

2020

Sea Harvest

OUR HARVEST FROM SEA TO SHORE

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

CORPORATE INFORMATION

Sea Harvest Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 2008/001066/06
JSE 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)
JP de Freitas (Chief Financial Officer) – Resigned 30 April 2020
M Brey (Chief Financial Officer) – Appointed 01 May 2020

** Non-executive director*
*** Lead independent non-executive director*
**** Independent non-executive director*

Company Secretary:
N Seshoka (Appointed 24 August 2020)
M Brey (Appointed 01 May 2020 – Resigned 21 August 2020)
JP de Freitas (Resigned 30 April 2020)

Transfer Secretary:
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Sponsor:
The Standard Bank of South Africa Limited

Auditors:
Deloitte & Touche

COMMENTARY

YEAR ENDED 31 DECEMBER 2019	KEY PERFORMANCE INDICATORS	CHANGE	PERIOD ENDED 30 JUNE 2020	PERIOD ENDED 30 JUNE 2019
3 966 452	Revenue (R'000)	▲ 7%	**1 999 648**	1 870 122
44	International revenue mix (%)		**46**	45
1 270 815	Gross profit (R'000)	▲ 9%	**665 636**	611 487
32	Gross profit margin (%)		**33**	33
634 698	EBIT (R'000)	▼ 5%	**266 499**	280 744
16	EBIT margin (%)		**13**	15
395 513	Profit for the period (R'000)	▼ 4%	**154 778**	160 664
276 366	Weighted average number of shares ('000)		**278 604**	277 023
410 417	Headline earnings (R'000)	0%	**169 964**	169 356
148.5	Basic headline earnings per share (cents)	0%	**61.0**	61.1
879.2	Net asset value per share (cents)	▲ 9%	**849.3**	776.4
16.09	ZAR: Euro average exchange rate[1]		**18.41**	15.91
10.04	ZAR: AUD average exchange rate[1]		**11.12**	9.99
1 455	Closing share price (cents)		**1 414**	1 420

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

Highlights for the period

- During one of the largest pandemics of our time, Sea Harvest Group Limited delivered a credible set of results with HEPS in line with the comparative period in 2019 of 61 cents per share
- As an "essential service" provider, continued to operate through COVID-19, albeit at lower levels:
  - Comprehensive COVID-19 response strategy led by CEO and Executive Task Team
  - Prioritised the health of our employees through stringent safety protocols
  - Protected jobs and hence livelihoods
  - Supported our employees and our communities
  - Market disruption with foodservice / HORECA (hotels, restaurants and catering) markets under pressure globally
  - Diverted significantly more volume to retail markets which were firm, resulting in margin pressure
  - Experienced supply-side interruptions (positive cases, port logistics, etc.) affecting throughputs and productivity
  - Spent R16.7 million on direct COVID-19 related costs in South Africa to ensure the safety of our employees and the sustainability of our business
  - Prioritised working capital management and suspended non-critical capital expenditure
- Benefited from the weaker Rand and lower fuel prices, offset by hedging losses
- Difficult trading conditions in the Aquaculture business due to COVID-19
- Retention of our Level 1 B-BBEE contributor status
- The fishing rights allocation process (FRAP 2021) has kicked off and is expected to be completed by 31 December 2021
- Sea Harvest Fish Fingers was voted the South African Product of the Year 2020* in the Quick Meals Category

**As awarded by Answered Insight*

COMMENTARY CONTINUED

Trading and financial performance

During one of the largest pandemics facing the world in recent times, resulting in significant disruptions to markets and supply chains, the Sea Harvest Group has delivered a credible set of results with **headline earnings** for the period ended 30 June 2020 of R170 million, in line with the prior year (2019: R169 million). **Earnings per share** and **headline earnings per share** also remained constant at 61.0 cents per share (2019: 61.1 cents per share).

Group revenue for the period increased 7% to R2.0 billion (2019: R1.87 billion), benefiting from good performances from the South African Fishing segment, the Cape Harvest Foods segment (which includes Ladismith Cheese) and the Australian operations, offset by continued challenges in the Aquaculture segment which was severely impacted by the effects of COVID-19.

Despite being deemed an "essential service" provider and therefore able to continue to trade during the various stages of lockdown albeit to a lesser degree, the Group has not been immune to the effects of the pandemic. While local and international retail markets have benefited as a result of an increase in in-home consumption, local and international foodservice markets have seen a slowdown as a result of various lockdown levels being implemented worldwide.

This has also impacted the Sea Harvest Group product mix with the Group directing efforts, where possible, to products that meet current market demand and thereby minimising stock build-up. This has impacted margins negatively.

Revenue for the period from the South African Fishing segment increased 7% to R1.29 billion (2019: R1.21 billion) while the Cape Harvest Foods segment delivered revenue of R470 million (2019: R441 million), which is 7% higher than the comparative period in 2019. Sea Harvest Australia delivered a 24% increase in revenue to R226 million for the period (2019: R182 million), while revenue in the Aquaculture segment decreased 63% to R15 million (2019: R40 million). The significant decrease in the Aquaculture segment is a direct result of the closure of the Far East markets in early 2020 due to lockdowns in the region, followed by the lockdown in South Africa curtailing air freight from South Africa.

