REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report which forms part of the annual financial statements of Sea Harvest Group Limited and its subsidiaries ("the Group") for the year ended 31 December 2019.

Nature of business and operations

Sea Harvest is a leading black-controlled and internationally recognised, vertically integrated fishing and branded FMCG business established in 1964. The Group's principal business is deep-sea trawling, the processing of its catch into a range of value-added frozen and chilled seafood and the marketing of its produce nationally and internationally. Its range of products in South Africa include hake, horse mackerel, prawn, anchovy, pilchard and tuna. In addition, the Group have the following operations:

- Sea Harvest Australia (formerly "Mareterram Limited"), a vertically integrated agribusiness which processes and packs king and tiger prawns, scallops, crabs and spanish mackerel for the Australian domestic and international markets, and operates a nationwide food service sales and distribution business;
- the acquisition of 51% of the shares of Viking Aquaculture in the prior year delivered diversification for the Group into high-value aquaculture; and
- the acquisition of Ladismith Cheese, a value-added dairy operation, with effect from 2 January 2019, was a further step in the execution of the Group's stated investment strategy of growing through acquisitions in complementary sectors of the South African food and agricultural industry which exhibit strong fundamentals and growth, and where the Group is able to leverage its core competencies and strengths.

Financial results and general review

The results for the year under review are reflected in the statement of comprehensive income on **page 18** of our AFS.

The profit attributable to ordinary shareholders for the year is R412.5 million (2018: R281.2 million).

Share capital

The following share movements occurred during the year under review:

	TOTAL SHARES IN ISSUE	LESS TREASURY SHARES	TOTAL NET SHARES IN ISSUE
Balance at the beginning of the year	**272 865 243**	**15 685 629**	**257 179 614**
Shares issued	**21 428 571**	**–**	**21 428 571**
Shares vested in terms of the Group's forfeitable share plan	**–**	**(646 884)**	**646 884**
Shares repurchased	**–**	**2 030 414**	**(2 030 414)**
Closing balance	**294 293 814**	**17 069 159**	**277 224 655**

On 7 January, as part of the acquisition of Ladismith Cheese, part of the consideration was funded by way of vendor consideration placement, whereby Sea Harvest's holding company, Brimstone Investment Corporation Limited, through its wholly owned subsidiary Newshelf 1169 Proprietary Limited, subscribed for 21 428 571 shares at a price of R14 per share, resulting in a total subscription of R300 million.

Details of the authorised and issued share capital of the Company are set out in **note 20** of our AFS.

REPORT OF THE DIRECTORS CONTINUED

Special resolutions

During the 2019 financial year, the shareholders of the Company passed the following special resolutions:

- The approval of the general authority to re-purchase the Company's shares, the effect of which was to authorise the Company and or its subsidiaries to re-purchase its own securities.
- The approval of the Non-executive Director's remuneration, the effect of which was to approve the annual remuneration of Non-executive Directors for the period from 1 July 2019 to 30 June 2020.
- The general approval to provide financial assistance to related or inter-related companies, the effect of which was to authorise the Company to provide direct and indirect financial assistance to related or inter-related companies or corporations in terms of section 45 of the Companies Act.
- The general approval of provision of financial assistance for the acquisition of shares, the effect of which was to grant the Board of Directors of the Company the general authority to provide such direct or indirect financial assistance.
- The approval to buy back 2 064 475 shares from The Management Investment Trust No.2.

Changes to the Board

N Aston resigned as the Company Secretary effective 31 October 2019, with JP de Freitas acting as the Company Secretary from 1 November 2019.

Directors

The names of the directors in office at the date of this report appear on the inside back cover of the annual financial statements, along with the name, business and postal address of the Company Secretary.

Directors' interest in shares

The aggregate direct and indirect beneficial interest of the directors in the issued share capital of the Company at 31 December was as follows:

