
Deferred tax	**(9 793)**
Lease liabilities	**(714)**
Trade and other payables	**(19 490)**
Bank overdraft	**(19 204)**
Total identifiable assets and liabilities	**10 117**
Total consideration transferred	
Cash	**8 877**
Net cash flow on acquisition of subsidiary	
Consideration paid in cash	**8 877**
Add: bank overdraft assumed	**19 203**
	28 080
Gain on bargain purchase	
Consideration	**8 877**
Less: Fair value of identifiable assets acquired and liabilities assumed	**(10 117)**
	(1 240)

Property, plant, equipment and vehicles with a carrying amount of R35.8 million were revalued to its fair value of R41.6 million at acquisition date. The fair value adjustment of R5.8 million relates to land and buildings. The valuations for land and buildings was performed by an independent valuator.

The intangible asset identified was the RIGGS brand. The fair value was determined by an independent valuator with reference to the best estimate of a market participant's ability to generate economic benefits by using the asset in its highest and best use.

The fair value of trade and other receivables of R13.7 million includes trade receivables with a fair value of R13.5 million, which approximates the gross contractual amount.

The gain on bargain purchase is attributable to Ladismith Cheese securing a lower price for the distressed Mooivallei business.

7. BUSINESS COMBINATIONS (continued)

7.2 BM FOODS GROUP

With effect from 2 September 2021, Sea Harvest has, through its wholly owned subsidiary Cape Harvest Foods, acquired 53.70% of the issued share capital of BM Foods Group.

BM Foods Group manufactures and distributes a range of chilled and frozen food products and convenience foods to the local retail and foodservices markets. Brands include Bettafresh, Mediterranean Delicacies, Tuna Marine, Judy's Preserves and Chelsea Pies.

The acquisition is a diversification into a new food sector in the South African food industry, providing synergies with the Group's dairy and fishing businesses and providing access to a platform business with good management and growth opportunities.

The Group has elected to measure the non-controlling interest in BM Foods Group at its proportionate percentage of the recognised amounts of the acquiree's identifiable net assets.

The accounting for the acquisition of BM Foods Group has been finalised.

	FAIR VALUE AT ACQUISITION DATE R'000
Assets acquired and liabilities assumed	
Property, plant, equipment and vehicles	**122 454**
Right-of-use assets	**2 565**
Investment property	**3 700**
Intangible assets	**25 609**
Investment in associate	**2 557**
Inventory	**55 152**
Trade and other receivables	**35 953**
Cash and cash equivalents	**2 164**
Borrowings	**(71 551)**
Deferred tax	**(25 941)**
Lease liabilities	**(2 565)**
Trade and other payables	**(35 997)**
Short-term provisions	**(2 767)**
Tax liability	**(755)**
Total identifiable assets and liabilities	**110 578**
Total consideration transferred	
Cash	**39 200**
Contingent consideration	**19 842**
	59 042
Net cash flow on acquisition of subsidiary	
Consideration paid in cash	**39 200**
Less: Cash and cash equivalents acquired	**(2 164)**
	37 036
Gain on bargain purchase	
Consideration	**59 042**
Less: Fair value of identifiable assets acquired and liabilities assumed	**(110 578)**
Non-controlling interest	**51 198**
	(338)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

7.2 BM FOODS GROUP (continued)

Property, plant, equipment and vehicles with a carrying amount of R99.4 million were revalued to its fair value of R122.5 million at acquisition date. The fair value adjustment of R23.1 million relates to land and buildings. The valuations for land and buildings were performed by independent valuators.

The intangible assets identified were the Mediterranean Delicacies, Judy's Preserves, Tuna Marine and Bettafresh brands. The fair value was determined by an independent valuator with reference to the best estimate of a market participant's ability to generate economic benefits by using the asset in its highest and best use.

The fair value of trade and other receivables of R35.9 million includes trade receivables with a fair value of R33.1 million, which approximates the gross contractual amount.