With **cost of sales** increasing 6% on the back of good cost containment and lower fuel prices, **gross profit** for the period increased 9% to R666 million (2019: R611 million), with the gross profit margin remaining constant at 33% (2019: 33%). The gross profit margin of the South African Fishing segment expanded two percentage points to 38%.

Other operating (loss)/income, which includes foreign exchange hedge (losses)/gains, resulted in a loss of R22 million for the period (2019: R37 million gain), mainly due to the Group's export and fuel hedges being out of the money as a result of the weakening of the Rand against the Euro, the Australian Dollar and the US Dollar, as well as lower fuel prices.

Operating expenses for the period increased 5% to R387 million (2019: R367 million), benefiting from good cost containment across the Group. Operating expenses as a percentage of revenue decreased slightly to 19.3% (2019: 19.6%).

Fair value gains of R9 million includes a R12 million gain on the revaluation of biological assets in the Aquaculture segment.

As a result of supply chain disruptions, including lower throughput and lower levels of productivity, and after absorbing R11.2 million of net direct COVID-19 related costs, the Group delivered **operating profit before net finance costs and taxation** of R267 million for the period, 5% lower than the prior period (2019: R281 million), with the operating profit margin contracting to 13% (2019: 15%). The contraction in margin reflects the impact of COVID-19 on the Group's supply chain as well as the markets in which the Group operates.

Net finance costs for the period decreased to R48 million (2019: R51 million) as a result of lower interest rates.

Profit after tax for the period decreased 4% to R155 million (2019: R161 million), while **headline earnings** remained constant at R170 million (2019: R169 million).

Basic headline earnings per share (HEPS) remained constant at 61.0 cents per ordinary share (2019: 61.1 cents).

Segmental review

South African Fishing: In the midst of the COVID-19 pandemic, the South African Fishing operation delivered a credible set of results despite the challenges in both the market and the supply chain sides. Revenue for the period ended 30 June 2020, increased 7% to R1.29 billion (2019: R1.21 billion) benefiting from a weaker exchange rate and increased in-home consumption in both local and international retail markets. These were offset by a lower value product mix and a slowdown in both local and international foodservice markets as a result of various lockdown levels being implemented across the globe. With stringent cost containment and a lower fuel price during the period, gross profit increased 14% to R526 million (2019: R463 million) with the gross profit margin expanding to 38% (2019: 36%). After absorbing R26 million of hedge losses (2019: R21 million hedging gains) and R15 million of direct COVID-19 related expenses, operating profit from the South African Fishing segment was constant at R254 million (2019: R253 million), with the operating profit margin diluting to 20% (2019: 21%).

Export revenue has increased 9%, while the combined export mix has improved to 54% (2019: 53%) of total revenue, with Europe remaining Sea Harvest's largest export market. The export business benefited from a weaker exchange rate over the period.

Locally, revenue through the retail channel increased 31% benefiting from increased in-home consumption, with the retail channel mix increasing to 13% (2019: 11%). Both the local foodservice and wholesale markets have been affected by the lockdowns, with revenue decreasing 2% and 1% respectively, with the combined local foodservice and wholesale channel mix reducing to 33% (2019: 36%).

Aquaculture: The Aquaculture segment has been a major casualty of COVID-19 with companies in the abalone sector facing a "perfect storm" since the beginning of 2019. After the extended period of red tide in early 2019, the business had to contend with political tensions in the Far East for the most part of 2019. Sales started to pick up in late 2019, however, COVID-19 was detected in China and Hong Kong, resulting in a complete lockdown and the closure of all live trade into the region. As China and Hong Kong started to emerge from the crisis, the virus spread to most parts of the world leading to a lockdown in South Africa and a near cancellation of all flights out of South Africa, hampering exports.

Likewise, the oyster and mussel operations which supply almost exclusively into foodservice, have been severely affected by COVID-19.

On the back of the lockdowns, revenue for the period decreased 63% to R15 million (2019: R40 million), resulting in an operating loss before net finance costs and tax of R26 million (2019: R5 million), after accounting for a R12 million fair value gain on the revaluation of biological assets, R6 million of hedge losses and R800 000 of direct COVID-19 related expenses.

As a result of good growth on the farms, biological asset value across the Aquaculture segment has increased 27% to R163 million (2019: R128 million).

Cape Harvest Foods: The Cape Harvest Foods segment, which incorporates Ladismith Cheese as well as Sea Harvest's factory shops, fared well during the period benefiting from increased in-home consumption, offset by a slowdown in the foodservice markets. Revenue for the segment increased 7% to R470 million (2019: R441 million) with operating profit decreasing 2% to R40 million (2019: R41 million) after accounting for R750 000 of direct COVID-19 related expenses. With retail markets benefiting from increased in-home consumption, the retail channel mix increased from 63% to 70% of segment revenue.

Australian operations: Revenue for the period increased 24% to R226 million (2019: R182 million), benefiting from significant growth in the trading division on the back of higher sales of South African hake. This was offset by lower sales from the fishing division as a result of a delayed start to the prawn fishing season in 2020 and a slowdown in high-end foodservice markets to which the business supplies its high-value prawns, scallops and crabs. The Group also benefited from a 12% depreciation in the Rand to the Australian Dollar. As a result of the higher proportion of traded products in the basket for the period, the gross profit margin has diluted from 25% to 19%.

