REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report which forms part of the annual financial statements for Sea Harvest Group Limited and its subsidiaries ("the Group") for the year ended 31 December 2017.

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.

The Group also includes Mareterram Limited, a vertically integrated agri-business listed on the Australian Stock Exchange that catches, processes and packs king and tiger prawns for the Australian domestic and international markets, and operates a nationwide food service sales and distribution business.

In December 2016 the entity was converted from a private company to a public company and accordingly its name was changed from Sea Harvest Holdings Proprietary Limited to Sea Harvest Group Limited.

Following this, on 23 March 2017, the Group was listed on the main board of the Johannesburg Stock Exchange ("JSE") (JSE share code: SGH).

FINANCIAL RESULTS AND GENERAL REVIEW

The results for the year under review are reflected in the Statement of Comprehensive Income on pages 16 and 17. The profit attributable to ordinary shareholders for the year is R259.3 million (2016: R121.9 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		**974 402 360**	**125 160 360**	**849 242 000**
Share consolidation	15 February 2017 (1:6)	**(812 001 966)**	**(104 300 300)**	**(707 701 666)**
Shares repurchased	17 February 2017 & 23 March 2017	**(17 370 821)**	**(13 870 821)**	**(3 500 000)**
Shares issued	23 March 2017	**106 333 334**	**4 400 065**	**101 933 269**
Closing balance		**251 362 907**	**11 389 304**	**239 973 603**

Following the listing on 23 March 2017 the Company issued 106 333 334 ordinary shares (2016: nil), which included 4 400 065 treasury shares, at a price of R12.50 per share, increasing stated capital by R1.2 billion. Listing costs of R35.1 million were charged against stated capital.

Details of the authorised and issued share capital of the Company are set out in note 19.

REPORT OF THE DIRECTORS
(CONTINUED)

SPECIAL RESOLUTIONS

On 16 February 2017, prior to listing and as part of the Group restructure, the shareholders of the Company passed the following special resolutions:

- The approval of the decrease of the authorised share capital by the removal of the A, B and C preference shares from the authorised share capital of the company as well as the approval of the consequential amendments to the MOI, deleting the paragraphs relating to A, B and C Preference Shares and deleting related schedules 1A, 1B and 1C and replacing these with "nil".
- The approval of the Company to enter into the following repurchase agreements with:
  - The New Sea Harvest Management Investment Trust ("MIT 1"): the "Amendment and Repurchase Agreement" repurchasing 3 500 000 ordinary shares from MIT 1;
  - The Sea Harvest Management Investment Trust No. 2 ("MIT 2"): the "Amendment and Repurchase Agreement" repurchasing 10 322 373 ordinary shares from MIT 2; and
  - Sea Harvest Employee Share Trust ("SHEST"): the "Staff Trust Amendment and Repurchase Agreement" repurchasing 3 548 448 ordinary shares from the SHEST.
- The authorisation of the Company to repurchase from the shareholders the ordinary shares as contemplated in the Repurchase Agreement.
- The approval of the Listing on the JSE and that application be made to the JSE for the placement of the required number of shares.
- The approval to issue shares to any director, future director, prescribed officer or future prescribed officer of the Company, or to a person related or inter-related to the Company, or to a person related or inter-related to a director or prescribed officer of the Company, or to any nominee of such person, in terms of Section 41(1) of the Companies Act.
- The approval to issue up to 125 733 445 shares in terms of the private placement in terms of section 41(3) of the Companies Act to the extent that such share issue is equal to or exceeds 30% of the company's issued ordinary share capital.
- The approval of provision of financial assistance for the acquisition of shares in the Company in terms of section 44(3) of the Companies Act.
- The approval of provision of financial assistance in terms of section 45(3) of the Companies Act for to any director or prescribed officer of the company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member.
- The authorisation of the Company or its subsidiaries to acquire ordinary shares in the capital of the Company (repurchase of shares).
- The approval to issue shares in terms of Section 41(1) of the Companies Act in respect of the forfeitable share plan ("FSP") to any director, future director, prescribed officer or future prescribed officer/s of the Company, or to a person related or inter-related to the Company, or to a person related or inter-related to a director or prescribed officer of the Company, or to any nominee of such person, in terms of Section 41(1) of the Companies Act.
- The approval of director's remuneration for their services as directors.

CHANGES IN THE BOARD

There were no changes to the Board during the year under review.

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			
2017	DIRECT BENEFICIAL	INDIRECT BENEFICIAL	TOTAL	PERCENTAGE OF ISSUED ORDINARY SHARE CAPITAL
Mo Brey	**113 000**	**637 314**	**750 314**	**0.30%**
JP de Freitas	**437 000**	**987 608**	**1 424 608**	**0.57%**
WA Hanekom	**-**	**730 009**	**730 009**	**0.29%**
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**	**0.02%**
F Ratheb	**752 000**	**2 176 890**	**2 928 890**	**1.17%**
F Robertson	**5 600**	**218 300**	**223 900**	**0.09%**
TOTAL	**1 372 400**	**4 758 121**	**6 130 521**	**2.45%**
2016[1]				
JP de Freitas	–	2 435 998	2 435 998	1.50%
F Ratheb	–	6 690 883	6 690 883	4.12%
TOTAL	**-**	**9 126 881**	**9 126 881**	**5.62%**

There have been no changes in the above interests since the year-end. Details of directors' individual interests in terms of the forfeitable share plan are set out in note 33.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's interest in and share of aggregate profits and losses of its subsidiaries, associate and joint venture are given in separate schedules on pages 98 and 99.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure during the year amounted to R369.9 million (2016: R105.7 million). Further details are disclosed in note 7. During the year there was no major change in the nature of the assets or in the policy relating to their use.

Note:

[1] Prior year shares in issue adjusted for 1:6 share consolidation before dilution at listing

REPORT OF THE DIRECTORS
(CONTINUED)

DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation of the Group and Company annual financial statements of Sea Harvest Group Limited in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 and accordingly the financial statements have been prepared on the going concern basis.

LITIGATION

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

DIVIDENDS

The board of directors has declared a gross full and final cash dividend of 31 cents (2016: nil) per share on 6 March 2018 in respect of the year ended 31 December 2017.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 3 November 2017, Mareterram Limited announced to the market that it would be acquiring two mackerel licence packages in the Western Australia Mackerel Managed Fishery with associated fishing vessels for a combined purchase consideration of R47.78 million (AUD 4.95 million). The transaction was completed in January 2018, per the terms of the sale and purchase agreements.

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.