The contingent consideration was estimated by an independent valuator and is based on BM Foods Group achieving earn-out targets for the 12-month period ending 28 February 2022 and the 31 December 2022 financial year, respectively, discounted at the prime lending rate at acquisition date. The contingent consideration is regarded as a Level 3 financial instrument for fair value measurement purposes.

7.3 IMPACT OF THE ACQUISITIONS ON THE RESULTS OF THE GROUP

	R'000
Amounts included in the Group's results relating to Mooivallei and BM Foods Group since the date of acquisition:	
Revenue	**235 261**
Profit for the year	**26 618**
Results of the Group if Mooivallei and BM Foods Group had been consolidated from 1 January 2021:	
Revenue	**4 945 719**
Profit for the year	**422 578**

The directors consider these amounts to represent an approximate measure of the performance of the combined Group on an annualised basis.

In determining the profit of the Group had Mooivallei and BM Foods Group been acquired on 1 January 2021, the directors have taken into consideration the following:

- Additional finance costs that would have been incurred had the transaction taken place on 1 January 2021;
- The depreciation of property, plant, equipment and vehicles and amortisation of intangibles acquired was calculated on the basis of the fair values arising in the accounting for the business combination, rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- Incremental operating costs that would have been incurred by the Group had the transaction taken place on 1 January 2021.

Acquisition-related costs
Acquisition-related costs of R3.5 million were recognised in profit or loss for the 2021 year.

		REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
8.	**RELATED PARTY TRANSACTIONS**		
	This disclosure relates to material related party balances and transactions.		
8.1	RELATED PARTY LOANS		
	Loans to related parties – non-current		
	Vuna Fishing Company Proprietary Limited (joint venture of Brimstone Investment Corporation Limited)	**27 420**	27 420
	Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	**45 068**	45 068
	SeaVuna Fishing Company Proprietary Limited[1]	**49 230**	56 956
	Total	**121 718**	129 444
8.2	RELATED PARTY TRANSACTIONS		
	Sales to related parties		
	SeaVuna Fishing Company Proprietary Limited[1]	**21 471**	33 408
	Recoveries and other income from related parties		
	SeaVuna Fishing Company Proprietary Limited[1]	**5 240**	14 999
	Purchases from related parties		
	SeaVuna Fishing Company Proprietary Limited[1]	**240 230**	221 374

[1] *SeaVuna Fishing Company Proprietary Limited is a wholly-owned subsidiary of Vuna Fishing Company, which is a joint venture of Brimstone Investment Corporation Limited.*

In terms of the supply agreement with Vuna Fishing Company and SeaVuna Fishing Company Proprietary Limited (SeaVuna), fish caught by Vuna Fishing Company and SeaVuna is marketed by Sea Harvest Corporation Proprietary Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

9. STATED CAPITAL (NUMBER)

	REVIEWED YEAR ENDED 31 DECEMBER 2021	AUDITED YEAR ENDED 31 DECEMBER 2020
In issue (number)		
Ordinary shares	**298 866 214**	294 293 814
Held as treasury shares	**(18 899 604)**	(14 600 889)
	279 966 610	279 692 925

The movement in the number of shares during the year was as follows:

	TOTAL SHARES IN ISSUE	LESS TREASURY SHARES	TOTAL NET SHARES IN ISSUE
Opening balance	294 293 814	14 600 889	279 692 925
Issue of shares (Group's forfeitable share plan)	4 572 400	4 572 400	–
Shares repurchased	–	2 432 929	(2 432 929)
Shares vested	–	(2 706 614)	2 706 614
Closing balance	298 866 214	18 899 604	279 966 610

10. CONTINGENT LIABILITIES AND COMMITMENTS

The Group has no contingent liabilities at the end of the year (2020: Nil)

	REVIEWED YEAR ENDED 31 DECEMBER 2021 R'000	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000
Capital commitments		
Budgeted capital expenditure is as follows:		
– Contracted	**21 189**	32 023
– Not contracted	**197 914**	205 812