With R5.5 million of COVID-19 relief in Australia offsetting the slowdown in markets and disruption to operations, the segment delivered operating profit of R2 million (2019: R3 million loss). The business also delivered R4 million of overhead savings for the period as a result of the minority buyout and subsequent de-listing from the ASX in 2019.

Cash flow and financial position

The Group generated cash from operations of R347 million (2019: R385 million) during the period after investing R74 million (2019: R38 million) in working capital, indicating the impact of COVID-19 on the Group and the markets in which it operates. The investment in working capital reflects:

- higher levels of inventory as a result of the slowdown in the foodservice markets, higher levels of abalone inventory and the later start to the Shark Bay fishing season; and
- higher levels of debtors as a result of increased sales in May and June 2020 as lockdowns eased. The debtors' book was well managed during the period.

The Group utilised R189 million (2019: R693 million, including the R558 million acquisition of Ladismith Cheese on 1 January 2019) in investing activities during the period including:

- R155 million (2019: R107 million) invested in additions to property, plant and equipment; and
- R34 million (2019: R35 million) in biological assets.

During the period the Group utilised R183 million of cash in financing activities after advancing loans of R56 million to related parties, paying a dividend of R147 million (2019: R117 million) and raising a net R36 million of borrowings during the period.

The Group opened the period with cash of R229 million on hand, utilised R116 million of cash during the period, and ended the period with R114 million of cash on hand. With interest-bearing borrowings of R1.294 billion, the Group's net interest-bearing debt position for the period ended 30 June 2020 was R1.180 billion.

COMMENTARY CONTINUED

COVID-19

Stringent measures, aligned to new regulations, were introduced to safeguard the health and well-being of our 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.

The COVID-19 virus has had an effect on the performance of the Group since early January 2020. Italy, Spain and China are core markets for the Group and these markets were in lockdown from the beginning of the year. This was followed on the supply side with the virus impacting the Saldanha facilities during the months of May, June and July, with August seeing the Saldanha region through the peak. The outbreak of the virus resulted in significant disruption, increased absenteeism and lower throughput.

The Group took a proactive approach to COVID-19, establishing a COVID-19 Executive Task Team early in the pandemic, led by the Group CEO and including the managing directors, senior executives and COVID-19 officers of each business/site, and involved a four-pronged strategy:

- **Communication:** Included regular communications and feedback with key stakeholders through multiple communication platforms as well as regular contact with COVID-19 positive employees, close contacts and persons in isolation in order to assist with their needs and ensure their well-being.
- **Prevention:** These measures included: health screening; hygiene procedures; physical distancing, limited access points and Personal Protective Equipment (PPE); private transport and work from home options to contain the spread of the virus.
- **Disruption:**
  - In order to mitigate the disruption to production and operations, the Group segregated production facilities into smaller units.
  - From a demand-side mitigation perspective, the Group looked to prioritise markets and channels that were open and to balance supply with demand.
  - From a supply chain disruptions perspective, the Group ensured that supply chains (including access to ports) remained open so that the Group could continue to ship and export.
- **Lockdown:**
  - Regular contact maintained with COVID-19 positive employees as well as close contacts and persons in isolation in order to assist with their needs and well-being. This included assisting staff who were ill with the delivery of hygiene and food parcels as well as the completion of TERS/ illness benefit applications.
  - Conserving cash: Suspending all non-critical capital expenditure with an increased focus on working capital.

The Group has spent in excess of R16.7 million in South Africa on direct COVID-19 related costs.

Driving transformation

Sea Harvest Group is proud to have retained a Level 1 B-BBEE contributor status.

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

Sea Harvest is a co-founding member of the South African Fisheries Development Fund, a joint initiative with Brimstone. The fund was established to empower small-scale businesses in the fishing and allied sectors.

During the period, the Sea Harvest Foundation spent in excess of R3.2 million on community-based projects. This included the Group distributing more than 10 000 food parcels throughout the Western Cape, Southern Cape and Eastern Cape in order to support the vulnerable during the COVID-19 lockdown.

Dividends

In accordance with the Group's dividend policy, no interim dividend is declared or proposed for the six months ended 30 June 2020.

Outlook

The FRAP 2020/21 guidelines have been gazetted, with the timelines indicating that the FRAP process would begin in October 2020 and culminate in December 2021.

While markets are generally more settled since the first outbreaks in December 2019, and living with COVID-19 becomes the norm, it is difficult to estimate the impact of the pandemic on the supply chain and the markets. The situation is fluid as various markets re-establish different lockdowns on the back of second or third COVID-19 outbreaks or indeed, lift lockdowns on the back of recoveries.

The Group will continue to focus on its COVID-19 protocols to ensure the safety and well-being of its employees; continue to match supply with demand and conserve cash through the suspension of non-critical capital expenditure; and continue with its focus on sound working capital management.

Management will also prioritise improving the performance of operations in the second half of the year in order to re-establish efficiency ratios, which have been impacted by the effects of COVID-19.