	NUMBER OF SHARES			
	DIRECT BENEFICIAL	INDIRECT BENEFICIAL	TOTAL	PERCENTAGE OF ISSUED ORDINARY SHARE CAPITAL
2019				
M Brey	**1 299 098**	**–**	**1 299 098**	**0.44%**
JP de Freitas	**1 301 915**	**–**	**1 301 915**	**0.44%**
WA Hanekom	**–**	**730 009**	**730 009**	**0.25%**
MI Khan	**8 000**	**–**	**8 000**	**0.00%**
T Moodley	**–**	**8 000**	**8 000**	**0.00%**
BM Rapiya	**40 000**	**–**	**40 000**	**0.01%**
F Ratheb	**2 160 863**	**–**	**2 160 863**	**0.73%**
F Robertson	**5 600**	**233 326**	**238 926**	**0.08%**
Total	**4 815 476**	**971 335**	**5 786 811**	**1.95%**
2018				
M Brey	1 035 658	–	1 035 658	0.38%
JP de Freitas	1 064 524	–	1 064 524	0.39%
WA Hanekom	–	730 009	730 009	0.27%
MI Khan	8 000	–	8 000	0.00%
T Moodley	–	8 000	8 000	0.00%
LJ Penzhorn	16 800	–	16 800	0.01%
BM Rapiya	40 000	–	40 000	0.01%
F Ratheb	2 414 407	–	2 414 407	0.88%
F Robertson	5 600	221 390	226 990	0.08%
Total	**4 584 988**	**959 399**	**5 544 387**	**2.02%**

REPORT OF THE DIRECTORS CONTINUED

The following shares have been issued to directors in terms of the forfeitable share plan since 31 December 2019 and the date of approval of the annual financial statements:

M Brey	**315 139**
JP de Freitas	**315 139**
F Ratheb	**612 308**

Details of directors' individual interests in options held in terms of the forfeitable share plan are set out in **note 36** of our AFS.

Subsidiaries

Details of the Company's interest in and share of aggregate profits and losses of its subsidiaries is given in separate schedules on **pages 106 and 107** of our AFS.

Property, plant and equipment

Capital expenditure during the year amounted to R264.6 million (2018: R319.3 million). Further details are disclosed in **note 7** of our AFS. During the year there was no major change in the nature of the assets or in the policy relating to their use.

Directors' responsibility for the annual financial statements

The directors are responsible for the preparation and fair presentation of the Group and Company annual financial statements of Sea Harvest Group Limited, comprising the statements of financial position as at 31 December 2019, and the statements of comprehensive income, statements of changes in equity and cash flows for the year ended, and the notes thereto which includes a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

Internal control

The directors are responsible for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and effective systems of risk management as well as the preparation of the supplementary schedules included in these annual financial statements.

Going concern

The directors believe that the Group and Company have adequate financial resources to continue in operation for the foreseeable future, including specific consideration of the risk associated with COVID-19. Accordingly the annual financial statements have been prepared on the going concern basis.

Litigation

There is no material litigation outstanding for the Company or its subsidiaries.

Events subsequent to the reporting date

- On 2 January 2020, the Group has, through its wholly-owned subsidiary Sea Harvest Corporation Proprietary Limited, entered into an agreement to purchase a consideration claim of R56 million payable by SeaVuna Fishing Company Proprietary Limited, a wholly-owned subsidiary of Vuna Fishing Company Proprietary Limited, which is a joint venture of Brimstone Investment Corporation Limited, to Viking Fishing Holding Proprietary Limited.
- The Board of Directors recommended a gross and final cash dividend on 2 March 2020 amounting to 50 cents per share (2018: 40 cents), comprising an ordinary dividend of 45 cents and a special dividend of 5 cents per share, in respect of the year ended 31 December 2019.
- Subsequent to 31 December 2019, the Group has assessed the impact of COVID-19 on the annual financial statements and considered the potential impairment indicators for its various businesses as well as the assumptions used in testing goodwill for impairment. As at the date of approving these annual financial statements, management have assessed that there is no material impact on the annual financial statements for the year ended 31 December 2019.

  As an essential food manufacturer, the Group is exempt from lockdown and is allowed to continue to operate, provided that there are no supply chain disruptions (such as shortages of fuel, packaging and other key supplies) and no disruption to labour.

  Management will continue to assess the financial impact of COVID-19 while placing the health and safety of the employees first.
- After the balance sheet date, there has been a significant fluctuations in the foreign currencies that the Group trades in. Under IFRS these are non-adjusting events in respect of the year-end 31 December 2019. The impact of devaluation of the SA Rand against the US Dollar and Euro is continuously being evaluated. At this point in time there are insufficient data points to understand the long term impacts of COVID-19 on future profitability and the consequent carrying value of assets. For foreign sales the Group continues to apply it hedging strategy where fair value movements on the hedging instruments are deferred in equity until such time as the hedged transaction is recognised. The full extent and timing of the impact of these events is not yet known and will only be determined at the point at which the hedged transaction is recognised. We are not able to estimate the expected financial effect of the exchange rate devaluation at this point in time.

Other than as outlined above, there has not arisen in the interval between the end of the financial year 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.