11. COVID-19 PANDEMIC ASSESSMENT AND GOING CONCERN

COVID-19 PANDEMIC ASSESSMENT

- The Group is fully committed to the preventative measures that have been implemented by various governments in the countries in which it operates to contain the spread of COVID-19 since early 2020. The Group's primary concern is to ensure the health and safety of employees, preserve jobs and hence livelihoods, ensure food security through the continuity of operations, and ensure the Group's ability to continue meeting stakeholders' expectations in terms of product demand.
- As previously reported, the Aquaculture operation, with its main markets being in the Far East, continues to experience the negative effects of COVID-19 as a direct result of continued lockdown restrictions and the curtailment of air freight and associated high freight costs from South Africa. With the segment still under pressure, the board of Viking Aquaculture resolved to limit the losses in the Aquaculture segment by closing the mussel and trout businesses. These closures resulted in R6.2 million in impairment losses in the Aquaculture segment for the year ended 31 December 2021.
- With the Aquaculture segment incurring operating losses for the year ended 31 December 2021, management performed an assessment of goodwill impairment. The assessment resulted in an update to the forecast abalone sales volumes used in the last reporting period's value-in-use calculation to reflect the current and forecast performance of the business. The calculation was also updated with current and forecast sales prices and, with the strengthening of the rand to the US dollar during the year, revised forecast exchange rates. The discount rate was also increased to 15.29% compared to the discount rate of 15.03% as at 31 December 2020. The assessment of goodwill resulted in reduced headroom since 31 December 2020. Management will continue to assess the long-term effects of COVID-19 on the Aquaculture operation and the impact it has on the assessment of goodwill impairment.

GOING CONCERN

- Management has assessed the going concern assumption, considering the impact of COVID-19 and taking into account cash flow analysis, operational analysis and available funding facilities. The cash flow analysis considered factors impacting the ability of the Group to generate or preserve cash. Such factors included limitations of COVID-19 on production and the resulting sales, fixed costs and capital expenditure plans that would require funding, as well as available facilities. The result of these analyses was that the Group will have sufficient cash resources to sustain operations. An analysis of the potential impact of COVID-19 on funding covenants was also considered and management is of the view that funding covenants will not be breached. No funding covenants were breached in the 2021 financial year. Therefore, the directors have no reason to believe that the Group will not be a going concern in the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.
- Fortunately, the July 2021 unrest in KwaZulu-Natal and Gauteng had minimal impact on the Group's operations.

12. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 11 January 2022, the Group announced that it had, through its wholly-owned foreign subsidiaries, Sea Harvest Proprietary Limited and Sea Harvest Marine Proprietary Limited, entered into a business purchase agreement to acquire the Western Australia-based fishing and related businesses of MG Kailis and its subsidiaries for a purchase consideration of AUD70 million (R783 million) subject to the fulfilment or waiver (as the case may be) of various conditions precedent by no later than 31 March 2022 or such later date as may be agreed.

During the budget speech held on 23 February 2022, the Minister of Finance announced a decrease in the corporate tax rate from 28% to 27% with effect from 1 April 2022. If the legislation had been effective as at year end, this would have resulted in an estimated decrease of the deferred tax liability at 31 December 2021 of R18.1 million.

The Board of Directors recommended a gross and final cash dividend on 28 February 2022 amounting to 56 cents per share (2020: 45 cents), in respect of the year ended 31 December 2021.

The FRAP 2020/21 application process opened in November 2021 and the Group dedicated significant resources to ensure that it submitted its best possible application by the extended deadline of 28 January 2022. As a Level 1 B-BBEE contributor with over 90% black ownership, the Group believes it is well placed to renew its quota allocation for the next 15 years.

Other than the items outlined above, there has not arisen in the interval between the reporting date and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially the operations of the Group, the results of its operations or the financial position of the Group.


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