We wish to thank our employees for their loyalty, dedication, care and professionalism in contributing to the success of the Group in this most trying of times.

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

On behalf of the Board

FJ Robertson
Chairperson
Cape Town
31 August 2020

F Ratheb
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		NOTES	UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
3 966 452	Revenue	4	**1 999 648**	1 870 122
(2 695 637)	Cost of sales		**(1 334 012)**	(1 258 635)
1 270 815	**Gross profit**		**665 636**	611 487
73 544	Other operating (loss)/income		**(21 833)**	36 801
(158 484)	Selling and distribution expenses		**(98 954)**	(70 186)
(13 214)	Marketing expenses		**(9 497)**	(7 082)
(573 081)	Other operating expenses		**(278 360)**	(289 679)
599 580	**Operating profit before fair value gains and associate income**		**256 992**	281 341
(112)	Share of profit/(loss) in associate		**41**	(306)
891	Gain on bargain purchase		**–**	–
34 339	Fair value gains/(losses)		**9 466**	(291)
634 698	**Operating profit before net finance costs and taxation**		**266 499**	280 744
21 413	Investment income		**13 005**	8 926
(121 919)	Interest expense		**(61 486)**	(59 995)
534 192	**Profit before taxation**		**218 018**	229 675
(138 679)	Taxation		**(63 240)**	(69 011)
395 513	**Profit after taxation**		**154 778**	160 664
	Profit after taxation attributable to:			
412 478	Shareholders of Sea Harvest Group Limited		**169 025**	169 306
(16 965)	Non-controlling interests		**(14 247)**	(8 642)
395 513			**154 778**	160 664
	Earnings per share (cents)			
149.3	- Basic		**61.0**	61.1
143.3	- Diluted		**58.6**	58.8

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
395 513	**Profit after taxation**	**154 778**	160 664
	Other comprehensive income		
	Items that may be reclassified subsequently to profit or loss:		
137 641	Movement on cash flow hedging reserve	**(215 256)**	113 462
(59 199)	Cost of hedging reserve	**(30 246)**	(70 735)
19 608	Reserves recycled to other operating income	**40 000**	19 837
(14 045)	Exchange differences on foreign operations	**106 809**	(13 163)
	Items that may not be reclassified subsequently to profit or loss:		
3 645	Net measurement gain on defined benefit plan	**–**	–
87 650	**Other comprehensive (loss)/income, net of tax**	**(98 693)**	49 401
483 163	**Total comprehensive income for the period**	**56 085**	210 065
	Total comprehensive income attributable to:		
498 319	Shareholders of Sea Harvest Group Limited	**76 228**	220 005
(15 156)	Non-controlling interests	**(20 143)**	(9 940)
483 163		**56 085**	210 065

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		NOTES	UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	RESTATED* UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
	ASSETS			
1 881 734	Property, plant, equipment and vehicles[1]		**1 984 632**	1 819 404
136 695	Right-of-use assets		**130 358**	132 061
61 448	Biological assets		**81 313**	128 647
639 795	Intangible assets[2]		**737 720**	646 669
849 615	Goodwill		**868 200**	850 090
5 204	Investment in associate		**5 245**	5 009
25 264	Investment at fair value through other comprehensive income	7	**25 264**	25 264
23 218	Financial assets	7	**25 071**	24 677
81 799	Loans to related parties	9.1	**134 677**	82 220
78 464	Loans to supplier partners		**80 550**	70 869
3 606	Long-term loan receivable		**3 886**	2 500
611	Deferred tax assets		**867**	387
3 787 453	**Non-current assets**		**4 077 783**	3 787 797
582 162	Inventories		**651 869**	616 475
77 891	Biological assets		**82 130**	–
696 020	Trade and other receivables		**746 453**	599 846
–	Contract receivable		**–**	4 185
1 609	Short-term loan receivable		**–**	3 996
124 947	Financial assets[3]	7	**36**	69 743
8 289	Tax assets		**8 562**	10 037
237 882	Cash and bank balances		**120 752**	120 269
1 728 800	**Current assets**		**1 609 802**	1 424 551
5 516 253	**Total assets**		**5 687 585**	5 212 348

** The financial results for the period ended 30 June 2019 have been restated for the finalisation of the purchase price allocation of the Ladismith Cheese business combination. Refer to note 3.*

[1] Movement in property, plant, equipment and vehicles during the period includes capital expenditure on vessels of R108 million.

[2] Movement in intangible assets mainly relates to the effects of the foreign currency translation on foreign operations of R100 million.

[3] Financial assets decreased as a result of the Group's export hedges being out of the money as a result of the Rand weakening against the US Dollar, the Euro and the Australian Dollar.

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		NOTES	UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	RESTATED* UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
	EQUITY AND LIABILITIES			
1 810 506	Stated capital		**1 809 968**	1 810 506
(36 953)	Other reserves[1]		**(120 646)**	(79 982)
663 721	Retained earnings		**686 585**	420 548
2 437 274	Attributable to shareholders of Sea Harvest Group Limited		**2 375 907**	2 151 072
76 500	Non-controlling interests		**55 405**	83 542
2 513 774	**Capital and reserves**		**2 431 312**	2 234 614
1 268 291	Long-term borrowings		**1 498 062**	1 310 287
22 510	Employee-related liabilities		**22 697**	25 240
27 509	Share-based payment liability		**29 065**	24 654
32 236	Deferred grant income		**31 596**	33 846
90 862	Contingent consideration	8	**95 418**	128 578
20 522	Financial liabilities	7	**25 239**	20 094
146 230	Lease liabilities		**141 167**	141 269
478 545	Deferred taxation		**425 623**	463 507
2 086 705	**Non-current liabilities**		**2 268 867**	2 147 475
285 685	Short-term borrowings		**150 960**	210 219
546 052	Trade and other payables		**578 148**	517 583
13 670	Lease liabilities		**14 804**	13 297
15 909	Share-based payment liability		**–**	14 196
3 317	Deferred grant income		**3 169**	3 510
21 248	Financial liabilities[2]	7	**206 888**	23 462
21 088	Short-term provisions		**16 882**	38 433
216	Taxation		**9 607**	32
8 589	Bank overdrafts		**6 948**	9 527
915 774	**Current liabilities**		**987 406**	830 259
5 516 253	**Total equity and liabilities**		**5 687 585**	5 212 348

** The financial results for the period ended 30 June 2019 have been restated for the finalisation of the purchase price allocation of the Ladismith Cheese business combination. Refer to note 3.*

[1] Movement in other reserves is largely as a result of the Group's export hedges being out of the money as a result of the Rand weakening against the US Dollar, the Euro and the Australian Dollar, offset by the effects of the foreign currency translation on foreign operations.

[2] Financial liabilities increased as a result of the Group's export hedges being out of the money due to the Rand weakening against the US Dollar, the Euro and the Australian Dollar.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
2 069 327	**Balance at the beginning of the period**	**2 513 774**	2 069 327
	Attributable to:		
1 814 665	Shareholders of Sea Harvest Group Limited	**2 437 274**	1 814 665
254 662	Non-controlling interests	**76 500**	254 662
(11 997)	**IFRS 16 adjustment**	**–**	(11 997)
	Attributable to:		
(10 417)	Shareholders of Sea Harvest Group Limited	**–**	(10 417)
(1 580)	Non-controlling interests	**–**	(1 580)
2 057 330	**Adjusted balance at the beginning of the period**	**2 513 774**	2 057 330
	Attributable to:		
1 804 248	Shareholders of Sea Harvest Group Limited	**2 437 274**	1 804 248
253 082	Non-controlling interests	**76 500**	253 082
498 319	**Total comprehensive income for the period attributable to shareholders of Sea Harvest Group Limited**	**76 228**	220 005
412 478	Profit after taxation	**169 025**	169 306
85 841	Movements in other items of comprehensive income, net of tax	**(92 797)**	50 699
	Movements attributable to shareholders of Sea Harvest Group Limited		
300 000	Shares issued	**–**	300 000
(28 255)	Shares repurchased	**(538)**	(28 255)
(116 251)	Dividends paid	**(146 161)**	(116 251)
(17 810)	Share-based payments	**9 104**	(25 697)
(2 978)	Further acquisition of investment in subsidiary	**–**	(2 978)
(176 581)	Movement attributable to non-controlling interests	**(21 095)**	(169 540)
2 513 774	**Balance at the end of the period**	**2 431 312**	2 234 614

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
	Operating activities		
395 513	Profit after taxation	**154 778**	160 664
443 706	Adjustments for non-cash and other items	**265 328**	261 979
839 219	Operating cash flows before changes in working capital	**420 106**	422 643
(6 544)	Increase in inventories	**(48 872)**	(36 554)
(112 049)	Increase in trade and other receivables	**(37 988)**	(18 840)
47 555	Increase in trade and other payables	**13 255**	17 802
768 181	Cash generated from operations	**346 501**	385 051
14 617	Investment income received	**9 261**	6 679
17 181	Proceeds from government grant	**1 088**	17 181
(119 509)	Income taxes paid	**(44 950)**	(52 818)
(120 055)	Interest paid	**(57 019)**	(59 904)
560 415	Net cash generated from operating activities	**254 881**	296 189
	Investing activities		
(558 139)	Acquisition of investment in subsidiary	**–**	(558 147)
22 098	Proceeds on disposal of property, plant, equipment and vehicles	**836**	190
(264 629)	Acquisition of property, plant, equipment and vehicles	**(155 271)**	(107 432)
(30)	Acquisition of intangible assets	**(1 787)**	(30)
(69 007)	Additions to biological assets	**(33 700)**	(34 639)
8 299	Cash movement in other long-term and short loans	**1 329**	7 018
(861 408)	Net cash utilised in investing activities	**(188 593)**	(693 040)
	Financing activities		
300 000	Shares issued	**–**	300 000
(50 962)	Shares repurchased	**(9 053)**	(50 962)
347 497	Proceeds from borrowings	**416 532**	280 159
(540 294)	Repayment of borrowings and lease liabilities	**(380 707)**	(498 583)
(21 401)	Repayment of financial liabilities	**(11 145)**	(21 401)
(117 154)	Dividends paid	**(147 115)**	(117 154)
(6 032)	Amounts advanced to supplier partners	**–**	(300)
–	Amounts advanced to related parties	**(56 270)**	–
5 686	Proceeds on loans advanced to supplier partners	**150**	3 000
–	Proceeds on loans advanced to related parties	**4 900**	–
(168 890)	Further investment in subsidiary	**–**	(168 890)
(251 550)	Net cash utilised in financing activities	**(182 708)**	(274 131)
(552 543)	Net decrease in cash and cash equivalents	**(116 420)**	(670 982)
781 679	Cash and cash equivalents at the beginning of the period	**229 293**	781 679
157	Effects of exchange rates on the balance of cash held in foreign operation	**931**	45
229 293	**Cash and cash equivalents at the end of the period**	**113 804**	110 742

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with, and contain the information required by IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa, No 71 of 2008. The condensed financial information has been prepared under the supervision of the Chief Financial Officer, M Brey CA(SA).

The information has not been audited or reviewed by the Group's auditors, Deloitte & Touche.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated interim 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 2019.

3. RESTATEMENT OF THE FINANCIAL RESULTS FOR THE PERIOD ENDED 30 JUNE 2019

The financial results for the period ended 30 June 2019 have been restated for the finalisation of the purchase price allocation of the Ladismith Cheese business combination. The relevant effects of this adjustment to the statement of financial position are summarised as follows:

	PROVISIONAL FAIR VALUE REPORTED AT 30 JUNE 2019 R'000	MEASUREMENT PERIOD ADJUSTMENTS R'000	RESTATED CLOSING BALANCE R'000
Assets acquired and liabilities assumed			
Intangible assets	–	45 813	45 813
Deferred tax liabilities	(35 983)	(13 695)	(49 678)
Total identifiable assets and liabilities	(35 983)	32 118	(3 865)
Goodwill	262 699	(32 118)	230 581

The intangible asset identified was the Ladismith Cheese brand. The fair value was determined by an external independent valuer 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 Ladismith Cheese brand's useful life was assessed as indefinite, as management has, based on an analysis of relevant factors, concluded that there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the Group. As such, the restatement does not have any impact on prior period retained earnings and profit.

4. REVENUE

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
	Group revenue for the period can be analysed as follows:		
3 938 116	Revenue recognised at a point in time	**1 989 960**	1 856 805
28 336	Revenue recognised over time	**9 688**	13 317
3 966 452		**1 999 648**	1 870 122
	Revenue from sale of goods comprises:		
2 510 694	Wild-caught fish[1]	**1 316 691**	1 200 092
267 297	Shellfish[2]	**118 332**	115 721
94 499	Vegetables and meals	**45 490**	49 875
190 171	Traded	**89 275**	103 892
903 791	Dairy	**429 860**	387 225
3 966 452		**1 999 648**	1 856 805
	Revenue is further split by geographic location as follows:		
2 209 799	South Africa	**1 085 449**	1 034 570
447 178	Australia	**240 127**	202 197
1 113 675	Europe	**590 916**	558 179
195 800	Other markets	**83 156**	75 176
3 966 452		**1 999 648**	1 870 122

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. Vegetables and meals 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.

[1] *Cape hake, Horse Mackerel and related bycatch.*

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
5.		**HEADLINE EARNINGS PER SHARE**		
5.1		DETERMINATION OF HEADLINE EARNINGS		
	412 478	Profit for the period attributable to shareholders of Sea Harvest Group Limited	**169 025**	169 306
	(4 675)	Loss/(profit) on disposal of property, plant, equipment and vehicles	**1 304**	71
	(891)	Gain on bargain purchase	**–**	–
	3 505	Total tax effects of adjustments	**(365)**	(21)
	410 417	**Headline earnings for the period**	**169 964**	169 356
5.2		CALCULATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
	276 365 749	Weighted average number of shares on which earnings and headline earnings per share are based	**278 604 174**	277 023 122
	287 774 594	Weighted average number of shares on which diluted earnings and diluted headline earnings per share are based	**289 986 595**	287 868 328
		Reconciliation of weighted average number of shares between basic and diluted earnings per share and headline earnings and diluted headline earnings per share:		
	276 365 749	Basic	**278 604 174**	277 023 122
	11 408 845	Dilutive instruments	**11 382 421**	10 845 206
	287 774 594	**Diluted**	**289 986 595**	287 868 328
		Headline earnings per share (cents)		
	148.5	**– Basic**	**61.0**	61.1
	142.6	**– Diluted**	**58.6**	58.8

6. SEGMENTAL RESULTS

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

RESTATED AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
	Segment revenue		
2 470 044	South African Fishing[1]	**1 288 711**	1 207 287
437 752	Australian operations	**226 151**	181 742
68 920	Aquaculture[2]	**14 791**	40 044
989 736	Cape Harvest Foods	**469 995**	441 049
3 966 452	**Total revenue**	**1 999 648**	1 870 122
	Segment profit/(loss) from operations		
526 589	South African Fishing	**253 797**	252 786
6 652	Australian operations	**1 527**	(3 241)
(29 818)	Aquaculture	**(38 667)**	(9 434)
96 157	Cape Harvest Foods	**40 335**	41 230
599 580	**Operating profit before fair value gains/(losses) and associate income**	**256 992**	281 341
34 339	Fair value gains/(losses)	**9 466**	(291)
891	Gain on bargain purchase	**–**	–
(112)	Share of profit/(loss) in associate	**41**	(306)
21 413	Investment income	**13 005**	8 926
(121 919)	Interest expense	**(61 486)**	(59 995)
534 192	**Profit before taxation**	**218 018**	229 675
	Total assets		
3 093 199	South African Fishing	**2 978 237**	2 856 902
886 253	Australian operations	**1 123 780**	895 026
696 867	Aquaculture	**716 831**	670 040
839 934	Cape Harvest Foods	**868 737**	776 685
5 516 253		**5 687 585**	5 198 653
	Total liabilities		
1 961 289	South African Fishing	**2 104 424**	1 918 395
389 157	Australian operations	**482 108**	396 005
450 260	Aquaculture	**471 367**	473 658
201 773	Cape Harvest Foods	**198 374**	175 981
3 002 479		**3 256 273**	2 964 039

[1] Revenue excludes inter-segmental revenue of R79.6 million (2019: R66.9 million) which is eliminated on consolidation.
[2] Revenue excludes inter-segmental revenue of R1.4 million (2019: R4.1 million) which is eliminated on consolidation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
7. OTHER FINANCIAL ASSETS AND LIABILITIES			
148 165	**Financial derivative assets**	**25 107**	94 420
23 218	Non-current portion of financial assets[1]	**25 071**	24 677
124 947	Current portion of financial assets[2]	**36**	69 743
	Other financial asset		
25 264	Investment at fair value through other comprehensive income[3]	**25 264**	25 264
160	**Financial derivative liabilities**	**194 007**	2 257
160	Current portion of financial liabilities[2]	**194 007**	2 257
	Other financial liability		
41 610	Fishing licence liability[4]	**38 120**	41 299
20 522	Non-current portion of financial liability	**25 239**	20 094
21 088	Current portion of financial liability	**12 881**	21 205

[1] CALL OPTION DERIVATIVE

Included in non-current financial assets is a call option to acquire 100% of the shareholding in Vuna Fishing Company Proprietary Limited from Vuna Fishing Group Proprietary Limited. The fair value was independently determined by an expert using the Black-Scholes option pricing model. The call option financial asset has been classified as a non-current asset at 30 June 2020 due to the expected exercising date thereof exceeding 12 months from the reporting date. The call option disclosed in financial assets is regarded as a level 3 financial instrument for fair value measurement purposes. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The movement in the call option derivative is as follows:

25 912	Opening balance	**23 218**	25 912
(2 694)	Fair value movement	**1 853**	(1 235)
23 218	Closing balance	**25 071**	24 677

Assumption sensitivity analysis

The Group has performed a sensitivity analysis relating to its exposure to a change in the assumptions used in the valuation. The sensitivity analysis demonstrates the increase/(decrease) in the asset held at fair value through profit or loss which could result from a change in these assumptions.

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
7. OTHER FINANCIAL ASSETS AND LIABILITIES (continued)			
	Vuna Fishing Company valuation		
2 063	+ 5%	**1 955**	1 939
(2 029)	- 5%	**(1 926)**	(1 913)
	Yield curve 5.982% (2019: 7.451%)		
1 351	+ 5%	**1 597**	1 404
(1 240)	- 5%	**(1 548)**	(1 382)
	Volatility 41.601% (2019: 31.491%)		
1 227	+ 1%	**911**	1 028
(1 249)	- 1%	**(923)**	(1 049)

As Vuna Fishing Company Proprietary Limited is unlisted, the volatility was determined using the quadratic mean volatility of peer group companies.

[2] FINANCIAL DERIVATIVE ASSETS AND LIABILITIES

Financial assets and liabilities arise from hedging contracts entered into by the Group for the purpose of minimising the Group's exposure to foreign currency volatility. Hedging contracts are regarded as level 2 financial instruments for fair value measurement purposes. Level 2 fair value measurements are those derived from inputs that are observable for the asset or liability, either directly, i.e. as prices or indirectly, i.e. derived from prices.

[3] INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group holds 10% of the ordinary share capital of Desert Diamond Fishing Proprietary Limited, a company involved in the fishing and fish processing industries.

The Group reassesses the valuation of the fair value through other comprehensive income investment annually by using an asset valuation method performed by an independent valuator.

This investment is regarded as a level 3 financial instrument. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assumption sensitivity analysis

The Group has performed a sensitivity analysis relating to its exposure to a change in the assumptions used in the valuation. The sensitivity analysis demonstrates the increase/(decrease) on the investment which could result from a change in this assumption.

	Desert Diamond vessel valuation		
1 263	+5%	**1 263**	1 263
(1 263)	-5%	**(1 263)**	(1 263)

[4] FISHING LICENCE LIABILITY

The fishing licence liabilities relate to the Shark Bay Prawn Managed Fishery Voluntary Fisheries Adjustment Scheme (VFAS). The VFAS operates from 12 November 2010 until 1 July 2021. Sea Harvest Australia owns 10 fishing licences in the Shark Bay region. The liabilities shown represent present values discounted at the five-year Australian Corporate Bond rate. Fishing licence liabilities are carried at amortised cost.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

8. CONTINGENT CONSIDERATION

The contingent consideration relates to the acquisition of Viking Fishing and Viking Aquaculture in the 2018 financial year and was estimated by an independent valuer based on Viking Fishing and Viking Aquaculture achieving the earn-out targets for the 2018 and 2019 financial years, discounted at the prime lending rate. It is regarded as a level 3 financial instrument for fair value measurement purposes. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The movement in the contingent consideration is as follows:

AUDITED YEAR ENDED 31 DECEMBER 2019 R'000		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
121 910	Opening balance	**90 862**	121 910
(31 048)	Fair value movement	**4 556**	6 668
90 862	**Closing balance**	**95 418**	128 578

9. RELATED PARTY TRANSACTIONS

This disclosure relates to material related party balances and transactions.

9.1 RELATED PARTY LOANS

	Loans to related parties – non-current		
27 420	Vuna Fishing Company Proprietary Limited (joint venture of Brimstone Investment Corporation Limited)	**27 420**	27 420
45 068	Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	**45 068**	45 069
9 311	SeaVuna Fishing Company Proprietary Limited[1]	**62 189**	9 731
81 799	**Total**	**134 677**	82 220
	Loans to related parties – non-current (investment in associate)		
4 000	Specialised Aquatic Feeds Proprietary Limited (associate of Viking Aquaculture Proprietary Limited)	**4 000**	4 000
4 000	**Total**	**4 000**	4 000

9.2 RELATED PARTY TRANSACTIONS

	Sales to related parties		
43 933	SeaVuna Fishing Company Proprietary Limited[1]	**23 159**	29 686
	Purchases from related parties		
214 182	SeaVuna Fishing Company Proprietary Limited[1]	**122 334**	113 477

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

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

10. STATED CAPITAL (NUMBER)

AUDITED YEAR ENDED 31 DECEMBER 2019		UNAUDITED SIX MONTHS ENDED 30 JUNE 2020 R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2019 R'000
	In issue (number)		
294 293 814	Ordinary shares	**294 293 814**	294 293 814
(17 069 159)	Held as treasury shares	**(14 533 154)**	(17 069 159)
277 224 655		**279 760 660**	277 224 655

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

	TOTAL SHARES IN ISSUE	LESS TREASURY SHARES	TOTAL NET SHARES IN ISSUE
Opening balance	**294 293 814**	**17 069 159**	**277 224 655**
Shares repurchased	**–**	**8 000**	**(8 000)**
Shares vested	**–**	**(2 544 005)**	**2 544 005**
Closing balance	**294 293 814**	**14 533 154**	**279 760 660**

11. COVID-19 PANDEMIC ASSESSMENT AND GOING CONCERN

- The Group is fully committed to the preventative measures implemented by various governments since early 2020 to contain the spread of COVID-19 in the countries in which it operates, with our primary priority being to ensure the health and safety of our employees, preserve jobs and hence livelihoods, to ensure food security through the continuity of operations and to ensure the Group's ability to continue meeting stakeholders' expectations in terms of product demand.
- As an essential food manufacturer, the Group was exempt from lockdown and allowed to continue to operate. The Group benefited from increased demand for retail products as consumers stocked up for lockdown, however this was offset by a slowdown in the Group's foodservice markets. The Aquaculture operation, however, with its main market being China, experienced a significant decline in abalone sales due to lockdowns, first in Hong Kong and then in South Africa. As a result of lower-than-expected financial performance of the aquaculture segment, management performed an assessment of goodwill impairment as at 30 June 2020. The recoverable amount of this cash-generating unit, determined based on a value-in-use calculation, resulted in a surplus over its carrying value. The directors believe that a reasonably possible change in the assumptions would not result in an impairment of the carrying value of goodwill.
- The calculation uses cash flow projections based on financial budgets approved by the Board, covering a five-year period. The key estimates used in the value-in-use calculation included a pre-tax discount rate of 14.27%, terminal growth rate of 2% and a five-year average revenue growth of 29%. As a result of the pandemic, significant judgment was required in estimating future saleable quantities of abalone.
- There have been significant fluctuations in the foreign currencies that the Group trades in for the six-month period ended 30 June 2020. The impact of the devaluation of the South African Rand against the US Dollar, the Euro and the Australian Dollar resulted in the hedges on export sales moving to an out of the money position. For foreign sales, the Group continues to apply its hedging strategy where fair value movements on the hedging instruments are deferred in equity until such time as the hedged transaction is recognised.

GOING CONCERN

- Management has assessed the going concern assumption taking into account the impact of COVID-19, which took into account cash flow analysis, operational analysis and available funding facilities. The cash flow analysis considered all 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, 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. Therefore, the directors have no reason to believe that the Group will not be a going concern in the foreseeable future and accordingly, the interim financial statements have been prepared on a going concern basis.

12. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the items outlined in note 11 which the Group continues to assess, 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 state of affairs of the Group.

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